

Chile y Nueva Zelanda*

■ Palabras de la embajadora Rosemary Paterson

El año 2012 marca el cuadragésimo aniversario del establecimiento de las misiones diplomáticas en Chile y Nueva Zelanda, respectivamente, por lo que es oportuno hacer un balance de cómo ha evolucionado la relación y cómo esta ha contribuido al desarrollo de cada país.

El inicio de los años setenta fue un período importante para ambos países. En Nueva Zelanda obedeció a razones económicas; en el caso de Chile, los desafíos enfrentados fueron mucho más profundos.

La incorporación de Gran Bretaña a la Comunidad Económica Europea en 1973, para la cual Nueva Zelanda se había estado preparando desde hacía tiempo, la impulsó a buscar mercados alternativos para sus exportaciones. Aunque Asia fue, y continúa siendo, la perspectiva más atractiva para los exportadores neozelandeses, América Latina se mostraba prometedora como mercado para los productos lácteos, por lo que en 1972 Nueva Zelanda abrió embajadas en Chile y Perú. El pronunciamiento militar en Chile y la dictadura posterior cambió el matiz de la relación y no fue hasta los años ochenta

* Con motivo de los cuarenta años de relaciones diplomáticas entre Chile y Nueva Zelanda, *Estudios Internacionales* ha creído interesante dar a conocer, además de las palabras preparadas para esa oportunidad por la Embajadora Rosemary Paterson, el texto de un discurso reciente (20 de octubre de 2011) del Ministro de Relaciones Exteriores, Hon. Murray McCully, en el que se refiere a las prioridades de política exterior de ese país. Se incluye finalmente la intervención realizada en esa oportunidad por Gary Hawke, profesor emérito de la VUW.

ta, con Chile aún bajo régimen militar, que se realizaron las primeras inversiones neozelandesas significativas: en el sector lácteo por la New Zealand Dairy Board y en silvicultura por Carter Holt Harvey.

En 2012, el contexto de la comunidad internacional de la que son miembros Nueva Zelanda y Chile es diferente. Si este es el siglo de Asia Pacífico, Nueva Zelanda y Chile están firmemente comprometidos a ser parte de él. Mientras que en 1972, Chile, al igual que el resto de América Latina, tenía un enfoque más orientado al interior, hoy se ha unido a Nueva Zelanda en mirar hacia la región Asia Pacífico. Al mismo tiempo, ambos comparten el firme compromiso de enfrentar los desafíos globales actuales incluyendo el cambio climático, la seguridad alimentaria, la protección de los recursos naturales, los conflictos y la crisis financiera.

Si tuviéramos que considerar la relación entre ambos países centrándonos exclusivamente en cifras comerciales, podríamos concluir que no ha sido particularmente significativa. Al término del año financiero neozelandés, en junio de 2011, las exportaciones de Chile a Nueva Zelanda alcanzaron a US\$50.7 millones y las de Nueva Zelanda a Chile a US\$50.1 millones. El rápido crecimiento de Chile lo ha transformado en un competidor para Nueva Zelanda en, por ejemplo, productos hortícolas y forestales, sectores en los que hubo inversión neozelandesa temprana en Chile.

Hoy en día, la relación económica es más sofisticada y en ella cabe destacar las importantes inversiones de Nueva Zelanda en agricultura (tanto producción como procesamiento de lácteos) y energía (exploración y extracción de petróleo, gas y geotermia). Asimismo, en estas áreas existe una significativa prestación de servicios por Nueva Zelanda, incluyendo educación.

El pilar fundamental de la relación es ahora el Acuerdo Estratégico Trans-Pacífico de Asociación Económica, o «P4» como se conoce comúnmente. El P4 fue negociado como un acuerdo de libre comercio con visión específica y la denominación de «estratégico» fue deliberada. En lo que se refiere a Chile y Nueva Zelanda, sin duda significó un reconocimiento de la prolongada relación entre los dos países, marcada por la confianza y las ideas afines. Las partes, Chile, Nueva Zelanda, Singapur y luego Brunei, comenzaron las negociaciones cons-

cientes de que posiblemente los beneficios tangibles a corto plazo de un acuerdo entre países que ya se caracterizaban por sus economías abiertas, no serían espectaculares. No obstante, estos cuatro miembros del APEC esperaban que el Acuerdo, diseñado para permitir la adhesión de otros países, pudiera dar lugar a una alianza más amplia en la región.

Debido a lo anterior y al estancamiento de la ronda de Doha, se considera que las negociaciones de la denominada Asociación Trans-Pacífica (TPP) sean las más importantes de la actual agenda comercial y económica. Inicialmente agregando Australia, Perú, Estados Unidos y Vietnam a los cuatro miembros originales (aunque la estructura no es igual a una simple adhesión), Malasia se unió al grupo en 2010. Durante la reunión de los líderes del APEC en noviembre del 2011, Canadá, Japón y México manifestaron su intención de comenzar conversaciones formales con los miembros de la TPP, Nueva Zelanda y Chile, países pequeños y relativamente aislados, no pertenecen al Grupo de los 20 aunque ambos son miembros de la OCDE y han demostrado ser capaces de compartir y promover una visión estratégica que está próxima a convertirse en realidad y que probablemente tendrá significativo impacto en la región.

Desde un punto de vista bilateral, a nivel de gobierno, ambos países trabajan en una agenda muy centrada en áreas en que la colaboración es una clara ventaja para promover el crecimiento económico. Chile es país prioritario en la Estrategia para América Latina del Gobierno de Nueva Zelanda, que establece un marco orientado a promover los vínculos del país con la región.

La colaboración en el área económica se centra principalmente en la cooperación agrícola. Lo que estamos haciendo en el plano bilateral refleja nuestros intereses comunes en la Organización Mundial del Comercio, particularmente en la necesidad de una mayor liberalización en el sector agrícola, que ambos defendemos como miembros del Grupo de Cairns. Chile también se sumó a la iniciativa de Nueva Zelanda y otros países en la reunión sobre cambio climático que tuvo lugar en Copenhague en el 2009, para promover el aumento de la producción de alimentos al mismo tiempo que reducir las emisiones de gases de efecto invernadero: la Alianza Global

de Investigación. Nuestros científicos, ya bien relacionados entre sí, están combinando sus recursos de investigación para encontrar soluciones inteligentes a este problema global.

La inversión de Nueva Zelandia en la producción lechera de pastoreo en el sur de Chile y en la elaboración de productos lácteos a través de la propiedad de Soprole, se une al creciente interés de Chile en los servicios de capacitación agrícola que ofrece Nueva Zelandia. Este país es considerado un proveedor de categoría mundial de estos servicios y los jóvenes chilenos son bien acogidos en él, donde se les considera buenos trabajadores deseosos de aprender técnicas que luego pondrán en práctica en su país de origen. Últimamente ha habido mayor énfasis en aplicar en Chile el modelo neozelandés de capacitación.

Las actividades de gobierno a gobierno en este sector se han definido por medio de la adopción de una agenda a corto plazo a nivel oficial.

En el ámbito económico y en términos más generales, los dos países han trabajado juntos para romper las barreras burocráticas, especialmente las que afectan a las Pequeñas y Medianas Empresas. Esta es un área de importancia tanto para el APEC, que propone el programa de «Facilidad para Hacer Negocios», como para las negociaciones del TPP donde, como parte del concepto de un acuerdo estilo siglo 21, existe preocupación por garantizar que las barreras «tras las fronteras» no impidan obtener los beneficios de la liberalización del comercio.

La cooperación entre Chile y Nueva Zelandia en materia de medio ambiente es de larga data. La colaboración entre los científicos en el campo de la biodiversidad se inició en la década de los años ochenta, conocida como «Conexión del Hemisferio Sur» (Southern Connection), que sigue activa. Los dos países también formaron parte del grupo del hemisferio sur a nivel de gobierno en el ex «Grupo de Valdivia». Hoy, además de la colaboración activa en los organismos multilaterales, hay considerable actividad en el plano bilateral. Esta obedece en gran medida al Acuerdo de Cooperación Ambiental del P4 (ACA). La actividad actual de Nueva Zelandia y Chile se centra en el cambio climático, las energías renovables, el manejo del agua dulce y la biodiversidad.

La primera misión de Nueva Zelanda en materia de comercio de energía limpia e inversión llegó a Chile en marzo de 2009 bajo el ACA. Ahora, la energía es uno de los pilares de la relación bilateral. La empresa neozelandesa Greymouth Petroleum tiene cuatro concesiones de petróleo y gas en la región de Magallanes. La empresa estatal Mighty River Power, que en Nueva Zelanda opera la mayor planta de energía geotérmica del mundo, ha invertido en energía geotérmica en Chile. La asociación geotérmica también se refleja en la investigación y la vinculación de las políticas públicas, así como en la prestación de servicios. Además, el gobierno de Nueva Zelanda ofrece becas a profesionales chilenos para programas de postgrado y técnicos en la Universidad de Auckland.

Ambos países han reconocido el potencial de la energía marina y con dos proyectos en marcha en Nueva Zelanda, han aprovechado la oportunidad para intercambiar experiencias a nivel de expertos.

La visita del entonces Ministro de Energía Ricardo Raineri a Nueva Zelanda en 2010 resultó en una declaración conjunta sobre energía con su homólogo a la sazón, el Ministro Gerry Brownlee. Para poner en práctica esta declaración, los dos gobiernos elaboraron una agenda futura cuyas primeras actividades ya se han llevado a efecto.

La importancia de una gestión responsable de los recursos naturales del mundo ha sido durante mucho tiempo un tema que ha unido a Nueva Zelanda y Chile. Fue esta preocupación la que llevó a los dos países, de la mano con Australia, a patrocinar las negociaciones sobre la creación de la Organización Regional del Pacífico Sur de Ordenación Pesquera. La creación de esta Organización, una vez que el tratado entre en vigor, cerrará una brecha en que la explotación de los recursos marinos vivos en una vasta área de océano no estaba regulada. El tema más crítico por resolver dentro de este marco es el de la pesca del jurel, en peligro de extinción y de gran importancia económica para Chile.

Ambos países reconocen el valor del capital humano. El Programa de Vacaciones y Trabajo entre Nueva Zelanda y Chile, en vigor desde 2001, permite que mil chilenos viajen cada año a Nueva Zelanda para pasar sus vacaciones y al mismo tiempo puedan trabajar o estudiar. Los mil cupos se llenan

todos los años en cuestión de horas. Por una serie de razones, los jóvenes neozelandeses han sido un poco más lentos para aprovechar esta oportunidad: en parte, se inclinan más por pasar de 3 a 6 meses viajando por toda América del Sur y en parte porque la remuneración del tipo de empleo que esperan obtener en este caso en el extranjero (en bares y restaurantes o trabajo estacional) es inferior a la que obtendrían en Nueva Zelanda. No obstante, los lazos entre personas están creciendo y el programa les da a los jóvenes una oportunidad única para integrarse a la cultura del otro país.

Es sorprendente que no exista más interacción en cuestiones indígenas, pese a que es un área reconocida por ambos gobiernos e importante de fomentar a medida que avanzamos. El muy exitoso proyecto auspiciado por el Gobierno de Nueva Zelanda y el World Wildlife Fund (WWF) con la gente de Mapu Lahual, para promover el manejo forestal sustentable y el turismo en la costa de la región de Los Lagos, fue un ejemplo de las oportunidades que existen para ello.

En un plano más formal, la relación en educación entre los dos países sigue creciendo en importancia. Nueva Zelanda tiene experiencia de alta calidad académica en algunas áreas que son relevantes para Chile. Lamentablemente el convenio de becas, a través de Becas Chile, no ha producido todavía los resultados esperados. Ello se debe a varias razones, incluyendo la dificultad de aplicar el sistema de clasificación a las universidades neozelandesas, que son más pequeñas pero a menudo altamente especializadas y a los continuos problemas burocráticos con que tropezó inicialmente el convenio. Ambos países reconocen que es necesario trabajar juntos para mejorar la situación ya que la razón fundamental para suscribir el convenio es válida y el problema radica en la ejecución. También es importante que la forma en que se maneje el programa refuerce y no socave los fuertes vínculos ya existentes entre las instituciones.

El crecimiento económico requiere de inversión en innovación y ciencia. El gobierno de Nueva Zelanda reconoce la importancia de fomentar los vínculos internacionales en la materia. En este sentido Chile es un país prioritario para Nueva Zelanda, pero es justo decir que ninguna de las partes está aprovechando al máximo las oportunidades disponibles,

excepto en los sectores de medio ambiente, energía y agrícola, antes mencionados. Sin embargo, este problema se está resolviendo mediante los fondos asignados por el gobierno el año pasado al intercambio científico en temas antárticos y energía geotérmica y la planificación de nuevos seminarios sobre temas relevantes.

Dos de los mecanismos utilizados para hacer frente a los actuales desafíos financieros mundiales son aspectos centrales de las políticas de Chile y Nueva Zelandia y revisten especial importancia para lo señalado más arriba: la reducción del gasto público y la creación de empleo. En el contexto de las relaciones internacionales, la reducción del gasto público no significa aislarse sino que hay que centrarse más en las actividades que agregan valor y en adoptar medidas más acertadas para hacer el trabajo del día a día.

En la relación entre Chile y Nueva Zelandia a esto obedece la atención que se presta a las áreas de economía y agricultura, medio ambiente y energía, educación, innovación y ciencia. A medida que avanza el siglo de Asia Pacífico, ellas son las que revisten importancia en la colaboración entre nuestros dos países para beneficio mutuo.

■ Palabras del Hon. Murray McCully*

I thought I might address these challenges against the background of some of the achievements of the past three years—expressed of course, in an appropriately modest fashion.

May I say at the outset that despite the fact that there will be an election in six weeks' time, there is nothing especially political about my comments today. As Foreign Minister over the past three years it has been my practice to avoid the unnecessary intrusion of politics into foreign policy. By definition

* Ministro de Relaciones Exteriores de Nueva Zelandia. Exposición realizada el 20 de octubre de 2011 en el New Zealand Institute of International Affairs.

this is an area in which New Zealand's vital economic, trade, security and reputational interests are at stake. The public, in my view, expect us to play a long game –pursuing those interests in a way that best accommodates bipartisanship. And that is what I have tried to do. Against that background. Let me reflect briefly on the opportunities and challenges for the next five years.

Our closest and most important partnership –our relationship with Australia– remains unique, shaped by a deep sense of interdependence, shared responsibility within our region, and common values, underpinned by an unusual combination of mateship and a professionalism that makes domestic political labels irrelevant.

It is my view that increasingly the focus of this relationship will move from the things we can do between each other to the things we can do in other places together. Focus top of my list of priorities in this respect is the implementation of the ASEAN Australia New Zealand FTA, which places our two countries firmly in a free trade area of over 600 million people, with some of the world's fastest growing economies.

My colleagues and I have made no secret of the fact that we see trade and economic objectives as paramount. If we are to become a wealthier country it will be because we become more successful in conducting trade and economic partnerships. In that respect we have just got lucky. For much of our history our geography has been our major strategic disadvantage –seeing us placed on the opposite side of the world from the markets for our goods. Now we are in the Asia Pacific Century.

Our geographical location is our advantage: on the rim of the region that will be the powerhouse of world economic growth for the foreseeable future, and providing increasing numbers of middle class consumers of our products. The challenge of the next few years is to turn that opportunity into successful functioning trading relationships.

A major piece of work in progress is the execution of the New Zealand Inc. strategies, committed to by this Government in its earliest days. These are an attempt to secure an agreed interagency strategy in relation to our major markets and prospective markets, including increasing private sector participation. Cabinet has approved in principle strategy docu-

ments in respect of India and China, as well as an updated Latin America strategy. Work is substantially complete on strategies for the United States and Gulf Cooperation Council, and work continues on Australia, ASEAN and the EU. The Prime Minister in two hours' time will launch the public execution of the India Strategy.

There is no need for me in this audience to underline the success of the relationship with China –now our second largest trading partnership, with exports up over 166% in the past three years and growing this year at 10% over last year. While New Zealanders see this relationship predominantly through a trade and economic lens, China has a much broader view of the relationship –one that they expect us increasingly to reciprocate. We need to consolidate this important relationship over a number of different spheres, including academia, the arts and sport, as well as conventional trade and diplomatic links. Next year marks the 40th anniversary of this important diplomatic relationship and a good deal of thought has been going into refreshing the architecture of the relationship to mark the occasion.

In the past year we have entered a new phase in our relationship with the United States. I hope you will allow me to claim this as an area of modest diplomatic success.

We welcome US re-engagement in Asia and the Pacific. This provides a whole new range of opportunities for cooperation as we carefully redefine the New Zealand/US partnership.

I have already mentioned the importance of the FTA between the CER partners and ASEAN. But that is only one of the significant strands to the ASEAN relationship. Through the suite of annual ASEAN-led meetings, ASEAN has become a key regional broker on matters of security, diplomacy and trade. emphasised by the recent decisions of the United States and Russia to join the East Asia Summit. It has been for this reason that I have given the highest priority to re-energising the ASEAN relationship over the past three years

Intensive work over the past few years has seen us achieve 'strategic partner' status and hold the first ever ASEAN-New Zealand Summit between ASEAN leaders and Prime Minister John Key last year.

An important challenge lies ahead in the relationship: in each of the next two years, the chair of ASEAN will be held in capitals in which New Zealand does not have a mission—Cambodia and Brunei. We have been doing some serious planning to make sure we can cope with that challenge

It would be hard for me to over-emphasise the importance the Government attaches to the ASEAN relationship. At some stage in the next two years we need to consider splitting the current joint roles of Ambassador to Indonesia and Ambassador to ASEAN.

Elsewhere in the Asian region there are other important relationships: to be advanced in the years immediately ahead.

Despite setbacks in recent years, Japan continues to be a major economic force globally—it remains the world's third-largest economy. Japan is a good and longstanding friend of New Zealand. Next year we celebrate 60 years of diplomatic relations. An important political debate has commenced in Japan regarding the process of regional economic integration, including the prospect of Japan joining the TPP negotiations. We have already agreed to work together as aid partners in the Pacific and we now need to give more shape to that partnership. It is an area where we both have significant interests.

Korea, too, is an important focus for New Zealand. Its economic growth, dynamism and innovation can only impress. Korea and New Zealand have an important trading relationship, but our ties extend beyond that to include security, climate change, green growth and science.

Our number one goal with Korea is to conclude our FTA negotiations. This really would be an excellent way of marking next year's 50th anniversary of diplomatic relations.

It goes without saying, I think, that India has now emerged as a global power, both politically and economically. It has the second-highest growth rate among the world's major economies, the world's largest workforce, and a large and growing middle class.

Historically New Zealand has a very warm relationship with India and our trade is growing steadily, but we can do better. In particular—and I seem to have a bit of a theme going here—we need to give a more strategic focus to the economic relationship through the conclusion of an FTA.

You'll be aware by now of the critical importance I place on our relationships within Asia. But it cannot be our only area of focus. This year we started negotiating on an FTA with Russia, Belarus and Kazakhstan, all countries with vast resources and potentially large markets for our commodity exports. We are making good progress and I hope we'll be able to sign an agreement next year.

New Zealand's reputation for high-quality FTAs has put us at the head of queue of more than 20 countries seeking similar agreements with Russia. A similar point could be made with respect to the Gulf Cooperation Council. The GCC is a region courted by all, but selective in how it chooses to reciprocate. We have been able to negotiate a good-quality FTA that, when implemented, will give us significantly improved access into the markets of no less than six Gulf states: Saudi Arabia, UAE, Qatar, Bahrain, Oman and Kuwait.

Collectively these countries are our seventh target trading partner, and with better market access we can take that relationship a lot further. I am delighted that my colleague Sheikh Abdullah, Foreign Minister to the UAE, is in New Zealand right now – his second visit in my time in this role, reflecting the increasing closeness of our two countries.

In these times of uncertainty in many of the world's most established markets, the fast-growing economies of Latin America are rapidly becoming important global players. Brazil alone is heading towards being one of the world's top five economies by 2050.

New Zealand is a natural agricultural partner for the countries of South America in meeting the increasing global demand for food. We already have some valuable links into the region, particularly in the dairy sector, but it is fair to say that we are only scratching the surface.

One of the keys to taking things further is better air links. These in themselves are an area of opportunity for us. There is a real opportunity for New Zealand to become a transport hub into the Latin American region, placed as we are between South America, Asia and Australia. This is currently a work in progress. I have in previous addresses to this organization been clear about my ambition to see New Zealand more closely engage in Africa. We have laid some groundwork there with

the appointment of an Ambassador to the African Union. More diplomatic and Ministerial engagement needs to follow as well as effective delivery of agricultural capacity building from New Zealand's modest aid contribution in Africa.

Now, I've been talking a good deal today about this country's newer economic relationships with Asia, with Russia, with the Middle East, with South America. But before we finish I want to mention some of our most established relationships, those within Europe.

Not only is Europe the world's largest economic bloc and our third largest trading partner. It is also a vital cultural reference point for many of us. That makes it rather more than the sum of its parts.

While New Zealand must always be on the lookout for new opportunities, new partners in the fastest-growing parts of the globe, we will not overlook our oldest friends. Europe will remain integral to New Zealand's future. In that respect we are looking hard at forging a new bilateral framework agreement that will define the future relationship between us and the European Union.

Finally in this rapid sweep around the world, I want to come home to our own part of the world, the Pacific. It has been no secret that I see this as a significant priority for the New Zealand Government.

The challenge the countries of the Pacific face is to turn a fairly large amount of economic potential into prosperity. I believe that the key to this is an increased focus on a small set of game-changing sectors: tourism, fishing and agriculture. Managed well, these can lift the Pacific to another level of economic development. But their ability to do so depends on parallel progress being made in a set of enabling sectors: energy, infrastructure and education.

New Zealand hosted the Pacific Islands Forum in Auckland last month and will be Forum Chair for the next year. We were clear at the Forum meeting about our view of the priorities for the region. We have challenged the countries of the Pacific and our development partners in the region to match that focus.

An immediate challenge is to use our time in the Chair to significantly advance the region's prospects in these key areas.

Critical to this process are the changes we are making to the aid side of the Ministry.

You will note that despite challenging fiscal times we have continued to increase the aid budget to \$588 million this year. But we need to keep reducing our costs and improving our spend.

Before I finish, there is one more foreign relations priority that I want to consider: the United Nations. You will all be aware that a major focus for us over the next two years will be our campaign for election to the Security Council in 2015-16. It is 20 years since we were last on the Council. We think the time is right again to bring the perspective of a small, independent, principled Asia-Pacific country to the table.

Security Council reform is moving higher on the agenda. Rather than sitting on the sidelines we intend to be actively involved in that debate. But if we reform the Security Council to provide a longer-term role for major powers like India and Japan, we must also ensure a role for the small states that make up most of the UN's membership. Any reform package must ensure that they, too, can contribute at the Security Council table.

Today I reaffirm that New Zealand's candidature for a seat at the Security Council in 2014 remains a real foreign relations priority for this Government. We have a tough contest with Turkey and Spain ahead of us, but we are receiving good support from across the UN membership. You can be sure that as on the sports field, New Zealand will be giving the campaign everything we've got. New Zealanders expect no less.

■ Intervención del professor Gary Hawke*

THE GLOBAL ECONOMY

The period 2012-2017 is almost on us, and it is not very lengthy. Accordingly, I expect most of the big changes to be evident already and to have a history. You will notice that I

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am not distinguishing «changes» and «challenges» and that is deliberate. I would nominate as the biggest changes in New Zealand since I began studying its economic and social development, especially the evolution of its public policy:

1. Changed position of women - from equal pay for equal work, to equal opportunities, to equal influence on determining the agenda - with the blind alley of «pay equity».

2. Changed position of Maori - genuine attempt to build a public life drawing on Maori as well as Pakeha elements despite tension between *whakapapa* and Pakeha Radicalism.

3. Changed ordering and character of most important international relationships.

The first two owed a good deal to US leadership of the international community. It was not only in the US that it was realised how foolish it was not to take advantage of all the abilities of half the population, but feminism in various shades and forms was led from there. The connection with the Maori renaissance is less obvious. However, the US led the decolonization movement after World War II and as it could hardly promote racial equality overseas but not at home, that led (along with the domestic history of slavery) into the civil rights movement which was an inspiration to Maori among others. Furthermore, we experienced a kind of echo as decolonisation of Western Samoa and paternal development of territories like the Cooks and Tokelau generated some understanding of Maori.

However, even if the first two had a substantial international component, it is the third that is most relevant to our topic - both the wider topic of «The Major Economic and Foreign Policy Issues Facing New Zealand» and the current segment, «The Global Economy». Notice, it is not just ‘globalization’, nor is the «major challenge» managing interdependence. There is little that is new about that and it is change that produces major challenges. The challenges are keeping ideas up to date, and ensuring that policy is informed by sound thinking.

Since Pakeha settlement, the New Zealand economy has been interdependent with the international economy. Wool, refrigerated products (especially meat and butter and cheese), and a wide range of goods and services have successively been the main export links, but there have always been such links.

Unlike the case of the United States and some other large and mostly self-contained economies (as the US was in the mid-20th century although not by the end of the century) globalization was not a new phenomenon for New Zealand.

Yet there have certainly been recent changes. Perhaps the most obvious has been the intensification of international links. Information and communication technology has had a major impact. In 1840 it could take 2 years for mail with Britain to get replies – those were the days when it paid to be a governor or even an ambassador. By the end of the 19th century, the telegraph had made a difference. In 1911 the international telegraph system permitted communication around the world in 8 minutes. Now, it is a reasonable approximation to think in terms of instantaneous communication almost everywhere.

The usual representations of the conquest of distance by a globe with diminishing dimensions –and the figures I have quoted suggest we should start with a globe about 400 metres in diameter to have a globe with a diameter of a centimeter at the start of the twentieth century and one which is now without mass– while certainly dramatic, understates the extent of change. Information transmission has certainly got faster, but there has also been an increase in the range and convenience of transmission channels. The telegraph required specific expertise, available at a limited range of places. Even telephones long required specialist services until STD became common. Now international communication by cell-phone, e-mail and a range of tools is available almost everywhere and to almost anybody without (much) specialist intervention. And at much less cost.

The implications of this go beyond communication being easier. When as an economic historian I read official papers about the response of the New Zealand government to developments in the London gold market in the 1960s, I was impressed by how the then Department of External Affairs played a significant role in the discussions simply because it knew more than most. Its officers knew more of what was happening even if they had difficulty assessing the significance of what was happening. Now all policymaking involves compatibility of international and national considerations. And

almost all information flows directly to all policy agencies (and to the interested public).

Notice that while the conquest of the time needed to convey information over distance changed more in the nineteenth century than in the twentieth, the effects of wider direct access to international information came much later.

Furthermore, the change has not been all one way. People movement was in many respects easier in 1880-1914 than it is now. An unintended effect of the development of national welfare systems was increased concern with managing immigration.

These changes have impacted on the private sector as well as on governments. Bank managers in the nineteenth century were much more autonomous, especially from overseas managers, than they have become. Business networking organisations still exist but there is little value in holding international conferences to enable people who know one another to communicate among themselves. The most important effects of perceived change may not be the most obvious ones.

The second big change in relations between New Zealand and the international economy is in the geographic nature of the most important relationships. We can state this as a change from Britain to the club of the OECD and to Asia Pacific –with perhaps a move to Asia being underway. But again the implications of the change soon destroy any simplicity.

Diversification was initially a strategy to manage risks –servicing more markets with a wider range of products made the New Zealand economy less dependent on the fortunes of a single economy, especially the relatively slow-growing UK economy. It is worth remembering that it was in the 1960s that a great deal of diversification of trade composition and export markets was achieved. (Dairy products replaced butter and cheese, forest products made the Australian market grow in importance, etc.) Diversification remains an important risk management tool, but diversification has no impact if all markets experience similar adverse trends as they did in the 1970s. Perhaps more significant, there is reason to suspect that world markets have become more interdependent over time so that individual markets are now less independent than they were. Diversification is then a less powerful risk management tool than it was.

In what will be a continuing theme in this paper, ideas become outdated.

This is perhaps most evident in the field of International Relations, a discipline formed when it was reasonable to assume US domination. Now there can no doubt about the relative rise of China. As Hugh White has pointed out several times, for Australia and New Zealand this gives rise to an unfamiliar context – for many years we have been friends or allies of the dominant power in our part of the world. We were worried about French and even American incursions in the nineteenth century but generally confident in the Royal Navy; we were bothered by Japan but found it possible to see the US as a guardian (although it is worth remembering that Empire Loyalists and scepticism of the US did not die out immediately in the 1940s.) Now our comfortable complacency is shaken. My friend and colleague Terence O’Brien has recently commented¹ we live at a time when New Zealand interests are being fundamentally reshaped by the emergence of Asia, particularly China and India, and when greater immersion in the English-speaking world may not place New Zealand on the right side of history.

The familiar and comfortable are no longer the most important.

That is equally true of how we identify the links between New Zealand and the international economy. We can use familiar sectors and recognize the continuing importance of agricultural exports, but we run the risk of missing important changes. Agricultural and food products are less than 10% of total world trade, and they are slower growing than most. They face relatively high tariffs. We can still use traditional

¹ NZ *Listener*, Oct.1-7, 2011, pp. 38-39. Cf. James Ingram «A time for change: the US Alliance and Australian foreign policy», *East Asia Forum*, 10 August 2011 which argues for a «break from the ‘Anglosphere’ assumption at the root of current policy, namely the congruence of Australian and American political and strategic goals.» The former Australian Ambassador, Director General of what is now AusAID and Executive Director of the United Nations World Food Programme argues that the value of US intimacy is overstated –most intelligence being ephemeral– and that Australia could do more to encourage an agreed US-China position in Asia if it had more credibility with China. The case is essentially that New Zealand is a model for Australia!.

ideas and think that the nature of the world is not entirely congenial. But it would be more useful to focus on the range of goods and services which now constitute major links among' economies. Recent fast-growing products among our exports include electric inductors, kraftline, buoys, beacons, navigational instruments, and washing machines (now almost traditional like aluminium). We should note, however, that NZ trade in goods is still concentrated – the top 25 products (at 6 digit ISTC level) provide 50% of exports whereas the world average is 29%', and the comparable figure for China is 33%. Of course, we might wonder about old conventions of what counts as a separate product even of the SITC classification results from deliberate calibration, and we should not perpetuate a misplaced emphasis on goods at the expense of services. The typical New Zealand export may now be the provision of legal advice to a firm based in Singapore which is managing the building of a shopping centre in China, not the carrying of a consumer product from New Zealand to a foreign market. We should avoid the fallacy of misplaced concreteness in wanting specific products and familiar processes. Underestimating the importance of services is especially common.² Statistics NZ have recently revised New Zealand's foreign investment data, but there are major problems in tracing flows of services, not least because transactions with foreign affiliates, the principal means of exporting services through commercial presence, are not regarded as exports (although they give rise to investment flows).

In the course of my discussion of how business has to cope with changed relative importance of different markets, I smuggled in a reference to what I think is the most important way in which modern globalization differs from earlier international interdependence. It is that links between producers and consumers have been supplanted by links among producers. Modern supply chains have been created. My example was legal services provided to a Singaporean producer of other services while the final consumer was in

² Cf. Jane Drake-Borckman, «The Importance of Measuring the Delivery of Services via Commercial Presence of offshore Foreign Affiliates: Some Case Studies from Australian Business Experience», *ADB Working Paper n° 295* (July 2011).

China. Modern globalization creates interdependence within corporations – this is the significance of modern supply chain management. I began my studies with classic descriptions by people like Folke Hilgerdt and J.B. Condliffe of typical trade being the exchange of manufactures for food and raw material; we became aware that from the 1950s the fastest growing segment was the exchange of manufactures for manufactures, often within a conventional sector; now we are aware of the importance of trade in intermediate products. And modern ICT means that the firms engaged in this trade are closely connected –they form a supply chain.

My first two big changes in New Zealand - in the position of women and the role of Maori - were in many respects led by the United States. The third, changes in relative significance of individual international links – is more complex. In intensification and in geographic distribution, the influences were varied, still involving significant US participation but perhaps not leadership. And this one, the emergence of modern supply chains, was led by Japan. The US and Europe joined an East Asian development.

Despite my example, which could be multiplied –South Auckland software companies using Indian technology to create elements of Singaporean software for sale in the United States (the specific New Zealand advantage being ability to translate between Asian mathematicians and American consumers, Fonterra using New Zealand technology to sell American dairy products in China, New Zealand fishing companies, especially kiwi ventures combining with Japanese technology to process fish in Thailand for sale to world markets – New Zealand business is not as integrated into international supply chains as would be optimal.

We are probably all familiar now with calculations of the number of national economies involved in producing a «world car». But even economic commentary, let alone political and journalistic discussion, allows too little for the impact of supply chains. IDE in Tokyo and the WTO have compiled³ a database of trade patterns taking account of trade in intermediate goods. The effect is dramatic. The US deficit with China

³ Trade Patterns and global value chains in East Asia: From trade in goods to trade in tasks (IDE-JETRO and WTO, 2011).

becomes little more than 10% of that with Japan, and about a quarter of those with Korea and Germany. Unfortunately, New Zealand is too small to figure in the analysis, but we can be sure that conventional bilateral balances are misleading even though New Zealand's trade policy and performance is such that we are insufficiently integrated with cross-border supply chains.

The impact of supply chains is complex. They are related to 'just-in-time' manufacturing –essentially a process of managing logistics to demanding standards in order to economize on the cost of holding stocks, but also a way of ensuring that process manufacturing does not become presiding over routine but is attuned to solving problems since every interruption of production is a crisis –and following the Tohoku earthquake and tsunami there has been a lot of discussion of the insecurity of supply chains. In fact, most supply chains found alternative supplies reasonably quickly, and more important, the effect was from just-in-time manufacturing rather than cross-border supply chains. Had more Japanese products relied only on Japanese suppliers the impact they experienced would have been greater, not less; producers elsewhere who relied on Japanese suppliers would clearly have experienced less impact if their suppliers had been located elsewhere. But where will the next earthquake occur?

Research at the Economic Research Institute for ASEAN and East Asia, ERIA, has the great merit of using micro-studies to explore macro-trends, and it has found several interesting features of Asian supply chains. In particular, there is usually a positive link between innovation and exporting at the firm level and foreign ownership is usually positive for innovative activity. The implication is that in the process of East Asian economic integration, we should look for a spread of supply chains to economies like those of Cambodia, Laos and Myanmar where they have little presence, we should look for extension beyond favoured sectors like electronics in middle-income economies, and we should look for innovation leadership to spread from high-income economies. But we have little basis in current experience for expecting New Zealand business to be significant. New Zealand business is poorly integrated into the supply chains where innovation will be concentrated, and

New Zealand public policy gives no grounds for optimism about future innovation.

New Zealand has experienced dramatic innovation, most obviously in the adoption of refrigeration at the beginning of the twentieth century. What was important then was finding breeds that satisfied consumer demand overseas, mechanisms for reconciling individualistic farmers with collective marketing, and devices for sharing risks and rewards between landowners and animal managers. Learning by doing was a major contributor – public subsidies a minor element. The engineering which is so often identified with innovation was important but far from dominant.

Mechanization is easily seen and appreciated, more than aspects of innovation which may be more important. Furthermore, it is a source of productivity growth that has been relatively readily available. That kind of technology which has been most susceptible to productive change is technology which is «a humanly devised means for meeting a particular end, whose workings and effectiveness are relatively uniform when employed by those skilled in the art».⁴ Replicability and uniformity are the key to innovation through mechanization. If we were seeking to maximise the pace of technical change, there is a strong case for looking to concentrate innovation in areas where mechanization is readily possible. But if we are looking to understand where innovation has had most impact on growth we will probably find that mechanization was only part of the innovations which were most important and we might be willing to conjecture that the same will be true in the future.

Mechanization relates to management of inanimate objects. Not only did New Zealand innovation depend more on how people behaved as managers and in institutional settings, but the economy depended heavily on living creatures. Even within living objects, achieving technical change was easier with plants than with animals, and while the New Zealand economy depended on the growth of grass, it also depended

⁴ Richard R. Nelson, «The Moon and the Ghetto Revisited», paper presented at «Nickfest», a conference at the University of Sussex in honour of G.N. von Tunzelmann, March 2010, p.8.

on management of sheep and cattle. Innovation has always been a challenge for New Zealand.

Innovation remains the major challenge to both New Zealand business and New Zealand public policy. Neither is doing well. Certainly, there are interesting pieces of research being done such as work on stem cells which holds out prospects of faster genetic improvement of cattle which avoids both genetic modification and the ethical problems of using stem cells from embryos or viral insertion of DNA.⁵ But while this deals with innovation in animal management, note the emphasis on the artificially-imposed constraint of avoiding genetic modification –superstition promulgated by environmentalists is far more damaging than excessive concern with a few *taniwha*– and it starts with a «commercialization of research» framework rather than one of harnessing knowledge creation to economic and social development.

For many years, no historian of technology or innovation has taken seriously the idea of a linear sequence from research to development to technology to final product. Nate Rosenberg has stated the consensus:⁶

«we still very much exaggerate the extent to which new technology is based upon scientific research. We certainly wildly exaggerate it when we suggest, as is often suggested by the spokesmen for science in Washington, that technological change depends upon recent developments in science».

and this is an area where Wellington resembles Washington. Nevertheless it remains the basis for much of our policy in the area. The notion that research has primacy and a strong claim on public expenditure can be regarded as the biggest success of a PR campaign in the twentieth century as it was how Vannevar Bush sold continuation of Manhattan project support for scientists to the US Congress in the 1940s; fortunately few PR consultants have an atomic bomb in their armoury.⁷

⁵ Jon Morgan, «Science still the key to our future», *Dom Post* 14 September, 2011, p.C3.

⁶ In John S. Lyons, Louis P. Cain and Samuel H. Williamson, *Reflections on the Cliometric Revolution: Conversations with economic historians* (London and New York: Routledge Explorations in Economic History, 2008), p.251.

⁷ The idea of a linear progression of pure science, applied science and

The challenges of innovation conceived as something other than subsidies for scientists are immense both for business and for public policy. They come together in modern economic diplomacy, still often reported as though it was the kind of tariff-reduction agreement which was important in the 1950s. Notice how seldom innovation figures in any of our discussions of economic diplomacy. Or international considerations figure in our discussions of diplomacy other than as an El Dorado to be exploited. A major challenge for 2012-2017 is to eliminate this gap.

There is an obvious bridge for those familiar with modern Asian ideas of economic integration. Questions of standards and intellectual property regimes are central to how innovation is encouraged or constrained. This has recently been well explored in the central case of China.⁸

For most economies, economic development is a matter of catching up with the frontier. That creates problems for any idea of a uniform international intellectual property regime. For poor countries, a weak IPR regime is optimal –to encourage dissemination; utilization of knowledge invented abroad should be preferred to incentives for innovation. Advanced economies will naturally prefer stronger IPR regimes. That can

economic growth was much older, going back at least to Francis Bacon *The Advancement of Learning* (1605) but Vannevar Bush made it dominate policy advocacy. Note the passage in the 2010 speech of President Obama to a White House gathering of scientists, «As Vannevar Bush, who served as scientific advisor to President Franklin Roosevelt, famously said: «Basic scientific research is scientific capital».

⁸ Dieter Ernst, *Indigenous Innovation and Globalization: The Challenge for China's Standardization Strategy* (UC Institute on Global Conflict and Cooperation and East-West Center, June 2011). There have of course been other departures from a concentration on tariffs and trade in goods, notably in recognition of the importance of trade in services. See Sherry Stephenson and Maryse Robert, «Evaluating Contributions of Regional Trade Agreements to Governance of Services Trade» *ADB Working Paper N°307* (August 2011). The ADB website links to Sherry Stephenson's website which contains a paper, Sherry M. Stephenson, «Standards, Conformity Assessment and Developing Countries» (9 May 1997), which is a very useful review of the standards issue as it appeared at the end of the 1990s, still interesting in itself and also revealing how much more prominent the link to innovation has become.

be derived as an abstract argument, or it could be deduced from the economic history of many countries, including the US, not known for its ready adoption of European copyright agreements in the nineteenth century.

Positioning innovation policy and efforts appropriately on the spectrum of initiation and adaptation is far more important than debating whether it should be sought in incremental change or through «step change» achievements. Schumpeter found a typically memorable formulation when he said, «Add successively as many mail coaches as you please, you will never get a railway thereby»⁹ but railways were actually adaptations of earlier achievements with steam engines, improved construction of canals, and knowledge of the value of optimizing friction between wheels and carriage-ways. Most step changes are the result of the coming together of several incremental changes. Nowadays, they occur in a context of property rights and regulations.

Standards and Intellectual Property regimes are intimately connected. Some standards may be public goods, but many are private property. Fundamentally, there is a tension between standards and innovation. Standards can freeze technology. On the other hand, standards define «fitness for purpose» and facilitate compatibility and interoperability. Furthermore, «the challenge for standardization now is no longer technology alone. Equally important is the challenge to standardize the interactions of people who create and use the technology within these networks. In other words, standards need to be developed for the work practices and business routines that enable these networks to grow and adjust to changing requirements of technology and markets.»¹⁰ That is essentially a generalization of the point I made earlier about what was most important in the adaptation of refrigeration in New Zealand.

The demands of adjustment are enormous. One of the three competing 3-G standards is protected by 2000 patent families comprising more than 6000 patents from 50 companies and consortia. A smart phone involves hundreds of standards coming from dozens of standards-setting organizations – camera,

⁹ In 1934 in the English translation, *Theory of Economic Development*, p. 64.

¹⁰ Ernst, p. 45.

video, web browser, FDA, Wifi etc. Smart phones are the field for 8000 patents held by 41 companies¹¹. The same influences which have affected globalization in general have affected the interdependence of different contributors to patent networks. A map of the research and development centres of one of the major Chinese ICT firms identifies centres in Europe, North America and Asia but not New Zealand or Australia (nor Japan).¹²

We learn a great deal by considering the situation of China. Many in China must have been startled when after succeeding in entering the WTO, they found that their participation in the international economy was governed by lawyers and litigation. «Chinese firms typically pay foreign patent holders 20-40 percent of the price of each cell phone made in China; 30 percent for each PC; and 20-40 percent for each CNC machine tool» (CNC is computer numerical control). The Chinese value added share is usually estimated at 10-15% –Asian subcontractors of multinationals do better than domestic firms.¹³ We read American complaint about stolen intellectual property but the biggest engine of change in China is the challenge to legitimate Chinese business –legal Chinese handset producers are under attack from illegal producers of Shanzhai handsets.¹⁴

In any case, we hear far less about commitments by firms and the governments of advanced economies to ensure «Fair, Reasonable and non-Discriminatory» access to standards and patents that are essential for China's continuing development. «Technology transfer» is still widely understood in New Zealand as it was used in the 1960s, to refer to official aid. It now relates to the terms of participation in international supply chains.

It is easy to think that the existing American, European and Japanese provisions for standards and patents constitute

¹¹ Ernst, p. 44.

¹² Ernst, p.46.

¹³ Ernst, p.51.

¹⁴ Ernst, p.82. An earlier example of the same process by which the balance of interests between tolerance of imitation and protection of intellectual property moved in favour of the latter is discussed in David Clayton, «Trade-offs and rip-offs: imitation-led industrialization and the evolution of trademark law in Hong Kong», *Australian Economic History Review* 51(2) (July 2011), pp.178-198.

the international system. But there are actually many national systems, and we have to get used to the point that there can be no international norms or systems which do not involve some Chinese participation. Only now are Chinese engineers entering «informal social peer group networks» which are especially important. Chinese firms are only now beginning to assume leadership roles in international organizations.¹⁵ In Chinese thinking, «international standards» are those developed by an international organization recognized by China, mostly the UN. «Globalstandards» are de facto recognized standards. They can be copied without formal adoption. «National» standards are those which exist in China, as they are in other countries, but the distinction between «international» and «global» is not universal. Furthermore, Chinese rhetoric about the primacy of economic development is not merely «aspirational» –it is the starting point of national strategy. It leads into an intention to use «indigenous innovation» as a means for economic development. There are then many tensions to be managed. The place of information security relative to participation in global networks is one - the idea of controlling the internet to preserve the political elite is a debased view of a much more complex issue. The promotion of innovation as a protective device versus participation in global innovation processes is another.

I used to teach Russian economic history and spent a lot of time on the incentives issue in central planning, but even when the von Mises-Hayek argument about decentralized management of knowledge became more prominent, I came to think the crucial problem for central planning was its inability to manage innovation. Perhaps the wheel is turning, as China's efforts to reconcile «indigenous innovation» with globalization are strained by the simple inability of government regulations to keep up with technical change. Just as I joined most economists in thinking that the Eurozone could not maintain itself without a fiscal instrument or genuine labour mobility and then came to think that Europeans had somehow managed to square the circle immediately before it all unraveled, so I now wonder whether the argument about

¹⁵ Ernst, p. 52.

incentives finally has relevance in Chinese management of innovation policy.

I wonder if New Zealand business is aware of any of this and of its relevance to New Zealand business? I am sure that the political debate about Chinese purchase of New Zealand dairy farms is an insignificant sideshow. I recently received an invitation to a dairy innovation seminar.¹⁶ The programme was mostly about technical innovation –making cheese with less salt, and so on– and there is plenty of indications of an assumption that innovation is a matter of «commercializing research», but it did have some indications of a business-led approach to innovation. I wish I could say the same of innovation policy development.

Or even trade diplomacy generally. We have a major challenge in our conventional stance of avoiding having to make a choice between China and the USA. We still tend to see that as facilitating China's accession to familiar western ideas of democracy, and then, adopting the western theory (and occasional practice) of well-formulated general rules, carefully monitored, and implemented. It is easy to shift into rhetoric about it now being time for China to take over from the US some of the cost of providing «a long list of public goods that the world badly needs China to deliver at an accelerated rate –stability, growth, green energy, peace.»¹⁷ This distorts the economic terminology of public goods into «you should pay for what I want. I used to be able to afford it, and paid only for what I wanted, but there was incidental benefit to you, and so you now owe me.»

Not surprisingly, this is mostly treated with polite disdain. But it is a challenge to our approach of independent and rational choice among feasible alternatives.

The key policy issues will not arise at the level of commentary, but the danger is that such commentary will create an unfavourable context for collaborative policymaking. Even some high-level commentary is introducing unwanted expectations. Thus a Georgetown professor included in what

¹⁶ Dairy Innovation Summit 28-29 November 2011, www.conferenz.co.nz/conferences/

¹⁷ David Kelly, «Stability and social governance in China», *East Asia Forum*, 13 September 2011.18.

was mostly a balanced account of a recent incident of a basketball match in Beijing, the response to an unbalanced foul count, «Unfortunately, that is what you get when you play in China». ¹⁸ Such thoughts are not uncommon but best kept to the trivia of sports reporting –alter all, who in 1995 would have thought New Zealanders would welcome appointment of a South African referee to the World Cup final or cartoonists would find an Australian response to a semifinal defeat to be dignified? But it was certainly taken seriously by a consultant, only recently retired from the Office of the Secretary of Defense where the positions he held included that of China Country Desk Officer

Unfortunately, that is what the world gets in virtually all realms when it deals with today's China. Scorn for the notion of fair play and respect for the rules of the game is evident in a range of China's dishonest and dishonorable behavior: unfair trade practices; currency manipulation; intellectual property theft; proliferation of nuclear and missile technology and materials; environmental degradation; undermining of international development standards on transparency, accountability, and labor; support for other lawless regimes; baseless claims of sovereignty in the global commons; interference with freedom ¹⁹

We all get irritable. But those who engage in economic diplomacy need to be up to date in their identification of policy issues and able to see the other party's point of view as well as their own.

Being up to date will require New Zealanders involved to avoid outdated distinctions such as separating «technical barriers to trade» from the economics of cross-border business. It also involves discarding outdated thoughts of helping national SMEs service final consumers in export markets in favour of utilising ERIA research which suggests that SMEs service which participate in international supply chains, often with some overseas ownership, are likely to be more innovative.

¹⁸ Victor D. Cha, «What Really Happened to the Hoyas in Beijing», *PacNet* #49A (12 September 2011).

¹⁹ Joseph A. Bosco, «Response to 'What Really Happened to the Hoyas in Beijing'» *PacNet*#49A (12 September 2011).

Whether integration is promoted through Asia Pacific institution or Asian processes, it will encompass not only traditional market access but a number of aspects of regulatory cohesion. Asian processes are likely to have a greater focus on infrastructure development and a greater commitment to narrowing development gaps. Just as «technology transfer» now relates more to the terms of participation in supply chains than to programmes of instruction within Official Development Assistance, so narrowing development gaps will result from adaptation of supply chains to local circumstances and energizing of innovation throughout supply chains rather than from traditional aid. Reflections such as these make one think that political gridlock in the US and the rigidity of US «trade» diplomacy dominated by Washington lawyers and industrial lobbyists will give supremacy to Asian over Asia-Pacific institutions. And that is a challenge to New Zealand economic and foreign policy.

In particular, I expect that there will be some rebalancing away from western-oriented negotiations to Asian consensus building. In Taipei almost exactly a year ago, I argued that «While the origin of APEC is also contested, the strongest argument is that the key driver was a desire to link West Pacific and East Pacific - North-East Asia, South-East Asia and America, not just geographically but reconciling Asian processes of consensus building and western notions of reciprocity supported by binding commitment and monitoring. Managing the tension between consensus and commitment has been an enduring theme throughout the history of APEC.²⁰ Events in the last year have surely pointed towards questioning the western emphasis on concepts such as binding agreements, monitoring and verification, and sanctions. While many observers continue to express scepticism of «voluntary cooperation» and consensual objectives and peer review,²¹ nobody could have even the slightest acquaintance with recent events in Europe

²⁰ «Business opportunities in a World of Variable Economic Integration», presentation to the symposium. The Assessment on the WTO's Doha Round for Economic Growth, Chung-Hua Institution for Economic Research in Taipei, Taipei, November 25th-26th, 2010.

²¹ E.G. Jacob Funk Kierkegaard, «Europe's role in global economic governance», *East Asia FDorum* (26 July 2011).

and continue to hold an unqualified preference for black-letter negotiated agreements.

One-step policy formulation is illusory and dangerous. However, it is common and takes many forms: China will encounter environmental and/or governance problems; therefore we should maintain traditional alliances. China may try to take Taiwan by force; therefore we should strengthen the existing structure of the NZ Defence Force. Inequality is unfair; therefore we should adopt a New Economic Model.

We can rely on the professionalism of our principal foreign and economic policy officials to moderate the most extreme manifestations of such non-thinking, but even they are not immune from its seductive appeal when it arrives disguised in some sophisticated terminology. And we need more senior economic and foreign policy advisers who are really familiar with how the global economy is changing.

The biggest challenge of all is to recognise when ideas need to change. That requires good judgment about what depth of understanding is required – enough to drive a car, or operate a computer, or knowledge of the physics and engineering of internal combustion engine or electronics? The comfort of familiarity can keep ideas alive for a very long time. Consider how long it took for the experience of the 1930s to be dethroned from dominating belief that security should be pursued through official controls rather than well-managed markets.²² The notion that government can be heated as entirely an effective representative of collective well-being should surely have disappeared no later than the 1970s but is still prominent in responses to international economic problems.

More generally, a central message of economics from Smith to Hayek has been that we do not have to understand in order to have and benefit from the spontaneous order of the market. But a central message of Smith, Ricardo, Say, Mill, Mises and Hayek has been that while it may not be essential to understand in order to have, it very well may be essential to facilitate an understanding of the spontaneous order of the

²² As can be traced in Anthony M. Endrers, *Great Architects of International Finance: The Bretton Woods era* (London & New York: Routledge, 2005).

market among the population in order to sustain that order and realize its benefits on a wide scale.²³

And that is a major challenge for those who will be managing New Zealand's economic policy between 2012 and 2017.

²³ Peter Boettke, «A Behavioral Approach to the Political and Economic Inquiry into the Nature and Causes of the Wealth of Nations», p.11 <http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1893144>