



29 November 2011

Minister of Foreign Affairs

Minister of Trade

Briefing for Incoming Ministers

There are three parts to this briefing:

- | | | |
|---|-------------------------------|-----|
| 1 | Executive Summary | P2 |
| 2 | Ministry Priorities | P6 |
| 3 | The New Zealand Aid Programme | p16 |

Annexes:

- | | | |
|---|--|-----|
| a | Immediate issues for ministerial consideration / incoming visits | P20 |
| b | Ministry parliamentary business | p24 |
| c | New Zealand's National Security System | P25 |

Contacts

John Allen	Chief Executive
Paula Wilson	Director, Chief Executive's Office

Section 1: Executive Summary

Introduction

The Ministry of Foreign Affairs and Trade's role is to advance and protect New Zealand's security and trade interests abroad; manage New Zealand's official development assistance programme; and provide consular support for New Zealanders overseas. The Ministry is the channel for the Government's official communications to and from other governments and international organisations.

Achieving our foreign policy, trade and development goals in the context of an expanding international agenda rests on our ability to anticipate trends, develop relationships and influence others to act in a way that supports New Zealand's interests.

Volatile global environment

Global trends are particularly important for a small, open economy like New Zealand. The impact of external events on our economy and security can sometimes be greater than the impact of domestic policy choices.

We face a time of transition that is likely to be characterised by instability and change. The world is confronting the reality of rapid population growth, resource scarcity, resurgence in ideology and shifts in global power. Trans-border security issues like counter-terrorism, people smuggling and cyber-crime are adding further risk to our national interests.

This volatility will require the Ministry to operate in a more flexible and responsive way than has been required previously. Furthermore, in a complex, connected and competitive environment domestic and foreign policy are fusing. Quality insight gathered from our diplomatic posts around the world will be critical to help shape actions within New Zealand, as well as enabling our people offshore to build effective networks and influence outcomes. Effective collaboration across government and business will be particularly important to deliver results.

New geopolitical and economic geography

The economic crisis centred on Europe and to a lesser extent the United States is hastening the power shift from West to East. China and the United States are key players in this evolving political landscape, withheld under s 6(a) OIA

In our own region, Pacific states are more assertive as well as more fragile, more intent on advancing their own interests but more exposed to external and internal tensions. Active diplomacy and significant investment through the New Zealand Aid Programme work in tandem to strengthen security and governance and support sustainable economic development.

A shift of economic power towards our Asia-Pacific neighbourhood is positive for New Zealand as we are often penalised by size and distance from markets. Emerging markets are significant producers and increasingly important consumers of energy, food, minerals as well as finished goods and services. By 2030, it is

projected that almost 90% of the global population will live in emerging economies (40% in China and India combined).

This shift reinforces our drive to position New Zealand in emerging growth markets. China and India (as part of the BRICS grouping) and ASEAN (as it seeks to develop its single community by 2016) are key priorities. It also highlights our active participation in the regional architecture – including the East Asia Summit and the expanding Trans Pacific Partnership.

Growing demand for food is important for New Zealand. However, outside of commodity exports, New Zealand's penetration of emerging markets is weak and our challenge is to develop successful, well-functioning trading relationships. In addition, emerging markets are more prone to volatility and often have regulatory complexities and different cultural values, which can make it harder to protect our interests.

As well as building New Zealand's presence in emerging markets, it will be important to maintain traditional alliances, relationships and markets. Australia will remain our most important relationship in this respect and the European Union, the world's largest economic bloc, is integral to New Zealand's future.

Changing role of international institutions

Heightened economic and political volatility is taking place in parallel with other shifts in global structures, which have the potential to impact New Zealand significantly.

For a small country with limited unilateral muscle, New Zealand relies heavily on international rule making institutions to provide stability and certainty to international debates – both political and economic. We will continue to play whatever role we can to give momentum to the multilateral system. We are actively campaigning for a place on the United Nations Security Council, which would give New Zealand a voice on major decisions regarding peace and security. Issues like climate change can only be advanced effectively through dynamic multilateral solutions; and we have an interest in effective global donor architecture that supports our focus on tangible results from development assistance.

However, the dynamic and effectiveness of global institutions created in the years after World War Two have changed considerably. This is partly because of increased membership; the complexity of the issues; divergent interests; and partly because governments are becoming more assertive in advancing their national interests in other ways, for example by negotiating bilateral, regional and sectoral arrangements.

In our trade and economic work, we have actively looked for other ways to protect and prosecute our trading interests. The parlous state of the Doha Round and the corrosive impact this could have on the World Trade Organisation has reaffirmed New Zealand's longstanding Free Trade Agreement (FTA) policy – to actively pursue high quality and comprehensive FTAs in line with our current and future trade needs.

While the active FTA agenda helps de-risk our external environment, we also need to modernise the way we think about trade in the context of the Ministry's new strategic framework outlined in this document.

Ministry priorities

The growing complexity, pace and intensity of issues, combined with significant pressures on resources, will require the Ministry to have clear focus and deliver tangible results.

With this in mind, priorities have been developed by the Ministry's Senior Leadership Team with input from staff, as outlined below. We will discuss the priorities with Ministers soon after the election to ensure they will deliver for the incoming Government.

withheld under s 6(a) OIA

These priorities create a framework for prioritising the Ministry's work and this document presents a brief commentary for each priority area in Section Two.

Organisational change

To achieve these ambitious priorities with less money from Government, the Ministry must change its operating methods.

The Ministry 20/20 change programme currently underway represents the most profound structural, cultural and technological reform in the Ministry's history. The restructured Ministry will be more flexible, cost less to operate and will have people with the specialist skills to customise solutions to meet the demands of individual countries and markets.

The programme brings with it an element of risk, but the changes are necessary if we want a diplomatic, trade, development and consular service which can meet the needs of New Zealand at a price our country can afford to pay.

withheld under s 6(a) + s 9(2)(j) OIA

Working with NZ Inc

The Ministry recognises the need to take a coordinated New Zealand Inc approach to how we operate internationally. Government agencies with an economic and business focus are working together with a view to raising New Zealand's rate of economic growth and intensifying New Zealand's international engagement.

Although the specific focus of each agency differs according to its particular mandate, our work is increasingly coordinated. The Ministry is leading a more integrated approach to markets in conjunction with business and other agencies through the development of the NZ Inc country and regional strategies.

Our national prosperity benefits from a stable and secure international environment and there is also close coordination with agencies focused on New Zealand's security. We recommend the development of an International Engagement Agenda to complement the Economic Growth Agenda to more effectively target and advance New Zealand's interests.

Summary

New Zealand faces a complex and challenging global environment. There are positive developments, such as the shift in power to our Asia-Pacific neighbourhood and increased demand for New Zealand's core exports but there are a number of risks, both economic and political. This risk is heightened because our fastest growing economic relationships are different from our traditional alliances.

The Ministry is responding proactively to these trends by focusing our work, reshaping our organisation and working collaboratively with NZ Inc. We are contributing to global security efforts and economic sustainability for the world's poorer nations, notably in the Pacific region, to further enhance stability.

As other governments engage more deliberately to protect their own interests, targeted relationship building and positioning is becoming increasingly important to differentiate New Zealand and ensure our interests are protected and advanced.

Section 2: Ministry Priorities

The Ministry's priorities create a framework for prioritising our work in the context of an expanding international agenda, an increasingly complex international environment and a constrained domestic fiscal environment.

A brief summary of each priority is set out on the following pages. Our development work is being increasingly aligned with our wider foreign policy goals and references are included in the appropriate sections.

withheld under s 6(a)

RESTRICTED

7

RESTRICTED

RESTRICTED

8

RESTRICTED

RESTRICTED

9

RESTRICTED

RESTRICTED

10

RESTRICTED

RESTRICTED

11

RESTRICTED

RESTRICTED

13

RESTRICTED

RESTRICTED

15

RESTRICTED

Section 3: The New Zealand Aid Programme

The International Development Group within the Ministry manages the New Zealand Aid Programme, which comprises Vote Official Development Assistance (ODA) (\$ 605 million¹ in 2011/12, including all rollovers) and the provision of policy advice on international development issues. This Vote supports sustainable development in developing countries, in order to reduce poverty and to contribute to a more secure, equitable and prosperous world.

Geographic focus

The major proportion of aid is directed to the Pacific (52% of Crown expenditure), withheld under s 6(a) OIA. The Pacific has significant development challenges. It is the second most off-track region to achieving the MDGs and is one of the most vulnerable regions to climate change. While bilateral Pacific relationships are the core focus, we also contribute to development efforts in Asia, Africa and Latin America, withheld under s 6(a) OIA.

Key themes of the aid programme

Four priority themes guide the aid programme. The first is a focus on sustainable economic development with support provided to **drivers of growth** particularly agriculture, fisheries and tourism and private sector development. This is underpinned by investments in the **enablers of economic growth** including renewable energy, transport services, and the business enabling environment.

The second theme is human development including basic and tertiary education and health. The remaining themes are improving resilience and responding to disaster, and building safe and secure communities.

Business model

The aid programme's business model has undergone a significant refresh in order to shape it to better achieve tangible results that make a difference to people's lives. This includes a focus on larger more strategic activities, more streamlined business processes, a more contemporary approach to procurement, a greater focus on measures and results, and more focused and strategic evaluation to measure effectiveness.

Key features of the new business mode include:

- A focus on delivering fewer, larger and more strategic activities in order to have a more substantive impact in a more efficient way.
- Ensuring consistency of development assistance and foreign/trade policy.
- Focusing aid delivery on areas of New Zealand's comparative advantage.
- Creating more partnerships including with bilateral donors, multilateral banks, civil society and the private sector.
- Strengthening coordination with others, especially Australia who is planning to double aid to A\$8billion/annum by 2015/16.
- More devolution of management of aid programme delivery to Posts.

¹ This comprises the 2011/12 Crown appropriation of \$525 million (including approved rollovers from previous years), plus \$61 million for Departmental expenses, plus \$19 million of additional rollovers from 2010/11.

- An increased focus on accountability for delivering results, including strengthened monitoring and evaluation frameworks with a strong focus on measurement of results.
- Reducing costs and addressing inefficiencies, including by streamlining processes and systems in order to improve value for money and responsiveness.

Over the past three years there has been considerable policy, institutional and organisational change in this area. This includes institutional re-integration into the Ministry of Foreign Affairs and Trade and organisational reform which led to a reduction in staff numbers. Reviews currently underway within both the Scholarships and Contracts divisions will see further rationalisation over the remainder of this financial year.

Programmes

Vote ODA is mainly delivered through 24 programmes made up of 15 bilateral (country) programmes plus regional, multilateral, sectoral, humanitarian and partnership programmes. All programmes are underpinned by strategic frameworks. In the Pacific, bilateral programmes have high level political agreements called "Joint Commitments for Development" which set out priorities for New Zealand's development cooperation and a framework for mutual accountability.

This Vote presently has 5 appropriations; Pacific Development Assistance, Global Development Assistance, International Agency Funding, New Zealand Voluntary Agency Grants and Management of New Zealand Official Development Assistance. Departmental costs are covered by the latter appropriation and amount to \$61 million.

2011/12 approved allocations, roll-overs and expected total spend by New Zealand Aid Programme

The table overleaf refers to the indicative allocations approved in June 2011. These are targets for spend. These are funded by Vote ODA non-departmental (Crown) appropriations.

The totals include an element of over planning beyond the appropriation as some Activities may be delayed or underspent due to factors beyond the control of the Ministry.

withheld under s 6(a) + s 9 (2) (j) OIA

RESTRICTED

18

RESTRICTED

Annex A: Immediate issues for ministerial consideration / incoming visits

withheld under s 6(a) + s 9(2)(j) OIA

RESTRICTED

21

RESTRICTED

RESTRICTED

22

RESTRICTED

RESTRICTED

23

RESTRICTED

Annex b: Ministry Parliamentary Business

Items of Parliamentary business for the Minister of Foreign Affairs to seek to have reinstated in the next (50th) Parliament:

Bills

The Antarctica (Environmental Protection: Liability Annex) Amendment Bill

The Geneva Conventions (Third Protocol – Red Crystal Emblem) Amendment Bill

The Ministry will also be advising the Minister to seek to progress the following bills, yet to be introduced to the House:

The Maritime Crimes (2005 Protocols) Bill

The United Nations Amendment Bill)

International treaty examinations referred to committees

International treaty examination of the United Nations Convention Against Corruption

Annex c: New Zealand's National Security System

New Zealand's National Security System, a report from an inter-departmental process which reviewed and updated New Zealand's security priorities and structures, sets out the key features of the international environment that bear on New Zealand's national security outlook:

- Increasing reliance on infrastructure and technology has opened opportunities for development but at the same time created vulnerabilities. For example, high reliance on the internet for financial transactions; and international communications carried over just a few vulnerable trans-oceanic fibre optic cables.
- Bio-security has long been important to our economy. The rapid growth of tourism and trade, and new technology such as bio-engineering practices, means there are more pathways for animal and plant diseases, and pests, to become established in New Zealand.
- The ease with which New Zealanders travel and work abroad is a growing consideration for security. At any time, twenty per cent or more of our people may be out of the country, some of whom could require government services to provide assistance or evacuation in times of crisis.
- International travel has also increased the speed with which human diseases can spread globally. The SARS epidemic in 2003, and the early onset of H1N1 here in 2009, both demonstrated how difficult it is to prevent an influenza virus from spreading. At best, its arrival can be slowed and its progress moderated.
- Global connectivity has other security implications, including border challenges such as illegal migration, illicit trafficking of people and harmful goods, and the promotion of violent extremist ideologies.
- New Zealand's dependence on very long supply lines from other countries for essential commodities (e.g., oil, pharmaceuticals, chemicals, electronics and some food items) means reliable overseas sources, international transport, and supply chain security are of high importance.
- Trans-national criminal networks are becoming sophisticated, technologically capable and resilient. Their activities represent a challenge to national security as well as to law enforcement.
- New Zealand has maritime security and sovereignty interests over a very wide area, encompassing the approaches to New Zealand, our Exclusive Economic Zone (and the EEZs of Niue, Cook Islands and Tokelau), our extended continental shelf area, and the Southern Ocean and Antarctica.
- The Pacific region is likely to continue to face economic, environmental, development and security challenges. Dysfunctional governance, state failure and civil disorder in Pacific Island countries would be of concern for many New Zealanders and could generate expectations of a national response.
- Instability and conflict, including in parts of the world far away from New Zealand, may affect our security interests directly and indirectly. New Zealand's economic interests, in particular, extend to all parts of the world, and our economic security is dependent on maintaining international trade and economic linkages.
- Recent major shifts in the distribution of economic power will have implications for the distribution of global military power, as those states with growing economies are able to allocate more resources to military spending.
- Peace and security in East Asia rests significantly on the actions of the major powers – tensions and pressure points will continue to evolve. New Zealand derives significant benefits from a stable and prosperous Asia. It is in our national interest to uphold and contribute to that favourable environment by supporting regional peace and security.

- As well as changes in the balance of power between states, there has been a diffusion of power away from governments. The ability of governments and multilateral institutions to address effectively security challenges is more limited than it once was.

The National Security System highlights seven national security priorities:

1. Preserving sovereignty and territorial integrity (*Protecting the physical security of citizens, and exercising control over territory consistent with national sovereignty*).
2. Protecting lines of communication (*both physical and virtual and allow New Zealand to communicate, trade and engage globally*).
3. Strengthening international order to promote security (*Contributing to the development of a rules-based international system, and engaging in targeted interventions offshore to protect New Zealand's interests*).
4. Sustaining economic prosperity (*Maintaining and advancing the economic well-being of individuals, families, businesses and communities*).
5. Maintaining democratic institutions and national values (*Preventing activities aimed at undermining or overturning government institutions, principles and values that underpin New Zealand society*).
6. Ensuring public safety (*Providing for, and mitigating risks to, the safety of citizens and communities - all hazards and threats, whether natural or man-made*).
7. Protecting the natural environment (*Contributing to the preservation and stewardship of New Zealand's natural and physical environment*).