

THE RELATIONSHIP BETWEEN

NEW ZEALAND

AND

THE UNITED STATES

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New Zealand National Party Taskforce

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EXECUTIVE SUMMARY

Introduction

A close and effective relationship between New Zealand and the United States is vital to New Zealand's long term economic and security interests. In 1984 a dispute between New Zealand and the United States broke out over visits by vessels of the US Navy. Since then, this relationship has been strained. This weakened relationship with the United States is impacting negatively on New Zealand's interests with nations other than America; notably it also impacts on New Zealand's key relationship with Australia.

In November 2002 the National Party Policy Committee established a joint Party/Caucus Taskforce to answer the question as to how best to resolve the outstanding differences and move the relationship forward positively.

The Process of the Taskforce

The Taskforce was charged with identifying the issue, or issues, that contributed to the deterioration in the relationship in 1984 and presenting an option, or options, for action to normalise the relationship.

The Taskforce met with and received submissions from individuals and representatives of various organizations with a wide range of interests and opinions and also reviewed a considerable volume of literature on the subject including official Government reports. To further inform its work and better understand the views of the general public on the issues, the Taskforce commissioned opinion polling on the topic.

The Taskforce considered the issue in a broad context, including security and economic developments in the world scene since 1984, the United States place in that changing world and the implications of those changes for New Zealand.

While not originally intended as part of its work, the Taskforce found itself inevitably drawn to examine the impact of the relationship difficulty with America on our key relationship with Australia.

Submissions and Analysis

Detailed below are the significant themes emerging from the verbal and written submissions and the wide range of other relevant material studied by the Taskforce.

There are considerable economic, political and security benefits for New Zealand in resolving the issue in dispute with the United States. Those benefits will increase over time. It is not in New Zealand's interests that this issue be left more or less permanently unresolved. An initiative should be taken by New Zealand to put the matter behind both nations.

The issue to be addressed is New Zealand's relationship with America; not the relationship between New Zealand and this or any particular administration in Washington. A resolution must be enduring to be valuable to both countries. Without a broad consensus of support in New Zealand, no resolution can be enduring here.

For two nations that share so much by way of common values and experiences, this dispute became uncharacteristically acrimonious and entrenched. The events surrounding its genesis in 1984 explain this. With time the intensity has mellowed, but an ongoing point of serious friction clearly remains. The consequent costs for New Zealand are ongoing and will persist until the matter is resolved.

Were the resolution of the nuclear issue to be based upon safety alone, it could be resolved in a manner similar to the GM issue; authoritative research would not support a ban. To New Zealanders, however, this issue goes beyond safety concerns.

There is wide support for New Zealand remaining nuclear free, including within the National Party. A resolution capable of being supported by a consensus in New Zealand will need to be within the context of that position.

Denmark, a member of NATO (a military alliance which includes the United States) maintains a nuclear free policy as resolute as New Zealand's without the issue having become a matter of dispute with America in the way it has with New Zealand. US Navy ship visits to Denmark have continued, although no nuclear powered vessels have visited Danish harbours since 1964.

The contrasting feature between Denmark and New Zealand is that Denmark maintains its nuclear free status as a matter of policy – it did not pass a specific law. The major impediment to improving the relationship with the United States is the existence in law of Section 11¹ of the *New Zealand Nuclear Free Zone, Disarmament and Arms Control Act 1987*. The Danish experience shows that a law is not essential to maintain a nation's nuclear free status.

In any event, visits by naval ships of all nations are subject to government approval on a case by case basis. Nuclear powered or armed ship visits could not occur within a nuclear free policy.

Instability and terrorism are no longer problems that happen somewhere else; they are increasingly impacting in our broader region.

As a trading nation, the maintenance of world security, stability and prosperity are vital interests for New Zealand.

Public opinion poll results show significant support within New Zealand for the nuclear free policy. They further show that provided the nuclear free status is maintained, a majority of the general public would support repeal of Section 11 of the Act if this led to an improved relationship with the United States – especially if this impacted favourably in terms of the trade relationship.

The success of Australia in negotiating a Free Trade Agreement with the United States has shown many New Zealanders the disadvantaged position in which New Zealand is now placed as a result of this impasse with the United States.

The operational effectiveness of New Zealand's Defence Force continues to be adversely affected by the standoff with the United States.

Advancement of New Zealand's security interests with Australia continues to be constrained by the ongoing problem in our relationship with America.

¹ Section 11 of the *New Zealand Nuclear Free Zone, Disarmament and Arms Control Act 1987* provides as follows:

*Visits by nuclear powered ships –
Entry into the internal waters of New Zealand by any ship whose propulsion is wholly or partly dependent on nuclear power is prohibited.*

This long-standing relationship issue adversely affects New Zealand's influence in the international community.

The world has moved on since 1984. A major concern of the United States in the mid 1980's was that the nuclear free legislation could compromise their 'neither confirm nor deny' policy with respect to the carriage of nuclear weapons. This issue has been resolved for surface ships by the declaration made by America that no United States surface ships now carry nuclear weapons.

There is considerable goodwill on both sides that would welcome a resolution of this issue, but, equally, it is clearly understood that present the position will not resolve the matter.

A broad section of submitters agreed that resolution of this issue with America could be expected to lead to New Zealand enjoying the advantages of greater access to international decision-making, increased opportunities in the United States trade sector; and the restoration of full defence cooperation, including with Australia.

Conclusions

The Taskforce concluded on both economic and security grounds that New Zealand's long term interests will be best served by the government taking an initiative that has a realistic opportunity of resolving the relationship difficulty with the United States.

New Zealand governments are required to act in New Zealand's long-term best interests. A resolution of the ongoing disagreement with the United States meets this test.

New Zealand should maintain its nuclear free status. New Zealand should continue to be active in working internationally towards a reduction of nuclear weaponry leading, finally, to the multi-lateral removal of all nuclear weapons.

It is a single clause in the nuclear free legislation (Section 11) and not the nuclear free policy as such that is the major impediment to the normalisation of the NZ/US relationship. Nuclear free policies without specific legislation are demonstrably effective (Denmark provides an excellent example). If New Zealand follows the Danish approach, repealing Section 11 would not affect New Zealand's nuclear free status and would almost certainly end the dispute with

the United States as a precedent for American acceptance this approach is already established internationally.

In the view of the Taskforce, the Danish approach is the only option acceptable to a consensus of New Zealanders that has a realistic opportunity of normalising the relationship with the United States.

The proposed solution to the problem was reached only after an exhaustive search for alternative ways and means to resolve the issue. Although the option of relying on policy alone clearly leaves New Zealand's nuclear free status untouched, some will be concerned at any suggestion of a change to the nuclear free legislation. There appears, however, to be no practical alternative that will end the deeply entrenched difference between New Zealand and the United States.

1. INTRODUCTION

The relationship between New Zealand and the United States of America is undeniably a key international relationship for New Zealand. It has been through a protracted period of significant strain since the Labour Government's ship visits decision of November 1984. The world has changed much since then, and with the passage of time many of the factors that aggravated the dispute have long since gone. The problem, however, still remains. It is raised almost every time the United States and New Zealand representatives come in contact.

In November 2002, the National Party Policy Committee decided to establish a joint Party/Caucus Taskforce to research the background issues concerning the New Zealand/United States relationship, analyse those issues and present a discussion document that could inform both Party and public debate on how best to move the relationship forward.

In confronting this issue, the Taskforce is well aware that any statement on this subject can be taken entirely out of context and used as a weapon in a political scare campaign. Such campaigns rely on misquotes, exaggerations and half-truths as a means to attack others. This Taskforce should be judged on what it says, not what others claim it says. As an example, in the past the tendency has been to accuse anyone expressing any view other than unquestioned support for the present law, of *'cuddling up to the bomb'* and similar emotionally loaded phrases. The Taskforce makes it clear that it is totally opposed to the presence in New Zealand of nuclear weapons – such an accusation cannot validly be made against this Taskforce Report.

The considerations of the Taskforce have been underscored by a single and focused test - what approach is in New Zealand's best long term social, economic, political and security interests.

2. THE PROCESS OF THE TASKFORCE

The Taskforce, established in November 2002, was required to analyse the issues surrounding the strained NZ/US relationship and explore options that could move the relationship forward consistent with New Zealand's long term interests.

The Taskforce reviewed significant written material including official government reports and met with a number of individuals and representatives of various organisations with a wide range of interests and opinions. Opinion polling was commissioned to inform the Taskforce on the views of the broader public.

The Taskforce appreciated the time given to it by a variety of submitters, and indeed, gained considerable benefit from those submissions. It deliberately set out to hear the views of individuals and groups from a wide range of opinion, including those from known opponents of all things nuclear and advocates of the current policy setting. Amongst the submitters were individuals with expertise in foreign, security and trade policy.

While not originally intended as part of its work, the Taskforce found itself inevitably drawn to examine the linked impact on our relationship with Australia flowing from the problem in our relationship with the United States. The Taskforce also explored changes in the world scene both in terms of security and economic developments, and the United States place in that changing world. It explored the implications of those changes for New Zealand.

When this dispute arose, the world was gripped in the ideologically driven bipolar divisions of the Cold War. That era is now well past. Yet this dispute between the United States and New Zealand lingers on unresolved and with no initiatives in sight that might lead to its resolution. It clearly makes no sense for New Zealand to have another period of many years trying to find ways around a rift in the relationship with one of the countries most important to our prosperity and security.

While appointed by the National Party, this Taskforce determined that given the importance for New Zealand of the relationship with the United States of America, it should view this issue from a broad perspective.

While the country is reminded each time a senior contact between New Zealand and American leaders occurs that the issue is unresolved, domestically the profile of the dispute

with the United States is low. It has not featured as a significant matter of debate in New Zealand for years. This belies the importance of the issue for New Zealand, an importance that requires the issue be revisited.

3. SUBMISSIONS

The Taskforce heard a range of very different views on the subject from parties with an interest in the subject.

Submitters included those with long and in-depth experience in a variety of policy areas affecting New Zealand's interests, including security, economic and foreign relationships expertise. These submitters argued strongly that the costs to New Zealand of this strained relationship were significant, far greater than the supposed benefits. They saw the costs, often not visible to New Zealanders in their day-to-day lives, as very high. Not surprisingly, submitters supporting the status quo saw things in the opposite light, with the ship visits ban seen as New Zealand providing an example to the world of the way it should be.

The Taskforce listened to these submissions carefully. Some clear themes emerged.

While sometimes confused, the issue of the nuclear weapons ban and the ban on the use of nuclear power for propulsion are seen as two very different issues. The Taskforce accepted this point and is very clear that there would not under any circumstances be support for any relaxation of the complete ban on the presence of nuclear weapons in New Zealand.

Submitters for the most part noted that a reconsideration of the problem in New Zealand's relationship with the United States was well overdue – to some, seriously overdue. The Taskforce was encouraged in its work by this message. One submitter with a respected track record of commentary on New Zealand foreign affairs advised the Taskforce that he was pleased to see a major party looking into the way this key issue might be resolved.

Submissions from individuals actively involved in foreign and security policy formation agencies in 1984 elucidated the Taskforce on the detail of the genesis of the New Zealand/United States relationship fracture. As they reported the matter, the reason this dispute became so enduring is to be found in the particularly bitter and recriminatory relationship breakdown of 1984 and the way the aftermath of that breakdown was handled. One special focus of concern was the political management of the passage of Section 11 of the *New Zealand Nuclear Free Zone, Disarmament and Arms Control Act* in 1987, which bans visits by nuclear powered vessels. Actions at the time were seen as deliberately provocative and intended to be aggravating rather than moderating in their impacts.

This description of the way events unfolded back in 1984 by those involved at the time strongly supported a view that had this matter been managed appropriately, New Zealand could have adopted its nuclear free stance without a relationship breakdown with America, even at the time the relationship breakdown occurred. While it did not want to compromise its *'neither confirm nor deny'* policy, the United States had shown itself willing to accommodate New Zealand's nuclear free position by arranging a visit by a vessel clearly neither nuclear powered nor nuclear armed (*USS Buchanan*). This issue is described in detail in Section 10 of this document (The Genesis of the Dispute).

Evidence before the Taskforce demonstrated that Section 11 of the Act was not essential to maintaining New Zealand's nuclear free status. Denmark is a member of NATO, a military alliance that includes the United States as a member, yet Denmark has maintained a nuclear free policy as a matter of government policy without their nuclear free policy becoming a source of dispute with the United States. Evidence showed that no nuclear powered ships have visited Denmark since 1964 – this policy is well understood by both parties.

In any event, the Taskforce is aware that naval ship visits from any nation are negotiated on a case-by-case basis with the New Zealand government within New Zealand policy. In each case a whole range of relevant issues are considered before a naval ship visit is approved. The Government could choose to give effect to New Zealand's nuclear free status and refuse to accept visits by nuclear powered vessels as a matter of policy regardless of whether there is legislation on the subject. This means of dealing with the issue is referred to as the *'Danish Solution'*.

The Taskforce was advised that over the years since 1984 concern has grown amongst New Zealanders with security expertise as to the substantial cost to New Zealand of the standoff with the United States in terms of New Zealand's security interests. While for most New Zealanders this is very much an academic subject of little personal interest, to those with knowledge and experience of the risks and costs involved, the situation is not good. They believe it should be addressed.

Likewise the success of Australia in negotiating a Free Trade Agreement (FTA) with the United States has shown many New Zealanders the disadvantaged position in which New Zealand is now placed as a result of the ongoing dispute.

An interesting and frequently heard judgment on this issue was that not only is the strained relationship with the United States impacting on the potential for progress in matters important to New Zealand with the United States, it is also impacting on New Zealand's key relationship with Australia and our wider economic and security interests.

Submissions heard and analysed by the Taskforce from supporters of the status quo traversed views issues ranging from those who saw the ship visits ban as a small country standing up for itself and thereby creating a sense of national pride in this nation. They further saw New Zealand's position being the manifestation of an "*independent*" foreign policy stance.

To some on the extreme of this argument, the ship visits standoff with the United States reflected their preference for a foreign policy that was critical of American foreign policy. Some saw the adoption of a policy position other than that currently being followed in emotional terms – it was according to this point of view, slavishly following the United States.

Others felt New Zealand was providing world leadership on the issue. To these advocates, other nations had followed the lead of New Zealand policy, although their view is not supported by evidence of other countries enacting laws to enforce their policy. The Taskforce noted the Middle Powers Initiative in which New Zealand participates has amongst its membership Canada and Brazil. Both these nations (and others) have joined New Zealand in strongly supporting nuclear weapons disarmament, but neither could sign up to New Zealand's nuclear free policy as they have nuclear power facilities on their own soil.

Some advocates raised the image issue. According to their argument, New Zealand benefits in international markets from an overseas consumer preference for products produced in a nuclear free country. As far as the Taskforce could determine evidence for or against this argument is anecdotal only.

The Taskforce response to all these submissions is contained in Section 12 where they are analysed in greater detail.

Finally, a number of submitters raised the safety issue. The Taskforce sought information on this matter, especially expert views on the nature of the risk. This demonstrated that while one can never say there is no risk, were this purely a safety issue and judged on a careful and balanced scientific assessment, there would not be support for a ban on nuclear

propulsion (or nuclear energy for that matter) on that count alone. A parallel was drawn with the genetic modification (GM) issue, recently the subject of a major public debate in New Zealand. Because a thorough, careful and balanced scientific evaluation of GM (including a Royal Commission) showed the risk to be so minimal as to not justify a ban, the present Government and Parliament supported the commercial release of genetically modified organisms, albeit under the auspices of the precautionary approach recommended by the Royal Commission. The Taskforce noted that the safety of nuclear power for naval propulsion was exhaustively examined in the NZ Government commissioned Somers Report². That authoritative study found safety not to be an issue that could justify a ban on nuclear powered ships. It is summarized in Section 15. The Taskforce noted that to many New Zealanders this is not a safety issue alone.

² *The safety of nuclear powered ships: report / of the Special Committee on Nuclear Propulsion;* [chairman, Sir Edward Somers]. Wellington: Dept. of the Prime Minister and Cabinet, 1992.

4. NEW ZEALAND PUBLIC OPINION ON THE ISSUE

While the submissions were helpful, they inherently represent a perspective of citizens who could be described as activist on these issues and do not necessarily gather or reflect the views of the broader New Zealand public. To further inform its work in this regard the Taskforce commissioned polls on the subject. Polls were done a year apart to ascertain whether opinion was stable or varying with time.

While the prevailing view for some years has been that New Zealand public opinion strongly opposes anything nuclear, this survey of public opinion conducted on behalf of the Taskforce gives a deeper understanding of New Zealand's attitudes to this issue, especially when considered against the tradeoffs.

Strictly speaking some nuclear activity occurs in New Zealand in any event. The Taskforce heard sufficient evidence to conclude that while the nuclear free policy has significant support within New Zealand, the use of nuclear radiation in research and medicine is widely supported.

The poll results are of considerable interest. Clearly New Zealanders are discerning in their responses – they make different judgments on this issue depending on their perspective of the costs and benefits that might be available to New Zealand.

On the simple question as to whether people supported or opposed repealing the entire nuclear free legislation, an opinion poll taken in November 2003 showed 59.5% against repeal and 32.2% in favour. A similar poll a year earlier had shown 70.9% against repeal and 25.2% in favour. This poll result would appear to support the view that opinions are moving with time.

These opinion polls asked further questions designed to explore attitudes in depth.

When questioned about amending the Act to retain the ban on ships with nuclear weapons but allow visits from nuclear powered ships, 50.6% were then against amendment and 42.2% were in favour. Where the question asked about attitudes should a free trade agreement be possible, the majority changed – only 41.7% were then against amendment whereas 49.4% were in favour.

A further question asked respondents that if they judged the likelihood of a nuclear powered ship actually visiting New Zealand to be minimal, would they then be in favour of amending the law in order to improve our relationship with the United States, Australia and other traditional allies. Support then moved further with only 37.9% against amendment and 54.6% in favour.

This analysis demonstrates that a large section of the New Zealand public is prepared to judge this issue according to the nuances of the circumstances.

The polls did not specifically question respondents about their views on maintaining a nuclear free policy while repealing Section 11 of the Act (the Danish Solution recommended by the Taskforce). The questions asked established public views within the context of the possibility of nuclear powered ship visits. Where policy specifically banned such visits (as proposed by the Taskforce) it would be reasonable to conclude that such a proposal would generate greater support.

Remaining nuclear free without legislation specifically banning nuclear propelled ships (the Danish Solution) would appear to be capable of gaining consensus support within New Zealand based on this polling of public opinion.

5. THE NZ/US RELATIONSHIP

The relationship between New Zealand and the United States of America is undeniably a key international relationship for New Zealand. As a small isolated nation in the South Pacific with a strong dependence on world trade for its prosperity and international cooperation for its security, it is unquestionably in New Zealand's interests to have a deep and effective relationship with the world's major economic and military power.

The United States is our second largest trading partner, third largest source of tourism, and fourth most popular destination for New Zealand travellers. Our two countries share a long history of commitment to the common values of liberty and personal freedom and to taking action where needed to defend democratic institutions and maintain international peace and security.

Despite this history of shared commitment and close cooperation, the New Zealand/United States relationship has been through a protracted period of significant strain.

While the relationship has shown more positive periods and less positive periods over the last nineteen years, the relationship has been continuously dogged by the deep disagreement that arose following the 1984 ship visits dispute. The relationship since then has not had the closeness one would expect between two countries with such a long history of shared values and experiences. On any issue, whether security or economic, it has been impossible to engage with the United States outside the context of this nagging dispute. The New Zealand/United States relationship has unquestionably been weakened.

In the nearly twenty years since this dispute broke out much has changed in the world.

The Cold War is well and truly over. While there has been no global scale conflict since the Cold War ended, the initial hope of many that the ending of the Cold War would lead to a new era of peaceful international relationships has not materialised.

The focus of tension has clearly changed - regional, ethnic, religious, cultural and other historic disputes have surfaced in various spots around the globe, including in our own region. Terrorism, often internationally based, has become a new destabilising force the world has had to confront. Section 6 discusses this issue in greater detail.

The changing dynamics of international trade have brought forward new challenges on the economic front.

The original direct causes of the NZ/US dispute do not have the relevance they did in 1984. It seems this dispute lives on the momentum of its initial force rather than ongoing needs or realities.

It is axiomatic to state that New Zealand governments of whatever political stripe are charged with ensuring that the country's foreign policy is consistent with New Zealand's best long-term interests. Continuing a dispute of this nature for nineteen plus years with a longstanding friend and the major world economic and military power can hardly be argued as being in New Zealand's best long-term interests.

Not only is the dispute continuing, on current policy settings there seems to be no prospect of the dispute being resolved. Unless a positive attempt is made to normalise the relationship, there is no reason to suppose it will not continue for another twenty years or even longer. As the years advance this becomes increasingly likely to further disadvantage New Zealand. Already we have seen New Zealand pushed back in the queue compared with Australia when it comes to negotiating an FTA.

There is a wide range of impacts for New Zealand of the ongoing disagreement with the United States. While there has been a tendency to see this issue in security terms only, it runs much wider, ranging from such matters as the advancement of the economic relationship through to ensuring that New Zealand's voice maximises this country's influence in Washington, New York (the United Nations), Canberra and other important capital cities. For the entire period since the dispute broke out, New Zealand has been excluded from the full benefits of participation in mutual intelligence sharing and has been barred from almost all defence cooperation. According to individuals with direct experience in the armed services and defence policy area, the exclusion of New Zealand from active participation has been to our national disadvantage. That disadvantage increases as time goes by. Any reasoned policy consideration should be undertaken in the context of today's needs and realities.

6. CHANGING WORLD SECURITY AND ECONOMIC INTEGRATION

In discharging its terms of reference, the Taskforce found the need to broaden its study to include analysis of the changing world and the implications of those changes for New Zealand.

Post Cold War – New Security Situations Emerge

The end of the last century saw the collapse of Soviet communism and the end of the Cold War. This had new, if not unforeseen, implications for global security. While the balance of terror of the Cold War era presented serious risks to world peace, the ending of the Cold War has not ushered in the peaceful era some expected. New uncertainties have emerged as the Soviet bloc has broken apart and its constituent parts have taken divergent paths. The genesis of conflict now has regional, religious, cultural or ethnic origins rather than the Western/Soviet ideological standoff of the Cold War. The remaining super-power, the United States, has increased its dominance in many areas, particularly since the late 1990s. It is undoubtedly the pre-eminent world power of the early 21st Century.

The United States has demonstrated recently that it is now more willing to act unilaterally and pre-emptively to change what it sees as unsatisfactory situations to enhance its security. The invasion of Iraq is the most recent manifestation of this trend. The inability of the United Nations to act in the face of United States determination raises a key issue for those considering international relations – to what extent are the world's security issues to be resolved primarily through multilateral action and international institutions as opposed to unilateral actions by the most powerful nations.

In the immediate years after the Cold War ended, nations expressed their preference for, and faith in, multilateral solutions worked through international institutions as the means to resolve international issues. Nations working together through strengthened international institutions would be able collectively to resolve global problems. In this environment, the alliances of the Cold War era had less relevance. This suited the New Zealand perspective.

The first Gulf War seemed to confirm the validity of this approach, providing a salutary lesson to nations rejecting the new paradigm. The creation of the World Trade Organisation in 1994 was an expression of this new global integration in the trade policy field. The Rio Earth Summit on the environment of 1992 was another reflection of this new faith in multilateral solutions. This approach was advanced by Francis Fukuyama, who set out in

his book, *The End of History and the Last Man*, a view that henceforth there would be no great ideological conflicts³.

As a small nation with little military or economic clout, New Zealand has for many years supported international institutions and pressed for their engagement as the avenue for the maintenance of peace and stability. For trade policy, the multilateral approach was favoured, and while progress was slow, generally the movement was in the right direction from New Zealand's perspective.

New Zealand's geographical location, far away from the major centres of world instability, added to our sense of security. While far from accepted by all, the Prime Minister is stated in Parliament that we live in an "*incredibly benign strategic environment*"⁴ - this statement manifests this attitude.

In an ideal world, international law and international institutions would predominate as the preferred pathway. But we live in a real world, not an ideal one, and all policy must be tempered by that reality. The United Nations was not able to change the course of events leading up to the invasion of Iraq. While in the post war situation their assistance is again being sought, it is hard to argue that this is not driven by the needs of the moment rather than a re-conversion to internationalism. To remain deeply attached to internationalist solutions in this context invites the accusation of avoiding reality.

The Taskforce does not believe that international institutions have had their day. They have not, and New Zealand should not neglect their importance. Rather, the Taskforce sees the situation as fluid. The Government should act in a way that most comprehensively and pragmatically advances New Zealand's interests in the particular circumstances of each situation. If that happens to be by bilateral action, so be it. Equally, if an internationalist solution works for our country, we should take that pathway. Choosing the right pathway is a matter of judgement taking account of the realities confronted in each case. But no New

³ Fukuyama, Francis (1992), *The End of History and the Last Man*, New York: Free Press.

⁴ This view was expressed by Prime Minister Helen Clark on 21 March 2000 in Parliament when she said, '*We are very lucky to live in an exceptionally benign strategic environment*'. This was reinforced on the 5 April 2000 when she appeared on '*Face the Nation*', (a television programme) and described New Zealand as living in '*an incredibly benign strategic environment*'. She continues to defend this position, saying earlier this year, '*In terms of state-on state conflict, of course it is a benign environment.*' Watkins, T. (27 February 2003) '*Security review warns of 'real threats'*,' The Dominion Post.

Zealand Government should become so wedded to a particular pathway that we miss the benefits which could be gained via the other pathway.

From the mid-1990s, older ethnographic conflicts have intruded into the initial optimism of the early post-Cold War years. The United States has become the decisive actor in global disputes. The global multilateral institutions not only failed effectively to reduce or limit conflicts, they have often been stalled or hamstrung by the internal politics within the institutions. Individual member states have shown themselves reluctant to take action unless their own interests have been directly threatened. Some have had insufficient military resources to take decisive action in any event. Such failures included Bosnia, Rwanda, Somalia and Kosovo.

Only the United States possesses the military strength required to deploy forces on a global scale. Effective military action that produced the results desired by the international community, where it did take place, usually depended on the United States using its global military power to decisive effect, as occurred in Bosnia in 1995 and Kosovo in 1999⁵. In both cases, the application of United States military power was required to end overt military conflict.

This does not apply just to the United Nations. Despite the unifying influence of the European Union, the European nations failed to act in a concerted fashion to solve major disputes in their own region, particularly where the solution required the forcible use of military power rather than the provision of more passive peacekeeping forces.

In the post-Cold War era, global conflict has been increasingly centred upon the Middle East. United States support for Israel grates with the Arab world. The militant Islamic Movement, of which al-Qaeda is an extreme manifestation, has been rising in the Islamic world for years. Following the defeat of the Soviet Union in Afghanistan, the terror activities of militant Islamists generally have turned to attacking the United States and the West.

September 11 and its consequences have furthered these new trends. The United States has become much more focussed on its own security, especially homeland security, and the threat from Islamic and other militants. No citizens of any country anywhere likes walking

⁵ Select Committee on Defence (24 October 2000), *Lessons of Kosovo – Fourteenth Report*, London: House of Commons Select Committee on Defence <http://www.parliament.the-stationery-office.co.uk/pa/cm199900/cmselect/cmdfence/347/34707.htm> .

under the shadow of the fear of terrorist attacks and they expect their governments to do what they can to protect them from those threats. With the rise of al-Qaeda, the threat to security within the United States is seen as arising outside the borders of the country itself. United States interventions directed towards what they see as the source of the threat are to be expected.

This is sometimes seen as a clash of religions or civilisations. While for fundamentalist extremists this may be a correct analysis, the problem is significantly more complex. The conflict between Israel and the Palestinians has added to the sense of grievance felt by many Arab nations. The huge oil resources located in the Middle East add a further dimension to this ferment. Some argue that it reflects the failure of Middle Eastern countries to modernise politically.

The instability of the Middle East region is destined to dominate the global political situation for some time. Moves to bring a more peaceful, prosperous and settled environment to the Middle East will remain a crucial goal of Western nations, particularly the United States and its partners. From the international perspective, the creation in these countries of flourishing economies with modern democratic institutions is seen as the best guarantee against terrorism⁶.

New Zealand cannot ignore the impact of these trends in international affairs. While not immediately threatened by invasion, the potential for instability in countries not so far to the north of New Zealand draws us into the process of finding solutions, including the use of our military forces such as occurred in East Timor and the Solomon Islands.

A Changing World - Economic Integration And Trade

While the last decade has seen instability grow from old ethnic, religious and cultural conflicts, other forces have been at work intended to enhance stability.

The development of the General Agreement on Tariffs and Trade (GATT) following World War II and the subsequent rounds of trade negotiations and agreements saw, during the last half of the last century, unparalleled economic growth and enhancement of living standards⁷.

⁶ Fareed, Zakaria (April 2003), *The Future of Freedom: Illiberal Democracy at Home and Abroad*, New York: W.W. Norton & Company. Ottaway, M. et al, (October 2002), *Democratic Mirage in the Middle East, Policy Brief*, no. 20, pp 1-8.

⁷ Maddison, Angus (2001), *The World Economy, A Millennial Perspective*, OECD, p 125.

In the last five decades, according to a UN Human Development Report, more people have been raised out of poverty than during the previous five centuries⁸.

One of the most striking results of the burgeoning trade and economic integration has been the improved stability and security that flows from that integration.

The European Union is one example. The original integration of the coal and steel industries of Western Europe in 1950 reflected the belief by a number of European leaders that the way to secure peace for the future after two gruelling and highly destructive wars was to unite countries economically and politically⁹. Since the establishment of the EEC in 1958 the regular pattern of hostilities that plagued that part of Europe for centuries has ceased.

One of the outcomes sought by those with the vision to put in place the GATT, and by those who helped expand it into the World Trade Organisation (WTO) in the early 1990's, was that by widening and deepening international trade and economic mutual dependency, the world could not only be made more prosperous but also more secure. Eight successful sets of trade negotiations have been completed over the last fifty years, the most recent being the Uruguay Round that established the WTO and brought agriculture onto the agenda for the first time.

In the late 1990's, momentum was maintained by the admission of China to the WTO. With one quarter of the world's population, China is a huge market that is now available to an increasingly open and interlinked world economy.

However, at Seattle the WTO stumbled, and while some optimism returned with the launching of the Doha Development Round in November 2001, clearly the development of the multilateral trade process from hereon is on a slow and tortuous path¹⁰. With 146 members, the WTO is a large multilateral group and is likely, as a result of its size and diversity, to have continued difficulty reaching a consensus. The recent talks in Cancun, Mexico, ended without an agreed agenda for the next steps, and efforts in Geneva since

⁸ *Open Markets Matter* – OECD 1998 p.32

⁹ EUROPA – The European Union on Line, *Beginnings: war and peace*, http://europa.eu.int/abc/history/index_en.htm (24 October 2003)

¹⁰ De Jonquieres, Guy (1 February 2002), *New battles loom after WTO success at Doha*, The Financial Times, p 3

then have failed to progress the issues. While it is probable the Doha Round will result in a trade agreement, the timeframe is now likely to be extended.

While multilateral channels have been experiencing difficulties, bilateralism has emerged as an acceptable and growing form of interaction. The United States is clearly putting emphasis on bilateralism to advance free trade¹¹. Adopting a policy of 'competitive liberalisation', the United States has actively pursued bilateral trade arrangements, alongside its multilateral and regional commitments. The dominance of the United States within the global economy has resulted in a long list of suitors hoping to get on the bilateral agenda that the United States is pursuing.

As we have already seen, New Zealand's closest ally, Australia, has taken advantage of the growing trend in bilateralism by signing an FTA with the United States. While some analysts have criticised the agreement, they underestimate its medium term impacts and the potent effect it will have on stimulating investment flows between the two countries. Australia has also successfully completed negotiations with Thailand and signed Trade & Economic Frameworks with both Japan and China.

New Zealand's other partners in the Cairns Group have also been proactive in the trade arena. Of the six Cairns Group members who are not party to the G21 group that emerged recently in Cancun, only New Zealand is not on the list for a trade deal with the world's largest economy, the United States¹².

Whilst it is likely that many of these arrangements will take time to eventuate, these countries are already in a better position than New Zealand to advance along these lines. They are all formally on the list for negotiations, whereas New Zealand is not and will not be in the near future. The United States Ambassador, Charles J. Swindells, made this very clear for New Zealanders when he said in October 2003, *'the United States is not prepared to schedule bilateral trade negotiations at this time'*¹³.

In a world where the United States is such an economically important player, it is a major failure of foreign and trade policy that New Zealand has failed to gain priority as a potential free trade partner.

¹¹ O'Sullivan, Fran (16 September 2003), *Billion dollar blow to NZ trade*, The New Zealand Herald.

¹² Editor (16 September 2003), *Editorial: Breakdown at WTO dire for NZ*, The New Zealand Herald.

¹³ Swindells, Charles J. (8 October 2003), *Remarks by Ambassador Charles J. Swindells*, US Embassy: Wellington.

Mike Moore, former head of the WTO, summed it up in an article recently when he said: '*No one is knocking on New Zealand's door. We are at our most vulnerable since Britain joined the European Union. ...*¹⁴'

While the New Zealand Government has consistently argued at an official level that there is not any direct link between trade and security matters, the Taskforce takes the view that there have already been, and will be more, inevitable spillovers between the two. A good and proactive political relationship helps build the foundation for progress between nations. Australia's recent success in completing an FTA, while New Zealand has not as yet reached a point where negotiations are scheduled, is explained largely by the difference in the relationships between the United States and Australia on the one hand and the United States and New Zealand on the other.

Some will immediately conclude that the Taskforce is arguing that New Zealand should simply follow Australia's policy. This we do not do. But we should try to achieve the same outcome. New Zealand should always make its own determinations on all matters of policy affecting our country, and governments of all hues should act in New Zealand's best interests. But in the Taskforce's view, New Zealand's position both with Australia and the United States would be improved if the ship visits dispute were behind us.

¹⁴ Moore, Mike (23 September 2003), *Traders wonder whether there is life after Cancun*, The Dominion Post, p 5.

7. IMPLICATIONS OF THE CHANGING WORLD FOR NEW ZEALAND

The Taskforce heard a variety of arguments on implications of the changing world for New Zealand.

Some believe that in the far reaches of the South Pacific we can isolate ourselves from the uncertain, and often unstable, world - it is someone else's problem to sort out. Even if we are convinced of the merits of intervention, our very smallness and remoteness allows us to slip by unnoticed. Some, while not arguing this case so strongly, by implication come to a reasonably similar conclusion.

The Taskforce is not convinced by this argument at all. Inevitably the impact of events distant from us does affect New Zealand's interests and we are drawn in, as the East Timor situation demonstrates.

Nonetheless, this discussion raises the issue as to where as a nation we fit. The 2003 Ministry of Foreign Affairs and Trade Statement of Intent expresses this view¹⁵:

'New Zealand does not fit into any of the new strategic groups emerging in Europe, Asia and the Americas. Even though New Zealand's economy is now deeply interwoven with Australia's, this country lacks appeal as a natural partner in any of the larger groupings currently taking shape. We have relatively little political and economic clout, ethnic affinity or geographical proximity. No compensating factor – such as a strategic geographical location – suggests itself.'

We believe it not to be in New Zealand's interests to be vague in this area. The Government should go beyond asserting where New Zealand does not fit – it should give a clear indication of where we do fit.

Our interests as a nation are served by stable conditions well beyond our physical borders. Effectively ensuring our security involves our being actively engaged in the considerations of the international community and effectively supporting its determinations. New Zealand has been an active participant in global security for a century. Traditionally New Zealand has

¹⁵ Ministry of Foreign Affairs and Trade (15 May 2003), *Statement of Intent Incorporating the Departmental Forecast*, Wellington: Ministry of Foreign Affairs and Trade, p 10.

engaged with a particular group of friends and allies for clear purposes, and doing so with widespread public support.

Few would question New Zealand's involvement in putting down the menace of Nazi Germany and the dreadful dictatorship of Adolf Hitler in World War II, or in stopping the military might of the Imperial Japanese Empire as it endeavoured to expand its control into the South Pacific.

New Zealand has always stood against regimes that practise brutality and seriously abuse human rights. We have long supported the United Nations system and agree we should play an active part in world affairs.

Ensuring security in our own region also requires active New Zealand engagement. This has been long understood and much of New Zealand's diplomatic and nation-building efforts have been focussed on the Pacific.

With few exceptions, our foreign policy post-World War II has enjoyed bipartisan support in Parliament and general acceptance by the population. The transition of the Pacific Island states from colonies to independent nations required those involved to implement a programme of building effective autonomous institutions capable of resolving disputes on the basis of consensus. This consensus approach became known as the 'Pacific Way' and was seen as an admirable trait of the Pacific¹⁶. In the last fifteen years the optimism of the post War period has been somewhat damaged. The coups in Fiji and tensions between tribal institutions and democracy in other states have demonstrated the fragility of democratic institutions in some South Pacific nations.

These pressures have intensified in our region and led to unsettled situations. Throughout the 1990s we have faced instability in Bougainville, increasing failure in the Solomon Islands, and the creation of the independent state of East Timor. Corruption is too often identified as a serious problem. The terror attacks in Bali and Jakarta from indigenous sources and the potential for instability to expand demonstrates that New Zealand cannot be complacent in the face of what shows signs of being an increasingly uncertain environment.

¹⁶ This was a phrase coined by Ratu Sir Kamisese Mara. Mara, Ratu Sir Kamisese (1997), *The Pacific Way: A Memoir*, Honolulu: University of Hawaii, p 238.

Resolving regional instability has required more active engagement. Our defence force has been intensively deployed in East Timor, Bougainville and the Solomon Islands. Active and engaged diplomacy backed by military action has been required to achieve peaceful resolution to these disputes¹⁷. The appointment of an Australian, Greg Urwin, to the position of Secretary-General of the Pacific Forum is a prominent expression of Australia's desire to play a greater part in the Pacific. Additional to this is Australia's growing belief that New Zealand, despite its actions in East Timor, Bougainville and the Solomons, is not participating in the region as fully as it should, and that it is coasting on the general security provided by Australia and the United States¹⁸.

The Taskforce sees a need for New Zealand to do more to engage closely with Australia, especially on regional security issues. This should be seen as an effort to end reported Australian concerns on New Zealand's approach. Improving the defence relationship with Australia will require breathing new life into the ANZAC defence relationship, including improved cooperation and interoperability of our defence forces at all levels, especially for technologically sophisticated forces. Already we have seen the need for a ready ability to deploy forces together in the region (East Timor/Solomon Islands).

The common Australia/New Zealand response to security concerns in East Timor and the Solomon Islands have set a pattern upon which enhanced cooperation could be built. While New Zealand would benefit from a strengthened defence partnership with Australia, there would remain a difficulty achieving this before the issue in dispute affecting our relationship with the United States is resolved.

New Zealand And Changing Global Security

Instability in the Middle East is destined to dominate the global situation for some time with many security concerns emanating from this region. While it may seem far away to some New Zealanders, its tentacles reach around the globe. What is sometimes described as the 'arc of instability' reaches down through Asia into part of South East Asia just north of Australia. As we saw with the Bali bombings, Islamic extremism and the associated terrorism is not solely directed at the United States or confined to the Middle East.

¹⁷ New Zealand played a key role in the Bougainville Peace Process talks, 1997-2002. New Zealand was also involved in the Townsville Peace Agreement in October 2000.

¹⁸ Henderson, Gerard (14 October 2003), *NZ wasn't there for its old mate*, Sydney Morning Herald.

In a more uncertain world there is likely to be a greater need for military intervention to preserve peace and stability. Clearly the United States sees a need for a greater military presence in the South West Pacific¹⁹. Australia, too, is intensely interested in this region of the world. New Zealand should not forget that this is our region and we have a responsibility not just to be involved in assuring peace, progress and security, but ensuring that our voice is heard on the issues themselves.

New Zealand And The Changing US Economy

The extraordinary growth in the US economy has seen New Zealand's exports to the United States grow by 300% since 1980. The following table illustrates the relative growth in both New Zealand and Australian exports to the United States between 1980 and 2002.

Growth of New Zealand and Australian Trade with the United States (June years)			
	1980	1985	2002
New Zealand exports to United States (\$NZm)	721.4	1,636.0	4,921.7
Percentage Increase		227%	300%
Australian exports to United States (A\$m)	2,044.1	3,457.8	12,008.0
Percentage Increase		169%	347%

As can be seen, the growth in Australian trade, since 1985 when the split from ANZUS occurred, exceeds that of New Zealand. This trend will continue to accelerate now that Australia has successfully negotiated a free trade agreement with the United States.

Some Australian government modelling suggests that the free trade agreement, when fully implemented, could add \$4 billion to Australia's economy. As has been noted:

'This figure and the modelling on which it is based have been challenged by some economists. However such monetary forecasts are of little consequence. The existence of a wide-ranging FTA changes the dynamics of the economic relationship in ways that cannot

¹⁹ National Security Council, personal communication 2003

be captured in economic modelling. The most significant trade benefits might well be in services and more important than any direct trade benefits might be the benefits to the huge-two way investment relationship²⁰.

As is well known, New Zealand will not be signing a free trade agreement with the United States at any time in the near future. But even with that opportunity, for the moment at least, lost to New Zealand, New Zealand should in the view of the Taskforce be considering steps that can be taken to improve our trade relationship with the United States.

²⁰ The Australian, 10 November 2003 *The Americas: a worldwide special report* at p3

8. THE ROLE OF THE UNITED STATES IN THE WORLD

The growth in the importance of the United States economic and cultural influence has been a remarkable phenomenon of the twentieth century. *The Economist* has published a survey on the United States entitled which demonstrates this trend. While illustrations of exceptional development in America are nothing new, they are getting sharper. The survey clearly shows a number of examples of the manifestations of American dynamism. The population of the United States shows a resilient vigour, growing faster and staying younger than other developed nations. The survey states:

'At the moment, the EU's population is considerably larger than America's – 380 million against 280 million – and will grow further with enlargement next year. China's is nearly four times as large as America's. But on current trends, by the middle of the century America's population could be 440-550m, larger than the EU's even after enlargement, and nearly half of China's, rather than a quarter.'

By 2050, the median age of the United States population will still be around 36, whereas Europe's will have risen to 53. This will have an enormous impact on economic growth in the next few decades.

A technology gap is also opening up between the United States and the rest of the world. Again the survey comments:

'Each year more patents are applied for in America than in the European Union. America has almost three times as many Nobel Prize winners as the next country (Britain), and spends more on research and development than any other country. On one measure of academic performance, over 90 of the world's top 100 universities are in America.'

Finally, the survey comments on economics:

'In the seven years from 1995 – 2001, real GDP rose by 3.3% a year in America but only by 2.5% per year in the European Union...On current estimates and forecasts, growth in America in the three years to 2004 will average 1.3% percentage points a year more than in

the twelve country Euro area. Some 60% of the world's economic growth since 1995 has come from America²¹.

Already the United States is New Zealand's second largest trading partner after Australia. In 2002, New Zealand exports to the United States totalled \$4.921billion. US merchandising exports to New Zealand were approximately \$2billion. US direct foreign investment in New Zealand (as of March 2001) totalled \$3.1billion, largely concentrated in manufacturing, forestry, telecommunication services and finance²².

The opportunity for New Zealand to gain further economic benefit from trade with this dynamic economy demonstrates why it is so important for New Zealand's future that the necessary conditions to expand its economic links with the world's largest economy are put in place.

²¹ The Economist, 8-14 November 2003 (Vol 369, No. 8349), *A Nation Apart: A Survey of America* – p3, 6-7

²² <http://www.state.gov/r/pa/ei/bgn/2791.htm>; See also Statistics New Zealand and Yearbook Australia. Australian figures are also derived from <http://www.state.gov/r/pa/ei/bgn/2698.htm>;

9. THE LINK WITH THE RELATIONSHIP WITH AUSTRALIA

While the challenge before this Taskforce was to consider how to improve our relationship with the United States, it is not realistic to view that relationship in isolation. The state of New Zealand's relationship with the United States has direct links to our relationship with Australia.

With Australia we share a deep relationship founded on a wide range of shared experiences and a common geographic location. An effective relationship with our ANZAC partner across the Tasman is vital for us. Future developments will inevitably require even closer cooperation.

When senior figures of nations meet, diplomatic protocols usually lead to polite formal statements on the state of the relationship between the nations concerned written in very guarded terms. People well informed on the Australia/New Zealand relationship were more direct with the Taskforce. They informed us of what is actually thought and said in policy forming circles in Australia, although for diplomatic reasons, not stated publicly. These people are of the view that New Zealand is seen by Australia as not pulling its weight on defence matters, and is becoming unpredictable and generally unreliable. Some were more blunt - in global issues, New Zealand in the Australian perspective is becoming irrelevant.

Remedying that perception is made more difficult because cooperation on military and security issues remains severely curtailed with the United States. As Australia seeks to enhance its security through closer cooperation with the United States, the ongoing difficulty in New Zealand's relationship with the United States becomes more problematic. The Taskforce is concerned that advancement of New Zealand's security interests with Australia will be constrained by the ongoing problem in our relationship with the United States.

Australia and the United States, our two oldest partners in the Pacific, are intimately bound in an alliance that has been strengthening in recent years. It is an alliance from which New Zealand has effectively excluded itself²³. As a consequence New Zealand is increasingly on the fringes of decisions made by Australia and the United States. The drift away from the close relationship between New Zealand and the United States has been paralleled by what

²³ This was a direct consequence of the ANZUS split in 1985, discussed in the section, *The Genesis of the Dispute*.

many commentators see as a similar drifting apart in the defence and security relationship with Australia²⁴.

The willingness of the United States to negotiate an FTA with Australia while New Zealand was left sitting to the side indicates that this separation now goes beyond defence and security policy²⁵.

New Zealand's interests as we progress into the 21st Century will be advanced by achieving better results from our relationship with the United States and, by association, with our closest ally and friend, Australia.

²⁴ Cately, R. (2001) *Waltzing with Matilda: Should New Zealand Join Australia?*, Wellington: Dark Horse Publishing, pp 54-56.

Bolt, R. et al (June 2002), *Choice or Chance? New Zealanders Thinking About Defence Policy*, Wellington: MEA Dillon, p 5.

²⁵ One example is *You Want Free Trade?* Robson, Seth (12 April 2003), The Press.

10. THE GENESIS OF THE DISPUTE

The very nature of this dispute and its intractability can only be understood by understanding the background to its development.

Tension over nuclear ships has been a feature of the New Zealand/United States relationship for more than thirty years. In the early 1970s, during the Kirk/Rowling Government and in the latter years of the Holyoake/Marshall Government, New Zealand indicated to the United States that it would welcome conventionally powered ships, but not nuclear powered ships unless they were satisfied as to their safety²⁶. In 1976, the Muldoon Government indicated that nuclear powered United States naval vessels would be welcome in New Zealand²⁷. This resulted in a number of nuclear powered United States warships visiting during that government²⁸. There was concern, however, that increasing numbers of nuclear ship visits, particularly in the early 1980s, was causing public concern and thereby putting strain on the relationship, rather than enhancing it²⁹. Obviously enhancing the relationship is the goal of goodwill visits.

In 1984 the new Labour Government, led by David Lange, endeavoured to reconcile its nuclear free policy within the framework of the existing relationship with the United States. At the time of the election in 1984, and again in September, Prime Minister Lange gave the then Secretary of State George Schultz an assurance that he wanted to maintain the ANZUS relationship³⁰. It had always been understood that the Rt Hon Lange's priority was to impose a ban on nuclear weapons, not on nuclear propulsion³¹.

Several active participants at the time the dispute developed were able to give a good exposition to the Taskforce as to the reason why this dispute became so profound. A simple précis is as follows. It was the demonstration effect that concerned the United States. They feared that their international military efforts could become seriously constrained if other nations followed the New Zealand lead and made it impossible for the United States to

²⁶ McKinnon, Malcolm *Realignment: New Zealand and its ANZUS Allies* in B. Brown (ed) *New Zealand in World Affairs: 1972-1990* Wellington: Victoria University of Wellington, p 148.

²⁷ *Ibid*, p 149.

²⁸ During the Muldoon Administration (1975-1984) nine nuclear propelled naval vessels visited New Zealand from a total of forty-two naval vessels. Report of the Select Committee on Nuclear Propulsion (December 1992) *The Safety of Nuclear Powered Ships* Wellington: Department of the Prime Minister and Cabinet, pp 186-187.

²⁹ Bassett, Michael (5 August 2003), *George Shultz and David Lange: The Collapse of New Zealand's Military Ties with the United States*, Speech.

³⁰ Bassett, Michael (6 August 2003), *The Dominion Post: How We Lost ANZUS*

move ships and weaponry around the oceans to wherever happened to be the current hot spot.

Nations generally tightly restrict the distribution of information on their military activities and capabilities. In this regard the United States is not exceptional. For military security reasons, the United States was and remains unwilling to provide foreign governments with information as to the weapon systems any naval ship carried – hence the ‘neither confirm nor deny’ response to requests as to whether any particular ship carried nuclear weapons. Had the United States been willing to agree to answer the question for New Zealand, other countries would have expected the same treatment.

Naval ship visits to New Zealand were not seen as a military necessity as such. On the contrary, the geographical location of New Zealand, well away from regions of potential trouble, meant that visits here were for limited purposes – overwhelmingly to build goodwill between our nations, to participate in training exercises designed to enhance joint responses and to provide opportunities for crew rest and recreation.

As the dispute was evolving following the election of the David Lange led Labour Government in 1984, both parties sought to find a solution that would have allowed New Zealand to adopt a nuclear free policy while not compromising the United States ‘neither confirm nor deny’ policy or their broader military requirements.

A defining moment came in November 1984, when defence officials from the two countries met to determine a ship visit in order for ‘*both the United States and New Zealand to reconcile the two policies*³²’. The *USS Buchanan*, a conventionally powered vessel, was nominated for a visit. The *Buchanan* was a relatively old warship. While no mention of the armaments on the *Buchanan* was possible without offending the ‘neither confirm nor deny’ policy, given its age and class it was widely understood (and informally acknowledged) that it did not carry nuclear warheads³³. The proposed *USS Buchanan* visit would allow a US Navy ship to visit a New Zealand harbour while not conceding what they regarded as vital strategic interests. New Zealand initially accepted the proposal as a compromise and planning for the visit of the *Buchanan* was advanced. Both sides moved away from the collision course that had been developing. However, the idea of such a visit led to a

³¹ Bassett, Michael, personal communication.

³² McKinnon, Malcolm, *Realignment: New Zealand and its ANZUS Allies* in B. Brown (ed) *New Zealand in World Affairs: 1972-1990* Wellington: Victoria University of Wellington, p 159.

³³ Lange, David (1990), *Nuclear Free – the New Zealand Way* Auckland: Penguin Books, p 87.

rearguard action by certain politicians within the then Labour Government intended to stop the visit regardless of the cost to the relationship.

In January 1985, moves within the then Labour Government were initiated intent on keeping the *Buchanan* out of New Zealand, despite the fact that it was clearly not nuclear propelled and in reality not nuclear armed. A significant policy shift emerged. The judgment on whether or not to approve the visit of a naval ship would be required to include whether or not a ship was 'nuclear capable'. It was argued the *USS Buchanan*, despite its age, could be nuclear capable³⁴. Given the relative ease of fitting the technology required – most missile launching ships could potentially have had a nuclear weapon fitted to the missile - the 'nuclear capable' test would rule out a great many naval ships. After initially clearly indicating that a visit by the *USS Buchanan* would be welcome, the Government changed its decision and the visit was cancelled. Instead of accepting the visit by the *USS Buchanan*, the Government proposed a visit from a more modest craft, the non-nuclear weapons carrying capacity of which would be unquestioned³⁵. The United States reacted very negatively to this policy turnaround.

The ship visits dispute broke out.

This cancellation of the visit by the *USS Buchanan* and the way it was handled led to a very strong reaction that intensified the differences between New Zealand and the United States. The United States clearly felt they had been misled on the compromise proposal. Before advancing the proposal, they had received the usual sort of indirect diplomatic assurances (with high level backing) that it would work. A serious wound was opened - subsequent statements and actions rubbed salt in that wound. The passage of the *New Zealand Nuclear Free Zone, Disarmament and Arms Control Act* in June 1987 with the Section 11 provision was seen as a further aggravation of the dispute. Relations between the then Labour Government and the United States became very sour.

Many of the officials on the United States side directly involved in the dispute then, and who felt so strongly aggrieved by the way the matter had been handled, are still in positions of power and influence in Washington today.

³⁴ Within the Labour Party, these included Margaret Wilson and Jim Anderton. Peace activists were prominent in their agitations. Bassett, Michael (5 August 2003), *George Shultz and David Lange: The Collapse of New Zealand's Military Ties with the United States*, Speech.

³⁵ Lange, David (1990), *Nuclear Free – the New Zealand Way*, Auckland: Penguin Books, pp 86-87.

The Reagan Administration in the United States responded to what it saw as the failure of New Zealand to assume the responsibilities of an ally³⁶ by curtailing intelligence, ceasing almost all military cooperation, and cutting opportunities for serious dialogue with the State Department and the Pentagon.

The impact quickly spread beyond just New Zealand and the United States. The issue was of sufficient concern to our closest ally Australia that the then Labour Prime Minister of Australia, Bob Hawke, wrote to Prime Minister Lange complaining about the New Zealand attitude³⁷.

Neither has the dispute been restricted to one side of American politics. Despite two terms of a Democratic Administration under President Bill Clinton, and New Zealand participation in a number of international actions since then, it remains unresolved. The problem endures and transgresses United States political boundaries.

³⁶ These measures were communicated to Embassy Officials in Wellington by Mr Richard Armitage. He is now Deputy Secretary of State. McKinnon, Malcolm *Realignment: New Zealand and its ANZUS Allies* in B. Brown, (ed), *New Zealand in World Affairs: 1972-1990* Wellington: Victoria University of Wellington, p 161.

³⁷ Clements, Kevin (1988), *Back from the Brink the Creation of a Nuclear-Free New Zealand*, Wellington: Unwin & Allen, p. 133.

11. REASONS ADVANCED FOR SUPPORTING CURRENT POLICY

The Taskforce heard several reasons advanced for maintaining the current policy with its effective ban on United States ship visits.

Safety was cited as a reason for maintaining the ban on visits. This was addressed some years back. Given the often quoted public concerns of the risk of radiation and nuclear material release from a visiting nuclear powered warship, the National Government determined it needed to examine the safety of nuclear ships – to put before the public the facts on the issue. In early 1992, the Somers Committee was established and its report was released in December 1992³⁸.

The Somers Report³⁹ concluded that the safety characteristics of nuclear powered vessels were such that an absolute ban on visits was not justified for that reason alone.

To those who argue that nuclear power is fundamentally dangerous, and the Taskforce met some in the course of its deliberations, harnessing nuclear power for civil energy or military propulsion is wrong and humankind should not advance down that pathway⁴⁰. While this view may have currency in New Zealand, many countries see the issue differently and use nuclear energy to generate electricity⁴¹. New Zealand at present may be too small for nuclear generation to be an economic option. But for those countries with greater populations and greater electricity demands that have chosen that path – and there are many nations strongly opposed to nuclear weaponry amongst them – there is no realistic probability of turning back. The Taskforce seriously doubts New Zealand's opposition to the civil use of nuclear energy will make any difference of substance to the world.

³⁸ Report of the Special Committee on Nuclear Propulsion (December 1992), `Terms of Reference` in *The Safety of Nuclear Powered Ships* Wellington: Department of the Prime Minister and Cabinet, pp 1-4.

³⁹ Report of the Special Committee on Nuclear Propulsion – December 1992.

⁴⁰ Greenpeace is one proponent of the evils of nuclear power. They maintained a prominent profile during the nuclear ships crisis and have continued their stance since.

<http://www.greenpeace.org.nz/campaigns/nuclear/intro.asp>

⁴¹ Within OECD countries, as of 2001, the following countries used nuclear power as part of their energy supply: Austria, Belgium, Canada, the Czech Republic, Finland, France, Germany, Hungary, Japan, Korea, Mexico, Netherlands, Spain, Sweden, Switzerland, United Kingdom and United States. International Energy Agency (2001), *Nuclear Power in the OECD*, Paris: OECD/IEA, pp 245-263.

Submissions on the safety issue from the opposite perspective argued that decisions should be based on a rational examination of the science. A similar argument has confronted New Zealand recently in the genetic modification debate.

Some saw the issue as an example of New Zealand taking an independent stand on foreign policy⁴². Being freed from the constraints of a formal alliance allows New Zealand to make a more impartial assessment of international events, and to act accordingly. It is argued New Zealand is able to gain the trust of nations not closely linked to the United States and therefore able to fulfil a role of honest broker. This is the approach employed by the Nordic states⁴³ and is seen by some as the appropriate model for New Zealand.

The Taskforce has no argument with New Zealand making up its own mind on foreign policy issues – without question that should be taken as read – but it cannot escape the conclusion that this means acting in New Zealand's best interests as seen by the decision makers of the day. The Taskforce does not see being at odds with another country as a necessary condition for an independent policy line. The essence of an independent foreign policy means taking New Zealand's own line on issues. Sometimes that will coincide with the view of others, sometimes not. The essence is that it is a New Zealand view, not one set by others for New Zealand.

The distancing from the ANZUS alliance, it was suggested, means that we are now an inherently safer country and less at risk of anti-western terrorism. While the risks of terrorist attacks in New Zealand may not be high, we cannot afford to be complacent or discount the possibility even within the current policy setting on ship visits. Government policy against terrorism must remain vigilant.

Whether terrorists actually make a meaningful distinction between Australia and New Zealand is itself a moot point. Most often we tend to be viewed as partners, as evidenced by our participation in East Timor, Afghanistan and now Iraq (all of which have led to harsh criticism from international terrorist organisations). In international forums New Zealand has stood firmly by those totally opposed to terrorism. While we might not be as active against these groups as others (we did not participate in the initial invasion of Iraq but have in

⁴² One notable example of this is former Prime Minister David Lange's book, *Nuclear Free – the New Zealand Way* (1990), Auckland: Penguin Books, p 8. 'This book is essentially the story of how one small country found the political will to say no to nuclear weapons.'

⁴³ Sanders, Jacinta (Spring 1999), *Honest brokers? American and Norwegian facilitation of Israeli-Palestinian negotiations (1991-93)*, Arab Studies Quarterly (ASQ), v21 i2, p. 47(2).

rebuilding) and have a lower profile generally, New Zealanders, too, can be killed by terrorists as the September 11 and Bali bombings show.

Some submitters expressed concern over certain United States' foreign policies, including Iraq and the Middle East. We also heard from some who supported the United States. The Taskforce did not see any particular United States action or policy as relevant to the exercise upon which they were engaged. The NZ/US relationship is of ongoing importance to New Zealand. There will always be differing views expressed by New Zealanders on issues such as United States foreign policy (or New Zealand foreign policy for that matter). These differences are to be expected in a vigorous and healthy democracy. Rather, the Taskforce looked at the particular issue of its terms of reference – that is, the state of the NZ/US relationship. Addressing that should not be seen as a way of expressing a view one way or another on United States policy – if resolving the dispute with the United States advances New Zealand's interests, that is reason enough to proceed.

While some at the edge of this debate argue that any other policy than that currently advanced is a mere expression of slavish support for United States policy, the Taskforce takes a different view. New Zealand policy should be rationally based and grounded in actions advancing New Zealand's interests. Having a good working relationship with any nation should not lead to an automatic assumption that New Zealand supports all or any particular policies of that country.

Further, while the benefits of defence cooperation seem remote to some New Zealanders, those with expertise in this area advise that there have been, and continue to be, significant costs to this country that effective defence cooperation would resolve.

To some this dispute represented a small nation standing up to a large. The determination to stand firm in the face of pressure in 1984, itself, engendered a sense of national pride. The Taskforce does not underestimate either the strength of this feeling or the intangible benefit many feel from this circumstance. Finally, this Taskforce must express its own view. Like other New Zealanders, we share a strong sense of pride in New Zealand and its achievements. At the same time we do not support continuing to maintain what we see as a defiant stand to advance national pride – national pride should be based on the positives of New Zealand as a country and the substantial achievements of our people over time. On that score, New Zealanders have plenty to cheer.

A further reason advanced in favour of the present position is that the legislation supports New Zealand's clean, green image and that this is to the advantage of New Zealand exporters as a marketing plus. The nuclear free status is seen as part of this package. While easy to assert, this is far harder to prove, with different perspectives coming from different players.

The perspective of the Taskforce is that the image of New Zealand overseas is very important – it should not be underrated. The Taskforce would go further and add that this will finally be based on what happens rather than on a piece of legislation as such. If for the sake of the argument we assume it makes a difference in consumer decisions in overseas markets, a Danish Solution would still work. Nations that, as a matter of government policy, actively determine not to have nuclear power generation facilities or visits by nuclear powered ships have an equally valid basis to claim that they are as nuclear free as New Zealand. As the Danish situation shows, it does not depend on whether or not they have a section in their law that bans nuclear powered vessels.

While some advocates argue that this dispute with the United States has been 'costless' for New Zealand, the Taskforce does not agree. It is not credible to argue that the recent negotiation of an FTA with Australia without New Zealand does not, relatively speaking, disadvantage New Zealand. Neither is it credible to suggest that this situation has no links to the comparatively cooler relationship between New Zealand and the United States compared with that between Australia and the United States.

The cost is not just in terms of our relationship with the United States – it is also impacting negatively on New Zealand's relationship with Australia. As Australia seeks to enhance its economic prosperity through an FTA and its security through closer defence force cooperation, the Australian relationship with New Zealand suffers.

As pointed out above, Australia has recently negotiated an FTA with the United States that has lifted their economic association to a new and higher level. Improved trade access to the United States market is as vital an issue for New Zealand as it is for Australia. There is widespread support in New Zealand for a similar agreement with the United States⁴⁴. While

⁴⁴ *No amount of speculation alters the importance to New Zealand of ensuring a positive outcome from the upcoming WTO round of multilateral trade negotiations or in pressing forward New Zealand's case*

New Zealand has sought a priority ranking for negotiations, so far that request has not borne fruit in Washington.

Despite such a trade deal with New Zealand being acknowledged as readily 'doable', and despite the increased emphasis by the United States on bilateral free trade agreements, the United States continues to resist New Zealand's concerted efforts to engage. The Taskforce is strongly of the view that any New Zealand government should position the country so that we can achieve at least the access advantages into the US market that will flow to Australia under their FTA. Resolving this dispute, while that stands as a goal in its own right, will assist in this direction.

for an FTA with the United States. Carlaw, Simon (22 May 2003), *Zoellick affirms realities*, Media Release, Business NZ.

12. RESPONSES OF THE TASKFORCE

The Taskforce emphasizes that this is an issue of New Zealand's relationship with the United States – not the relationship with this or any other particular United States Administration. A change in the administration in Washington, whenever it might occur, does not change New Zealand's fundamental interests. Maintaining an effective and productive relationship with the United States, unimpeded by a nagging dispute, is a key foreign policy interest for our nation. No major political party should ignore that fundamental point.

Clearly it is not in New Zealand's interest to continue this dispute under any circumstances, but with the changing nature of global security issues in the post-Cold War world, resolving this issue acquires a sharper focus. The balance of terror of the Cold War has been replaced by a number of often brutal and wide-ranging conflicts with historical, regional, cultural, ethnic and religious drivers. The maintenance of international stability requires like-minded nations to work together to maintain peace and security.

For us collectively as New Zealanders, the stakes in world relationships are high. While we are remotely located, our peace and prosperity depend on ongoing world peace and security.

The shock of September 11, 2001, the primacy of United States power (both economic and military) and the influence of United States policy on world direction cannot be ignored. New Zealand's smallness and isolation, while not without attractions, means that despite the best efforts of our diplomats and other representatives overseas, in a number of respects we struggle to keep our interests to the fore in the minds of our key international partners, including the United States. As seen earlier, New Zealand can, and has, contributed positively to a number of international actions jointly involving the United States since the dispute of 1984 arose. While our contribution has been appreciated, it has until now always been considered against the background static of the ship visits issue. After nineteen years, moving on is important for New Zealand. Again, resolving this dispute will assist in furthering New Zealand's fundamental interests.

The Taskforce accepted arguments that nuclear propulsion is a completely different issue from nuclear weapons. The first generates energy for propulsion – there is no way it can be used as a weapon.

What is more, the civil use of nuclear reactors to produce power is widespread throughout the globe. Many nations use nuclear power to produce significant proportions of their electric power. In earlier years, New Zealand was able to rely on hydro. Earlier hydro generation sites were relatively easy to develop. That no longer applies. Thermal coal generation is now a significant source of New Zealand's electric power generation, and is likely to become more so as the years advance. Had New Zealand a much larger population, we may have had to consider nuclear power generation, but our small size has enabled us to avoid that. There are a number of nations known for their strong support for nuclear disarmament that produce significant proportions of their electricity from nuclear sources.

Accordingly, with respect to the iconic value of New Zealand's nuclear free legislation, the Taskforce considers the legislative ban on nuclear weapons resonates more powerfully internationally than does Section 11 on nuclear propulsion. Yet it is the latter that is at the heart of our problems with the United States.

The Taskforce has acknowledged that the safety of nuclear propulsion is often raised in the public debate on this issue in New Zealand. As already established, this matter was the subject of a major investigation by a special committee chaired by Rt. Hon Sir Edward Somers⁴⁵.

The Taskforce stresses again, however, that the solution to this problem as proposed by this Taskforce does not mean we need to accept nuclear powered ship visits. New Zealand can remain nuclear free. Section 11 of the Act, which causes the problem with the United States, is not essential to a nuclear free policy for New Zealand.

⁴⁵ Report of the Special Committee on Nuclear Propulsion – December 1992.

13. THE CONTEMPORARY UNITED STATES NAVY

Since the 1980s the United States Navy has changed. Most nuclear powered surface ships have been retired. Gas turbine powered vessels, including the formidable AEGIS equipped cruisers, have replaced them. These are the same class of engine that power the New Zealand Navy ANZAC frigates.

The form of propulsion of a naval vessel is not a matter of uncertainty. The United States Navy formally publishes the propulsion systems of vessels⁴⁶. There is absolutely no doubt as to whether or not a particular ship is nuclear powered. The only nuclear powered vessels now in the United States Navy are the Nimitz class aircraft carriers and both ballistic and attack submarines.

Similarly there has been a major change in the nuclear weapons policy. In 1992, President George Bush Snr announced that nuclear weapons would be removed from surface ships and attack submarines⁴⁷. This announcement was made within the context of the 'neither confirm nor deny' policy. However, it has been repeated numerous times since by successive United States administrations. In these circumstances it would be perfectly proper for a New Zealand Prime Minister to make the necessary finding under section 9 (2) of the *New Zealand Nuclear Free Zone, Disarmament, and Arms Control Act 1987* that bans the presence of nuclear weapons.

⁴⁶ United States Navy, *Current U.S. Navy Ship Classifications*, <http://www.nvr.navy.mil/class.htm>.

⁴⁷ U.S. State Department Background Note on New Zealand, U.S.-New Zealand Relations` <http://www.state.gov/r/pa/ei/bgn/2791.html> ; *All U.S. Nuclear Weapons Withdrawals Now Complete*. (2nd July 1992) President Bush's statement concerning the return to the U.S. of all ground-launched tactical nuclear weapons.

14. LESSONS OF THE DANISH POLICY

The Government of Denmark has as a matter of policy determined that it would not welcome a visit by nuclear powered or nuclear-armed vessels. Unlike New Zealand, this policy has not been made the law of Denmark. In this regard, New Zealand is unique.

Since 1964 there have been no nuclear powered ship visits to Denmark. The United States, however, did not change its 'neither confirm nor deny' policy for Denmark. Ship visits by conventionally powered naval vessels have continued. This demonstrates an effective nuclear free policy while visits by United States naval vessels continue.

As is the case in general with visits to a port by a foreign naval vessel, prior permission is required for the passage of Danish internal territorial waters and for visits to Danish ports by foreign naval ships or civilian nuclear powered ships. Except for the visit in 1964 of the civilian, nuclear powered US cargo ship 'Savannah' no nuclear powered ships have visited Danish ports⁴⁸. It is still Danish policy not to accept nuclear weapons on its territory.

In 1988 a major issue of public debate in Denmark was whether Danish authorities should inform visiting foreign naval ships of the Danish nuclear policy on an individual ship visit basis.

On 14 April 1988 a majority in the Danish parliament voted in favour of a Social Democratic motion stating that: *'Taking into consideration that for 30 years it has been Danish policy not to accept nuclear weapons on Danish territory, the Parliament calls on the Government to inform visiting naval ships accordingly'*. On the day after the vote US Secretary of State George Schulz said the US was *'deeply distressed. Its implementation in a way which is inconsistent with the U.S. NCND ('neither confirm nor deny') policy would undercut the nuclear deterrence policy on which NATO's security is based'*. These events led to the resignation of the Schlüter Government and its call for a general election. On 19 April 1988 Prime Minister Schlüter declared that the Danish Parliament's acceptance of the Social Democratic proposal meant passing *'the limit where our full NATO membership is jeopardized. Under these circumstances we find it necessary to give the electorate the possibility to consider the question of further full NATO membership of Denmark'*. The

⁴⁸ As advised by Svend Aage Christensen, Danish Institute for International Studies (DIIS) Strandgade 56 DK-1401 Copenhagen K Denmark

Schlüter Government won the election⁴⁹. Denmark has since then maintained its nuclear free status and NATO membership.

It is also noteworthy that from 1964 to 1976 there were no visits by nuclear powered vessels to New Zealand⁵⁰. Such visits were primarily a feature of the period of the Muldoon Government. Moreover in 1984 the proposed visit by the *USS Buchanan* would have conformed to Danish policy. The ship was clearly not nuclear powered, and so unlikely to have been nuclear armed that it could be discounted as a possibility.

The stumbling block to the implementation of a policy similar to the Danish policy in New Zealand has been the existence of Section 11 of the *New Zealand Nuclear Free Zone, Disarmament and Arms Control Act 1987*.

⁴⁹ Svend Aage Christensen, Danish Institute for International Studies (DIIS) Strandgade 56 DK-1401 Copenhagen K Denmark.

⁵⁰ White, Robert E. (1999) *Working Paper No 9 - Nuclear Free New Zealand: The Policy in Action*, Centre for Peace Studies, p 22.

15. THE SOMERS REPORT

In 1992 the National Government established a special committee to investigate the safety of nuclear powered ships. It was chaired by the Right Hon Sir Edward Somers, a retired Judge of the Court of Appeal, and its members were Professors Patricia Berquist, David Elms and Dr Alan Poletti.

The Somers Report is recognised as a most thorough scientific analysis of the safety of nuclear propulsion, based on a detailed analysis of the many issues involved. The Somers Committee heard a wide range of submissions, from professionals in the nuclear field to anti-nuclear activists⁵¹.

The primary conclusion of the Report states⁵²:

'The presence in New Zealand ports of nuclear powered vessels of the navies of the United States and the United Kingdom would be safe. The likelihood of any damaging emission or discharge of radioactive material from nuclear powered vessels, if in New Zealand ports, is so remote that it cannot give rise to any rational apprehension.'

Further, it concludes⁵³:

'Nuclear ships are powered by pressurised water reactors, ('PWR'), which are designed to be self-regulating throughout their operating regime, a valuable safety feature⁵⁴. In contrast the reactor at Chernobyl was not a PWR and did not have this self-regulating ability'

The Committee noted⁵⁵:

'The safety record of United States nuclear powered warships is outstanding; there has never been a nuclear accident in the 39-year history of the programme. This programme currently covers 135 operating nuclear powered warships and 165 operating reactors, almost twice as large as the United States commercial nuclear programme. Since 1955, United

⁵¹ *Ibid*, Appendix 4: Submissions and Appendix 5: International Consultations, pp 191-199.

⁵² *Ibid*, Finding 1, p. 173.

⁵³ *Ibid*, Findings 2-4, p 173.

⁵⁴ *Ibid*, Chapter 3: What is a Reactor?, p 31

⁵⁵ *Ibid*, p 31; *The United States Quarterly Report on Naval Reactors* (DOE92b dated October 1992) cited in Report of the Select Committee, (December 1992), *The Safety of Nuclear Powered Ships in New Zealand*, pp 55-56.

States Navy nuclear powered warships have steamed over 93 million miles and amassed over 4,100 reactor-years of operating experience. These ships have visited more than 150 ports in over 50 foreign countries and dependencies’.

The Taskforce noted that naval vessels have many barriers to stop radioactivity being released and are designed specifically for combat conditions, with well-developed damage control capabilities.

Modern vessels have a thickness of the armour plating shielding the reactor space, and construction details of reactor vessels, designed to make them resistant to attack. The submarines USS Scorpion, USS Thresher⁵⁶ and RFS Kursk⁵⁷ all sank as a result of severe damage, but the reactor compartment and reactor vessel remained intact with no leakage of radioactive material.

The Taskforce also noted that a number of submissions to the Somers Committee claimed that the amount of radioactivity emitted by nuclear powered vessels in the course of their normal operation was dangerously high. The Somers Committee examined reports from sources both within and outside government in Australia, New Zealand, Canada, United States and the United Kingdom and were unable to find any documents that supported this suggestion⁵⁸. In essence they rejected this assertion.

The Taskforce has no reason to question the validity of these findings. As is stated earlier were this purely a safety issue, it would soon be resolved. There are, however, other issues upon which New Zealanders base their views – it is not just a safety issue. It is for this reason the Taskforce has sought to find a solution to the problem that doesn't rely on the safety of nuclear powered ships, despite their impeccable safety record.

⁵⁶ *Ibid*, p 66.

⁵⁷ The Environmental Foundation Bellona, (23 August 2000), *No radioactivity discharge from Kursk so far*, http://www.bellona.no/en/international/russia/navy/northern_fleet/incidents/17644.html .

⁵⁸ *Ibid*, p 162.

16. TASKFORCE CONSIDERATIONS

The ending of the Cold War altered the nature of the world. Thankfully the potential for an earth destroying thermonuclear exchange between the Cold War protagonists is gone. But this has not brought with it the hoped for worldwide peace. Rather a new range of foreign and trade policy challenges face the world. While small and remote, New Zealand's security and prosperity are irrevocably tied into the world scene. Our history of willingness to engage in the broader world scene has seen positive New Zealand contributions, including active participation, in dealing with threats to peace all over the world.

For almost twenty years now New Zealand's relationship with the United States has been constrained in a way that in the view of this Taskforce is incompatible with New Zealand's best interests.

While New Zealand governments have endeavored to resolve the difficulty, so far any efforts made have not met with success. Given that the period from 1984 to 1990 was the period the dispute arose, it would have been unlikely to be resolved during that period. The new National Government in 1990 did, however, want to see the issue resolved. Whilst the United States made it clear that they appreciated the active New Zealand support in the first Gulf War, that participation did not lead them to remove their objections to New Zealand's approach to naval ship visits.

The Somers Report had addressed the safety issue – this report showed that the safety of the vessels alone should not be a barrier to resolution. For New Zealanders, other issues remained.

A further change of government did not resolve the matter either. In 1999 a Labour-led Government replaced the National-led government. While New Zealand has been actively involved in the War on Terrorism, the issue of dispute with the United States has continued.

The Taskforce found that much relevant to policy considerations with respect to nuclear ship visits has changed in the last nineteen years. There is now transparency with respect to armaments. With the elimination of doubt as to the presence of nuclear weapons on surface vessels, the non-acceptance or otherwise of the 'neither confirm nor deny' policy hardly justifies an ongoing dispute with an important friend.

New Zealanders as much as anyone anywhere felt and expressed sympathy for the United States after the horrific terrorist attacks on New York and Washington on 11 September 2001. As mentioned above, New Zealand supported the United States led action against the Taliban and the Osama bin Laden led networks in Afghanistan. Although this New Zealand contribution was again appreciated, the ship visits policy dispute remained.

The passage of time since this dispute began is now coming up to twenty years. Both sides claim – and we see no reason to doubt this – that they would like to see the issue resolved. The old adage is that time heals all wounds, yet after twenty years there is no clear evidence that this will apply to this case. A greater effort will be required to fix it.

The Taskforce concluded that New Zealand's long-term interests would be better served by adopting, as a goal for New Zealand foreign policy, the resolution of this nagging dispute with the United States. Once the relationship is normalised, outstanding economic and security issues can be addressed in the context of an improved relationship for the mutual benefit of both countries.

Any resolution should enjoy a wide consensus of support throughout New Zealand. The optimum outcome for a sound foreign policy for New Zealand is an approach where policy fundamentals enjoy both a consensus of support in the community and sufficient multi party political support to survive changes of Government. Neither the United States nor New Zealand would benefit from a policy seesaw where decisions by any particular government to improve the relationship with the United States – whether National-led or Labour-led - failed to survive changes in governments.

17. MOVING THE RELATIONSHIP FORWARD

From the extensive analysis in this paper, it is quite clear to the Taskforce that New Zealand's diminished relationship with the United States these last nineteen years is imposing increasing cost for decreasing benefit. The costs include an increasingly negative impact on our vitally important relationship with Australia, as well as an increasingly negative impact on our economic and trade relationship with the United States.

Our similar origins in culture, language, history and shared values inevitably create deep ties with the United States. These ties have continued to the present, as the United States is a primary source of investment, tourism, scientific and technical knowledge, general information, entertainment and popular culture⁵⁹. These shared values and ties should be conducive to finding a resolution to this issue.

The extent to which New Zealand shares a common strategic view with the United States, irrespective of which government is in power in either of the two countries, has to be addressed. The War on Terrorism has led to a close examination of this issue within the New Zealand Government and across New Zealand society. Clearly, New Zealand's strategic interests do not lie solely in the geographic region we occupy, although Pacific issues will be close to the heart of our concerns. Beyond that, New Zealand and the United States have a common strategic interest in preserving international stability. While contesting certain United States policies, rarely do New Zealand and the United States have a radically different view of the world. This is so even when New Zealand would prefer a greater focus on United Nations consensus for action.

The disparity in size of the two countries inevitably means that we have different perspectives, even when there is a common interest. Broader recognition of these common interests should lead to a better understanding of the perspectives of each country.

The Taskforce considers it would be a mistake to believe that any change in the administration in the United States would alter the fundamentals of the relationship and solve this problem. This is not a high priority issue for America. While there could be differences in approach between administrations and they may be significant on certain issues, it would

⁵⁹ Hoadley, Stephen (2000) *New Zealand United States Relations: friends no longer allies*, Victoria: University of Wellington New Zealand Institute of International Affairs, p ix.

not be expected to radically change US foreign policy. The shock of September 11, 2001 cut very deeply into the American psyche. Ordinary Americans naturally demand a secure homeland environment and United States domestic and foreign policy will seek to reinforce that desire.

New Zealand has taken a firm anti terrorism line – with widespread support within the community. While there are New Zealanders who clearly do not agree with United States policy, it is hard to think how any right thinking New Zealander of any persuasion would accept the indiscriminate, brutal and senseless killing that is terrorism in action.

While it was our perfect sovereign right to decline to join the ‘Coalition of the Willing’ with Britain and Australia, unnecessary actions that inevitably influence relationships, including certain statements made during the war⁶⁰ should be avoided.

The approach taken by the government to resolving the dispute should be wide ranging. Take for example the economic relationship. The United States is our second biggest export market and one with the potential to grow more rapidly. It is however a complex market. Joel Garreau⁶¹ has argued that efforts in the United States market should not be organised on geographical lines. One of his strategic markets is located around Santa Barbara in California and encompasses a narrow strip of coastland as far north as Alaska. New Zealand once had a Consulate in San Francisco but the previous Labour Government closed this in 1990. At present the Consul-General in Los Angeles is expected to be responsible for all States as far east as Ohio. With the Southern States currently growing faster than the rest of the country, a case could also be made for a strategic New Zealand presence in Atlanta.

The United States is a land of economic opportunity for New Zealand. The New Zealand Government must pursue the opportunity with commitment. The Pacific North West and the South are two areas where the Taskforce suggests New Zealand could begin by establishing entities to facilitate trade and investment opportunities in strategic locations such as San Francisco and Atlanta.

⁶⁰ Comments Prime Minister Clark made include ‘*A new and dangerous precedent is being set. It may be possible to justify ones friend's taking such action, but where then is our moral authority when other nations use the precedent which is now being set?*’, Young, Audrey, and Mold, Francesca (18 March 2003), ‘*Clark sticks to her guns in Iraq debate*’, New Zealand Herald.

Ms Clark also suggested that she did not believe the Iraq war would have gone ahead had Al Gore won the presidency - Espiner, Guyon (30 March 2003), *US fury over NZ stance*, Sunday Star Times.

⁶¹ Joel Garreau, *The Nine Nations of North America*, Avon Books, 1981 9ISBN; 0-380-57885-9)

New Zealand should put greater effort into building our economic relationship with the United States by a total commitment to the development of an FTA. This is not just an Executive Government to Executive Government Issue - we should endeavour to improve our position with United States Congress. Joint Parliamentary activities would assist. During a recent visit by a group of senior United States Senators, it was made very clear that even if the administration initiated negotiations on an FTA, it may not attain the required majority in the Congress, essential for any trade agreement to become law in the United States. It was made clear any negotiated agreement may not acquire the required majority because the Congress, especially the Senate, has a problem with our lack of effort to find a resolution to the impasse on the ship visits issue.

Over the time of this dispute with the United States, the security and defence relationship with the United States has been very difficult. There are some ironies. New Zealand is no longer an active ally - New Zealand and United States defence forces do not even exercise or train together. Yet at the same time there has been close engagement on active military operations. This dichotomy stems directly from our shared history and common interest on the one hand and our divergent views on ship visits policy on the other.

While we have common causes with a broader range of countries, we tend to confine our close military cooperation to those countries with whom we are most familiar in operational and doctrinal terms. New Zealand historically primarily engages with a relatively small number of countries - Australia, Britain, the United States, Canada, Singapore and Malaysia – in making its contribution to international security. These common interests inevitably lead to a relatively close cooperation between New Zealand forces and US forces when on active deployment. New Zealand also continues to source much of its military equipment from the United States, as does Australia. One of the principal reasons for these purchases is to ensure that a good level of interoperability with Australian and United States forces can be maintained, notwithstanding the current differences with the United States.

But it is also obvious that the nearly twenty years since the ANZUS split has led to operational difficulties, and a continuing, albeit subtle, diminishing of New Zealand's operational effectiveness. In an era characterised by increased instability, it is important that these trends be reversed. New Zealand should explore the opportunity to improve the security relationship, particularly as it affects operational effectiveness.

To make any changes necessary to resolving this dispute in a way that would enable them to endure, the government, including a newly elected National-led Government, should make every effort to carry the public of New Zealand with it on this issue. The Taskforce would go further and say that without a consensus that makes the new position stable, the change would not benefit New Zealand or for that matter the United States.

The Government should endeavour to develop a general consensus around the `Danish Solution`. The polling work of the Taskforce shows this should be possible. Under such a policy, visits by nuclear powered vessels could not occur, and nuclear weapons would remain subject to a legal ban. This should enable New Zealand to find a way through the problem that the country will accept permanently.

The Taskforce acknowledges that while this recommendation might cause vigorous debate, it believes that New Zealand must have the choice to re-engage fully with the United States. The Taskforce found the benefits for New Zealand of such a change, should it happen, would be very significant. They cover enhanced security, greater access and influence, as well as greater consideration in economic and trade matters.

18. COSTS AND BENEFITS OF PROPOSAL

Access and Influence

It is clear that the resolution of the differences with United States would result in a greater degree of access and influence with the United States administration. In quantifiable terms this means regular briefings with officials and more high-level contacts between the two countries. Less quantifiably, but more importantly, there would be a greater willingness on the part of the United States to take the interests of New Zealand into account. Naturally this is a matter of degree. Some of these exchanges occur now, but not nearly to the level that routinely occurred prior to 1984. The trip Prime Minister Clark made to Washington in 2002 could be viewed as a quid pro quo for Ms Clark's decision to commit SAS troops to Afghanistan. It allowed a fifty minute meeting with President Bush, lunch hosted by Secretary of State Colin Powell and a meeting with National Security Advisor Condoleezza Rice. High-level contacts of this type are of unquestionable value to New Zealand.

More regular and high-level visits allow issues of New Zealand national interest to be raised at the highest levels. While access and influence are desired by all states, the importance of this for a small, geographically isolated state is crucial. Impediments to access seriously limit our influence on the issues of importance to us.

The value of access is enhanced advocacy for initiatives that further New Zealand's interests. A proposal promoted by New Zealand alone will not succeed to any great level or to any great benefit for New Zealand without support. For support, New Zealand must look to its friends. Friends in high places are helpful. An improved relationship with the United States would lend support for New Zealand initiatives that benefit New Zealand. In essence, the greater the links, the greater the influence one country has with the other.

Trade and Economic Benefits

A clear advantage of the resolution of this dispute with the United States would be New Zealand's advancement up the scale of preference in trade negotiations. While the United States has been particular in ensuring that our foreign policy difference these last nineteen years has not damaged our trade and economic relationship, at the same time, when preferences are being sought, those not in dispute with the United States clearly come first.

Australia's FTA with the United States is almost certainly a result of their close relationship. From a list that includes more than fifty states scheduled to hold free trade negotiations with the United States, New Zealand is notable only by its absence. This list includes countries like Morocco, Costa Rica, El Salvador, Botswana, Lesotho, Namibia, South Africa, Swaziland, Guatemala, and Honduras⁶².

The spillovers from our strained relationship with the United States not only impinge on our defence relationship with Australia - it also affects how Australia acts towards us in international trade matters. The US Trade Ambassador Robert Zoellick has specifically stated that he does not envisage any early free trade negotiations with New Zealand⁶³. Australia determined to negotiate an FTA with the United States without New Zealand despite CER. Australia demonstrated itself reluctant to limit its chances of success by association with the damaged political relationship between New Zealand and the United States.

Although any direct link between New Zealand's legislative ship visits ban and preference in trade negotiations is denied publicly to avoid accusations of arm-twisting and undue interference in domestic affairs, the Taskforce is confident that its proposals would almost certainly push New Zealand up the priority list for trade negotiations. While the United States cannot say this officially, signals in private discussions give confidence in that regard.

Security

The recommended solution to the impasse would almost certainly enable a restoration of New Zealand's traditional defence links with the United States. Again, non-attributable advice to Taskforce members supports this assumption. Defence experts in New Zealand believe this would advantage our country.

There are many levels on which a bilateral security relationship is played out, ranging from intelligence to military training, and acquisitions of military equipment. New Zealand would have a greater degree of intelligence sharing with New Zealand more likely to have prior knowledge of threats to New Zealand's interests. It would strengthen the intelligence

⁶² Robson, Seth (12 April 2003) *You Want Free Trade?*, The Press.

⁶³ *'There's been some things done recently that would make [a free- trade agreement] harder to carry'* US Trade Representative Robert Zoellick on May 21 2003 - Taylor, Kevin (23 May 2003), PM's comments *'death knell to trade deal: US'*, New Zealand Herald.

gathering capabilities of both countries, a particularly valuable asset given the instability internationally and within our own region.

Arguments about intelligence sharing also apply to technology sharing. There is no doubt that the loss of the active ANZUS partnership in 1985 increased the costs of military acquisitions, especially for spare parts and military consumables. It is also likely we no longer have access to the most advanced technologies relevant to New Zealand, especially in maritime surveillance. These increased costs and technological disadvantages continue to the present day⁶⁴.

There would also be clear benefits from a renewed ability to train and exercise with United States forces. With the increased tempo of military operations, the need to train effectively together is assuming greater importance.

There would be flow-on benefits to our defence relationship with Australia. Australia is regularly in a situation where it is forced to host separate training for United States forces and for New Zealand forces. This irritant in the New Zealand-Australia relationship would be eliminated.

⁶⁴ Ansley, Greg (1 August 2003), *In the National Interest: Fighting Blind*, New Zealand Herald.

19. CONCLUSIONS

The Taskforce concluded on both economic and security grounds that New Zealand's long term interests will be best served by the government taking an initiative that has a realistic opportunity of resolving the relationship difficulty with the United States.

New Zealand governments are required to act in New Zealand's long-term best interests. A resolution of the ongoing disagreement with the United States meets this test.

New Zealand should maintain its nuclear free status. New Zealand should continue to be active in working internationally towards a reduction of nuclear weaponry leading, finally, to the multi-lateral removal of all nuclear weapons.

It is a single clause in the nuclear free legislation (Section 11) and not the nuclear free policy as such that is the major impediment to the normalisation of the NZ/US relationship. Nuclear free policies without specific legislation are demonstrably effective (Denmark provides an excellent example). If New Zealand follows the Danish approach, repealing Section 11 would not affect New Zealand's nuclear free status and would almost certainly end the dispute with the United States as a precedent for American acceptance this approach is already established internationally.

In the view of the Taskforce, the Danish approach is the only option acceptable to a consensus of New Zealanders that has a realistic opportunity of normalising the relationship with the United States.

The proposed solution to the problem was reached only after an exhaustive search for alternative ways and means to resolve the issue. Although the option of relying on policy alone clearly leaves New Zealand's nuclear free status untouched, some will be concerned at any suggestion of a change to the nuclear free legislation. There appears, however, to be no practical alternative that will end the deeply entrenched difference between New Zealand and the United States.

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