



29 November 2011

Minister of Foreign Affairs

Minister of Trade

**Briefing for Incoming Ministers**

There are three parts to this briefing:

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

Annexes:

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

## **Section 1: Executive Summary**

### ***Introduction***

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

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

### ***Volatile global environment***

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

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

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

### ***New geopolitical and economic geography***

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

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

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

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

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

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

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

#### ***Changing role of international institutions***

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

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

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

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

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

### Ministry priorities

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

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

- Build a more intimate and coordinated relationship with **Australia** that provides demonstrable and sustainable benefit to us both
- Improve prosperity and reduce risk in the **Pacific** region
- Pursue trade and economic integration in the **Asia Pacific** region
- Act to strengthen the international **rules-based system** to protect and advance New Zealand's interests and values

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- Achieve influential relationships with key **emerging economies**
- Build comprehensive partnerships with the **European Union** and the **Middle East**
- Help **New Zealand firms** to internationalise and export
- Construct a political/security/development **International Engagement Agenda** to complement the Economic Growth Agenda
- Deliver the **Ministry 20/20** change programme to achieve our vision and mission.

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

### Organisational change

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

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

The programme brings with it an element of risk, but the changes are necessary if we want a diplomatic, trade, development and consular service which can meet the needs of New Zealand at a price our country can afford to pay. We are targeting operating savings of \$40 million per annum from the 2014/15 year to meet Government requirements and create some limited capacity for new investment.

**Working with NZ Inc**

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

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

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

**Summary**

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

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

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

## **Section 2: Ministry Priorities**

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

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

### **Build a more intimate and coordinated relationship with Australia that provides demonstrable and sustainable benefit to us both**

The relationship with Australia remains pivotal to New Zealand's prosperity and to securing a broad range of our joint interests in the world.

A summit planned for late January 2012 between the two Prime Ministers provides an opportunity to further align programmes and priorities. The security relationship is strong – but needs constant attention. Co-operation in the Pacific and on collaborative approaches to other international issues also provides scope to sustain a distinctively close relationship. Preparations for the second joint cabinet meeting offer the chance to position other New Zealand Ministers to have ambition for the relationship and a commitment to taking it forward in agreed areas.

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**Improve prosperity and reduce risk in the Pacific region**

The Pacific faces another challenging period ahead. The growth outlook is poor; sovereign debt is growing, export sectors are fragile and tourism is generally flat; and in most places governance remains under sustained pressure.

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New Zealand's responsibilities as Pacific Islands Forum chair will require active diplomacy and leadership, including contact and visits at the ministerial level, especially through the first half of 2012. An ambitious agenda has been set, which focuses on improvements to regional architecture, advancement of sustainable economic development and lifting the Forum's international profile and influence.

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The Pacific is the second most off-track region to achieving the United Nations (UN) Millennium Development Goals (MDG) and if we are to achieve tangible development assistance results in a crowded donor space, we must be focused in our efforts, coordinating with other donors where possible and building on our unique position as a Pacific nation.

Improving the enabling environment is a priority to allow the private sector to grow and we are implementing five new public/private partnerships in the areas of renewable energy, tourism, trade, infrastructure and small-to-medium enterprise development. We are also supporting initiatives to strengthen security and improved governance, the electoral process and access to justice.

Through a new Pacific Scholarship Scheme, vocational training and intensified effort on delivery of quality basic education, we are investing in developing an educated and skilled workforce.

## **Pursue trade and economic integration in the Asia Pacific region**

The Ministry will continue to actively pursue trade and economic integration in the Asia Pacific region through a multi-faceted approach.

The next round of bilateral negotiations with India is likely to be in late January 2012,

withheld under s 6(e)(vi)

Conclusion of an FTA with Korea is an important goal for New Zealand

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On a positive note, a study process has recently been jointly announced with Chinese Taipei to examine potential benefits from trade liberalisation.

With regards to TPP, APEC Leaders in Honolulu instructed their negotiators to meet in early December, and at that time to schedule additional negotiating rounds in 2012. They also directed that talks should be conducted with other Asia-Pacific partners that have expressed interest in joining the TPP – which, by the end of the Leader's Meeting, included Japan, Mexico and Canada. Further discussions with current TPP negotiating parties and a decision by Cabinet will be required to inform dialogue with these countries. Japan remains a strong economic force and this move signals that the debate about regional integration is intensifying after a slow start.

Focus is being placed on implementing the ASEAN/Australia/New Zealand Free Trade Agreement (AANZFTA) and to derive maximum benefit from the agreement. We are strongly supportive of ASEAN regional integration and are focusing on expanded ASEAN discussions (ASEAN++),

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Working closely with Australia to support ASEAN's economic integration processes is a high priority.

Encouraging APEC to pursue issues like regulatory cohesion will help deepen Asia-Pacific regional economic integration and prepare the way for a future Free Trade Area for the Asia Pacific (FTAAP) negotiation, when the environment is right. The TPP and ASEAN++ negotiations are potential stepping stones to an FTAAP.

## **Act to strengthen the international rules-based system to protect and advance New Zealand's interests and values**

In order to have impact, it will be important for New Zealand to prioritise its engagements with the multiplicity of United Nations (UN) and UN related bodies. Effort will focus on areas that directly impact on our national interests: climate change, terrorism, weapons proliferation, development, resources (e.g. fish and oceans), biodiversity/biosecurity and the Antarctic treaty system.

A number of major issues are likely to be in play early in the Government's term. The Durban Conference on Climate Change has produced a stronger and more cohesive outcome than many had expected. Importantly, in return for a second commitment period under the Kyoto Protocol (the first expires at the end of 2012), the US and the major developing country greenhouse gas emitters accept that they must take on commitments "of equal legal force" to reduce their greenhouse gas emissions under a new regime to be negotiated over the next 3-5 years.

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s 9(2)(j)

A key and continuing focus will be the prosecution of New Zealand's candidacy for election to the UN Security Council for the period 2015-16. Membership of the Security Council would be a powerful demonstration of New Zealand's continued relevance in international affairs.

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The World Trade Organisation remains a key piece of the international economic architecture for New Zealand. Despite the current impasse in the Doha Round negotiations, we need to creatively explore opportunities to re-energise the negotiation and focus on outcomes beneficial to New Zealand.

In terms of development, we are encouraging greater donor coordination and cooperation, especially in the Pacific, notably with the World Bank Group, the Asian Development Bank, Japan, the European Union (EU) and the US, in addition to our traditional partners such as Australia. We will build on the outcomes of the November 2011 High level Forum on Aid Effectiveness, which brings non-traditional donors – such as China – to the table.

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***United States***

New Zealand seeks to build a trusted political and security partnership with the US. New Zealand and US cooperation is growing in line with the ambition expressed in the bilateral Wellington Declaration and we aim to be a partner of choice for the US in areas of interest to New Zealand. This reflects a long tradition of friendship and cooperation.

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***China***

After thirty years of "opening up" and sustained economic growth, China has returned to a position of regional and global strength. New Zealand aims to build strong and resilient economic, social and political relationships with China.

New Zealand and China celebrate 40 years of diplomatic relations in 2012. This is also a year of major leadership transition in China and a programme of political engagement and the NZ Inc China strategy launch, proposed for early February, will mark the anniversary and build new links.

In an environment of international economic uncertainty, China and New Zealand will fully utilise the ground-breaking 2008 China-New Zealand FTA. This underpins a trading relationship where New Zealand exports have tripled over the last five years and for which both governments have agreed demanding future growth goals.

## **Achieve influential relationships with key emerging economies**

The NZ Inc India Strategy launched by the Prime Minister in October 2011 envisages India becoming a core trade, economic and political partner for New Zealand by 2015. Implementation will entail rigorous follow-through on priorities identified during the strategy process and whole of government agility and perseverance in advancing activities that protect and promote economic opportunity. In particular this includes completing a bilateral FTA; heightening New Zealand's profile as a partner of value to India; and encouraging New Zealand business to exploit the opportunities the strategy highlights.

Similarly, completion in the first quarter of 2012 of the first NZ Inc regional strategy for the countries of ASEAN is important. It will articulate clear goals and practical actions developed in consultation with business for positioning New Zealand to capture the opportunities generated by high economic growth in a region of more than 600 million people.

We are also refocusing our development engagement in South East Asia, promoting New Zealand's comparative advantage and aligning with foreign policy objectives through the implementation of four ASEAN flagship programmes under the New Zealand-ASEAN Joint Comprehensive Partnership (scholarships, agriculture, disaster risk management and fostering young business leaders).

Progress on trade initiatives continues in other emerging markets.

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## **Build comprehensive partnerships with the European Union and Middle East**

### ***European Union***

Our interests in Europe remain substantial and are critical to New Zealand's economic well-being. Despite the uncertainty surrounding the Eurozone crisis, the EU remains the world's largest economic bloc (31% of global economic output), our third largest export market (\$5b) and a major source of capital, immigrants, tourists and innovation. It is also an important political and diplomatic partner.

Against this background, making early progress on securing an EU mandate for the proposed EU/NZ Framework Agreement is important.

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***Middle East***

In the Middle East, political upheaval continues and we need to build relationships with a view to New Zealand's longer term economic and security interests,

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## Help New Zealand firms to internationalise and export

The Ministry is working closely with Trade and Enterprise, Treasury, Ministry of Economic Development and the Ministry of Science and Innovation with a view to lifting international competitiveness and economic growth. This commitment flows from a shared concern that past economic performance has not been sufficient to reduce the gap in relative per capita incomes with other developed economies. Since the mid-2000s New Zealand's economic growth has weakened and the tradable sector has contracted. Agencies assess that only some of this deterioration in performance can be attributed to external factors.

Agencies are committed to offering policy options directed at making the economy more internationally competitive and lifting economic performance through several channels:

- improving macroeconomic stability
- improving the environment for firms exposed to international competition; and
- lifting domestic productivity.

Although the specific focus of each agency differs according to its particular mandate, our respective 'Briefing for Incoming Ministers' have been coordinated with this refresh of the **Economic Growth Agenda** in mind.

The **NZ Inc strategy process** is a whole-of-government approach to building exports and opening up new markets with key partner countries and regions. The strategies, which aim to strengthen our economic, political and security relationships, direct government agency efforts over the next five years and are informed and validated by New Zealand firms and key stakeholders. Initial targets of the strategy programme are India (launched in October), China, the US and Australia. Regional strategies for the ASEAN region, Middle East and the EU are to follow.

At a practical level, we are collaborating with other agencies and key exporters to develop and support their international strategies. Free Trade Agreements are not an end in themselves and focus needs to remain on implementing and encouraging business to use existing agreements, especially as more are concluded. Creating interest and excitement around international business and telling success stories will underpin the communications approach.

A change has been taking place in the structure of international trade with increased focus on the supply chain, as opposed to the traditional export and import of finished goods. New Zealand is not a significant player in global supply chains, but there is an opportunity to become more involved. Along with other agencies such as NZTE, the Ministry is supporting companies to integrate more globally into supply chain management. Telling a strong New Zealand story and strengthening the New Zealand Inc brand offshore will help export businesses to gain traction in new markets.

## **Construct a political/security/development International Engagement Agenda to complement the Economic Growth Agenda**

New Zealand's national prosperity benefits from a stable and secure international environment. However, risks are intensifying. Political unrest and trans-border challenges such as pandemics, climate change, cyber-attack, terrorism and poverty extend well beyond national borders.

With this in mind, the Ministry recommends the development of an International Engagement Agenda to provide a clearer mandate to target and strengthen New Zealand's key international relationships. Complementing the Economic Growth Agenda, this will facilitate the achievement of New Zealand's political, security and development goals through directed whole of Government effort.

The Ministry already plays an important role in implementing whole-of-government strategies that address national security priorities (as outlined in Annex 4). Specific aspects of our work aimed at protecting and advancing New Zealand's national security interests include:

- Contributions to the development of the rules-based international security system
- Multilateral engagement in areas that directly impact on New Zealand's national interests: climate change, terrorism, disarmament and non-proliferation, international development, protection of resources (e.g. Pacific fisheries), biodiversity/biosecurity, and the Antarctic treaty system.
- Further enhancement of defence, security and intelligence cooperation with our closest security partners, to address challenges such as fragile and failing states, terrorism and other forms of trans-national crime, proliferation of weapons of mass destruction, piracy and cyber threats.
- Close attention to the defence and security dimension of our bilateral relationships with other partners in the Asia-Pacific region, in support of our wider foreign policy interests, and contributions to building more effective regional security mechanisms in the Asia-Pacific region.
- A high priority given to development assistance, security capacity building and bilateral cooperation in response to the myriad of security challenges facing Pacific Island countries.
- Protection of the rights and support for the security and safety of New Zealanders travelling abroad.

An International Engagement Agenda will enable the Ministry to more effectively guide its own efforts offshore, ensuring strong alignment across our political, security and development agenda. It will also underpin the Government's wider engagement offshore to ensure New Zealand's position is aligned and cleverly executed to underpin its economic growth agenda and multilateral objectives.

## **Deliver the Ministry 20/20 change programme to achieve our vision and mission**

The Ministry 20/20 change programme is the most profound structural, cultural and technological reform in the Ministry's history. It aims to ensure we are focused on our strategic priorities; we can deliver tangible results that have a greater impact on foreign policy, trade and development; and we can deliver value for New Zealand by being more flexible and cost-effective.

Once our proposed approach has been finalised and further discussed with Ministers, consultation will begin with staff on a proposed new business model, incorporating both onshore and offshore operations. We are expecting to release the consultation documents in late January, early February 2012. A core theme is to achieve efficiencies in the back-office (eg through standardised business processes and outsourcing) in order to strengthen front office functions, notably offshore representation that aligns closely with agreed priorities. Key decisions that will be sought from Ministers relate to the potential closure of some diplomatic posts.

Staff feedback will be gathered and final decisions made by the end of March, with implementation commencing shortly after. This timing is essential to ensure efficiencies can be gained in the next financial year. Once the changes have been fully implemented it is anticipated the Ministry will be smaller, with fewer people globally. Savings of \$40 million per annum are being targeted to meet Government requirements and create some limited capacity for new investment.

Targeted relationship building, communication and public diplomacy will be important to differentiate New Zealand offshore as well as within New Zealand (particularly with the business sector in Auckland). To the extent that other governments begin to engage in different ways (eg more deliberate economic strategies and management of external risks), New Zealand's capacity to engage will be paramount. Building on the strength of the NZ Inc branding presents an opportunity to further enhance our offshore presence.

In terms of communicating with the general public, traditional media will continue to be relevant but social media will play a stronger role, particularly in crisis management. New interest groups will be keen to engage in policy debate through online media and the Ministry is developing its capability in this area.

Growing public awareness of the trade agenda and New Zealand's foreign policy and development work will help broaden understanding of the international link with New Zealand's future prosperity.

### Section 3: The New Zealand Aid Programme

The International Development Group within the Ministry manages the New Zealand Aid Programme, which comprises Vote Official Development Assistance (ODA) (\$ 605 million<sup>1</sup> in 2011/12, including all rollovers) and the provision of policy advice on international development issues. This Vote supports sustainable development in developing countries, in order to reduce poverty and to contribute to a more secure, equitable and prosperous world.

#### ***Geographic focus***

The major proportion of aid is directed to the Pacific (52% of Crown expenditure), which directly reflects the Ministry's strategic priority to "improve prosperity and reduce risk in the Pacific region". The Pacific has significant development challenges. It is the second most off-track region to achieving the MDGs and is one of the most vulnerable regions to climate change. While bilateral Pacific relationships are the core focus, we also contribute to development efforts in Asia, Africa and Latin America, in line with the Ministry's overall strategic direction.

#### **Key themes of the aid programme**

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

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

#### ***Business model***

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

Key features of the new business mode include:

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

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

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

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

### ***Programmes***

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

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

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

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

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

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s 9(2)(j)

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s 9(2)(j)

### Annex A: Immediate issues for ministerial consideration / incoming visits

<p><b>Key departmental decisions / issues</b></p>
<p><u>Potential closure of some diplomatic posts</u></p> <p>The Ministry 20/20 charge programme may recommend the closure of some diplomatic posts and decision will be sought early in 2012.</p>
<p><u>Four-year budget plan</u></p> <p>Four-year Budget Plan - a key feature of Budget 2012 – is a departmental document and a key opportunity for the Ministry to provide advice on how to manage the Votes covered in the four year budget plan.</p> <p>The plans are to cover how the Ministry will manage:</p> <ul style="list-style-type: none"> <li>• within existing baselines, adjusted for the efficiency savings target; and</li> <li>• any operating expenses arising from capital proposals.</li> </ul> <p>The Ministry is required to submit its draft Four-year Budget Plan to the Treasury by 1 December.</p>
<p><b>Key policy decisions / issues</b></p>
<p><u>NZ Inc strategies</u></p> <p>Ministerial consideration will be required to progress the next steps under the NZ Inc country/regional strategy process.</p> <p style="text-align: center;"><i>withheld under s6(a)</i></p>

<p><u>Internationally Focused Growth Strategy (EGA-Refresh)</u></p> <p>Whilst the formal report back of ideas/proposals is mandated for February, officials are working on an initial report to the designated 'economic Ministers' (which includes the Minister of Trade) by Christmas.</p> <p>This suite of ideas/proposals to reinvigorate the government's growth agenda is intended for 'study' over the Christmas/New Year break with a view to an intensive 'stress-testing' of ideas in February.</p>
<p>Afghanistan</p> <p>withheld under s 6(a)</p>
<p><u>New Zealand as Pacific Islands Forum Chair</u></p> <p>Ministerial advice will be needed on an ongoing basis to how New Zealand responds as Forum Chair to Pacific and PIF Secretariat issues.</p>
<p>Fiji</p> <p>withheld under s 6(a)</p>
<p><u>Pacific Cooperation Foundation (PCF)</u></p> <p>The terms of five PCF board members expire on 21 December. A decision by the Minister of Foreign Affairs on their replacement or roll-over will be required before then in order to meet the terms of the Foundation's trust deed.</p>

<p><u>Whaling</u></p> <p>withheld under s 6(a)</p>	<p><u>Key Australian issues</u></p> <p>withheld under s 6(a)</p>	<p><u>Sinking of the Oyang 7C and Foreign Charter Vessels</u></p> <p>In late November the Coroner heard matters relating to the loss of life following the sinking of the <i>Oyang 70</i> in New Zealand waters. This is the subject of a Ministerial Inquiry which will report to Ministers in February 2012.</p>
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Marine Biodiversity in areas Beyond National Jurisdiction

There is growing international momentum for a new instrument (possibly under the UN Convention on the Law of the Sea) to cover marine biodiversity in high seas areas. Officials plan to seek a mandate from Ministers (including Minister of Foreign Affairs) before Christmas, in time for the next MBBNJ working group, expected to be held in February 2012.

**Incoming visits**

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## **Annex b: Ministry Parliamentary Business**

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

### Bills

The Antarctica (Environmental Protection: Liability Annex) Amendment Bill

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

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

The Maritime Crimes (2005 Protocols) Bill

The United Nations Amendment Bill)

### International treaty examinations referred to committees

International treaty examination of the United Nations Convention Against Corruption

## **Annex c: New Zealand's National Security System**

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

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

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

The National Security System highlights seven national security priorities:

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