

# Proactive Release

Date: 16 September 2020

The following Cabinet papers and related Cabinet minutes have been proactively released by the Minister of Foreign Affairs:

***Asia-Pacific Economic Cooperation (APEC) 2021 hosting update***

***(CAB-20-MIN-0260 refers)***

***APEC 2021 Bill: Approval for Change by Supplementary Order Paper***

***(CAB-20-MIN-0260 refers)***

***Asia-Pacific Economic Cooperation (APEC) Hosting Options***

***(CAB-20-MIN-0311 refers)***

***Hosting a Virtual APEC in 2021***

***(CAB-20-MIN-0363 refers)***

Some parts of this information release would not be appropriate to release and, if requested, would be withheld under the Official Information Act 1982 (the Act). Where this is the case, the relevant sections of the Act that would apply have been identified. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Key to redaction codes:

- 6(a): to avoid prejudicing the international relations of the New Zealand Government;
- 9(2)(g)(i): to protect the free and frank expression of opinions by departments;
- 9(2)(f)(iv): the confidentiality of advice tendered by Ministers of the Crown and officials;
- 9(2)(i): to enable a Minister of the Crown or organisation holding the information to carry out, without prejudice or disadvantage, commercial activities; and
- 9(2)(j): to avoid prejudice to negotiations.

Office of the Minister of Foreign Affairs

Chair,  
Cabinet External Relations and Security Committee

**Asia-Pacific Economic Cooperation (APEC) 2021 hosting update**

**Proposal**

1 [s6(a)]

**Relation to government priorities**

2 Hosting APEC in 2021 is a key priority under the government's plan to "create an international reputation we can be proud of".

**Executive Summary**

3 New Zealand is committed to hosting APEC. The importance of maintaining strong relations with the members of APEC has only grown. APEC economies are eight of New Zealand's top ten trading partners (for year ending June 2019). As an organisation, APEC has mechanisms to address the economic and trade challenges posed by COVID-19.

4 [s6(a)]

This paper outlines the policy, leveraging, and operational implications of hosting APEC in the context of COVID-19.

5 Malaysia has formally requested that New Zealand delay hosting until 2022. [s6(a)]

6 [s6(a)]

7 The financial implications for hosting in 2021 have been reassessed and officials are confident that with hosting standard caveats there would be no need for additional funds whatever form hosting takes. If we were to host in 2022 officials are confident that additional net cost increases will be manageable but will require us to host a more modest year. This is dependent on agreement to extend current budget appropriations.

**Background**

- 8 APEC is the key regional organisation supporting trade and economic integration. New Zealand's two-way goods and services trade with APEC economies was \$120 billion for the year ending June 2019. A healthy APEC underpins and sustains our regional economic integration and international trade network, which is critical for our economic prosperity.
- 9 APEC economies are expected to be hit hard by COVID-19, with output loss estimated to be \$3.4 trillion. However, the region is anticipated to recover quickly, with growth estimates of 6.3 percent in 2021; higher than the projected global economic growth of 5.8 percent.<sup>1</sup> Supporting and enhancing the resilience of APEC at this time provides us a meaningful way to reinforce our values and reputation in the region. s6(a)
- 10 APEC has proven useful for coordinating emergency economic responses at times of crisis, as it showed during the Asian and Global Financial Crises. APEC has mechanisms that enable Ministers to coordinate fiscal responses; reaffirm the importance of open markets; and create, test and discuss new trade and economic policy.
- 11 On 5 May 2020, APEC Ministers Responsible for Trade issued a statement in response to the COVID-19 crisis, which indicates a positive trajectory for APEC economies working together. s6(a)
- 12 s9(2)(g)(i) This committee last considered the full suite of APEC hosting issues on 27 March 2018 [ERS-18MIN-0001] where I set out New Zealand's broad policy interests and strategic objectives for hosting. The Government has appropriated \$265 million of funding for APEC hosting (\$184 million Operations and Hosting; \$81 million Security) s9(2)(g)(i)  
Hosting preparations are well-advanced.
- 13 Border restrictions and health considerations as a result of the COVID-19 crisis make it unlikely that APEC delegates will be able to travel to New Zealand for some or all of 2021. New Zealand businesses will be focused on recovery and may be less willing to contribute sponsorship or participate in APEC events in coming years. Officials are adjusting hosting preparations as a result.
- 14 In March 2018 we agreed New Zealand's policy objectives should be flexible to respond to future trends. There is an opportunity for New Zealand to positively influence APEC economies to focus on issues of highest relevance to New Zealand, as part of our region's economic recovery. Indeed I expect that the response to COVID-19 will occupy all the policy work APEC does in the short term. s6(a)

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<sup>1</sup> [http://apec.org/Press/News-Releases/2020/0420\\_PSU](http://apec.org/Press/News-Releases/2020/0420_PSU)

15 s6(a)

s6(a), s9(2)(f)(iv)

What does Hosting in 2021 look like?

- 19 In addition to Leaders' Week in November, APEC involves at least three stand-alone Ministerial Meetings, four clusters of officials' meetings, beginning with Informal Senior Officials' Meeting in December 2020, and a number of other meetings, spread throughout the year.
- 20 Officials have considered two broad scenarios:
- 20.1 **Scenario 1** – 2021 Partial virtual host year – virtual meetings up until the end of April. From May return to 'in-person' meetings for the remainder of the year, with remote facilities available if some face to face meetings are not feasible or if some economies are unable to attend.<sup>2</sup> This scenario should be seen as a "sliding scale" given the uncertainty of when it will be possible to resume the hosting of physical meetings.

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<sup>2</sup> Based on Treasury's April 2020 economic forecasts (April 2020) most optimistic modelling assumption, borders are assumed closed to foreign visitors for up to 12 months. *Treasury Report: Economic Scenarios, 13 April*

20.2 **Scenario 2** – 2021 Virtual host year for Leaders, Ministers, delegates and businesses - full remote participation with provision for a digital New Zealand experience.

21 s6(a), s9(2)(f)(iv)

22 In 2021 I expect APEC policy priorities to be geared towards the response to COVID-19, which will be in line with our own focus on economic recovery. There may be opportunities to influence the structure and operating methods of APEC to make the forum more effective as a vehicle for delivering benefits to New Zealand and the region. This includes supply chain openness, regional connectivity, and support for the rules based system.s6(a)

23 The ongoing risks around physical attendance at meetings in New Zealand means this scenario is highly uncertain. We will face reputational risk if our borders are open to some members but need to remain closed to others, or if others' borders are open and ours are not. We may need to explore a range of creative solutions, including restricting delegation sizes, delaying meetings within the calendar year or establishing special quarantined zones for APEC meetings. Regardless, we anticipate that significant remote participation facilities will be required.

24 s6(a), s9(2)(f)(iv)

25 Though technically feasible, coordinating meetings will be difficult across 18 time zones. We would want to deliver a unique virtual New Zealand experience, demonstrating New Zealand's capacity for innovation and creativity. [s6(a)]

26 [s6(a)]

#### Hosting in 2023 or 2024

27 One possibility we will need to bear in mind is that Malaysia, Thailand and other APEC economies may seek to persuade New Zealand to delay its hosting year even further to 2023 or 2024 (i.e. Malaysia hosts in 2021 and Thailand in 2022). No APEC member has offered to host in these years.

28 Delaying our hosting to 2023 or 2024 would entail unacceptable sunk and additional costs for New Zealand, given the preparations we are currently undertaking would need to be stopped and then restarted at a later date.

29 [s6(a)]

#### Financial Implications

30 Officials have completed a high level cost analysis for the two 2021 scenarios and the 2022 hosting scenario. All costs provided are estimates based on a wide range of assumptions that will continue to evolve over time.

31 Operations and Hosting costs have been funded at a 50% confidence level (\$184 million has been appropriated). As at March 2020 planning and preparation costs of approximately \$15.7 million have been incurred largely comprising of people, office space and technology costs. There are currently minimal sunk host year delivery costs [s9(2)(j)]

32 [s9(2)(g)(i)] The Security programme has received \$81 million funding [s9(2)(g)(i)]

As at March 2020 \$2.3 million has been incurred, largely comprising of people and office costs for the planning team. There are currently minimal sunk capability build costs however orders have been placed for some specialist equipment and assets with long lead times.

33 Hosting in 2021 under scenario 1 would involve a small overall net increase of approximately \$2.5 million, largely to cover the cost of new technology requirements, offset by savings from moving to virtual meetings. It is anticipated that this will be absorbed from contingency provisions within current funding. Should additional

meetings after April 2021 move to virtual participation, additional cost savings will be made (offset by any sunk costs associated with cancellation timeframes).

34 Hosting in 2021 under scenario 2, would require investment to be made in virtual meetings infrastructure. However initial estimates suggest significant net cost savings in the range of \$72 - \$82 million would be achieved from no longer needing to host physical meetings, especially if this decision was taken early. s9(2)(g)(i)

35 If New Zealand delays hosting until 2022 current planning would lift and shift from 2021 into 2022. Assuming a decision is made by November 2020, which would limit the scope of costs already incurred, estimates indicate approximately \$17 million in additional Operations and Hosting costs and an additional \$2 - \$7 million increase in Security costs. No adjustment for inflation or the impact COVID-19 may have on prices has been made.

36 s6(a)

Reductions in workforce costs would be sought, for example by retaining core workforce but further delaying the recruitment of operational and logistics staff.

37 The APEC 2021 Operations and Hosting funding (Vote FAT) is a four year, multi-year appropriation for the period 1 July 2018 to 30 June 2022. If New Zealand secures the delay in hosting to 2022, this appropriation would need to be extended by one year.

38 With respect to the additional security costs involved in delaying hosting, officials would need to do further work to determine if savings might be found in a similar way to what is described in paragraph 36, with a focus on the Leaders' Week event. Should full cost savings not be possible, Ministerial approval would be sought to cover any increase from Security appropriation contingency. Delaying hosting to 2022 would require appropriation transfers from 2020/2021 to 2021/2022 and from 2021/2022 to 2022/2023.

39 Should New Zealand's hosting be delayed beyond 2022 the current APEC programme would need to be shut down. While highly contingent on when decisions can be made, initial estimates suggest that the sunk costs would amount to \$30 million for Operations and Hosting and between \$11 and \$20 million for Security.

#### Consideration of options

40 The long-tail aftershocks of COVID-19 complicate prospects for hosting APEC over the next several years and New Zealand must readjust its expectations as a result. At this stage there is a high risk that we cannot host Ministers and Leaders in New Zealand next November. No virtual meeting can replace the broad set of benefits that would accrue from the attendance of global Ministers and Leaders on our home soil.

41 s6(a), s9(2)(f)(iv)

s6(a), s9(2)(f)(iv)

42 s6(a), s9(2)(f)(iv)

43 s6(a)

It is likely that existing priorities such as regional economic integration, economic inclusion (especially for indigenous peoples), environmental sustainability and digital innovation will continue to be relevant but they will need to be re-fashioned to be of relevance to the region post COVID-19. The need to fully address the economic challenges of COVID-19 will be critical for the new APEC “vision” which is currently being worked up to replace the Bogor Goals.

44 It is also possible that some border restrictions will remain in place in 2022. s6(a)

45 A delay in hosting APEC will have significant impacts on New Zealand businesses and there will be sensitivities related to ongoing contract discussions. We will need to manage some disappointment regarding the expected early economic activity that APEC could bring to local economies and the perception that New Zealand is not open for business.

46 However, we expect that the majority of the business community and other stakeholders, including key Māori stakeholder groups will be supportive s6(a)

It would not be a decision to cancel, but to delay until such time that we have assurances we can host a high standard and safe APEC year.

47 There were major events scheduled for 2020 that will now have to be rescheduled for next year, but this is currently complicated by the expectation that APEC meetings will be taking place. An outcome to delay may risk becoming associated with public expectations for the reopening of New Zealand’s borders.



### Next steps

48 s6(a)

- 49 In the meantime, planning to host APEC in 2021 must continue, as initial officials meetings are scheduled to take place from December 2020. We will soon need to make down payments to major suppliers, especially our venue and accommodation providers. We will need to continue adjusting expectations for when it might be possible to resume in-person APEC meetings as new information comes to hand, recognising that at the very least; technology will be required to enable remote participation for officials' meetings in the early part of 2021.
- 50 We will need to decide whether it is possible to host the Leaders', Ministerial and Officials' meetings in New Zealand by 31 October at the latest (i.e. to shift to planning for full virtual hosting throughout all of 2021), to manage the operational, financial and reputational risks, and provide certainty to our suppliers, not least given the new commercial pressures associated with COVID-19.

### **Legislative Implications**

- 51 Officials have examined the provisions of the *Asia-Pacific Economic Co-operation (APEC 2021) Bill* to see if changes are required to take into account potential impacts due to the COVID-19 pandemic. The implications of a possible change in our host year are addressed in a separate paper also being considered by External Relations and Security Cabinet Committee on 2 June.

### **Impact Analysis**

- 52 A Regulatory Impact Statement is not required.

### **Population Implications**

- 53 This paper has no Treaty of Waitangi implications.
- 54 Gender implications statement and disability perspective are not required.

### **Human Rights**

- 55 I do not consider the proposals in this paper raise any inconsistencies with the Human Rights Act 1993 or the New Zealand Bill of Rights Act 1990.

### **Consultation**

- 56 The following agencies have been consulted and concur with the paper: Ministry for Business, Innovation and Employment (MBIE), Treasury, Ministry of Primary

Industries (MPI), Department of Prime Minister and Cabinet (DPMC), New Zealand Police.

- 57 The APEC21 CEO Sponsoring Group (comprising Ministry of Foreign Affairs and Trade, DPMC, Treasury, Defence, New Zealand Defence Force, MBIE, New Zealand Trade and Enterprise, NZ Police, MPI, Te Puni Kokiri, Department of Internal Affairs, along with Auckland Council, and in his personal capacity: Alan Bollard) has endorsed the recommendations for consideration by Ministers.

### Communications

- 58 s9(2)(f)(iv)

- 59 I do not recommend making any public comments at this time. If we were to respond to a media enquiry and share the information that New Zealand is considering options for hosting APEC, including the proposal to shift the year we host, then officials would need to be poised to inform critical suppliers and stakeholders, including Māori as proactively as possible to maintain important relationships. s6(a)

- 60 We will continue to work through the diplomatic process and will keep Ministers and key stakeholders updated with progress. If agreement is reached between the APEC economies, we may wish to consider a joint New Zealand-Malaysia-Thailand Ministerial media statement. At this point it will be important to communicate to New Zealand business and public the rationale for delay to ensure we can host a high standard and safe APEC year, for the benefit of all New Zealanders.

### Proactive release

- 61 This paper will not be proactively be released due to the significant international implications and commercial sensitivities relating to the potential changing of any of the dates of New Zealand's APEC hosting year. I will revisit this decision when final decisions relating to New Zealand's hosting of the APEC meetings have been made and are publicised.

## Recommendations

The Minister of Foreign Affairs recommends that the Committee:

- 1 **Note** that Malaysia has formally proposed to continue as APEC chair in 2021, with New Zealand deferring its host year to 2022, and Thailand to 2023;
- 2 s6(a)
- 3 s6(a)
- 4 s6(a)
- 5 **Note** that separate advice will be provided regarding the changes required to the *Asia-Pacific Economic Co-operation (APEC 2021) Bill*;
- 6 s6(a)
- 7 **Note** that in the meantime, planning to host APEC in 2021 must continue;
- 8 **Note** that a decision will be needed at least one year prior to Leaders' week in November 2021 on whether it is possible to host the Leaders', Ministerial and Officials' meetings in New Zealand and whether we should shift to plan for full remote participation throughout the whole of 2021.

Authorised for lodgement

Rt Hon Winston Peters

Minister of Foreign Affairs

Chair,  
Cabinet External Relations and Security Committee

## **Asia-Pacific Economic Cooperation (APEC 2021) Bill: Approval for Change by Supplementary Order Paper**

### **Proposal**

- 1 This paper seeks approval for minor changes to be made to the Asia-Pacific Economic Cooperation (APEC 2021) Bill (the Bill), by Supplementary Order Paper.
- 2 I am also seeking Cabinet's agreement that, subject to consultation with the leader of the House, the Bill be passed before the end of this Parliamentary session.

### **Background**

- 3 As noted in the Cabinet paper "*Asia-Pacific Economic Cooperation (APEC) 2021 hosting update*" hosting APEC is a key priority under the government's plan to "create an international reputation we can be proud of".
- 4 In March 2019 Cabinet agreed to the development of legislation to ensure the necessary legal powers to effectively provide security for the APEC events [CAB-19-MIN-0048 dated 4 March 2019 refers].
- 5 On 11 November 2019 Cabinet agreed that the Bill be enacted by the end of June 2020, to come into force on 1 July 2020 [CAB-19-MIN-0565 refers]. This was to enable Police and other agencies to undertake required training before the hosting year commenced.
- 6 The Bill was reported back to the House by the Foreign Affairs, Defence and Trade Select Committee on 25 March 2020. The report was unanimous and contained only a small number of proposed amendments to the Bill, all of which I have accepted.
- 7 Officials have examined the provisions of the Bill to see if changes are required to mitigate potential impacts due to the COVID-19 pandemic.
- 8 I am seeking agreement to a number of changes that can be implemented through a Supplementary Order Paper that I will introduce on behalf of the Government.
- 9 I am also seeking that, subject to consultation with the Leader of the House, the Bill be passed this Parliamentary term in order to meet the intent of the original Cabinet decision; i.e. to enable required training to be commenced. This is particularly important if our hosting year remains 2021. It would also illustrate New Zealand's commitment to hosting APEC, giving a level of assurance to our international partners.

## Proposed Changes

- 10 Changes to the Bill are required to enable flexibility if the original hosting dates change for any reason. This is especially relevant for the Leaders' event period, when the majority of the powers will be in place, and for the repeal of the Act at the conclusion of APEC events.
- 11 Whilst I am seeking agreement the Bill be passed this Parliamentary session, the Bill would also need to be changed if is not enacted by the previously agreed date of 1 July 2020.
- 12 None of the proposed changes alter the powers contained in the Bill or extend periods in which they can be used. The powers remain temporary and will expire at the end of the last event linked to hosting APEC in New Zealand.
- 13 The following table outlines the key changes to which I am seeking agreement. The wording remains subject to drafting by Parliamentary Counsel Office.

	Current Wording	Proposed Wording
Title of the Bill	Asia-Pacific Economic Cooperation (APEC 2021) Bill	Asia-Pacific Economic Cooperation (APEC NZ) Bill
Definition of APEC 2021	The series of events to be held in New Zealand between December 2020 and November 2021	Changed to APEC NZ and defined as the series of events held as part of APEC in New Zealand, generally known as a hosting year, the period of which to be set by Order in Council.
Any reference to APEC 2021		APEC NZ
The leaders event period is where the majority of the powers enabled by the Bill could be in force	(a) the week of 8 to 14 November 2021, during which APEC leaders will meet together in New Zealand; and (b) the week before (1 to 7 November 2021) and the week after that week (15 to 21 November 2021), during which there will be bilateral meetings between APEC leaders.	A three week period at the conclusion of APEC NZ, being the week that APEC leaders will meet in New Zealand, and also the weeks before and after, during which there will be bilateral meetings between APEC leaders.  The dates of this three week period are to be set by Order in Council
Commencement of the Act (if necessary)	1 July 2020	The day after Royal Assent (if the Bill is not passed by 1 July 2020)
Repeal of the Act	21 November 2021	The final day of the leaders' event period.

### **Impact analysis**

- 14 A Regulatory Impact Assessment (RIA) was prepared for the original Cabinet decisions. A new or amended RIA is not required for this paper as the proposals outlined in this paper do not change the policy analysis.

### **Financial Implications**

- 15 There are no financial implications directly associated with this paper.

### **Legislative Implications**

- 16 The proposed changes to the Asia-Pacific Economic Cooperation (APEC 2021) Bill outlined in this paper are to be given effect by a Supplementary Order Paper.

### **Compliance**

- 17 Issues of compliance have been addressed in previous advice to Cabinet on the Asia-Pacific Economic Cooperation (APEC 2021) Bill and officials' advice remains extant.
- 18 This advice was contained in the following Cabinet papers:
- Legislative enablers for hosting and securing the Asia-Pacific Economic Cooperation (APEC) Meetings in 2021, considered on 4 March 2019. [CAB-19-MIN-0048 refers].
  - Asia-Pacific Economic Cooperation (APEC 2021) Bill: Approval for Introduction, considered on 11 November 2019 [CAB-19-MIN-0565 refers].

### **Consultation**

- 19 The New Zealand Police and Parliamentary Counsel Office have been consulted on this paper.
- 20 Consultation has occurred with the government caucus and other parties represented in Parliament.

### **Proactive Release**

- 21 This paper will not be proactively released due to the significant international implications and commercial sensitivities relating to the potential changing of any of the dates of New Zealand's APEC hosting year. I will revisit this decision when final decisions relating to New Zealand's hosting of the APEC meetings have been made and are publicised.

## Recommendations

The Minister of Foreign Affairs recommends that the Committee:

1. **Note** that the Asia-Pacific Economic Cooperation (APEC 2021) Bill was reported back to the House by the Foreign Affairs, Defence and Trade Select Committee on 25 March 2020;
2. **Note** that on 11 November 2019, Cabinet agreed that the Bill be enacted by the end of June 2020, to come into force on 1 July 2020 [CAB-19-MIN-0565 refers];
3. **Note** that the Asia-Pacific Economic Cooperation (APEC 2021) Bill has been examined to see if changes are required to mitigate potential impacts due to the COVID-19 pandemic;
4. **Agree** to the following changes that the Asia-Pacific Economic Cooperation (APEC 2021) Bill:
  - 4.1. The title of the Bill be changed to the Asia-Pacific Economic Cooperation (APEC NZ) Bill;
  - 4.2. The definition of APEC 2021 be changed to the series of events held as part of APEC in New Zealand generally known as a hosting year, the period of which to be set by Order in Council;
  - 4.3. Any reference to APEC 2021 be changed to APEC NZ;
  - 4.4. The leaders' event period to be defined as a three week period, the dates of which to be set by Order in Council;
  - 4.5. The date of commencement be changed to the day after Royal Assent, if the Asia-Pacific Economic Cooperation (APEC 2021) Bill is not passed by 1 July 2020;
  - 4.6. The date of repeal be changed to the final day of the leaders' event period;
5. **Note** that the wording of the proposed changes in paragraph 4 are subject to drafting by Parliamentary Counsel Office;
6. **Note** that none of the changes that are being proposed in paragraph 4 alter the powers contained in the Asia-Pacific Economic Cooperation (APEC 2021) Bill, or extend periods in which they can be used beyond that already agreed;
7. **Note** that the powers remain temporary and will expire at the end of the last event linked to hosting APEC in New Zealand;
8. **Invite** the Minister of Foreign Affairs and Trade to issue drafting instructions to Parliamentary Counsel Office to prepare a Supplementary Order Paper to give effect to the proposed changes in paragraph 4;

9. **Agree** that, subject to consultation with the Leader of the House, that the Asia-Pacific Economic Cooperation (APEC 2021) Bill be passed this Parliamentary term in order to meet the intent of original Cabinet decisions.

Authorised for lodgement

Rt Hon Winston Peters  
Minister of Foreign Affairs

Proactively Released by the  
Minister of Foreign Affairs





# Cabinet

## Minute of Decision

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### **Report of the Cabinet External Relations and Security Committee: Period Ended 5 June 2020**

On 8 June 2020, Cabinet made the following decisions on the work of the Cabinet External Relations and Security Committee for the period ended 5 June 2020:

- |                 |   |           |
|-----------------|---|-----------|
| ERS-20-MIN-0008 | <b>Asia-Pacific Economic Cooperation (APEC) 2021:<br/>Hosting Update</b><br>Portfolio: Foreign Affairs                          | CONFIRMED |
| ERS-20-MIN-0009 | <b>Asia-Pacific Economic Cooperation (APEC 2021) Bill:<br/>Proposed Supplementary Order Paper</b><br>Portfolio: Foreign Affairs | CONFIRMED |

Michael Webster  
Secretary of the Cabinet



# Cabinet External Relations and Security Committee

## Minute of Decision

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### Asia-Pacific Economic Cooperation (APEC) 2021: Hosting Update

**Portfolio**                      **Foreign Affairs**

On 2 June 2020, the Cabinet External Relations and Security Committee (ERS):

- 1        **noted** the contents of the submission under ERS-20-SUB-0008;
- 2        **invited** the Minister of Foreign Affairs to report back to ERS on 23 June 2020 with advice on options for New Zealand's hosting of APEC.

Janine Harvey  
Committee Secretary

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**Present:**

Rt Hon Jacinda Ardern  
Rt Hon Winston Peters (Chair)  
Hon Grant Robertson  
Hon Andrew Little  
Hon David Parker  
Hon Stuart Nash

**Officials present from:**

Office of the Prime Minister  
Officials Committee for ERS  
Ministry of Foreign Affairs and Trade



# Cabinet External Relations and Security Committee

## Minute of Decision

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### Asia-Pacific Economic Cooperation (APEC 2021) Bill: Proposed Supplementary Order Paper

**Portfolio** Foreign Affairs

On 2 June 2020, the Cabinet External Relations and Security Committee:

- 1 **noted** that on 25 March 2020, the Asia-Pacific Economic Cooperation (APEC 2021) Bill (the Bill) was reported back to the House by the Foreign Affairs, Defence and Trade Select Committee;
- 2 **noted** that on 11 November 2019, Cabinet agreed that the Bill be enacted by the end of June 2020, to come into force on 1 July 2020 [CAB-19-MIN-0565];
- 3 **noted** that the Bill has been examined to see if changes are required to mitigate potential impacts due to the COVID-19 pandemic;
- 4 **agreed** to the following changes to the Bill:
  - 4.1 the title of the Bill be changed to the Asia-Pacific Economic Cooperation (APEC NZ) Bill;
  - 4.2 the definition of APEC 2021 be changed to the series of events held as part of APEC in New Zealand generally known as a hosting year, the period of which is to be set by Order in Council;
  - 4.3 any reference to APEC 2021 be changed to APEC NZ;
  - 4.4 the leaders' event period to be defined as a three week period, the dates of which are to be set by Order in Council;
  - 4.5 the date of commencement be changed to the day after Royal Assent, if the Bill is not passed by 1 July 2020;
  - 4.6 the date of repeal be changed to the final day of the leaders' event period;
- 5 **noted** that the wording of the proposed changes referred to in paragraph 4 above are subject to drafting by Parliamentary Counsel Office;
- 6 **noted** that none of the proposed changes alter the powers contained in the Bill, or extend periods in which they can be used beyond that already agreed;

- 7 **noted** that the powers remain temporary and will expire at the end of the last event linked to hosting APEC in New Zealand;
- 8 **invited** the Minister of Foreign Affairs and Trade to issue drafting instructions to Parliamentary Counsel Office to prepare a Supplementary Order Paper to give effect to the above paragraphs;
- 9 **agreed** that, subject to consultation with the Leader of the House, the Bill be passed this Parliamentary term in order to meet the intent of Cabinet's original decisions.

Janine Harvey  
Committee Secretary

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**Present:**

Rt Hon Jacinda Ardern  
Rt Hon Winston Peters (Chair)  
Hon Grant Robertson  
Hon Andrew Little  
Hon David Parker  
Hon Stuart Nash

**Officials present from:**

Office of the Prime Minister  
Officials Committee for ERS  
Ministry of Foreign Affairs and Trade

## Asia-Pacific Economic Cooperation (APEC) Hosting Options

### Proposal

- 1 This paper provides further analysis of APEC hosting options. s6(a)

### Relation to government priorities

- 2 Hosting APEC in 2021 is a key priority under the government's plan to "create an international reputation we can be proud of". APEC can play a role in supporting New Zealand's trade and economic recovery from the impacts of COVID-19; given that it has mechanisms that enable regional coordination of fiscal responses; reaffirmation of the importance of open markets; and the creation, testing and discussion of new trade and economic policy.

### Executive Summary

- 3 New Zealand is the host of APEC in 2021. The current host, Malaysia, would like to extend its hosting of APEC to 2021, due to the impact that COVID-19 is having on its ability to host effectively. It has suggested we instead host in 2022 (when Thailand is currently scheduled to host). Changing hosts or host years requires the agreement of the rest of the APEC membership.
- 4 There are a range of options for the Government to consider. No option is optimal. COVID-19 has created a difficult and uncertain set of health and economic conditions, constraining the ability both to host APEC to the standard to which we aspire and to achieve the benefits and outcomes we had been seeking from hosting. s6(a)
- 5 We will need to engage with other APEC members to achieve this outcome. Appropriate discussion with key domestic stakeholders will need to occur and, at the appropriate point, a public announcement made. s6(a)

### Background

- 6 New Zealand is scheduled to host APEC in 2021. Budget has been allocated and preparations are well advanced. Border restrictions and health considerations as a result of the COVID-19 crisis make it unlikely that APEC delegates will be able to

travel easily to New Zealand for some or all of the APEC meetings we are scheduled to host (the first meeting is in December 2020).

7 Current APEC host Malaysia, s6(a)

has asked that New Zealand agree to delay its hosting of APEC until 2022, so that Malaysia can continue hosting in 2021 (given its host year has been seriously disrupted). This would require Thailand to agree to defer its host year from 2022 to 2023 (or 2024 – there are not yet hosts for either year). s6(a)

8 The External Relations and Security Committee considered a paper recommending New Zealand agree to delay hosting until 2022 [ERS-20-SUB-008] on 2 June and invited me to report back on 23 June with advice on options for New Zealand's hosting of APEC [ERS-20-MIN-008].

### Options Analysis

9 There are now four options under consideration for our APEC host year:

9.1 Host in 2021 (either partially or fully virtually)

9.2 Host in 2022

9.3 Host in 2024

9.4 s6(a)

s6(a)

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s6(a)

- 11 The analysis shows there is no optimal host year. COVID-19 has created a difficult and uncertain set of health and economic conditions, constraining the ability both to host APEC to the standard to which we aspire and to achieve the benefits and outcomes we had been seeking from hosting.
- 12 Annex 2 contains a summary of the financial implications (for the APEC hosting appropriations) of each option. Hosting partially virtually in 2021 or hosting in 2022 could be achieved with existing funding (with a change in appropriation years in the case of 2022). Hosting entirely virtually in 2021 would result in significant cost savings. Hosting in 2024 s6(a) would involve significant additional costs.
- 13 All four options would require engagement with the APEC members:
- 13.1 If we wish to continue to host in 2021 we would need to engage s6(a)
- 13.2 If we wish to host in 2022 we would need Malaysia to commit to 2021, Thailand to agree to shift its host year, and we would need the support of the APEC membership. s6(a)
- 13.3 If we wish to host in 2024 we would need Malaysia to commit to 2021 and the support of the APEC membership for Malaysia hosting in 2021 and us in 2024. s6(a)
- 13.4 s6(a)
- 14 s6(a), s9(2)(f)(iv)

15 s9(2)(g)(i), s6(a)

We would be better to wait to take a decision once the international picture (both health and economic) is much clearer. I am also conscious that the New Zealand election is in September and any decision we make about an alternative host year would bind the incoming Government. s9(2)(g)(i), s6(a)

s6(a)

20 If we do end up still hosting in 2021, we will need to make decisions about how we host, particularly in terms of virtual and face-to-face meetings. At a minimum we would need to proceed on the basis of the early officials' meetings (up until the end of April) being held virtually. And more hosting benefits would be achievable if at least one set of officials' meetings, the Ministerial Meetings and Leaders Week (including the CEO Summit) were able to be held face-to-face. There are, however, a range of options and considerations that would need to be worked through. I will bring a paper to this Committee for discussion, should that situation arise.

s6(a)



s6(a)

## Implementation

- 23 MFAT is developing an approach to engagement with our partners on our decision, which will be implemented expeditiously. I will work in conjunction with the Minister for Trade and Export Growth (and the Prime Minister as necessary) on those elements that would benefit from political level engagement.
- 24 There are a range of key domestic stakeholders who have been actively involved in preparing for our APEC host year. s6(a)

s9(2)(g)(i)

25 s6(a)

26 s6(a)

which will likely need to be wound up – approximately 8 staff work in that programme.

## Financial Implications

27 s9(2)(f)(iv)

Proceeding with hosting APEC through a mix of virtual and face-to-face meetings in 2021 or moving our host year to 2022 would be cost neutral with respect to the APEC hosting appropriations. If we were to host an entirely virtual 2021, there would be cost savings of \$72-82 million. Hosting in 2024 would result in additional costs of \$45-65 million for the APEC appropriations. A range of departments are also funding APEC-hosting related costs

from within their baselines - we also expect those departments to incur greater costs under a 2024 hosting scenario.

28 s9(2)(f)(iv)

Sunk costs of the APEC hosting appropriations for the 2021 host year are estimated at \$42-51 million. A range of departments also have sunk costs from their baseline budgets.

29 If my recommended approach is approved by the Cabinet and accepted by the APEC membership, there will be cost savings in Vote Foreign Affairs and Trade, Vote Police, Vote Defence, Vote Security Intelligence and Vote Communications Security and Intelligence in 2020/21 and 2021/22, but additional costs to these Votes once New Zealand's host year is agreed. This funding would need to come through the relevant budgetary process.

30 The former will be reported to joint Ministers as per paragraph 24 and the latter the subject of advice as part of future Cabinet consideration of New Zealand's host year.

### **Legislative Implications**

31 The Asia Pacific Economic Cooperation (APEC 2021) Bill is currently before the House. I recommend that this Bill not be further progressed at this stage.

### **Impact Analysis**

#### **Regulatory Impact Statement**

32 A regulatory impact statement is not required.

#### **Climate Implications**

33 A Climate Implications of Policy Assessment (CIPA) is not required.

#### **Population Implications**

34 This paper has no direct Treaty of Waitangi implications.

35 Neither a gender implications statement nor a disability perspective is required.

#### **Human Rights**

36 I do not consider the proposals in this paper raise any inconsistencies with the Human Rights Act 1993 or the New Zealand Bill of Rights Act 1990.

### **Consultation**

37 The Treasury, the Ministry of Business, Innovation and Employment and the Department of Prime Minister and Cabinet (Policy Advisory Group) have been consulted on this paper.

38 NZ Police has provided the factual information on its expenditure and staff.

## Communications

- 39 I do not recommend making any public statement until after a Cabinet decision has been made. A public announcement of the New Zealand Government's decision would be carefully timed and managed taking into account the need to inform key partners, including the Malaysian Government. Core draft communication messages have been circulated informally with this paper.
- 40 Meantime there will be private engagement with key New Zealand stakeholders, as outlined in the implementation section. There will be a broader stakeholder approach, including Māori, critical suppliers and business in conjunction with the public announcement of New Zealand's approach.
- 41 All communications will emphasise the unique circumstances (COVID-19, border restrictions, appropriate domestic economic and social conditions for hosting, ability to achieve full range of benefits) that have led to this decision and reaffirm New Zealand's commitment to trade, the region, APEC and APEC hosting.

## Proactive Release

- 42 This paper will not be proactively released due to the significant international implications and commercial sensitivities relating to the timing of New Zealand's APEC host year. I will revisit this decision when final decisions relating to New Zealand's hosting of the APEC meetings have been made and are publicised.

## Recommendations

The Minister of Foreign Affairs recommends that the Committee:

- 1 **Note** that Malaysia has formally proposed to continue as APEC Chair in 2021, with New Zealand deferring its host year to 2022, and Thailand to 2023 or 2024;
- 2 **Note** that border restrictions and health considerations as a result of the COVID-19 crisis make it unlikely that APEC delegates will be able to travel easily to New Zealand for some or all of 2021;
- 3 **Note** that this constraint and likely economic conditions in New Zealand will limit New Zealand's ability to obtain maximum value out of hosting APEC in 2021;
- 4 **Note** that officials have identified the risks of agreeing to Malaysia's request to host in 2021 s6(a) and that these include that New Zealand might still be required to host in 2021, s6(a) .
- 5 s6(a)
- 6 **Note** that it may take some time to secure consensus with the APEC membership on Malaysia's proposal to host in 2021;
- 7 **Note** that in the meantime essential planning to host APEC in 2021 must continue;

8 s6(a)

9 **Note** likely economic conditions in New Zealand will limit New Zealand's ability to obtain maximum value out of hosting APEC in 2022;

10 **Agree** that New Zealand support Thailand continuing to host APEC in 2022;

11 **Agree** that hosting APEC at the appropriate time remains a key Government priority;

12 s6(a)

13 **Invite** the Minister of Foreign Affairs to report back to ERS in due course with advice on options for when New Zealand should host APEC.

Authorised for lodgement

Rt Hon Winston Peters

Minister of Foreign Affairs

Proactively Released by the  
Minister of Foreign Affairs



# Cabinet

## Minute of Decision

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### **Report of the Cabinet External Relations and Security Committee: Period Ended 26 June 2020**

On 29 June 2020, Cabinet made the following decisions on the work of the Cabinet External Relations and Security Committee for the period ended 26 June 2020:

ERS-20-MIN-0021    **Non-CabNet Item**    CONFIRMED  
Portfolio: Foreign Affairs

Proactively Released by the  
Minister of Foreign Affairs

Michael Webster  
Secretary of the Cabinet

Proactively Released by the  
Minister of Foreign Affairs



# Cabinet External Relations and Security Committee

ERS-20-MIN-0021

## Minute of Decision

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### **Non-CabNet Item: Asia-Pacific Economic Cooperation (APEC) Hosting Options**

**Portfolio: Foreign Affairs**

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Proactively Released by the  
Minister of Foreign Affairs

## Hosting a Virtual Asia-Pacific Economic Cooperation (APEC) in 2021

### Proposal

- 1 This paper proposes arrangements for right-sizing our hosting of APEC 2021 in a virtual environment so that we continue to pursue our interests in the region, maintain our reputation for effective diplomacy, and act within the constraints of our capacity and resources at this time. It recommends minimum credible hosting arrangements with modest additions that would reinforce our overall hosting objectives.

### Relation to government priorities

- 2 Responding to COVID-19 and hosting APEC are government priorities. APEC also presents a significant opportunity for the “build and recover” elements of New Zealand’s foreign policy re-engagement strategy as we emerge from COVID-19 [CAB-20-MIN-0211/ERS-20-MIN-006 refers].

### Executive Summary

- 3 Cabinet has decided that New Zealand’s hosting of APEC 2021 will be virtual. We will need to make every effort to demonstrate that New Zealand is effectively leading APEC in this virtual medium. s6(a)
- 4 Hosting a virtual APEC year with over 300 diverse meetings and events involving all 21 economies participating across 17 timezones, in a way that allows meaningful interaction and negotiation, is a significant challenge and leadership opportunity.
- 5 At a time of economic uncertainty, increased protectionism, and strain on multilateral processes, demonstrating the relevance of an institution such as APEC – to both international and domestic audiences – is important.
- 6 As some of our original hosting objectives will not be achievable in the new environment, this paper proposes that New Zealand reshape its APEC 2021 hosting objectives to (i) lead a collaborative regional response to COVID-19, (ii) demonstrate the importance of APEC, and (iii) position New Zealand as an enabler of digital diplomacy.
- 7 I recommend that we pursue *Credible Minimum* hosting arrangements that will deliver secure and reliable technology for all APEC meetings, and provides support for our officials and Ministers in pursuit of our policy outcomes at an estimated cost of \$46.13M. s9(2)(f)(iv)



- 8 I have discounted hosting options which expose us to higher levels of risk and that would not meet standards expected by other APEC economies, or where I judge we would not get sufficient return on additional investment.
- 9 When sunk costs are factored in the revised hosting arrangements provide potential savings of \$107.6M against the Vote Foreign Affairs and Trade (now Vote Foreign Affairs) appropriation for Operations and Hosting s9(2)(g)(i)
- 10 At this stage there is significant uncertainty surrounding the virtual hosting model as we establish and negotiate the expectations of other APEC economies, understand the complexity of virtual hosting for such a large number of meetings, and source the capability and expertise required in the emergent areas of digital diplomacy, meeting delivery, and cyber protection. Further work will be undertaken to refine costs, savings, and contingencies for APEC21.

### **Background and Context**

- 11 On 29 June 2020 Cabinet agreed that New Zealand would deliver a largely virtual APEC host year in 2021 and invited me to report back to the External Relations and Security Committee (ERS) on 28 July 2020 with advice on options for virtual hosting, including information on likely costs [CAB-20-MIN-0311/ERS-20-MIN-0021 refers].
- 12 The decision to host APEC virtually is sound given current challenges but it is not a straightforward proposition. There are a number of possible hosting options which require consideration against our objectives and wider diplomatic reputation.

#### *International reaction*

- 13 All APEC economies have now been informed of the Government's decision to run our APEC host year virtually. Most s6(a)

14 s6(a), s6(b)

- 15 s6(a) have expectations about how we will host a series of virtual meetings and have made clear that they expect this to be done to a high standard. s6(a)

- 16 We can expect economies' views to develop further including raising issues we have not yet considered. We will need to be responsive and creative in dealing with these changing expectations, consistent with APEC's consensus-based approach, rather than unilaterally imposing solutions.

#### *Complexities of virtual hosting*

- 17 Virtual hosting is in its infancy in inter-governmental contexts and early experience is somewhat negative. Issues have arisen in regard to connectivity and usability, all of which can contribute to mediocre meeting outcomes. Cyber-security is also a real and growing threat in this environment.
- 18 The Group 20 (G20) (which has hosted 70 virtual meetings since March 2020 with similar meeting complexities to APEC) has found that initially virtual hosting constrained interactive discussion and led to frustration. It has now developed protocols to effectively manage meetings, restrict speaking times, and chair skilfully. It has also created purpose-built studios with backdrops, screens, and microphones to create an effective meeting environment and allow for set up and rehearsals. While APEC's own virtual meeting experiences to date have enabled greater accessibility and participation of key contributors, s6(a)
- Officials are adjusting to the absence of face-to-face interactions in order to make policy gains.
- 19 APEC is a series of 250-300 meetings, workshops, and other capacity-building events, divided into multiple streams which build on each other over the course of the year. In addition to meetings in a formal format (involving all 21 economies), bilaterals, informal discussions and group negotiations are important in reaching policy outcomes. The officials' level meetings culminate in ministerial meetings on Trade, Finance, and then APEC Leaders' Week. The host economy is also required to facilitate the APEC Business Advisory Council (ABAC), the APEC Chief Executive Officer (CEO) Summit, and the Voices of the Future youth forum (Annex B provides an indicative schedule of meetings).
- 20 As host, New Zealand will be expected to deliver the standard APEC meeting schedule according to the APEC guidelines. The guidelines cover a range of standards for meetings, media, registrations and accreditation, and delegate services. These will develop as virtual hosting evolves. s6(a)
- 21 Our decision to host virtually throughout the year, including Leaders' Week, means that we will be doing something that APEC has never done before and it will test us. Operating a reliable virtual platform for concurrent meetings involving large numbers of participants across seventeen time zones, and in a way that allows meaningful interaction and negotiation, is a challenge and a leadership opportunity.
- 22 While face-to-face diplomacy may always be more effective, virtual meetings are more *sustainable* and can provide more *equitable access* for economies. New Zealand's legacy in hosting a virtual APEC may be to demonstrate these opportunities and how they can be successfully pursued, for the future of the forum.

## **Hosting Objectives and Policy Priorities**

- 23 Following our previous ERS discussion, officials have revisited the objectives for our host year as those originally agreed by Cabinet in 2018 are no longer fit for purpose. [CAB-MIN-18-0217 refers]
- 24 New Zealand will lead APEC at this time of unprecedented disruption to enable a collaborative regional response to the economic impact of COVID-19.
- 25 At a time of economic uncertainty, increased protectionism, and strain on multilateral processes, demonstrating the relevance of an institution such as APEC – to both international and domestic audiences – is important. As host in 2021, our leadership will be judged on our ability to do this.
- 26 It is proposed that the following objectives guide planning and preparations for virtual hosting:
- 26.1 Lead a collaborative regional response to the economic impact of COVID-19;
  - 26.2 Demonstrate the relevance of APEC; and
  - 26.3 Position New Zealand as an enabler of digital diplomacy.
- 27 New Zealand will also develop a host year “theme” and policy priorities for 2021 which will shape APEC’s agenda for the next twenty years. The Minister for Trade and Export Growth and the Minister of Foreign Affairs will provide advice to Cabinet on these issues in November.

## **Options for Virtual Hosting**

- 28 For New Zealand to fulfil its hosting objectives and responsibilities as APEC Chair, and to maintain its diplomatic reputation, our hosting arrangements need to:
- 28.1 Provide technology, people, and services to support the volume and complexity of the APEC meeting schedule;
  - 28.2 Provide a functional virtual platform that enables APEC to work productively and delivers a positive delegate experience;
  - 28.3 Manage cyber-security risks; and
  - 28.4 Provide a cost-effective solution to virtual hosting.
- 29 Officials have presented me with a range of options with different levels of meeting functionality, security, delegate engagement, and cost. The primary driver for investment and return across the spectrum of options is the technology deployed which includes:
- 29.1 The meeting platform with functionality to support different types of meetings and events;
  - 29.2 The meeting rooms and equipment to support effective chairing and delegate engagement (screens, camera, microphones etc.);

- 29.3 The registration and delegate communication systems to organise meeting arrangements and validate authorised access; and
- 29.4 Additional cyber-security technical services.
- 30 The technology services increase in functionality across the options, reducing the risk of poor delivery and improving delegate experience. s6(a)

31 A comparative analysis of these options is presented in Annex C.

*Option 1: Low Cost* s9(2)(i)

32 Off the shelf video conference facilities (such as Zoom/Webex etc.) can be sourced inexpensively without a managed service and used with existing desktop screens, cameras, and microphones. Access can be controlled at a meeting level through issuing a password to all participants. This does not deliver the protections we would be required to deliver in a physical environment. We cannot guarantee with other delegations that people who should not be present in the meetings are kept out of the virtual meeting rooms.

*Option 2: Minimum* s9(2)(i)

33 Further investment buys a managed service for video conference facilities with product specific cyber security protections, monitoring and response, and functionality for symposia and conference type meetings (such as webinar functionality required for CEO Summit and Voices of the Future events). It provisions for multiple screens and good quality camera and microphone equipment in soundproof Wellington meeting rooms, supporting New Zealand officials and Ministers to perform their role as Chair effectively. Access to meetings is controlled at a delegate level.

34 This is the current good practice standard for inter-government virtual meetings as recently demonstrated by G20. s6(a)

*Option 3: Credible Minimum (\$46.13M)*

35 For a relatively small additional investment, we can replicate what we are required to deliver in a physical hosting environment;

35.1 s6(a)

35.2 A small number of additional Wellington rooms can be equipped to increase the number of meetings which can be run concurrently and therefore at more convenient times for delegates in different time zones; and

35.3 A small number of mobile New Zealand “meeting rooms” and associated support can be provided if New Zealand officials or Ministers are unable to attend scheduled meetings in Wellington, for example due to managed isolation (COVID-19) or conflicting Ministerial commitments.

s9(2)(f)(iv)

36 s9(2)(g)(i)

37 s9(2)(f)(iv)

s9(2)(i)

s9(2)(f)(iv)

s9(2)(i)

s9(2)(f)(iv)

s9(2)(i)

*Option 5: Comprehensive* s9(2)(i)

38 With significant additional investment, a comprehensive and highly controlled delegate experience could be created by combining virtual APEC meetings with local hosting and support by the Ministry of Foreign Affairs and Trade (MFAT) post network in Asia-Pacific economies. s6(a)

### *Proposed hosting arrangements*

- 39 I am proposing that New Zealand should invest in Option 3 - Credible Minimum to ensure secure and reliable technology which is fit for purpose for APEC meetings and provides support for our officials and Ministers who will be leading the pursuit of our policy outcomes. These arrangements will most closely approximate in a virtual environment what we would be required to deliver in a physical hosting environment. I expect this to be of a standard which is acceptable to other APEC economies and which aligns with the standard of hosting currently demonstrated by other multilateral organisations meeting virtually such as the G20. This is at an estimated cost of \$46.13M.
- 40 I propose to support the additional \$4.16M investment for further engagement with New Zealand business, international profiling to support New Zealand's trade recovery strategy, and demonstration of New Zealand's partnership and inclusive approach with Māori and Indigenous Peoples in the Asia-Pacific. (See Annex D for further details of these additional benefits).
- 41 In reaching this conclusion, I agree with officials' assessment that the following two options should be discounted.
- 41.1 Option 1 - Low Cost involves unacceptable risks to our ability to conduct APEC business effectively and securely, potentially damaging New Zealand's reputation and creating a lack of confidence in the New Zealand Government; and
- 41.2 Option 5 – Comprehensive which includes combined virtual meetings with hosting by New Zealand posts would not provide sufficient return on the additional investment and would place an unacceptable burden on our offshore network at a time of considerable strain.
- 42 However, if we want to reduce our investment further we should first consider making a choice as to whether to pursue all of the additional investment options (see Annex D).
- 43 Further to this, and if we were prepared to accept a higher level of risk, we should consider Option 2 - Minimum. In this option there is reduced contingency for system failures resulting either from cyber-security attack or technology failure. The impact of this is potential disruption to meetings. This risk increases the likelihood of being inundated with hard-to-defend complaints over the deficiencies of this virtual hosting approach. There is consequential risk to New Zealand's reputation and reduced likelihood of achieving policy outcomes.
- 44 No provision has been made in these options for funding to support policy delivery, as the Government has previously decided that policy costs will be met from within departmental baselines of MFAT and other agencies. Agencies note that this will require ongoing careful prioritisation given the high policy demands on many agencies due to the COVID-19 response.

## Financial Implications for Vote Foreign Affairs (Vote FA) (Operations and Hosting Costs)

- 45 The Government has appropriated a total of \$184.2M in Vote FA for APEC21 Operations and Hosting costs.
- 46 Officials have completed a cost analysis for the preferred Option 3: Credible Minimum hosting arrangements plus Option 4: Additional Options as set out above. All costs provided are estimates based on a range of assumptions that will continue to evolve over time.
- 47 Operations and Hosting costs to support an entirely virtual 2021 going forward are estimated at s9(2)(i)
- 48 Hosting preparations were well advanced prior to the decision to host virtually. Sunk costs against the APEC21 Operations and Hosting appropriation as at September 2020 (when staff and supplier contract transition should be complete) are estimated at \$26.3M (see Annex E). These include people, office, travel, and technology costs. s9(2)(i)
- 49 MFAT and a range of other government agencies have incurred sunk costs from within their baseline funding. Those costs will remain the responsibility of the agency that incurred them. Immigration New Zealand had intended to recoup sunk costs (for a technology platform) from visa fees associated with attendees which will not now occur. This is likely to impact on the implementation of other Immigration New Zealand enabling functions.
- 50 Auckland Council has also incurred significant sunk costs. No provision has been made from the APEC21 Operations and Hosting appropriation to reimburse these (and reimbursement has not been sought by the Auckland Council).
- 51 Of the \$184.2M appropriated for APEC21 Operations and Hosting, a total of s9(2)(i) (sunk costs plus virtual hosting costs) is now estimated to be required.
- 52 This creates potential savings in Vote FA of approximately s9(2)(i) (assuming the tagged contingency is not drawn down). Those savings consist largely of face-to-face hosting delivery costs such as venues, hospitality, accommodation, local transport, and guest of government costs (offset by requirements for a robust virtual digital meeting platform and related services).
- 53 s6(a)

s6(a)

### Security Implications

s6(a)

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60 \$81.1M has been appropriated across Vote New Zealand Police s6(a) Vote Defence Force s6(a) Vote Security Intelligence s6(a) and Vote Communications, Security, and Intelligence s6(a) for the security costs for hosting



APEC as a face-to-face event s6(a)

61 The recommended virtual hosting option results in s9(2)(g)(i) APEC21 Security savings of s9(2)(g)(i) These savings include Police s9(2)(g)(i)

s6(a) Vote Defence Force s6(a) Vote Security Intelligence and Vote Communications, Security, and Intelligence s6(a)

s9(2)(g)(i)

*Vote Security Intelligence, and Vote Communications, Security, and Intelligence*

s6(a)

### Legislative Implications

65 The *Asia-Pacific Economic Cooperation (APEC 2021) Bill*, originally intended to facilitate the hosting of meetings in New Zealand, is no longer required and has been formally discharged.

### Impact Analysis

66 A Regulatory Impact Statement is not required.

### Population Implications

67 Indigenous inclusion will be incorporated in New Zealand's approach to host year policy priorities. Māori have been an engaged partner for APEC hosting and had been working collaboratively with officials to achieve a genuine involvement in all aspects of our hosting. Some opportunities are lost as a result of the virtual format. s9(2)(f)(iv)

68 APEC's Policy Partnership on Women and the Economy responds to the digital divide experienced by women throughout the Asia-Pacific region.

## Human Rights

- 69 The proposals in this paper are not inconsistent with the Human Rights Act 1993 or the New Zealand Bill of Rights Act 1990.

## Consultation

- 70 The following agencies have been consulted and concur with the paper: Department of Prime Minister and Cabinet, Government Communications Security Bureau, Ministry for Business, Innovation and Employment, Ministry of Education, Ministry for Primary Industries, Ministry for Women, New Zealand Customs Service, New Zealand Police, New Zealand Security Intelligence Service, Te Puni Kokiri, and Treasury.
- 71 The Treasury is comfortable with the Credible Minimum option for virtual hosting for APEC 2021 outlined in this paper. However, based on the level of detail we have seen to date about the additional options, the Treasury is not clear the intent of the additional options (Option Four) can be achieved in a largely virtual environment and therefore that their \$4.16M cost represents value for money.
- 72 The Treasury also considers the estimated security costs for New Zealand Police are high for virtual hosting, particularly the projected costs of up to \$3.80M for preparing for unlawful protests in New Zealand and the planning costs of \$2.50M, given that New Zealand Police will no longer be leading a cross-agency security programme. The Treasury supports the provision in the paper for joint Ministers to determine the final level of New Zealand Police funding related to virtual hosting, following further analysis and testing of requirements.
- 73 The APEC 2021 CEO Sponsoring Group (comprising of Ministry of Foreign Affairs and Trade, Department of Prime Minister and Cabinet, Treasury, Ministry of Defence, New Zealand Defence Force, Ministry of Business, Innovation and Employment, New Zealand Trade and Enterprise, New Zealand Police, Ministry for Primary Industries, Te Puni Kokiri, Department of Internal Affairs, along with Auckland City Council) <sup>s9(2)(a)</sup> has endorsed the recommended approach for consideration by Ministers.

## Communications

- 74 It will be important throughout the year for Ministers to demonstrate to our APEC partners and the public our high-level commitment to the successful virtual hosting of APEC. Key messaging will be provided to Ministers in due course together with options for engagement with major stakeholder constituencies.

## Proactive Release

- 75 I recommend that this paper be proactively released as a package in conjunction with the three other ERS papers (*APEC 2021 Hosting Update*, *APEC Hosting Options* and *APEC 2021 Bill: Approval for Change by Supplementary Order Paper*) with redactions as required (likely in order to prevent damage to international relations and avoid prejudicing commercial negotiations) and consistent with the Official Information Act 1982.

## Recommendations

The Minister for Foreign Affairs recommends that the Committee:

- 1 **Note** that most APEC economies view our decision to host virtually as pragmatic given the difficulty created by COVID-19 for regional travel;
- 2 s6(a)
- 3 **Note** that fulfilling a leadership role as APEC Chair in 2021 and meeting APEC economies' expectations require New Zealand to host in virtual format the full package of APEC meetings we would be expected to host in a normal year and to put in place a range of arrangements to support these;
- 4 **Endorse** the following hosting objectives to guide planning for New Zealand's virtual host year:
  - 4.1 Lead a collaborative regional response to the economic impact of COVID-19;
  - 4.2 Demonstrate the relevance of APEC;
  - 4.3 Position New Zealand as an enabler of digital diplomacy;
- 5 **Note** the five options presented in this paper for virtual hosting of APEC;
- 6 **Agree** that officials should proceed to plan for the virtual hosting of APEC 2021 in line with Option 3: Credible Minimum hosting with Option 4: Additional Options and in doing so achieve improved certainty of final costs;
- 7 **Note** that the Minister of Foreign Affairs and the Minister for Trade and Export Growth will provide advice to Cabinet in November on our APEC host year theme and policy objectives.

### *Financial Recommendations – Operations and Hosting Costs: Vote FA*

- 8 **Note** that Cabinet agreed to total funding of \$184.2M in Vote FA for Operations and Hosting for APEC 2021 in Budget 2018 and Budget 2019 [CAB-18-MIN-0158.12 and CAB-19-MIN-0174.16 refers];
- 9 **Note** the estimated total cost to Vote FA of sunk costs related to Operations and Hosting is \$26.3M;
- 10 **Note** the estimated Operations and Hosting costs for the virtual APEC 2021 arrangements, including the additional investment options, are s9(2)(i)
- 11 **Agree** that the amount appropriated in Vote FA for APEC can be reduced by s9(2)(i)
- 12 **Approve** the following changes to the Multi-Year Appropriation (MYA), Hosting APEC 2021 to give effect to the decision in Recommendation 11 above with a

corresponding impact on the operating balance and net core Crown debt:

Vote Foreign Affairs	\$M – increase/(decrease)			
	2020/21	2021/22	2022/23	2023/24 and outyears
Minister of Foreign Affairs				
Departmental MYA Output Expenses:				
Hosting APEC 2021 (MYA) (funded by revenue Crown)	s9(2)(i)			
Operating Total				

- 13 Note that amounts shown in the appropriation changes table for the Multi-Year Appropriation: “Hosting APEC 2021” is the change to the indicative annual spending profile;
- 14 Agree that the proposed change to appropriations in Recommendation 12 be included in the 2020/21 Supplementary Estimates;

s9(2)(i), s9(2)(f)(iv)

s6(a)

s6(a)

21 **Note** that \$81M was appropriated for the security costs of hosting APEC, s6(a)

s6(a)

s9(2)(g)(i)

s6(a)

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Minister of Foreign Affairs

s6(a)

Proactively Released by the  
Minister of Foreign Affairs

s6(a)

Authorised for lodgement

Rt Hon Winston Peters

Minister of Foreign Affairs



# Cabinet

## Minute of Decision

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### **Report of the Cabinet External Relations and Security Committee: Period Ended 31 July 2020**

On 3 August 2020, Cabinet made the following decisions on the work of the Cabinet External Relations and Security Committee for the period ended 31 July 2020:

ERS-20-MIN-0022 **Hosting a Virtual APEC in 2021**

CONFIRMED

Portfolio: Foreign Affairs

Michael Webster  
Secretary of the Cabinet





# Cabinet External Relations and Security Committee

## Minute of Decision

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### Hosting a Virtual APEC in 2021

**Portfolio**                      **Foreign Affairs**

On 28 July 2020, the Cabinet External Relations and Security Committee (ERS):

**The Minister of Foreign Affairs recommends that the Committee:**

#### Background

1        **noted** that on 23 June 2020, ERS:

1.1      agreed that New Zealand host a largely virtual APEC in 2021, including all high-level meetings and the Leaders' meeting being held virtually;

1.2      invited the Minister of Foreign Affairs to report back on 28 July 2020 with advice on options for virtual hosting, including information on likely costs;

[ERS-20-MIN-0021]

2        **noted** that:

2.1      most APEC economies view the decision to host virtually as pragmatic given the difficulty created by COVID-19 for regional travel;

2.2      s6(a)

3        **noted** that fulfilling a leadership role as APEC Chair in 2021 and meeting APEC economies' expectations will require New Zealand to host in virtual format the full package of APEC meetings that would be expected to be hosted in a normal year, and to put in place a range of arrangements to support these;

#### Hosting objectives

4        **endorsed** the following hosting objectives to guide the planning for New Zealand's virtual host year:

4.1      lead a collaborative regional response to the economic impact of COVID-19;

- 4.2 demonstrate the relevance of APEC;
- 4.3 position New Zealand as an enabler of digital diplomacy;
- 5 **noted** the five options for virtual hosting of APEC, as outlined in the paper under ERS-20-SUB-0022;
- 6 **agreed** that officials should proceed to plan for the virtual hosting of APEC 2021 in line with *Option 3: Credible Minimum* hosting, s9(2)(f)(iv)
- 7 **noted** that the Minister of Foreign Affairs and the Minister for Trade and Export Growth will provide advice to Cabinet in November 2020 on New Zealand's APEC host year theme and policy objectives, and with more information on *Option 4: Additional Options*;

**Financial implications: operations and hosting costs**

s9(2)(i)

Proactively Released by the  
Minister of Foreign Affairs

s9(2)(i)

**Financial implications: APEC21 security costs**

s6(a)

21 **noted** that \$81 million was appropriated for the security costs of hosting APEC, s6(a)

22 **noted** that the estimated total sunk cost for APEC21 Security is \$5.6 million for Vote Police to 31 October 2020, and \$0.1 million for Vote Security Intelligence to 30 June 2020;

s9(2)(g)(i)

s6(a)

s6(a)

Proactively Released by the  
Minister of Foreign Affairs

s6(a)

Proactively Released by the  
Minister of Foreign Affairs

Janine Harvey  
Committee Secretary

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**Present:**

Rt Hon Jacinda Ardern  
Rt Hon Winston Peters (Chair)  
Hon Grant Robertson  
Hon Andrew Little  
Hon David Parker  
Hon Stuart Nash  
Hon Ron Mark

**Officials present from:**

Office of the Prime Minister  
Office of the Chair  
Officials Committee for ERS  
Ministry of Foreign Affairs and Trade