

Speaking Notes

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An Alternative & Progressive Trade Strategy
Geopolitics & NZ Relationships
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Someone recently described these present times as the “Age of Bewilderment”. The task of devising alternative progressive trade strategies has undeniably got a lot harder. The combination of international tumult created by US President Trump, the looming exit of Britain from the EU with consequences for both sides and the world beyond, plus ongoing structural shift in the tectonic plates of the world economy caused by the dynamism of East Asia led by an increasingly confident China and India, each determined to be major league influences in the 21st century, all add up to a substantial geopolitical kettle of fish.

All this coincides too with the unfurling revolution in robotics, artificial intelligence and communications technology where in the key domain of cyber America strives to sustain dominance and where others too are bent upon rival proficiency - government and non-government forces alike. It includes magnifying rivalries in space. It coincides too with the spread of capability to manufacture highly dangerous weapons; and with severe damage to the world's climate, ecology and resources from heedless exploitation.

Nagging concern persists about signs of a repeat of the 2008 Global Financial Crisis (GFC) triggered in the US, while misgiving about unequal distribution of the benefits of economic growth propels political upheaval in several key places on the back of so-called populism - with obvious consequences for traditional politics, for international relations and for terms and conditions of trade between nations. So the cup runneth over. How will NZ cope? In her first speech at the UNGA last month, Prime Minister Jacinda Ardern focussed upon the qualities that modern

unthreatening NZ brings to the table of international relations. Unlike others she did not dwell upon current geopolitical preoccupations like the Middle East etc. - thus drawing a distinction with hardnosed and sometimes menacing presentations by other leaders at the UN rostrum.

To obtain better insight into actual NZ thinking about aspects of today's geopolitics we are obliged to refer back to the 2018 NZ Strategic Defence Policy Statement, approved by Cabinet and released in July by Defence Minister Ron Mark. In making a case for NZ acquiring specified military capabilities, that Statement asserts a strategic imperative for NZ of sustaining and deepening political/security relationships with traditional partners, together with extensive emphasis upon the protection of rules based international order.

In this last connexion it includes uncommon criticism about aspects of China's behaviour. It is of course important that NZ avoids viewing China simply and solely through rose tinted glasses. But it is equally important, geopolitically, that NZ remains even handed in its judgements. That is the message implied after all by the Prime Minister's UN speech.

On all current evidence US policy represents as much a threat to international rules based order as the behaviour of China. Yet the NZ Strategic Statement is conspicuously silent about, or fails to anticipate, the full range of President Trump's explicit assault on that order ; the US withdrawal from international climate change agreement; emasculation of WTO as guardian of rules based trade order; threat of financial retribution against countries which do not support America's rejection of the Iran nuclear deal and the jurisdiction of the International Criminal Court; disavowal of the UN Human Rights Commission and a block on funding of relief for Palestinian refugees.

Further strengthening of US supreme military power together with President Trump's plunge into a tariff war with China and Europe as the means to "Make America Great Again" severely blurs clear strategic vision for everyone including

NZ. US actions seriously risk splintering the world trade framework. If the US President hikes his damaging trade war beyond tariff escalation to include non-tariff obstructions, global trade will be evermore seriously endangered. All of this makes the development right now of ideas for an alternative and progressive NZ trade strategy a decidedly complex business.

NZ's interests in the vitality of the rules based international order is primarily the responsibility of MFAT as the government's chief adviser on international relations. There is as yet no formal statement on the Ministry's public record about the challenges which US policies pose to that order although the Foreign Minister himself favour a strong independent NZ voice. The pace and intensity of President Trump's actions moreover defy a sense that "things will pass"; that one day the President will indeed depart the scene; that international dealings and everything else, will then revert back to "normal". Those who profess such optimism call for caution not to exaggerate the present dilemma because America can and will, as it has in the past, "reinvent" itself. Many Americans are themselves after all mortified by the Trump experience.

Yet the forces within America that President Trump has mustered to secure office, are fundamentally changing the sense of American liberal internationalism. The wellspring of virtue, decency and generosity which animated many Americans for a good part of the 20th century, cannot now necessarily be counted upon. Deep divisions within US society and an abiding selfishness that did not however necessarily originate with President Trump, have taken firmer grip on America's attitudes and its gridlocked political system. For many other governments American moral authority is no longer respected nor trusted

Over the three decades since espousing its non-nuclear policy NZ has operated out in the world, successfully, below the US radar screen. It has restored a relationship with Washington but one that is different from before. NZ's relative insignificance in the bull ring of great power competition, represents an advantage, providing

modern NZ maintains evenhandedness, nimbleness and convictions about its own being, suggested by Prime Minister Ardern's UN speech.

One lesson that NZ draws over that same 30-year period is that steady adjustment to the emergence of Asia and its critical importance to our future prosperity and security requires that formal trade and economic links be first and foremost built on the foundations of sound political relationships in that region. Those political links, with ASEAN, China, ROK etc. obviously become ever more important if NZ is to ride out the storm of President Trump's crusade to diminish the world trade system.

NZ knowledge and understanding of Asia requires constant refinement. We need pay careful heed to the responses by governments in East Asia to behaviour by China (in for example the South China Sea), and at the same time reactions in those Asian capitals to US attempts to contain China upon whom the region relies significantly for prosperity, growth and peace. In the first major US policy speech of the Trump era dedicated entirely to China, at the Washington think tank the Hudson Institute, Vice President Pence launched an onslaught two weeks ago, committing the US to a strategy of counter action on all fronts against China. There may have been some domestic American political factors at play, but the speech should be required reading for NZ policy makers and advisers.

China's status as the number two world economy not surprisingly increases Chinese expectations about an enhanced top table role in the management and agenda setting of established international economic institutions. It is in everyone's interest that China accepts the responsibilities of a leading player. The US and Europeans, as the original architects of the international system resist such geopolitical change whether in global financial/economic management, exploration of space or global energy supervision.

No-one can pretend the necessary global adjustments will be easy. NZ should nonetheless be prepared to support changes that better reflect geopolitical reality, because a time of substantially redistributed global power is upon us. Zero sum

thinking by major powers according to which there must inevitably be both winners and losers as big change materialises, cannot provide a dependable cornerstone for international security in an extensively connected world.

It will not be sufficient that NZ relies solely or principally upon the geopolitical judgement of traditional partners identified by the 2018 NZ Strategic Statement; nor upon information exchanged through the Five Eyes intelligence arrangement which represents an expedient practice for sharing information although some inside the NZ defence community are prone to portray the arrangement as equivalent to a formal treaty on military cooperation. The relevance of Five Eyes exclusivity to NZ interests in the changing 21st century, merits progressive reconsideration.

Finally, amongst NZ relationships at this time of profound geopolitical change, that with Australia remains, for multiple reasons and particularly for trade, the most significant. Australia's middle level power ambitions are closely identified with the US and therefore in a shared threat mentality. It is not unreasonable to expect that NZ's interpretation and response to geopolitical trends in Asia, and in particular their implications for the South Pacific where NZ occupies a distinctive place, may not be entirely compatible at all times. NZ's comparative advantage in the South Pacific rests with an innate capacity "to think small". A time of big geopolitical change is not the moment to abandon, or to be persuaded by others to abandon, that advantage.

