

# PROJECTING OUR VOICE



**Major power relationships in Asia,  
the responses of regional  
organisations and the implications  
for New Zealand**

**The report of a study by  
CSCAP-New Zealand**

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## Foreword

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This study has been prepared on behalf of the members of the National Forum of the New Zealand branch of the Council for Security Cooperation in the Asia Pacific (CSCAP:NZ).<sup>1</sup>

It is a synthesis of the wide range of perspectives which CSCAP:NZ members brought to our discussions. It reflects and expands on contributions made by members of this Forum without being the expression of any single point of view.

The purpose of the study is to stimulate a national discussion about the role of security issues in New Zealand's international relations with Asia at a time of significant change in the region. That change involves shifts in the relations between Asia's major powers (the first section of the study) and the responses of Asia's regional organisations to these changes (the second section). These changes have consequences for how New Zealand best positions itself in regional affairs (the third section).

We hope that the text which follows will attract comment, feedback, dissenting views and further discussion. In cooperation with the Asia New Zealand Foundation, readers' comments will be solicited and representative or significant commentary will be published online.

We welcome feedback, to the email address below.

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<sup>1</sup> CSCAP:New Zealand is a National Forum of researchers and experts on security issues from throughout New Zealand. It addresses security issues with significance to New Zealand and its members participate in the activities of the regional Council for Security Cooperation in the Asia Pacific. At the regional level, CSCAP is a Track II network of experts and officials in their private capacities from countries in the Asia Pacific region. It provides a forum for discussion and debate of security issues in the Asia Pacific region and provides analysis and recommendations to regional governments.

# Major power relationships in Asia, the response of regional organisations and the implications for New Zealand

## Executive Summary and Recommendations

1 Security matters to New Zealand. Managing the security of this country's sovereign territory, its people and its interests abroad has required significant expenditure of effort, time and resources in the past. It will continue to do so in future.

2 Asian countries<sup>2</sup> will shape the world of the 21<sup>st</sup> century in a way they have not during New Zealand's recent history. Global influence is tilting more towards Asia and this change is gathering pace. Asia has led the world in economic growth for two decades. It contains half the world's population, including its two most populous countries. Leading Asian countries are increasingly confident in asserting their interests and are also seeking influence and responsibility on the global stage. As they become more influential and confident, their interests will increasingly intersect and collide. This mix of cooperation and competition is already in evidence across security and economic relationships within the region. Efforts to integrate the region more closely economically are accompanied by a contrary impetus for countries to compete for influence, prestige and resources.

3 The re-balancing of power relations in Asia is driven in particular by the rapid rise of Chinese economic and military power and political influence. This has engendered a persistent wariness around the region about China's intentions as countries analyse the implications of these changes for them. The conduct of China and the United States individually, and the relationship between them, will be major determinants of the context for international politics and security in the region. Other countries, in particular India, Japan and prominent Southeast Asian countries, will also have a significant influence over that context.

4 In addition to major power alignments and relationships, numerous tensions remain unresolved and several hotspots – some involving major powers - have the potential to deteriorate into conflict. Disputed maritime boundaries in the seas around China, the status of Taiwan, the situation on the Korean Peninsula and the unresolved land border between India and China, are among issues that have the potential to lead to security crises.

5 Countries will seek to position themselves with a degree of flexibility to allow them to preserve their key interests in a range of different scenarios. Despite its position at the edge of the region, New Zealand will face some of the same dilemmas in managing its relationships with leading powers in Asia and its response to events within Asia that have an impact on New Zealand's interests.

6 Through the regional organisations – the most prominent of which are ASEAN, APEC, the ASEAN Regional Forum, the East Asia Summit and the ASEAN Defence Ministers Meeting Plus - the region is developing mechanisms to minimise tension. They have entrenched habits of dialogue, but have not yet demonstrated an ability to resolve

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<sup>2</sup> Definitions of Asia vary widely. In order to contain the scope of this paper, Asia will be defined as the countries of ASEAN, north Asia and the main countries of south Asia.

ongoing or intensifying disputes. Most countries in the region manage their critical security issues on a bilateral basis and can be expected to continue to do so. Expectations of what these organisations can achieve should be tailored to these circumstances. Regional organisations provide an umbrella of common intention and allow smaller countries, including New Zealand, a role in addressing common concerns. New Zealand should remain engaged with them.

7 New Zealand's connections with Asia have been growing and will continue to strengthen. These links with Asia offer opportunities to New Zealand that have not existed before. Increasingly prosperous Asian populations offer expanding markets for New Zealand goods and services. Six of New Zealand's principal export markets are in Asia and New Zealand is engaged in closer economic integration in Asia, including through its range of free trade agreements. Connections between people are growing as a result of New Zealand's diverse population base, and also through business, tourism and education. If current trends prevail, one in six New Zealanders will have a family connection with Asia by 2026.

8 However, as New Zealand's economic interests with Asia grow, so also does New Zealand's exposure to the risk from potential crises there. Security crises, natural disasters or cross border problems within the region could impose significant costs on New Zealand's business with Asia, and to trade and travel to, from and through it. There would be implications for New Zealand in managing the fallout that crisis, conflict or poor governance could create. The economic impacts on New Zealand of a crisis in Asia could include disruption to export and import arrangements; difficulty in supply chain management; increasing fuel, insurance and storage costs in event of disruption to sea lanes; disruption to travel and tourism and difficulties in gaining the attention of foreign governments.

9 Other implications for New Zealand could include an increase in international crime such as people smuggling, illicit trade in weapons and drugs, and opportunistic piracy and terrorism. In turn, these could have a contagious effect within the Pacific. New Zealand has defence commitments in Southeast Asia in addition to its close alliance relationship with Australia. Dealing with the effects on New Zealand of security crises in Asia would require Government time, energy and money, including potentially through the commitment of New Zealand military personnel.

10 New Zealand is unusual in being able to focus so heavily on its prosperity interests. Many other countries have a more even focus on prosperity and security, and live with the constant prospect of disputes intensifying. If New Zealand is to be an effective part of a region in which security issues are prominent, it will need to maintain an understanding of those issues and be able to engage with countries important to it about issues that are important to them. New Zealand's focus on economic relations risks obscuring the political and security opportunities and risks from within Asia towards New Zealand. Redressing this will require a more even balance of attention to political and security issues alongside the focus on economic issues.

## **Recommendations**

- a. New Zealand has longstanding and cooperative relationships with Asian countries. Personal connections between New Zealand and Asia are increasing through immigration, study, and tourism and business links. This paper supports efforts to celebrate and build on these connections.

- b. New Zealand's focus on economic interests needs to be balanced with greater attention to political and security issues. This requires a commitment at political levels to strategic management of the political and security side of New Zealand's foreign policy.
- c. The main focus of New Zealand's foreign policy effort in Asia should be on strengthening bilateral relations within the region, and with those major extra-regional players active in it.
- d. New Zealand will want to maintain and build on the existing strong relationship with China, and also intensify relationships with Japan, the Republic of Korea and India. New Zealand would benefit from broader relationships with influential and increasingly prosperous countries in Southeast Asia. In particular, New Zealand should build resilient and broad links with Indonesia as it emerges as a regional leader.
- e. The New Zealand Government could consider whether the significance of Asia to New Zealand's interests is appropriately reflected throughout Government agencies and whether relevant agencies are adequately represented in the region to protect and advance New Zealand's interests.
- f. While there have been frequent Ministerial visits to China, more regular travel to other countries in the region by Ministers from across the range of portfolios would increase the depth of New Zealand's relationships in Asia and familiarise New Zealand decision-makers with the increasing influence Asia will have on this country.
- g. The New Zealand Government should remain committed to its membership of the regional organisations for the advantages they afford of access to the region's leaders, cooperation on resolving issues that have cross-regional impact and for the amplification of this small country's voice.
- h. Further strategic work at official level is needed to analyse New Zealand's range of options in responding to possible future major power alignments in Asia.
- i. New Zealand will need to be more aware of the intersection between its domestic and foreign policy. It will also need to pay attention to the manner in which New Zealand is perceived by other countries and the expectations that may be held of it.
- j. Despite the volumes of expert analysis available on Asian security issues, there is little interpretation of how New Zealand's interests may be affected. This is an area in which New Zealand needs to develop its own Track II expertise: no other country will do that for New Zealand. New Zealand would therefore benefit from developing in its universities and small think tanks a bigger pool of expertise on Asia and a greater capacity to analyse issues for their impact on New Zealand.

# Chapter 1

## An overview of trends in the major power relationships in Asia

### Identification

11 As the Cold War drew to its largely unpredicted close after 1989, the United States seemed set to be the dominant global power for the foreseeable future. Some scholars speculated that the United States' economic dominance would be challenged by the increasing economic clout of Japan and the East Asian "tiger economies". Ambivalent prognoses were offered for China. At that time, the Association of Southeast Asian Nations (ASEAN) had been in existence for over twenty years and had helped maintain Southeast Asian regional stability. Asia Pacific Economic Cooperation (APEC) had recently been established and first met at Ministerial level in 1989.

12 Some 20 years later, the pace of change has challenged these expectations. The United States remains the pre-eminent global economic, political and military power, but the region is now increasingly orienting itself around the accelerating prosperity and influence of China. Japan's continuing economic power is muted by political stagnation. India is emerging as an increasingly significant source of both cooperation and competition. At the regional level, ASEAN and APEC have been joined by the ASEAN Regional Forum, the East Asia Summit and a slew of other economic and security meetings revolving around the ASEAN core.

13 Asia's share of expanding global GDP has increased, driven particularly by burgeoning expansion of manufacturing in East Asia and especially China. China is now the world's largest merchandise exporter and the second largest importer. Twenty years ago, China accounted for under four percent of world economic output; now it accounts for 13 percent. China's fast growing demand for imports has helped fuel growth in surrounding countries. With a high savings rate, China and the wider Asian region is an important source of global finance. Asian prosperity has accompanied prevailing inter-state peace in the region and a general retreat from confrontational state ideology, though internal pressures and many intra-state territorial disputes remain unresolved.

14 In 2011, there is widespread consensus that the key determining feature of the region is, and seems set to remain for some time, the relationship between China and the United States. As relations between these two powers seesaw between competition and cooperation, other countries in the region will react to the prevailing trends and manoeuvre to protect their key interests. The China/United States relationship and the manoeuvring of other countries to adjust to changing relativities is not the only important feature of the region though.

15 China's fast rise is likely to be followed by that of India which is seeking greater regional and global recognition in keeping with its size and emerging prosperity. These two major powers within Asia are neighbours with unresolved border disputes, yet relatively little historical interaction with each other. The positioning of nearby countries to accommodate or take advantage of developments between China and India will also play an important role in shaping the future of Asia.

16 Japan, as the third largest global economy, remains a significant power in Asia even as it faces relative decline and although its regional profile is lower than might otherwise be expected. The Republic of Korea has seen strong economic growth and is taking responsibility on a number of international issues, including control of nuclear weapons. It is a member of the G-20. Within ASEAN, Indonesia has a long history as a leader and is positioning itself anew for greater influence within the region and beyond. Vietnam is also establishing a higher profile. For New Zealand, Australia's interests, role and influence within Asia are also important considerations.

17 Those countries playing increasingly significant roles in Asia are also pursuing a greater degree of global influence. This is seen in the high profile China and India have adopted on climate change, and their influence within World Trade Organisation (WTO) processes that were once largely the preserve of the United States and the European Union to resolve. China, India, Pakistan and the Democratic People's Republic of Korea (DPRK) all possess nuclear weapon capabilities. Japan and the Republic of Korea depend on the United States nuclear umbrella, but could quickly develop nuclear weapons in the unlikely event they chose to do so. China is the sole Asian member of the United Nations Security Council. It is also a member of the G-8 and the increasingly important G-20, and belongs to the informal so-called BRICS grouping (Brazil, Russia, India, China and South Africa) of newly emerging countries. Japan is a member of the G-8 and G-20; India is a member of the G-20 and BRICS group; and Indonesia is a G-20 member. In future, we can expect to see a greater number of Asian regional powers playing a global role and they may do so in a different manner from global players of the past.

18 Prosperous, western, democratic countries have since World War II dominated the international system. Asian powers with different attributes are now helping shape the international environment. Successful, modern countries are no longer just in the west. Power increasingly reflects population size and national GDP, rather than income per capita. Thus China and India, with massive populations, are still developing countries (according to their self description in the WTO) even while they move towards the first rank of world powers. Furthermore, western-style democracy may not be an inevitable destination for all capitalist economies: China's political system may retain authoritarian characteristics even as its economy becomes more open and its political system becomes more responsive to its people.

19 Aside from the major power relationships that will dominate the region, other states can have a disproportionate impact on events and on relations between the major powers. The DPRK's pursuit of nuclear weapons is both a distraction for, and a potential fracture point between, the United States and China. The weakness and potential instability of Pakistan could become a vortex drawing in neighbouring major powers such as India, Iran and China, as well as the United States, just as the prospect of western withdrawal from Afghanistan is becoming a reality. It is not simply the major powers that will shape the future of Asia, but it is likely to be the manner in which the major powers react to events that will shape the future of the region profoundly.

## **Interaction**

20 Major power interaction in Asia involves elements of competition, co-existence and cooperation and is increasingly marked by complex and fluid alignments of interest. Where countries consider their sovereignty, influence or future freedom of action to be



infringed, they will continue to resort to competition with the potential for that to escalate into conflict.

21 There is a notable number of unresolved territorial and maritime boundaries within the region, which have largely been kept off bilateral and regional agendas. In many cases, parties to disputed borders have preferred to leave situations in a state of unresolved hiatus, but they remain potential combustion points. The status of Taiwan, the Korean Peninsula, maritime boundaries in the South China Sea, border delineation between China and India, and between India and Pakistan, contested sovereignty over islands between China and Japan, Japan and Korea and Japan and Russia, and the disputed land border between Thailand and Cambodia, are all among potential flash points.

22 In most cases, the tendency has been to avoid both outright conflict and dispute resolution. It is possible that tensions over disputed territory and resources could escalate; it is also possible, though currently seems less likely, that countries may cede to regional organisations a mediating role in preventing conflict. It is noticeable that even as countries hedge against possible security threats, they have also developed habits of dialogue both bilaterally and in regional contexts.

23 The impulse to compete and hedge against the uncertainties of a resurgent China and possible aggression is reflected in an observable expansion of military forces within Asia, in particular the striking growth in naval capability in the region. In turn, military and naval strength could lend increased support of arms to any decision to resolve territorial disputes by force. There is also more positioning in advance of regional summits to evaluate options for addressing issues, especially as they relate to China. In turn, China's demeanour within the region oscillates between assertiveness and reassurance, which then generates more uncertainty and further manoeuvring. Indeed, there is a notable and increasing wariness about China's intentions within the region.

24 The relationship between China and the United States contains persistent potential for tension if either considers its own economic, political and security influence or interests are becoming constrained. Competition will remain a key, if intermittent, component of the relationship, as China seeks greater recognition and the United States remains reluctant to accommodate it where to do so would infringe on its own influence within the region.

25 The two countries engage in regular high level dialogue across a wide range of areas – some 40 separate dialogues exist. These extensive contacts may mitigate the risk of tensions rising as a result of misperception or mistrust. Dialogue on military issues has been sporadic however, and agreement to engage in a specific strategic dialogue is new. China's continuing frustration with United States naval patrols close to its coastline could lead to a serious incident there involving both countries' navies. Experience suggests that security and military dialogue may be hostage to developments such as arms sales to Taiwan, joint exercises in the region involving the United States, or United States naval patrols within regions of interest to China.

26 Escalation of tension is unlikely to be linear: even if political instincts conflict over governance, human rights or definitions of sovereignty, or over economic might, these two powers are closely linked financially and economically. Their mutual economic dependence may operate as a restraint: the costs to each (and to the region) of a rupture would be great. China has pursued economic development for its vast population as one of its main objectives and seems unlikely to risk it by destabilising the

region. By contrast, the United States' global role, involving almost continuous military deployments, has entailed immense costs which China is unlikely to want to take on.

27 Chinese and United States security interests are also frequently compatible: arguably all countries in Asia, as well as the United States as an extra-Asian power, have a stake in maintenance of security in the region and securing navigation lanes, particularly for energy imports. All responsible countries would seem to have an interest in the suppression of terrorism and ensuring non-proliferation of nuclear weapons.

## **Impact**

28 The impact of China's increasing influence and economic power may vary according to proximity to China and a sense of each country's interests vis-à-vis perceptions of Chinese intentions. Countries with existing security pacts with the United States – the Republic of Korea, Japan, the Philippines, Thailand and Australia – may strengthen these relationships. In time, Japan and Korea might belong to two separate security frameworks: their respective alliances with the United States as well as any new security understandings with China. That might develop from the trilateral dialogue of these three northeast Asian powers, though disputes between them suggest this is currently a distant prospect. An even less likely prospect would be for Japan or the Republic of Korea to develop their own nuclear weapons capabilities out of concern that they could not depend upon their alliance relations for their security.

29 It is difficult to separate the pursuit and protection of prosperity from security. As a country's wealth grows, so does its trade and, historically, the tendency is for countries to increase their ability to defend that trade. Increasing wealth also entails increased use of resources, in particular energy, and motivates the need for reliable sources and secure transport routes. This will strongly influence the meaning of state security for countries with sustained strong growth trajectories. This is already evident as a motivation for the growth of Asian regional navies and the construction of expanded port facilities along principal trading routes around the Indian Ocean and into littoral Asia.

30 Regional countries face a situation where their main trading and security partnerships are not necessarily aligned. China and the United States are themselves economically inter-dependent – the United States is China's second largest goods export market after the European Union, and China is the third, after the European Union and Canada, for the United States. The United States is China's fourth largest source of foreign direct investment and Chinese savings are an important source of liquidity for United States banks. This gives China a stake in continuing United States prosperity, but also a potential lever to employ if relationships become strained for other reasons. China is the leading trade partner for Australia, Japan and the Republic of Korea, all security partners of the United States. Definitions are blurring: close partnerships may exist in the economic sphere but not in the security arena. These are complex waters for international relations and countries will need to understand clearly their interests and values, and the interests and values of others, in order to navigate through them successfully.

## Chapter 2

### Response of the regional organisations to changes in major power relationships

31 There is now an array of regional organisations in Asia addressing security and economic cooperation. These organisations have emerged as power relativities in Asia have changed and as Asian prosperity has increased. What role do regional organisations have in dealing with great power relations? Can regional bodies realistically be expected to play a direct role in relations between major powers?

32 As Asia's prosperity and political influence has increased over the last twenty years, it has been accompanied by an expansion of regionalism. ASEAN (1967) has been joined by the South Asian Association for Regional Cooperation (1985), Asia Pacific Economic Cooperation (1989 and at leaders' level since 1993), the ASEAN Regional Forum (1994), Shanghai Cooperation Organisation (2001), the Six Party Talks (2003), ASEAN plus 3 (1999), ASEAN plus 6 (2004), the East Asia Summit (2005), the ASEAN Defence Ministers' Meeting (2006) and its expanded variant, the ADMM+ (2010). The list is indicative of regional governments' interest in dialogue and cooperation, where it is seen to be valuable.

33 At the same time, the region is sensitised by historic animosities that continue to animate nationalism. Many Asian countries regained independence from colonial powers sufficiently recently to be averse to diminishing national sovereignty. Some are at an earlier stage of building centralised state authority than others. These attributes exert an influence over the way the regional organisations in Asia operate.

#### ASEAN

34 Discussion of Asian regional organisations should start with comment on the success and limitations of ASEAN, the oldest of the regional groupings. ASEAN's principal focus is on the development of an integrated region and it is working towards an ASEAN community from 2015. This would lift development levels, reinforce connectivity and give more cohesion to the "core" of Asia.

35 ASEAN has to date successfully managed to orient the region's security cooperation around itself. It has done so despite the lack of a common security position. Some ASEAN countries have alliances with the United States, some do not, and ASEAN's members differ at times in their security perceptions of China. However, these countries have agreed a basic approach to security in the Treaty of Amity and Cooperation, to which New Zealand is a signatory. This Treaty has promoted mutual respect, cooperation and freedom from external interference within the region and provided aspirational principles for regional security management.

36 ASEAN member countries can conclude that a regional organisation - ASEAN - has been instrumental in maintaining regional peace. Asia has experienced no major inter-state conflict since the China/Vietnam confrontation in 1979, although there have been ongoing internal conflicts and frequent periods of high tension. Recent developments, including the unresolved border dispute between Thailand and Cambodia, intensifying concerns over the use of water resources in Southeast Asia and

over the South China Sea (of whose six claimants four are ASEAN countries with intersecting claims) suggest that ASEAN may now be faced with issues that it has so far been able to deflect. The challenge for ASEAN will be to retain the legacy of its achievement in keeping peace in a fractious region.

37 A willingness to let ASEAN “lead” the regional agenda will not necessarily endure if it does not deliver results that suit the leading powers within the region. It has until now suited the major powers – China, the US, and Japan – to leave the running on regionalism to the relatively smaller Southeast Asian countries, working in concert. Over time, however, ASEAN may be joined in the driver’s seat by the emergence of a north Asian consensus arrangement, between China, Japan and the Republic of Korea. It is interesting to speculate on what this would mean for United States interests.

## **ASEAN Regional Forum**

38 The ASEAN Regional Forum (ARF) was established in 1994 in response to perceptions that the region had no mechanism for cooperation on security issues after the strategic competition between the two Cold War blocs had ended. As the name denotes, the central role in management of the organisation was given to ASEAN. The 27 members include the ten countries of ASEAN, Australia, Bangladesh, Canada, China, the DPRK, the European Union, India, Japan, Mongolia, New Zealand, Pakistan, Papua New Guinea, the Republic of Korea, Russia, Sri Lanka, Timor Leste and the United States. This group contains a diversity of systems of government, stages of development, GDP, population and security outlook. The 1995 ARF Concept Paper proposed three stages of evolutionary development for the ARF: confidence-building, preventive diplomacy and, in the long-term, a conflict resolution capability.

39 The organisation’s record is mixed. Its strengths have been in promoting dialogue, principles of consensus and non-interference, and in emphasising incremental progress – though some of these attributes may be seen as weaknesses by some members. It has allowed discussion of a wide range of security issues in a multilateral setting and has built confidence through cooperative activities and exchanges of information. Seventeen years after its establishment, it is still in its first stage of development, confidence building. Some of its members seem uncomfortable with concepts of preventive diplomacy, although Ministers have now adopted a “Work Plan for Preventive Diplomacy”. It seems a long way from its eventual aim of conflict resolution.

40 The ARF’s real significance lies in it being a dedicated security discussion simultaneously involving the United States, China and other significant Asian powers. Given the disparity of its membership, gradual development may be the only option for the ARF.

## **East Asia Summit**

41 The expansion of the East Asia Summit (EAS) to include the United States and Russia from 2011 has drawn particular attention to the prospects for this organisation, which contains some of the most powerful global leaders. If, over time, it can build up a consistent record of cooperative engagement and influence on developments, the EAS could set the pace and direction of future regional cooperation.

42 United States membership of the EAS, however, is unlikely to transform that organisation. It is after all an ASEAN construct and it seems likely that ASEAN will continue to want to shape the process for as long as north Asian countries are comfortable with it doing so. There will be inherent tensions as United States' (and possibly Australian) ambitions for more focused discussion and clear outcomes conflict with an inherent instinct to avoid hard issues. If countries in Asia want to retain the attention of the United States though, there will need to be evidence of effectiveness to persuade the United States President to attend both the EAS and APEC year after year. (The same considerations may apply to Russia.)

## **ADMM- Plus**

43 Among ASEAN-led organisations, some importance should be attached to the ASEAN Defence Ministers' Meeting-Plus (ADMM-Plus), which first met in 2010. This group consists of the defence ministers of the ten ASEAN states, plus those from Australia, China, India, Japan, New Zealand, Russia, South Korea, and the United States. When initially proposed in 2007, the intention was to promote cooperation between ASEAN and extra-regional powers in order to respond to the range of complex trans-national security challenges which had the potential to affect regional stability.

44 Attitudes towards the ADMM-Plus among the major powers are, at this early stage, very positive. From within ASEAN there is a belief that ADMM-Plus (along with the EAS) demonstrates the existence of shared interests in the region between ASEAN and the extra-regional powers. The ADMM-Plus may be able to bridge the divide between dialogue and practical cooperation on defence-related issues and come up with the 'concrete deliverables' which have been largely absent in other parts of the ASEAN-led regional security architecture.

## **Economic groupings**

45 The membership of APEC (Asia Pacific Economic Cooperation) differs from that of the ASEAN-based organisations. It is a grouping of economies, not countries and this allows participation by Chinese Taipei and Hong Kong. It is trans-Pacific in nature, extending into Latin America and including Canada and the United States, but is not comprehensive in terms of its Asian membership. India remains outside. From an initial focus on lowering tariff and non-tariff barriers to trade, it is now looking at means of facilitating business through behind the border integration. APEC has agreed to work towards the longer term establishment of a Free Trade Area of the Asia Pacific.

46 Future regional arrangements may also come into play around shared economic interests. If the Trans Pacific Partnership (TPP) becomes a reality, it could attract membership in a second round from some of the larger Asian economies (Korea and Japan) and be a stepping stone to a more comprehensive Free Trade Area of the Asia Pacific (FTAAP). Work is also underway in two parallel streams relating to ASEAN rather than APEC, exploring prospects for closer economic integration via "ASEAN plus six", or "ASEAN plus three". The first of these would include New Zealand, along with Australia, India, China, Japan and the Republic of Korea; the second would cover ASEAN and the three north Asian countries only.

47 These developments may matter as much to the future security of the region as they do to its prosperity. The ambition and self restraint which would be required for

some Asian countries (notably Japan) to commit to TPP, ASEAN plus six or FTAAP may be driven by a strategic desire to retain US economic commitment to the region as an underpinning for its various security commitments. In this sense, it could be seen as a means of averting Chinese dominance of the region, through engaging it, where possible, in a joint economic endeavour.

## Purposes and expectations

48 As major players jostle for relative influence, this affects the distribution of power within that regional order as well as the role that regional institutions can play. Countries with the most influence in shaping institutions import their national interests into the criteria for development. This can affect who is allowed in and who is not – India, for example, remains outside APEC. Regional architecture may be as much a reflection of the historical or current pecking order as a means of managing tensions and promoting common interests.

49 Regional competition also affects the issues for discussion. The United States, keen to retain a security footprint in Asia, urges the region to discuss specific security issues at its regional meetings and has secured some support from countries impatient with ASEAN's practice of moving at the speed of the slowest boat. China, conscious of both its relative power within Asia and also its strategic isolation, evidently prefers to deal bilaterally rather than subject its interests to discussion in a regional setting. China and some others are reluctant to allow developments which they consider affect national sovereignty, such as work on preventive diplomacy, into the considerations and work plans of regional institutions.

50 For all the continuous meetings, the sense remains that the regional organisations, in particular the ARF, have relatively little to show for the effort involved. It is true that it is difficult to demonstrate that bad things have not happened because these organisations exist. It is also true that this sense is mainly articulated by countries outside mainland Asia, but their perceptions of regional organisations' effectiveness are important considerations for their own levels of engagement. Asian regional organisations have little, if any, record in active management of friction points. Immediate security preoccupations have more often than not been kept from the official agenda of regional meetings, though are of course discussed in the margins in separate bilateral meetings.

51 It may be useful to consider what should be reasonable expectations of the various Asian regional organisations. An important function of all the organisations - the ARF, EAS, APEC, ADMM+ and other hybrid fora such as the Shangri-La Dialogue – is to provide a *dedicated, regular forum for concentrated engagement* between the major powers, and also across the strata of major/middle/minor players. There is a useful role for the organisations in providing a cooperative context for this engagement and an umbrella that assumes shared interests. China, Japan, the United States and emerging powers are drawn to focus regularly on the rest of the region and to liaise with other, smaller countries in the region.

52 A further useful role is *promoting familiarity around the region*. Leaders, ministers and officials from ASEAN countries have since 1967 had regular contact with each other. The other organisations have also allowed regular contact amongst leaders, ministers and officials from the wider region. At the leaders' level, summitry has in the

last half century increased from an occasional event linked to a particular purpose to a regular, multilateral process. Leaders have regular opportunity to engage with each other – the United Nations General Assembly, APEC, the East Asia Summit and even the biannual Asia Europe Meeting, as well as the G-20 for those who are members.

53 Regional organizations, in particular APEC, have highlighted the *common interest in shared prosperity*, recognizing that increasing Asian prosperity has created both new inter-dependencies and new friction points between economies.

54 Cooperative activity has also been most evident in *non-traditional security issues*, in particular cross-border, “soft” security issues of humanitarian assistance and disaster relief, response to pandemic disease and counter-terrorism. Indeed, these cross-border issues may reflect the more pressing concerns of the region. There is some work underway on issues that could be seen as the effects of the changing power balance: information sharing on security outlooks; discussions of maritime security; joint naval exercises for disaster relief practice which double as confidence building measures between regional navies; and discussions of water resources and cyber security. This activity does not directly address relations between and with major powers, but binds them into common causes.

55 In the absence of shared imperatives to cooperate more closely, regional institutions are likely to continue much as they are, an alphabet soup of overlapping memberships and agendas with a weighting to symbolism rather than achievement. It may be that this is the most effective means of operating at multilateral level within the region because it is the style that Asian countries themselves have determined should prevail. The conclusion is that the engine should not be expected to pull more weight than it can bear. The regional organisations could certainly be more assertive in promoting security and preventing conflict. It is realistic to recognise, though, that for many countries, especially China, but also the United States and India, the calculation of national interest favours bilateral diplomacy over regional diplomacy. It may often suit leading powers to act within the currently dominant international diplomatic framework, but the organisations are not built on a sufficiently robust platform of shared outlook to enable them, currently, to intervene credibly and routinely in developing crises. The role of the ARF and EAS may be to maintain concerted pressure for resolution of security issues and to remind the principals that other countries are also affected.

56 These organisations are important for what they can do rather than for what they cannot, yet, achieve. They promote familiarity with the region’s multiplicity of interests and views, nurture a common sense of purpose in security and prosperity for the region as a whole, and allow countries to coordinate responses to cross-border problems. They link powerful and less powerful countries into a common endeavour and allow all a voice. For smaller countries in particular – including New Zealand – there will continue to be advantage in belonging to fora where they can engage on the issues preoccupying the region with the countries that dominate it.

# Chapter 3

## New Zealand's connections with Asia

57 New Zealand's geographical position puts the country within the Pacific and on the outer circle of Asia. Its engagement with Asia has intensified as Asian countries have become more prosperous, stable and influential. New Zealand's connections with Asia are already significant and will increase. Data on trade flows, immigration, tourism and overseas students in New Zealand reflect the degree to which New Zealand is turning its focus towards Asia.

### Population

58 According to research commissioned by the Asia New Zealand Foundation, in 1994 three percent of New Zealanders claimed Asian ancestry. Projections suggest that by 2026, 16 percent of New Zealanders will have Asian ancestry. If that trend is borne out, more than one in six New Zealanders will have an "automatic point of reference" to countries in Asia.<sup>3</sup>

59 Personal connections are likely to drive more integration between New Zealand and Asian countries. If this translates into a more widespread instinctive understanding of Asian cultures and business practices, this may offer advantages to New Zealand. Conversely, Asian countries may also pay greater attention to their diasporas in New Zealand, perhaps stimulating greater interest in the domestic policy settings affecting immigrant peoples to New Zealand.

### Economic links

60 Official figures from December 2010 showed New Zealand's top ten export destinations included Australia, the United States, Japan, China, the Republic of Korea, Singapore, Indonesia and Malaysia, all of which are members of APEC, the East Asia Summit and the ASEAN Regional Forum. The UK and Germany were the only countries outside the Asia Pacific region to figure in this top ten grouping. Following these ten, Thailand, Taiwan and the Philippines were also significant export destinations. Viewed as one market, the countries of ASEAN were together New Zealand's third most important market.

61 These simple export figures do not capture the eventual destination of those New Zealand exports that are used as intermediate products. Given the high profile of Europe and the United States as destinations for exports from Asia (particularly China), it is likely that many New Zealand products exported to Asia are used as components or ingredients in products that end up on European or American shelves. The integration of supply chains within Asia and across the Pacific reinforces the impetus for New

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<sup>3</sup> See Richard Bedford and Elsie Ho, 'Asians in New Zealand: Implications of a Changing Demography', Asia New Zealand Foundation *Outlook* Edition '07, <http://www.asianz.org.nz/sites/asianz.org.nz/files/AsiaNZ%20Outlook%207.pdf>; and Richard Grant, 'A strategy for Asia', 14 December 2010, <http://www.asianz.org.nz/our-work/track-ll/opinions-and-essays/strategy-asia>



Zealand to be part of more integrated trade and economic arrangements in the Asia Pacific region.

62 Absent a more coherent integrated economic arrangement in Asia, New Zealand has focused on a series of Free Trade Agreements within the Asia Pacific region. It has existing Free Trade Agreements with Australia, Singapore, Brunei, China, Malaysia, Thailand, the countries of ASEAN as a group, and with Hong Kong. It is negotiating with the Republic of Korea, India and Russia. It also has negotiations underway for an expanded Trans Pacific Partnership with the United States, Australia, Singapore, Brunei, Malaysia, Vietnam, Chile and Peru.

63 Tourism and education returns from Asia are also significant to the New Zealand economy. China and Japan are two of the top five country sources of tourists, followed by the Republic of Korea. China (including Hong Kong) was the source of the largest number of foreign students in New Zealand in 2010, followed by the Republic of Korea, India and Japan.

64 One economic area where links with Asia are not so obvious is in foreign direct investment. Asian countries are not obviously leading sources of investment in New Zealand. Australia, the United States, the Netherlands and the United Kingdom are ahead of Singapore and Japan, while figures on Chinese, Korean and Indian investment are not available. However, it is difficult to know whether investment from non-Asian countries has Asian sources. Likewise, it is unclear whether New Zealand's outward foreign direct investment, which is principally into Australia, the United Kingdom and Canada, is then invested onwards into Asia.

## **Values**

65 Although New Zealand's population is increasingly diverse, its historical and cultural affinity is with values derived from western Europe and from Maori society. These values are reflected in New Zealand's institutions and system of government. They are also reflected in the manner and emphasis of New Zealand's international persona.

66 New Zealand attracts regional and international esteem as an open society and a well functioning democracy. It is known as a country where the rule of law is respected, where corruption has little hold, where efforts are made to redress historic grievances, and which has good relations to centres of influence both in the west and the east. In its international dealings, New Zealand supports democracy, good government, the rule of law and respect for human rights and it has played its part in maintaining and promoting international peace and security. As a small nation, New Zealand has traditionally emphasised multilateral and cooperative approaches, which empower smaller countries in their dealings with more powerful ones.

67 New Zealand's national personality also reflects New Zealanders' experience of being open to other peoples, including through immigration to this country and through widespread experience of travel abroad. Through such experiences, New Zealanders may have particular adeptness in relating to other countries.

68 These values, connections and experiences make New Zealand a valuable member of the Asia Pacific region.

## Chapter 4

### Implications for New Zealand: Why does security in Asia matter to New Zealand?

69 Geography has given New Zealand the advantage of being able to focus more exclusively on economic and trade issues than almost any other country. With no disputed land borders or maritime boundaries, far from conflict zones, at the end of international crime and terrorist networks, it is relatively easy for New Zealand to focus on the immediate issues of earning a living. For most other countries in the region, this luxury does not exist.

70 While geography gives some protection, New Zealand is not and has never been isolationist. The surrounding oceans do not protect against all threats, and threats to the country's interests abroad have an impact on New Zealand and New Zealanders. A readiness to uphold particular values, including humanitarian concerns, has also influenced New Zealand's diplomatic and military engagement.

71 Security for New Zealand requires this country to remain free from external threat or coercion and to be confident of the security of trade and travel routes. The 2010 Defence White Paper suggests that New Zealand's national security interests comprise:

- a safe and secure New Zealand, including its border and approaches;
- a rules-based international order which respects national sovereignty;
- a network of strong international linkages; and
- a sound global economy underpinned by open trade routes.

72 Conflict and insecurity have been longstanding features in Asia. New Zealand's 20<sup>th</sup> century history with the region is marked by involvement in conflicts and peacekeeping activities in the region. Subsequent to the Second World War, New Zealand has committed military personnel and resources to Korea, the Malayan Emergency, and confrontation with Indonesia, Laos /northern Thailand, Vietnam, Cambodia (de-mining) and Timor Leste. For many years, New Zealand maintained troops in Singapore. New Zealand is still committed by agreements with Malaysia and Singapore to consult them in certain threat situations. New Zealand would also be committed to assisting Australia in an emergency, including through its commitments under ANZUS. As a United Nations member, New Zealand also has obligations to assist in deterring aggression.

73 Most, though not all, of the cross-border conflicts in Asia in the period after the Second World War have now been pacified – the exception being the continuing stalemate on the Korean Peninsula. As this paper has shown, however, Asia contains a number of flashpoints and unresolved tensions. It remains possible that tension will escalate to conflict in some part of the region. Depending on where that occurred, New Zealand would be affected. Many of the causative issues of historical tensions in the region are still in existence, and even if matters do not deteriorate to the point of conflict again, they still have power to influence how countries act and react. Increased

tension in Asia – whether through a downward trend in United States/China relations or conflict relating to one of the many friction points - would be a major distraction for the region.

74 Some countries in Asia have responded to concerns about China's rapid rise by consolidating robust security relationships with the United States while also building strong relations with China. Japan, the Republic of Korea, the Philippines and Australia are among countries with strong economic ties to China but who have intensified security relationships with the United States. This also applies to New Zealand. Signature of the Wellington Declaration in 2010 conveyed the message that New Zealand values its security links – a “strategic partnership” - with the United States, even as it thickens relations with China.

75 Because New Zealand depends on commerce, with six of its top ten trading partners in Asia (seven, if Australia is counted), a serious conflict could impose significant costs to export and import trade particularly in the maritime domain. Supply chain management would become difficult. Disruption to sea lanes would raise fuel, insurance and storage costs. There could be additional costs of security for ships, higher loading costs, higher costs to transport goods by land or air rather than by sea and reduced shelf life for perishable agricultural and horticultural goods. The cost of oil could rise if its transport through Asia was threatened (which is one reason why the international community has committed forces to combating piracy in the Gulf of Aden). Gaining the attention of government officials in countries where New Zealand has important economic interests might become harder. Decision-making could take longer on issues that affect our economic interests if politicians in other countries were distracted by immediate security concerns.

76 Other implications for New Zealand could include more people from Asia seeking asylum (recalling the numbers of people fleeing Vietnam in the 1970s and others seeking asylum more recently from civil war in Sri Lanka). Instability in the region could give greater latitude to international crime, including people smuggling, illicit trade in weapons and drugs and opportunistic piracy. It could provide fertile ground for terrorist groups. It could also have a contagious effect on those countries in the Pacific where governance and national institutions are weak. Dealing with the effects of these issues on New Zealand would require Government time, energy and money, including potentially through the commitment of New Zealand military personnel to any international effort, or to meet a treaty responsibility, to restore order.

77 However, it needs to be noted that some of the most significant risks to New Zealand from Asia relate to economic insecurity. Interruptions to New Zealand's trade, investment and people flows could come from numerous sources that are unrelated to traditional security concerns. These would include the outbreak and response to an animal or human disease that affected trade or travel, or onerous transport management procedures to mitigate the risks of terrorism or transnational crime. Of low probability, but high cost, would be a risk that New Zealand banks and public agencies become unable to raise loans overseas as a result of financial crisis between the United States and China.

## Bilateral links with Asian countries

78 For several decades, successive New Zealand Governments have urged a more sophisticated approach to relations with Asia. This has borne fruit, particularly in the extent to which New Zealand is economically tied to Asia. As New Zealand's interests with the region have grown, it is time again to update how New Zealand views Asia.

79 As New Zealanders contemplate a future where global power and influence shifts to Asia, they should at the same time be urged to understand the diversity of the region. The region contains separate countries with distinct histories, views and characteristics and with strong views on nationhood and sovereignty. New Zealand's main emphasis should now be on a range of separate, individual relationships which reflect the intensity and range of New Zealand's interests.

80 In the years before the United Kingdom joined the European Economic Community, New Zealand relied heavily on a narrow range of markets and a few close political relationships. That era should not be revisited. New Zealand should continue to keep its eggs in many baskets – not all of them in Asia, and within Asia, divided among many different baskets. For the same reason, it could also be argued that increased attention to Asia should not come at the expense of attention to Australia, the United States or Europe.

81 As noted in Chapter One, China's rise is likely to be the key determining factor in Asia for some time and New Zealand will want to maintain good relations with it. The fact that New Zealand has been able to do so reflects the cumulative effect of 40 years of consistent engagement since the establishment of formal diplomatic relations, taking advantage of opportunities as they have arisen and managing differences of view. New Zealand is right to tend carefully to that relationship.

82 It will also be a difficult partnership, though, for several reasons. Although China may be the source of much of New Zealand's prosperity in future, it may also be a source of risk. If growth slows and if China imports less, either from New Zealand or Australia, there will be downstream implications for New Zealand's prosperity. Chinese domestic concerns and popular reactions will have an impact on how the Chinese Government pursues its external policy. If nationalist opinion grows it could make the Chinese Government incline towards a more forceful approach to disagreements with other countries. Residual animosities might trigger brittle responses to perceived slights. Different outlooks on human rights and the value of the individual versus the state will also continue to limit the depth of otherwise warm political relations with some of China's partners. The relationship with China, important though it is, should be part of a broader context of relationships with other countries in Asia and countries outside Asia who are influential within it.

83 New Zealand has put effort over the last decades into building and maintaining good relations with the Republic of Korea and Japan. Japan was New Zealand's first major economic relationship in Asia and both it and the Republic of Korea are important to New Zealand, particularly, but not only, for reasons of economic advantage. A closer relationship with India is also attracting attention, not only for economic reasons but also for commonality of heritage and interest, and there is potential for that to be mutually beneficial.

84 New Zealand has longstanding connections with ASEAN. A summit commemorating 35 years of relations, held in 2010, recognised these historic links and

New Zealand's consistent support for ASEAN development, and established a new ASEAN-New Zealand Comprehensive Partnership. This sits alongside the ASEAN Australia New Zealand Free Trade Agreement, which is the basis for increasing economic integration between the economies of CER and ASEAN. New Zealand's continuing support for ASEAN centrality in the region is noted and welcomed, as well as New Zealand's support for ASEAN's pursuit of greater internal connectivity. There are intersections of interest between ASEAN countries and New Zealand in the experience of adapting to a changing power equation in the region. New Zealand's relationship with ASEAN is valued and should remain a priority.

85 More important, although they have attracted less profile, are New Zealand's relationships with individual ASEAN countries. These relationships have been cultivated for over 50 years and a degree of mutual respect has been established. For various reasons, largely associated with political changes, internal security problems and state building preoccupations in those countries, this has not led to real closeness in some relationships. The opportunity now seems to exist to pursue close connections with several increasingly influential countries in Southeast Asia and that should be a deliberate focus for the New Zealand Government.

86 With limited resources, New Zealand should not attempt to be everywhere in the region. Strategic choices for closer relationships with New Zealand would be those countries with increasing influence, increasing stability and increasing prosperity – in particular Indonesia and, to a lesser extent, Vietnam.

87 Indonesia is the largest country in Southeast Asia. It is developing a resilient democracy and a strong economy. It is asserting itself more as a regional and international leader. It is also one of the closest countries in Asia to New Zealand and is the neighbour of our closest neighbour and ally, Australia. Closer relations between New Zealand and Indonesia may also support Australia as it develops a more consistently positive relationship with that country.

88 Vietnam is also exhibiting a stronger presence in Southeast Asia. It is seeking a regional leadership role and is looking for closer links outside the region, such as through negotiations towards a Trans Pacific Partnership, in keeping with its growing and outward oriented economy. Malaysia and Singapore have traditional links with New Zealand based on common defence and security interests and joint membership of the Commonwealth. Both will continue to be important partners for New Zealand. In time, Thailand may also become a more outward looking regional player and it may pay to cultivate links there that will have effect in the future.

## **Asian Regional Organisations**

89 For a small country with limited capacity, membership of the various regional organisations entails heavy time commitments. It would be sensible to examine the rationale for New Zealand's continued participation in the range of regional organisations. Asian regionalism is a foreign policy tool for countries in the region jointly to address common problems and effectively to manage complex bilateral relationships. For both reasons – common endeavour in addressing problems and effective management of bilateral relations – the regional organisations are useful to New Zealand and allow it to assert its commitment to the region.

90 The main advantage of membership is as a force multiplier. In company with other countries dependent on stability in Asia, New Zealand can offer its views and expertise in support of its interests in the region. Multilateral settings amplify the voices of smaller countries by providing openings for them to be heard. A system that saw an exclusive circle of major powers resolving regional issues without resort to discussion with smaller countries would not be to New Zealand's advantage. Some degree of tension within the region may actually be to New Zealand's benefit in giving some degree of influence to the view of New Zealand, along with other small and medium sized powers.

91 There is also an advantage in terms of the increased substance that common membership of the regional organisations can provide to individual bilateral relationships. Cooperation on issues of mutual interest addressed at the regional level allows bilateral relations to become more substantial. Substance is also provided by the regular opportunity to meet leaders, ministers and officials from other countries and address not only regional matters, but also bilateral issues of the day.

92 New Zealand is a part of the regional organisations because of the interest of more powerful members in having New Zealand there. Involving New Zealand and others beyond continental/littoral Asia is seen as diluting the influence of some and expanding the influence of others within the region. To some extent, New Zealand's presence may answer other countries' policy interests. However, it should not be assumed that New Zealand will continue to have a place at regional tables, if they evolve further. To continue to be viewed as a welcome regional player in its own right, New Zealand will need to demonstrate understanding of the political and security background to regional conversations, and be able to engage with the countries of the region that are important to us on the issues that are important to them.

93 New Zealand needs to continue giving priority to participation in Asian regional institutions in order to keep its national interests and concerns before key decision-makers and, to the extent possible, influencing decisions to New Zealand's benefit.

## **Inter-linked nature of security and economic factors and external and domestic policy**

94 The extent to which New Zealand's views will be sought and have some degree of influence may depend on the maintenance of New Zealand's reputation for clarity, common sense and for the values that inform our foreign policy. New Zealand benefits from a strong international reputation for judging issues on their merits, and for supporting rules-based interactions between states, human rights, democratic freedoms and the interests of smaller states. Such a reputation is valuable but easily undermined: it should be actively protected and promoted. It could be argued that New Zealand is attractive to countries within Asia and around the world in part because of the values this country espouses.

95 The New Zealand Government is encouraged to formulate a clear picture of New Zealand's enduring and changing interests and values in relation to Asia and to analyse in greater depth than this paper allows New Zealand's range of options in responding to possible future major power alignments in Asia. It would also be useful to take stock of how individual relationships are developing, addressing not only economic links but also political and security settings and linkages. In doing so, it would be important to

take account of how other countries see New Zealand and to understand the response that others may expect. A clear understanding of this, alongside clear understandings of New Zealand's prevailing values and interests might help avoid some potholes along the way if expectations of New Zealand are unmet.

96 An example of where countries may have expectations of New Zealand may arise in the context of United States/China relations. If tensions between these two were to escalate significantly, New Zealand's alignment of values and tradition with the United States, Australia and Europe might suggest an automatic pro-United States inclination. The extended post-ANZUS estrangement with the United States may have had longer term repercussions for New Zealand's external policy. Other countries, in particular China, may have read into those events an inference that New Zealand could be expected to pursue a more independent foreign policy.

97 China may expect a country so economically dependent on it and which has avowedly pursued an independent foreign policy to resist any United States activities that it perceives as being contrary to China's interests. It will not hesitate to exert pressure on New Zealand in situations where it considers Chinese expectations have been unsatisfied or Chinese interests are threatened. As noted above, the relationship with China will not always be easy.

98 Despite the warming of relations with the United States, which may suggest New Zealand will incline more naturally to that country, the post-ANZUS history may also continue to influence other countries' expectations of New Zealand. That history also suggests that there may be occasions when New Zealand's interests will not be fully aligned with Australia's, although the differences are likely to vary only by degree.

99 This illustrates the need for New Zealand to see itself as other countries do and judge carefully the response others may expect of it. This does not preclude changes of stance, but indicates a need to prepare and communicate carefully any changes in the nuances of New Zealand's foreign policy settings. Failure to do so would complicate relations with either or both of the United States and China, as well as the critical relationship with Australia.

100 Political and security matters are intrinsically linked with economic and prosperity matters. The pace of communications, the inter-linked nature of global financial and production systems, the common need for energy and resources and secure transport routes, attempts to address climate change, the drive to relieve want and the speed of news about manmade and natural disasters - these are among the areas where economic and political/security interests intersect. A primary focus on New Zealand's economic links with the rest of the world, downplaying the emphasis given to political and security engagement, contains the risk that New Zealand will fail to spot the connections between developments, miss opportunities and be playing yesterday's game rather than today's.

101 The most successful economic agreement to this point has been Closer Economic Relations (CER) with Australia. New Zealand offered economic as well as political value to Australia and CER was an economic win/win (though arguably more in New Zealand's favour as the smaller partner). New Zealand's value to Asian countries, however, is less obviously economic, other than for a limited demonstration/credibility effect in relation to future negotiations with other countries. The New Zealand market is too small to be attractive. The political advantages that New Zealand may be seen as offering in the international arena are likely to be as interesting as purely economic

benefit in obtaining and retaining for New Zealand the advantages of closer economic relations with Asia.

102 For some countries, the value of closer economic and political links with New Zealand may lie in New Zealand being a western-style democracy, English-speaking and with good links to Australia and the United States, and with the proven ability to develop good links with regional countries of all types and histories. Again, political and security matters are intrinsically bound up with economic and trade matters.

103 Just as security and prosperity are linked, so too are external and domestic policy. It is increasingly hard to tell where one ends and the other starts, not only for New Zealand. China's external policy, it is widely acknowledged, will be influenced by domestic factors, such as increasing wages, a shift from a manufacturing to a services base, possible increase in nationalist fervour and reportedly a reduced public interest in the outside world. New Zealand, and other countries, will, to some extent be influenced by domestic issues in other countries.

104 Domestic issues in New Zealand can also have a significant impact on relations with other countries. For example, the collapse of language schools introduced a major distraction into the bilateral relationship with China in the late 1990s. How New Zealanders view Asian-based involvement with domestic issues such as investment, immigration, labour and education, may all have an impact on how the New Zealand Government of the day relates to countries in Asia, or skews the resources applied to preoccupations affecting various relationships.

105 The external environment is less open to New Zealand influence than the manner of New Zealand's reaction to it. New Zealand will continue to need a subtle and sophisticated diplomacy which allows it to work with different countries in pursuit of different interests. This will require a foreign service that is experienced, nimble, flexible, and with a thorough understanding of the range of New Zealand's domestic and external interests. New Zealand offshore posts should continue to be staffed with people who can relate to their host countries, understand meanings and culture, and who can develop an intuition for the implications of events not only in terms of trade relations but across a range of economic, security, political and multilateral issues.

106 It is not only the country's public servants who need to be skilled in order to relate to countries and cultures within Asia. Given the importance of New Zealand understanding the current external environment and likely influential trends, it is striking that the pool of expertise on Asia is so small. There are few think tanks here – certainly none to rival the depth of expertise of think tanks across the Tasman. Within New Zealand's universities, China attracts high levels of attention, but – other than in language teaching – Japan receives little attention, and on Korea, India, Indonesia and other countries in Southeast Asia the numbers of academic and research experts are thin. (The situation with regard to academic work on the Pacific is similar.) New Zealand should be able to hold its own in analysis that affects its political, security and economic interests. It should support and extend domestic analytical capacity to interpret and translate the opportunities and challenges the international environment presents – no one else will do that for this country.

107 To that end, a more considered government policy in fostering and accessing expert knowledge is urged. If New Zealand is to increase its understanding of the countries in our near region, this suggests Government should consider a multi-agency



approach to providing incentives for research and teaching on Asia's history, economy, languages and international relations, and the impact of Asia on New Zealand.

108 The medium term future is likely to see a changing array of fluid combinations of interest as countries seek support from one another on separate issues. As Michael Wesley has noted, "this will be a world of endless manoeuvre – a world of competitive cooperation".<sup>4</sup> Navigating this will require diplomatic skill and a deep understanding of New Zealand's enduring interests and values as well as the interests, values and history of others in the region.



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<sup>4</sup> Michael Wesley, 'The end of the luxury of distance', *The Australian*, 16 May 2011, <http://www.theaustralian.com.au/business/news/the-end-of-the-luxury-of-distance/story-fn8ex0p1-1226053461761>