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Challenges for NZ within the Pacific: Looking to the Future

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The old image of NZ as a small, distant, dependable outpost of an unrivalled Atlantic world, which shaped this country's identity for so much of the 20th century, no longer reflects the realities of NZ's situation. That Atlantic world is moreover in a state of considerable turmoil because of what seems from this distance, a momentous BREXIT mistake by Britain. At the same time the centre of gravity in the world economy continues to shift in particular towards Asia which has seized upon the opportunities of globalisation to record striking progress. All this is changing the horizon of NZ's external interests, and its sense of place in the world.

Values & Changing World

It is a world of new opportunity but also of challenges and, indeed, dangers as the emergence of a globalised version of terrorism demonstrates. Overall economic globalisation is not however "making the world all the same" as some of the more fervent free market admirers suppose. A conviction amongst Western nations that there is but one model for human progress -their brand of democratic capitalism spread on the back of a globalising neo-liberal economy led from the West - is proving deceptive and nowhere more so than in Asia.

The rapid rise of Asia over the last third of the old 20th century is unequalled in speed and extent. Asia compressed into a period of thirty or more years an advance which it had taken Europe nearly 100 years to accomplish. Asian governments variously adapted practices and ideas from Europe and elsewhere to their own needs, but they do not "owe" their success to the magnanimity of others.

Indigenous versions of capitalism, of democracy, of governance in Asia do not therefore conform necessarily to Western practice or preference. NZ along with other western countries should be very wary about any crusade, even those led by the most powerful, to dictate western practices and preferences. NZ's own experience confirms democracy is a home grown product not capable of simply being imposed from outside.

Moreover democracies can display contrasting values. For example the world owes the US a considerable debt for the many accomplishments that it has bequeathed. Yet events inside the US confirm different versions of values and of democracy from those cultivated by NZ itself. American militarisation of law and order, its deluded gun laws, racism, bizarre Presidential election politics and lavish open-ended campaign funding of politicians by private wealth which effectively purchases democracy, are all exceedingly different from the NZ experience. NZ nonetheless sets store by its ties to the US. Diversity not conformity remains however the defining feature of the modern world as Asia conclusively demonstrates. Making that world safe for diversity, tolerating and respecting difference as well as nourishing trust, remain the supreme challenges for humankind.

NZ Comfort Zone

Values are not however to be discounted in the business of international relations. The cause of human rights - one of the foremost legacies of the 20th century - remains a central element because modern conflict involves such gross inhumanity that cannot be simply ignored internationally. Radicalised extremism frequently masquerading in the guise of religion is a modern scourge and a small, conscientious, prosperous and privileged country, like NZ bears a responsibility to play a role within its means to confront the threats and to address their basic causes.

As the world moves through the first decades of the 21st century NZ confronts therefore a challenging set of external realities. Its 'comfort zone' in international relations is being transformed profoundly, It relies significantly now upon Asia, a region whose culture, values, languages, traditions and world experience are very

different from its own. The 20th century nonetheless teaches stern lessons . One is for example that as a trading nation it is highly inadvisable to place too many trading eggs in one basket. Diversification of dependency throughout the vast Asian region and between Asia and the rest of the world remains a compelling task for NZ traders and NZ trade negotiators

It has become quickly clear, and most notably in Asia, that to secure predictable trade and economic connexions which endure, depends first and foremost upon sound political and diplomatic relationships with foreign governments. NZ's international relations horizons are widened extensively by the demands of the diversification process. They require in particular that NZ deepen understanding of Asia, its history, its various cultures and its ambitions. That involves a many faceted process of education across our entire society, embracing the NZ government system, the universities, schools and language training along with peer group connexions through the professions - like lawyers, scientists, doctors, commodity producers and the like. It is a whole-of-country enterprise.

China -US

Amongst the transforming influences, the emergence of China in the 21st century in a world of established American primacy, is a transcendental challenge for NZ and many other countries. The jury is still out over whether China and the US are actually predestined to view each other as eternal strategic rivals or strategic partners. Like most small countries NZ does not want to have to choose between powerful partners if or when they disagree with one another. NZ needs a quality of diplomatic relationship therefore with Beijing and with Washington that can survive those occasions whenever choice becomes unavoidable. Such challenges of balance and consistency demands a brand of independent NZ foreign policy thinking which largely exceeds anything in NZ's previous 20th century experience.

America's engagement is widely welcomed in those Asian capitals where there is circumspection about potential consequences for the region of China's re-emergence as the preeminent influence. Not for the first time in history China's neighbours are hedging bets, this time by encouraging US engagement in the region to provide balance to China in whose shadow they have of course existed for centuries. This deep

and lengthy experience in itself conditions the nature of various and sometimes contrasting responses throughout the region. NZ needs to watch and learn and apply the lessons.

In such a diverse region it is risky to generalise, but in South East Asia where governments cherish a collective role for themselves in promoting wider regional cooperation, they seek American engagement so that they can feel comfortable in engaging but not isolating China. China supplies engine power for the entire regional (indeed global) economy. Asian governments remain intensely realistic. They value the extensive trade and economic connexions with China so that it is not surprising many resist a notion of collective military and political containment of China - even although a number have, for example, sharp disagreements with Beijing over disputed sovereignty claims to rocks and small islands in the China Sea.

China devotes effort to cultivating relationships with South East Asian governments but a sharper less conciliatory tone has crept into relations over the recent past. Maritime sovereignty disputes are one explanation but certainly not the whole story. Domestic political and economic change within China itself is a factor, as are American intentions. For the US engagement in the region necessarily must entail resolute American leadership. One without the other is simply unimaginable in Washington although in theory the two roles are not necessarily one and the same.

The Obama administration has initiated a so-called 'pivot' of US strategic interest towards Asia which includes strengthened trading arrangements (the TPPA) and an expanded American military capability which builds upon the already substantial supremacy that America enjoys in the region. This unceasing quest for military supremacy provides a spur to Chinese military expansion where greater resources and ambition are a result of economic success.. There remains a question mark nonetheless whether given an overriding preoccupation with the formidable difficulties of the Middle East, the US can devote the necessary care, time and attention that are vital to understanding the intricacies of the Asian political and security landscape. Be that as it may China on its side, is agitated by aspects of the 'pivot' that it chooses to interpret as an act of containment.

South China Sea

By connecting the dots between the present hostility in the South China and East China Seas and the proposed American 'pivot' towards Asia, one glimpses the intricacies. In competition with a group of South East Asian countries and with Japan, China lays sovereign claim to an array of small islands and rocks that are equally claimed by the competitors. Outsiders like NZ and the US stick firmly to the view that diplomatic and legal processes be allowed to settle the issues. The Permanent Court of Arbitration in the Hague has just found in favour of a Philippines charge that China's actions to assert its (disputed) claim between the two countries are illegal, while the Court has not pronounced on the legality of the sovereignty claims as such. China flatly rejects the PCA verdict. The Philippines have said they wish to engage with China to settle matters on the basis of the verdict.

It is regrettable that China rejects the recent PCA ruling on its South China Sea actions. But in doing so it follows an example set by others. The UK and the US have in the past themselves also resiled from rulings by international legal bodies about maritime disputes. It seems China is here then copying an exceptionalist tradition. It is a statement of the obvious that this unfortunate tradition be set aside by all major powers if an effective 21st century international rules based system is to flourish

The immediate issue of the rocks and islands is connected directly to China's resistance to the US traditional cold war practice of operating naval and other patrols right up to China's 12 mile territorial sea limit. The US claims the legal right under the UN Law of the Sea for such longstanding practice which predates the 1982 Law itself (the US, unlike China, has not ratified the LOS), and justifies operational patrolling and exercising on grounds of longstanding US security interest. Beijing on the other hand asserts that Chinese security interests require the US to desist from the practice. The issue centres around freedom of military (not commercial) navigation. Each side claims in effect that its own security interests trump those of the other.

Whatever the letter of the law, third countries like NZ need be very cautious indeed about taking sides in such a highly sensitive area. China is reinforcing and extending claims to the rocks and small islands in its maritime approaches by constructing facilities upon them (some of the other claimants are doing the same thing) which has the deliberate design of pushing China's 12 mile territorial sea out well beyond China's continental coast line. The US resists the Chinese action and sends naval vessels up to the 12 mile limits of the various islands and rocks in question. It offers closer military cooperation to those regional governments who dispute China's claims while Washington formally maintains neutrality on the contested legal claims.

It is difficult to envisage a large scale war erupting between China and the US solely over rocks and small islands. Moreover the deep trade and economic ties between the two, as well as those between China and all the claimants (including Japan) serve to mitigate the quarrels. But the damaging effects of discord upon the overall security environment in Asia Pacific can not be discounted. Given its own extensive economic dependency on China and on other regional countries now in dispute with China, NZ retains vital interest in supporting action that helps defuse the tensions.

NZ Defence Policy

Last month NZ released its 2016 Defence White Paper (DWP), its first for over 5 years, in which the importance to NZ of defence relationships with the US and the other English speaking traditional partners is firmly restated. The value of joint exercising and operating with such countries especially the US, is underlined. By way of contrast while China is, for the first time described as 'a strategic partner' for NZ, the document stops short of envisaging proposed operational relationships with China.

Given the manifest sensitivities over the South China Sea great care needs be taken to avoid any such NZ involvement, especially joint naval and other operations with the US that are interpreted by China as hostile. The DWP reveals nonetheless a strong preference for NZ's traditional 'comfort zone' even as our security and prosperity are increasingly centred in a new 'comfort zone'. It is not a case of throwing the baby away with the bathwater. Traditional attachments have receded in

their overall importance to NZ, but they warrant preservation provided they are balanced by new connexions with Asia. Such balance is not fully reflected by DWP 2016.

Asian governments are, for example, displaying greater interest in UN peacekeeping just as NZ commitment diminishes. Of the 123 countries that are contributors to UNPKO, NZ now ranks 101st. Of the top dozen contributors, six are from Asia. This record of NZ performance is disappointing. In NZ's notably successful bid for a non-permanent UNSC seat the NZ PKO effort was proclaimed. The scope for joint operations with Asian militaries deserves greater attention therefore from NZ as a means both to widen and deepen connexions with the region and to improve upon NZ UNPKO performance.

Asian Regionalism

NZ's dealings with Asia do not solely rely upon one-on-one bilateral relationships with individual governments. One of the paradoxes of the globalising world is that it is producing a world of regions, Regional institutions have been conceived to promote prosperity and underpin stability. Asia is no exception although it is moving perhaps at a more deliberate pace than other regions in creating instruments for such regional cooperation. Experience across the world confirms there is no one single model for a successful regional arrangement. Even highly integrated regional economic and political union remains moreover vulnerable to shock as the turmoil flowing from BREXIT, with its world wide ramifications, demonstrates right now.

NZ has a compelling interest in involving itself region wide cooperation in Asia because to be left on the outside as a small non powerful player, risks marginalisation. Sub-regional cooperation has however evolved more readily than region wide progress - notably in South East Asia through the development of ASEAN involving 10 countries, founded some 40 years ago which rests upon foundations of inclusiveness, good neighbourliness, confidence building, collegiality and intensive personal networking. It relies less upon legalism, rules and accountabilities that characterise regionalism elsewhere.

As the sole and durable institution of consequence in the Asia Pacific region ASEAN is charting a path towards an South East Asian Community and has created a free trade area. It is responsible too for a whole series of formalised dialogues with non-ASEAN governments(including NZ), as well as providing the platform for the the East Asia Summit, the only existing top level region-wide political institution, as well as fashioning a framework for political/security dialogue. All of this has produced a veritable alphabet soup of different institutions. While ASEAN has been unsuccessful to date in the conciliation of differences (like the South China Sea sovereignty disputes) its undeniable accomplishment has been to persuade China and America to actually sit around the same table together with the rest of the region.

For NZ , ASEAN remains valuable both in its own right and for providing a threshold for NZ into the wider region. North East Asian governments have no comparable sub- regional machinery themselves. They acknowledge ASEAN significance although not always with great expectations about what ASEAN can accomplish in terms of their own particular preoccupations, which include the divided Korean peninsular and nuclear capable DPRK, China/Japan rivalry and ROK/Japan bad feeling.The direct American interest here increases considerably the great power dimension of what is at stake for the entire Asia/Pacific. Japanese intentions to play a more assertive international security role adds materially to that dimension. NZ retains a profound interest in a peaceable North East Asia although it has little capability that allows NZ a substantive role directly to ensure that, even while it cultivates vital trade connexions underpinned by indispensable political relationships.

Regional Economic Cooperation

NZ's greater interest overall rests in the trade/ economic equation of Asia Pacific regionalism. Some 45% of our exports by value go to East Asia, of which about half goes to China. Australia takes 18% and the US 9% - so that NZ relies upon Asia Pacific markets for some 72% of its export receipts (on basis of 2013 figures). The trade agreements which variously facilitate this NZ trade are different in scope and purpose. They include a FTA with China, a closer economic relations (CER) agreement with Australia, a FTA with ASEAN collectively (in harness with Australia)

as well as with individual ASEAN countries, plus a prospective trade and economic policy integration agreement with the US and Japan (TPPA which has yet to be ratified by the various legislatures of the 12 signatories).

All of these agreements are part of a veritable noodle bowl of cross cutting trade and economic bargains struck by regional countries one with another or with several others, over a period of decades. This noodle bowl is mixed up with the alphabet soup. These agreements, it is fair to say, are less about free trade in its real sense as they are about preferential trade between involved partners. There is nonetheless a groundswell of sentiment which favours the wholesale rationalisation of this kaleidoscope of compacts into one bumper regional agreement through negotiation of a Free Trade Area of Asia Pacific (FTAAP). NZ endorses that idea.

Action along such lines is unlikely to be swift. There is no agreed framework around which to build a negotiation although inside the Asia Pacific Economic Cooperation (APEC) forum there are real currents of opinion in its favour but APEC itself, by design, is not a negotiating body. Other stepping stones towards the grand design might be provided by the recently concluded TPPA, or by a different route through the still to be concluded negotiation of a Regional Comprehensive Economic Partnership (RCEP). NZ has a foot in both these camps which is some tribute to trade policy agility and ingenuity even though difficult choices for NZ may lie in wait.

The present important differences between these last two arrangements lies with their membership and content. RCEP involves all Asian governments including China, but not the US. TPPA involves some Asian countries (five in all out of the twelve signatories) plus the US, but not China. TPPA is open to new members if they can accept provisions which extend well beyond trade liberalisation as such to include broader economic policy integration provisions in accordance with a US led agenda.

That agenda previously formed the essential part of American objectives for overall global trade liberalisation through the World Trade Organization (WTO) where negotiations have now been stalemated for over 10 years because large newly

industrialising economies resist that US agenda. It is far from clear therefore if or when China might take up the regional possibility of negotiating TPP entry especially as one specific US aim for the agreement is to ensure China does not “make the rules for world trade”.

Looked at from a wider perspective the two agreements (if both are finalised and ratified) would actually serve to segregate the Asia/Pacific trade economy rather than to integrate it. Optimists believe they provide a pair of stepping stones however towards the grand design of a FTAAP but it is too early to be confident about way things will eventuate. What is clear however, especially from NZ’s standpoint, is that any final agreement which excludes China would be totally irrational as a serious long term way to manage regional and indeed global trade. A segregated trade economy created on the basis of US - China rivalry would constitute a political division reminiscent of the old 40 year cold war in the 20th century.

TPPA remains to be ratified. In the US the Presidential elections may delay things. In NZ the government has pledged to complete the Parliamentary ratification with all due speed, but until American ratification occurs the agreement will not enter into force; and there is a prospect that a new US President will want to renegotiate some of the provisions and if so that will guarantee further delay. It remains a controversial agreement for many people (both in NZ and the US and other places) for the same sorts of reason that have produced the BREXIT result in Britain viz. a growing mistrust amongst disaffected in a globalising age about agreements arrived at privately by governing elites plus a widening realisation that the effects of modern trade liberalisation produces adverse distributional consequences - it creates both winners and losers.

For NZ officialdom the supreme political prize of TPP is less about the actual content of the agreement than the achievement of a formal free trade relationship with both Japan and with the US. For over 30 years NZ pressed resolutely in the capitals of each government the case for such an arrangement but each resisted for their own hard headed reasons. The rhetoric that NZ employed to make its case indeed came

more than once close, to implying that negotiations had only to commence and they were predestined to succeed.

The interest subsequently displayed first by the US and then by Japan for involvement with TPPA negotiations was a pleasing surprise for NZ even though the scope of their ambition exceeded the original TPP concept devised largely by NZ. This great power interest presented an ideal opportunity to consummate the 30 year NZ desire for a formal free trade connexion with both countries. Negotiations were predestined to succeed. As the Prime Minister John Key has conceded the TPP outcome while pleasing, is sub optimal in terms of overall NZ farm trade gains. Like all TPPA “true believers’ the PM commends nonetheless the ‘high quality’ of the agreement in other respects. A complete and balanced assessment of the overall benefit for NZ remains speculative at this early and incomplete stage.

Adjustment & NZ Attributes

This contribution is supposed to include some opinions about how NZ maintains national independence while pursuing effective and productive Asia/Pacific relationships. It is obvious, by way of conclusion, that in terms of political, military and economic strength NZ possesses little to impress or influence the wider region. It threatens no-one because its hard power is negligible; but its soft power is an asset - what NZ is, and what NZ seeks to be are the cards NZ needs to play.

A small, mature, open democracy committed to reconciliation at the heart of that democracy between Maori and pakeha, while adjusting to the challenge of a multicultural future where Asia figures prominently, constitute assets in an era where values driven international relations are valued and promoted. NZ has no power to compel others to copy its example but it can quietly impress and persuade.

Evidence for what is possible can be found in, for example, the initiative by China to sign a free trade agreement with NZ in 2008. There seemed no rational explanation as to why the world’s largest nation and economy should enter into such a first ever formal David & Goliath arrangement with such an inconsequential partner. China however saw that a formal agreement with a small democratic free market economy, provided an opportunity to prove to itself and to others, that it could successfully

negotiate a free trade relationship as a dress rehearsal for subsequent arrangements with larger more powerful democratic free market economies.

NZ became thus a small laboratory for an experiment that China might wish at some point to repeat, as it has done with Australia. As the China FTA reaches the stage of its formal renewal NZ must anticipate that Chinese expectations of NZ - politically, economically and commercially - will expand. This is the logic of the new international comfort zone pathway upon which NZ has entered. Politics and security issues characterised the old NZ comfort zone, and they will similarly figure importantly and differently in the new zone.

In South East Asia there are occasions too where NZ benefits from the fact that it is different from Australia in terms of its level of ambition and power. Australia seeks a military edge over its Asian neighbours through acquiring superior capabilities plus a close military relationship with the US. By necessity NZ pursues a quieter less assertive pathway. It is not more dangerous to be small than large in today's world - indeed globalised terrorism is more likely to strike larger targets than remote NZ which is less vulnerable, although certainly not immune from globalised radical violence. Remoteness in no way absolves NZ from an international responsibility to contribute to confronting radical violence as well as its causes.

Closer to home developments in the South Pacific will also be a significant factor where greater interest by China, Japan and other Asian governments is evident. Given NZ's traditional connexions and responsibilities the South Pacific becomes the place where wider regional and more immediate neighbourhood interests, intersect. Reality is reality so that any notion that NZ might discourage Asian interest, or discourage Pacific governments from responding to that interest, out of a concern over ultimate consequences is unrealistic, and would be entirely self defeating.

NZ's comparative advantage in the South Pacific rests with its ability "to think small". As Asian powers and commercial interests enhance a presence related access to resources like fisheries, so NZ should respond cooperatively to avoid duplication of effort and guard against overload in aid and capital transfers to small fragile economies with limited absorption capacities including for debt repayment.

Asian interest of course opens up new opportunities for Pacific governments as well as exposure to wider political relationships with powerful outsiders at a time when there are signs of greater assertiveness in some governments of the South Pacific. This has, for example, even extended to suggestions to exclude NZ (along with Australia) from the Pacific Forum for perceived overbearing metropolitan behaviour. This must not be exaggerated but there are also potential political challenges lying in wait which may severely test NZ neighbourhood policy, like the political future of Indonesian owned West Papua or independence from France for New Caledonia and French Polynesia; and from the economic and social consequences of climate change and unsustainable exploitation of marine resources.

NZ scarcely features regularly on the radar screens of the powerful. That is a fact of NZ international life but the country has proven under successive governments, that it can operate effectively beneath those radar screens, as it did conspicuously under different governments over the three decades from the 1980s when NZ relations with the US were strained by disagreement over the NZ non-nuclear policy. New relationships within Asia and particularly with China, originated over that period. NZ successfully fielded candidates for three top international jobs, lodged two successful UN Security Council membership bids and initiated a peace process on Bougainville ending a conflict that had cost thousands of lives. These were authentic independent accomplishments by a country which was a 'friend but not an ally' of any major power.

As a small open modern democracy NZ has the capability and indeed instincts for evenhandedness and impartiality that allow it to adjust more readily to big change in a world marked by the arrival on to the stage of successful non-Western powers with different histories, culture and interests. In contrast, powerful established states hidebound by concerns over prestige, ambition and leadership appear less flexible and adaptable.