

NEW ZEALAND'S STRATEGIC BALANCE WITH CHINA
AND THE UNITED STATES

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Strategic Studies

by

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ABSTRACT

NEW ZEALAND'S STRATEGIC BALANCE WITH CHINA AND THE UNITED STATES, by James Deegan, 113 pages.

New Zealand faces the likelihood of a strategic choice between the USA and China if the current trajectory of competition between the two superpowers continues. While this is a well-recognized issue for many countries, covered in a wide range of literature, what is not well defined is the link between New Zealand's current strategies and how they align with both the USA and Chinese strategies in the region. Furthermore, these open source strategies are not necessarily an accurate reflection of each nations intentions.

The importance of the issue: China is currently New Zealand's largest export partner. The USA is a former ally and traditionally a strong military partner with closely aligned shared values and culture. New Zealand, along with Australia, is of strategic importance to both the USA and China in the South West Pacific. This is demonstrated by the US pivot to the Pacific in 2012, and China's Belt and Road Initiative pushing heavy investments into the smaller islands in the region. Of further relevance is New Zealand's access to resource rich Antarctica and fishing grounds in the Southern Ocean.

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ACRONYMS

A2AD	Anti-Access Aerial Denial
ASEAN	Association of Southeast Asian Nations
CCP	Chinese Community Party
CPTPP	Comprehensive and Progressive Agreement for Trans Pacific Partnership
FON	Freedom of Navigation
GDP	Gross Domestic Product
NZDF	New Zealand Defence* Force
PLA	People's Liberation Army
TPP	Trans-Pacific Partnership
SWP	South West Pacific
UN	United Nations
UNCLOS	United Nations Convention on Law of the Sea

NOTE: The majority of this thesis utilizes US English spelling. The exception to this is when that spelling convention is contrary to that laid out in a name, reference or document.

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CHAPTER 1

INTRODUCTION

New Zealand is a land of contrasts which arguably enjoys a unique position in the South West Pacific (SWP). New Zealand is geographically diverse and isolated, which provides natural barriers from potential threats, however this also makes it susceptible to extreme weather and natural disasters. Politically, New Zealand is a constitutional monarchy with a system based on the British, yet enjoys cultural ties through ancestral links to its Polynesian roots. Influentially, New Zealand is a small island nation of four and a half million people, but it consistently punches above its weight in world affairs as seen by its recent temporary seat on the United Nations security council. Militarily, New Zealand maintains a mix of culture derived from both British and Maori. It is part of the western 'five eyes' (FVEYs) intelligence sharing community, however its relationship with the United States is largely only tacitly maintained due to a longstanding disagreement over the role of nuclear power and weaponry. Economically, New Zealand's geographic location provides a corridor to South East Asia, but conversely provides a challenge in trading with partners further afield. Despite its independence from the United Kingdom, gained in 1947, New Zealand maintains links across the political, economic, influence and military spectrum with its former colonial master.

New Zealand has been shaped by the worlds super powers throughout the entirety of its modern history. Its colonial heritage resulted in its participation in both WW1 and WW2 as a commonwealth partner. The latter led to an erosion of confidence in many commonwealth nations that the United Kingdom's could continue to protect its dominion. Thus, at a time when the United States was expanding its influence globally, but

particularly in the Pacific, both Australia and New Zealand became willing allies. This alliance (subsequently downgraded to 'partnership' between New Zealand and the United States), led to New Zealand's involvement in more modern conflicts in Korea, Vietnam, Afghanistan and Iraq. This partnership forged in battle, is now grounded on cultural similarities and shared economic and security interests. New Zealand's strategic environment is now changing, with China the dominant economic figure in the region.

As the rising global economic powerhouse, China is now shaping New Zealand's economic future, intrinsically affecting its security. China's influence has expanded over the last two decades, particularly in recent times through its Belt and Road Initiative (BRI). This expansion has led to increased trade opportunities for Australia and New Zealand. Further, China's expanded influence has resulted in stronger diplomatic ties, and increased military engagement between New Zealand, Australia and China. China's expansion has also led to increasing competition between the Pacific's security underwriter; the United States. This competition is arguably what led to the United States 2012 'pivot' to the Asia-Pacific region and renewed United States efforts to build and strengthen SWP regional partnerships. Consequently, New Zealand now needs to maintain a positive relationship with two super powers of strategic importance who are becoming increasingly competitive. New Zealand will likely face difficult choices in the future.

This research paper will critically compare the United States and China in terms of their importance as a partner to New Zealand, whether the positive relationships with both large 'friends' can continue, and whether New Zealand could sustain relying on just one of these partners. Moreover, this research will examine if New Zealand could survive

with only one major strategic partner who would or should New Zealand align with? Ultimately, this research paper will propose how New Zealand can support sustained positive relationships with both the United States and China as they compete for influence in the SWP.

Research Questions

This thesis and resultant analysis will answer the following primary research question: “Does New Zealand’s diplomatic, information, military and economic policy support continued positive relationships with China and the United States as they compete for influence in the South West Pacific?”. Secondary questions which will be used to assist in answering the primary research question are as follows: (1) “What is the current relationship New Zealand has with both the United States and China, and what is their importance to New Zealand?” (2) “What are Chinese and United States intentions in the SWP, are they enduring, and what are the strategic implications to New Zealand?” and (3) “What options does New Zealand have to sustain itself militarily and economically should it need to make a strategic choice between the United States and China?”. These secondary research questions ultimately aim to assess the level of New Zealand’s relationship to China and the United States across the instruments of national power; diplomatic, information, military and economic (DIME)¹ to identify intentions, strengths, weaknesses and opportunities.

¹ Joint Chiefs of Staff (JCS), Joint Publication (JP) 1, *Doctrine for the Armed Forces of the United States* (Washington, DC: Department of Defense, 2017).

Secondary Research Question One

What is the current relationship New Zealand has with both the United States and China, and what is their importance to New Zealand? Secondary question one will be answered primarily through analysis of recent diplomatic, information/influence, economic and military engagements New Zealand has had with both China and the United States. New Zealand's relationship with China is heavily weighted economically, but more evenly balanced with the United States. However, China is expanding its diplomatic, influence and military engagement throughout the SWP. For example, China is a dialogue partner at the Pacific Island Forum (PIF) and has increased aid (including military aid) to a level in advance of the United States.² What is arguably concerning for Australia and New Zealand is the increased influence China is gaining in Fiji, Vanuatu, Papua New Guinea and the Solomon Islands. Secondary research question one will lead into secondary research question two which attempts to uncover United States and Chinese intentions toward the SWP, the latter of which is increasingly vilified in western circles. This analysis of intent will occur through investigating historical examples of American and Chinese influence on other countries, and importantly, look into the historical occasions when China has expanded influence outside its own borders.

² Ethan Meick, Michelle Ker, and Han May Chan, "China's Engagement in the Pacific Islands: Implications for the United States," Economic and Security Reviews Commission, June 14, 2018, 7–17, accessed June 3, 2019, <https://www.uscc.gov/sites/default/files/Research/China-Pacific%20Islands%20Staff%20Report.pdf>.

Secondary Research Question Two

What are Chinese and United States intentions in the SWP, are they enduring, and what are the strategic implications to New Zealand? Secondary research question two will focus on the United States and China's increased influence in the SWP. The United States through its 2012 Pacific rebalance, and China predominantly through its BRI. The United States Pacific rebalance or 'pivot' was marked by its resourcing and focus toward the INDOPACOM area of responsibility (AOR). The enduring nature of this rebalance may come under increasing threat due to current geo-political events pulling the United States towards resourcing efforts to counter Russia on the European continent. This combined with a change in the United States presidency in 2017 may have an effect on the previous United States administration's policy towards the SWP. President Trump's administration had immediate impacts on many nations, including New Zealand, through its decision to withdraw from the Trans Pacific Partnership Agreement early in his term as President. Equally, China's ability to continue to resource an increasingly ambitious BRI raises the specter of over-extended economies. This is particularly concerning to the nations furthest away from China's immediate periphery. These nations arguably add the least value to China due to their geography, therefore are most likely to be left out in the cold.

Secondary Research Question Three

What options does New Zealand have to sustain itself militarily and economically should it need to make a strategic choice between the United States and China? As well as addressing the military and economic issues, the third secondary research question will focus on diplomatic and influence strategies to enable New Zealand to sustain itself in the

event of a temporary or permanent breakdown in its relationship with either China or the United States. New Zealand prides itself on its independent foreign policy. This was demonstrated in its anti-nuclear stance, and more recently in denouncing China's views on human rights and freedom of information.³ While New Zealand has the ability to voice its concerns freely, enabled by the current United States led international order, it is fast becoming economically dependent on a resource hungry China.⁴ On the current trajectory, New Zealand is becoming more, not less, dependent on China importing its goods and services. Conversely, the United States arguably degraded its Pacific influence through the decision in 2017 to withdraw from what is now the Comprehensive and Progressive Agreement for Trans Pacific Partnership (CPTPP – previously the Trans Pacific Partnership Agreement). This decision has only further distanced it from partners in the region, and seen many searching for alternative trade partners.⁵ Given the importance to New Zealand of both relationships and the increasing strategic competition between the United States and China, New Zealand may face a decision in the near future about how or even if it can maintain its idealistic and independent world view.

³ New Zealand Ministry of Defence, *Strategic Defence Policy Statement 2018*, accessed October 11, 2018, <http://www.nzdf.mil.nz/downloads/pdf/public-docs/2018/strategic-defence-policy-statement-2018.pdf>.

⁴ As New Zealand's largest goods trading partner, it could be argued that the threshold for economic dependence on China has already been reached.

⁵ Victoria University of Wellington, "Big China, Weaker America: New Zealand's Options," last modified November 17, 2017, accessed October 11, 2018, <https://www.victoria.ac.nz/news/2017/11/big-china,-weaker-america-new-zealands-options>.

The Importance of the Issue to New Zealand

New Zealand currently has positive relationships with the United States and China and both are of importance to New Zealand. New Zealand and the United States are close strategic partners with a longstanding friendship, united by a commitment to promote a free, democratic, secure and prosperous world.⁶ New Zealand's security and prosperity is partially underpinned by the United States in its wider role as the major underwriter of Pacific security. Under the 2010 Wellington agreement, and 2012 Washington agreement, New Zealand and the United States set the framework for closer political military relations. This framework covers a range of international issues, notably Pacific security and stability.⁷ Economically, the United States is New Zealand's third largest individual trading partner, importing mainly beef and dairy products, as well as wine.⁸ New Zealand notably does not currently have a free trade agreement with the United States. Of military importance to New Zealand, the United States is a permanent member of the United Nations security council, and has previously influenced New Zealand's military participation in conflict. New Zealand's defense relationship with the United States has thawed significantly since the United States suspension of its obligations to New Zealand under the Australia, New Zealand and United States

⁶ New Zealand Ministry of Foreign Affairs and Trade (MFAT), "United States of America," accessed March 1, 2019, <https://www.mfat.govt.nz/en/countries-and-regions/north-america/united-states-of-america/>.

⁷ Ibid.

⁸ Ibid.

(ANZUS) defense treaty in the 1980's.⁹ Nonetheless, while New Zealand and the United States are not allies, they are likeminded and culturally aligned partners with a long-history of interdependence. New Zealand continues to demonstrate the importance of the New Zealand-United States partnership through defense contributions to global conflicts. The New Zealand government has contributed troops, ships and aircraft to the United States led war on terrorism since 2001. Furthermore, New Zealand and Australia are members of the FVEYs intelligence collection and sharing agreement which is of importance to New Zealand's security architecture.

China is a lynchpin of New Zealand's economy. China is New Zealand's largest trading partner in goods and second largest trading partner overall.¹⁰ Significantly, New Zealand was the first developed nation to sign a free trade agreement (FTA) with China in 2008.¹¹ A reflection of China's importance, New Zealand's largest diplomatic footprint is in China, and visits between political leaders and heads of state take place

⁹ The 'freeze out' of New Zealand by the United States was a result of New Zealand's anti-nuclear stance, particularly New Zealand's refusal to allow nuclear powered ships, or those armed with nuclear weapons, into New Zealand ports. This will be further discussed in chapter two.

¹⁰ New Zealand Ministry of Foreign Affairs and Trade (MFAT), "China," accessed March 1, 2019, <https://www.mfat.govt.nz/en/countries-and-regions/north-asia/china/>.

¹¹ New Zealand Ministry of Foreign Affairs and Trade (MFAT), "NZ-China-2017-Infographic," accessed October 11, 2018, <https://www.mfat.govt.nz/assets/FTAs-agreements-in-force/China-FTA/NZ-China-2017-infographic.pdf>. Since its institution in 2008, trade with China has more than tripled from \$8 Billion NZD to over \$28 Billion NZD. An updated FTA is being negotiated at the time of writing, aimed at the reduction of barriers and to further boost trade.

regularly.¹² New Zealand is also home to a growing Chinese community. In the 2013 Census, 4.3% of New Zealand's total population identified as ethnic Chinese with a high proportion living in the Auckland region.¹³ This represented a 16% increase within New Zealand's Chinese population from 2006 figures.

The aforementioned analysis demonstrates New Zealand has a vested interest in maintaining positive relationships with both the United States and China. Arguably, the worst outcome for New Zealand would be conflict between the two superpowers where New Zealand is forced to pick sides. Unfortunately, this most dangerous course of action is a distinct possibility because history records 12 occasions where an existing power faced a rising power and the result was war.¹⁴ Consequently, it appears history implies New Zealand may be forced to choose between China and the United States or risk facing crippling trade sanctions, or more dangerously, military action. Arguably, to demonstrate the complexity of the problem, both outcomes are possible. Consequently, New Zealand would be wise to look for strategies to offset potential threats to its economic stability and national security. New Zealand needs a clear, coherent strategy across all of the instruments of national power – Diplomatic, Information, Military and Economic. This thesis will contribute to this debate.

¹² MFAT, "China."

¹³ Statistics New Zealand, "2013 Census Ethnic Group Profiles," accessed December 11, 2018, <https://archive.stats.govt.nz>.

¹⁴ Graham Allison, *Destined For War: Can America and China Escape Thucydides' Trap?* (New York: Houghton Mifflin Harcourt, 2017), viii.

Chapter one will set conditions for this paper and the subsequent analysis.

Chapter two will analyze the available open-source strategic policy documents from New Zealand, China and the United States. Further, Chapter two will analyze historical and contemporary literature to assess possible outcomes in the three-way relationship.

Chapter three describes the methodology used in analyzing the literature, which is framed using the DIME instruments of national power and a ‘strategic estimate’. Chapter four uses the DIME framework to analyze the importance of the United States and China as two of New Zealand’s most important strategic partners. Chapter four will also provide historical context to the debate. Chapter five will provide conclusions and recommendations on strategies New Zealand can potentially adopt, as well as suggest further possible research areas. Finally, the strategic estimate provided as Appendix A will assist to frame the readers understanding of the SWP operating environment.

Definitions, Assumptions and Scope

Any intelligent debate must be grounded in a clear understanding of definitions, assumptions and scope. Consequently, this thesis uses peer reviewed literature wherever possible to define and examine key topics. Where peer reviewed literature is not available due to current gaps in the literature and the recent nature of the research, articles from reputable news media sources have been used and where possible have been cross-referenced through multiple sources. This study does not include restricted or otherwise classified information sources which are generally unavailable to the public. This is deliberate in an attempt to capture and view New Zealand’s strategic policy from the position of the New Zealand Government’s target audience, in this case – the

governments, policy advisors and populations of China, the United States and SWP countries.

A definition of the countries and regions within the SWP is of importance to this thesis. The term ‘SWP region’ is used throughout this paper to describe the Pacific Island nations which have historical links to New Zealand or are included in the New Zealand Defence Force (NZDF) South West Pacific Campaign Plan. These countries are within NZ’s strategic area of influence and include: Fiji, Samoa, Vanuatu, the Cook Islands, the Solomon Islands, Papua New Guinea (PNG), Tokelau, Kiribati, Tuvalu and Niue. Further, this research will also cover the wider Asia – Pacific region, such as the South-China-Sea as this region is also in New Zealand’s wider area of interest. The area described as the SWP is depicted in Figure 1.



Figure 1. South West Pacific Region

Source: Created by author.

The term ‘international rules based order’ is used throughout this research. The concept of an international rules based order came into effect at the end of the second world war, and was driven predominantly by western nations (particularly the United States and United Kingdom), at a time when the Asian powers of today such as China lacked their current level of legitimacy and influence. An international rules based order is defined as a shared commitment by all countries to conduct their activities in accordance with agreed rules that evolve over time, such as international law, regional security arrangements, trade agreements, immigration protocols, and cultural

arrangements.¹⁵ Consequently, An international rules based order provides New Zealand and other small countries with protections and rights, despite having smaller economies, land mass and populations. New Zealand's 2016 Defence White Paper states that an international rules based order provides protection to all by disciplining the exercise of national power through international law, custom and convention, and accords the same rights to all countries, regardless of their size.¹⁶ China contests the western concept of the international rules based order, as it moves to balance its influence with its relative size and power.

Soft power is pivotal to any discussion regarding United States and Chinese competition in the SWP. Soft power seeks to influence cultures and subsume competitors and partners. The United States and China are often linked to soft power initiatives. Noted political scientist Joseph Nye defines soft power as “the ability to affect others and obtain preferred outcomes by attraction and persuasion rather than coercion or payment.”¹⁷ The United States has successfully used Hollywood and worldwide brands such as Apple, Coke and McDonalds to assert soft power in the SWP. China has the BRI which aims to expand Chinese influence first throughout Asia then the rest of the world. While both Beijing and Washington utilize the soft power approach, neither have proven

¹⁵ Michael Smith, “UNAA - The United Nations and the International Rules Based Order”, accessed June 9, 2019, https://www.unaa.org.au/wp-content/uploads/2015/07/UNAA_RulesBasedOrder_ARTweb3.pdf

¹⁶ New Zealand Ministry of Defence, *Defence White Paper, 2016* (Wellington, New Zealand: New Zealand Ministry of Defence 2016), 20.

¹⁷ Joseph Nye, *Soft Power: The Origins and Political Progress of a Concept*. Palgrave Communications, 2017, accessed June 9, 2019, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2942713

shy about also using coercion when they deem it necessary, especially utilizing the economic instrument of power.

The terms One Belt-One Road and Belt and Road Initiative are used interchangeably throughout this paper. The BRI is, in simple terms, Chinas strategy for developing infrastructure throughout many parts of the world. The BRI is a series of infrastructure projects, or a “Belt” of overland corridors and a maritime “Road” of shipping lanes worth an estimated one trillion dollars.¹⁸ Much of the construction money for these projects is going to Chinese based companies, with heavy Chinese investment, meaning the BRI is a significant boost to the Chinese economy.¹⁹ As at the middle of 2018, 71 countries were involved in these projects,²⁰ including SWP nations Fiji, Tonga, Papua New Guinea and Vanuatu.²¹ Critics of the BRI argue that, rather than enabling the countries that host these projects, it creates economic burdens that many countries cannot hope to carry, and some such as Sri Lanka and Malaysia are now re-thinking the value of the initiative.²²

While China uses its BRI to increase economic infrastructure, it is becoming more confident in increasing its military might. The most notable example of this has been in

¹⁸ The estimated financial cost of BRI varies dependent on the source. The most popular estimate is 1 Trillion US dollars.

¹⁹ Lily Kuo and Niko Kommenda, “What Is China’s Belt and Road Initiative?” *The Guardian*, accessed February 3, 2019, <http://www.theguardian.com/cities/ng-interactive/2018/jul/30/what-china-belt-road-initiative-silk-road-explainer>.

²⁰ Ibid.

²¹ Meick, Ker, and Chan, “China’s Engagement in the Pacific Islands,” 7–17.

²² Kuo and Kommenda, “What Is China’s Belt and Road Initiative?”

the contested areas of the South China Sea where China has begun to enforce its claim to the ‘9 dash line’.²³ While the legitimacy of South China Sea claims by any party is outside the scope of this research, the ongoing conflict is important to lend context to both Chinese and United States intentions. Some key terms utilized in the South China Sea context are; Freedom of Navigation (FON), Anti Access/Area Denial (A2/AD) and the United Nations Convention for Laws of the Sea (UNCLOS). UNCLOS protects and safeguards a nations maritime exclusive economic zone (EEZ) along with outlining other maritime laws. Of the 160 UNCLOS member parties, New Zealand and China are both signatories however the United States is not.²⁴ FON refers to a United States initiative to maintain freedom to navigate in conjunction with UNCLOS. The FON Program involves diplomatic representations and operational assertions by United States military units, but also bilateral and multilateral consultations with other governments to promote maritime stability and consistency with international law.²⁵ A2/AD commonly refers to denial of access, both air and sea through positioning fixed and mobile anti-ship and aircraft weapons.

²³ The ‘9 dash line’ is an area which encompasses most of the South China Sea. This dashed line overlaps with territorial claims of the Philippines, Vietnam, Indonesia, Malaysia and Brunei.

²⁴ Marine Insight, “Nautical Law: What Is UNCLOS?” *Marine Insight*, May 18, 2011, accessed March 20, 2019, <https://www.marineinsight.com/maritime-law/nautical-law-what-is-unclos/>.

²⁵ United States Department of State, “Maritime Security and Navigation,” accessed March 3, 2019, <https://www.state.gov/e/oes/ocns/opa/maritimesecurity/>.

Conclusion

New Zealand faces significant strategic challenges as the world moves further towards shifting balances in the traditional power structure. New Zealand will need to carefully consider its strategy for maintaining the positive aspects of its relationships with both China and the United States as the two compete for influence in the SWP. New Zealand's size and geographic isolation creates both positive and negative effects and increases its dependence on international relationships, and particularly the international rules based order. These relationships predominantly include the United States and China, however inextricably extend to Australia, the wider SWP and Asia-Pacific regions. New Zealand and Australia remain key to the United States strategy toward the Pacific as it attempts to counter China's influence throughout the region.

Given New Zealand's own economic dependence on China, it is in the country's best interests to navigate carefully through China and the United States' strategic competition. Doing this will become increasingly uncomfortable for New Zealand, particularly as it applies to its independent foreign policy. United States-China relations will undoubtedly require significant diplomatic efforts in the coming decades. This topic is of critical importance to New Zealand and the SWP. Invariably New Zealand's place as a SWP leader is likely to be shaped by the influence of these two super powers.

This thesis will analyze the policies of the United States, China and New Zealand in order to determine threats and opportunities, and suggest possible options to maintain security and economic stability in the wider region. This thesis will further suggest opportunities for New Zealand to rebalance across the instruments of national power in order to maintain its national interests. New Zealand will need to do this by critically

analyzing its current policies and international relations stance, while conducting further examination of historical and contemporary examples of Chinese and United States expansion, and frame these against Chinese and United States intentions toward the SWP.

CHAPTER 2

LITERATURE REVIEW

The literature review is laid out in three categories. The first is focused on the current strategic policy documents of New Zealand, China and the United States. The second category focuses on the past and current relationships between the three countries. The third category focuses on recent developments in the SWP, and investigates historical methods used by both China and the United States to influence and engage with other nations. The three categories will answer the secondary research questions and provide options for New Zealand to maintain the positive relationship with both China and the United States in spite of their strategic competition.

Category one analyzes all three countries policies to determine their strategic intentions in the SWP and greater Asia – Pacific regions. This category will assist in answering secondary research question number one, ‘What is the current status of New Zealand’s relationship to China and the United States, and what is their importance to New Zealand?’ This will be done through analysis of the current open source New Zealand, Chinese and United States policy documents. New Zealand currently relies on both China and the United States to various degrees across the instruments of DIME. This varying reliance is reflected in how it words its policy particularly towards China. The policy displays some inconsistencies in messaging between defense and security policy, and foreign affairs and trade policy. It is arguably unlikely that New Zealand can continue to be as prosperous as it currently is without both China and the United States unless it broadens its economic and security strategy. Category one focuses on tangible, known government policy.

In contrast to tangible policy, Category two of this literature review investigates the relationship New Zealand has with China and the United States in excess of foreign policy including economic and military engagements. The second category further assists in addressing secondary research question one. The second literature category also examines the likelihood that China's rise in power and influence will result in conflict thereby potentially destabilizing the current international order. This section investigates literature covering longstanding theories in international relations, including cultural dimensions which affect politics. Further, China and the United States' growing economical inter-dependence may provide the answer to reduction in the risk of significant conflict.

The third category focuses on recent developments in the SWP, and looks at historical methods used by both China and the United States to influence and engage with other nations. This will cover the rebalance toward the Asia-Pacific region directed by the previous United States administration, examining whether this is still policy with the current administration, and whether it is likely to continue given competing priorities. This category will also investigate China's BRI, its application and implications in other nations, and attempt to determine if it might lead to the backing of a stronger military presence in the SWP. The third category will further provide historical context in an effort to determine any potential threat to the current international order posed by a rising China, and examine how China views itself and its place in the world. Further, it will use these historical examples to make an assessment of China's likelihood to expand outside its traditional borders particularly in an age of growing resource competition. This

competition may challenge existing norms such as the Antarctic treaty and the sustainability of fishing grounds in the Southern Ocean.

Category 1 – Strategic Policy Documents

Category one is broken down into three distinct parts. Part one draws from three key New Zealand strategic policy documents; The Ministry of Foreign Affairs and Trade (MFAT) strategic intentions 2018 – 2022 document, the 2016 Defence White paper and the 2018 Strategic Defence Policy Statement. Part two draws primarily from the 2017 United States National Security Strategy (NSS), the 2018 National Defense Strategy (NDS) and documents and interviews detailing the strategic direction of USINDOPACOM in 2018 and 2019. Part three draws from China’s Policies on Asia-Pacific Security Cooperation (The State Council Information Office of the People’s Republic of China January 2017). It further analyzes a 2017 report delivered at the 19th National Congress of the Communist Party of China by President Xi Jinping, as well as statements made by former CCP Foreign spokesman Dai Bingguo.

New Zealand Strategic Policy

The United Nations (UN) and other international organisations have unparalleled convening power. They afford us an opportunity to engage and influence at the highest level, and to help us understand and assess the wider international context for New Zealand. While there have been notable successes, the international-rules based system is challenged by long-standing, intractable conflicts, as well as newly emergent issues.

—New Zealand Ministry of Foreign Affairs and Trade,
MFAT Strategic Intentions 2018–2022

New Zealand culture is deeply rooted in its self-deterministic view and a desire to stand up for its collective beliefs. This culture of outspoken opinion is enabled by the

current international order. New Zealand Inc, the term used to describe the whole of government approach to security, prosperity and influence relies on four pillars; supporting a rules-based international system; participating in international and regional bodies; leveraging a network of strong bilateral relationships; and building a diverse portfolio of export markets.²⁶ The New Zealand government has not shied from diplomatic conflict in the past. Arguably one of the most notable examples of this being its anti-nuclear stance which resulted in the dissolution of the ANZUS treaty discussed in chapter one. This decision was the result of strong anti-nuclear sentiment worldwide which reflected in New Zealand public opinion at the time. Ultimately, the Labour government was elected by a landslide in 1984 due in large part to its commitment to make New Zealand nuclear-free, including barring nuclear capable ships from its ports.²⁷ The decision to ban port visits was implemented almost immediately by the rejection of a request from Washington for a port visit by the conventionally powered USS Buchanan because it was ‘nuclear capable’.²⁸ The decision tested the resolve of both countries, with neither choosing to back down. Ultimately, the result was New Zealand and the United States parting ways as allies. Since then, the relationship has thawed due in part to the

²⁶ New Zealand Ministry of Foreign Affairs and Trade (MFAT), “MFAT Strategic Intentions 2018-2022.” accessed February 13, 2019, <https://www.mfat.govt.nz/assets/MFAT-Corporate-publications/MFAT-Strategic-Intentions-2018-2022.pdf>.

²⁷ Amy Catalinac, “Why New Zealand Took Itself out of ANZUS,” *Foreign Policy Analysis* 6 (2010): 317-338, accessed December 16, 2018, https://scholar.harvard.edu/amycatalinac/files/catalinac_fpa.pdf.

²⁸ *Ibid.*, 318.

commitment of the NZDF to recent conflicts, and the Obama administrations Pacific rebalance.

New Zealand released its most recent defense white paper in 2016 under the National-led government. In mid-2018 the newly re-elected Labour-led coalition government released a Strategic Defense Policy Statement which shows a subtle change in its position since the idealistic anti-nuclear times of the 1980's. What has not changed is New Zealand's desire at least on the surface, to be seen to make its own foreign policy decisions free of influence by its larger partners. In a move that resulted in backlash from the Chinese government, defense minister and former New Zealand Army officer Ron Mark's 2018 Strategic Defence Policy Statement says that on one hand "China is of central strategic importance in the Asia – Pacific, and globally, and New Zealand continues to build a strong relationship with China", and on the other hand, "Yet as China has integrated into the international order, it has not consistently adopted the governance and values of the order's traditional leaders."²⁹ This prompted a response from China's Foreign Ministry Spokesperson Hua Chunying, saying that, "We urge New Zealand to view the relevant issue in an objective way, correct its wrong words and deeds and contribute more to the mutual trust and cooperation between our two countries."³⁰

In contrast to the 2018 Statement, the 2016 Defence White Paper displays a far more tempered approach, which reflects the priorities of the then-government in finding a

²⁹ New Zealand Ministry of Defence, *Strategic Defence Policy Statement 2018*.

³⁰ Ministry of Foreign Affairs of the People Republic of China, "Foreign Ministry Spokesperson Hua Chunying's Regular Press Conference," July 9, 2018, accessed December 16, 2018, https://www.fmprc.gov.cn/mfa_eng/xwfw_665399/s2510_665401/t1575371.shtml.

balance between popular rhetoric and diplomatic relations. For this reason, it generally avoids specifically naming threats in an effort to prevent economic or diplomatic chastising. The 2016 White Paper goes to great lengths to avoid specifically naming any one country as a disruptor of the international world order.

By specifically naming China in the 2018 Statement as one of the countries challenging the existing world order, the New Zealand government risked backlash not only in strongly worded media releases, but also where it's perhaps most vulnerable – economically. While New Zealand relies on China as its biggest economic partner, the relationship may not necessarily be balanced in New Zealand's favor. China imports specific goods such as dairy products to supply its ever growing population, but a simple delay in clearing incoming goods to a Chinese port could have significant ripple effects on New Zealand's relatively small economy.

Despite New Zealand's desire to maintain its independent foreign policy, it may be unwise to do anything to significantly effect a downturn in its largest export market. However, given the ANZUS example, history would suggest that public opinion and being seen to do that right thing can both be strong political drivers.

United States Strategic Policy

Our America First foreign policy celebrates America's influence in the world as a positive force that can help set the conditions for peace and prosperity and for developing successful societies.

—U.S. President, *National Security Strategy of the United States*

While much of the outside world viewed President Barak Obama in a favorable light, the same view has not easily translated to the new United States president.³¹ However, in the lead up to the election within the United States there was an increasingly nationalistic and divided view which developed during Obama's time as president. President Donald Trump's 'Make America Great Again' campaign for the United States presidency, and its subsequent success indicates a potential shift toward isolationist policies. By definition that would also signal a move away from the self-imposed responsibilities of maintaining the international order, which became the norm after the second world war. Whether this also signals a reversal of the United States 2012 rebalance to the Pacific is yet to be seen. However, the recent announcement of United States force drawdowns from Syria and Afghanistan may be an indicator of reduced support for its less developed allies by president Trump's administration. These troop withdrawals against the advice of senior officials saw the subsequent resignation of the Secretary of Defense, highly respected former Marine General Jim Mattis. In his resignation he sighted that "my views on treating allies with respect and also being clear eyed about both malign actors and strategic competitors are strongly held. Because you have the right to have a Secretary of Defense whose views are better aligned with yours on these and other subjects, I believe it is right for me to step down from my position."³²

³¹ Pew Research Center, "9 Charts on How the World Sees President Trump," accessed March 19, 2019, <https://www.pewresearch.org/fact-tank/2018/10/09/how-the-world-views-the-u-s-and-its-president-in-9-charts/>

³² Helene Cooper, "Jim Mattis, Defense Secretary, Resigns in Rebuke of Trump's Worldview," *The New York Times*, December 21, 2018, accessed March 19, 2019, <https://www.nytimes.com/2018/12/20/us/politics/jim-mattis-defense-secretary-trump.html>.

Along with troop withdrawals, president Trumps administration has also targeted economic partners. In the most recent National Security Strategy, President Trump slams unfair trade practices in addition to unfair burden sharing with allies as a driver towards his vision to make America great again.³³ This coming despite the fact the United States has benefited economically in the last 70 years through its creation of a vast network of alliances and trade agreements. This globalized network has allowed the United States to exert influence through economic as well as military power. Former State Department Foreign service officer and Ambassador Gary Grappo espoused the benefits of globalization to the United States and warned of the risks involved in isolationism in a 2016 article. He stated that for political candidates in America advocating a retreat from globalization, there is an additional and even more acute question: In such a scenario, how would the country maintain its position of global leadership? It is rationally inconceivable that the United States or any major world power can simultaneously maintain such a role and turn its back on an interdependent world.³⁴

The United States policy of aggressively protecting its trade interests has been backed up by action. It has not just targeting the United States' traditional adversaries such as China. Tariffs have also targeted some of its closest allies as demonstrated in mid-2018 by the imposition of tariffs on Canadian steel and aluminum. This new economic policy has wide reaching effects in the Pacific as well.

³³ U.S. President, *National Security Strategy of the United States* (NSS), accessed June 3, 2019, <http://nssarchive.us/national-security-strategy-2017/>.

³⁴ Gary Grappo, "Globalization: Made in the USA," *Fair Observer*, last modified July 29, 2016, accessed March 19, 2019, <https://www.fairobserver.com/region/north>.

One of the first trade policy decisions the Trump administration instituted was to reverse the TPP in favor of individual trade agreements. While this may benefit some nations, for many smaller Asia-Pacific countries the TPP was a positive step toward greater economic security. Its dissolution has since opened the door for a trade-hungry China to step in and fill the void, potentially isolating the United States' influence in the region further. Indeed, as President Trump withdrew from the TPP in January 2017, later that same month Xi Jinping announced efforts to expand on its previously adopted BRI including ports, power plants and rail infrastructure throughout many parts of the world.³⁵ In essence, the United States is exerting influence on some of its closest partners through economic coercion. Ironically, these are the same tactics the United States accuses China of employing with its BRI. Speaking in a keynote address to the Centre for Strategic and International Studies (CSIS) in November 2018, Admiral Phillip Davidson, the USINDOPACOM commander accused China of using 'debt-trap diplomacy'. This means using the economic instrument of DIME to leverage smaller nations and bully them, stating that "Often times, when we think of coercion, we think in military terms and violent outcomes, but with the Chinese Communist Party's desire to keep disagreements just below the threshold of armed conflict, coercion has become particularly evident in the sphere of economics." Admiral Davidson then reaffirms United States leadership in the Indo-Pacific when he further states that "When I took command back in May, I said

³⁵ Simon Denyer, "As U.S. Retreats in Asia-Pacific, China Fills the Void with an Ambitious Global Plan," *Washington Post*, accessed January 15, 2019, <http://cc.bingj.com/cache.aspx?q=As+U.S.+Retreats+in+Asia-Pacific%2c+China+Fills+the+Void+with+an+Ambitious+Global+Plan%2c%e2%80%9d+Washington+Post&d=4573033940781916&mkt=en-US&setlang=en-US&w=alCRoieIfFQfk3Baf56RVnYZ2cM22SfV>

that for more than 70 years, the Indo-Pacific has been largely peaceful; in most ways, this was made possible by two things: the commitment of free nations to the free and open international order . . . and underwritten by the credibility of the combat power within USINDOPACOM.”³⁶

The key overall messaging from the president and INDOPACOM is a free and open Pacific, with an undertone of western democratic beliefs taking primacy. Essentially, the goal is to persuade China to cooperate peacefully, and it will be welcomed in to the current international order.³⁷ While this may not sit well with the Chinese view for the region, it is undeniable that China has certainly benefited from the free, open and importantly *secure* trade routes and relative stability provided by United States military dominance.

Incorporating the NSS and INDOPACOM strategies, the combined messaging from the United States appears to be that of a coordinated front across DIME to retain its global position while at the same time securing its economic interests. Dig a little deeper however, and some contradictions in policy and action emerge. When closely examined, this is particularly evident between the economic and military strategies, and even within these individual strategies. For one, the Trump administration risks alienating its smaller partners in the region economically to attain more favorable trade deals for the United States. Secondly, Admiral Davidson states that a free Indo-Pacific means that nations do

³⁶ Phillip Davidson, “China’s Power: Up for Debate,” Address to the Center for Strategic and International Studies, accessed February 17, 2019, <https://www.csis.org/analysis/chinas-power-debate>.

³⁷ Ibid.

not have to choose who they trade and partner with. In contradiction United States actions run counter to this message by actively strengthening alliances with countries like India on Chinas border, and Chinas traditional enemy, Japan.

Chinese Strategic Policy

Small and medium-sized countries need not and should not take sides among big countries. All countries should make joint efforts to pursue a new path of dialogue instead of confrontation and pursue partnerships rather than alliances, and build an Asia-Pacific partnership featuring mutual trust, inclusiveness and mutually beneficial cooperation.

—*Xinhua English News China*,
“China’s Policies on Asia-Pacific Cooperation”

In many ways, Chinese policy is reflective of its long term view of the world. It particularly promotes the linkage of economic development intertwined with security development in the Asia-Pacific region.³⁸ Chinas reaction to the recent United States NSS and NDS has been unsurprisingly negative, describing it as a an effort to regard China as a rival, contrary to previous statements of building a partnership.³⁹ China had similarly negative reactions to New Zealand’s most recent strategic policy direction. This is in some ways indicative of the cultural gap between the three countries. China on the one hand viewing the instruments of DIME as inseparable, while the United States and New Zealand policy appears to lean toward the belief it can separate trade (economic),

³⁸ Xinhua English News, “China’s Policies on Asia-Pacific Security Cooperation,” January 11, 2017, accessed October 11, 2018, http://www.xinhuanet.com/english/china/2017-01/11/c_135973695.htm

³⁹ Michael Swaine, “Chinese Views on the U.S. National Security and National Defense Strategies,” Carnegie Endowment, accessed January 27, 2019, http://carnegieendowment.org/files/CLM56MS_FINAL_FOR_PUB.pdf.

information (media reports and policy documents) and military into silos. Meaning conflict can exist in one, without necessitating spill over into the others.

While China has been a beneficiary of the security resultant from the current international order, it's strategy and ultimate goal is to change the international world order to better reflect its growing position in the world, and to better reflect its culture and world view. China states that it calls for the building of a new model of international relations centered on mutually beneficial cooperation.⁴⁰ This is understandable given the current world order was established largely without Chinese input, and at a time when China was relatively weak. It's important to note however, that the current international order was largely enabled by the fact that the world had just come out of the largest conflict in history. At the end of world war two the international community was hungry to adopt a peaceful framework and restore economic prosperity. This begs the question; can China change a seven decades old framework without the conflict often associated with such significant change?

China says yes, at least publicly. Its BRI is framed as a way to better connect the globe and achieve its policy of economic and security development, benefiting China and the nations it affects. The United States maintains that the initiative employs debt-trap economics and views the BRI through a suspicious lens. This view is shared by some of the nations involved directly and indirectly in BRI, but by others, it is viewed as a positive way to link some of the world's least developed nations with international trade through better infrastructure. Further, by doing so China argues that regional security is

⁴⁰ Xinhua English News, "China's Policies on Asia-Pacific Security Cooperation."

enhanced. China's Policy on Asia-Pacific Security Cooperation is to enhance the convergence of economic interests as an important basis for sound state-to-state relations. Common development provides a fundamental safeguard for peace and stability, and holds the key to various security issues.⁴¹ Conversely, the United States maintains China's policies are an attempt to bully smaller nations and create economic dependence. The question remains, what is China willing to do to protect its growing interests, and support its populations resource requirements, and perhaps more importantly, does it seek global hegemony? Consistent Chinese rhetoric and policy says no:

Some people misinterpret the Chinese idiom "keep a low profile and make due contributions". They take China's announcement of a peaceful development path as a smokescreen for its real intention before it gets strong enough. This is groundless suspicion. That Chinese idiom was quoted from Comrade Deng Xiaoping's remarks from late 1980s to early 1990s, saying that China should keep modest and prudent, not serve as others' leader or a standard bearer and not seek expansion or hegemony. This is consistent with the idea of the path of peaceful development.⁴²

There is certainly past evidence that China has proven it is willing and able to fight to protect its borders. This has been demonstrated on four notable occasions in the past including during the Korean war in the face of advancing United States, United Nations (UN) and Republic of Korea (ROK) forces north of the 38th parallel. At the end of that conflict, China withdrew back to its own borders, although maintains a significant amount of influence over North Korea. This conflict came at a time when China was still

⁴¹ Xinhua English News, "China's Policies on Asia-Pacific Security Cooperation."

⁴² Dai Bingguo, "Adhere to the Path of Peaceful Development," Address to the US-China Institute, December 6, 2010, Accessed February 16, 2019, <https://china.usc.edu/dai-bingguo-%E2%80%9Cadhere-path-peaceful-development%E2%80%9Ddec-6-2010>.

relatively weak, particularly when compared with its current resources. Historically, virtually every Chinese regime . . . has at various times sought to maximize its control or influence over the strategic periphery . . . and thus set regime boundaries at the maximum level permitted by geographic, economic-administrative, and military-political constraints.⁴³ Its military build-up is concerning to the United States policy of maintaining freedom of navigation (FON) in a free and open Pacific, particularly in the South China Sea which is included in the aforementioned Chinese strategic periphery. However, there is little clear indication that it intends to expand its control past its immediate periphery.

China for its part maintains an official policy wording far less inflammatory toward the United States, than the other way around. On its relationship with the United States “China is willing to promote the sustainable, sound and stable advance of bilateral relations, and work with the new United States administration to follow the principles of no conflict, no confrontation, mutual respect and mutually beneficial cooperation”.⁴⁴ However, while generally positive towards its relations with the United States, Chinese policy has an undercurrent of warning towards those nations that would attempt to legitimately challenge China’s territorial claims in the South China Sea, claiming that no effort to internationalize and judicialize the South China Sea issue will be of any avail for

⁴³ Michael D. Swaine and Ashley J. Tellis, *Interpreting China’s Grand Strategy*, Rand Corporation, 33, last modified 2000, accessed February 10, 2019, https://www.rand.org/pubs/monograph_reports/MR1121.html.

⁴⁴ Xinhua English News, “China’s Policies on Asia-Pacific Security Cooperation.”

its resolution.⁴⁵ China has proven it will stand strong against any arbitration which threatens its claims, as was evident in Beijing's rejections of findings against it in an international tribunal hearing in The Hague regarding claims by the Philippines in 2016.⁴⁶

History would suggest that China is not an expansionist nation outside of its strategic periphery. When it has done so, it has generally been for the purpose of defense, or as a 2000 RAND monograph puts it . . . periphery expansion has been primarily defensive in nature, intended to eliminate persistent external security threats and bolster or reestablish regime authority within the established periphery and heartland, not to extend regime power and influence significantly beyond the known periphery. . .⁴⁷

History is not always a foolproof indicator of the future, however Chinese grand strategy is nothing if not pragmatic and calculating. Conflict with the United States and its partners beyond its strategic periphery is not in China's strategic interests. Within its strategic periphery however, which includes the South China Sea, history would suggest this is the most likely flashpoint in any potential conflict with the United States due to its proximity to mainland China, and China's absolute belief in its territorial claims in the region. Fortunately, an area where history is not a good indicator is in the reformed

⁴⁵ Xinhua English News, "China's Policies on Asia-Pacific Security Cooperation."

⁴⁶ Tom Phillips, Oliver Holmes, and Owen Bowcott, "Beijing Rejects Tribunal's Ruling in South China Sea Case," *The Guardian*, July 12, 2016, accessed December 6, 2018, <https://www.theguardian.com/world/2016/jul/12/philippines-wins-south-china-sea-case-against-china>.

⁴⁷ Swaine and Tellis, *Interpreting China's Grand Strategy*, 37.

openness of relations between China and the rest of the world, which tends to facilitate early and honest negotiations before tensions escalate.

China has undergone a significant shift in its openness to the outside world, as it acknowledges the importance of soft power and influence (discussed further in chapter four) to its economy. The Five year Plan released in 2016⁴⁸ signifies an honesty not commonly associated with what was once a closed, secretive and proud society, openly stating that the provision of basic public services remains inadequate, income gaps are wide, population aging is accelerating, and the task of eradicating poverty is formidable.⁴⁹ Additionally, its openness in developing the country socially is in contrast to its often criticized human rights stance. Other focus areas which diverge from the standard western view of China center around a focus on moving away from heavy industry towards building up modern information centric infrastructure, greater focus on environmentally friendly and sustainable practice, and opening up by being more involved in international institutions and structures.

Category 2 – The US, New Zealand and China Relationship

Category two deals predominantly with answering the first secondary research question - what is the current relationship New Zealand has with both the United States and China, and is either one under threat? This category incorporates contemporary

⁴⁸ Chinas 13th Five Year Plan covers the period 2016 – 2020.

⁴⁹ Chinese Communist Party, “The 13th Five Year Plan for Economic and Social Development of The People’s Republic of China (2016 – 2020),” Compilation and Translation Bureau, Central Committee of the Communist Party of China, accessed October 11, 2018, <http://en.ndrc.gov.cn/newsrelease/201612/P020161207645765233498.pdf>.

articles and historical context – the latter to determine potential threats to the current relationship New Zealand has with China and the United States. This determination is based on the historical dealings and reactions of all three countries to conflict across the instruments of DIME. As a small state, New Zealand relies on a stable balance of powers that Chris Brown describes as ‘the system that allows independent, legally equal but materially unequal states to maintain their liberty, which is a key aim of statecraft’.⁵⁰

New Zealand’s Economic Dependence on China

China’s economic growth has spurred economies throughout the Asia-Pacific and SWP regions over the last decade. As previously mentioned, China is New Zealand’s largest trade partner, and as such, the New Zealand Treasury utilized a slowdown in the Chinese economy as one of its ‘stress testers’ in its 2018 report. Of the three modelled stressors (a foot and mouth outbreak, and a major earthquake in Wellington being the other two), the Chinese economic slowdown scenario had the most significant and longer term effect.⁵¹

In practical terms, this would translate to an increase in the unemployment rate to 7.4% due to the drop in consumer rates and business confidence, resulting in the highest in almost thirty years. The slowdown would also result in an increase in housing interest rates, and the stock market crash would devastate KiwiSaver – New Zealand’s national

⁵⁰ Chris Brown and Robyn Eckersley, *The Oxford Handbook of International Political Theory* (Oxford, United Kingdom: Oxford University Press, 2018), 49.

⁵¹ The New Zealand Treasury, “2018 Investment Statement: Investing for Wellbeing,” accessed February 5, 2019, <https://treasury.govt.nz/sites/default/files/2018-03/is18-hphp-wellbeing.pdf>.

superannuation scheme. Ultimately though, the economy would pass the test, albeit in a weakened state.⁵² Although this scenario was fictitious, it certainly demonstrates the importance of New Zealand maintaining a broad portfolio of trading partners. Victoria University Strategic Studies professor Robert Ayson suggests that the most likely economic expansions would be other Asian countries such as Vietnam, Japan and South Korea,⁵³ while acknowledging some of the challenges in expanding into these economies.

One potential option for increase outside of China and the United States is Canada. Canada is currently a top 20 trade partner with New Zealand, and a fellow member of the CPTPP. Canada and New Zealand are also closely aligned in world view and shared culture due to commonwealth backgrounds. Canada was also a major supporter of New Zealand's successful bid to gain a non-permanent seat on the UN security council. A major area for expansion with Canada under the CPTPP is in dairy products, which currently attract quotas and out of quota tariffs of 250-300%. Since 2016, New Zealand's trade with Canada has seen an increase of 11%, and is likely to continue growth under CPTPP in the next 10 years.⁵⁴

⁵² Liam Dann, "Could New Zealand's Economy Survive a China Crisis?" *New Zealand Herald*, May 25, 2018, accessed January 15, 2019, <https://www.nzherald.co.nz/business>.

⁵³ Robert Ayson, "Big China, Weaker America: New Zealand's Options," Victoria University of Wellington, last modified November 17, 2017, accessed October 11, 2018, <https://www.victoria.ac.nz/news/2017/11/big-china,-weaker-america-new-zealands-options>.

⁵⁴ New Zealand Ministry of Foreign Affairs and Trade (MFAT), "MFAT NZ Canada FTA Partners Leaflet." accessed February 6, 2019, https://www.mfat.govt.nz/assets/CPTPP/MFAT872-NZ_Canada_FTA_Partners_DL_Leaflet_Web-View.pdf.

This portion of the literature review will also focus on identifying potential areas of trade expansion for New Zealand, to either further create growth, or minimize the impact of a change to the status quo relationships with the United States and China. It will also examine examples where trade has been utilized as a diplomatic weapon against New Zealand and other nations to gain leverage,⁵⁵ and assess the possibilities of such actions occurring in the near term. Strong tariffs on dairy products exist under the current FTA with China, totaling over \$100 million (NZD) a year on a \$4.1 billion (NZD) a year export market. These ‘safeguard’ tariffs are applied once exports reach a certain level, and are due to rescind in 2024.⁵⁶ Once this occurs, New Zealand may naturally increase its dependence on Chinese trade through its strongest export – New Zealand dairy products.

New Zealand – United States Relations

New Zealand’s relationship with the United States is arguably far more balanced across DIME than its relationship with China. Diplomatically, New Zealand and the United States share embassies and consulates. The United States exerts a large amount of soft power influence on New Zealand culture through music and television. In turn, New Zealand is viewed by most Americans in a positive light for its lifestyle and geographic

⁵⁵ Examples of this include China halting all banana imports from the Philippines in 2012 as a result of South China Sea disputes, and delays of US goods at Chinese ports after the US increased trade tariffs on China in 2018. While the US example is directly trade related, the Philippine example was an unrelated diplomatic territorial dispute.

⁵⁶ Stuff News New Zealand, “Upgraded China Free Trade Agreement Won’t Deliver for Dairy,” *Stuff*, accessed February 6, 2019, <https://www.stuff.co.nz/business/108880320/upgraded-china-free-trade-agreement-wont-deliver-for-dairy>.

beauty. Militarily the United States is not New Zealand's ally however the two countries participate in regular exercises and operations together. Economically the United States is New Zealand's third largest trade partner.⁵⁷ New Zealand's continued amicable relationship with the United States may only be sustainable as long as the United States and China remain civil. Should this relationship sour, the prospect of either super power leveraging the instruments of DIME on vulnerable trade dependent nations such as New Zealand should not be discounted.

China and the United States in Balance

New Zealand amongst other Asia-Pacific nations has enjoyed the growth of the Chinese economy, while at the same time relying on the United States to underwrite security throughout the region. One of the unwritten rules of New Zealand's recent foreign policy is that we can be comfortable with a rising China because the United States has been there to reassure the region. That reassurance is eroding, and it is not easy for anyone in the region to find suitable alternatives.⁵⁸

While China and the United States are economically mutually dependent, increasing tensions over issues such as the South China Sea and trade tariffs threaten to destabilize what is at times a tenuous balance. In *Destined for War*, Allison compares Germanys rise in the lead up to world war one, and Britain's fear of the possible resultant European hegemony to the United States' jealous guardianship of its global position:

⁵⁷ Daniel Workman, "New Zealand's Top Trading Partners," World's Top Exports, last modified February 4, 2019, accessed March 19, 2019, <http://www.worldstopexports.com/new-zealands-top-trade-partners/>.

⁵⁸ Ayson, "Big China, Weaker America."

The growth of the German navy and its geographic proximity to Britain posed a unique existential threat. The mistrust and fear that Germanys naval program provoked in the British contributed to London's identification of Berlin as its primary enemy, and once this concept took hold, it shaped Britain's views of Germanys other actions. While Britain faced many rivals, only Germany was capable of disrupting the European balance and building naval capabilities that could imperil Britain's survival.⁵⁹

The parallels between the above example and its resultant world defining conflict, world war one, and the United States-Chinese relationship today are glaring. In Germany's case, they felt the imperative to expand their colonies to ensure their nations survival. Germany was a growing power that felt it had been dealt an unfair hand when the (then) current world order had been established. Chinas growing population and economy also requires commensurate growth to sustain itself. While the United States has enjoyed the prosperity resultant of its leadership role in the current international rules based order, China like Germany in the beginning of the 20th century has the will and the means to change the status quo.⁶⁰ Simply put, the issue lies in one sides inability to understand the legitimacy of the others position, or as Allison puts it, both nations naturally seeing their own actions as just and reasonable, and their opponents as suspect and dangerous.⁶¹ This highlights a dangerous diplomatic and cultural divide. What is encouraging about the United States-China relationship is the aforementioned heavy dependence each has on the other economically. The questions is, would severing economic relations result in mutually assured destruction (MAD), and is the threat of this

⁵⁹ Allison. *Destined For War*, 85.

⁶⁰ Ibid.

⁶¹ Ibid.

enough to prevent significant state-on-state conflict?⁶² The recent United States-China trade war raises this question.

While tit-for-tat tariff increases and increased trade restrictions would force both parties to seek alternatives, thereby decreasing their dependence on each other, this would make the world much more dangerous, as the strategic conflict between the United States and China would no longer be constrained by shared economic interests.⁶³ But what makes the United States and China so fundamentally different? One answer may lie in their views of power and its place in society. Lucian Pye provides some insight into the Chinese philosophy of power: [the] Chinese conviction that all power should reside in the central authority – a fact that is acknowledged by the entire population – has been one of the most powerful factors in shaping Chinese history.⁶⁴ While this may have changed in some aspects, and amongst some groups within Chinese society since it was written in 1985, the enduring and adapting nature of the Chinese Communist Party (CCP) has meant that it has not only retained supreme power over a nation of 1 billion people, it has thrived. Socialism with Chinese characteristics⁶⁵ has, in the space of less than a century

⁶² The term MAD is usually used to describe the effects and deterrent reasons for nuclear war. In this case, it discusses mutually assured economic destruction, or unrecoverable economic down-turn.

⁶³ Pei Minxin, “China Would Be Wise to Avoid Going MAD in the Trade War,” *South China Morning Post*, last modified September 22, 2018, accessed February 6, 2019, <https://www.scmp.com/comment/insight-opinion/article/2165333/china-would-be-wise-avoid-going-mad-trade-war>.

⁶⁴ Lucian W. Pye, *Asian Power and Politics: The Cultural Dimensions of Authority* (Cambridge, MA: The Belnap Press of Harvard University, 1985), 184.

⁶⁵ Xi Jinping, *Secure a Decisive Victory in Building a Moderately Prosperous Society in All Respects and Strive for the Great Success of Socialism with Chinese Characteristics for the New Era*, delivered at the 19th National Congress of the

driven China from a position of weakness at the mercy of stronger nations, to one of the world's most formidable diplomatic and economic powers. This is due in large part to its centralized political system.

Consider in contrast the United States political system, which by design is set up specifically for the separation of powers. American citizens tend to see that as an advantage, or at least as a price worth paying for the limits it puts on the government's ability to infringe on individual citizens' lives.⁶⁶ Americans in stark contrast to Chinese citizens also feel comfortable in criticizing their own government. This, along with a 'public opinion' driven democracy, naturally leads to shorter term policies, and constantly changing strategies. Essentially, Americans generally value freedom, equality and individualism.⁶⁷ Politics aside, culture also plays a large role in the divergence between China and the United States.

Culturally, centralization of power has been made easier by the strong Chinese sense of racial identity which in modern times has meant national unity.⁶⁸ Paradoxically, the United States also has a strong nationalistic or patriotic⁶⁹ view despite its belief in a decentralized power structure and individualistic rather than collective society. While

Communist Party of China, October 18, 2017, accessed February 19, 2019, https://www.xinhuanet.com/english/download/Xi_Jinping's_report. Pdf.

⁶⁶ Gary Althen and Janet Bennet, *American Ways: A Cultural Guide to the United States* (Boston, MA: Intercultural Press, 2011), 66.

⁶⁷ Ibid., 71.

⁶⁸ Pye, *Asian Power And Politics*, 185.

⁶⁹ Nationalism and patriotism is discussed further in chapter four.

some Americans may not believe they have a strong culture, it is the concept of themselves as individual decision makers that blinds at least some Americans to the fact that they share a culture with each other.⁷⁰

The United States-China relationship is fraught with friction points generated by competition and divergent cultural and political views. While China seeks to increase its influence throughout the world, and change the world order to better reflect its own views and interests, the United States continues to build and strengthen alliances on China's doorstep. The policies of both countries appear contradictory to their own collectivist and individualist cultures – China wishes to stand alone, the United States values alliances. The contrast in policies could not be more stark – Chinese policy promotes the reduction of alliances and favors bilateral relationships, the United States promotes strengthened alliances with select partners. Both nations believe their position to be the legitimate stance, and their opponents to be threatening. Where these cultural and political views clash and converge is no more visible than in the Asia-Pacific and SWP regions.

Category 3 – Chinese and United States Intentions Toward the SWP

Category three answers the second and third secondary research questions, restated as (2) What are Chinese and United States intentions toward the SWP and are they enduring, and what are the implications for New Zealand? (3) What options does New Zealand have to sustain itself militarily and economically should it need to make a strategic choice between the United States and China? This final secondary research

⁷⁰ Althen and Bennet, *American Ways*, 7.

question will provide the basis of recommendations outlined in Chapter five of this thesis, and will include potential options available to New Zealand.

In line with category two of the literature review, category three will utilize historical and contemporary examples, as well as current policy. Category three of the literature review is used to determine the intentions of both the United States and China in the SWP. Of significance relative to Chinese and United States intentions is their world view. In their 2018 book *“How China sees the world”*, John Friend and Bradley Thayer provide some insight into one shaping aspect of the China worldview – Han-centrism.⁷¹ They conclude that while Han-centrism is a cohesive force for the Chinese, it also presents advantages to the United States in terms of winning the narrative of who presents as the best partner in the strategic competition between the two nations.

Whether referred to as Han-centrism, hyper-nationalism or Sino-centrism, the inference is that Chinese culture maintains an undercurrent of racial superiority. Chi Hung Kwan, a consulting fellow at the Japanese Research Institute of Economy, Trade and Industry (RIETI) disputes this, sighting that The Five Principles of Peaceful Coexistence upheld by the current Chinese Communist Party government are in the spirit of freedom and equality, and there is no trace whatsoever of Sino-centrism.⁷² The Five Principles of; mutual respect for sovereignty and territorial integrity, mutual non-

⁷¹ The theory of Han-centrism, a hyper-nationalistic ideology as discussed by Friend and Thayer, centers around the concept that Han Chinese inherently believe in their racial superiority. This in turn shapes how China approaches foreign policy and negotiations. Han-centrism will be further explored in chapter four.

⁷² Chi Hung Kwan, “China in Transition - Sino-centrism or Paranoia?” Research Institute of Economy, Trade and Industry, accessed February 4, 2019, <https://www.rieti.go.jp/en/china/03080101.html>.

aggression, mutual non-interference in internal affairs, equality and mutual benefit, and peaceful coexistence certainly suggest a balanced and peaceful world view. In 2010 Dai Bingguo, the Chinese leader in charge of foreign affairs at the time reinforced this belief stating that “Our greatest and only strategic intention is to live a better life, where every day is better than the previous one. We wish the same for all the people in the world.”⁷³

While the United States posture and policies are inherently different to Chinas, both promote an inclusive methodology in their approach to foreign policy. This chapter previously mentioned a speech made recently by the US INDOPACOM commander insisting that the US supports a free and open indo-pacific region. This address as well as recent United States and Chinese actions in relation to alliances and trade establish the core of this section of literature.

Further, the literature reviewed includes international relations strategies and theories used by other small nations to offset dependence on one large nation. It examines those that may be applicable in the New Zealand context. A relevant example is balance of power and realism in international relations theory as discussed by Mary Durfee and James Rosenau. This theory asserts that realist thought would agree that the use of war and diplomacy by states is important to the international system, has not significantly changed, and is unlikely to change anytime soon.⁷⁴ This theory, according to Rosenau and Durfee, relies on states being consistent and rational. It allows interpretation of actions through the assumption that states will act in the same way, essentially removing

⁷³ Bingguo, “Adhere to the Path of Peaceful Development.”

⁷⁴ James N. Rosenau and Mary Durfee, *Thinking Theory Thoroughly: Coherent Approaches to an Incoherent World* (Boulder, CO: Westview Press, 1995), 11.

the ‘human factor’ from state decision making. While this may be true at the policy level, both war and diplomacy remain human endeavors and are therefore subject to the incited passions of the masses. This is arguable more true in a democratic society such as the United States as opposed to the one party system and long term view historically taken by the Chinese. The CCP is a government less concerned with election cycles. This theory however maintains the premise that a governments actions regardless of political system may be predicted.

This literature category uses examples in the wider Asia-Pacific in order to provide context and as a tool to predict actions. However New Zealand’s policies and contribution to military security in this wider Asia-Pacific region are only used to provide this context and is outside the scope of analysis and recommendations in this thesis. They are relevant in that they attempt to project how current conflict in the South China Sea particularly may play out in the SWP.

The Literature review has been broken down into three distinct categories covering (1) Foreign policy analysis, (2) The status of New Zealand, Chinese and United States relations, and (3) United States and Chinese intentions toward the SWP and potential strategies to reduce risk to New Zealand across the instruments of DIME. The author acknowledges that while open source foreign policy is generally clear, it does not necessarily comprehensively cover classified policy. United States and Chinese policy is contrasting - The United States’ strongly worded, exclusive and competitive policy documents verses Chinas tempered, all-inclusive approach.

Intentions are difficult to deduce from formal policy. While not infallible, historical context and contemporary actions provide the ability to make an informed

assessment of future intent. What is clear, is that both China and the United States are currently embarked on a war to win the narrative of who will gain primacy as the leader of the Asia-Pacific region. The United States is relying heavily on a mix of military power and a growing alliance network, and China is heavily investing in economic development as it builds its military arsenal.

It would be naïve to think that Chinas investment in foreign infrastructure is aimed purely at raising the capacity of that country. Nations very rarely take actions that aren't first and foremost in the national best interest, and BRI is no exception. BRI is framed as a non-aggressive, mutually beneficial initiative to better connect the Asia-Pacific region and the wider globe. By the same token, the United States is unashamedly focused on its on national interests. The current NSS states that “We are enforcing our borders, building trade relationships based on fairness and reciprocity, and defending America’s sovereignty without apology.”⁷⁵ Gaps in cultural understanding are evident in the policy and approach on all three focus nations, which has the potential to create friction, and increase notions of nationalism.

Chapter three provides the methodology used in this thesis to analyze the intentions of the United States, China and New Zealand through a combination of current policy, contemporary actions and cultural norms.

⁷⁵ U.S. President, NSS.

CHAPTER 3

RESEARCH METHODOLOGY

This chapter will describe the methodology used to answer the primary thesis question which is “Does New Zealand’s diplomatic, information, military and economic policy support continued positive relationships with China and the United States as they compete for influence in the South West Pacific?” The methodology will utilize comparisons across the DIME instruments of national power to assess the current relationships that New Zealand has with both the United States and China. Additionally, the strategic estimate found in United States Joint Publication JP 5-0 will be utilized to provide better understanding and visualization of the SWP operating environment. The strategic estimate is used within the United States Military as a tool to assess an operating environment. This estimate is used by the military’s combatant commanders⁷⁶ and provides an assessment of the political goals, the inter-relationships and challenges within the region. The strategic estimate used in chapter four will be framed from New Zealand’s perspective. All efforts have been made to ensure the estimate is objective and not military focused. Military specific headings in the estimate have been adjusted to better reflect a strategic position across all instruments of DIME.

The primary thesis question will be addressed through the secondary questions laid out in chapter one. These secondary questions restated are; (1) “What is the current status of New Zealand’s relationship with China and the United States, and what is their

⁷⁶ The United States Military maintains six geographic combatant commands which divide the world into areas of responsibility (AOR). New Zealand and China are encompassed in the USINDOPACOM AOR.

importance to New Zealand?” (2) “What are Chinese and United States intentions in the SWP, are they enduring, and what are the implications for New Zealand?” and (3) “What options does New Zealand have to sustain itself militarily and economically should it need to make a strategic choice between the United States or China?”.

The first two secondary questions will be answered through analyzing the recent diplomatic, information, military and economic engagements between New Zealand and China, and New Zealand and the United States. The engagements include forums, economic agreements and military exercises and partnerships. It will also investigate the United States military’s ability to sustain its growing commitments to NATO, balanced with its previous intent to focus efforts on the Pacific. Additionally, this secondary question will broadly analyze historical events that may be indicators toward expansionism by China, and frame them in a contemporary context. Secondary research question two will further be answered by specifically assessing Chinese intent toward nations in the SWP and wider Asia – Pacific region. This assessment can broadly be made through China’s current and historical influence over other countries from the South China Sea to the SWP. Additionally, social psychologist and cultural expert Geert Hofstede’s ‘dimensions’ will be examined to provide context to the way the three focus countries view themselves and the world. This will assist in identifying underlying themes in each countries policies. Through Hofstede’s dimensions, different cultures are compared across a range of criteria including but not limited to; individualism, power

distance, long term orientation and indulgence.⁷⁷ These will be further defined in chapter four.

The assessment of China's intent can then be applied to the likelihood that conflict may arise and if so to what extent it would affect New Zealand's ability to maintain its current positive relationship with both China and the United States. For further balance and regional context, this research will compare New Zealand's closest ally Australia and its relationship with the United States and China. Australia has traditionally been more vocal than New Zealand in its views toward China and with its support of the United States. Australia has a balance of sorts and maintains an alliance with the United States, as well as trade with China accounting for almost one quarter of Australia's total trade in 2017.⁷⁸

Chapter four provides the main discussion of the thesis to answer the primary thesis question. It will dissect historical examples of Chinese expansionism and how small nations have dealt with balancing their relationships with larger partner nations. Chapter four will also compare New Zealand's relationship with both countries across the instruments of DIME, and using the strategic estimate, it will compare the importance of each relationship in an effort to identify where New Zealand may need to target its own instruments of DIME in the future. Chapter four will be broken down into subheadings,

⁷⁷ Hofstede Insights, "Compare Countries," accessed April 5, 2019, <https://www.hofstede-insights.com/product/compare-countries/>.

⁷⁸ Australian Department of Foreign Affairs and Trade, "Composition of Trade," accessed December 17, 2018, <https://dfat.gov.au/about-us/publications/Documents/cot-cy-2017.pdf>. In 2017, China accounted for 24% of Australia's trade in 2017, with the US accounting for just 9%.

each of which will answer the secondary questions, with the final subheading answering the main thesis question – Does current New Zealand policy support continued positive relationships with China and the United States as they compete for influence in the South West Pacific?

CHAPTER 4

ANALYSIS

This chapter analyzes New Zealand's current relationship with the United States and China as well as the future intent of both countries in the SWP. Further, it offers options to spread New Zealand's risk perpetuated by the United States and China's growing strategic competition. This chapter will provide analysis by answering the three secondary research questions, and finally by answering the primary research question "Does New Zealand's diplomatic, information, military and economic policy support continued positive relationships with China and the United States as they compete for influence in the South West Pacific?" Additionally, the strategic estimate from the United States military's Joint Publication (JP) 5-0⁷⁹ at appendix A provides context to the SWP operating environment. Analysis of the current inter-relationships between the countries focuses on the DIME instruments of national power. In particular it will examine how those instruments are currently used by the United States and China, and how they might be employed in the future to influence New Zealand's stance on issues within the SWP and on wider global issues. In utilizing this comparison across DIME, the research will identify areas of strength and weakness in New Zealand's relationships with China and the United States which will in turn highlight specific opportunities for expansion within these markets or growth in other areas.

⁷⁹ Joint Chiefs of Staff (JCS), Joint Publication (JP) 5, *Doctrine for the Armed Forces of the United States* (Washington, DC: Department of Defense, 2017).

The basis of this research is centered around the policies of the three focus countries, specifically the sustainability of New Zealand's policy. While the diplomatic and military instruments are the most overtly utilized instrument of power throughout these policy documents, economical and informational instruments are the most frequently employed instruments of soft power. Soft power is of significance to this research as it shapes the way outsiders view another countries culture and actions. In particular, Chinas view of the world, the world's view of China and the cultural gaps between the three focus countries.

New Zealand, China the United States and the Instruments of National Power

This sub chapter focuses on answering secondary research question number one – What is the current status of New Zealand's relationship with China and the United States, and what is their importance to New Zealand? The DIME instruments of national power are used as a whole of government approach to coordinate resources and activities which promote national interests. Joint Publication 1 (JP-1), the capstone United States Military publication states that the ability of the United States to advance its national interests is dependent on the effectiveness of the United States Government (USG) in employing the instruments of national power to achieve national strategic objectives.⁸⁰ These instruments include diplomatic and political engagement, information and influence through soft power and media, military activities up to and including war. And finally economic activities such as sanctions and trade agreements. Governments employ

⁸⁰ JCS, JP 1, 12.

these instruments at different times for different purposes. Dependent on a nation's resources, it may rely more heavily on one or two of these instruments.

The United States arguably has strong elements of all four instruments at its disposal. China in recent times has relied on the economic instrument, while it builds its military and information capabilities. New Zealand relies heavily on diplomacy provided and protected by the current international order. Arguably, New Zealand's military is little more than an extension of its diplomatic instrument, as it alone lacks the capability to provide a credible deterrent to most contingencies. Defense reforms in New Zealand over the past 30 years have instead focused their efforts on achieving the best 'bang for buck' given the country's relatively small population and defense budget. According to former New Zealand politician Derek Quigley, the New Zealand Government's strong focus on structuring the NZDF for credible contingencies in the current and foreseeable security environment, and its concentration of available resources in areas where they are deemed to provide the highest current-day utility, are major departures from conventional defense wisdom which sees a country's defense force as an insurance against unforeseen circumstances.⁸¹ Quigley further reinforces that the NZDF is unlikely to face a situation that would require it to conduct independent operations. In terms of likely deployment, the conclusion was that the NZDF would probably do so as part of a multinational grouping, and that smaller countries like New Zealand would not be expected to have a full spectrum of capabilities.⁸² In a nutshell, in order to advance New Zealand's national

⁸¹ Hon Derek Quigley, "The Evolution of New Zealand Defence Policy," *Security* 2, no. 3 (2006): 21.

⁸² *Ibid.*, 55.

interests, it cannot rely on the NZDF to do so in any manner other than as an extension of diplomacy or as a small part of a multi-national force. New Zealand relies in large part on its geographical isolation and the current international order. If that fails, it will need strong allies.

Diplomatic and Military Relations

New Zealand currently enjoys good diplomatic relations with the United States. The Wellington and Washington agreements discussed in chapter one, and the United States Pacific pivot meant that New Zealand is once again seen as a partner of some strategic importance. The United States Department of State refers to New Zealand as a strong partner and friend.⁸³ Both countries acknowledge the importance of maintaining the international order, and have similar views on human rights. These similar views don't always extend to international security or environmental issues. However the United States acknowledges that New Zealand actively engages in peacekeeping and international security efforts around the world.⁸⁴ An area of particular importance to New Zealand is the environment. The joint scientific work being conducted with the United States in Antarctica contributes to this, and further enhances the relationship. Christchurch is used as a staging area for the United States Science Foundations research on the continent conducted out of McMurdo Station. McMurdo station and the New Zealand run Scott Base are both situated on the Ross Dependency. While New Zealand

⁸³ United States Department of State, "U.S. Relations with New Zealand," accessed April 5, 2019, <http://www.state.gov/r/pa/ei/bgn/35852.htm>.

⁸⁴ Ibid.

and the United States aren't always diplomatically aligned, New Zealand's membership in the FVEYs intelligence network and increasingly regular participation in military exercises between the countries demonstrates the growth and importance of this relationship. It can certainly be said that the United States represents an important partnership that is balanced across the instruments of DIME.

New Zealand's diplomatic, informational and military relationship with China by contrast is more fragile and fledgling. Diplomatically, New Zealand is attempting to find a balance that allows it to express its environmental, security and human rights concerns, but one that does not affect its economic interests. Currently, diplomatic relations between the two countries are cordial but strained. New Zealand's 2018 rejection of Chinese state run telecommunications giant Huawei from its 5G network have been raised at a recent visit to China by New Zealand Prime Minister Jacinda Ardern. Equipment from the Chinese telecommunications giant was barred from New Zealand's future 5G mobile networks in 2018 following a decision from the country's Government Communications Security Bureau (GCSB).⁸⁵ This decision was made after similar decisions from both Australia and the United States. Ardern explained New Zealand's position when she met with President Jinping in Beijing during a meeting in March 2019, stating that there had been no political or diplomatic influence in the decision.⁸⁶ The

⁸⁵ Michael Walsh and Erin Handley, "You Can't Do Much More than That: NZ's Ardern Takes Front Foot in China," *ABC News*, last modified April 2, 2019, accessed April 5, 2019, <https://www.abc.net.au/news/2019-04-02/ardern-talks-huawei-uyghurs-foreign-interference-in-china/10958126>.

⁸⁶ Ben Blanchard, "Don't Discriminate against Our Firms, China's Xi Tells New Zealand," *Reuters*, April 1, 2019, accessed April 8, 2019, <https://www.reuters.com/article/us-china-newzealand-idUSKCN1RD14Q>.

timing is poor for The New Zealand government which hopes to enter into negotiations to upgrade its FTA with China, but may find that China could stall or even refuse to re-assess the FTA without first reconsidering the Huawei decision. China signaled its intent to influence such decisions recently when it postponed a major tourism campaign in New Zealand days before its launch in February [2019].⁸⁷ While New Zealand is willing to stand by its political views, particularly surrounding human rights and cyber security, China is demonstrating its willingness to leverage soft power to achieve political gains. New Zealand's ability to separate the instruments of DIME in its relationship with China are likely to be unsuccessful. Particularly if China is able to source alternative trading partners for high quality dairy products and New Zealand's other high export items.

The Importance of Soft Power

The term soft power, originally coined by Harvard's Joseph Nye, essentially speaks to the ability to influence others preferences.⁸⁸ Since the end of the second world war, and particularly with the implementation of the Marshall plan, the United States has been particularly adept at employing soft power to extend its influence.⁸⁹ As the world moves toward greater connectivity, especially in the poorest countries - many of which are in the Asia-Pacific region, the ability to influence through soft power grows.

⁸⁷ Blanchard, "Don't Discriminate against Our Firms, China's Xi Tells New Zealand."

⁸⁸ Farwa Aamer, "What Role Does Soft Power Play in China-US Relations?" *The Diplomat*, accessed October 11, 2018, <https://thediplomat.com/2018/05/what-role-does-soft-power-play-in-china-us-relations/>.

⁸⁹ Ibid.

In contrast to this growing ability to influence, the United States has seen a sharp decline in its soft power projection, dropping 10 points between the 2016 the 2017 Soft Power 30 index.⁹⁰ A further drop in the 2018 index⁹¹ signals a move in the wrong direction for the United States if it wishes to continue to use this influence, particularly in the Asia-Pacific. While its soft power score has dropped, contextually the United States still sits very high at forth in the Soft Power 30. China, a country which has typically relied more heavily on economic and military instruments to implement its foreign policy in its immediate periphery, has become a proponent of the informational instrument of power through the creation of the Confucius Institutes in 2004.⁹² These institutes are aimed at extending the understanding of Chinese language and culture. China has embraced soft power as a vehicle to promote its growth and enhance understanding of its unique culture around the world. Chinas cultural soft power and the international influence of Chinese culture have increased significantly.⁹³ The BRI is a further demonstration of Chinas coordinated efforts to increase its influence with mixed success. While China's soft power influence has seen an increase in recent years, its 25th place in

⁹⁰ Soft Power 30, "Soft Power 30 2017," Soft Power, last modified July 23, 2017, accessed October 11, 2018, <https://softpower30.com/soft-power-30-2017/>.

⁹¹ Soft Power 30, "The Soft Power 30 Report 2018," Soft Power, accessed April 5, 2019, <https://softpower30.com/wp-content/uploads/2018/07/The-Soft-Power-30-Report-2018.pdf>.

⁹² Aamer, "What Role Does Soft Power Play in China-US Relations?"

⁹³ Jinping, *Secure a Decisive Victory in Building a Moderately Prosperous Society in All Respects and Strive for the Great Success of Socialism with Chinese Characteristics for the New Era*.

2017 slipped to 27th in 2018.⁹⁴ This drop is likely to be linked to perceptions of its actions in the South China Sea as well as negative press tied to some of its BRI projects. China in the short term is still struggling to translate its gains into international favor. Even as global interest in China grows, its value system and cultural traditions have yet to be understood by the international community.⁹⁵

Economic Relations

Chinas economic importance to New Zealand is beyond doubt. The United States is also an important trade partner to New Zealand. Based purely on numbers, if a choice between the two was necessary, New Zealand would benefit more from its economic relationship with China. New Zealand has yet to secure a FTA with the United States, and the chances of this occurring under the current United States administration is not yet clear. Unfortunately for New Zealand, the realities of the intertwined instruments of DIME make a singularly economic choice unrealistic. Thucydides recorded a debate in his *History of the Peloponnesian War*, his document of a 30 years' war between ruling power Sparta and rising power Athens, that "we both alike know that into the discussion of human affairs the question of justice only enters where there is equal power to enforce it, and that the powerful exact what they can, and the weak suffer what they must."⁹⁶ While this is arguably less true now within the current international order, simply put,

⁹⁴ Soft Power, "The Soft Power 30 Report 2018," 42.

⁹⁵ Ibid., 70.

⁹⁶ Thucydides, "The History of the Peloponnesian War," The Internet Classics Archive, accessed April 19, 2019, <http://classics.mit.edu/Thucydides/pelopwar.3.third.html>.

New Zealand needs China economically more than China needs New Zealand. The same argument applies to the security the United States provides to the wider Asia-Pacific.

New Zealand has different needs from both the United States and China. Utilizing the comparison across DIME, the United States is arguably more important to New Zealand due to the balanced relationship across all of the instruments of national power. While the New Zealand treasury department report mentioned in chapter two highlights that New Zealand could survive a Chinese economic crisis, what is not clear is whether the New Zealand economy could survive a complete severing of ties from China. Conversely, New Zealand relies heavily on the United States as a guarantor of Pacific security. This was acknowledged in the 2016 New Zealand Defence White Paper which states that given the values New Zealand shares with the United States, the degree of global influence it exerts, and the wealth of knowledge and experience New Zealand can draw from such a partner, this relationship will remain one of this country's closest.⁹⁷ For this reason, if New Zealand wishes to avoid being caught in the middle of any conflict between the United States and China, it is in New Zealand's best interests to either 1) reduce its reliance on Chinese trade by aggressively seeking out other export opportunities, particularly in dairy and tourism, or 2) increase its security co-operation with another strong military nation other than the United States. Steps have already been taken by MFAT to increase trade with Canada and amongst the 10 ASEAN member states which have experienced huge economic growth in the past decade. Militarily, New Zealand has increased its defense engagement with China as it demonstrates increasing

⁹⁷ New Zealand Ministry of Defence, *Defence White Paper*, 2016, 33.

interest in the SWP. While this has future potential, a New Zealand – China military alliance seems highly unlikely. Of strategic importance to New Zealand will be what Chinese and United States intentions are toward the SWP, and their enduring nature.

Chinese and United States Intentions in the SWP and the Strategic Implications for New Zealand

This sub chapter focuses on answering secondary research question number two – What are Chinese and United States intentions in the SWP, are they enduring and what are the strategic implications for New Zealand? It does so through historical context and by analyzing how the United States and China view each other and the world. Historical examples of when China has expanded outside its borders provides context to its current expansionism. Contemporary history provides further insight into Chinese intentions by investigating patterns in its interactions with other Pacific Island nations. China and the United States both have strong views about their respective place in the world order. This sub chapter will discuss how Hofstede’s insights can be applied to further understand and assess the enduring intentions of the United States and China toward the SWP and each other. Finally, this sub chapter will discuss the implications for New Zealand of the United States and Chinas strategic competition in the SWP.

Historical Context

China is not just an emerging super power, but rather, a re-emerging super power. For over five thousand years, it has demonstrated the ability to weather the storms of history and emerge, having adapted to its surroundings. And while it has taken many forms, the geographic nucleus of China still resembles what it did five thousand years

ago.⁹⁸ This sometimes glacial change has shaped China into a unique society mixing Confucianism, communism and a dose of capitalism. Further, the Chinese way of adapting to, and absorbing societies and culture has molded China into the world power we see today. It shapes the way it sees its regional partners and the rest of the world.

Historically, in its imperial role, China offered surrounding foreign peoples impartiality, not equality. It would treat them humanely and compassionately in proportion to their attainment of Chinese culture and their observance of rituals connoting submission to China.⁹⁹ In some ways modern China arguably continues to treat other nations as though it were the parent of many children – patiently, but willing to punish what it views as bad behavior. This is particularly evident economically. China maintains a long term view and its historical place as the center of the universe¹⁰⁰ is now tempered as its prosperity becomes more reliant on open trade with the rest of the world. Whereas in the past, Chinas view was that it traded with the outside world as a way of conferring benefits on those states that recognized Chinas special status.¹⁰¹ As Chinas population grows, and grows more accustomed to prosperity, Chinas leaders know it must remain connected in a more equal way to the rest of the world.

In contrast to the United States, China has historically very rarely used the Military instrument of national power to achieve its objectives, and even then has

⁹⁸ Mark Borthwick, *Pacific Century: The Emergence of Modern Pacific Asia*, 3rd ed. (New York: Westview Press, 2007).

⁹⁹ Henry Kissinger, *On China* (New York: Penguin Group Inc., 2012), 19.

¹⁰⁰ *Ibid.*, 3–20.

¹⁰¹ *Ibid.*, 17.

restricted this use to its immediate strategic periphery. In modern China's history the nation has gone to war outside of its own borders on four notable occasions. Between 1950 and 1953 China was involved in the Korean War. Initially providing support, then engaging in direct conflict with United States led UN forces after they crossed north of the 38th parallel to within 50 miles of the Manchurian border.¹⁰² The reasons for China's involvement in the war are varied. At the lower level they include the need to consolidate CCP power in the homeland, however the main reason for this direct involvement was what China saw to be legitimate security concerns on its border by UN forces. Of less importance, but still critical to the CCP was the perceived effect of anti-communist forces in China should the North Koreans be defeated.¹⁰³ China entered the war not to spread communism but to protect itself from a powerful enemy moving toward its borders.¹⁰⁴ The second case occurred in 1962 when China fought a territorial war against India. The primary cause of the 1962 war between India and China was the disputed border between the two countries, in the high mountains of Aksai Chin. India asserted that the region, which is slightly larger than Portugal, belonged to the Indian-controlled portion of

¹⁰² Bob Rielly, "Defeat from Victory: Korea 1950," AOC Module III: Art of Command, U.S. Army Command and General Staff College, Fort Leavenworth, KS, 2019.

¹⁰³ Zhou Bangning, "Explaining China's Intervention in the Korean War in 1950," *Interstate - Journal of International Affairs*, no. 1 (2014/2015), accessed April 11, 2019, <http://www.inquiriesjournal.com/articles/1069/explaining-chinas-intervention-in-the-korean-war-in-1950>.

¹⁰⁴ Rielly, "Defeat from Victory: Korea 1950," 9.

Kashmir. China countered that it was part of Xinjiang.¹⁰⁵ This territory connected two of Chinas western provinces, Tibet and Xinjiang, and was of strategic importance to China. Once it had achieved its limited objective to secure the region under dispute, China sought a cease fire and sought no further expansion.

The third example of external conflict started with Chinas provision of direct aid to North Vietnam in the 1960's and early 1970's, and evolved into disputes in the South China Sea between Vietnam and China. Between 1965 and 1971 more than 320,000 Chinese troops were deployed in North Vietnam.¹⁰⁶ The Chinese shared cultural and communist views with the North Vietnamese and supported their cause with materiel, logistics and engineer support. At this point, the Chinese already had a history of working with the Viet Minh. Chinese communists and the Viet Minh had provided each other with cover and material support during their struggles to gain control in their [respective] countries. This relationship was particularly strong in border regions.¹⁰⁷ The Chinese Vietnam relationship was soon under strain after conflict between the Chinese and South Vietnamese Navies in 1974 over claims to the Paracel islands in the South China Sea. This conflict continued after Vietnams unification and was followed by Hanoi's claim to

¹⁰⁵ India Today, "India-China War of 1962: How It Started and What Happened Later," accessed April 11, 2019, <https://www.indiatoday.in/education-today/gk-current-affairs/story/india-china-war-of-1962-839077-2016-11-21>.

¹⁰⁶ Alpha History, "Chinese and Soviet Involvement in Vietnam," July 18, 2012, accessed April 11, 2019, <https://alphahistory.com/vietnamwar/chinese-and-soviet-involvement/>.

¹⁰⁷ Ibid.

the islands in 1976.¹⁰⁸ The conflict and its aftermath also left an outsize and lasting legacy in Asian international relations. The territorial dispute that gave rise to fighting forty years ago remains unresolved and continues to stoke Sino-Vietnamese enmity.¹⁰⁹ In the fourth example China engaged in limited border skirmishes with forces of the Soviet Union in 1969. The most serious of these clashes was a surprise attack by the Chinese People's Liberation Army (PLA) on Zhenbao Island (Damansky Island as it was known to the USSR). China's claims that the island belonged to them were based on the positioning of the island being on the Chinese side of the Ussuri River's main channel.¹¹⁰

Perhaps the most concerning of the four examples comes in the context of the Sino-Indian war. In the decade prior to the Chinese invasion, Indian Prime Minister Nehru paid particular attention to ensuring a good relationship with China. In 1954, China and India concluded the Five Principles of Peaceful Coexistence, under which, India acknowledged Chinese rule in Tibet. China gave no indication that it disputed the border region until relations reached a nadir in 1959, when Tibet's spiritual and political leader, the Dalai Lama, fled into exile in the face of another Chinese invasion.¹¹¹ In all

¹⁰⁸ Richard Fisher, "Brewing Conflict in the South China Sea," The Heritage Foundation, accessed April 11, 2019, <https://www.heritage.org/defense/report/brewing-conflict-the-south-china-sea>.

¹⁰⁹ Toshi Yoshihara, "The 1974 Paracels Sea Battle," *Naval War College Review* 69 (Spring 2016): 42.

¹¹⁰ Central Intelligence Agency, "Sino-Soviet Border Remains Uneasy," Weekly Briefing, 21 March 1969, accessed 26 March 2019, <https://www.cia.gov/library/readingroom/document/0000400275>.

¹¹¹ Kallie Szczepanski, "What Was the Sino-Indian War of 1962?" ThoughtCo, accessed April 11, 2019, <https://www.thoughtco.com/the-sino-indian-war-1962-195804>.

four examples China maintained it had legitimate claims. It also maintains these claims with its South China Sea, Tibet and Taiwan disputes. Historically, China uses military force in a limited capacity. Once it achieves its pre-established limited objectives China has not sought further expansion. What each of these examples demonstrates is that China will use diplomacy and soft power to influence in the first instance, and when this fails will use military force swiftly and without warning to achieve limited objectives.

This historical context is particularly important as the United States and other ASEAN countries navigate growing tensions in the South China Sea. While history would suggest that China is unlikely to further expand its influence militarily, it does not hesitate to do so if it believes its perceived legitimate claims in the region are under threat. China's recent construction of a military base in Djibouti, its first foreign base, signals that it may be operating under a new set of rules. This is uncharted territory in modern China's history and demonstrates a military expansion not previously seen in the PRC. China currently denies it wants to follow the model of the U.S. by building bases in many countries, and refers to the Djibouti construction as a "support facility". However, in April [2016], Admiral Sun Jianguo, the deputy chief of China's joint staff department, wrote in a Communist Party magazine that "steadily advancing overseas base construction" was one of President Xi Jinping's foreign policy goals.¹¹² Any further expansion is likely to be closely monitored by the United States and regional partners. In a 2017 report to Congress, the United States Department of Defense said that China most

¹¹² Sophie Weiner, "China Builds Its First Overseas Military Base," *Popular Mechanics*, last modified August 21, 2016, accessed April 11, 2019, <https://www.popularmechanics.com/military/a22472/china-overseas-military-base/>.

likely will seek to establish additional military bases in countries with which it has a longstanding friendly relationship and similar strategic interests, such as Pakistan, and in which there is a precedent for hosting foreign militaries.¹¹³

Should China choose to expand into the SWP, it could possibly find willing partners in many countries which are benefiting from Chinese soft power in the form of aid. Fairfax media reported in 2018 that China had approached the former French colony Vanuatu about building a permanent military presence in the South Pacific.¹¹⁴ This was refuted by officials of both nations, but raised the specter of Chinese military projection into the SWP. Fiji has also been the subject of much speculation due to its acceptance of Chinese aid and support since the 2006 military coup. While some view this as China attempting to displace the traditional influence of Australia and New Zealand in the region, University of Auckland lecturer in international relations Jian Yang believes that given its substantial interests in Australia and New Zealand, it is not in China's interest to increase its influence in Fiji at the cost of its relations with these two traditional players.¹¹⁵ It is in New Zealand's interests to promote a stable Pacific, however it is unable to ensure this occurs alone. Chinese investment and aid assists in promoting stability, as long as it comes without ties. Both Australian and New Zealand Prime

¹¹³ Ralph Jennings, "China May Consider These Countries For Its Next Overseas Military Base," *Forbes*, accessed April 11, 2019, <https://www.forbes.com/sites/ralphjennings/2017/10/10/china-is-most-likely-to-open-future-military-bases-in-these-3-countries/>.

¹¹⁴ Rod McGuirk, "Australia and New Zealand Warn China against Vanuatu Base," *The Canadian Press*, April 10, 2018.

¹¹⁵ Jian Yang, "China in Fiji: Displacing Traditional Players?" *Australian Journal of International Affairs* 65, no. 3 (June 2011): 1.

Ministers reacted to the Fairfax reports by stating that they would view militarization and foreign bases in the Pacific with concern.¹¹⁶

How China Sees the World . . . and its Place in it

Patriotism is defined as a love or devotion to one's country.¹¹⁷ Sino-centrism, or perhaps the more modern term 'nationalism' may be seen as an advanced form of patriotism,¹¹⁸ but with more negative connotations. Many western countries, including the United States and New Zealand identify with the term patriotism. Ask most Americans which country they believe to be the most important and central to the world, and the majority will likely answer that it is, of course, the United States. While nationalism is similar to patriotism in its definition, nationalism differs in its exaltation of one nation above all others.¹¹⁹ In essence, everything good is attributed to patriotism; everything undesirable to nationalism.¹²⁰ Modern China was shaped by the century of

¹¹⁶ David Wroe, "China Eyes Vanuatu Military Base in Plan with Global Ramifications," *The Sydney Morning Herald*, last modified April 9, 2018, accessed April 11, 2019, <https://www.smh.com.au/politics/federal/china-eyes-vanuatu-military-base-in-plan-with-global-ramifications-20180409-p4z8j9.html>.

¹¹⁷ Merriam Webster, "Patriotism," accessed February 5, 2019, <https://www.merriam-webster.com/dictionary/patriotism>.

¹¹⁸ Julia Teebken, "Sinocentrism in Today's PRC? The Historical Context of Today's Nationalism in China – A Comeback for Sinocentrism through the Back Door of Popular Nationalism?" accessed February 5, 2019, http://www.academia.edu/5058922/Sinocentrism_in_today_s_PRC.

¹¹⁹ Nationalism differs in its definition from patriotism in that it is also a love or devotion to one's country, but places its own culture and interests above others.

¹²⁰ Rich Lowry, "Trump's Unifying Nationalism," *POLITICO Magazine*, accessed February 5, 2019, <http://politi.co/2nvDRvq>.

humiliation in the 19th and 20th centuries in which it was forced to make significant concessions to the in place ruling Western powers. Chinese were able to rally around nationalistic sentiment during the civil war ending in 1949. This civil war or revolution included four decades of isolation from much of the outside world, which was arguably important for China to find its identity after so long at the mercy of western powers. Under Mao Zedong, China became more assertive in dealing with foreign powers. From Mao's dealings with Khrushchev and his predecessor, Russian dictator Joseph Stalin, to China's entry into the Korean war against the United States, Chinese nationalism was a weapon wielded by the Chinese Communist Party to good effect. China eventually re-emerged onto the world stage as an independent player in world politics. Its re-birth as an economic powerhouse was unveiled to the world during the 2008 Beijing Olympics. Not purely a sporting event, the games were conceived as an expression of China's resurgence.¹²¹ China's confidence in its diplomatic dealings, combined with a growing military power showcase its intentions to once again be a nation taking its place toward the top of the international order. However, although Chinese intentions appear clear in policy, their actions can at times be contradictory.

Outwardly at least, the Five Principles would suggest that Chinese 'nationalism' is not an official political line of operations,¹²² but rather a patriotic and inclusive policy to bring prosperity to all nations. China has also espoused that countries need not choose

¹²¹ Kissinger, *On China*, 501.

¹²² While nationalistic sentiment exists in China, as it does in many countries, official policy would suggest it is an underlying group rather than a national government policy. China's Five Principles are far less exclusive than the language used in both the US NSS and New Zealand's Strategic Direction policy documents.

between itself and the United States. China's policy toward Asia-Pacific security cooperation released in 2017 states that small and medium-sized countries need not and should not take sides among big countries.¹²³ China further denounces the buildup of military alliances, instead encouraging bilateral agreements.¹²⁴ This is a fundamental difference from the United States and to a certain extent, New Zealand, where networks of alliances and multilateral agreements are seen as a method of increasing security. For small nations like New Zealand that don't have the luxury of large land mass and population, the international rules based order and alliances equal security. For China, a buildup of alliances involving traditional enemies and bordering countries poses a threat. These fundamental differences in approach to international relations display a divergence in core beliefs between China and most western nations. These fundamental differences come down to cultural views and ingrained societal norms.

To provide cultural context, and seek to identify underlying themes in each of the policies, social psychologist and cultural expert Geert Hofstede's 'dimensions' can be examined. In these dimensions, different cultures are compared across a range of criteria including individualism, power distance, long term orientation and indulgence. These metrics capture generic information about trends within cultures which can be translated to demonstrate how those cultures view themselves and the outside world. Not surprisingly, the United States and New Zealand align closely across most of Hofstede's dimensions. The similarities are particularly evident in both countries high scores in

¹²³ Xinhua English News, "China's Policies on Asia-Pacific Security Cooperation," 1.

¹²⁴ Ibid.

individualism and *indulgence*.¹²⁵ By contrast, Chinas relatively low scores in both of these dimensions demonstrates its collectivist culture, whereby ‘we’ is more important than ‘I’. China scores far higher than both the United States and New Zealand in the *power distance* and *long term orientation* dimensions. Chinas high power distance score means that it is a society that believes that inequalities amongst people are acceptable.¹²⁶ The highest gaps between the three countries are found in the scores between the United States and China in *individualism* (United States scores high, China low) and *long term orientation* (China scores high, United States low).¹²⁷

Hofstede’s dimensions are not a perfect indicator of future intentions, nor are they a flawlessly accurate interpretation of every facet of a culture. However, they provide some insight into the general worldview adopted by the majority of a culture. Chinas unique far-sighted and enduring culture places it at odds with the cultures of both New Zealand and the United States. These differences are arguably dangerous precursors to future conflict. Chinas collective society goes some way to explaining the differences of opinion on individual’s rights. China acknowledges these differences and sights this understanding in multiple references, including in its policy toward Asia-Pacific security. The overt Chinese approach is to build trust through bilateral partnerships. Countries may become [Chinas] partners when they have the same values and ideals, but they can also

¹²⁵ The indulgence dimension describes how a culture values enjoyment of life and having fun.

¹²⁶ Hofstede Insights, “Country Comparison.”

¹²⁷ Ibid.

be partners if they seek common ground while reserving differences.¹²⁸ In inverse of this is the theory that China wishes to weaken multi-lateral alliances that threaten its preeminence in the Asia-Pacific region. New Zealand and the United States policy both demonstrate friction through criticism of Chinas policies towards human rights, governance and the international order.

China has thus far demonstrated an enduring presence within the SWP. Further, China has shown that its intentions are to remain highly active in the area. Unlike the current conflicts in the South China Sea, which shape United States perceptions towards China, it's activity in the SWP is relatively benign and restricted to mainly diplomatic and economic activity. This benign security environment is likely to continue for as long as China believes it has no legitimate territorial claims in the region. Given the distance from mainland China to the SWP it is difficult to envisage this changing unless a Pacific nations debt to China translates into significant territorial transfer. United States officials have strongly condemned 'debt-trap diplomacy', bullying and manipulative Chinese foreign policy. In a statement to Congress in March 2019, the assistant secretary of defense for Indo-Pacific security affairs Randall Schriver accused China of utilizing tools such as the BRI to erode the sovereignty of other countries and induce them to behave in accordance with Chinese interests.¹²⁹ Where conflict may arise in the SWP is in defense

¹²⁸ Xinhua English News, "China's Policies on Asia-Pacific Security Cooperation," 1.

¹²⁹ Randall G. Schriver, *Statement by Radall G. Schriver Before the 116th Congress Committee on Armed Services*, March 27, 2019, accessed June 3, 2019, https://armedservices.house.gov/_cache/files/e/f/effc8d86-1611-49c7-9bea-53c7a19b75fe/F92E6F87912814548BF502659CD16299.asd-schriver---opening-statement---03-25-2019---final.pdf.

of these increasing Chinese interests should they be threatened. China has strong economic links to the two major developed countries in the region; Australia and New Zealand. They have also supported the development of smaller island nations in the region. In the case of Fiji, China has provided ongoing support since the late 1980's.¹³⁰ This represents significant investment in the region. While the methods China uses to engage with other nations is often outside the norms of western culture, their presence at least in the short and medium term is one that is likely to continue.

United States Intentions Toward the SWP

The Trump Administration has outlined a goal of promoting a Free and Open Indo-Pacific (FOIP), seeking to articulate U.S. strategy towards an expanded Indo-Asia-Pacific region at a time when China's presence across the region is growing.¹³¹ This articulation of strategy clarifies some of the uncertainty surrounding the United States pivot or rebalance to the Pacific. The United States has demonstrated its enduring intentions toward maintaining Pacific security since the second world war. As Admiral Davidson, USINDOPACOM commander recently stated to Congress; the United States is an enduring Pacific power. Its historical, structural, economic, and institutional ties to the Indo-Pacific are indelible.¹³² Since the completion of the second world war, the United

¹³⁰ Yang, "China in Fiji," 2.

¹³¹ Bruce Vaughan, *The Trump Administrations Free and Open Indo-Pacific: Issues for Congress*, Congressional Research Service, accessed June 3, 2019, October 3, 2018, <https://crsreports.congress.gov/product/pdf/R/R45396>

¹³² Philip Davidson, *Statement of Admiral P. Davidson, Commander USINDOPACOM Before the House Armed Services Committee*, Washington, DC, March 27, 2019, accessed April 27, 2019, https://armedservices.house.gov/_cache/files/

States recognized the importance of maintaining a presence and strong allies in the region. It did so initially through the ANZUS treaty.

Signed by Australia, New Zealand and the United States, the ANZUS treaty recognized that an armed attack in the Pacific area on one member would endanger the peace and safety of the others. The signatories pledged to ‘act to meet the common danger’.¹³³ New Zealand’s confidence in Britain’s ability to protect the far-flung parts of its empire had been seriously undermined by the British surrender to the Japanese at Singapore in February 1942. A vulnerable New Zealand began to look elsewhere for its security.¹³⁴ While New Zealand’s relationship with the United States has been rocky in the past due to the breakdown of ANZUS, this has smoothed significantly since the Obama administrations rebalance. Demonstrated by the Wellington and Washington agreements specifically targeting Pacific security. Further, the United States maintains Australia as a significant ally in the region. While the Trump Administration’s Free and Open Indo-Pacific strategy stresses the importance of working with like-minded allies and partners, it has placed relatively more emphasis on relations with India, Japan, and Australia.¹³⁵

6/2/62797eeb-3fa2-425d-8e20-2d6d72a83862/E91F41F85A10CAAE
700D353741B29979.cdusindopacom-written-testimony---hasc---27-mar-2019.pdf.

¹³³ NZ History, “ANZUS Treaty Comes into Force,” New Zealand History Online, accessed February 16, 2019, <https://nzhistory.govt.nz/anzus-comes-into-force>.

¹³⁴ Ibid.

¹³⁵ Vaughan, *The Trump Administrations Free and Open Indo-Pacific: Issues for Congress*, 17.

The United States has moved to strengthen alliances with key partners in the Asia-Pacific or as it is now referred to in United States official circles as the Indo-Pacific. This name change amongst other efforts reflects the importance of the wider Asia-Pacific to the United States national interests. This region inclusive of the SWP is of significant importance to the United States' continued policy of maintaining a free and open Pacific. New Zealand's previous two governments were able to adequately navigate the countries way back toward United States favor largely through commitment to support security challenges *outside* the SWP region. What is clear is that the United States will continue to be a key player in the wider Pacific, and maintains significant investment throughout the region as far south as the Ross dependency in Antarctica as a founding signatory to the Antarctic Treaty.¹³⁶

Strategic Implications for New Zealand

China and the United States are both likely to remain as enduring fixtures in the SWP. New Zealand like other Pacific nations has benefited from both China and the United States presence. Firstly, through the credible deterrent provided by the United States military for its security. Secondly, from the rise of China and the resultant economic benefits. These benefits are likely to continue for as long as New Zealand can maintain positive relationships with both. However, an ongoing point of tension exists in the New Zealand China relationship. This point of tension touches back on New Zealand's desire to maintain its free and independent foreign policy, and surrounds the

¹³⁶ Secretariat of The Antarctic Treaty, *The Antarctic Treaty*, Washington, DC, December 1, 1959, accessed June 3, 2019, <https://www.ats.aq/e/ats.htm>.

issues of human rights, free and open governance and the maintenance of the international rules based order. These are fundamental concerns for the New Zealand people, and are therefore unlikely to change. Robert Ayson, a professor of strategic studies at Victoria University offers that the most feasible option lies in strengthening New Zealand's alliance with Australia, its closest ally and a country with similar beliefs. Ayson acknowledges that this means New Zealand can't allow disagreements over refugees to get in the way of our mutual long-term interests in collaboration.¹³⁷ The implication being that New Zealand will need to make some tough choices surrounding the importance of being right, or the importance of being secure.

Australia's continued support may not be as assured as it once was. The relationship between New Zealand and its closest ally has come into question over the last decade. Differences of opinion over immigration, specifically the rights of New Zealanders living in Australia, and of the treatment of refugees being the issues causing the most tension. These issues aside, New Zealand's 2016 Defence White Paper and 2018 Strategic Security Policy Document both indicate the need and desire to strengthen its relationship with Australia. In order to do this, New Zealand is likely to face increasing pressure from Australia to do more to demonstrate its commitment to SWP security. This will be particularly evident in military spending and integration, to ensure the countries remain interoperable and to reduce the burden on Australia as the underwriter for SWP security.

¹³⁷ Ayson, "Choosing Ahead of Time? Australia, New Zealand and the US-China Contest in Asia," 338.

New Zealand's Choices and Strategic Options

This sub chapter focuses on answering secondary research question number three – What options does New Zealand have to sustain itself militarily and economically should it need to make a strategic choice between the United States or China? While such a choice is unlikely in the short term, the increasing friction caused by strategic competition between the two powers makes consideration of New Zealand's long term options pertinent. Rather than adopting a 'wait and see' attitude, New Zealand's policy makers and military strategists will need to continue to plan ahead. This sub chapter will explore New Zealand's military options, focusing predominantly on strengthening its current partnerships. It will further explore potential economic options to reduce the reliance on China, however the breadth of this subject demands further research outside this thesis to produce detailed options.

Military Options

The importance of New Zealand's alliance with Australia has previously been established, so will not be further covered under this section. Also outside the scope of this thesis is the likelihood that New Zealand could maintain an alliance with Australia if the United States were to cut ties with New Zealand over conflicting interests with China. The breakdown in the ANZUS alliance in the 1980's and the continued bilateral alliance between New Zealand and Australia provides some insight into this, and could be the subject of further research.

While New Zealand's alliance with Australia is of vital importance to New Zealand's continued security, the reestablishment of New Zealand's alliance with the United States, either as part of ANZUS or under new conditions is also an option. In the

2016 Defence White Paper, the New Zealand government strongly acknowledges the importance of its relationship with the United States. Given the values New Zealand shares with the United States, the degree of global influence it exerts, and the wealth of knowledge and experience New Zealand can draw from such a partner, this relationship will remain one of New Zealand's closest.¹³⁸ But the closer relationship culminating in the signing of the Wellington and then Washington agreements does not translate to an alliance or a security guarantee. New Zealand's political landscape is such that it is almost unthinkable that New Zealand could consider a return to ANZUS, even if that were desired, without overturning an important part of the country's political furniture.¹³⁹

New Zealand's sensitivity to any sort of nuclear issue is likely to be compounded by the current Labour-Green coalition government. Even if the New Zealand government sought a way back into ANZUS, the United States Navy still has two policies that would appear to prevent this. One is a "one-fleet" policy that holds that if any U.S. ships are restricted from an area, it will refrain from sending any ships there. The other is the Neither Confirm Nor Deny Policy (NCND), which prohibits disclosing if a warship carries nuclear weapons or not.¹⁴⁰ While this policy was the catalyst for the breakdown in the ANZUS alliance, after more than 30 years neither the United States nor New Zealand has chosen to reestablish the treaty despite significant changes. The most significant

¹³⁸ New Zealand Ministry of Defence, *Defence White Paper, 2016*. 33.

¹³⁹ Ayson, "Choosing Ahead of Time?" 347.

¹⁴⁰ Hans M. Kristensen, "In Warming US-NZ Relations, Outdated Nuclear Policy Remains Unnecessary Irritant," Federation of American Scientists, accessed April 17, 2019, <https://fas.org/blogs/security/2012/09/newzealand/>.

being that all non-strategic nuclear weapons were removed from U.S. surface ships and attack submarines by the first Bush administration in 1992 – effectively rendering the nuclear port visit issue moot. Moreover, the Clinton administration decided in 1994 to denuclearize all U.S. surface ships.¹⁴¹ As the junior partner in any alliance, New Zealand would need to soften its position on nuclear issues. This is the more plausible of the two options given the unbalance in any relationship between the two countries. New Zealand needs to remain realistic in the balance of such a relationship, particularly given what it offers to the United States national interest. Australia arguably provides the United States the leverage it needs in the SWP without New Zealand as an ally. The most pragmatic approach for New Zealand to strengthen its relationship with the United States would involve coming to terms with the fact that it can maintain an anti-nuclear stance while being realistic about security. A formal alliance relationship (including a return to full ANZUS relations) still seems most unlikely, and it is not clear that public opinion in New Zealand regards it as a priority.¹⁴²

New Zealand's position in the FPDA along with Malaysia, Singapore, Australia and the United Kingdom provides some, albeit limited assurance of regional security. New Zealand also maintains close relationships with its smaller Pacific partner nations, however these nations combined provide little assurance against a significant military threat. Arguably New Zealand's best option is to reinvigorate its relationship with Australia, with a view to subsequently furthering its military relationship with the United

¹⁴¹ Kristensen, "In Warming US-NZ Relations, Outdated Nuclear Policy Remains Unnecessary Irritant."

¹⁴² Ayson, "Choosing Ahead of Time?" 347.

States. This will require significant investment in New Zealand's military capability to ensure continued inter-operability with Australia. Further, the New Zealand-Australian relationship provides significant opportunities for collaboration targeted at filling the gaps in each other's defense forces. Arguably New Zealand has less options militarily than it does economically and the United States seems the obvious choice.

Economic Diversification

As one of the top 10 dairy producing companies in the world New Zealand's Fonterra produces around 30% of the world's export dairy products.¹⁴³ Of this, there is heavy investment in China and not just as an export market. Fonterra leases farms on mainland China and produces milk for the local population. This demand for New Zealand dairy products by China has led to a high growth rate in that sector. While it creates a dependence on the Chinese market, it may also signal similar opportunities within other developing Asian markets for dairy products. While opening these markets presents the potential to increase production, there is a sound argument to divert current production away from China to better spread risk. MFAT is currently targeting key markets in the ASEAN region. Of the 10 ASEAN countries encompassed in the 2013 MFAT ASEAN strategy, six saw GDP growth of over 6% in 2012.¹⁴⁴ In addition to ASEAN markets, Africa also presents opportunities. Sub-Saharan Africa had some of the

¹⁴³ Trending Top Most, "Top 10 Largest Dairy Companies In The World 2019," accessed April 15, 2019, <http://www.trendingtopmost.com/worlds-popular-list-top-10/2017-2018-2019-2020-2021/world/dairy-companies-world-india-best-largest-famous/>.

¹⁴⁴ New Zealand Ministry of Foreign Affairs and Trade (MFAT), "NZ Strategy ASEAN 2013," accessed March 19, 2019, <https://www.mfat.govt.nz/assets/NZ-Inc-strategy/NZ-Inc-ASEAN/NZ-Strategy-ASEAN-2013.pdf>.

world's fastest growing economies in 2018.¹⁴⁵ In the decade leading up to 2014, dairy exports to Africa had tripled, accounting for 9% of all dairy exports from New Zealand.¹⁴⁶ While this does not make up a substantial percentage, the continent has the population and space to grow. Africa continues to face significant challenges in security and corruption, which make export growth difficult.

In addition to diversified markets in Asia and Africa, opportunities exist for strengthened bilateral trade with the United States. The State Department Integrated Country Strategy (ICS) for New Zealand alludes to an attempt at countering Chinese economic dominance in New Zealand when discussing its strengthening diplomatic relationship with the country. Stating that closer ties will pay strategic dividends as well as economic ones. In heightening awareness of the United States' value as a market destination, innovation partner, and investment source, it will also offer the New Zealand public and government clearer alternatives to emerging dominant economies in Asia.¹⁴⁷

New Zealand's economic strategies are undergoing diversification spurred by economic growth particularly in the Asia-Pacific. While continued growth in the Chinese market (particularly in the dairy sector) presents huge opportunities, it also comes with

¹⁴⁵ Yinka Adegoke, "Africa Will Have Some of the World's Fastest-Growing Economies in 2019—and a Looming Debt Crisis," *Quartz Africa*, accessed April 15, 2019, <https://qz.com/africa/1522126/african-economies-to-watch-in-2019-and-looming-debt/>.

¹⁴⁶ New Zealand Ministry of Foreign Affairs and Trade (MFAT), "Africa," accessed April 15, 2019, <https://www.mfat.govt.nz/en/countries-and-regions/africa/>.

¹⁴⁷ United States Department of State, "New Zealand Integrated Country Strategy," accessed April 19, 2019, <https://www.state.gov/documents/organization/285002.pdf>.

some risk. Diversification across multiple markets and sectors will reduce the impact of either a downturn in the Chinese economy or economic ‘punishment’. Equally, the United States 30 year punishment of New Zealand resultant from its anti-nuclear stance has all but dissipated opening the way initially for strengthened diplomatic and military relationships. Increased diplomatic and military cooperation may soften the path to a sought after FTA with the United States. Arguably this path to increased relations with the United States runs through Australia, and a combined New Zealand-Australian effort to provide a credible joined force in the SWP. New Zealand’s persistent challenge will be finding balance across its security environment and its economic relationship with China. New Zealand’s tendency towards a monocular approach to China (as if that country was a large marketplace and little else) and the warming of its strategic relations with the United States have tended to occur as separate processes.¹⁴⁸ Whatever strategic direction New Zealand chooses will need to be carefully orchestrated across all of the instruments of DIME. As strategic competition between the United States and China increases, the lines between the instruments of national power will increasingly blur.

Does Current New Zealand Policy Support Continued Positive
Relationships with China and the United States?

New Zealand’s diplomatic and military relationship with the United States is as strong as it has been in over 30 years. New Zealand’s trade and diplomacy with China continues to increase in volume and importance. For these reasons, New Zealand has been able to support continued positive balance with the United States and China up until

¹⁴⁸ Ayson, “Choosing Ahead of Time?” 356.

this point. New Zealand does not have the means to protect itself from a military threat, and its ability to prevent illegal activities in its EEZ is arguably also insufficient. This sub chapter combines the previous discussion points to answer the primary thesis question “Does New Zealand’s diplomatic, information, military and economic policy support continued positive relationships with China and the United States as they compete for influence in the South West Pacific?” The United States and China continue to engage in strategic competition economically, and increasingly militarily. Further, the New Zealand public maintains strong opinions on divisive issues, most notably nuclear power, human rights and free and open governance. For these reasons, New Zealand’s balance is under threat meaning that strategic policy will need to be increasingly clear and follow a whole of government approach.

Current Policy – the Positives

New Zealand policy is cautiously optimistic when it comes to its relationship with China. The 2018 Strategic Defence Policy Statement noted China’s increased involvement in world affairs, and its importance to New Zealand as a diplomatic and trade partner. In 2015 MFAT reconfirmed the positive aspects of New Zealand’s relationship with China through the four firsts; The first Western country to conclude a bilateral agreement with China on its accession to the World Trade Organization (August 1997), the first developed economy to recognize China’s status as a market economy (May 2004), the first developed country to enter into Free Trade Agreement (FTA) negotiations with China (announced November 2004), and the first OECD country to sign a high-quality comprehensive and balanced FTA with China (April 2008).

New Zealand's defense policy towards the United States is positive in its acknowledgement of the United States as a key partner in the 2016 Defence White Paper. Further, the 2018 Strategic Defence Policy Statement explicitly recognizes the importance to New Zealand of the current international order, which ensures respect for the sovereign equality of states which both empowers smaller states and disciplines the power of larger states.¹⁴⁹ The United States is a key component and leader of the current international order. MFAT further acknowledges the importance of the United States as a trade partner across a wide range of sectors, as well as a diplomatic partner reinforcing the deep and longstanding friendship, united by a commitment to promote a free, democratic, secure and prosperous world.¹⁵⁰

Current Policy – Challenges to the Current Relationships

As previously stated in this chapter, a persistent wedge in the China-New Zealand relationship is due in part to New Zealand's continued negative view on China's human rights stance and system of governance, which is not accountable to its people. These are fundamental to New Zealand's ideals and values, and were highlighted in the 2018 Strategic Defence Policy Statement, sparking a negative reaction from Beijing. Of particular relevance to New Zealand is the acknowledgement that China not only holds contrary views on human rights and freedom of information than those held by New

¹⁴⁹ New Zealand Ministry of Defence, *Strategic Defence Policy Statement 2018*.

¹⁵⁰ MFAT, "United States of America."

Zealand, but that it is challenging the international order so important to New Zealand's interests.¹⁵¹

Just as the 2018 statement referred to China on multiple occasions in both positive and negative frames, by contrast the same document barely acknowledged the United States. While the 2016 Defence White Paper acknowledged the importance of the United States specifically as a strong partner and friend, by contrast the 2018 Strategic Defence Policy Statement was far more vague, referring only to the importance of 'other five eyes partners such as Canada, the United States and the United Kingdom'. From a further negative standpoint, the only other time the United States features within the document of any significance is in reference to it pulling out of the Paris Climate Agreement and the TPP.¹⁵² Whether this is a signal that the New Zealand government is secure in its positive relationship with the United States is up for debate.

New Zealand has been able to maintain positive relationships with both the United States and China up until this point largely due to its informal ability to deal with both countries in silos – separating diplomatic, economic and military aspects of their relationships. For this reason, New Zealand's policy up until 2018 has effectively maintained these positive relationships. However, three things threaten to derail the current positive relationship New Zealand has with China and halt the progress in its positive relationship with the United States. Firstly, New Zealand's continued strong stance on the issue of United States Navy nuclear powered and armed warships visiting

¹⁵¹ New Zealand Ministry of Defence, *Strategic Defence Policy Statement 2018*, 17.

¹⁵² *Ibid.*, 21.

its ports. Secondly, New Zealand's stance on China's human rights, choice of governance and disrupting influence in the international order. Third, the conflicting messaging of current policy, particularly prevalent in the differences between the 2016 Defence White Paper and the 2018 Strategic Security Policy Statement.

Appendix A outlines a strategic estimate of the SWP operating environment. This provides additional regional context to the argument that New Zealand's current policy may need to be adjusted to ensure that it is enduring as the United States and China compete for strategic influence in the SWP. Chapter five summarizes options for New Zealand to insure its national interests against threats posed by this strategic competition, and presents options for further research.

CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS

The primary research question which framed this thesis was “Does New Zealand’s diplomatic, information, military and economic policy support continued positive relationships with China and the United States as they compete for influence in the South West Pacific?” This chapter presents five conclusions following research and analysis.

First, New Zealand does not have the military capability required to protect itself from a military threat without a major alliance partner. Consequently, it is in New Zealand’s national interests to maintain positive relationships with both the United States and China. This thesis offers recommendations to achieve this end.

Second, New Zealand’s current strategic/national foreign policy does support positive relationships with both China and the United States. However, while New Zealand’s current silo or hedging strategy toward the United States and China has been feasible up until this point, the increasing strategic competition between the two nations implies this strategy has a lifespan which may be measured in years rather than decades.

Third, if New Zealand’s remains on its current path, ultimately, New Zealand’s positive relationships with both countries is at risk. However, positively, New Zealand’s strategic policies have subtly changed since 2017 as a consequence of the increasing competition between the United States and China. In 2016, New Zealand defence policy reinforced the importance of the current international rules based order in a nondescript manner. However, the 2018 document names China as a disruptor of the current international order and reinforced China’s human rights policy is not consistent with New

Zealand's expectations for a rising world power. This subtle change indicates New Zealand is promoting its relationship with the United States at the expense of New Zealand's relationship with China.

Fourth, this thesis concludes the United States and China will remain in strategic competition for the foreseeable future. Ultimately, New Zealand will be forced to decide whether it will ride the Chinese dragon or fly with the American eagle. New Zealand's strong cultural, security and economic ties with the United States suggests New Zealand's future path is with the United States. The United States is New Zealand's favored partner across all the instruments of national power. Since World War 2 the United States has underwritten the security of the Indo-Pacific. The United States is an important trade partner to New Zealand, and a leader of the current international order which is vitally important to New Zealand's prosperity and security. As a member of the FVEYs agreement, New Zealand has access to intelligence that assists in this prosperity and security. This analysis demonstrates the importance of the United States to New Zealand and reinforces the requirement to put the United States first in New Zealand's strategic, economic and defense policy. To date, New Zealand has avoided the decision and implications. This thesis concludes it is time to correct this imbalance.

Fifth, China and the United States have an enduring presence in the SWP so it is in New Zealand's best interest to maintain positive relationships with both for as long as possible. The duration of New Zealand's utopian paradise is the biggest area of uncertainty. Fortunately, while China and the United States' interdependent economic relationship does not completely preclude armed conflict, scholars contend the economic interdependence reduces the chances significantly. There are three possible flashpoints

which are likely to force New Zealand to make a decision faster than it would prefer. These flashpoints will now be examined.

Potential Flash Points

There are three potential flashpoints which would threaten New Zealand's relationship with either the United States or China and force New Zealand to make a strategic choice. First, any threat which compromises New Zealand's continued FVEYs membership. Second, New Zealand's displeasure with Chinese human rights and finally, New Zealand's long running anti-nuclear stance. These three topics are raised as issues for further research; however, will be introduced in the following paragraphs.

Flash Point 1. Information Security vs Trade: The Huawei Issue

Huawei Telecommunications Company has recently bid for 5G telecommunication contracts within New Zealand. To date, alike other FVEYs partners, New Zealand has resisted endorsing Huawei contracts because Huawei is accused of having ties to the Chinese government and Huawei operations in New Zealand could negatively affect New Zealand's FVEY status. Ultimately, regardless of the final outcome, this flashpoint issue will very likely damage New Zealand's relationship with either China or the United States. Consequently, this issue warrants further attention.

Flash Point 2. Human Rights

New Zealand, as a respected member of the global community, is a staunch supporter of human rights. Unfortunately, China's human rights abuses do not accord with New Zealand's perspectives or expectations. Consequently, New Zealand's 2018 Strategic Defence Policy Statement highlights China must improve its stance on human

rights and Jacinda Ardern addressed this issue and the treatment of Uyghurs and other Muslim minorities in its far-western Xinjiang region directly with Xi Jinping during a meeting in March 2019. New Zealand's intrusiveness is contrary to one of China's Five Principles of Peaceful Coexistence which espouses non-interference in another countries internal affairs. Consequently, New Zealand's assertiveness has the potential to seriously damage its relationship with China. This thesis recommends New Zealand should continue to pursue its human rights agenda through the United Nations and ASEAN but not during bilateral meetings between New Zealand and China.

Flash Point 3. The Nuclear Debate

New Zealand's anti-nuclear stance in the 1980's, a result of cold war era United States policies and the New Zealand public's perception of nuclear power and weapons, cost New Zealand its membership of the ANZUS alliance. Today, New Zealand is unlikely to reverse its anti-nuclear stance, however it should reassess its policy regarding nuclear powered (not armed) ships entry to New Zealand's ports. This is a realistic course of action if supported by a public information campaign designed to highlight New Zealand's stance on nuclear weapons has not changed; however, it has softened its stance on nuclear power due to improved nuclear technologies. Furthermore, the United States Navy nuclear weapon carriage policy has evolved since the 1980's and many USN ships are not nuclear powered. These changes provide opportunity for both the United States and New Zealand to review the issue. Ultimately, there is sufficient grey area for both governments to manage the issue and save face. The 2016 visit by the USS Sampson went some way to testing and confirming this theory.

New Zealand will need to demonstrate deft diplomacy if it is to manage the flashpoints above. There are two decision points looming in New Zealand's strategic forecast. First, China shows clear intentions of aggressive military backing of its interests in the SWP, the Southern Ocean and Antarctica. Second, Chinese internal politics, dwindling resources and overreach restrict its activities to its strategic periphery, particularly the South China Sea. These decision points will now be examined and are also subjects warranting further research.

Decision Point One: Chinese Aggression in the SWP

As China's population grows, so will its demand for a greater portion of the world's dwindling resources. When combined with a strengthened military and greater global reach, the threat to New Zealand increases due to its proximity to the Southern Ocean and Antarctica. In the case of Chinese aggression, New Zealand would be reliant on international arbitration (supported by the current international order) and its allies due to its inability to secure its own borders. Triggers for decision point one include Chinese militarization (basing) in the SWP, increased military exercises in the region and military protection of Chinese fishing fleets. Should these conditions be met, the New Zealand government would need to develop its partnership with the United States and reduce trade with China by aggressively pursuing other markets. This is likely to sour the New Zealand-China relationship, necessitating the need for even closer New Zealand-United States relations (a formal alliance and a FTA). Significant risks surround this option, including the risk that by picking sides early, this becomes a self-fulfilling prophecy. Further, the risk of not identifying the triggers early could mean a threat to New

Zealand's territory, interests or national security. This could be considered the 'worst case' scenario.

Decision Point Two: Reduced Chinese Influence

As China becomes more connected with the outside world, its population will become more demanding of democratic governance. Political instability at home and an over-ambitious BRI, combined with United States containment of Chinese growth through strong regional alliances reduces China's sphere of influence to its immediate periphery. This scenario allows New Zealand to reduce its current rhetoric against China's governance and human rights policies, while attempting to nurture its trade relationship. On the negative side, a weaker China will also result in a weaker economy. The risk to New Zealand in this scenario is predominantly economic, since a downturn in China's economy – a certainty in times of political instability – would greatly affect the New Zealand economy. In both scenarios, a FTA with the United States goes some way to reducing the risk to New Zealand. For the United States, a FTA allows it to increase influence in the SWP without significant risk to its domestic markets due to the relatively small size of New Zealand's economy.

Conclusion

This chapter summarized the key findings of this thesis and identified potential flashpoints in New Zealand's relationships with China and the United States. These flashpoints are New Zealand's continued involvement in FVEYs, human rights and the nuclear debate. Firstly, Huawei poses a potential threat to New Zealand's cyber security, which results in an unacceptable risk to continued membership in FVEYs. Secondly, the

New Zealand government should continue to voice its fundamental beliefs in human rights to China, but restrict this to multi-lateral organizations where they carry more weight and pose less risk to any single country. Finally, there is sufficient grey area in New Zealand and United States nuclear policy to exploit, allowing both governments to save face while ensuring interoperability.

This chapter further identified possible options for New Zealand to adopt based on two fictitious scenarios. This thesis ultimately concludes that while New Zealand's current hedging strategy toward the United States and China has been feasible up until this point, increasing strategic competition between the two puts this strategy in danger. Both scenarios reinforce New Zealand's need to reduce its economic dependence on any single country. At the same time, these scenarios highlight the importance of maintaining current positive relations with the United States including defense inter-operability, short of a formal alliance in the short term. While a formal alliance with the United States may not be in New Zealand's best interests in the short term, removing blocks to any future formal alliance is prudent. The most significant block to this occurring is the outdated nuclear policies of both countries.

APPENDIX A

STRATEGIC ESTIMATE: NEW ZEALAND – SWP

Table 1. Strategic Estimate: New Zealand - SWP

Strategic Direction
Policy Goals:
The New Zealand government’s ‘Pacific reset’ will shift engagement with the Pacific to a relationship built on understanding, friendship, mutual benefit and a collective ambition to achieve sustainable results in collaboration with Pacific neighbors. With the Pacific becoming an increasingly contested strategic space, New Zealand needs to maintain its voice and influence. Create a safe and secure New Zealand. ¹⁵³ New Zealand wishes to maintain a level of influence in the Pacific, and by definition, counter outside ‘unwanted’ influence.
End State:
New Zealand is a secure and prosperous Pacific leader, actively involved in the wider Asia-Pacific region and internationally. This is enabled through strengthened international structures and supportive of the <i>current</i> international order.
Operational Environment
Area of Responsibility:
New Zealand has an Exclusive Economic Zone (EEZ) which is approximately 15 times the land area of the country and among the largest in the world. ¹⁵⁴ In addition to New Zealand’s EEZ, it maintains a very large search and rescue region (SRR) which encompasses Tonga, Samoa (including American Samoa) and the Cook Islands and stretches south to Antarctica. This large SSR is shown in figure 2.
Area of Interest:
New Zealand’s area of interest can be divided into three key regions. 1. Those SRRs bordering its own; including Australia, Fiji (which encompasses Vanuatu and New Caledonia), the Solomon Islands and Tahiti. 2. The wider Asia-Pacific including China, the United States, Japan and India amongst others. Additionally, the other FVEYs countries; Canada and the United Kingdom. 3. The remainder of the world.

¹⁵³ New Zealand Ministry of Foreign Affairs and Trade (MFAT), “Strategic Intentions 2018-2022,” 2.

¹⁵⁴ Royal New Zealand Navy, “RNZN - About Your Navy,” accessed February 14, 2019, <http://navy.mil.nz/ayn/default.htm>.

Local relationships:**Australia:**

New Zealand's closest ally, the two countries are mostly aligned in world-view and culturally. The defense gap between the two nations is widening, with Australia accepting a heavier burden for Pacific defense. New Zealanders per capita spending on defense is less than a third of Australians.¹⁵⁵ The countries also hold differing views on other issues, such as human rights, asylum seekers and security issues. In short, the relationship is close, but by no means as close as it once was, despite Statistics New Zealand estimating as many as 600,000 New Zealander citizens currently living in Australia.¹⁵⁶ An Australian census carried out in 2016 published figures of 518,466.¹⁵⁷

New Zealand acknowledges Australia as a close friend and ally in both its 2016 Defence White Paper and 2018 Strategic Defence Policy Statement.

Fiji:

New Zealand and Australia's diplomatic relationships with Fiji have both been strained since Fiji's military coup in 2006. Since then, Fiji has been the subject of heavy Chinese investment and support, further straining these relationships. Both New Zealand and Australia responded strongly with aid and military assistance in the aftermath of Cyclone WINSTON in 2016 which was seen as a positive step forward in relations between the countries.

¹⁵⁵ Mark Thompson, "The Australia–New Zealand Defence Partnership: A Net Assessment," The Strategist, last modified February 20, 2018, accessed December 16, 2018, <https://www.aspistrategist.org.au/australia-new-zealand-defence-partnership-net-assessment/>.

¹⁵⁶ Statistics New Zealand, "At Least 1 Million New Zealanders Live Overseas."

¹⁵⁷ Oz Kiwi, "Australian 2016 Census - NZ-Born in Australia," August 21, 2018, accessed February 26, 2019, <http://www.ozkiwi2001.org/2018/08/aust-2016-census-nz-born/>.

Vanuatu: New Zealand and Vanuatu have a good and long-standing relationship based on people to people links and strengthening economic ties. The New Zealand High Commission has recently commemorated 30 years in Vanuatu. New Zealand contributes to Vanuatu's development through its significant investments. New Zealand provides NZ\$82 million from 2016/17 to 2019/2020. Vanuatu is also the largest sending country under New Zealand's Recognized Seasonal Employer (RSE) program, which supports New Zealand's horticulture and viticulture industry.¹⁵⁸
Samoa: New Zealand and Samoa have a close relationship. There are 144,000 Samoans living in New Zealand, which equates to 49% of New Zealand's Pacific Island population. New Zealand provides assistance to the Samoan Police, and the Royal New Zealand Air Force conducts maritime patrols in Samoa as part of New Zealand's SRR. New Zealand and Samoa have signed a Statement of Partnership. New Zealanders also make up 45% of tourists to Samoa, which is its top foreign exchange earner.¹⁵⁹
Assessment of the Major Strategic Challenges 1. Friction caused by strategic competition between China and the United States. 2. Transnational crime and illegal fishing. 3. Economic dependence on China.
Potential Opportunities The United States vision of a free and open Indo-Pacific and Pacific re-balance presents New Zealand with an opportunity to leverage its improving relationship. This could present both military and economic opportunities. The latter of which may go some way to offset the increasing economic dependence on China. Ultimately a FTA with the United States is a potential opportunity.
Assessment of Risks 1. Climate change and rising sea levels. 2. Destabilization of governance within the SWP or installation of anti-western governance. 3. Resource competition, particularly in the Southern Ocean and Antarctica.

Source: Created by author based on research of estimates.

¹⁵⁸ New Zealand Ministry of Foreign Affairs and Trade (MFAT), "Vanuatu," accessed April 22, 2019, <https://www.mfat.govt.nz/en/countries-and-regions/pacific/vanuatu/>.

¹⁵⁹ New Zealand Ministry of Foreign Affairs and Trade (MFAT), "Samoa," accessed April 22, 2019, <https://www.mfat.govt.nz/en/countries-and-regions/pacific/samoa/>.

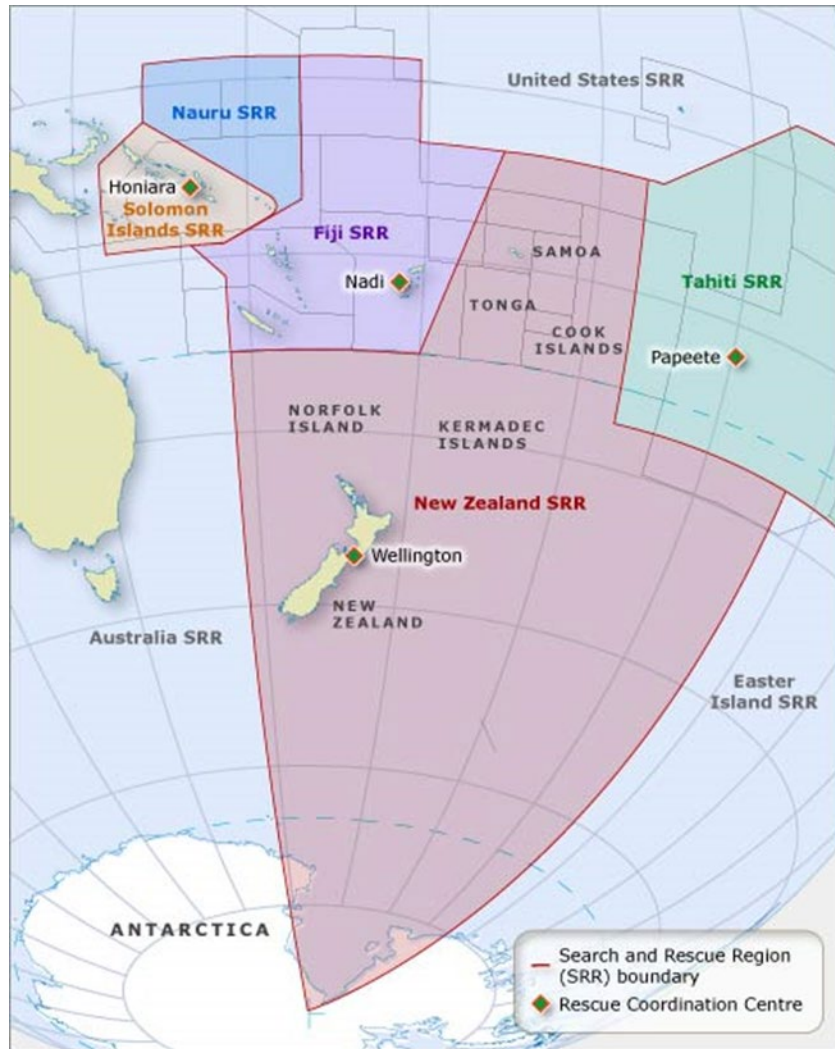


Figure 2. New Zealand Search and Rescue Region

Source: Te Ara – The Encyclopedia of New Zealand,” Search and Rescue Region,” accessed 15 February 2019, <https://teara.govt.nz/en/search/teara?keys=search+rescue>.

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