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EDITION

New Zealand and East Asia's Security Future

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Robert Ayson, Director of Studies
Strategic and Defence Studies Centre
Australian National University
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DR ROBERT AYSON

DR ROBERT AYSON is a Senior Fellow in the Australian National University's Strategic and Defence Studies Centre where he directs the Graduate Studies in Strategy and Defence (Masters) programme. He is a graduate of the University of Waikato, the Australian National University and King's College London where he completed a PhD in War Studies as a Commonwealth Scholar to the United Kingdom. Dr Ayson has held official positions in Wellington with the External Assessments Bureau and the Foreign Affairs, Defence and Trade parliamentary select committee. He has also held academic positions at the University of Waikato and Massey University. He is author of *Thomas Schelling and the Nuclear Age* (Frank Cass, 2004) and co-editor with Desmond Ball of *Strategy and Security in the Asia-Pacific* (Allen & Unwin, 2006). Dr Ayson's main research interests include strategic concepts, Asia-Pacific security, Australian and New Zealand defence policies and nuclear proliferation.

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The views in this paper are those of the author and not necessarily those of the Asia New Zealand Foundation.

EXECUTIVE SUMMARY

WHILE A PREOCCUPATION with security issues in the region helped cement New Zealand's Asian engagement in the first half of the Cold War period, economic considerations have been uppermost in Wellington's relations with Asia in more recent decades. This is completely understandable given the relative stability that much of the region has come to enjoy, New Zealand's relative isolation from any remaining security hotspots in Asia, and the dynamism of so many of Asia's economies, which has helped underpin New Zealand's prosperity.

But that same regional economic dynamism, reflected nowhere more than in the rise of China, has important political and security implications for a changing Asia and for New Zealand's engagement with the wider region. As the regional balance adjusts and as new institutional frameworks and relationships come into play, it is imperative to consider the future of Wellington's security engagement with East Asia.

With these considerations in mind, this report aims to do two things. First it explores the place of East Asia in the evolution of New Zealand's security and defence policies over the past 15 years, with a particular focus on current settings. Second it identifies a sensible and sustainable approach for New Zealand that reflects this country's strong interests in a secure East Asia. The report concludes with a series of recommendations for New Zealand's policy-making community to consider.

The Asian security agenda in coming years is likely to be no less diverse than is currently the case. Regional policy and decision makers will continue to be confronted by internal security concerns in some of the region's weaker states, transnational challenges including the security implications of pandemics, terrorism and criminal activity, and

interstate security tensions between some of East Asia's larger powers. Because of its location and the particular security challenges in its regional neighbourhood, much of New Zealand's immediate attention will continue to be grabbed by internal and transnational security challenges. Wellington is relatively well placed to contribute effectively to regional responses to these challenges. New Zealand's defence force, for example, has been reshaped in a way that increases its capacity to contribute to peace support and other missions in the immediate region (as well as further afield).

But the developments most likely to determine the overall shape of regional affairs and affect the long-term interests of New Zealand, Australia and their close partners will stem from the changing balance between East Asia's great powers. Especially important are the evolving strategic relations between China, Japan, India and the United States and the ways these are reflected in the emerging architecture of regional institutions. In terms of the latter, New Zealand has demonstrated a strong commitment to regional multilateral mechanisms including the Association of South East Asian Nations (ASEAN) Regional Forum, Asia Pacific Economic Cooperation (APEC), the recent East Asian Summit and the growing network of free trade linkages in the region. But on the hard security side, in terms of both defence force capabilities and alliance relationships, there are understandable limits to New Zealand's engagement.

New Zealand needs to chart a sensible and sustainable approach to regional security engagement that ties in with its own preferences and resources. The overall strategy suggested here is a comprehensive and flexible form of regional security engagement that uses an array

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INTRODUCTION

of relationships, commitments and mechanisms. This means pursuing engagement with the region's emerging and growing powers including China, India, Japan and South Korea. It means continuing to value the especially strong security relationship with Australia and links with its traditional friends in the nearer parts of the region, including Singapore and Malaysia. It means closing the gaps in New Zealand's relationship with Indonesia. And it means welcoming opportunities to work alongside the United States and welcoming Washington's ongoing regional presence.

Such an approach supports New Zealand's wise preference for open and inclusive regional institution building. It offers flexibility as it does not commit Wellington to a particular constellation in the region ahead of time. But it will be very challenging for any small country with limited resources to seek to be so comprehensive in its approach to the region. These limitations apply to both hard and soft power capabilities. In terms of the former, New Zealand needs to clarify its approach to East Asian security and defence engagement through a suite of new policy documents, including what would be the country's first Defence White Paper for many years. In terms of the latter, New Zealand needs a tertiary educational sector with far greater literacy in Asian languages and in Asian security affairs.

THIS REPORT EXAMINES the place of East Asia¹ in New Zealand's recent security policy. It traces the evolution of New Zealand's official thinking on East Asian security since the end of the Cold War and then pays particular attention to current policy settings. The report concludes with a series of recommendations for New Zealand's approach to East Asian security affairs in the coming years.

The report is organised around one important question – in what ways have East Asian security affairs mattered to New Zealand in recent times? – and around one especially important theme – the changes in the East Asian security order in response to the rise of China.

¹ For the purposes of this report East Asia comprises the countries of North Asia; China, Japan, South Korea, North Korea and Taiwan; the ten ASEAN countries (Indonesia, Singapore, Malaysia, Thailand, the Philippines, Brunei, Laos, Vietnam, Cambodia and Burma) as well as Timor Leste.

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NEW ZEALAND AND EAST ASIA AFTER THE COLD WAR

BY THE EARLY 1990s, New Zealand's historical legacy of significant commitments to the defence of friendly East Asian countries during the middle years of the Cold War period was increasingly becoming a distant memory. To be sure, the commitments New Zealand forces had made to the security of Malaya and Malaysia from the 1949 Emergency to the era of Indonesian confrontation in the mid-1960s, to Korea in the early 1950s, and to Vietnam in the 1960s, along with the ongoing presence of New Zealand forces under the strategy of forward defence, continued to be valued by regional leaders.

Valued too was New Zealand's role in helping to educate and train a generation of Southeast Asian political and military leaders in the turbulent decades of their newly won independence. New Zealand had retained particularly close defence relationships with two of its Commonwealth friends in East Asia – Singapore and Malaysia – to whose external defence it remains committed under the 1971 Five Power Defence Arrangements (FPDA) alongside Australia and the United Kingdom.

But as the post-Cold War era began, New Zealand's links to East Asia were characterised much more by the opportunities presented by the booming economies of the region than by the challenges (and even potential threats) posed by the risk of military conflict. In New Zealand's case, this change in focus was amplified by the absence of an active defence relationship with the United States (US) following the 1985 Australia, New Zealand and United States Treaty (ANZUS) dispute over the visits of nuclear-capable naval vessels.

Following Britain's withdrawal from Asia in the late 1960s and the Guam Doctrine enunciated by the Nixon Administration in its attempts to disentangle the US from its ill-fated Vietnam commitment, the ANZUS relationship had acted as an important source of continuity. It had helped keep New Zealand attached to America's role as a major guarantor of East Asian security (along with the network of alliance relations that the US enjoyed with such countries as Japan, South Korea and Thailand). Without that active ANZUS link, New Zealand was less attached to the core interstate security issues at the heart of East Asian security affairs.

Moreover, unlike Australia, New Zealand lacked the features of geographical proximity, experience of direct attack in the 1940s and medium power status that continued to bestow on its trans-Tasman neighbour a particularly close interest in any shifts in the East Asian military balance. New Zealand certainly maintained shared regional interests with Australia, the US and other traditional partners, but by the 1990s these were increasingly concentrated upon the economic benefits that East Asia could offer; reflected in Wellington's enthusiastic participation in the newly formed APEC, which offered an appealingly inclusive model of regional cooperation.

It was thus perhaps rather natural for many in New Zealand (living in an especially favourable portion of the wider region) to wonder about the necessity of defence contributions when the security situation seemed so reasonable.

APEC offered indirect though tangible security benefits – first by engaging the US, China and Japan in a process of regional cooperation and then by allowing the discussion of security issues on the sidelines of annual summits. But it did not stray into the sort of cooperation on hard defence issues evident in Europe’s architecture. Neither did the ASEAN Regional Forum (ARF), launched in 1994 as the region’s main body for security dialogue. The ARF’s emphasis on multilateral diplomacy and confidence building suited New Zealand’s natural inclinations towards institution building and inclusivity, but this grouping has often been hesitant or simply unable to address the more difficult and sensitive security issues in East Asia (especially those involving China’s sovereignty claims).

New Zealand’s National Party-led governments of the 1990s were strong supporters of increasing economic linkages with East Asia as a basis for the country’s long-term economic security. At that time policy pronouncements from Wellington also stipulated that New Zealand needed to pay some of the defence down-payment meant to keep the region secure and therefore prosperous.² To some extent this reflected an acute sensitivity to suggestions from traditional friends (including from across the Tasman Sea) that New Zealand was not pulling its weight in contributing to regional security – a criticism that the effective reduction of defence expenditure during the early to mid-1990s did little to address. But the argument that New Zealand needed to remain a part of the defence picture in East Asia (albeit a minor part) and thus maintain the sort of defence force that could do so did not catch on quickly beyond the Wellington policy establishment.

In part this was probably because of the relative peace the region was enjoying: compared with the tumultuous 1950s and 1960s, by the 1990s East Asia was becoming well known for its comparative stability. This was especially the case for the internal stability and prosperity being enjoyed by a number of Southeast Asian countries. Occasional difficulties in relations between states, including the 1993–4 crisis over North Korea’s nuclear weapons programme and the 1995–6 Taiwan Straits crisis, did not overturn the overall confidence and prosperity in East Asia. It was thus perhaps rather natural for many in New Zealand (living in an especially favourable portion of the wider region) to wonder about the necessity of defence contributions when the security situation seemed so reasonable.

Australian arguments that the very prosperity and strength of East Asia required additional defence capabilities to retain a favourable position in the regional balance³ held far less weight in New Zealand. Capabilities such as the A4 Skyhawk aircraft (which had been chosen in the 1960s precisely because of the contribution they could make to New Zealand’s role in East Asian security) became vulnerable. The argument that they might help deter interstate conflict in the region became harder to buy when there appeared such little armed conflict to prevent.

² See Ministry of Defence (1991), *The Defence of New Zealand 1991: A Policy Paper*, Wellington, pp. 16, 33; (1997) *The Shape of New Zealand’s Defence: A White Paper*, Wellington, pp. 16, 24.

³ See Australian Department of Defence (1997), *Australia’s Strategic Policy*, Commonwealth of Australia: Canberra. For a commentary, see Robert Ayson (2005), ‘A Shift in Focus? Australia and stability in Asia’, *Strategic Insights 17*, Australian Strategic Policy Institute, June, p. 3.

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If New Zealand's main aim was to maximise the economic benefits of its engagement with East Asia, doing so through funding defence seemed a rather expensive (and perhaps inefficient) way to go. The idea that somehow the New Zealand Defence Force (NZDF) could contribute to safe sea lines of communication (and thus secure New Zealand's vital trading links with East Asian markets) seemed a relic of the Second World War convoy mentality. Apocryphal stories about the markets that had been opened up because of New Zealand's regional military presence ran well in parts of the defence community, but, like deterrence arguments, they did not catch on in the wider marketplace of ideas.

If New Zealand really wanted to benefit economically from the region's prosperity, a more direct approach, such as encouraging regional trade liberalisation under APEC (and if that failed, through signing a series of free trade agreements (FTAs) with regional countries) seemed a better option and an area in which New Zealand had much to offer as a deregulated market economy. New Zealand foreign policy towards the region certainly had this emphasis in much of the 1990s with the Ministry of Foreign Affairs and Trade at times masquerading as a Ministry of Trade Affairs.

SECURITY AFTER THE FINANCIAL CRISIS: THE TIMOR ERA

WHEN A SHOCK to East Asia's economic fortunes did come – and with it a moment of economic uncertainty for New Zealand – it was not caused by a major security crisis, let alone a war, between regional trading partners. Instead it was the 1997 Asian financial crisis, the sort of event that could not easily be deterred or ameliorated by regional security discussions or defence force contributions. The crisis is something of a watershed in terms of understanding what East Asian security meant after the Cold War.

Starting with a run on the Thai baht, the crisis culminated in intensifying the social and political upheaval in Indonesia that eventually unseated the Suharto regime. Such an outcome indicated that in spite of years of economic expansion, some of the East Asian countries closest to New Zealand (and more particularly to Australia) faced the security problems of state weakness rather than the challenges and competition that could arise from state strength. Into this volatile political transition for Indonesia was added the 1999 crisis over Timor Leste, which generated New Zealand's largest military deployment to East Asia since the Korean War and marked a watershed in at least two senses.

First, the Timor era left a difficult legacy for New Zealand-Indonesian relations, which has still to be worked through. New Zealand's relationship with Southeast Asia's largest and most complex country still seems stuck in 1999 mode, with most defence links frozen and Wellington's responses to the more recent tsunami paling in comparison with Canberra's energetic (and strategic) reaction.

While the Timor crisis posed a severe strain on Indonesian-Australian relations, cooperation between the two neighbours after the 2002 Bali bombing (to which New Zealand also provided some assistance) helped recover some of that

ground. Despite the difficult issues that can arise in the relationship, the John Howard and Susilo Bambang Yudhoyono governments have worked hard to build effective bilateral ties. In this context, it is difficult for New Zealand to talk seriously about engaging Asia without a major part of that effort devoted to the relationship with Indonesia;⁴ not least because, as Canberra's experience has shown, Indonesia has a central role in any effective counter-terrorism strategy for Southeast Asia (and in responding to other transnational security challenges such as avian flu and unregulated people flows).

Second, the Timor experience also helped shape New Zealand's overall approach to regional security – including the NZDF's role – for incoming Labour-led governments that have held power since 1999. New Zealand's extensive commitment was a most effective way of demonstrating to Australia (and others) that Wellington was serious about contributing to regional security in East Asia. It added to the argument that this was not going to be just in terms of contributing to the wider East Asian balance but in terms of the stabilisation and peace-building operations that the incoming Labour government felt New Zealand's armed forces should be shaped to undertake.

Certainly the capability decisions of the 1999-2000 period – including the cancellation of the air combat wing of the Air Force, the rejection of plans to renew the anti-submarine capabilities of the Orion maritime patrol aircraft, the purchase of new armoured vehicles to mobilise the light infantry and the preference for a multi-purpose vessel over another frigate – symbolised that choice. The philosophy was revealed fairly clearly in the comprehensive 2000 report by the Ministry of Foreign Affairs and Trade on *New Zealand's Foreign*

⁴ Also see Anthony L. Smith (2005), 'New Zealand-Southeast Asian Relations: A Survey of the Contemporary Relationship *Outlook* 01, Asia New Zealand Foundation: Wellington.

Emerging issues in regional security affairs in the new millennium did suggest the possibility of new elements of a security relationship – and even a defence relationship – with a number of East Asian countries.

⁵ See Ministry of Foreign Affairs and Trade (2000), *New Zealand's Foreign and Security Policy Challenges*, Wellington, June, pp. 27-8.

⁶ See Ministry of Defence (1997) *The Shape of New Zealand's Defence: A White Paper*, p. 17.

⁷ See (1999) *Inquiry into Defence Beyond 2000, Report of the Foreign Affairs, Defence and Trade Select Committee*, I. 4D, House of Representatives: Wellington.

⁸ (2000) *The Government's Defence Policy Framework*, June, pp. 8, 11.

and Security Policy Challenges: New Zealand would not do wars in Asia, it was not intent on worrying about the Asian balance of power and the NZDF should be shaped by the demands of South Pacific and not East Asian contingencies.⁵

The 1999-2000 period did much to delink the defence role from New Zealand's overall approach to East Asia. One symbolic representation of this change was the disappearance of the old argument – last seen in the 1997 Defence White Paper – that Southeast Asia could be viewed as something of a land bridge to Australia and New Zealand.⁶ The new government continued to pay homage to the FPDA, indicating its intention to live up to New Zealand's obligations under the Arrangements, but also suggested that New Zealand was not an advocate of alliance-based approaches to regional security management.

Instead the focus for New Zealand's East Asian security policy was engagement in regional processes, including multilateral institutions such as the ARF, which had received considerable emphasis in the influential *Defence Beyond 2000* report of parliament's Foreign Affairs, Defence and Trade Select Committee.⁷ The incoming government's main (but all too brief) statement on defence policy confirmed an emphasis on engagement in regional multilateral processes as a cornerstone of the 'appropriate role' it wished to see New Zealand play in the security of the wider Asia-Pacific region.⁸

Emerging issues in regional security affairs in the new millennium did suggest the possibility of new elements of a security relationship – and even a defence relationship – with a number of East Asian countries. Regional (and extra-regional) concerns about transnational terrorism and crime constitute a prominent example. Here some of the existing mechanisms had a part to play. New Zealand supported expanding the remit of the FPDA to cover responses to non-traditional maritime security challenges. Another example was Wellington's participation in the ARF, which was re-energised somewhat in the wake of concerns over terrorism in the region.

These issues heightened the importance of regular dialogue with regional countries, extended the increasingly international deployment patterns of the New Zealand Police Force and helped bring new agencies such as the New Zealand Customs Service into security considerations. Other issues often previously excluded from regional security considerations also made their presence felt. The SARS (Severe Acute Respiratory Syndrome) crisis raised the profile of infectious disease as a potential security concern, as have increasing worries over the possible human-to-human transmission of a strain of avian influenza starting in and spreading from East Asia. This has the potential to widen even further the range of actors within Wellington contributing to security responses. At the same time, such considerations may if anything further dilute the defence element.

A NEW BALANCE IN EAST ASIA

THE TENDENCY TO emphasise the non-defence elements of New Zealand's approach to East Asia has also been evident in the government's endorsement of the need to re-energise New Zealand's regional engagement, including the Asia New Zealand Foundation's *Seriously Asia* initiative. Comments made by political leaders about this initiative recognise New Zealand's strong interest in a prosperous and secure region, but the emphasis has tended to fall on New Zealand's commercial and political (rather than security and especially defence) connections with Asia.⁹ The recognition given to the recovery of most East Asian economies from the 1997 crisis highlights this, but most especially it is revealed in the progress towards an FTA with the quickly rising China.¹⁰

The FTA with China has clear political – and even security – implications in the implicit recognition it gives to Beijing's increasing regional role and status as the region's leading power in waiting. Recent New Zealand government efforts to intensify links with ASEAN are informed in part by the way this grouping is also looking north to engage with an ascending China.¹¹ The development of ASEAN-China free trade relations, the linkage between CER (Closer Economic Relations) and ASEAN and New Zealand's inclusion in the inaugural East Asian Summit (held in Malaysia in December 2005) may all fit together as signs of Wellington's recognition of the possible emergence of a new regional order, and one in which China sees itself as the natural leader.¹²

Should it eventuate, such an order cannot but have security implications for the region, even if these are indirect and informal. The scale of China's rise, coupled with India's increasing profile in East Asia, the sometimes understated power potential of Japan, and America's continuing

interest in moderating regional rivalries, invokes considerations of a changing regional balance of power – even amongst Wellington's policy makers.

Unlike a number of East Asian countries, New Zealand has no historical experience of living with a great power China. Except for the period of Japanese expansion that ended 60 years ago, Wellington has had the luxury of shaping its foreign policy towards the region when the leading power has been an English-speaking democracy. New Zealand's relative isolation in geographic terms from the Asian mainland might be thought to provide something of a buffer. And certainly there are many other countries far closer to the action whose own security interests are much more directly at stake. But the winds of change are still felt in Wellington and even in the South Pacific island countries, a number of which have been quite deliberately 'looking north' to bolster their chances of economic survival and which at times seem to have been venues for competition between China and Taiwan and China and Japan.

It must be realised, however, that there are at least three scenarios for this changing East Asian power equation over the next generation. One is an informal hierarchy that recognises China's pre-eminence.¹³ This scenario might be peaceful if there is tacit agreement about the pecking order. But this would not be enough to make it the preferred option for some other states given the leverage it would still extend to Beijing (as already evident in the contest between Japan and China for the shaping of the regional architecture). Beijing's regional leadership might also not be an especially realistic proposition as China faces its own serious internal limits and challenges (which argue against straight line extrapolations of its rising influence).

⁹ For example, see Rt. Hon. Helen Clark (2003), 'Opening address to the Seriously Asia Conference', 26 October.

¹⁰ On China's rise, see Yongjin Zhang (2006), 'Globalisation and Regionalisation of East Asia – The China Factor', *Outlook* 02, Asia New Zealand Foundation: Wellington.

¹¹ See Rt. Hon Helen Clark (2005), 'Address at ASEAN-New Zealand Gala Dinner', 20 June.

¹² China's preference for a less inclusive East Asian regionalism than seen in the Summit may see it approach ASEAN+3 as its preferred regional mechanism.

¹³ See David Kang (2003), 'Getting Asia Wrong: The Need for New Analytical Frameworks', *International Security*, 27:4, Spring, pp. 79-83.

It is in Wellington's interests to develop and retain strong relations with as many of East Asia's major powers as possible and to work with other small and medium regional powers in strengthening the region's institutional fabric.

¹⁴ See Coral Bell (2005), *Living with Giants: Finding Australia's Place in a More Complex World*, Australian Strategic Policy Institute: Canberra.

¹⁵ See John J. Mearsheimer (2001), *The Tragedy of Great Power Politics*, W.W.Norton: New York.

A second scenario (and a far better one as far as New Zealand and many other regional countries are concerned) is a cooperative concert of great powers to replace America's pre-eminence.¹⁴ Here China, Japan, India and the US itself would all likely play leading roles, helping to set and shape the region's rules and institutions and to respond cooperatively to regional crises. The problem here is not so much the willingness of these powers to be at the top table (they all have glowing self images) but their willingness to have all the others come on board. In this context the evolution of regional institutions that can be as inclusive as possible and soften these tensions is a clear priority and strongly in New Zealand's own interests.

These limits on charity amongst the great powers increase the prospects of the third scenario: a much more competitive era, characterised by increasing tension between China and Japan and the prospects of deeper Sino-American strategic competition.¹⁵ This might produce a relatively even balance, preventing the dominance by any one of them, but it might be a very ugly balance, coming at the cost of major crisis and even war. Any formal institutions might be reduced to the role of powerless spectators and medium and small countries like Australia and New Zealand might be faced with almost impossible choices between competing camps. Needless to say, this would not be in New Zealand's interests.

New Zealand needs to optimise its potential for comfort in whichever one of these scenarios eventuates. This suggests it is in Wellington's interests to develop and retain strong relations with as many of East Asia's major powers as possible and to work with other small and medium regional powers in strengthening the region's institutional fabric. There would certainly be

an intense need for cooperation in any age of Chinese pre-eminence and to work with countries in the region that have memories of earlier such periods. A concert of powers would also dictate the development of close relations with all of those involved. But New Zealand also needs some insurance against the third scenario (as well as any less peaceful version of the first); meaning that while all security relations are important, some may turn out to be more important than others.

In an especially competitive, ugly set of regional relations, the appeal of traditional linkages might come to the fore. Three stand out as worthy of particular consideration: Australia as our closest partner in any regional future; Singapore as a particularly important observer of trends from Southeast Asia; and the US, whose regional role may become more valued and less potent at the same time. Significant potential may also rest in common interests with India, Japan, South Korea and perhaps Indonesia. It also means, for example, a continuing commitment to the FPDA, not least because it represents some of the older linkages (and alliance-style behaviour) that remain stubbornly significant in the 21st century. But especially as it is very difficult to foresee the shape and nature of any ugly regional balance, and the way that a number of these regional countries respond to it, positive relations with great power China remain an absolute necessity.

There are already signs of such a strategy of comprehensive engagement in New Zealand's policy towards East Asia. For a country that has at times distanced itself from the balance of power thinking indulged in by others, it is interesting to note that alongside the increasingly close and important relationship with China, there are clear signs of increasing engagement with India, South Korea

Success in this regional security game will not only require the right aims but also the appropriate resources.

and Japan, as well as the ongoing importance of relations with ASEAN and a number of that grouping's individual member countries. In a June 2005 address Prime Minister Clark observed that:

ASEAN sits in an influential position between two emerging giants, China and India. ASEAN is evolving to take account of the dramatic growth of these powers, particularly China. New Zealand is paying careful attention to this new dynamic and to the implications it holds for us.¹⁶

It is also interesting to read in full the Ministry of Defence's recent comment that:

No issue will have a greater impact than the political and economic emergence of China as a great power. Our defence policy settings will continue to be reviewed and adjusted to take account of these developments. Strategic realities, economic interests and regional connections will compel New Zealand to deepen its defence and security understanding of, and engagement with, North Asia.¹⁷

Indeed alongside increasing defence engagement between New Zealand and China, New Zealand established a Defence Attache position in Japan in 2005 and has also enhanced military exchanges with South Korea.¹⁸

Additionally for a country that no longer enjoys an active formal alliance relationship with the US, New Zealand has enjoyed significant opportunities to work in US-led enterprises, especially outside the region as in Afghanistan but also closer to home in New Zealand's low-key but active involvement with the Proliferation Security Initiative,¹⁹ which is aimed primarily at dealing with concerns about North Korea's weapons of mass destruction programme.

Success in this regional security game will require not only the right aims but also the appropriate resources. Here New Zealand's hard power capabilities are always going to be in especially short supply. Its economy, while vibrant, remains small and allows few options for Wellington to extract leverage in regional relations.²⁰ In part because of that small economy there are also natural limits to New Zealand's hard power resources in defence terms. Any future government that wished to build a more prominent role for the NZDF in regional security engagement would find it challenging to offer anything considerably more than symbolic (or even token) contributions to the great power equation. But the defence side of the house, and the significance of even modest engagement, should not be forgotten. A defence force shaped primarily to operate in more local areas (including the South Pacific and New Zealand's maritime expanses) can also have value further afield.

Indeed further clarification would be useful on exactly what role the government sees the NZDF contributing here. Remembering the statements of the 1999-2000 era it is interesting to read from the current NZDF *Statement of Intent* the rather older argument that 'As a beneficiary of a stable and secure environment, New Zealand must also bear some of the responsibility and costs of keeping it that way' and (even more so) to learn that the NZDF continues to see itself as contributing to the deterrence of conflict in the wider region.²¹ This adds weight to the call in this report for the government to commission a comprehensive Defence White Paper process that, amongst other things, clarifies the 'appropriate role' that the reconfigured and renewed defence force can and should play in East Asia.

¹⁶ Rt. Hon. Helen Clark (2005), 'Address at ASEAN-New Zealand Gala Dinner', 20 June.

¹⁷ Ministry of Defence (2005), *Statement of Intent*, 1 July 2005-30 June 2008, G.4. SOI, p. 13.

¹⁸ See Ministry of Defence (2005), *Annual Report for the year ended 30 June 2005*, October, pp. 8-9.

¹⁹ See Hon Mark Burton (2005), 'Australian Defence College Speech', 1 August.

²⁰ By some contrast, Australia's mineral and hydrocarbon resources, which are helping to satisfy China's vast appetite, may offer some strategic options for Canberra – although perhaps even more so for Beijing!

²¹ New Zealand Defence Force (2005), *Statement of Intent of the New Zealand Defence Force for the period 1 July 2005 to 30 June 2008*, G.55 (SOI), pp. 18-19.

New Zealand's reputation as a small country with a capacity to think and act *independently* is an asset in East Asia.

The limitations to New Zealand's hard power capabilities heighten the importance of soft power, which rests not so much on material capacity but on expertise and human and cultural capital and the influence accompanying a good international profile. Part of this soft capacity for persuasion stems from New Zealand's proven reputation in some important policy areas, as something of a leader in economic liberalisation and other elements of governmental reform and a committed advocate of nuclear disarmament, collective security and international organisations.

New Zealand's reputation as a small country with a capacity to think and act *independently* is an asset in East Asia. Retaining this in scenarios one and three above (a hierarchical order or a very competitive regional balance) will not be without its challenges. In upholding that reputation it is important for New Zealand to be known for its resolute stance on a number of the issues where East Asia meets the South Pacific; these include environmental and maritime resource issues that have a direct impact on the quality of human existence. Along with its strong commitment to human rights issues, New Zealand might thus reasonably aim to become a champion of human security issues in East Asia.

There are significant deficiencies in New Zealand's soft power resources as well. Unlike the hard power dimension, however, these are easier to remedy. One such problem is the continuing shortage of New Zealand-based scholars with East Asian expertise. This is especially pronounced in East Asian security affairs and limits the capability and capacity for sustained interaction between the official and academic communities on these matters.

A small interdisciplinary group of scholars might usefully be established at one of New Zealand's universities to help address this gap. For example, a prestigious four-person team (e.g. one each on military-strategic, economic, health-environmental and political-cultural elements of security in the region) could make a major contribution to New Zealand's intellectual capability and capacity. The focus of this group would be to add to national understanding of security-related crises in the region (from financial and traditional interstate security crises to pandemics and other human security crises) and to evaluate the capability and capacity of New Zealand's official community on these issues. Funding from the business and medical/public health sectors might be sought to support one or more of these specialist positions.

Another problem is the generally parlous state of Asian language teaching in New Zealand universities and schools. This also has implications for the official community whose demand for Asian linguists and language training can only be expected to grow. Special incentives might be considered to encourage the teaching of Asian languages, with particular emphasis on Chinese and Indonesian languages. Because of the commercial advantages of New Zealand's relationships with China and other large Asian economies, business sponsorship should be sought to offer scholarships to students who include Asian languages and cultures in their degrees.

New Zealanders can no longer assume the prevalence of western norms and influence.

CONCLUSIONS

THREE SETS OF overall observations can be made about the place of East Asia in New Zealand's security policy. The first is to clarify whether East Asia matters to New Zealand in a security sense. The second is to offer an overall assessment of how New Zealand's settings have changed over the past 15 years. The third is to sketch where these settings might head as a way into the recommendations of this report.

First of all, this report has hopefully served as a reminder that New Zealanders should take East Asia seriously when they think about their country's security interests. But care should be taken to work out precisely what this means. Economic interests are of course part of the picture here. To the extent that New Zealand's continuing prosperity depends upon the economies of East Asia (especially China and Japan but also other major and growing economies in the region) and to the extent that a deteriorating security climate might threaten to reverse this regional prosperity, New Zealand has a strong commercial interest in East Asian security. But this does not mean that New Zealand can or should focus its own meager security and defence resources in the service of East Asia's security; our capacity and capability (and need) to make an impact should not be exaggerated.

It is when we take a broader notion of the East Asian environment that the importance of security linkages becomes more apparent. Partly because of the influence that derives from their economic strength, China and other Asian countries (including India and Japan) will increasingly have the capacity to shape regional institutions and political relationships, and to set the rules by which they function. New Zealanders can no longer assume the prevalence of western norms and influence. This can influence the choice of who is

in and who is out in terms of trading arrangements. It can influence the choice of who is at and not at the table when the norms regarding security issues are shaped and when particular security issues are chosen as priorities for action. New Zealand needs to be part of these discussions.

Part of this interchange needs to centre on non-traditional security issues. Geographically New Zealand remains separated from the main centres of East Asia, but it is closely connected by air travel and information technology, allowing for the rapid movement of goods, people, ideas and finance, which will only increase with further economic integration with East Asia. While safe in the traditional military sense (again largely because of geography) New Zealand can more readily be affected by unregulated flows of disease, the competition for resources (including fisheries and other maritime resources), the degradation of the natural environment and the activities of transnational criminal enterprises. New Zealand also has close links with a number of Pacific Island countries whose potential vulnerability to some of these problems is especially acute. Simply because of its economic vibrancy, demography and complexity, East Asia will be a region from which and through which many of these challenges will emanate. New Zealand's economic, environmental and institutional security interests are all at stake here.

There is also a more traditional security element including the regional balance of power that has significant military dimensions in East Asia. New Zealand has the least to fear of almost any Asia-Pacific country in terms of the risk of attack on its armed forces, let alone an attack on its isolated sovereign territory. But severe competition for power in East Asia, to say nothing of war between

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the great powers, could still quite dramatically change the climate and confidence of the wider region. We can be sure that most of our major friends and partners in the world – including Australia – would find this an extremely testing experience. Like them, New Zealand might be faced with impossible but unavoidable choices. Navigating our way through these shoals may become the main challenge for the middle of the 21st century, and the pursuit of a strategy of comprehensive but flexible engagement should be part of the approach. Remaining physically secure is only part of the picture. New Zealand will not want to suffer from relationship insecurity.

Second, New Zealand's East Asian security policy settings at the turn of the 21st century can be viewed as the culmination of trends in Wellington's approach that had been developing since the 1985 ANZUS crisis and that have responded to the security environment of the first post-Cold War decade. These reflected an ongoing commitment to the emerging multilateral processes in the region that had taken hold in the early to mid-1990s and a focus on stability and peace support operations in the immediate regional neighbourhood, with a special concern for the integrity of Pacific island countries but also extended to the Timor Leste experience. At the turn of the millennium there was then a tendency to de-emphasise the need for the NZDF to be shaped for operations in East Asia.

In the past five years, however, the East Asian situation has evolved in ways that engage New Zealand's interests powerfully and that call for a new suite of major policy statements. These changes relate to both weak state and strong state security challenges. In terms of weak state issues, the somewhat altruistic motivations for operations designed to respond to humanitarian crises have been joined (and to some extent replaced) by concerns over the vulnerability of the same states to challenges such as transnational terrorism, transnational crime and piracy. Concerns about politically extreme groups in a number of Southeast Asian countries are a prominent feature of the security environment.

In terms of strong state issues, China's rise has moved to a new stage, with Beijing becoming a more active shaper of the region's political architecture as well as continuing to function as an engine for regional economic growth. Relations between East Asia's great powers have entered a new and intriguing phase; it is unclear what mix of cooperation and conflict will emerge among them. Especially challenging is the nature of future relations between China and Japan and between China and the US.

Third, and in light of these changes, many of the statements issued at the start of the new millennium are half a decade old and ageing fast. A coordinated policy document is needed that engages emerging traditional and non-traditional issues in the region. This could take the form of a new *Foreign and Security Policy Challenges* paper, released this time as a more formal statement of government policy. Or, even better, a fully fledged interdepartmental national security strategy should be considered a priority.

There is also a desperate need for a new Defence White Paper. The last such document appeared in 1997 and did not challenge the logic of its more fulsome 1991 predecessor. The Ministry of Defence, which over the past several years has produced a suite of effective documents on New Zealand's defence capability priorities, should now be tasked to produce a new White Paper that clarifies the defence side of New Zealand's East Asian security policy.

Both security and defence policy documents should be preceded by the release of an unclassified version of a new *Strategic Assessment*; the publication of such a document in 2000²² marked an important milestone in increasing the information available to the wider New Zealand community on important trends in the region and beyond. The new policy documents should also be preceded by engagement with the wider New Zealand community, including through Track II organisations, not least because of the need to stimulate greater public awareness of these issues and to tap into the expertise that exists outside the official community. These priorities are part of a series of recommendations listed on page 16.

²² External Assessments Bureau (2000), Department of the Prime Minister and Cabinet, *Strategic Assessment 2000*, 24 March.

RECOMMENDATIONS

1. Task relevant government agencies to prepare and publish a new *Foreign and Security Policy* paper or a National Security Strategy, to be released as official policy. This should deal, inter alia, with the emerging security issues in East Asia and their consequences for New Zealand's interests and policies.
2. Task the Ministry of Defence to prepare and publish a complete Defence White Paper which, amongst other things, lays out the role of New Zealand's defence policy and defence force in an overall Asia-Pacific security policy in line with that being developed in connection with Recommendation 1.
3. Prepare and release an unclassified version of a new *Strategic Assessment* as the first stage of the processes associated with Recommendations 1 and 2.
4. Consult with the wider New Zealand community as part of the preparation of the new suite of policy documents, including through Track II organisations.
5. That the New Zealand government pursue a strategy of comprehensive engagement with a full range of major powers that have a stake in East Asian security, including China, India, Japan, South Korea and the US, as well as continuing engagement with Singapore, Malaysia and other ASEAN countries and with our closest security partner Australia.
6. That the government take steps to normalise New Zealand's security relations with Indonesia, including defence exchanges and the training of Indonesian officials in New Zealand educational and defence institutions.
7. That New Zealand's various Asia-focused research institutes support the establishment of a new interdisciplinary university centre specialising in East Asian security affairs (including traditional and non-traditional issues) with sufficient funds to attract leading scholars from the region. That commercial funding be sought for one or more of the positions involved.
8. That the Asia Knowledge Working Group, jointly convened by the Asia New Zealand Foundation and the Ministry of Education, provide advice on how to encourage educational institutions to teach Asian languages, with particular emphasis on Chinese and Indonesian languages, including the possibility of developing corporate scholarships for students whose studies include Asian language and culture.

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Level 7
36 Customhouse Quay
PO Box 10 144
Wellington, New Zealand
Telephone: 64 4 471 2320
Facsimile: 64 4 471 2330
Email: asianz@asianz.org.nz
www.asianz.org.nz

