



1 June 2016

Members
Foreign Affairs, Defence and Trade Committee
Youth Parliament 2016

Inquiry into where New Zealand's international obligations should lie – the Pacific or wider afield

The Foreign Affairs, Defence and Trade Committee has been asked to conduct an inquiry into: "Where should New Zealand's international obligations lie – the Pacific or wider afield?" on 19 July 2016. This paper has been prepared to assist the Committee with its examination. The paper identifies issues and proposes possible lines of inquiry for the Committee to consider. The Committee may also wish to raise these matters with the witnesses who have been asked to appear before the Committee to give evidence on this inquiry.

Introduction

New Zealand's future prosperity and security is closely intertwined with the changing international landscape, and relies on our ability to navigate changes on the world stage. These changes include fluctuations in the global economy, traditional and new security challenges, geopolitical shifts in power and the implications of climate change and other threats to human security.

As a member of an international community, New Zealand seeks to ensure that we and others are good stewards of the global commons, with a particular focus on climate change, resource stewardship, and counter-terrorism and radicalisation. One area where we already have a significant impact is in the South Pacific (Pacific).¹

Pacific Nation, Pacific Obligations?

Our current foreign policy settings have a strong focus on the Pacific. This is due to our country having a considerable Pasifika population and strong cultural, economic and historical links to the region. New Zealand also has particular constitutional relationships with the Cook Islands, Niue and Tokelau, and a special relationship with Samoa.² Further, our geographical proximity to our Pacific neighbours means that our country has a number of mutual interests, such as economic, security and trade interests, and shared marine territory.

To a large extent, these factors drive New Zealand's foreign policy and our aid programme, which is embodied in the Ministry of Foreign Affairs and Trade (MFAT)'s strategic

¹ This paper defines 'Pacific' as the island countries of the South Pacific. It includes both the sub-regions of Polynesia and Melanesia.

² New Zealand has a Treaty of Friendship with Samoa.

framework: *Pacific Focus, Global Reach*. This document guides the geographic focus of New Zealand's bilateral and regional aid.³

As the core geographical focus for the New Zealand Aid Programme, almost 60 percent (\$1 billion NZD) of New Zealand's total international aid goes to the Pacific. New Zealand has, for example, bilateral development programmes with the Cook Islands, Fiji, Kiribati, Nauru, Niue, Papua New Guinea, Samoa, Solomon Islands, Tokelau, Tonga, Tuvalu and Vanuatu. New Zealand also provides support to the Pacific through scholarships, humanitarian assistance, regional programmes and partnerships, including in relation to fisheries, biosecurity, customs, and governance assistance.

While the Pacific is not the only region of importance to New Zealand, given the framing of this inquiry, this paper draws on arguments for and against a Pacific focus. It considers how effectively we are meeting our obligations in the Pacific, as well as whether a Pacific focus is conducive to ensuring that our national goals of prosperity and security are met.

Our work in the Pacific

According to MFAT, "... our challenge is to develop relationships that provide New Zealand with continuing influence across a range of possible futures." One area where we may have a significant and positive impact in achieving this goal is in the Pacific.

New Zealand has numerous formal connections with the Pacific at multilateral, regional and bilateral levels. We engage through international organisations, such as the United Nations (UN), the World Trade Organisation and the World Health Organisation, as well as regional organisations including the Pacific Islands Forum (PIF), the Secretariat of the Pacific Regional Environment Programme, and the Forum Fisheries Agency.⁴ We also have formal diplomatic relations with the 16 Forum member countries and other Pacific island countries and territories.

The Pacific is one area where New Zealand can influence a range of possible futures. In the Pacific, our work includes a commitment to Sustainable Development Goals, the Cairns Compact, the Paris Declaration and regional security. This is largely delivered through the New Zealand Aid Programme.⁵ In the region, MFAT is working to:

- build partnerships with selected developing countries to reduce New Zealand's risk of exposure to security risks in the Pacific
- contribute to economic sustainability by:
- focusing on partnerships in key areas, which MFAT identifies as tourism, fisheries, agriculture and horticulture, transport, renewable energy and education
- supporting financial management and policy reform to underpin sustainability
- set and support ambition for stable government across the Pacific region.

The approach of the New Zealand Aid Programme includes:

- making aid effective – by referring to internationally agreed principles of development effectiveness

³ *Pacific Focus, Global Reach* refers to MFAT's geographic focus for aid in the Pacific, with targeted aid to developing countries to achieve global reach.

⁴ New Zealand is one of the founding countries of the organisation that preceded the PIF, the South Pacific Forum. The PIF has made declarations to improve law enforcement cooperation and support regional security initiatives.

⁵ The New Zealand Aid Programme's mission is to support sustainable development in developing countries, in order to reduce poverty and to contribute to a more secure, equitable, and prosperous world.

- improving efficiency and value for money
- enhancing accountability for results
- integrating cross-cutting issues of environment (notably climate change), gender and human rights
- ensuring consistency of development assistance and foreign policy.

What benefits does a Pacific focus bring?

Trade and economic development

There are a number of strong arguments for a Pacific focus in New Zealand's foreign policy. In addition to historical links, proximity and cultural connections, the Pacific is an area with large economic potential.

New Zealand has significant trade and commercial interests in the Pacific region. The Pacific is also New Zealand's closest market. In 2013, we exported goods worth \$1.368 billion to the Pacific, more than 13 times the \$103 million we imported from the Pacific. We export similar goods to most of the larger Pacific markets. Dairy, meat, machinery, ships and iron all feature in New Zealand exports to Fiji, Papua New Guinea, New Caledonia, French Polynesia, and Samoa.

The Pacific region also has abundant resources, including fisheries. It is thought that approximately 65 percent of global tuna catch comes from Pacific Island Forum states' waters, with an estimated value of up to \$2 billion (USD) a year (Pew Trusts, 2014).

Furthermore, New Zealand has bilateral and multilateral economic agreements with Pacific nations such as the Pacific Agreement on Closer Economic Relations Agreement in 2001 (and is currently negotiating PACER plus) that aims to create jobs, enhance private sector growth, raise standards of living and boost economic growth in PIF countries.⁶

In addition to trade, labour mobility has the potential to transform the economies of New Zealand and its Pacific neighbours. Labour mobility initiatives such as the Recognised Seasonal Employer Scheme create benefits for New Zealand and the Pacific. The initiative allows for:

- temporary labour shortages in New Zealand to be filled
- creation of more jobs for New Zealanders in the longer term as these industries grow
- enabling Pacific workers to earn higher incomes
- benefit from training opportunities while in New Zealand
- gaining of new skills which they can return to their home countries with.⁷

Regional stability and security

According to the *Defence Assessment 2014* (New Zealand Ministry of Defence, 2015), the Pacific is relatively stable, and is not expected to face a direct military threat from outside the region. However, many of our Pacific neighbours face chronic social, economic, environmental and governance issues that may make them fragile in terms of potential conflicts, and a potential target for terrorist activity and crime.⁸

⁶ MBIE's Pacific Economic Strategy 2015-2021 <http://www.mbie.govt.nz/info-services/infrastructure-growth/pacific-economic-development/documents-image-library/mbie-pacific-economic-strategy.pdf>

⁷ NZ Aid Programme Investment Priorities 2015-19 <https://www.mfat.govt.nz/assets/securefiles/Aid-Prog-docs/Aid-Investment-Priorities-2015-19-web.pdf>

⁸ Ministry of Defence (2015) *Defence Assessment 2014* <http://www.defence.govt.nz/pdfs/dwp2015/defence-assessment-2014-public.pdf>

Many Pacific Island countries (such as low-lying Pacific island states such as Kiribati, Tuvalu and Tokelau) may be disproportionately vulnerable to the potential effects of climate change. There is limited capacity in the Pacific to build resilience to and allow for adequate preparedness for disasters. The New Zealand Aid Programme, thus, has a strong focus on climate change-associated impacts and disaster risk reduction.

By helping Pacific nations close to New Zealand through aid and humanitarian assistance, New Zealand is helping to reduce regional security risks. Furthermore, there has been rising international interest in Antarctica and the Southern Ocean. Ensuring regional stability will be integral to maintaining New Zealand's own security.

Developing our comparative advantage

As a small island state, New Zealand has a comparative advantage in making a difference in the Pacific, as well as understanding the issues in the region. This understanding of the challenges faced by our neighbouring small island states, which include many Small Island Developing States (SIDS), is not widely shared by the international community. It is, therefore, an area where New Zealand could add value. New Zealand's proximity and cultural connections to Pacific Island countries gives us an understanding of what security and vulnerability means for small isolated states with limited resources.

A Pacific approach can also leverage our experience in the region by applying our skills to other SIDs such as those in the Caribbean and Indian Ocean. Specialisation and replication will mean New Zealand invests in a smaller range of initiatives, but strengthen the value of our aid by doing what we do well (New Zealand Aid Programme *Strategic Plan 2015-19*). Leveraging our comparative advantage is particularly important for New Zealand given our wide-ranging international interests and the limited resources that comes from being a small country.

New Zealand's image as a good global citizen

New Zealand is widely considered to be a 'good global citizen' by the international community. This reputation is partly related to its development friendly approach, for example, in climate and trade negotiations. New Zealand has a track record for consistently advocating for its neighbours, many of which are vulnerable SIDS in the Pacific. Withdrawing from the Pacific may negatively impact this positive image.

In the realm of security, there is an emphasis that Pacific Island security is a shared responsibility, and an expectation that New Zealand be involved in maintaining this security. This regional focus is underpinned in a number of Defence publications.⁹ Pacific leaders also generally turn to New Zealand in times of need, particularly in response to natural disasters (Ministry of Defence, 2015).

⁹ Including: *Defence White Paper 2010*; *2014 Defence Capability Plan*; *New Zealand Defence Force: The 2013 – 2016 Statement of Intent* and the *Defence Midpoint Re-balancing Review*, as cited in Asia-Pacific Center for Security Studies (2015) *Regionalism, Security and Cooperation in Oceania*

How effective is our approach in the Pacific?

The effectiveness of aid

Although we are a small donor within the Organization for Economic Cooperation and Development (OECD) Development Assistance Committee, New Zealand is a relatively large, wealthy and developed country in the Pacific. Thus, our aid has a real impact on the development of Pacific Island countries due to their limited population and size of their economies.

However, Budget 2015/16 noted that aid will be directed to thematic areas such as “agriculture, renewable energy and information and communications technology,” which suggests a supply-driven approach to aid, rather than a context specific approach driven by what is needed in each community in the Pacific.

Aid dependency

Some commentators also argue that high levels of aid can do more harm than good, by creating aid dependency. Mark McGillivray, Senior Research Fellow at the World Institute for Development Economics Research, argues that official development assistance dependency exists in the Pacific, as it does in sub-Saharan Africa. He highlights that over 93 percent of the Pacific’s total external income flow was in the form of official development assistance from 1991 to 2002.

What are alternatives to a Pacific approach?

Involvement in broad international security challenges

While New Zealand’s strategic environment is unequivocally in the Pacific, the Ministry of Defence’s *Defence Assessment 2014* outlines a number of changes to the international security landscape. This includes the degraded relations between Russia and the West, stability and security decline in the Middle East and North Africa, and heightened tensions in the East and South China Seas. These changes have potential impacts on the prosperity and security of our region and our allies.

New Zealand has directed a number of resources to current and potential conflict zones. Currently we have personnel deployed on 14 operations and UN missions across ten countries. This includes 106 personnel in Iraq, eight in Afghanistan and three in Sudan.¹⁰

However, given our small population and limited resources, New Zealand is unlikely to have a significant impact in these areas outside of the Pacific region, due to the fragmentation of our resources. This is not to say that New Zealand should not commit its resources further afield, but that there are limitations to this approach. There are also a number of potential implications of being involved in international operations, including the impact on our relationships with other countries and risks to our security, such as becoming a target for international terrorism.

The growing importance of the regions outside the Pacific

As a region, Asia is increasingly important to New Zealand’s prosperity and security. According to the New Zealand Treasury, Asia is also currently home to 10 of New Zealand’s top 20 markets for goods exports and is increasingly important for tourism and education.¹¹

¹⁰ New Zealand Defence Force Operations <http://www.nzdf.mil.nz/operations/default.htm>

¹¹ <http://www.treasury.govt.nz/economy/overview/2015/20.htm>

A study undertaken by the Asian Development Bank suggests that by 2050, Asia could account for more than half of global GDP, trade and investment, and enjoy widespread affluence, with its per capita income rising six-fold to reach the global average and being similar to European levels today.¹² New Zealand's trade agenda has also led to an increase in our linkages with Asia through organisations such as the East Asia Summit (EAS) and the Trans Pacific Partnership (TPP) (Vaughn, 2013).

The *New Zealand National Security System* document of May 2011 has articulated concerns with shifts in global economic power, and pointed out that New Zealand derives significant benefit from a stable and prosperous Asia. It argues that it is in our national interest to uphold and contribute to that favourable environment by supporting regional peace and security (New Zealand's National Security System, 2011).

An Asia-New Zealand Foundation poll in 2015 found that 75 percent of New Zealanders see the Asia region as important to New Zealand's future, compared to 43 percent for the South Pacific (Asia NZ Foundation, 2015). The view that Asia is an increasingly important region to our future is shared by an increasing number of New Zealanders.

What other factors should drive our obligations?

New Zealand's focus should be based on need, not geography

One argument is that New Zealand's obligations should be based on where it is most needed rather than geography. This is not necessarily reflected in New Zealand's Aid programme funding by region (2015/16) is as follows: Pacific 59 percent, in multilateral organisations 20 percent, Asia 17 percent, Africa 3 percent and Latin America and Caribbean at 1 percent.

According to the UN, some of the poorest countries in the world are in the very regions where New Zealand is providing minimal levels of aid. This includes the African continent, which has 39 of the world's poorest countries. Southeast Asia is another region that could benefit from greater assistance from New Zealand. Despite being home to some of the fastest growing economies, Southeast Asia also has one of the most vulnerable and fraught populations. This is in part due to regular environmental disasters from flood and drought, to ethnic conflict and terrorism in Thailand and Indonesia.

New Zealand has also contributed to alleviate the impacts of the conflict in Syria and of Ebola, two significant security crises which New Zealand will be addressing while on the UN Security Council.¹³ If New Zealand wants to maintain its reputation as a good global citizen and advance our Security Council goals, credibility is paramount, and this includes contributing to crises outside of our immediate region.

Implications of withdrawing from the Pacific

Negative impacts on the development of Pacific countries

New Zealand is a significant aid donor to the region. Completely withdrawing from the Pacific could have negative implications for recipient countries. Complete withdrawal could also negatively impact on New Zealand's image as a good global citizen, which is related to its development-friendly approach, for example, in climate and trade negotiations in the Pacific region.

¹² Asian Development Bank (2011) Asia 2050: Realizing the Asian Century Report
<http://www.iopsweb.org/researchandworkingpapers/48263622.pdf>

¹³ <https://www.national.org.nz/news/news/media-releases/detail/2014/09/29/speech-to-united-nations-general-assembly>

However, the impact of New Zealand's aid to the region may be overstated. New Zealand is not the only country that provides aid to the Pacific to support the region's development. Australia is the leading provider of development assistance to the Pacific.¹⁴ China has also reportedly pledged more than \$600 million (USD) in soft loans to the Pacific since 2005, and is thought to be the largest donor to the region after Australia and the United States.¹⁵

Some commentators believe that China's approach to engagement with the Pacific Islands, including the general lack of political conditions attached to its aid, to promote, for example, human rights and civil society development, could complicate the efforts to promote good governance and sustainable development in the Pacific (Asia-Pacific Center for Security Studies, 2015).

Loss of influence

Withdrawing from the region could have implications for New Zealand's influence in the Pacific, particularly given that larger peripheral powers such as China, India and Russia, have stepped up engagement with the Pacific Islands. There is also a view that New Zealand's influence in the Pacific has waned significantly in recent years, and that New Zealand needs to reclaim its comparative advantage in the regional security cooperation arena (Asia-Pacific Center for Security Studies, 2015).

Some commentators argue that if New Zealand were to divert attention away from the Pacific, other players that are less attuned to Pacific issues and aspirations may increase their influence in the region. Massey University Senior Lecturer in Security Studies, Anna Powles, has voiced that New Zealand must re-engage with the region in a far more meaningful manner if we are to retain our influence in the face of competing states (Asia-Pacific Center for Security Studies, 2015).

Other considerations

Danger of isolation

As an already geographically isolated country, playing the role of regional power in the Pacific may be at the expense of more important international relationships in Asia, Europe, the Americas and Africa. Former New Zealand diplomat, Terrence O'Brien states that "...[our] remoteness must reinforce New Zealand's concern to preserve vital material connections to the rest of the world."¹⁶

Striking a balance

This inquiry has outlined arguments for and against a predominantly Pacific focus in New Zealand's foreign policy. While a Pacific focus brings a number of advantages, including economic and trade relationships and increased stability in the region, there are other regions and relationships outside of the Pacific that are of importance to New Zealand. There is a need for our foreign policy to strike a fine balance between being a dominant power in the region and risking isolation.

¹⁴ Australian Government DFAT <http://dfat.gov.au/international-relations/regional-architecture/pacific-islands/Pages/pacific-islands-regional-organisation.aspx>

¹⁵ According to China's two foreign aid white papers, published in 2011 and 2014 respectively, the South Pacific's share in China's total foreign aid increased from 4 percent in 2009 to 4.2 percent during the period 2010 to 2012.

¹⁶ The New Zealand international review (2014) 'Engaging with the world' vol.39, No.6

Report to the House

The Committee is required to report its findings on this inquiry to the House. The purpose of your report is first to inform the House and encourage debate. In doing so your report should reflect both the oral and written evidence the Committee received, the issues the Committee considered in-depth, and the views of the members. From these the Committee should develop conclusions and recommendations to the Government.

Sophia Seo
Ministry of Social Development
Report Writer
Youth Parliament 2016

Members may wish to ask:

1. What should the primary motivators for New Zealand's international obligations be?
2. Should New Zealand have a role in the Pacific, and if so, what should that role be?
3. What does New Zealand stand to gain by focusing support on the Pacific?
4. What does New Zealand stand to gain by focusing support further afield?
5. Are we providing the right types of support? Do they reflect the aspirations of those countries we are trying to help?
6. Should aid provided by New Zealand be aligned to New Zealand's economic interests or the interests of the recipient country?
7. What is the more important consideration for New Zealand – focusing obligations by which countries need the most help, or by where New Zealand aid could be the most effective?
8. Should greater assistance be provided in those areas further afield that might pose security risks for New Zealand?
9. Has New Zealand struck the right balance of a Pacific focus versus further afield?

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- New Zealand Aid Programme <http://www.aid.govt.nz/where-we-work/pacific>

NZ Aid Programme: Strategic Plan 2015-19

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NZ Aid Programme Investment Priorities 2015-19

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Further Reading

Suggested keywords and phrases for Internet search engines:

- Sustainable Development Goals
- Small Island States
- New Zealand Aid Programme
- Pacific Islands Forum
- Pacific aid priorities
- aid obligations
- international commitments
- Cairns Compact

As well as considering this background paper prepared, Youth MPs are welcome to undertake their own research on their committee topic (or on the Bill or any other aspect of Youth Parliament 2016). The Parliamentary Library has agreed to accept one question per Youth MP which they will endeavour to answer to inform your work. If you have not already done so, please contact jill.taylor@parliament.govt.nz to take advantage of this opportunity.