



# Shifting Tides: New Zealand's Foreign Policy Shift in the Pacific A small state's response to changing global challenges

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Shifting Tides: New Zealand's Foreign Policy Shift in the Pacific

A small state's response to changing global challenges

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A Thesis in the Field of International Relations  
for the Degree of Master of Liberal Arts in Extension Studies

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## Abstract

New Zealand's 2018 "Pacific Reset" overhauled its foreign policy approach in the Pacific. The explanation for this policy shift remains primarily the official account offered by the New Zealand Government. This thesis tests that official account by identifying and analyzing the factors underlying the Pacific Reset. It identifies three interrelated factors as underpinning the policy shift: a response to the impact of climate change as an existential threat facing the Pacific; the increasingly contested strategic environment in the Pacific, and the rise of China in particular; and securing a stable Pacific environment from disruption by non-State causes.

The identification and critical analysis of the factors underlying the Pacific Reset may offer insights into the extent to which New Zealand's foreign policy is responding to and shaped by the implications of the global climate emergency for the Pacific states, as well as China's increasing assertiveness in the region. It also brings into focus the extent to which New Zealand's policy response reflects concerns particular to New Zealand, or whether that response is of more general application for states seeking to adjust new global challenges. The global climate emergency represents an existential threat to Pacific states. It is the threat identified by many Pacific states as their most pressing concern. My thesis therefore also considers climate change as a significant disruptive force in the Pacific and the extent to which New Zealand's foreign policy approach on issues relating to climate change in the Pacific aligns New Zealand's policy with the interests of the Pacific states.

The increasing geopolitical contest between different states for spheres of influence in the Pacific is also a significant issue facing the region. The influence of China on the development of New Zealand's foreign policy is an important dynamic to explore because New Zealand's response to China's rising influence in the Pacific also implicates New Zealand's relationship with the United States, which is seeking to counteract China's rise globally, including in the Pacific.

My analysis suggests that New Zealand is seeking to chart a course between the United States and an emerging superpower in the form of China that nevertheless protects New Zealand's interests and values. It is unlikely to be in the interests of New Zealand, or other small or middle powers to see a modern version of the 'Great Game' play out in the Pacific. Through this analysis, this thesis seeks to facilitate a greater insight into how small and medium-sized states, like New Zealand, are responding to these types of challenges.

My research methodology involves critical analysis of a wide range of primary and secondary sources, as well as qualitative and quantitative data. In addition to a critical review of the existing academic commentary, I have drawn on official government policy documents, cabinet papers, diplomatic reports, briefings, ministerial speeches, and aid flow data, graphs and maps conducted by international organizations and policy think-tanks.

## Dedication

For my children, Toby and Luca. I love you to the moon and back!

To my husband, Rob, for all your love, support, and encouragement.

To my parents, Chris and Ruth-Mary, for everything - since the very beginning.

## Acknowledgments

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## Chapter I

### Introduction

“New Zealand is undergoing a Pacific Reset...we must, we need, and we should be doing more to make a difference in the region”. This quote from New Zealand Foreign Minister Winston Peters’ 2018 announcement of the “Pacific Reset”, New Zealand’s most significant foreign policy development in the Pacific in decades.<sup>1</sup> The Pacific Reset was one of the first major policy initiatives launched by the new Coalition Government after it came to power in 2017. Under the new policy, New Zealand committed to enhance its diplomatic engagement with Pacific states and substantially increase its foreign aid contributions in the region.

Why did the new Coalition Government decide that New Zealand needed to do more in the Pacific? This question remains largely unexplored. But it is important. The existing academic scholarship does not identify and analyze the factors underlying the New Zealand Government’s decision to adopt the Pacific Reset. This thesis addresses that gap by identifying and analyzing the main factors that caused the Pacific Reset. By identifying and analyzing the factors underlying the Pacific Reset, it is possible to test the official account that has been offered for the policy shift.

My thesis explores why New Zealand considered a dramatic overhaul of its existing policy in the Pacific was necessary. Specifically, I identify and analyze the extent to which three interrelated factors underpinned New Zealand’s policy shift:

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<sup>1</sup> Foreign Minister Winston Peters: speech launching the Pacific Reset, Lowy Institute Sydney, March 2018: <https://www.beehive.govt.nz/speech/shifting-dial>.

- the impact of climate change in the Pacific as an existential threat facing the region;
- the increasingly contested strategic environment in the Pacific, and the rise of China in particular; and;
- securing a stable Pacific environment from disruption by non-State causes.

My argument is that New Zealand's foreign policy shift reflected the new Coalition Government's vision of the changed role that New Zealand should play in the Pacific. This required New Zealand to maintain its traditional influence in the region in the face of new challenges. This proposition is based on the three interrelated factors I have identified above.

But the focus on those factors also serves a broader purpose. A key issue for my research is the extent to which these factors reflect concerns that are particular to New Zealand and the changing circumstances in the Pacific region, or whether they are examples of concerns held more broadly by states seeking to respond to changing global challenges. My thesis therefore also considers how New Zealand is adjusting its foreign policy settings to respond to changing global challenges, specifically the potential disruption caused by climate change and the contest between different states for spheres of influence in the Pacific.

There are 14 Pacific states. I refer to these 14 states as the Pacific states in this paper. They are: Cook Islands, Fiji, Federated States of Micronesia, Kiribati, Marshall

Islands, Nauru, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu.<sup>2</sup>

The identification and critical analysis of the factors underlying the Pacific Reset may offer insights into the extent to which New Zealand's foreign policy is responding to and shaped by the implications of the global climate emergency for New Zealand and the Pacific states. The world is facing a climate emergency. Climate change threatens to be a disruptive force at national, regional, and global levels. The Pacific is comprised of numerous coastal island states that are at the frontlines of the impact of climate-change induced sea-level rises. Climate change is not an abstract proposition for Pacific states. It is also not only a problem to be faced in the future (or by future generations). Climate change represents an existential risk for Pacific states in the present. But the climate emergency is global in nature and scale. It will affect all states. And New Zealand does not have the resources to respond to the impact of the global climate emergency in the Pacific on its own. My research seeks to contribute to a greater understanding of how small and medium-sized states, like New Zealand, are responding to these types of challenges, including with which states and in what fora New Zealand seeks to pursue its foreign policy objectives in respect of the climate change-related risks faced by Pacific states.

The identification and analysis of the factors underlying the Pacific Reset may also offer insights into the way that New Zealand's foreign policy is responding to China's increasing assertiveness in the Pacific, and its implications for New Zealand's attempts to maintain its traditional influence in the region. The influence of China on the

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<sup>2</sup> New Zealand Ministry of Foreign Affairs and Trade (MFAT), <https://www.mfat.govt.nz/en/aid-and-development/our-aid-partnerships-in-the-pacific/formal-connections/>.

development of New Zealand's foreign policy is a particularly interesting dynamic to explore because of the different dimensions to New Zealand's relationship with China. On the one hand, China is New Zealand's largest trading partner and the largest market for New Zealand goods. On the other, New Zealand's foreign policy is underpinned by a commitment to values such as support for the rule of international law and international institutions, human rights standards and democratic forms of government. These values are not shared by China. Any policy development that implicates New Zealand's relationship with China – as the Pacific Reset necessarily does – must confront the complexity of that relationship.

The implications of New Zealand's response to China's rising influence in the Pacific are not confined to its bilateral relationship with China. They also implicate its relationship with the United States, which is actively taking steps to counteract China's rise globally, including in the Pacific. My analysis of the Pacific Reset's underlying factors also explores how New Zealand is seeking to chart a course between the interests of world's existing superpower in the form of the United States and an emerging superpower in the form of China. It is unlikely to be in the interests of New Zealand, or middle powers such as Australia, for a modern version of the 'Great Game' to play out in the Pacific.

My research methodology involves critical analysis of a range of primary and secondary sources, as well as qualitative and quantitative data. In addition to a critical review of the existing academic commentary, I have drawn on official government policy documents, cabinet papers, diplomatic reports, briefings, ministerial speeches, and aid

flow data, graphs and maps conducted by international organizations and policy think-tanks.

I have conducted a thorough literature review and summarize below contributions from some of the leading academics on New Zealand's foreign policy in the Pacific. This includes commentary on climate change considerations; China's increasing influence in the region; New Zealand's foreign aid to the Pacific; and regional security concerns. This literature has assisted me in formulating my hypothesis and identifying the main factors underlying the Pacific Reset. I also identify gaps in the scholarship, where appropriate.

The literature and academic commentary provide the necessary context for understanding New Zealand's existing policy settings and serves as the point of departure for examining the reasons for the Pacific Reset. However, there is little academic commentary analyzing that 2018 policy shift in detail. Instead, the narrative is largely dominated by the official account of the reasons for the shift, namely that it is a response to a growing array of challenges in the region and an "increasingly contested strategic environment".<sup>3</sup> I plan to examine this official narrative to identify and analyze the main factors underlying New Zealand's Pacific Reset.

I also consider the influence of Australia's 2017 policy shift in the Pacific, which preceded New Zealand's policy shift by one year. The fact that New Zealand's closest ally and neighbor also overhauled its policy in the Pacific at around the same time as New Zealand suggests that those states may be responding to broader regional concerns.

By examining the factors that led to New Zealand's new Pacific policy, I hope to contribute to a greater understanding of how smaller states are responding to the

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<sup>3</sup> Foreign Minister Winston Peters: speech launching the Pacific Reset, Lowy Institute Sydney, March 2018: <https://www.beehive.govt.nz/speech/shifting-dial>.



changing global order. This will be important in at least two ways. First, New Zealand's decision to prioritize the climate change-related risks faced by other states in the Pacific offers an interesting example of the way in which diplomatic priorities are changing to respond to new threats. Climate change is an issue that is assuming greater importance in foreign policy calculations of small but developed states, including as part of broader regional (and global) efforts.

Second, New Zealand's response to the rising influence of China in the Pacific provides a useful case study of the way in which smaller states are adapting their policies in response to the growing presence of bigger fish within their respective spheres of influence. This is likely to involve small states engaging with other like-minded states on a coordinated response. As foreign policy specialist Professor Anne-Marie Brady aptly put it: "*small can be huge*".<sup>4</sup>

The remainder of my thesis is organized as follows. Chapter II covers the background to my research question, including relevant context for the Pacific Reset and my literature review of the scholarship to date. Chapter III discusses my research methodology and hypothesis. Discussion of my findings is set out in Chapter IV. My overall conclusions are addressed in Chapter V.

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<sup>4</sup> Anne-Marie Brady. *Small States and the Changing Global Order: New Zealand Faces the Future*. New York: Springer International Publishing AG. 2019.

## Chapter II

### Background

This chapter sets out the necessary context for understanding New Zealand's existing policy settings and serves as the point of departure for examining the reasons driving the 2018 Pacific Reset. It focuses on New Zealand's Pacific identity; the changing political dynamic against which the policy shift took place; and the influence of Australia's 2017 change in its Pacific policy. I also include a review of the relevant scholarship relating to New Zealand's foreign policy in the Pacific; China's increasing influence in the region; foreign aid to the Pacific; climate change considerations; and regional security concerns. I identify gaps in the scholarship, where appropriate. However, there is little academic commentary analyzing the 2018 policy shift in detail. This means there is scope for a deeper critical examination of the factors underlying the Pacific Reset.

#### 1. New Zealand's Pacific identity

New Zealand is a Pacific country. It is closely connected to the region by history, culture, and politics. Eight percent of New Zealand's population have Pacific heritage, and this demographic is growing. New Zealand is intensively engaged in the Pacific – more than 30 government agencies, and numerous New Zealand-based NGOs are involved in development work in the Pacific region. Despite being a relatively small country with a population of approximately five million, New Zealand makes a

significant contribution to the region: New Zealand directs 60% of its total Official Development Assistance (ODA) to the Pacific. For the three-year period 2018 – 2021, that percentage of ODA equates to approximately NZ\$1.3 billion.<sup>5</sup> New Zealand’s formal connections with the South Pacific include regional organizations such as The Pacific Islands Forum (PIF). The PIF is the Pacific’s premier political and economic organization, with 18 member States. New Zealand is a key member and was a founder of the PIF’s predecessor, the South Pacific Forum. The annual PIF Leaders’ Meeting is the most important high-level meeting in the region.<sup>6</sup>

## 2. Political context for New Zealand’s Pacific Reset

From 2008 until 2017, New Zealand was governed by a series of coalition governments led by the center-right National Party. Over that period, New Zealand’s foreign policy in the Pacific was focused on economic development. Foreign aid and high-level diplomacy were not considered priorities. This changed following the October 2017 general election when New Zealand voted in a coalition government led by the center-left Labour Party and also comprising the New Zealand First Party and, for the first time in government, the Green Party.

The new Coalition Government framed New Zealand’s commitment to increase aid in the Pacific as a moral responsibility. As then-Foreign Minister Peters said, “There might not be votes in it, but it is the right thing to do, and it shows New Zealand’s seriousness in being an active and good neighbor”.<sup>7</sup> The new Coalition Government also

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<sup>5</sup> New Zealand Ministry of Foreign Affairs and Trade (MFAT): [www.mfat.govt.nz](http://www.mfat.govt.nz).

<sup>6</sup> New Zealand Ministry of Foreign Affairs and Trade (MFAT): [www.mfat.govt.nz](http://www.mfat.govt.nz).

<sup>7</sup> Foreign Minister Winston Peters: speech launching the Pacific Reset, Lowy Institute Sydney, 1 March 2018: <https://www.beehive.govt.nz/speech/shifting-dial>.

hoped to “restore lost capacity” through enhanced diplomatic engagement. These steps were not purely altruistic. Minister Peters was clear that “the Pacific is where New Zealand matters more, wields more influence, and can have more positive impact”. The Pacific Reset sought to follow through on these objectives by committing an additional NZ\$714 million in aid and creating 14 new diplomatic positions in the region.<sup>8</sup>

### 3. Australia’s Pacific policy shift

Australia is New Zealand’s closest ally and largest trading partner. In 2017, Australia, announced a new Pacific policy – the “Pacific Step Up”. New Zealand’s Pacific Reset was announced several months later in 2018. The timing of these policy shifts and renewed focus on the Pacific is no coincidence. Both New Zealand and Australia were responding to broader strategic concerns in the region. Commentators have suggested that officials in Wellington and Canberra worked to “align” their new Pacific policies.<sup>9</sup> In his 2018 launch speech for the Pacific Reset, Minister Peters highlighted the importance of New Zealand and Australia working together in the region, underscoring their “shared instincts for the Pacific region”.<sup>10</sup> Minister Peters also emphasized the importance of cooperation between the two countries on matters relating to the Pacific, stating that there has never been a time since 1945 when New Zealand and Australia needed each other more. Australia and New Zealand’s respective policy shifts

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<sup>8</sup> Foreign Minister Winston Peters: pre-Budget speech at Parliament, 8 May 2018: <https://www.beehive.govt.nz/release/new-zealand-boost-development-spending>.

<sup>9</sup> Anna Powles & Joanna Wallis. (2018). “Australia and New Zealand in the Pacific Islands: Ambiguous Allies?” Strategic and Defense Studies Centre, Australian National University. Retrieved from <http://sdsc.bellschool.anu.edu.au>.

<sup>10</sup> Foreign Minister Winston Peters: speech launching the Pacific Reset, Lowy Institute Sydney, 1 March 2018: <https://www.beehive.govt.nz/speech/shifting-dial>.

provide a basis to develop more general conclusions about how small and medium states, like New Zealand and Australia, are responding to the growing influence of China. I discuss this issue further below.

#### 4. Pacific policy shifts by the United Kingdom and United States

New Zealand and Australia are not the only countries to have recently undergone major shifts in their Pacific policies. During the past five years, the governments of other “traditional” Pacific partners have announced a series of policy shifts aimed at enhancing engagement with the Pacific region. The United Kingdom launched its Pacific Uplift in 2018, which included doubling its number of high commissions in the Pacific. And the United States announced the Pacific Pledge in 2020, increasing both foreign aid and loans. Under the Pacific Pledge, the United States committed over US\$100 million in new assistance to the Pacific in addition to ongoing annual spending of US\$350 million to the region.<sup>11</sup> I consider the extent to which these “allied” policies reflect shared interests and concerns in the region, and whether they represent “likeminded” countries joining together as a counter to China’s growing influence in the Pacific, in further detail in the discussion chapter below.

#### 5. Review of existing scholarship

There is limited academic commentary analyzing the 2018 Pacific Reset policy overhaul in detail. However, some scholars have addressed issues such as China’s

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<sup>11</sup> US Department of State, ‘US Engagement in the Pacific Islands: UN General Assembly Update’, Fact sheet, 3 October 2019. [www.state.gov/u-s-engagement-in-the-pacific-islands-un-general-assembly-update](https://www.state.gov/u-s-engagement-in-the-pacific-islands-un-general-assembly-update).

increasing influence in the region; New Zealand’s foreign aid to the Pacific; climate change considerations; and regional stability and national security interests. This literature provides the necessary context for understanding New Zealand’s policy settings and serves as the launching pad for examining the reasons for the Pacific Reset. I consider the specific commentary on the factors underlying New Zealand’s Pacific Reset below.

## 6. Climate change in the Pacific

Climate change represents an “existential threat” for Pacific Island countries.<sup>12</sup> Pacific states are among the most environmentally vulnerable in the world. As part of the Pacific Reset, the New Zealand Government committed itself to combating the significant threat of climate change.<sup>13</sup> Dr Powles notes that the Coalition Government’s strong commitment to climate change action is a “defining aspect” of New Zealand’s foreign policy and can be distinguished from the approach adopted by Australia. New Zealand’s commitment on issues of climate change is exemplified by Minister of Climate Change James Shaw’s statement that New Zealand’s climate change stance was the “most significant thing” New Zealand can do for the Pacific Islands.<sup>14</sup>

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<sup>12</sup> The Foreign Affairs, Defence and Trade Committee inquiry into New Zealand’s aid to the Pacific: Submission by the Ministry of Foreign Affairs and Trade, August 2019, p 19. (Released under the Official Information Act).

<sup>13</sup> Powles & Wallis, “Ambiguous Allies?”, 2018.

<sup>14</sup> Climate Change Minister James Shaw: speech to the Pacific Climate Conference, February 21 2018: <https://www.beehive.govt.nz/speech/climate-change-ministers-speech-pacific-climate-conference>.

## 7. China's growing influence and foreign aid in the Pacific region

China's growing influence in the Pacific poses a direct challenge to New Zealand's traditional role in the Pacific. Minister Peters did not refer to China expressly in his speech launching the Pacific Reset. But, reading between the lines, concerns about China's influence and potential impact are pervasive throughout his address. For example, Minister Peters' warning that "there will always be someone with deeper pockets than ours, and some Pacific leaders are attracted to easy sources of funding" is a clear reference to China.<sup>15</sup>

New Zealand's foreign policy choices are indicative of a small state facing a changing global balance of power. A key feature of that changing global order is the rise of China. Professor Anne-Marie Brady is a specialist in New Zealand foreign policy, Pacific politics, and Chinese politics. In *Small States and the changing global order: New Zealand Faces the Future (2019)*,<sup>16</sup> Professor Brady explains that New Zealand, like other small states, is at a "pivotal moment" as it seeks to develop a response to the growing influence and aggressive maritime strategy that has been implemented by China. This is made more difficult for New Zealand because China is now also New Zealand's largest trading partner. While Professor Brady's commentary on the Pacific region and the rise of China from a New Zealand perspective is clearly relevant to the Pacific Reset, Professor Brady's book was published a short time after the policy shift was announced. It does not cover the Pacific Reset in detail. The value of Professor Brady's text for the purposes of this paper is in the perspective it offers of the broader geopolitical context faced by small states like New Zealand.

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<sup>15</sup> Winston Peters' speech, 1 March 2018.

<sup>16</sup> Brady, "Small States", 2019.

The Pacific Reset as has been described by academic commentators as the most significant shift in New Zealand foreign policy in decades. Dr Anna Powles explores the importance of the Pacific Reset in her short article *New Zealand's Pacific Sea Change*.<sup>17</sup> She discusses Minister Peters' speech announcing the Pacific Reset and briefly identifies the foreign policy themes that can be extracted from the speech. According to Dr Powles, one of the key themes is the notion of a contested Pacific. She highlights the "growing strategic anxiety" in response to what she refers to as "external, aka Chinese, influence in the Pacific". However, Dr Powles' article does not analyze the issues in detail; nor does she purport to examine the substantive reasons for the Pacific Reset. While Dr Powles' article is helpful for identifying the broad themes at play, a deeper dive into the reasons behind the Pacific Reset is needed.

One of the main elements of the Pacific Reset is the New Zealand Government's commitment to increase its foreign aid to the Pacific by NZ\$714 million over a four-year period. This increase appears to be an attempt to counter China's increased foreign aid to the Pacific. Dr Denghua Zhang, a specialist on Chinese foreign policy, foreign aid, and China in the Pacific, observes that China's rise in the Pacific has been a "major driver" of New Zealand and Australia's respective Pacific policy shifts.<sup>18</sup> Zhang's work informs my own hypothesis that China's growing influence in the Pacific was a key factor driving New Zealand's decision to overhaul its Pacific policy in 2018. However, Dr Zhang focuses primarily on Australia's policy change with less focus on New Zealand's shift.

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<sup>17</sup> Anna Powles. "New Zealand's Pacific Sea Change", The Lowy Institute. 2018. Retrieved from: <https://www.lowyinstitute.org>.

<sup>18</sup> Denghua Zhang. "China in the Pacific and Traditional Powers' New Pacific Policies: Concerns, Responses and Trends". *Security Challenges*, 16(1), pp. 78-93. Institute for Regional Security. 2020. Retrieved from <https://regionalsecurity.org.au>.



Therefore, there remains a need for critical analysis of China's growing influence in the Pacific from a New Zealand perspective.

A central aim of the Pacific Reset is to enable New Zealand to contribute more actively to regional economic development and social transformation in the Pacific. Professor Steven Ratuva is a Fijian political sociologist and specialist in Development Studies in the Pacific. Professor Ratuva suggests that New Zealand can become a more active contributor to economic and social development in the region through a more "creative" use of foreign aid.<sup>19</sup> Under the Pacific Reset, the New Zealand Government aims to strengthen and deepen links with Pacific countries through targeted and increased aid projects. Professor Ratuva underscores the contested nature of aid in the Pacific and notes that Chinese aid is the fastest growing source of funding in the region. Critically, Professor Ratuva also identifies differences between the type of aid provided by China compared to New Zealand. Chinese aid is largely focused on infrastructure development, and typically provided in the form of concessional loans. This can and has led to a significant debt burden for the recipients. In contrast, almost all New Zealand aid to the Pacific is in the form of a grant. New Zealand's aid is also largely focused on sustainable development, human security, and resilience.

There are also significant differences between the nature of China's foreign policy approach in the Pacific, as compared to the approach of states such as New Zealand and Australia, which have traditionally exerted influence in the region. This was exemplified by the respective countries' contrasting response to military coup in Fiji in 2006.

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<sup>19</sup> Steven Ratuva. "Aid and Foreign Policy: New Zealand Development Assistance in the Pacific". Published in Brady, A. (2019). *Small States and the Changing Global Order: New Zealand Faces the Future*. New York: Springer International Publishing AG.

Australia and New Zealand strongly condemned the coup as a direct threat to both democracy in Fiji and to regional stability, and imposed sanctions accordingly on the military regime.<sup>20</sup> In 2009, Fiji was suspended from the PIF and the Commonwealth. In contrast, China filled the void by intensifying its engagement with Fiji and extending substantial political and financial support to the military regime. Fijian coup leader and self-appointed Prime Minister Commodore Bainimarama visited China five times between 2008 and 2015, at the invitation of the Chinese Government.<sup>21</sup> Also in 2009, then Chinese Vice President Xi Jinping visited Fiji and met with the interim government despite diplomatic protest from Australia and New Zealand.<sup>22</sup> In the years following the coup from 2006-2013, China was the largest aid donor to Fiji with an aggregate of almost \$US \$333 million in aid.<sup>23</sup>

New Zealand's foreign aid to the region must be understood in the context of the historical aid relationship between New Zealand and the Pacific Islands. *Aid, Ownership and Development: The Inverse Sovereignty Effect in the Pacific Islands* contains contributions from numerous academics and development studies specialists, including Professor John Overton, Dr Warwick Murray, Gerard Prinsen, Dr Avataeao Junior Ulu and Nicola Wrighton.<sup>24</sup> Their different contributions examine the impact of international aid in the Pacific with a particular focus on New Zealand aid. Their works offer both a quantitative analysis of aid statistics in the Pacific over time, as well as a qualitative assessment of the way in which aid in the Pacific has been allocated and used, based on

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<sup>20</sup> Zhang, D. (2020).

<sup>21</sup> Zhang, D (2020).

<sup>22</sup> Zhang, D (2020).

<sup>23</sup> Zhang, D (2020).

<sup>24</sup> Warwick Murray, Overton, J., Prinsen, G., Ulu, T., Wrighton, N. (2018). *Aid, Ownership and Development: The Inverse Sovereignty Effect in the Pacific Islands*. London: Routledge.

interviews with aid recipients from the region. The different contributions by those authors provide useful insights on the history, effectiveness, and impact of international aid in the Pacific region.

The research by Overton et al. is relevant background context for my research topic. However, none of the authors address the recent substantial increase in New Zealand foreign aid to the Pacific announced as part of the Pacific Reset. Nor do they explore the motivations for this increase in New Zealand's aid contributions, including the extent to which it can be seen as a response to China's increased aid. This is presumably because the book was published in 2018, just shortly after the announcement of the Pacific Reset. Therefore, there is scope to examine the New Zealand Government's decision to substantially increase New Zealand aid to the South Pacific as part of its Pacific Reset, and the reasons for that decision.

#### 8. Regional stability and New Zealand's national security interests

By ensuring regional stability in the neighboring Pacific region, New Zealand enhances its own national security. Academic commentators have highlighted that New Zealand's national security is inextricably linked to regional stability in the Pacific. This is because of the potential impact instability has on range of national security interests. In *New Zealand's Pacific Sea Change*, Dr Powles underscores that issues such as maritime security, oceans governance, border security, and transnational crime “from drugs to fish” are top priorities for New Zealand in the Pacific.<sup>25</sup> Dr Powles highlighted Minister Peters' express reference to the importance of regional stability in the Pacific as

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<sup>25</sup> Powles, A. (2018). “New Zealand's Pacific Sea Change”, The Lowy Institute. Retrieved from: <https://www.lowyinstitute.org>.

a means of safeguarding New Zealand's national security. Concerns about ensuring regional stability and how to coordinate responses to issues in the Pacific were another factor underlying the Pacific Reset. I address this further in my discussion section, including the extent to which New Zealand's national security concerns are broader than simply attempting to combat growing Chinese influence in the region.

In sum, the Pacific Reset re-focused New Zealand's foreign policy resources in the Pacific and broadened New Zealand's strategic objectives in the region. However, because the Pacific Reset is still evolving there is not yet in-depth analysis of the reasons for that policy overhaul and the intensification of New Zealand's foreign policy efforts in the Pacific. This offers an opportunity to provide fresh perspective on that foreign policy shift, building on the existing scholarship that is available in relation to the Pacific Reset. By identifying and critically analyzing the factors underlying that shift, I aim to shed light on why New Zealand decided to overhaul its existing policy in 2018.

## Chapter III

### Methodology

To examine the factors behind New Zealand's foreign policy shift in the Pacific, my research methodology involves critical analysis of a wide range of primary and secondary sources, as well as qualitative and quantitative data. In addition to a critical review of the existing academic commentary, I have drawn on official government policy documents, cabinet papers, diplomatic reports, briefings, ministerial speeches, as well as aid flow data, graphs and maps compiled by international organizations and policy think-tanks.

Primary sources are critical to understanding the factors driving New Zealand's 2018 Pacific Reset. The Pacific Reset was a significant government foreign policy initiative. It required the approval of New Zealand's Cabinet (i.e., all Ministers), as well as detailed input from the Minister of Foreign Affairs and officials in the Ministry of Foreign Affairs and Trade. Therefore, a central focus of my research methodology is critical analysis of the main primary sources and official government documents relevant to the Pacific Reset. These include speeches from the relevant ministers, cabinet papers, diplomatic cables, government submissions and reports.

While many of the relevant materials are publicly available, some of the more detailed policy documents and reports on the Pacific Reset were not made public. To gain access to that material, I made a formal request to the Ministry of Foreign Affairs and

Trade under New Zealand's Official Information Act 1982, which obliges public officials to disclose official information, subject to certain limited exceptions.

I supplemented these primary materials with a range of secondary sources. These secondary sources included commentary on New Zealand's foreign policy and aid in the Pacific prepared by policy think-tanks and NGOs. They include both qualitative analysis and quantitative data that facilitates my ability to identify and critically assess the factors underlying the Pacific Reset from a non-governmental perspective. Examples of useful materials include the Lowy Institute's Pacific Aid Map, and data from the World Bank and the International Monetary Fund, detailing the financial contributions of aid donors in the region

To balance out New Zealand sources, I have also researched the Pacific International Forum and other multilateral initiatives focusing on the Pacific. In addition, I have drawn on international sources and academic commentary regarding the recent and controversial security agreement between China and the Solomon Islands. I have examined statements from Pacific and international leaders and commentators regarding their perception of China's growing influence in the region. And I have researched the Pacific policy shifts made by other "traditional" countries, drawing on commentary from senior diplomats and academics from Australia, the United States, and the United Kingdom.

My overarching hypothesis is that New Zealand's foreign policy shift in the Pacific reflected New Zealand's response to the following three interrelated factors:

- the impact of climate change in the Pacific, which threatens to be a major disruptive force in the region;

- the rise of China in the Pacific and an increasingly contested strategic environment; and;
- securing New Zealand’s national and regional security interests from threats by non-State actors.

Whether one or more of these factors motivated the Pacific Reset can be tested by reviewing the official advice on the proposed policy shift and the extent to which the relevance of each of these factors can be established through empirical data and other corroborating evidence.

## 1. Climate Change

The shift in New Zealand’s Pacific policy also reflects the new Coalition Government’s commitment to combating the threat of climate change, with a particular focus on the Pacific.

This part of my hypothesis can be tested through an analysis of the policy documents and public statements about the basis for the policy shift. Minister Peters’ speech recognized that climate change is an “existential threat” for low-lying Pacific islands. The focus on climate change reflects the influence of the Green Party as a member of the new Coalition Government, which took power in 2018. The Minister for Climate Change, James Shaw, who is also the Green Party Co-Leader, has said publicly that “*New Zealand’s climate change stance is the most significant thing we can do for our Pacific Whanau*” (“whanau” means family in Maori).<sup>26</sup> It will also be demonstrated

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<sup>26</sup> Climate Change Minister James Shaw: speech to the Pacific Climate Conference, 21 February 2018: <https://www.beehive.govt.nz/speech/climate-change-ministers-speech-pacific-climate-conference>.

through the voices of Pacific leaders and the extent to which they indicate that climate change is an important issue for them. If New Zealand's commitment to climate change in the Pacific is more than just window-dressing, climate change can be expected to be identified explicitly as a basis for the Pacific Reset. Equally, if climate change is not identified as a major factor for the Pacific Reset in the advice prepared by officials in respect of the new policy, it is unlikely that it can be said to be one of the three core factors motivating that new policy.

## 2. China's growing influence in the Pacific

China's growing influence in the Pacific has required New Zealand to shift its Pacific policy in response. China's efforts to gain influence in the Pacific have caused growing concern among New Zealand officials about a corresponding decline in New Zealand's influence in the region.

This part of my hypothesis can be tested by reference to what New Zealand officials and politicians were saying and doing in relation to China when developing and launching the policy shift and, just as importantly, what they were *not* saying or doing. The extent to which the Pacific Reset was a response to China's growing influence in the Pacific is one area the underlying primary sources are likely to offer greater insight than public statements by politicians. The primary sources may not refer specifically to China's growing influence as a concern for New Zealand. China is, after all, New Zealand's largest trading partner in the world. But I propose to test my hypothesis in relation to this factor by examining the underlying logic of the Pacific Reset and whether it necessarily involves counteracting increased Chinese influence in the region. If those



sources do not suggest that New Zealand is seeking to shore up its traditional influence in a manner that counteracts China's growing assertiveness, but that New Zealand is instead neutral or even facilitating growing Chinese influence in the Pacific, then it can be discounted as a factor motivating the Pacific Reset.

I anticipate that there will also be a quantitative aspect to this part of the analysis. I expect that China's foreign aid in the Pacific will have increased steadily and the Pacific Reset will show an intention for New Zealand to increase its own foreign aid commitment to Pacific states to counteract that growing Chinese economic influence, at least in a manner commensurate with New Zealand's means to do so. New Zealand is also likely to seek to deliver that aid in a manner that aligns it with the interests of Pacific states. States use foreign aid as a means of securing influence and so, as New Zealand seeks to counter growing Chinese influence in the region, it can be expected that New Zealand will increase its own foreign aid to maintain its influence or enter alliances with likeminded states to do so.

### 3 Protecting New Zealand's security interests from instability in the Pacific

New Zealand's shift reflects a concern about safeguarding New Zealand's national security through ensuring regional stability and facilitating coordinated responses to non-State causes that may adversely impact New Zealand's interests and security.

Once again, this part of my hypothesis can be tested by an analysis of the policy documents and public statements underpinning the shift. For example, Minister Peters' 2018 speech specifically referenced maritime security, financial and cyber-crime, drug

production and distribution, border security, and criminal deportations as having the potential to undermine New Zealand's national security. Minister Peters also called for a coordinated response to trans-boundary security challenges in the Pacific. The role this factor played can therefore be established by determining whether the advice given by officials to politicians did rely on these types of non-State causes of instability in the Pacific. Given that many of these issues are, by their nature, likely to be cross-border and potentially involve multiple jurisdictions, it can also be expected that there will be evidence of New Zealand taking steps to work with likeminded states, as well as Pacific states, to develop multilateral responses to combating these phenomena in the Pacific. If there is no evidence of such steps, it cannot be said that concerns about the instability caused by these phenomena played a major role as one of the three factors that underpinned the Pacific Reset.

In conclusion, to understand the factors driving New Zealand's policy overhaul in the Pacific, my research approach constitutes critical analysis of a wide variety of primary and secondary sources, as well as qualitative and quantitative data. In addition to a comprehensive review of the existing academic scholarship, I have researched official government policy documents, cabinet papers, diplomatic reports, ministerial speeches; aid flow data compiled by policy think-tanks; and international commentary from senior officials, ministers, and academics.

## Chapter IV

### Discussion

The central hypothesis of this paper is that the Pacific Reset was New Zealand's response to three interrelated concerns: the existential threat that climate change poses for Pacific states; the increasingly contested nature of the Pacific, resulting from China's growing influence in the region in particular; and national security concerns arising from non-State causes. This chapter sets out my analysis of the role played by each of these factors and evaluates the Pacific Reset in general.

#### 1. The impact of climate change in the Pacific region

The world is facing a climate emergency. Climate change is an “existential threat” for Pacific Island countries.<sup>27</sup> Pacific Island nations are among the most environmentally vulnerable in the world. The official advice to Cabinet recommending the Pacific Reset justified the policy shift partly based on the need for New Zealand to play a role in addressing climate change in the Pacific and its impact on Pacific states. As the advice recorded: climate change is “the most important long-term challenge” facing the Pacific region.<sup>28</sup> Assisting the Pacific in promoting regional and international action to address

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<sup>27</sup> Ministry of Foreign Affairs and Trade (MFAT) Submission to the Foreign Affairs, Defense and Trade Committee Inquiry into New Zealand's Aid to the Pacific, August 2019, 19. Released under the Official Information Act.

<sup>28</sup> Office of the Minister of Foreign Affairs (2018). “New Zealand in the Pacific”. Foreign Minister Winston Peters, Paper to Cabinet National Security Committee.  
<https://www.mfat.govt.nz/assets/Uploads/Redacted-Cabinet-Paper-for-web-publication-New-Zealand-in-the-Pacific-v2...pdf>

climate change is categorized as one of the “core elements” of the Pacific Reset.<sup>29</sup> Under the Pacific Reset, New Zealand committed to working with Pacific states to mitigate and adapt to the increasing impacts of climate change. The advice also recorded that New Zealand shares the Pacific region’s aim of an “ambitious and effective global response” to limit the impact of climate change on the region.<sup>30</sup>

The focus on climate change as part of a broader foreign policy reset in the Pacific distinguishes New Zealand’s Pacific Reset from the Australian Government’s Pacific Step Up, which was announced one-year earlier in 2017.<sup>31</sup> It is well-known that New Zealand and Australian officials liaised on their respective Pacific policy initiatives.<sup>32</sup> The absence of climate change as part of the focus of the Australian Government’s policy is striking given that collaboration between the officials from the two countries and the obvious importance of the issue to Pacific states. Indeed, Samoan Prime Minister Mata’afa emphasized the magnitude of climate change risk to the Pacific when she told world leaders at COP 26 in November 2021 that:

Climate change is at the heart of our vulnerabilities as nations and people. While we may be the worst affected, the real solution is not in our hands...However, we hope to shape the solutions to save our planet. There are no trade-offs, we are negotiating the survival of our islands.<sup>33</sup>

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<sup>29</sup> Ministry of Foreign Affairs and Trade (MFAT). Diplomatic reporting cable: “New Zealand’s Pacific Reset”, 20 March 2018, 12.57pm. Released under the Official Information Act.

<sup>30</sup> Ministry of Foreign Affairs and Trade (MFAT) Submission to the Foreign Affairs, Defense and Trade Committee Inquiry into New Zealand’s Aid to the Pacific, August 2019, 19. Released under the Official Information Act.

<sup>31</sup> Anna Powles & Joanne Wallis. “Australia and New Zealand in the Pacific Islands: Ambiguous Allies?” *Strategic and Defense Studies Centre*, Australian National University (2018). Retrieved from <http://sdsc.bellschool.anu.edu.au>.

<sup>32</sup> Anna Powles & Joanne Wallis. “Australia and New Zealand in the Pacific Islands: Ambiguous Allies?” *Strategic and Defense Studies Centre*, Australian National University (2018). Retrieved from <http://sdsc.bellschool.anu.edu.au>.

<sup>33</sup> Samoa Prime Minister Mata'afa, “Samoa Prime Minister tells COP 26 “there are no trade-offs, we are negotiating the survival of our islands””, November 5, 2021. Secretariat of the Pacific Regional Environment Program. <https://www.sprep.org/news/samoa-prime-minister-tells-cop26-there-are-no-tradeoffs-we-are-negotiating-the-survival-of-our-islands>

Pacific leaders have strongly criticized Australia’s weak climate change stance, particularly after Australia controversially undermined a consensus on a climate change communique during the PIF in Tuvalu in 2019.<sup>34</sup> After lengthy discussions at the forum, Australia would not agree to the advanced Tuvalu Declaration made by the other Pacific states calling for a rapid phase-out of coal. Fiji’s Prime Minister Frank Bainimarama expressed disappointment at Australia’s position:

We came together in a nation that risks disappearing into the seas, but unfortunately we settled for the status quo in our communique. Watered-down climate language has real consequences — like water-logged homes, schools, communities, and ancestral burial grounds.<sup>35</sup>

In contrast, Prime Minister Bainimarama had taken a much more positive tone regarding New Zealand’s climate change policy:

When combatting climate change, it's good to have an ally like New Zealand in your corner. Together, we can save Tuvalu, the Pacific, and the world.<sup>36</sup>

At the most recent PIF in Suva in July 2022, the Pacific leaders’ statement defined climate change as “the single greatest existential threat” facing the Pacific region.<sup>37</sup> The Pacific leaders officially declared a “Climate Emergency” that “threatens the livelihoods, security and wellbeing of its people and ecosystems”.<sup>38</sup> Indeed, Tuvalu’s Foreign Minister Simon Kofe encapsulated the urgency and magnitude of the climate change threat facing the Pacific when he explained that:

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<sup>34</sup> Erin Handley, “Australia accused of putting coal before Pacific ‘Family’ as the Region Calls for Climate Change Action”, August 16, 2019. Australian Broadcasting Corporation, <https://www.abc.net.au/news/2019-08-16/australia-slammed-watering-down-action-climate-change-pacific/11420986>

<sup>35</sup> Handley, “Australia Coal Before Pacific Family”, 2019.

<sup>36</sup> Handley, “Australia Coal Before Pacific Family”, 2019.

<sup>37</sup> 51<sup>st</sup> Pacific Islands Forum. Forum Communique. Suva, Fiji. 11-14 July 2022.

<https://www.forumsec.org/2022/07/17/report-communique-of-the-51st-pacific-islands-forum-leaders-meeting/>

<sup>38</sup> Pacific Islands Forum Communique, 2022.

If you view it from our perspective, you have these superpowers fighting for influence in the region and yet we have countries like Tuvalu fighting for existence. We're on totally different wavelengths.<sup>39</sup>

The fact climate change was a central element of New Zealand's Pacific Reset is unsurprising. The Pacific Reset was a major foreign policy initiative of the new Coalition Government that was elected in October 2017 and replaced the previous National Party-led Coalition Government after it had been in power for a period of nine years. The Coalition Government that entered office in 2017 comprised the Labour Party, which was the senior coalition partner, along with New Zealand First Party and, for the first time, the New Zealand Green Party. As part of the Labour-Green Coalition Agreement that secured the Green Party's membership of the Coalition Government, Green Party Co-Leader James Shaw was appointed Climate Change Minister and the parties agreed to work together to make New Zealand a world leader in the fight against climate change.<sup>40</sup> Consistently with that approach, climate change was one of the first issues to be addressed under the auspices of the Pacific Reset.<sup>41</sup>

In February 2018, Minister Shaw said in a speech to the Pacific Climate Conference that New Zealand's climate change commitment was "the most significant thing we can do for our Pacific whanau".<sup>42</sup> Shaw emphasized that for low-lying Pacific nations, particularly Tuvalu, the Marshall Islands and Kiribati, the risks associated with

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<sup>39</sup> Volker Boege. "Climate Change, Not China, the Most Important Security Concern for Pacific Island Countries". *Toda Peace Institute*. August 2, 2022. <https://toda.org/global-outlook/climate-change-not-china-the-most-important-security-concern-for-pacific-island-countries.html>

<sup>40</sup> Climate Change Minister James Shaw, "Greens Sign an Agreement to Govern Based on Shared Values, October 24 2017, <https://www.greens.org.nz/greens-sign-agreement-to-govern-based-on-shared-values>

<sup>41</sup> Anna Powles & Joanne Wallis. "Australia and New Zealand in the Pacific Islands: Ambiguous Allies?" *Strategic and Defense Studies Centre*, Australian National University (2018). Retrieved from <http://sdsc.bellschool.anu.edu.au>.

<sup>42</sup> Climate Change Minister James Shaw: speech to the Pacific Climate Conference, February 21 2018: <https://www.beehive.govt.nz/speech/climate-change-ministers-speech-pacific-climate-conference>.

climate change - such as rising sea levels - carry the real threat of being displaced from their homelands:

I, and the New Zealand Government acknowledge that threat to our friends in vulnerable Pacific nations. And it drives my determination to see us do everything we can to help them stay in their own countries.<sup>43</sup>

The Pacific Reset's role as a policy response to climate change and its potential impact in the Pacific is manifested through the increase in New Zealand foreign aid to the Pacific. Climate change support to the Pacific region is a key focus of New Zealand's foreign aid program, which was significantly boosted under the Pacific Reset.<sup>44</sup>

The Pacific Reset also focused on capacity-building in the Pacific. This was primarily to be accomplished by prioritizing the need to enhance the effectiveness of regional organizations in the Pacific so that they are better able to respond to shared regional challenges such as climate change.<sup>45</sup>

Pacific states are already facing issues that are affecting food supply, drinking water, livelihoods, health, and security as a result of rising sea levels, coastal flooding, and increased severity of natural disasters. Natural disasters cost the Pacific states 15.6% of total GDP in 2016, a significant increase from just 3.8% in 2012.<sup>46</sup> In 2018, New Zealand committed to invest NZD\$300 million in climate-related development support in the Pacific over four years, including NZD\$150 million dedicated for a

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<sup>43</sup> Climate Change Minister James Shaw: speech to the Pacific Climate Conference, February 21 2018: <https://www.beehive.govt.nz/speech/climate-change-ministers-speech-pacific-climate-conference>.

<sup>44</sup> Ministry of Foreign Affairs and Trade (MFAT) Submission to the Foreign Affairs, Defense and Trade Committee Inquiry into New Zealand's Aid to the Pacific, August 2019, 19. Released under the Official Information Act.

<sup>45</sup> Office of the Minister of Foreign Affairs (2018). "New Zealand in the Pacific". Foreign Minister Winston Peters, Paper to Cabinet National Security Committee. <https://www.mfat.govt.nz/assets/Uploads/Redacted-Cabinet-Paper-for-web-publication-New-Zealand-in-the-Pacific-v2...pdf>

<sup>46</sup> Ministry of Foreign Affairs and Trade (MFAT) Submission to the Foreign Affairs, Defense and Trade Committee Inquiry into New Zealand's Aid to the Pacific, August 2019, 6. Released under the Official Information Act.

Pacific-focused Climate Change Program.<sup>47</sup> This program of climate-related financial support aims to enable Pacific states to lead their climate change response; promote greater global action to reduce greenhouse gas emissions; and increase “Pacific resilience” through adaption activities. It also assists the Pacific Islands to “avert, delay and prepare for climate-related human mobility”.<sup>48</sup> Key focus areas for the program in the Pacific include supporting low-emissions climate-resilient development, facilitating Pacific access to climate finance, and improving water security.<sup>49</sup>

The inclusion of climate change in New Zealand’s Pacific Reset is good foreign policy. It demonstrates that New Zealand’s values and focus are aligned with something that Pacific states have said they consider to be an existential threat. New Zealand will never have the deepest pockets and so this type of alignment on the issues considered by the Pacific states themselves to be most pressing builds trust and deepens New Zealand’s relationships with those states. A corollary of that is the ability to engage with, and potentially influence, those states on issues that may impact on New Zealand’s interests.

New Zealand’s climate change-related policy development also reflects a more sophisticated understanding of climate change as a security risk. Climate change was cited as one of the key “complex disruptors” in New Zealand’s 2018 Ministry of Defense Strategic Defense Policy Statement.<sup>50</sup> According to the Ministry of Defense, climate

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<sup>47</sup> Ministry of Foreign Affairs and Trade (MFAT) Submission to the Foreign Affairs, Defense and Trade Committee Inquiry into New Zealand’s Aid to the Pacific, August 2019, 19. Released under the Official Information Act.

<sup>48</sup> Ministry of Foreign Affairs and Trade (MFAT) Submission to the Foreign Affairs, Defense and Trade Committee Inquiry into New Zealand’s Aid to the Pacific, August 2019, 19. Released under the Official Information Act.

<sup>49</sup> Ministry of Foreign Affairs and Trade (MFAT) Submission to the Foreign Affairs, Defense and Trade Committee Inquiry into New Zealand’s Aid to the Pacific, August 2019, 19. Released under the Official Information Act.

<sup>50</sup> Ministry of Defense, Strategic Defense Policy Statement 2018, 6.  
<https://www.defence.govt.nz/assets/Uploads/8958486b29/Strategic-Defence-Policy-Statement-2018.pdf>



change is one of the main “increasing stresses and challenges” facing the Pacific and will likely necessitate additional New Zealand Defense Force operations in the region.<sup>51</sup> The statement specifically mentions the Pacific Reset as an “updated overall approach to the Pacific” that recognizes the “changing nature of the challenges” facing the region, including climate change, and the “requirement that New Zealand enhance its contribution”.<sup>52</sup>

## 2. The Pacific as an increasingly contested space

There are 14 island states in the Pacific. I do not include Australia and New Zealand among those 14 Pacific states, but they are located in the southern Pacific Ocean, and both Australia and New Zealand have exercised significant influence in the region over the past few decades. The United States also has longstanding interests in the Pacific region. But the extent of its engagement with the 14 Pacific states has waned in recent years.

China has also traditionally maintained an interest in the Pacific. However, China’s foreign policy in the Pacific has been dominated by its focus on strategic competition with Taiwan. A central foreign policy objective for China since the 1970s has been gaining Pacific states’ support for the so-called ‘One China’ policy, which seeks to subsume Taiwan within the Chinese state.<sup>53</sup> China and Taiwan have courted the 14 Pacific states because each has one vote at the United Nations General Assembly. Currently, out of the 14 states in the Pacific, ten recognize China and four recognize

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<sup>51</sup> Ministry of Defense, Strategic Defense Policy Statement 2018, 31.

<sup>52</sup> Ministry of Defense, Strategic Defense Policy Statement 2018, 31.

<sup>53</sup> Zhang, “China’s Diplomacy”, 262.

Taiwan.<sup>54</sup> Pacific states have switched their positions back and forth over the years.

These shifts over time are captured in Table 1 below.

Table 1: Geopolitical competition between China and Taiwan in the Pacific

<b>Pacific country</b>	<b>Taiwan</b>	<b>PRC</b>	<b>Taiwan</b>	<b>PRC</b>
Fiji		5 Nov. 1975		
Samoa	29 May 1972	6 Nov. 1975		
PNG		12 Oct. 1976	5 July 1999	21 July 1999
Vanuatu		26 Mar. 1982	3 Nov. 2004	11 Nov. 2004
Federated States of Micronesia		11 Sept. 1989		
Cook Islands		25 July 1997		
Tonga	10 Apr. 1972	2 Nov. 1998		
Niue		12 Dec. 2007		
Solomon Islands	24 Mar. 1983	21 Sept. 2019		
Kiribati		25 June 1980	7 Nov. 2003	27 Sept. 2019
<b>Pacific states that recognise Taiwan</b>				
Tuvalu	19 Sept. 1979			
Nauru	4 May 1980	21 July 2002	14 May 2005	
Palau			29 Dec. 1999	
Marshall Islands		16 Nov. 1990	20 Nov. 1998	

*Source: Zhang, 2021. Domestic Political Reforms and China's Diplomacy in the Pacific, p 262.*

China's transition into global power has also seen its foreign policy objectives broaden and become more ambitious as it seeks to develop its sphere of influence. The Pacific is one area where China has intensified its engagement in recent time as it strives to expand its sphere of influence. China's interests in the Pacific region are multifaceted

<sup>54</sup> Zhang, "China's Diplomacy", 262.

and still evolving.<sup>55</sup> Pacific states are referred to as part of China's 'greater periphery' or 'da zhoubian' – a term first used for states neighboring China, but that has evolved over time to include Pacific states.<sup>56</sup> This evolving frame of reference reflects China's expanding sphere of influence and the adaptation of Chinese foreign policy objectives as its influence grows in the Pacific.

As China's influence has increased, New Zealand and other states with traditional leadership roles in the Pacific such as Australia and the United States have had to recalibrate their approach to the region.

#### China's increased engagement with the Pacific: aid, trade and diplomacy

China's engagement with the Pacific region has increased substantially over the past two decades. In 2006, China indicated heightened interest in the Pacific region with the first China-Pacific Island Countries Economic Development and Cooperation Forum held in Fiji.<sup>57</sup> Since then, China has become increasingly established as a major trade, investment, aid and diplomatic player in the Pacific region.<sup>58</sup> Chinese diplomats classify the Pacific as part of the broad developing world with which China seeks to align itself.<sup>59</sup>

Most of the 14 Pacific states are highly dependent on foreign aid. This means that China has been able to leverage its economic strength particularly effectively in its engagement with those states. Foreign aid has always been a key element of China's

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<sup>55</sup> Zhang, "China's Diplomacy", 261.

<sup>56</sup> Zhang, "China's Diplomacy", 261.

<sup>57</sup> Terence Wesley-Smith and Graeme Smith, "The Return of Great Power Competition". In *The China Alternative*, ed. Graeme Smith, Terence Wesley-Smith (ANU Press, 2021), 1.

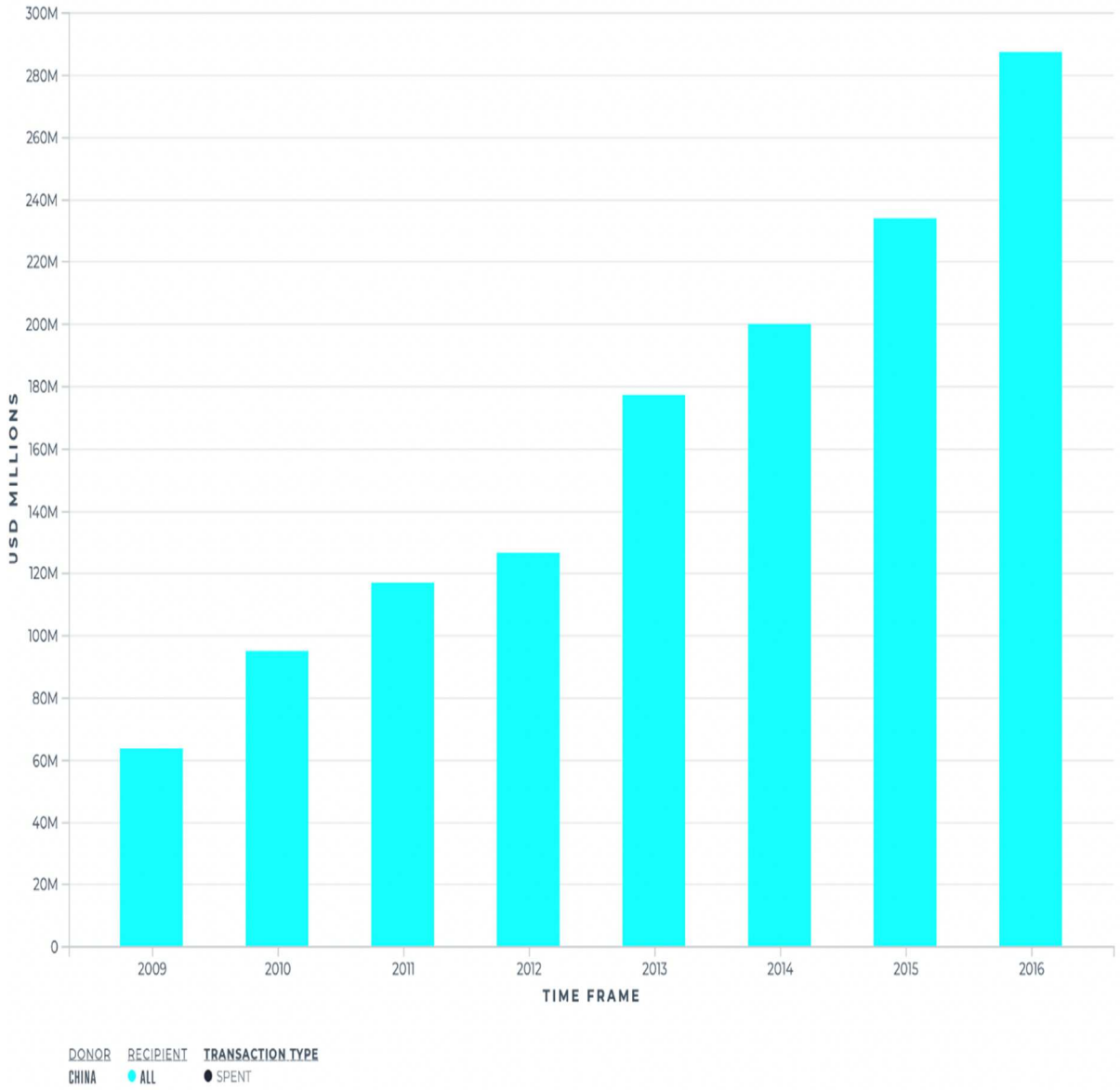
<sup>58</sup> Terence Wesley-Smith and Graeme Smith, "The Return of Great Power Competition". In *The China Alternative*, ed. Graeme Smith, Terence Wesley-Smith (ANU Press, 2021), 1.

<sup>59</sup> Denghua Zhang, "Domestic Political Reforms and China's Diplomacy in the Pacific: The Case of Foreign Aid". In *The China Alternative*, ed. Graeme Smith, Terence Wesley-Smith (ANU Press, 2021), 261.

engagement with Pacific states.<sup>60</sup> China's aid commitment and other financial assistance has grown significantly during the past two decades as its strategic objectives in the Pacific have evolved and it has aggressively sought to increase its influence in the region. According to data compiled by policy think-tank, the Lowy Institute, China provided a total of approximately US\$3 billion to Pacific states between 2006 and 2020. Figure 1 below shows the steady increase in China's aid to Pacific states from approximately US\$60 million in 2009 to more than US\$280 million by 2016 – a more than fourfold increase over seven years.

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<sup>60</sup> Zhang, "China's Diplomacy", 267.



ALL FIGURES IN CURRENT PRICE - US DOLLARS (UN)

LOWY INSTITUTE © 2018

Figure 1: China’s aid spending to Pacific Island Countries (2009-2016)

Source: Lowy Institute Pacific Aid Map data

There is a correlation between China's aid and its influence with Pacific states. In particular, China's more ambivalent stance on "moral" issues has allowed it to increase its influence in the Pacific at the expense of traditional Pacific powers, including New Zealand and Australia. For example, following the 2006 military coup in Fiji, New Zealand and Australia imposed sanctions on Fiji due to concerns over the subversion of democratic government and the rule of law. China responded by substantially increasing its assistance and financial support to Fiji.<sup>61</sup> As a result, Fiji has become one of China's main diplomatic, trade and aid partners in the Pacific. China's Vice-President at the time, Xi Jinping, visited Fiji in 2009 despite vocal opposition from New Zealand and Australia.<sup>62</sup>

China's aid and financial assistance to Pacific states is controversial. Chinese aid is largely focused on supporting infrastructure development and typically takes the form of concessional loans (i.e., loans on better terms than would otherwise be available, but that nonetheless require repayment).<sup>63</sup> This has incentivized Pacific states to accept such loans to gain access to the funds needed for development projects. But the effect over time has been that many Pacific states now find themselves heavily indebted to China.<sup>64</sup>

There is debate as to whether China's loans should be considered "aid".<sup>65</sup> New Zealand's aid program provides a useful contrast. Rather than offer concessional loans, which must be repaid, New Zealand's aid to Pacific states is in the form of grants, focused on sustainable development, human security, and resilience.<sup>66</sup> The graphs below

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<sup>61</sup> Zhang, "New Pacific Policies", 82.

<sup>62</sup> Zhang, "New Pacific Policies", 83.

<sup>63</sup> Ratuva, "Aid and Foreign Policy", 59.

<sup>64</sup> Ratuva, "Aid and Foreign Policy", 59.

<sup>65</sup> Ratuva, "Aid and Foreign Policy", 59.

<sup>66</sup> Ratuva, "Aid and Foreign Policy", 59.

are based on the Lowy Institute's interactive Pacific Aid Map. Figure 2 below compares aid in the form of grants that were spent and committed in the Pacific between 2009 and 2019 by Australia, China, New Zealand, and the United States. Figure 3 below then contrasts this with aid in the form of concessional loans spent and committed in the Pacific over the same period by the same four states.

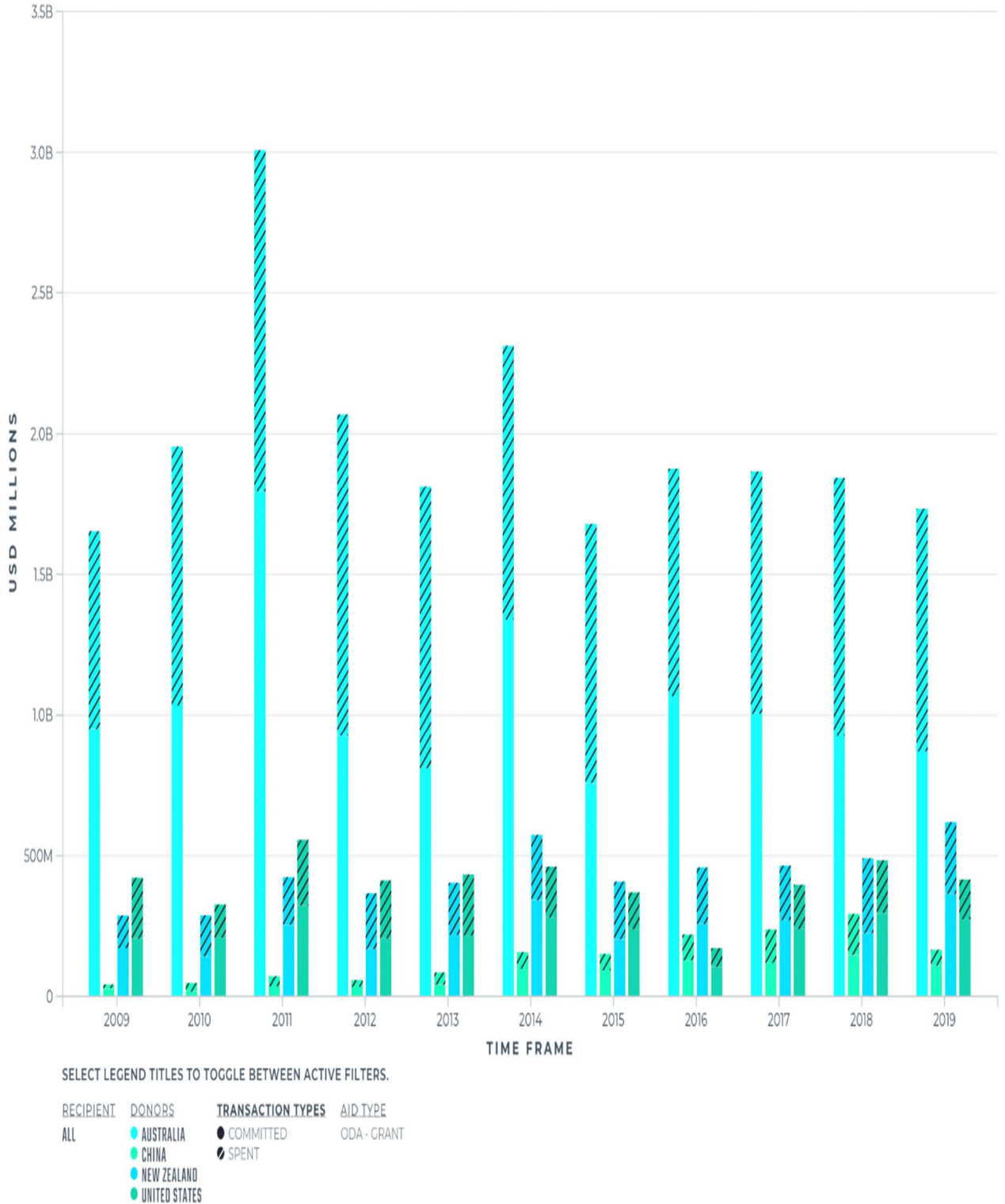


Figure 2: Aid in the form of grants spent and committed by Australia, China, New Zealand, and the United States (2009-2019)

Source: Lowy Institute Pacific Aid Map data



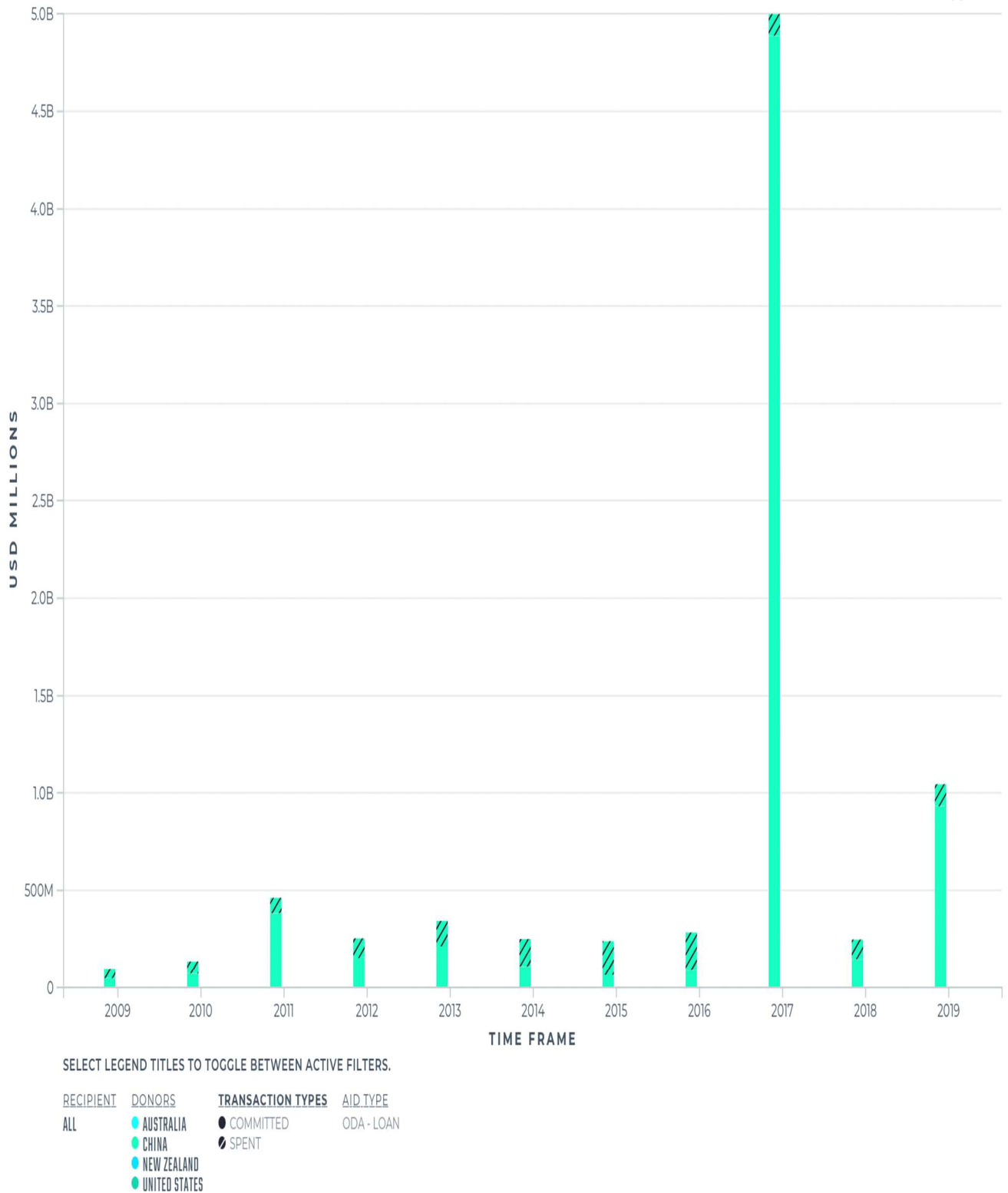


Figure 3: Aid in the form of concessional loans spent and committed by Australia, China, New Zealand, and the United States (2009-2019)  
 Source: Lowy Institute Pacific Aid Map data

These graphs underscore two points.

First, they provide a vivid illustration of the different approaches to foreign aid pursued by the United States, Australia, and New Zealand, on the one hand, and China, on the other. China is the only one of the four States providing aid in the form of concessional loans. The other three states provide their aid in the form of grants.

Second, more specifically from a New Zealand perspective, the sums provided by China dwarf the amounts that New Zealand is able to commit to the Pacific. This reveals the sheer magnitude of the task facing New Zealand in seeking to counteract the influence of China in the Pacific. It also underscores the importance for small- and medium-sized states like New Zealand to collaborate with other states to pursue their foreign policy interests. I return to these points later in this section.

The more immediate point is that the form and volume of China's increased financial assistance in the Pacific has resulted in a significant (and ever-increasing) debt burden for Pacific states.<sup>67</sup> China has through its financial assistance made substantial sums available for states such as the Cook Islands, Fiji, Samoa, Tonga, and Vanuatu to pursue projects. But the cost of accepting China's financial assistance for all five of these Pacific states has been to incur what have been characterized as "crippling levels of debt" to China.<sup>68</sup> It is not clear how Pacific states will be able to repay their debt.<sup>69</sup> In their 2019 article, *Ocean of Debt? Belt and Road and debt diplomacy in the Pacific*, Jonathan Pryke, Alexandre Dayant and Roland Rajah analyzed debt sustainability for Pacific

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<sup>67</sup> Ratuva, "Aid and Foreign Policy", 66.

<sup>68</sup> Anne-Marie Brady, "China in the Pacific: from 'friendship' to strategically placed ports and airfields", *Australian Strategic Policy Institute*, April 20, 2022. <https://www.aspistrategist.org.au/china-in-the-pacific-from-friendship-to-strategically-placed-ports-and-airfields/>

<sup>69</sup> Ratuva, "Aid and Foreign Policy", 66.

states.<sup>70</sup> They assessed debt levels of China’s existing debtors (Vanuatu, Tonga, Samoa, Papua New Guinea, Fiji and the Cook Islands) and potential new borrowers (Nauru, Kiribati, Palau, Solomon Islands, Tuvalu, Marshall Islands, Micronesia) by forecasting debt levels for those states as a percentage of their GDP if current bilateral lending by China in the Pacific continued at the same rate through to 2024.<sup>71</sup> This relied on an assumption that, for each of China’s existing debtors, China would maintain its 2018 lending levels (except for Papua New Guinea where the projection was based on the implementation of existing projects). For states that do not currently borrow from China, the authors assumed China would provide bilateral loans to the equivalent of 11.5 percent of GDP, which reflected the five-year pro-rata average of China’s bilateral lending to its existing Pacific borrowers.<sup>72</sup>

The results show the scale of the debt sustainability risk faced by Pacific states. That risk is most acute among China’s existing debtors. Indeed, four of those states – Vanuatu, Samoa, Tonga, and Fiji – were already at or around a 50 percent debt to GDP ratio in 2018 with further lending likely to push them well-beyond that threshold. The results of the analysis are captured in Figure 4 below.

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<sup>70</sup> Pryke, Jonathan, Alexandre Dayant and Roland Rajah. “Ocean of debt? Belt and Road and Debt Diplomacy in the Pacific”. The Lowy Institute, October 21, 2019.

<https://www.lowyinstitute.org/publications/ocean-debt-belt-and-road-and-debt-diplomacy-pacific>

<sup>71</sup> Pryke, “Ocean of Debt”.

<sup>72</sup> Pryke, “Ocean of Debt”.

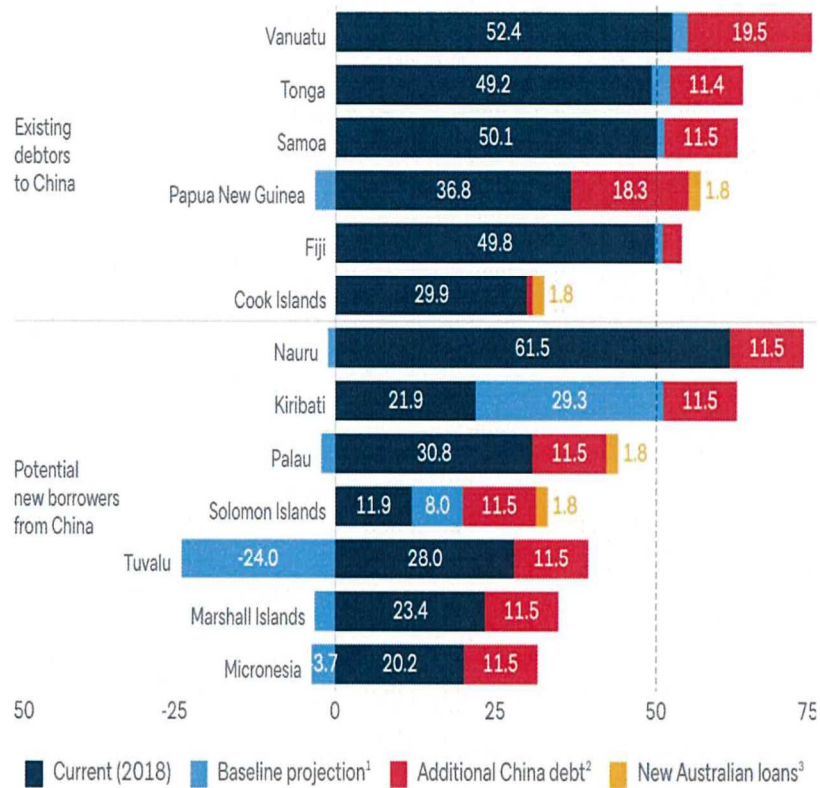


Figure 4: Pacific Debt levels as a percentage of GDP from 2018 projected through to 2024

Source: *Ocean of Debt? Belt and Road and debt diplomacy in the Pacific*, Jonathan Pryke, Alexandre Dayant, Roland Rajah, October 21 2019, Figure 8

This raises questions about what happens if Pacific states default on their loans. This is not an abstract concern. In 2018, Tonga’s loans to China were almost due. Tonga was unable to repay them.<sup>73</sup> Tonga’s then-Prime Minister, Akilisi Pohiva voiced concerns in August 2018 that China could seize assets and buildings in Tonga in the event of a

<sup>73</sup> Lucy Craymer, “China rejects accusations it is setting debt traps all around the Pacific”, *The Dominion Post*, February 21, 2022, <https://www.stuff.co.nz/national/china-and-nz/300508301/china-rejects-accusations-it-is-setting-debt-traps-all-around-the-pacific>.

default. Several days later, Prime Minister Pohiva suddenly changed the tenor of his comments and proclaimed that Tonga was grateful for China's assistance.<sup>74</sup> The obvious inference from that *volte face* is that China had given Tonga a reprieve on its repayment obligations. The question is at what cost?

According to the International Monetary Fund, Tonga will need to borrow even more to meet their loan repayments.<sup>75</sup> This has led to suggestions that China is engaging in "debt trap diplomacy". In other words, China is lending amounts to Pacific states that they can never hope to repay and in doing so increasing its (international) political leverage. The debt trap debate is a key component of the broader diplomatic concerns held by New Zealand and its traditional allies in the Pacific such as Australia and the United States about China's increasing influence in the region.<sup>76</sup> The nature and scale of China's concessional loans to Pacific states will increase its leverage with heavily-indebted Pacific states, regardless of whether that is in fact the ultimate objective that China has pursued in lending these sums to those states.

China's use of its economic muscle extends beyond these types of loans. The Belt and Road Initiative (BRI) is proving to be a significant factor in China's foreign aid in the Pacific, as it is elsewhere in the world. The BRI was launched in 2013 to strengthen China's economic leadership. In broad terms, the BRI comprises an extensive program of infrastructure building across China's traditional trade routes (and beyond).<sup>77</sup> It is arguably Chinese President Xi Jinping's most ambitious economic and foreign policy

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<sup>74</sup> Craymer, "debt traps".

<sup>75</sup> International Monetary Fund, "Tonga: Debt Sustainability Analysis", IMF Country Report No. 21/26, December 18, 2020. Retrieved from <https://www.imf.org>.

<sup>76</sup> Craymer, "debt traps".

<sup>77</sup> Peter Cai, "Understanding China's Belt and Road Initiative", *The Lowy Institute*, 22 March 2017, <https://www.loyyinstitute.org/publications/understanding-belt-and-road-initiative>.

project to date.<sup>78</sup> Many analysts view the BRI through a geopolitical lens as an attempt by China to gain political leverage over other states.<sup>79</sup> China foreign policy expert Professor Anne-Marie Brady describes the BRI as “a strategic, political and economic vehicle driving towards a China-centered global order”.<sup>80</sup>

All ten Pacific states that have diplomatic relations with China have signed up to the BRI in recent years. The BRI’s key focus is infrastructure development.<sup>81</sup> China has offered incentives to attract Pacific states’ participation in the BRI. For example, China signed an MOU on BRI cooperation with the Cook Islands in 2018, and then provided a grant of US\$6.8 million to the Cook Islands.<sup>82</sup> BRI is also contributing to China’s debt relief for Pacific states. Tonga has linked its participation in BRI to the debt relief that China offered it.<sup>83</sup> In the margins of APEC 2018, Tonga entered the BRI and in exchange received a five-year extension on its debt repayment to China.<sup>84</sup>

China has also used the pretext of BRI to repeatedly try to gain access to militarily significant airfields and ports in the Pacific during the past few years, including in Kiribati, Vanuatu and French Polynesia.<sup>85</sup> China has established military cooperation with Fiji, Papua New Guinea and Tonga, and provided support to Vanuatu and the

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<sup>78</sup> Peter Cai, “Understanding China’s Belt and Road Initiative”, 2017.

<sup>79</sup> Peter Cai, “Understanding China’s Belt and Road Initiative”, 2017.

<sup>80</sup> Anne-Marie Brady, “China in the Pacific: from ‘friendship’ to strategically placed ports and airfields”, Australian Strategic Policy Institute, April 20, 2022. <https://www.aspistrategist.org.au/china-in-the-pacific-from-friendship-to-strategically-placed-ports-and-airfields/>.

<sup>81</sup> Anne-Marie Brady, “China in the Pacific: from ‘friendship’ to strategically placed ports and airfields”, Australian Strategic Policy Institute, April 20, 2022. <https://www.aspistrategist.org.au/china-in-the-pacific-from-friendship-to-strategically-placed-ports-and-airfields/>.

<sup>82</sup> Zhang, “China’s Diplomacy”, 269.

<sup>83</sup> Zhang, “China’s Diplomacy”, 269.

<sup>84</sup> Zhang, “China’s Diplomacy”, 269.

<sup>85</sup> Anne-Marie Brady, “China in the Pacific: from ‘friendship’ to strategically placed ports and airfields”, Australian Strategic Policy Institute, April 20, 2022. <https://www.aspistrategist.org.au/china-in-the-pacific-from-friendship-to-strategically-placed-ports-and-airfields/>.

Solomon Islands.<sup>86</sup> This is frequently done in combination with humanitarian aid activities.<sup>87</sup> When it comes to aid transparency, China is “deliberately non-transparent”<sup>88</sup> and does not publish any disaggregated data on its military aid spending, so there is a paucity of reliable data on China’s military aid in the Pacific.<sup>89</sup> However, in terms of China’s overall military ambitions in the Pacific, many commentators believe that one of China’s main objectives over the medium-term is to establish a military base in the region.<sup>90</sup> China’s recent security agreement with the Solomon Islands may represent a first step in pursuing that objective.<sup>91</sup>

In terms of China’s trade relations with the Pacific region, two-way trade between China and the 14 Pacific states has increased significantly over the ten-year period from 2007-2017, compared to trade between those Pacific states and the US, Australia, and New Zealand.<sup>92</sup> As Figure 5 below illustrates, China overtook Australia as the Pacific region’s largest trading partner in 2015. China’s trade with Pacific states comprised US\$7,266 million in 2017 - an almost fivefold increase since 2007. China’s trade with the

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<sup>86</sup> Brady, “China in the Pacific”, 2022.

<sup>87</sup> Brady, “China in the Pacific”, 2022.

<sup>88</sup> Zhang, “China’s Diplomacy”, 267.

<sup>89</sup> Xiao Lang, “What Can We Learn from China’s Military Aid to the Pacific?” *Stockholm International Peace Research Institute*, June 20, 2022. <https://www.sipri.org/commentary/blog/2022/chinas-military-aid-pacific>.

<sup>90</sup> Anna Powles, “Leaked Security Agreement Reveals China Plans for Solomons”, interview on Radio New Zealand, March 25, 2022, audio 2.40. <https://www.rnz.co.nz/national/programmes/checkpoint/audio/2018835735/leaked-security-agreement-reveals-china-plans-for-solomons>.

<sup>91</sup> Anna Powles, “Leaked Security Agreement Reveals China Plans for Solomons”, interview on Radio New Zealand, March 25, 2022, audio 2.48. <https://www.rnz.co.nz/national/programmes/checkpoint/audio/2018835735/leaked-security-agreement-reveals-china-plans-for-solomons>.

<sup>92</sup> Denghua Zhang. “China in the Pacific and Traditional Powers’ New Pacific Policies: Concerns, Responses and Trends”. *Security Challenges*, 16(1). Institute for Regional Security, 2020. [https://regionalsecurity.org.au/security\\_challenge/china-in-the-pacific/](https://regionalsecurity.org.au/security_challenge/china-in-the-pacific/).

Pacific in 2017 was more than five times larger than US trade with the region, and ten times larger than New Zealand’s trade with Pacific states.

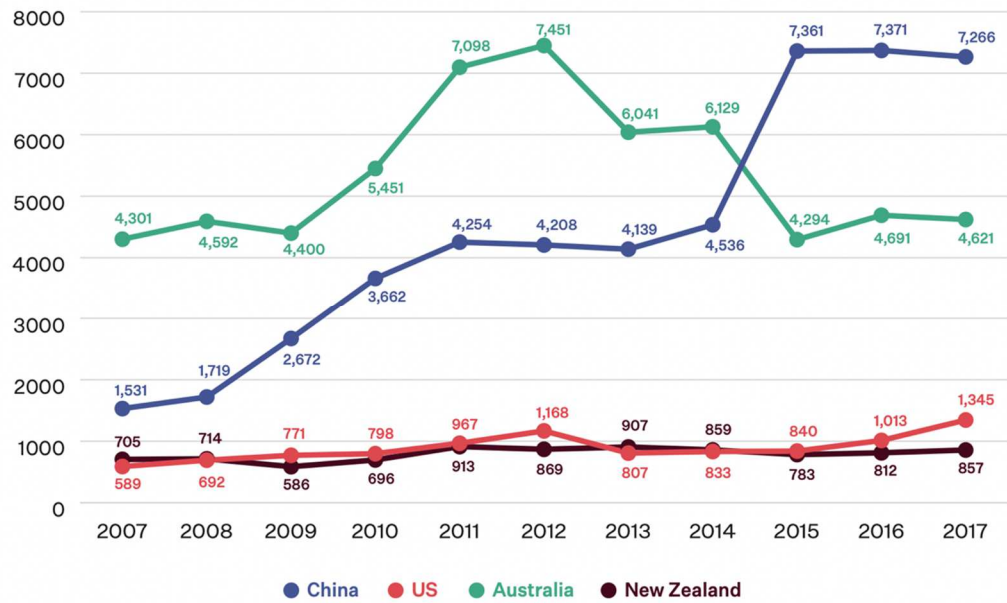


Figure 5: China/US/Australia/New Zealand two-way trade with Pacific States (USD million).

Source: Zhang, Denghua. “China in the Pacific and Traditional Powers’ New Pacific Policies: Concerns, Responses and Trends”. *Security Challenges*, 16(1). Institute for Regional Security, 2020. [https://regionalsecurity.org.au/security\\_challenge/china-in-the-pacific/](https://regionalsecurity.org.au/security_challenge/china-in-the-pacific/)

The trade imbalance between China and the Pacific region is skyrocketing in China’s favour.<sup>93</sup> As Figure 6 demonstrates, China has a large trade surplus with the 14 Pacific states. These countries export far less to China than they import from China. The imbalance has increased significantly in recent years. For example, in 2007, China had a trade surplus of US\$218 million with Pacific states, which peaked at US\$4,829 million in 2015. Although the imbalance then decreased to US\$1,877 million in 2017, it is still

<sup>93</sup> Zhang, “China in the Pacific”, 2020.



almost nine times the 2007 level. In contrast, two-way trade between Australia and the Pacific has been in the Pacific states favour. The US moved from trade deficit to surplus. New Zealand maintained a relatively stable trade surplus with the Pacific over the 2007-2017 period.

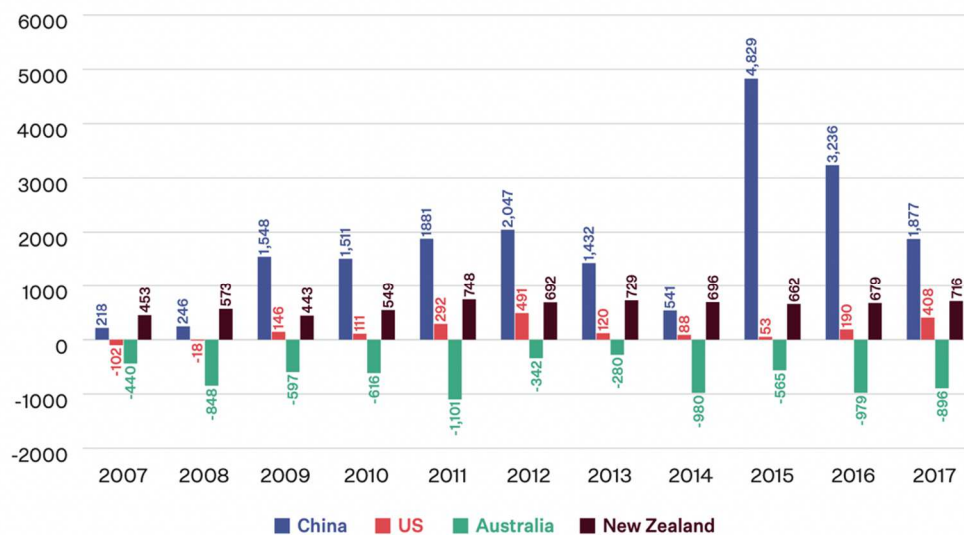


Figure 6: China/US/Australia/New Zealand trade balance with the Pacific States (USD million).

Source: Zhang, Denghua. "China in the Pacific and Traditional Powers' New Pacific Policies: Concerns, Responses and Trends". *Security Challenges*, 16(1). Institute for Regional Security, 2020. [https://regionalsecurity.org.au/security\\_challenge/china-in-the-pacific/](https://regionalsecurity.org.au/security_challenge/china-in-the-pacific/)

China's broader diplomatic engagement in the Pacific has also intensified in recent years. In November 2018, Chinese President Xi Jinping made his first official visit to Papua New Guinea for APEC. During that conference, President Xi Jinping met with the leaders of eight of the Pacific states who have diplomatic relations with China. The leaders agreed to elevate the relationship between China and those eight Pacific states to a 'comprehensive strategic partnership' of 'mutual respect' and 'common

development'.<sup>94</sup> While the exact meaning of the term 'comprehensive strategic partnership' is ambiguous, it suggests that China's diplomatic relations with Pacific states are strengthening.<sup>95</sup>

New Zealand's response to the rise of China in the Pacific and an increasingly contested strategic environment

China's increasing engagement in the Pacific raises difficult questions for New Zealand and its foreign policy in the region. It brings into focus the unresolved tension between New Zealand's own deepening economic dependence on China and its traditional support for values-based diplomacy, international law and international institutions, human rights, and democratic systems of government.

New Zealand's foreign policy objectives in recent times have included the pursuit of high-quality free-trade agreements around the world. One of New Zealand's most significant achievements has been its status as the first developed country in the world to enter into such an agreement with China in 2008.<sup>96</sup> Since the 2008 China-New Zealand FTA, trade between New Zealand and China has reportedly quadrupled.<sup>97</sup> China is New Zealand's largest trading partner and the second largest market for tourism to New Zealand.<sup>98</sup>

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<sup>94</sup> China Ministry of Foreign Affairs (MFA) 2018. China, Pacific Island Countries Lift Ties to Comprehensive Strategic Partnership. 16 November, <https://www.mfa.gov.cn/ce/ceus/eng/zgyw/t1615484.htm>.

<sup>95</sup> Zhang, "China's Diplomacy", 259.

<sup>96</sup> New Zealand Ministry of Foreign Affairs and Trade (MFAT), New Zealand-China FTA Overview, <https://www.mfat.govt.nz/en/trade/free-trade-agreements/free-trade-agreements-in-force/nz-china-free-trade-agreement/new-zealand-china-fta-overview/>.

<sup>97</sup> New Zealand Ministry of Foreign Affairs and Trade (MFAT), New Zealand-China FTA Overview.

<sup>98</sup> New Zealand Ministry of Foreign Affairs and Trade (MFAT), New Zealand-China FTA Overview.

But in the area of foreign policy, New Zealand has increasingly relied on and expressed its unequivocal support for the rules-based international order, including international human rights and democratic forms of government. China's growing power has seen it increasingly disrupt the international rules-based order and international institutions. On one view, those rules and institutions preserve a status quo that limits China's ability to pursue its foreign policy objectives. New Zealand's deepening economic ties with China carry some risks when seen in that context.

China's greater engagement in the Pacific therefore requires New Zealand to thread the needle. On the one hand, New Zealand wishes to consolidate the economic benefits it perceives may be available through ongoing trade with China and access to Chinese markets. On the other, China's more assertive presence in the Pacific and its very different approach to international rules and institutions, threatens stability in the Pacific and has potential serious and long-term consequences for New Zealand's national security.

The Pacific Reset marked a shift in the way New Zealand framed its foreign policy interests in the Pacific. In May 2018, Minister Peters explained the broader strategic reasons for the Pacific Reset in the following terms:

We are at a turning point where the importance of protecting our interests in the face of converging geo-political and trade challenges is ever greater, as global rules are under threat, and as geopolitical changes are calling into question the primacy of the system. Some countries are seeking to reshape global rules and institutions in ways that do not always support our interests or reflect our values, hence we must remain vigilant and prepared to assert our interests and values.<sup>99</sup>

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<sup>99</sup> Foreign Minister Winston Peters: "First Steps" pre-budget speech. 8 May 2018  
<https://www.beehive.govt.nz/speech/first-steps>

Minister Peters did not refer to China expressly in his speech. But, reading between the lines, concerns about China's influence and potential impact are pervasive. For example, Minister Peters' warning that "some countries are seeking to reshape global rules and institutions in ways that do not always support our interests or reflect our values" appears to be a clear reference to China. New Zealand's values include support for the rule of international law and international institutions, a commitment to human rights standards and democratic forms of government. China takes a different view on those issues.

The changing global order is one of the greatest foreign policy challenges facing New Zealand. As a small state, New Zealand needs to draw on all its resources to respond proactively to the changing international system, particularly in the Pacific. However, New Zealand has no serious prospect of counteracting China's economic leverage with Pacific states. New Zealand must therefore rely on other aspects of its relationship with those states to maintain its influence in the region. One of the difficult issues for New Zealand is the alliances it enters into to counteract China's influence. Here, too, the decision-making from a New Zealand perspective is not simple. The United States has become increasingly alarmed by China's ambitions in the Pacific, including its potential interest in establishing a military base in the region. As a result, the United States is re-engaging with the Pacific and seeking to reassert its traditional influence. There are good reasons for New Zealand to be cautious about the extent to which it looks to the United States to take the lead in the Pacific. Some involvement by the United States is clearly necessary to counteract China's economic advantage. But New Zealand is likely to seek to channel that involvement into multilateral partnerships and similar initiatives to

avoid the perception it is taking sides in a geopolitical contest for influence between the United States and China.

New Zealand is far from alone in having to chart a path between the United States and China. Indeed, Chung-in Moon and Sung-won Lee have characterized that same dilemma for South Korea as a “transcending diplomacy” approach, which requires South Korea to work with “other middle powers that face a similar dilemma”.<sup>100</sup>

According to Moon and Lee, middle powers should:

forge a new international consensus on norms, rules, and procedures to prevent US – China conflicts in geopolitics... They are all American allies and at the same time major economic partners with China. Their collective action is the only viable way to take China and the US out of their ‘game of chicken’ and to restore international order through multilateral cooperation.<sup>101</sup>

This accurately captures the approach that New Zealand will need to adopt to mitigate the big power geopolitical competition in the Pacific.

It is not part of New Zealand’s foreign policy interests to have a modern version of the Great Game play out between China and the United States in the Pacific. It is clear though that New Zealand must recognize the increasingly contested nature of the Pacific region and work out how it intends to respond. The Pacific Reset represented a policy shift towards proactively re-engaging with Pacific states in an attempt to retain some of New Zealand’s traditional influence before it has been eroded by China.

Diplomatic cables reporting on the Pacific Reset emphasize the increasingly contested environment in the Pacific as a major factor driving the policy shift. For

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<sup>100</sup> Chung-in Moon and Sung-won Lee, “South Korea’s Geopolitics: Challenges and Strategic Choices”, *Toda Peace Institute*, April 2022. Policy Brief No. 127, 7, [https://toda.org/assets/files/resources/policy-briefs/t-pb-127\\_south-korea-geopolitics.pdf](https://toda.org/assets/files/resources/policy-briefs/t-pb-127_south-korea-geopolitics.pdf).

<sup>101</sup> Chung-in Moon and Sung-won Lee, “South Korea’s Geopolitics: Challenges and Strategic Choices”, *Toda Peace Institute*, April 2022. Policy Brief No. 127, 7, [https://toda.org/assets/files/resources/policy-briefs/t-pb-127\\_south-korea-geopolitics.pdf](https://toda.org/assets/files/resources/policy-briefs/t-pb-127_south-korea-geopolitics.pdf).

example, on 20 March 2018 Government officials at the Ministry of Foreign Affairs and Trade in Wellington sent a restricted diplomatic cable to New Zealand's offshore diplomatic posts on the Pacific Reset. The cable noted that the Government recognizes that the Pacific region faces "a complex and growing array of challenges" and a "more contested strategic environment".<sup>102</sup> It further emphasizes that the influence of New Zealand and "likeminded" countries is "eroding" relative to the growing influence of "non-traditional actors".<sup>103</sup> "Likeminded" in this context refers to New Zealand's "traditional" allies, such as Australia, the United Kingdom, and the United States. "Non-traditional" or "external actor" in the context of the Pacific is primarily a reference to China.

The report's emphasis on mounting challenges in a more contested environment and New Zealand's waning influence, supports my overarching hypothesis that the Pacific Reset reflected the new Government's objective to proactively take steps to maintain influence in an increasingly contested region. Indeed, it is clear from statements made by senior government ministers about the Pacific Reset that the New Zealand Government was explicitly distinguishing its new policy position from its previous, more passive approach to the increasingly contested nature of the Pacific. China's growing influence in the Pacific had been clear for some time before 2018. But it would also have been clear that greater engagement in the Pacific in an effort to counteract China's growing influence also brought with it greater risk of conflict with China, New Zealand's largest trading partner. The Pacific Reset therefore was indeed a reset. The new Coalition

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<sup>102</sup> Ministry of Foreign Affairs and Trade (MFAT). Diplomatic reporting cable: "New Zealand's Pacific Reset", 20 March 2018, 12.57pm. Released under the Official Information Act.

<sup>103</sup> MFAT "New Zealand's Pacific Reset", 20 March 2018.

Government that entered into power in 2018 appears to have decided that the risk to New Zealand’s interests was simply too great to maintain a more ambivalent approach.

In his pre-budget speech to Parliament in May 2018, Minister Peters explained that one of the main objectives driving the Pacific Reset was to restore New Zealand’s “lost capacity” on overseas development assistance.<sup>104</sup> He noted that it was “shocking” that under the previous center-right National Party-led Government, New Zealand’s official development assistance budget had fallen from 0.30 percent (as a share of Gross National Income) to, what he characterized as, a “paltry” 0.23 percent.<sup>105</sup> This left New Zealand open to criticism “that we have abandoned our neighborhood”.

Minister Peters underscored that the previous government “weakened our hand in the Pacific” at the very moment that the region had become “a more crowded and contested strategic space”.<sup>106</sup> This was a major impetus for the significant increase in overseas development assistance under the Pacific Reset – specifically, additional spending of NZ\$714 million over the four-year budget cycle. This represents a 30 percent increase in overseas development funding.<sup>107</sup>

In 2018, the Office of the Minister of Foreign Affairs sent a cabinet paper to the National Security Committee seeking formal approval for the Pacific Reset. The paper notes that New Zealand’s ability to pursue its interests in the Pacific is challenged by “an increasingly contested strategic environment” that is “eroding” New Zealand’s influence in the region.<sup>108</sup>

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<sup>104</sup> Foreign Minister Winston Peters: “First Steps” pre-budget speech. 8 May 2018 <https://www.beehive.govt.nz/speech/first-steps>.

<sup>105</sup> Peters, “First Steps”, 8 May 2018.

<sup>106</sup> Peters, “First Steps”, 8 May 2018.

<sup>107</sup> Peters, “First Steps”, 8 May 2018.

<sup>108</sup> Office of the Minister of Foreign Affairs (2018). “New Zealand in the Pacific”. Foreign Minister Winston Peters, Paper to Cabinet National Security Committee.

The theme of “contest” was also central to Minister Peters’ pre-budget speech on the Pacific Reset on 8 May 2018. Minister Peters stated that the Pacific has become an “increasingly contested strategic space” and acknowledged that New Zealand’s “voice” in the region has been “weakened” during the past decade. Minister Peters cautioned that if New Zealand is “not there” then “some other influence will be”.<sup>109</sup> These official sources do not explicitly refer to China when discussing the “other”. But the inference that it is China that is in the forefront of officials’ thinking is a fair one to draw when considering what the “other influence” referred to by Minister Peters could be. It is China that has become significantly more assertive in the Pacific and intensified its engagement with Pacific states in recent years.<sup>110</sup>

On 20 March 2018, a more sensitive diplomatic cable was sent from Wellington to offshore posts.<sup>111</sup> It specified responding to the increasingly contested strategic environment, including China’s growing influence, as “an important element of the Pacific Reset”.<sup>112</sup> A significant amount of text regarding China has been redacted under section 6(a) of the Official Information Act 1992, which permits redactions “to avoid prejudicing the security or defense of New Zealand or the international relations of the New Zealand Government”. However, enough of the text remains to ascertain that China’s increasing presence in the Pacific is a major factor behind the Pacific Reset. The cable states that the fact the Pacific has become an increasingly contested strategic space

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<https://www.mfat.govt.nz/assets/Uploads/Redacted-Cabinet-Paper-for-web-publication-New-Zealand-in-the-Pacific-v2...pdf>

<sup>109</sup> Peters, “First Steps”, 8 May 2018.

<sup>110</sup> Simon Mark “New Zealand’s Public Diplomacy in the Pacific: a reset or more of the same?”, *Place Branding and Public Diplomacy* 18, 105–112 (2022). <https://doi.org/10.1057/s41254-020-00196-x>.

<sup>111</sup> Ministry of Foreign Affairs and Trade (MFAT). Diplomatic reporting cable: “New Zealand’s Pacific Reset: s6(a)”, 20 March 2018, 1.16pm. Released under the Official Information Act.

<sup>112</sup> MFAT, “New Zealand’s Pacific Reset s6(a)”, 20 March 2018.



is creating “a degree of strategic anxiety”.<sup>113</sup> It also stipulates that: “we are prepared to speak honestly with China where we have differences of opinion. We are also clear about the importance of the Pacific having partners that promote regional values of democracy, human rights, transparency and good governance”.<sup>114</sup> The cable further states that there are “positive and negative elements” of certain countries’ engagement in the Pacific.<sup>115</sup> China is the obvious example of a state that is actively increasing its influence in the Pacific and does not promote the “regional values” identified in the cable (i.e., democracy, human rights, transparency and good governance).

New Zealand’s “strategic anxiety” was not misplaced. The Solomon Islands’ increasingly close relationship with China since the switch of diplomatic recognition from Taiwan to China in 2019 remains highly controversial domestically and was met with strong opposition at the time. The decision, which is known as “The Switch”, highlighted China’s expanding influence with Pacific states in a region that has traditionally been dominated by New Zealand, Australia, and the United States.<sup>116</sup>

The potential implications of China’s expansion of its interests in the Pacific was brought home to New Zealand in March 2022 after draft security agreement between China and the Solomon Islands was leaked online. The agreement was signed the following month. Under its terms, China is able to deploy troops and naval ships to the

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<sup>113</sup> MFAT, “New Zealand’s Pacific Reset s6(a)”, 20 March 2018.

<sup>114</sup> MFAT, “New Zealand’s Pacific Reset s6(a)”, 20 March 2018.

<sup>115</sup> MFAT, “New Zealand’s Pacific Reset s6(a)”, 20 March 2018.

<sup>116</sup> Dan McGarry, “China-Taiwan: Solomon Islands’ Switch and a new normal”, *The Lowy Institute*, 19 September, 2019. <https://www.loyyinstitute.org/the-interpretor/solomon-island-s-switch-and-new-normal>.

Solomon Islands.<sup>117</sup> The China-Solomon Islands security agreement has significant security implications for the entire Pacific region.<sup>118</sup>

The security agreement's terms are vague, and it is unclear to what extent it grants China strategic access to the Solomon Islands, including for its military.<sup>119</sup> For example, the agreement enables Chinese military and intelligence operations. It also provides for China to become involved in "maintaining civic order" in the Solomon Islands through the deployment of "armed police, military personnel and other law enforcement and armed forces".<sup>120</sup>

The ambitious scope of the agreement is further evidence of China's strategic intent in the region.<sup>121</sup> The Solomon Islands' ability to assert its sovereignty, and control any Chinese involvement on its territory, would supposedly be protected by requirements that the Solomon Islands "consent" to Chinese naval visits. But this type of trigger is ambiguous. The agreement's statement that the Solomon Islands and China is each entitled to act "according to its own needs" underscores concern about the latitude that the agreement gives China to expand its military power and sphere of influence into the Pacific.<sup>122</sup>

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<sup>117</sup> Anna Powles, "Leaked Security Agreement Reveals China Plans for Solomons", interview on Radio New Zealand, March 25, 2022, audio 2.50. <https://www.rnz.co.nz/national/programmes/checkpoint/audio/2018835735/leaked-security-agreement-reveals-china-plans-for-solomons>.

<sup>118</sup> Powles, "Leaked Security Agreement", Radio New Zealand interview, March 25, 2022.

<sup>119</sup> Powles, "Leaked Security Agreement", Radio New Zealand interview, March 25, 2022.

<sup>120</sup> Powles, "Leaked Security Agreement", Radio New Zealand interview, March 25, 2022.

<sup>121</sup> Mihai Sora, "A Security Agreement between China and the Solomon Islands Could Impact Stability in the Whole Pacific", *The Guardian*, March 25, 2022, <https://www.theguardian.com/world/2022/mar/26/a-security-agreement-between-china-and-solomon-islands-could-impact-stability-in-the-whole-pacific>.

<sup>122</sup> Patricia O'Brien, "The China-Solomon Islands Security Deal Changes Everything", *The Diplomat*, April 5 2022, <https://thediplomat.com/2022/04/the-china-solomon-islands-security-deal-changes-everything>.

The potential for China to advance its strategic objectives through a military presence in the Pacific has caused alarm throughout the region. China's interest in overseas military bases is well-known.<sup>123</sup> China's agreement with the Solomon Islands follows China's previous military overtures to Vanuatu in 2018 and Papua New Guinea in 2020, as well as evolving Chinese military activities at the Hambantota Port in Sri Lanka, Gwadar Port in Pakistan, and the Ream Naval Base in Cambodia.<sup>124</sup>

Whether China will seek to establish a military base in the Solomon Islands remains to be seen. Solomon Islands' Prime Minister Sogavare has moved to quell such concerns by insisting that China does not intend to build a military base in the Solomon Islands.<sup>125</sup> But Sogavare's assertion is unconvincing: while it is unlikely that China would take such a provocative step in the short term, the agreement represents an initial step towards such an objective.<sup>126</sup>

The security agreement between the Solomon Islands and China is precisely the type of initiative that the Pacific Reset was introduced to avoid. China's increased security presence in the Pacific escalates the geopolitical competition in the region significantly. New Zealand and its allies can no longer assume that they will be the only security partners for Pacific states. Commentators have observed that the zero-sum nature of great power rivalry in the region does not sufficiently address the development needs of individual Pacific countries and can undermine their stability and security.<sup>127</sup> This is

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<sup>123</sup> O'Brien, "Security Deal Changes Everything", April 5 2022.

<sup>124</sup> O'Brien, "Security Deal Changes Everything", April 5 2022.

<sup>125</sup> O'Brien, "Security Deal Changes Everything", April 5 2022.

<sup>126</sup> O'Brien, "Security Deal Changes Everything", April 5 2022.

<sup>127</sup> Mihai Sora, "A Security Agreement between China and the Solomon Islands Could Impact Stability in the Whole Pacific", *The Guardian*, March 25, 2022, <https://www.theguardian.com/world/2022/mar/26/a-security-agreement-between-china-and-solomon-islands-could-impact-stability-in-the-whole-pacific>.

particularly true of countries with ongoing internal conflict, such as the Solomon Islands.<sup>128</sup>

New Zealand's former Minister of Foreign Affairs, Winston Peters, who launched the Pacific Reset in 2018, also appeared to tacitly acknowledge that the Pacific Reset had been intended to prevent China's influence in the region growing to a point where it could establish a military base. After the agreement was leaked, Peters accused New Zealand, Australia, the United States, and the United Kingdom of neglecting the Pacific region for decades. Peters suggested that the Pacific Reset, which was one of his main foreign policy initiatives during his time as minister, went a long way to intensifying engagement with the region but the Government had not kept up the focus required on its implementation.

New Zealand, Australia, and the United States have all strongly condemned the security agreement. The potential militarization of the Pacific is a major concern for New Zealand. The New Zealand Defense Force has highlighted that the "most threatening" developments in the Pacific would include construction of military bases by a country "not aligned" with New Zealand.<sup>129</sup> Indeed the establishment of military installations in the Pacific region could substantially change the balance of power in the region. Ultimately, it could cut off Pacific states, New Zealand and Australia from the United States and other partners, thereby potentially transforming the region into "a China-dominated vassal zone".<sup>130</sup> Since any military threat to New Zealand is likely to

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<sup>128</sup> Mihai Sora, "A Security Agreement between China and the Solomon Islands Could Impact Stability in the Whole Pacific", *The Guardian*, March 25, 2022, <https://www.theguardian.com/world/2022/mar/26/a-security-agreement-between-china-and-solomon-islands-could-impact-stability-in-the-whole-pacific>.

<sup>129</sup> New Zealand Ministry of Defense, Defense Assessment December 2021, 23: <https://www.defence.govt.nz>.

<sup>130</sup> Anne-Marie Brady, "China in the Pacific: from 'friendship' to strategically placed ports and airfields", *Australian Strategic Policy Institute*, April 20, 2022.

come from, or through, the Pacific region,<sup>131</sup> a hostile nation that controlled parts of the Pacific could cut off New Zealand's shipping and communications.

New Zealand's Prime Minister Jacinda Ardern described the agreement as "gravely concerning" and acknowledged that it represented the "potential militarization of the region".<sup>132</sup> Prime Minister Ardern noted that there was little reason in terms of Pacific security to reach beyond the region for new security arrangements. New Zealand and Australia are both long-standing security partners and maintain active police and defense force presence in the Solomon Islands. During the recent unrest in Honiara in November 2021, both New Zealand and Australia sent personnel and ships to support stability. Both countries have announced they are extending their peacekeeping mission in the Solomon Islands. New Zealand's current Foreign Minister, Nanaia Mahuta, similarly observed that the agreement could "destabilize" the current institutions and arrangements that have underpinned regional security in the Pacific. Minister Mahuta noted that "This would not benefit New Zealand or our Pacific neighbors".<sup>133</sup>

Australia has also strongly condemned the agreement, reflecting its concern about the security implications of an increased Chinese presence in the Pacific. Former Prime Minister Scott Morrison noted that it was of "great concern" to Australia. He emphasized that Australia and New Zealand are part of the "Pacific family" and have a long history of

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<https://www.aspistrategist.org.au/china-in-the-pacific-from-friendship-to-strategically-placed-ports-and-airfields/>.

<sup>131</sup> Ministry of Defense, Defense Assessment 2021, 11.

<sup>132</sup> Radio New Zealand, "PM says Solomon Islands Developing Relationship with China is 'gravely concerning'", March 28 2022. <https://www.rnz.co.nz/news/political/464109/pm-says-solomon-islands-developing-relationship-with-china-gravely-concerning>.

<sup>133</sup> Radio New Zealand, "China-Solomons Security Deal 'very concerning' – Mahuta", March 25 2022. <https://www.rnz.co.nz/news/political/463997/china-solomons-security-deal-very-concerning-if-true-mahuta>.

providing security support to Pacific countries and responding to regional crises.<sup>134</sup> Prime Minister Morrison reportedly also urged the leaders of Fiji and Papua New Guinea to help persuade the Solomon Islands not to proceed with the agreement with China.<sup>135</sup>

Australia's Department of Foreign Affairs and Trade issued a statement noting serious concern at any actions that "destabilize the security of our region". And further noting that "members of the Pacific family" are best placed to respond to situations affecting Pacific regional security.<sup>136</sup> Australia's former Defense Minister, Peter Dutton, stated that any move to establish a Chinese military base in the Solomon Islands would be a major concern. According to Minister Dutton, "We want peace and stability in the region. We don't want unsettling influences and we don't want pressure and coercion that we are seeing from China".<sup>137</sup>

The United States has taken a similar line its comments on the agreement. United States State Department officials are reported as saying "we do not believe China's security forces and their methods need to be exported. This would only fuel local, regional and international concerns over Beijing's unilateral expansion of its internal security apparatus to the Pacific".<sup>138</sup> Charles Edel, inaugural Australia Chair and Senior

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<sup>134</sup> Michael Miller, "Solomon Islands Close to Security Deal with China, Alarming Neighbors", *The Washington Post*, March 29 2022, <https://www.washingtonpost.com/world/2022/03/29/solomon-islands-china-security-deal-manasseh-sogavare/>.

<sup>135</sup> Miller, "Solomon Islands Close to Security Deal with China", , March 29 2022.

<sup>136</sup> Australian Department of Foreign Affairs and Trade (DFAT), Statement on Solomon Islands, 25 March 2022, <https://ministers.dfat.gov.au/minister/zed-seselja/media-release/statement-solomon-islands>.

<sup>137</sup> Lucy Craymer, "Solomons confirms security talks with China; Australia and NZ concerned". *Reuters*. March 26, 2022. <https://www.reuters.com/world/asia-pacific/australian-defence-minister-says-china-base-solomons-would-be-concerning-2022-03-25/>

<sup>138</sup> Michael Miller, "Solomon Islands Close to Security Deal with China, Alarming Neighbors", *The Washington Post*, March 29 2022, <https://www.washingtonpost.com/world/2022/03/29/solomon-islands-china-security-deal-manasseh-sogavare/>.

Advisor at the Center for Strategic and International studies, described the agreement as “deeply problematic” for the United States and a “real cause for concern for our allies and partners”.<sup>139</sup> Edel added that the establishment of a base in the Solomon Islands by a “strategic adversary” would “significantly degrade” Australia and New Zealand’s security and increase both local corruption and the risk of resource exploitation.<sup>140</sup>

Kurt Campbell, Indo-Pacific coordinator of the United States’ National Security Council, led a delegation to Honiara in April shortly after the agreement was signed. According to a statement from the White House, the United States delegation met with Prime Minister Sogavare to raise concerns about the “potential regional security implications” of the agreement.<sup>141</sup> Campbell urged the Solomon Islands not to permit a Chinese military base in the country and warned that the United States would “respond accordingly” if steps were taken to facilitate a Chinese military base. The United States’ administration has also undertaken to provide more medical aid to the Solomon Islands and to expedite the re-establishment of a United States Embassy in Honiara. This development follows United States Secretary of State Antony Blinken’s announcement in February 2022 that the United States would soon re-open an Embassy in the Solomon Islands, after the previous United States Embassy had been closed in the 1990s. Secretary Blinken’s announcement took place during a visit to Fiji that was heavily focused on regional competition with China. United States officials have previously referred to the Solomon Islands as a “grave example” of China’s approach in the region,

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<sup>139</sup> Damien Cave, “Secret Security Pact, Raising Alarm in the Pacific”, *The New York Times*, March 25 2022, <https://www.nytimes.com/2022/03/24/world/asia/china-solomon-islands-security-pact.html>.

<sup>140</sup> Damien Cave, “Secret Security Pact, Raising Alarm in the Pacific”, *The New York Times*, March 25 2022, <https://www.nytimes.com/2022/03/24/world/asia/china-solomon-islands-security-pact.html>.

<sup>141</sup> The White House, Statement of Senior Administration Visit to the Solomon Islands, April 22 2022, <https://www.whitehouse.gov/briefing-room/statements-releases/2022/04/22/readout-of-senior-administration-travel-to-hawaii-fiji-papua-new-guinea-and-solomon-islands/>.

which (they suggest) is intended to open the door for Chinese access to strategic resources in the Pacific, as well as identify locations for a range of potential civilian and military uses, including satellite communications.<sup>142</sup>

Aligning with ‘likeminded’ countries to respond to increased regional competition

It is clear from examining the relevant primary sources that a major driver for the Pacific Reset is increased strategic competition in the region. The official advice to the Cabinet National Security Committee from the Minister of Foreign Affairs proposing the Pacific Reset suggested, as one response to this competition, the need to “shore up values” with “likeminded partners” in order to maintain New Zealand’s relative influence in the region.<sup>143</sup>

Australia is New Zealand’s closest ally in the Pacific and has “broadly shared interests and objectives across the region”.<sup>144</sup> The advice from officials makes it clear that fostering close cooperation in the Pacific between New Zealand and Australia is a clear priority for New Zealand. In that context, the advice emphasizes the need to stay “closely connected” with Australia so that respective efforts continue to facilitate “complimentary ends”.<sup>145</sup> Although the other “like-minded” countries are not identified in the advice, they

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<sup>142</sup> Damien Cave, “Secret Security Pact, Raising Alarm in the Pacific”, *The New York Times*, March 25 2022, <https://www.nytimes.com/2022/03/24/world/asia/china-solomon-islands-security-pact.html>.

<sup>143</sup> Office of the Minister of Foreign Affairs (2018). “New Zealand in the Pacific”. Foreign Minister Winston Peters, Paper to Cabinet National Security Committee. <https://www.mfat.govt.nz/assets/Uploads/Redacted-Cabinet-Paper-for-web-publication-New-Zealand-in-the-Pacific-v2...pdf>.

<sup>144</sup> Office of the Minister of Foreign Affairs (2018). “New Zealand in the Pacific”. Foreign Minister Winston Peters, Paper to Cabinet National Security Committee.

<sup>145</sup> Office of the Minister of Foreign Affairs (2018). “New Zealand in the Pacific”. Foreign Minister Winston Peters, Paper to Cabinet National Security Committee. <https://www.mfat.govt.nz/assets/Uploads/Redacted-Cabinet-Paper-for-web-publication-New-Zealand-in-the-Pacific-v2...pdf>.



are likely to include United States and the United Kingdom as “traditional” powers and allies of New Zealand. The official advice notes that the relative decline in influence of “some of our likeminded partners” is “detrimental” to the cause of promoting New Zealand values in the Pacific.<sup>146</sup>

The official advice recommends “refocusing” on New Zealand’s response to increased strategic competition in the region, including by cooperating closely with Australia. And it further recommends seeking to “bolster the influence” of like-minded partners in the Pacific.<sup>147</sup> The importance of New Zealand aligning with other like-minded countries on Pacific strategy was underscored by Minister Peters in his pre-budget speech on 8 May 2018 where he explained the rationale for the Pacific Reset in the following terms:

New Zealand can play a significant role in the Pacific. But its challenges are mounting, and we alone cannot address them all. We want our like-minded partners to focus more on the Pacific, a message the government has delivered in Australia, around the Pacific, in Tokyo...and in London. That message is part of a strategy to gain greater comparative strength from pooling energies and resources with partners who uphold the values of transparency, good governance, and democracy.<sup>148</sup>

This statement provides useful insight into New Zealand’s foreign policy approach. It recognizes the fundamental importance of alliances with other states for the effectiveness of any foreign policy efforts, including the Pacific Reset. It shows that New Zealand is also focusing on reaching out to more powerful states with a strategic interest in the Pacific such as Australia, Japan, and the United Kingdom. It also highlights

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<sup>146</sup> Office of the Minister of Foreign Affairs (2018). “New Zealand in the Pacific”. Foreign Minister Winston Peters, Paper to Cabinet National Security Committee.

<sup>147</sup> Office of the Minister of Foreign Affairs (2018). “New Zealand in the Pacific”. Foreign Minister Winston Peters, Paper to Cabinet National Security Committee.

<sup>148</sup> Foreign Minister Winston Peters: “First Steps” pre-budget speech. 8 May 2018 <https://www.beehive.govt.nz/speech/first-steps>.

that what Minister Peters was envisaging here is collective effort rather than simply asking a greater power like the United States to intervene. Finally, perhaps the most interesting part of the statement are the criteria that Minister Peters uses to identify “like-minded partners”. They are, according to Minister Peters, states “who uphold the values of transparency, good governance and democracy”.

There are two points that can be drawn from this.

First, New Zealand is adopting an overtly values-based approach to diplomacy.

Second, New Zealand’s approach as described by Minister Peters in this statement is a paradigm example of a small state seeking to join together with other like-minded states to counter strategic competition from a better resources and more powerful external actor; here, China.

International commentary supports the indications in the official documents that New Zealand has actively been consolidating alliances with like-minded states in the Pacific to maintain influence in the face of China’s increasing presence. For example, British High Commissioner to New Zealand, Laura Clarke, stated in the context of the United Kingdom’s Pacific Uplift policy shift that:

The increasing assertiveness and influence of China, particularly in the Pacific region, is the biggest strategic issue of this next decade...we need to be clear-eyed about the challenges; what our interests are; where China’s ambitions or actions run counter to our interests or our values...New Zealand and Australia were asking us to be more engaged.<sup>149</sup>

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<sup>149</sup> Lucy Craymer, “Pawns of the Pacific: Region becoming increasingly caught up by US-China geopolitical struggle”, *The Dominion Post*, February 20 2022, <https://www.stuff.co.nz/national/china-and-nz/300504115/pawns-of-the-pacific-region-becoming-increasingly-caught-up-by-uschina-geopolitical-struggle>

The United States is also increasing engagement in the Pacific region under the Pacific Pledge. The Deputy Chief of Mission at the US Embassy in New Zealand, Kevin Covert, explained: “It’s not only about our concern about China’s increasing aggression or assertiveness in the region...we have recognized the reality and started to really invest in the reality that we are a Pacific nation”.<sup>150</sup>

In announcing the Pacific Reset strategy, Minister Peters said the New Zealand Government showed where it stood and gave a signal to the world that they needed to address the “new ball game” in the Pacific. According to Minister Peters:

New Zealand and Australia made it very clear to the Americans, the British, the French and the European Union, that it was a new ball game that had to be addressed in the Pacific and the sooner they stepped up on that, the better, because we were going to do that and try to persuade them. So, I'm very glad to see that they have all rediscovered the Pacific because for far too long they had not.<sup>151</sup>

China’s growing influence in the Pacific region has caused major concern about China’s intentions. As a result, traditional powers such as New Zealand, Australia and the United States have embarked on initiatives to contain China’s influence and shore up their own influence. The unavoidable realization though is that the Pacific is an increasingly contested space.

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<sup>150</sup> Lucy Craymer, “Pawns of the Pacific: Region becoming increasingly caught up by US-China geopolitical struggle”, *The Dominion Post*, February 20 2022, <https://www.stuff.co.nz/national/china-and-nz/300504115/pawns-of-the-pacific-region-becoming-increasingly-caught-up-by-uschina-geopolitical-struggle>.

<sup>151</sup> Radio New Zealand, “Peters Says World Needs to Address the New Ball Game in the Pacific”, *Radio New Zealand*, July 31 2018 <https://www.rnz.co.nz/international/pacific-news/363062/peters-says-world-needs-to-address-new-ball-game-in-the-pacific>.

3. Securing New Zealand’s national and regional security interests from threats by non-State actors

The Pacific Reset policy shift was also justified as a means to safeguard New Zealand’s national and regional interests from threats by non-State actors and processes. My focus on the “non-State” actor dimension to the policy logic underlying Pacific Reset recognizes that the potential for *State* actors to pose a national security threat from New Zealand’s perspective is already addressed as part of the discussion above on the increasingly contested nature of the Pacific. However, throughout the relevant Cabinet papers, ministerial speeches and restricted diplomatic cables, there is a consistent theme that part of the logic of the Pacific Reset is to protect national security by ensuring regional stability. The official advice to Cabinet in the paper proposing the Pacific Reset characterizes national security as a “primary driver” for New Zealand’s increased engagement in the region.<sup>152</sup> This encompasses both security risks in the form of other State actors, as well as risks posed by non-State causes such as transnational organized crime and unlawful maritime activity in the Pacific.

The link between the Pacific and New Zealand’s national security interests is clear. The Pacific is New Zealand’s immediate neighborhood. Pacific states act as a “shield” for New Zealand.<sup>153</sup> The close connections between New Zealand and Pacific states mean that any instability in the region directly impacts New Zealand.<sup>154</sup>

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<sup>152</sup> Office of the Minister of Foreign Affairs (2018). “New Zealand in the Pacific”. Foreign Minister Winston Peters, Paper to Cabinet National Security Committee. <https://www.mfat.govt.nz/assets/Uploads/Redacted-Cabinet-Paper-for-web-publication-New-Zealand-in-the-Pacific-v2...pdf>.

<sup>153</sup> Anne-Marie Brady, *Small States and the Changing Global Order: New Zealand Faces the Future*. (New York: Springer International Publishing AG, 2019), 7.

<sup>154</sup> Office of the Minister of Foreign Affairs (2018). “New Zealand in the Pacific”. Foreign Minister Winston Peters, Paper to Cabinet National Security Committee.

By increasing development support for the Pacific states under the Pacific Reset, New Zealand is better able to safeguard its own security interests. This is due to the cross-border nature of contemporary security challenges, including: transnational crime; maritime security, and the need to participate in regional peacekeeping missions.<sup>155</sup>

Minister Peters' 2018 speech launching the Pacific Reset called for a coordinated response to trans-boundary security challenges in the Pacific. The fundamental importance of tackling regional security issues under the Pacific Reset was reiterated by Minister Peters in his pre-budget speech two months later in May 2018. Minister Peters noted that the Pacific is "showing signs of strain" at the very time when "regional stability has never been more critical to maintaining New Zealand's security and prosperity". As a result, the foreign affairs budget for the region was increased under the Pacific Reset to enable New Zealand to "beef up diplomatic engagement" on regional security issues in the Pacific.<sup>156</sup> The diplomatic reporting cables also underscore that security in the Pacific is in New Zealand's "fundamental interests".<sup>157</sup> Examples of the types of regional security challenges from non-State causes are transnational organized crime and maritime security issues.

Transnational organized crime is a "complex disruptor" for New Zealand's regional security interests.<sup>158</sup> Transnational criminal organizations continue to proliferate and cause instability in the Pacific region. Pacific states are facing increasing transnational crime, but do not have the capacity to deal with this type of challenge. For

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<sup>155</sup> Office of the Minister of Foreign Affairs (2018). "New Zealand in the Pacific". Foreign Minister Winston Peters, Paper to Cabinet National Security Committee.

<sup>156</sup> Foreign Minister Winston Peters: "First Steps" pre-budget speech. 8 May 2018 <https://www.beehive.govt.nz/speech/first-steps>.

<sup>157</sup> Ministry of Foreign Affairs and Trade (MFAT). Diplomatic reporting cable: "New Zealand's Pacific Reset", 20 March 2018, 12.57pm. Released under the Official Information Act.

<sup>158</sup> Ministry of Defense, Strategic Defense Policy Statement 2018, 18.

example, the transit of illegal narcotics through the Pacific is an increasingly destabilizing issue in the region.

The Pacific Reset recognizes the increasing challenges facing the Pacific region and the “requirement” that New Zealand “enhance” its contribution.<sup>159</sup> New Zealand agencies are intensively engaged in the Pacific. This is because a lack of security and the resulting instability in the Pacific has direct repercussions for New Zealand’s security. Efforts by New Zealand agencies to counter transnational organized crime offshore, including with New Zealand Defense Force assets, could save significant police and corrections expenditure onshore, where community harm from narcotics, illegal arms and other dangerous commodities can multiply.

Maritime security is also fundamental to New Zealand’s national security. New Zealand has an extensive maritime area. Challenges in this domain are intensifying in the Pacific region. Pacific states must confront maritime security challenges, such as illegal fishing. But they often do not have sufficient resources to address them properly. Increasing resource competition will continue to challenge the capacity of New Zealand and the Pacific states. The New Zealand Defense Force assists Pacific states to monitor and respond to activity in the maritime domains, including maritime surveillance and countering illegal activities.<sup>160</sup> The New Zealand Navy provides monitoring, control and surveillance support that helps Pacific states protect their fisheries from illegal fishing.<sup>161</sup> For example, shortly after the Pacific Reset was announced, in 2018, New Zealand

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<sup>159</sup> Ministry of Defense, Strategic Defense Policy Statement 2018, 31.

<sup>160</sup> Ministry of Defense, Strategic Defense Policy Statement 2018, 31.

<sup>161</sup> Ministry of Foreign Affairs and Trade, Regional Security, <https://www.mfat.govt.nz/en/peace-rights-and-security/international-security/regional-security/>

partnered with Fiji to support its program of maritime surveillance and security.<sup>162</sup>

New Zealand did this by deploying a naval Inshore Patrol Vessel to Fiji to support maritime and fisheries surveillance, and an offshore Patrol Vessel to conduct complementary patrols in Fiji's wider Exclusive Economic Zone.<sup>163</sup>

In announcing the maritime cooperation with Fiji in March 2018, Minister Peters noted that:

We share a deep and abiding interest in supporting the region's maritime security and ensuring that the Pacific's natural resources are protected for future generations. ...both our countries place enormous importance on the security and protection of our maritime environment. The New Zealand Government recently committed to a 'reset' of our relationship with our Pacific neighbors and cooperation with Fiji on maritime surveillance is a clear demonstration of our willingness to work with Pacific countries in areas of mutual benefit.<sup>164</sup>

New Zealand's renewed focus on this aspect of its foreign policy and the role it plays in combating international organized crime can be seen in the New Zealand Parliament's recent enactment of the Maritime Powers Act 2022, which came into force on 21 May 2022.<sup>165</sup> The Act gives a range of law enforcement officials from New Zealand powers to stop, search and seize vessels outside of New Zealand's territorial sea, including on the high seas, provided the relevant officials have been authorized to take law enforcement steps following consent from the coastal state (i.e., if they are operating in the territorial sea of another state) or the flag state of any ship that is

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<sup>162</sup> Minister Peters, "New Zealand and Fiji to Cooperate on Maritime Surveillance" March 20, 2018, official press release, <https://www.beehive.govt.nz/release/nz-and-fiji-cooperate-maritime-surveillance>.

<sup>163</sup> Minister Peters, "New Zealand and Fiji to Cooperate on Maritime Surveillance" March 20, 2018, official press release, <https://www.beehive.govt.nz/release/nz-and-fiji-cooperate-maritime-surveillance>.

<sup>164</sup> Minister Peters, "New Zealand and Fiji to Cooperate on Maritime Surveillance" March 20, 2018, official press release, <https://www.beehive.govt.nz/release/nz-and-fiji-cooperate-maritime-surveillance>.

<sup>165</sup> Maritime Powers Act 2022, New Zealand legislation: <https://www.legislation.govt.nz/act/public/2022/0023/latest/whole.html>.

stopped and searched (if they are operating outside the territorial sea).<sup>166</sup> The conferral of these powers demonstrates the increased focus of lawmakers in New Zealand on ensuring New Zealand's law enforcement agencies have the tools they need to collaborate effectively with other states in the Pacific in respect of regional criminal activity. The Explanatory Note to the Maritime Powers Bill expressly identified transnational organized crime as one of the reasons such powers were necessary.<sup>167</sup>

New Zealand is also intensively engaged in a wide range of regional stability and security initiatives in the Pacific region. For example, New Zealand has partnered with Pacific states to manage internal stability in recent years, including the Solomon Islands, Tonga, Papua New Guinea, and Timor-Leste.<sup>168</sup> In particular, New Zealand has been a significant contributor to the Bougainville peace process and to the Regional Assistance Mission to the Solomon Islands (RAMSI).<sup>169</sup>

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<sup>166</sup> Maritime Powers Act 2022

<sup>167</sup> Maritime Powers Act 2022

<sup>168</sup> Ministry of Defense, Strategic Defense Policy Statement 2018, 22.

<sup>169</sup> Ministry of Foreign Affairs and Trade, Regional Security, <https://www.mfat.govt.nz/en/peace-rights-and-security/international-security/regional-security/>.



## Chapter V

### Conclusion

In conclusion, a critical analysis of the relevant primary and secondary sources above supports my argument that the Pacific Reset policy shift reflected the New Zealand Government's vision of the changed role that it should play in the Pacific to respond to new challenges and maintain influence in the region. I have identified three interrelated factors that underpinned this policy shift. First, the impact of climate change in the Pacific, which both New Zealand and Pacific states have identified as an existential threat. Second, the increasingly contested strategic environment, which is increasingly dominated by the growing assertiveness of China, and the responses of traditional Pacific powers to China's attempts to extend and deepen its influence in the region. Third, the need to protect New Zealand's national and regional security interests from disruption due to non-State causes, including transnational criminal activity such as smuggling of narcotics and illegal arms and illegal fishing.

My analysis suggests that the potential impact of climate change in the Pacific, and the need to respond to the increased strategic competition in the region, were the main factors driving New Zealand's Pacific Reset. Minister Peters' official advice recommending the Pacific Reset to Cabinet advocated the policy shift partly on the basis that New Zealand needs to play a strong role in addressing climate change in the region, and its impact on Pacific countries. New Zealand has recognized that climate change is the most important long-term challenge facing the Pacific region. And assisting the

Pacific to promote regional and international action to address climate change was defined as a central element of the Pacific Reset.

The inclusion of climate change as a key component of the Pacific Reset also aligns New Zealand's priorities and values with those of Pacific states on an issue that Pacific states consider to be an existential threat. New Zealand will never have the deepest pockets and so this type of alignment on issues that Pacific states themselves say matter most to them also enables New Zealand to build trust and strengthen relationships with those countries, and thereby maintain or even build its influence in the region.

This is important at a time when China's greater involvement in the Pacific threatens to erode the traditional influence enjoyed by New Zealand and others. China is also New Zealand's largest trading partner and the most important market for New Zealand goods. This requires New Zealand to strike a balance when formulating its policy in respect of China. On the one hand, New Zealand wishes to consolidate the economic benefits it perceives may be available through ongoing trade with China and access to Chinese markets. On the other, China's more assertive presence in the Pacific and its very different approach to international rules and institutions, threatens stability in the Pacific and has potentially serious consequences for New Zealand's national security. The Pacific Reset seeks to shore up New Zealand's influence with Pacific states, but also stops short of open confrontation with China. Rather, New Zealand's strategy appears to be to ensure that New Zealand maintains some of its traditional influence through positive engagement on issues that actually matter to the Pacific states. In other words, New Zealand's approach recognizes the limited economic and military options available

to counteract China and so relies heavily on values-based diplomatic engagement as a “trusted partner” for Pacific states.

There are broader lessons to draw from the balance struck by New Zealand in the Pacific Reset. The changing global order is currently one of the greatest foreign policy challenges facing New Zealand. As a small state, New Zealand needs to draw on all its resources to respond proactively to the changing international system, particularly in the Pacific region. However, as my analysis in the discussion chapter above indicates, New Zealand has no real prospect of counteracting China’s economic leverage with Pacific states. New Zealand must therefore rely on other aspects of its relationship with those states to maintain its influence in the region.

It is also important to understand what the Pacific Reset does not do (and why). It does not, for instance, suggest that New Zealand should rely on the United States to counteract China’s growing assertiveness in the region. The United States has become similarly alarmed by China’s ambitions in the Pacific, including its potential interest in establishing a military base in the region. As a result, the United States is re-engaging with the Pacific and seeking to reassert its traditional influence. However, it is clear that the Pacific Reset seeks to adjust New Zealand’s foreign policy settings in a manner that avoids a hegemonic struggle between two great powers as a modern version of the Great Game plays out between China and the United States in the Pacific.

In sum, the Pacific Reset represented a policy shift towards proactive engagement with Pacific states to combat the existential threat posed by climate change, and also to facilitate New Zealand’s ability to retain some of its traditional influence before it has been eroded by China. It is clear that the broader objectives of the Pacific Reset required

New Zealand to pursue enhanced multilateral cooperation to address the global phenomenon of climate change and mitigate the big power geopolitical competition in the Pacific, but it also underscores the focus on aligning with states with similar values and a concern for upholding international rules and institutions. New Zealand's engagement with the United States can be expected to strike a different type of balance where active re-engagement in the Pacific is encouraged, but as part of broader alliances between like-minded states rather than as supplicant to a hegemonic power.

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