

Our place in the world

Long-term opportunities and challenges for Aotearoa New Zealand

Briefing for the incoming Prime Minister and Government

October 2023

Introduction

As a small, geographically isolated island nation Aotearoa New Zealand is vulnerable to geostrategic disruption of our alliances, market access, supply chains, tourist and student inflows and the international labour pool. Caught between the interests and values of the liberal democracies we have been historically connected to and China as our dominant trading partner, we face domestic challenges and the tension of occupying an increasingly contested geopolitical region.

Key points

- New Zealand depends on a rules-based world order that is straining as the influence of strategic powers waxes and wanes.
- New Zealand is one of few advanced economies absent from the G20.
- Our loyalties are split between the liberal democracies with which we have historical ties and shared values and more autocratic societies such as China on which we are trade-dependent.
- Australia remains our key strategic partner, yet as geostrategic tensions rise we may have to make decisions about our relationship to AUKUS.
- New Zealand should build new partnerships and exploit its key role in the Small Advanced Economies Initiative.
- The Pacific's small island states are vulnerable to climate change's many threats.
- New Zealand needs to maintain its capacity to provide defence and humanitarian support to its island neighbours in the face of inevitable crises.
- New Zealand's relationships with its Pacific neighbours need to be reviewed to see whether aid can be packaged to engender greater self-sufficiency.
- New Zealand must continue its role as the gateway to the Antarctic and protector of the Antarctic Treaty as research in the region responds to climate change.
- As the Global South grows in importance, New Zealand must consider its linkages to and its opportunities in these emerging and significant markets.

Context

We face a rapidly shifting world order in which the post-1945 multilateral system is failing. The rules-based trading system is under threat and the UN is largely helpless in the face of numerous challenges including overt conflict. New Zealand's vulnerability is all the greater as we do not belong to the European Union, G20, BRICS or any other major political grouping. We must therefore increase our diplomatic projection.

So far, we have successfully navigated between Chinese and American interests, but this is becoming harder. We appear to be at a multipolar or even leaderless inflection point in which many geopolitical norms are shifting. This is risky for us because many of the decisions determining the new normal will be made by others and we have limited or no ability to influence them. There is real danger of US leadership and commitment to multilateralism being withdrawn, perhaps catalysing further regression into nationalism and protectionism.

Yet New Zealand is in a relatively advantageous position. Based on our international co-operation and demonstrable cohesiveness, trust, values, political stability, and environmental focus, we have high international standing and a reputation as a good global citizen. Nonetheless New Zealand must constantly reinforce its relevance on the world stage as its ability to shape outcomes is limited.

Many of the issues will be resolved by larger countries. Our influence will be through active diplomacy and by projecting a point of view on important matters in a pragmatic, constructive and respectful way.

We need to be a good partner. In a post-Covid world such partnerships are likely to form with groups of countries with common interests. Our relationship with Australia remains central but may be challenged depending on how we view AUKUS developments.

New Zealand has a history of building coalitions and networks with other like-minded countries, especially small, advanced economies. Such coalitions should be further developed to give greater voice to these small countries, which are at risk of being sidelined by changing relationships between the major powers and the associated decline in multilateralism and its support bodies.

New Zealand must act with others to protect a rules-based trading system via the World Trade Organization (WTO). We have a vital interest in protecting supply lines and free and rules-based trade. Supply chains came into focus during the pandemic and geostrategic tensions make them an ongoing concern.

In this environment we should be exploiting less-traditional vehicles for relationship-building such as science and culture. Before Covid New Zealand was a leader in using cultural, sporting and scientific ties to advance its profile, including in countries – entire regions even – where its diplomatic presence has traditionally been minimal and distant. Africa, which is rapidly developing, should not be ignored. Such profile-raising activities indirectly raise expand out footprint and help us achieve economic and other diplomatic goals.

New Zealand's reputation and standing may make us an attractive location for corporate entities' research and development and intellectual assets, including management teams. But we need to overcome inherent xenophobia and may need to make structural changes to attract quality foreign direct investment, including ensuring the quality of our needed workforce.

To enable us to capitalise on the opportunity of a world focused on food safety, security, nutritional value and sustainability we need to increase our investment in agricultural science and infrastructure. Our credentials as a safe, clean, sustainable, high-quality and innovative food producer and manufacturer will be valuable.

Our reputation, past actions and credentials suggest New Zealand can be a valuable collaborator on issues critical for the future of any nation. We will remain challenged by and also gain advantage from our geographical isolation. The pandemic highlighted the need for global co-operation, which will be even greater in the face of climate change. We are well placed to act as a broker in confronting such issues. But we must be realistic about the extent of our influence. Most of all, New Zealand must be bold and outward-looking in a world that may turn inwards. New Zealanders have a disproportionate influence in many global organisations and this must be actively encouraged.

Our relationships with the small island states of the South Pacific, including those within our realm, are complex. The issues in the Solomons highlight how quickly geostrategic issues can affect our interests. The question of what we can do to shift some of these nations from absolute dependency to a greater level of fiscal autonomy may require a rethink of aid-budget priorities. Does the digital world offer routes to local economic development?

In the Antarctic New Zealand has a critical role to play as one of four gateways to the continent. The effect of climate change will be felt in iceshelf melting, and disruption of global ocean currents. New Zealand's ocean and Antarctic research and subantarctic-island monitoring stations will gain importance. The potential for another party to break the Antarctic Treaty, of which New Zealand is a key guardian, becomes more likely as ice retreats.

The Global South is increasingly playing a crucial role globally and contributing to economic growth, trade and investment. It is also a major source of national resources and biodiversity and disproportionately affected by climate change. To date, New Zealand has limited engagement with the Global South and given the significance of this emerging market, New Zealand needs to consider its engagement and footprint.

Actions for consideration

- **New Zealand needs to build alliances to protect the rules-based world order and continue to advocate for reform of the multilateral system.**
- **New Zealand should build new partnerships and exploit its key role in the Small Advanced Economies Initiative.**
- **We must monitor the effect of Australia’s participation in AUKUS on our relationship.**
- **New Zealand needs to maintain its defence capacity to support Pacific island states in face of inevitable crises.**
- **New Zealand needs to review whether it is optimising its Pacific-partner relationships and whether aid needs to be more strategically delivered to lift self-sufficiency.**
- **New Zealand should give greater weight to cultural and scientific diplomacy.**
- **New Zealand should look to expand its ties to Africa and its footprint more generally in the Global South.**

References

Allen, J., Gluckman, P., Bardsley, A., & Sridhar, H. (2020). *New Zealand’s place in the world: the implications of COVID-19*. Koi Tū: The Centre for Informed Futures. <https://informedfutures.org/new-zealands-place-in-the-world/>

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Our name, Koi Tū, was gifted by Ngāti Whātua Ōrākei. It means ‘the sharp end of the spear’. Like our namesake, Koi Tū aims to get to the heart of longterm issues challenging our future.

This document was developed as part of a comprehensive briefing to the incoming prime minister and government. The full document is available informedfutures.org/briefing-to-incoming-government-2023

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