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NEW ZEALAND
FOREIGN AFFAIRS & TRADE
Manatū Aorere

Building Our Future in a Disordered World

NEW ZEALAND FOREIGN POLICY
STRATEGIC ASSESSMENT

2020-2030



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Contents

Foreword

Executive Summary 1

New Zealand's interests and assets 3

Part One – Direction for New Zealand's foreign policy 2020 – 2030 4

New Zealand's foreign policy approach to 2030 5

New Zealand's foreign policy priorities to 2030 6

Strengthening s6(a) the Pacific 6

Shaping an Indo-Pacific regional order that reflects New Zealand interests 7

Maximising New Zealand's export value and resilience 9

Playing a credible role in global climate change action 10

Investing in global rules and institutions that deliver for New Zealand 11

Tackling increasing risks to New Zealand's security 12

Part Two – Assessment and analysis 14

Section I – The global landscape 15

Global power shifts and heightened competition 15

A rules-based system under pressure 16

Economic development pushing up against planetary thresholds 17

Disruptive effects of technology on states and societies 17

More people, fewer working people and greater people flows 18

Retreat from openness and liberal democracy 19

Section II – Implications for New Zealand's immediate region 20

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21

23

25

26

27

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Foreword

The Ministry of Foreign Affairs and Trade contributes to New Zealanders' well-being through the action we take in the world to advance New Zealand's interests and promote our values.

The purpose of this Strategic Assessment, *Building Our Future in a Disordered World*, is to ensure we are as clear-sighted as possible about what kind of world we will be operating in over the next decade and the kind of action that will be required on the international stage to promote New Zealanders' well-being. In this world, our purpose of making New Zealanders safer and more prosperous will remain a vital one, and the Assessment indicates that contributing to global sustainability will become more central to our work.

The practice of undertaking a Strategic Assessment every three years is intended to help staff, Ministers and the agencies with whom we work to understand significant global shifts and what they mean for New Zealand's interests in the world. By providing a common reference point, the Assessment will support policy development and decision-making, as well as stimulating debate.

This Assessment has been delivered at a time when New Zealand faces a challenging global outlook. This outlook is clouded by new levels of disruption and disorder. We will need more urgency, agency and entrepreneurship in our diplomacy to build New Zealand's resilience and so capitalise on the opportunities and manage the risks that a disordered world will present.

We have proved our adaptability and resilience during earlier periods of uncertainty and significant shifts in our strategic environment. The analysis and direction set out in the Assessment are designed to position New Zealand so that we can do so again in the future.

Chris Seed
Chief Executive

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Executive Summary

This Assessment provides direction for New Zealand's foreign policy to 2030 by identifying important shifts in global affairs and assessing their impacts on our enduring interests in:

- A rules-based international order that supports New Zealand priorities;
- A security environment that keeps New Zealand people and activities safe;
- International conditions and connections that enable New Zealanders to prosper; and
- Global action on sustainability issues that matter to New Zealand.

It will be harder to protect these interests and defend our values over the next decade. Many of the assumptions about global and regional affairs on which our foreign policy has rested will no longer be valid: assumptions about the virtue of ever deepening globalisation, about the effectiveness of multilateralism and its institutions, about the appeal of liberal democracy and economics, about the global leadership role of major powers and about a benign Pacific neighbourhood. At the same time, environmental imperatives will demand extraordinary adaptation, and advances in technology will disrupt states and societies.

In this more complex world, six foreign policy priorities will assume particular significance for New Zealand's interests and well-being over the coming decade:

- Strengthening s6(a) the Pacific;
- Shaping an Indo-Pacific regional order that reflects New Zealand interests;
- Maximising New Zealand's export value and resilience;
- Playing a credible role in global climate change action;

- Investing in global rules and institutions that deliver for New Zealand; and
- Tackling increasing risks to New Zealand's security.

In pursuing these priorities, we will need to invest more in, and demand more from, our bilateral relationships – and be prepared to manage increased tensions in them. s6(a)

We will need to invest in a wider range of partners s6(a)

as potential contributors to the kind of global order that reflects our interests. We will also need a wider portfolio of smaller, innovative like-minded partners with whom we can readily work to advance shared interests.

Overall, the context for our diplomacy will be more complex. We will need a more sophisticated understanding of our shifting external environment, more collective effort among external- and internal-facing government agencies and

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more entrepreneurship in our diplomacy. We will need to focus our effort on areas where we can, working with others, have impact on issues of importance to New Zealand, and work to build New Zealand's resilience to capitalise on the opportunities and manage the risks that a disordered world will present.

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New Zealand's interests and assets

New Zealand's well-being depends on the protection and advancement of a set of enduring interests in the world. Securing these involves well focused and executed international actions **s9(2)(g)(i)** buttressed by complementary domestic policies and actions.

New Zealand's international influence and credibility are functions of our enduring national assets and the ways in which we use these to best advantage in the world. These assets will become even more valuable as we navigate greater uncertainty. Nurturing them through action at home is critical to success internationally.

New Zealand interests

We have essential and enduring interests in:

A rules-based international order that supports New Zealand priorities:

- Rules, norms and other international frameworks governing global affairs, which reflect New Zealand's interests and values; and
- Multilateral institutions that give all countries a voice.

A security environment that keeps New Zealand people and activities safe:

- International security and stability, particularly in the Pacific and Indo-Pacific regions;
- Secure borders (land and maritime);
- Secure domains that New Zealanders use (oceans, airspace, cyberspace); and
- Collective security mechanisms (e.g., the UNSCs **s6(a)**).

Conditions and connections that enable New Zealanders to prosper:

- Open trading arrangements and access to markets underpinned by an effective multilateral trading system;
- Secure and open trade routes (maritime and air);
- Sufficient access to international carbon markets;
- Liberal economic norms; and
- Global financial stability.

Global action on sustainability issues that matter to New Zealand:

- Progress towards sustainable development;
- Global collective action to address climate change; and
- Environmental protection of Antarctica and the Southern Ocean.

New Zealand assets

Our mana and credibility in the international arena are founded on intrinsic New Zealand features:

- Our strong democratic institutions and values and adherence to the rule of law;
- Our commitment to equality, fairness, inclusivity and accountability;
- Our distinctive bicultural society underpinned by Te Tiriti o Waitangi and the Crown-Māori partnership;
- Our Pacific orientation and Pasifika population;
- Our super-diverse multicultural society and tolerant communities; and
- Our robust and reputable domestic policy settings (open economy, ease of doing business, high transparency and absence of corruption).

We earn recognition for the contributions we make to the international community including:

- Our effective international development and humanitarian assistance programmes;
- A professional and capable New Zealand Defence Force deployed to promote international and regional security;
- New Zealand Police, respected for its modern, community-based policing approach;
- High quality analysis of classified and open source intelligence; and
- Our thought leadership and talent (niche research and innovation strengths).

We have enduring assets derived from our geography:

- Our maritime area (combined Exclusive Economic Zone (EEZ) and continental shelf) is one of the largest in the world;
- We are part of the Indo-Pacific, the fastest growing region in the world;
- We are embedded in the regional architectures of the Pacific and the Indo-Pacific; and
- **s6(a)**

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Part One

Direction for
New Zealand's foreign
policy 2020 – 2030

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DIRECTION FOR NEW ZEALAND'S FOREIGN POLICY

The next decade will be a challenging one for New Zealand as we defend our values and pursue our interests against a disrupted and disorderly global landscape that will present particular challenges to the interests of small countries such as ours.

2 The trends impacting the global landscape (see pp. 14-20) suggest, in sum, a future that will be characterised by increased complexity, heightened strategic tension and new levels of disruption and risk. We can expect a world that is more transactional, more volatile and disorderly and more challenging for small states as global authority and governance become more contested s6(a)

as the rules governing international relations become more strained; as countries retreat behind borders; and as human security threats from climate change and resource scarcity increase.

New Zealand's foreign policy approach to 2030

3 Basic assumptions on which our foreign policy has rested over the years – a s6(a)

order^{s6(a)} liberal global

and a globalised world where the benefits of ever deeper market opening and behind the border integration would be self-evident – are less and less reliable.

4 This disrupted and disordered world is also likely to s6(a)

become more transactional, as long-held norms and rules attenuates6(a)

It will be harder and harder to navigate between our interests and our values.

5 The lodestars that have helped guide New Zealand's foreign policy – order through rules; influence through relationships; the amplification of our voice through architecture; and management of economic risk through diversification – will remain important as we navigate this emerging landscape. Our national assets that underpin New Zealand's credibility in the international arena will stand us in good stead, but in a world that presents more risk than opportunity, we will need:

- A more sophisticated awareness and understanding of our external environment as it experiences marked and unexpected shifts;
- Rigorous prioritisation of our external effort to harness limited resources behind the most critical issues within an expanding set of opportunities and risks;
- A more collective effort which mobilises the capabilities of a wider range of government agencies, as the boundaries between "foreign" and "domestic" continue to blur; and
- Most of all, more urgency, agency and entrepreneurship in our diplomacy, now that we can make fewer assumptions about the willingness of others to safeguard the order which has managed world affairs for the past 75 years, let alone to safeguard New Zealand's own interests.

6 We will find it more difficult to maintain profile, achieve cut-through and exert influence on the issues that matter to us in this crowded, contested and fragmented operating environment; prioritising effectively and calibrating our ambition and effort will be important. The greatest risk to the execution of New Zealand's foreign policy during this difficult period will be trying to tackle too much6(a)

to spread our trade policy effort too thin, or to fail to realise fully the benefits of coalitions.

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DIRECTION FOR NEW ZEALAND'S FOREIGN POLICY

New Zealand's foreign policy priorities to 2030

7 Six foreign policy priorities will be especially significant for us because of their deep interplay with our security, prosperity and sustainability interests; the effort required; and the complexity and weight of the choices that will arise:

- Strengthening s6(a) the Pacific;
- Shaping an Indo-Pacific regional order s6(a)
- Maximising New Zealand's trade value and resilience;
- Playing a credible role in global climate change action;
- Investing in global rules and institutions that deliver for New Zealand; and
- Tackling increasing risks to New Zealand's security.

8 This section sets out directions and choices for New Zealand under each of these priorities.

9 In pursuing these priorities, we will need to invest more in, and demand more of, our bilateral relationships:

- Australia will remain s6(a) important s6(a) and its centrality to our interests will be brought into sharper relief by the environment we will be in. s6(a)

- We will need s6(a)

friends that have the motivation and the means to help protect common interests and values. s6(a)

s6(a)

- We will need deeper relationships with a broader portfolio of like-minded partners, often smaller countries, with whom we can readily work to advance shared interests.

10 We will need to tend more assiduously to how we contribute value to these partnerships and be especially judicious in where we expend diplomatic capital, which will be in shorter supply.

Strengthening s6(a) the Pacific

11 There is no more urgent task for New Zealand than to bolster our s6(a) Pacific region s6(a)

This is no longer solely about the vital task of ensuring that our Pacific neighbours are individually safe, resilient and prosperous; it is increasingly about the strategic environment s6(a)

s6(a)

in the Pacific s6(a)

12 s6(a)

New Zealand's membership of the Pacific architecture will provide another avenue to understanding and shaping the region's priorities and approaches.

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DIRECTION FOR NEW ZEALAND'S FOREIGN POLICY

13 We will also need to ensure the deepest possible working relationship with Australia, whose reach, resources and commonality of view make it an indispensable partner in what must be a common efforts^{s6(a)}

s6(a)

We will need to engage other like-minded powers^{s6(a)}

This will call for astute diplomacy as we seek the benefits of having alternative models and assistance available to our Pacific partners while mitigating the risks of a more crowded space ^{s6(a)}

16 s6(a)

14 But ultimately, if our preferred model for a peaceful and prosperous Pacific is to be realised, we will have to look to ourselves. We must engage as a partner and not a transactional provider, and we must ensure that the mix of assets we bring to the region (diplomacy; development, humanitarian and security assistance; political engagement; community links) is sufficient for the task. We will need to make substantial financial investment, but our contributions will need to be about more than quantum and will need to include deeper policy responses. With Australia, we will need to reflect on whether and how we can incorporate Pacific Island Countries (PICs) into our domestic markets ^{s6(a)} and our domestic regulatory space; increase alignment of education and health systems; and use PACER Plus and other trade policy levers to integrate PICs more fully into regional and global economies. Credible domestic and international action on climate change will also be critical to our role ^{s6(a)} in the Pacific.

15 s6(a)

Shaping an Indo-Pacific regional order that reflects New Zealand interests

17 New Zealand's well-being is intertwined with the Indo-Pacific's. We have a deep stake in the regions^{s9(2)(g)(i)}

In this we need to be active bilaterally and through regional architecture.

18 s9(2)(g)(i)

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DIRECTION FOR NEW ZEALAND'S FOREIGN POLICY

s9(2)(g)(i)

s6(a)

22 s6(a)

19 s6(a)

Our efforts to build more influential relationships with s6(a) regional powers who broadly share our interests in a free, open and inclusive Indo-Pacific s6(a)

must be sustained.

20 Establishing and maintaining this s6(a) will be one of the presenting challenges of the 10-year horizon. It will not be easy but it will be easier if we are judicious in our choices, consistent and predictable in our words and deeds and always take the sum of New Zealand's interests and values into account when making decisions. s6(a)

23 Investment in regional institutions will provide us with a further source of resilience. Deepening our relationship with ASEAN will be essential for the economic gains that such a connection will enable and because deeper investment in ASEAN will help sustain it as a strategic centre of gravity; it is the best means of integrating the region's stakeholders into regional architectures that support our preferred rules and norms (notably the East Asia Summit (EAS) s6(a)). That said, we cannot ignore the emergence of other possible regional architectures. We will have to s6(a)

s6(a) find our place among the Indo-Pacific s6(a) s6(a) in line with our interests, our values and regional priorities.

21 s6(a), s9(2)(g)(i)

24 Finally, if we anticipate a less settled region, we should also anticipate a region where norms and rules are challenged, and even where conflict is possible – all against the backdrop of a region where there is no security architecture commensurate with its economic and political infrastructure. s6(a)

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DIRECTIONS FOR NEW ZEALAND'S FOREIGN POLICY

s6(a)

Maximising New Zealand's export value and resilience

25 New Zealand's prosperity is underpinned by a strong export sector that delivers sustainable returns to the country. A number of disruptive forces are bearing down on our trade interests: increased protectionism; s6(a)

retreat from liberal economic norms; consumer shifts away from carbon intensive commodities and services; new international trade platforms without comprehensive rules (digital trade/e-commerce); and trade tensions s9(2)(g)(i), s6(a)

Finally, climate change imperatives will require exporters to adapt, sooner or later, to a low-carbon global economy.

26 This disrupted environment will test the resilience of our export sector. Our trade policy will need to shift to bolster that resilience: expanding market access is likely to be overtaken by other priorities to secure long-term prosperity, not least a shift in focus from volume to value.

27 A weakened WTO will offer little opportunity for expanding market access and enhancing trade rules. s6(a)

technical expertise and trade policy entrepreneurship will be important and determine our influence.

28 One mechanism for exercising agency in a constrained environment will be "concerted open plurilateralism" and identifying "pathfinder" opportunities to shore up existing rules and promote new ones in areas that are important to New Zealand. We can work with key partners – smaller countries s6(a)

– to contribute "building blocks" to re-invigorate the multilateral system.

29 Other fora, particularly APEC and the OECD will probably be relatively more influential on trade policy while the WTO is constrained s6(a)

New Zealand's chairing of APEC in 2021 is a once in a generation opportunity to promote a sustainable and inclusive liberal economic agenda, which will create stronger markets and more favourable market conditions for our exports. The OECD likewise provides a forum to protect and advance liberal economic norms.

30 The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the Regional Comprehensive Economic Partnership (RCEP) are two key pillars, along with the Pacific Alliance, through which greater regional integration could be pursued. s6(a)

31 s9(2)(b)(i)

Sustaining our reputation for

Bilaterally, New Zealand's trade policy

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DIRECTION FOR NEW ZEALAND'S FOREIGN POLICY

effort will shift from achieving new market access to leveraging better the access we already have through increased effort in FTA implementation, tackling non-tariff barriers and upgrading existing FTAs. A useful adjunct to this work will be supporting developing economies with which we have FTAs to undertake domestic reform to boost their economic development, with positive flow-on effects for trade and investment.

32 Given our export profile, one of the most critical areas to economic resilience will be smoothing the domestic transition to accommodate a low carbon global economy and shifting consumer expectations. We will need good access to international carbon markets and to be positioned as a trusted, environmentally sustainable supplier of healthy food in the future food system (which, absent scientific breakthrough, may entail some changes to our export profile). Further increases in the services base of our exports, particularly in low-carbon sectors, will become more important.

33 Further consideration will need to be given to how trade policy, alongside domestic policy, can support exporters to transform and thrive in a low carbon global economy. The greater the momentum on global action on climate change, the more pressing this will be.

34 New Zealand's trade policy and economic diplomacy can further support resilience in the export sector by enabling market diversification (e.g., increasing awareness of alternative trade opportunities; and greater promotional effort in promising but less well-established markets) and supporting uptake of digital trade platforms (e.g., pursuing better rules). Strategic engagement with the export sector will be required to flesh out further how New Zealand trade policy can best support the extraction of higher value from markets and diversification to provide long-term resilience. s6(a)

s6(a)

Playing a credible role in global climate change action

35 Climate change will present deep challenges over the next decade in terms of both impacts and responses. We have a compelling national interest in global action to reduce emissions because our well-being effectively depends on others' action. s6(a)

36 We have limited ability to shape global responses fundamentally, but what credibility and influence we do have in the international arena will depend on demonstrating mitigation action at home, however small a contribution this makes to global emission reductions. At the same time, we will need to continue to ensure international mechanisms treat emissions from agriculture appropriately. We will thus need an international approach to climate change that delivers effective global action, satisfies domestic policy and economic imperatives and supports our Pacific interests.

37 The quantum of our foreign policy effort directed to climate change will need to increase markedly over the decade. Our effort will be directed to two broad priorities: 1) driving and shaping global mitigation action; and 2) managing the impacts of climate change. We have some choice over the level of effort that we put into the first. Given the interests at stake, we should, however, prioritise building on our existing leadership role in international climate action. Domestic action to underpin our credibility will become increasingly critical as the Paris Agreement is operationalised from 2020.

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DIRECTION FOR NEW ZEALAND'S FOREIGN POLICY

38 Areas for New Zealand action will include leadership diplomacy to drive ambition and support mitigation efforts (e.g., the High Ambition Coalition, the Global Research Alliance); initiatives to use trade rules to support climate change action (e.g. fossil fuel subsidy reform, the Agreement on Climate Change, Trade and Sustainability (ACCTS)); and development of effective carbon markets that have environmental integrity.

39 Effort on managing the impacts of climate change in the Pacific will be unavoidable, but the scale will depend on the extent of climate change action at the global level. With the Paris Agreement likely to fail to limit global warming to 1.5 – 2 degrees, we should be prepared for an increasing focus on managing impacts of climate change.

40 Significant further scaling up of support for PIC adaptation and disaster relief through the aid programme will be needed. Our efforts to address the legal impacts of climate change (e.g., protection of maritime zones and climate-induced forced migration) will gain prominence.

s6(a)

Investing in global rules and institutions that deliver for New Zealand

41 New Zealand's well-being over the last 75 years has been supported by a system of institutions, rules, norms and frameworks that has provided predictability, disciplined power, reflected our values and ^{s9(2)(g)(i)} our interests. s9(2)(g)(i)

42 This next decade will be a time when we will need to be selective in choosing those parts of the system we focus on and rigorously prioritise allocation of effort. Choices will be influenced by our primary interests as a small exporting country with a large maritime zone and an Antarctic claim, with deep interests in environmental protections, s9(2)(g)(i)

and with a national identity that values fairness, equality and freedom at home and abroad.

43 With these interests and values to the forefront, the areas of the system that New Zealand will need to be most committed to defending and developing will be: international trade rules; rules that govern Antarctica and the oceans, including the Southern Ocean; international commitments on climate change; and rules that govern conflict, reduce threats from weapons of mass destruction, promote collective security, address emerging security issues and uphold personal freedoms. Thus, the parts of the system likely to matter most to us are:

- The WTO, which protects market access commitments and enforces global trade rules;
- The UN Convention on the Law of the Sea (UNCLOS), which provides the legal framework for ocean activities. It underpins our EEZ; codifies freedom of navigation and overflight that are important for trade; and provides mechanisms to promote ocean health, protect marine biodiversity and manage high seas fisheries and deep sea mineral resources;
- The Antarctic Treaty System, which preserves our Antarctic claim and provides for peaceful environmental and natural resource protection in Antarctica and the Southern Ocean;
- The Paris Agreement, which underpins global climate action;

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DIRECTION FOR NEW ZEALAND'S FOREIGN POLICY

- Emerging frameworks to address security issues such as cyber, new weapons and aspects of space governance;
- International Humanitarian Law/Laws of Armed Conflict and various disarmament, non-proliferation and arms control treaties, which together promote security, constrain use of force and protect civilians; and
- International human rights frameworks, which address fundamental issues of equality, fairness and human freedoms.

44 We will need to support these parts of the system in particular to remain effective, through reform if necessary. s9(2)(g)(i)

45 We will need to look harder at the benefits of leading and joining coalitions of interest with smaller countries with which we share (to varying degrees) a set of common interests and values, including a commitment to multilateralism, free trade, the rule of law and liberal democratic values. s6(a)

The exact make-up of any coalition would of course depend on the issue as interest and "like-mindedness" will vary.

46 Our diplomacy will also need to extend more proactively to include non-state actors as significant international actors with global influence in their own right, similar to our engagement with social media companies through the Christchurch Call. More and more, the capacity to tackle global challenges will require contributions from non-state actors. We should consider a wider, more deliberate and proactive engagement strategy with a wider range of actors, particularly political actors below the level of state and large multinationals that de facto shape international norms.

Tackling increasing risks to New Zealand's security

47 A disrupted and disorderly world inevitably means an intensification of risks to our security. s9(2)(g)(i)

Violent extremism will remain a pernicious and persistent threat both off-shore and (as we have seen) at home. The availability of cyber technology – in the context of sharpened super-power competition and disruptive states and hostile non-state actors pursuing their agendas – will continue to test the systems that protect the information and infrastructure of the government, businesses and citizens alike. Similarly, hostile states will exploit technology and the open nature of our democracy to seek undue influence in our society, our economy and our politics.

48 These challenges highlight the fact that our geographic isolation no longer provides the protection it once did. These are global challenges with increasingly domestic manifestations; addressing them will require increasingly deep cooperation between domestic and external agencies.

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DIRECTION FOR NEW ZEALAND'S FOREIGN

49 We should anticipate further and more sophisticated attempts to steal and exploit data and intellectual property that belong to our citizens, our businesses and the state. Accordingly, we should expect to confront further difficult choices about the circumstances in which we attribute such attacks publicly, and about what response measures we deploy should public attribution not result in a cessation of intrusions. We will need to invest in further development of international rules and norms in this area, but should not assume that these will change behaviour of states that do not share our interests, want our data and can operate covertly.

50 A combination of a more disordered world^{s6(a)}

and the availability of vessels capable of reaching New Zealand means investment in tackling people-smuggling will be an increasing priority.
s6(a)

s6(a)

53 Increased global turbulence also implies increased demand for New Zealand deployments to combat or peace support operations s6(a). We will need to continue to ensure we contribute to global security efforts, also taking into account the ancillary benefits of doing so with our close security partners. ^{s6(a), s9(2)(g)(i)}

Conclusion

54 This is unlikely to be a period where great gains are easy for New Zealand; what comes next is unlikely to reflect our values as fully or align as closely with our interests. We should anticipate a world in which sustaining an independent foreign policy will require us to be more active both in making choices and in shaping affairs in ways favourable to our interests; a world where the trade-offs are ever more finely balanced but where potential costs and benefits are more difficult to assess. We will need to be pragmatic and adroit to shape what we can and defend what we must, all the while building New Zealand's resilience so that we can capitalise on the opportunities and manage the risks that a disordered world will present.

51 s6(a)

Sustained commitment and investment will be required by NZ Inc across capacity-building, information sharing, intelligence gathering, development assistance and possibly defence s6(a) domains.

52 s6(a)

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Part Two

Assessment and
analysis

Section I:

s6(a)

The Global Landscape to 2030

55 This section identifies the most important global shifts in areas of importance to New Zealand and our foreign policy and provides the backdrop for analysis of New Zealand's foreign policy priorities in the previous section.

56 The global landscape in which we pursue our interests is shifting at pace and in complexity. The existing global order is receding and no new order is emerging to replace it. The future will not look like the recent past. Six megatrends¹ will shape the global landscape over the next decade:

- Global power shifts and heightened competition;
- Fracturing of the rules-based international system;
- Economic development pushing up against critical planetary thresholds;
- Disruptive effects of technology on states and societies;
- More people, fewer working people and greater people flows; and
- Retreat of openness and liberal democracy.

Global power shifts and heightened competition

57 s6(a)

58 **Trade and advanced technology are the current frontlines of** s6(a) **strategic competition.**

The potential for skirmishes through misstep in East Asia hotspots is rising^{s6} s6(a)

The greater risk is the emergence of a zero-sum Cold War-like contest for technological dominance, with serious implications for global trading, the integrity of the internet and the broader contest between liberal democratic and s6(a) ideological models.

59 s6(a)

60 **ASEAN centrality in East Asian regional frameworks will come under more strain** as pressure rises for greater shared leadership amongst the full range of countries involveds6(a)

61 **Geostrategic competition has returned** s6(a)

¹ A megatrend is a long-term change that affects governments, societies and economies and significantly disrupts systems and understandings. Each megatrend will interact with and amplify other megatrends.

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THE GLOBAL LANDSCAPE

62 More widely, hopes of a cooperative multipolar world order have not eventuated and look increasingly unlikely, at least in the short term. **The trend is toward a persistent G-0 world order** with powers unable or unwilling to provide global leadership. s6(a)

A rules-based system under pressure

65 s6(a) **in the rules-based international system**, the principles on which it was built and the institutions that support and sustain it, **will become even deeper as states retreat to protect their own direct and short-term national interest.** s6(a)

63 **Non-state actors will become increasingly powerful players in the international system.** Sitting outside the ambit of governments and the international order, these actors (international NGOs, multinational companies, powerful individuals, city authorities, social movements, etc.) have both influence and greater room to manoeuvre. Their actions can be constructive and complementary, but power without a state's mandates, responsibilities and accountabilities established in international law, holds risk.

64 **Military power is diffusing among state and non-state actors alike.** Significant increases in military capability in Asia and the Middle East, the proliferation and use of weapons of mass destruction, the return of nuclear competition and greater access to military-grade weapons for violent non-state actors will all exacerbate security challenges. Advances in gene-editing technology will soon put a new generation of bio-weapons within wide reach.

The legitimacy of the system will be further challenged if it fails to address global problems, notably climate change, or develop rules and norms in response to emerging technologies.

66 **These conditions will further enable** s6(a)

states that want to continue misusing and undermining the system to prevent effective action or create mischief.

67 s6(a)

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Economic development pushing up against planetary thresholds

68 The growing network of global environmental issues, including climate change, plastic pollution, declining ocean health, eco-system decline, deforestation and species loss are showing how much development is pushing up against environmental thresholds. The next 10 years will see the negative effects of climate change more acutely felt. **International and social tensions related to climate change will intensify.**

69 s6(a)

Sub-national entities and citizens are increasingly initiating their own changes. Lack of state action is leading to growing mass protest movements, which will spread further as the timeline for action narrows. Sub-national initiatives, changing business practices and evolving consumer preferences could be important drivers of the necessary but disruptive transition to a low carbon global economy.

70 **Climate change will exacerbate inequality and magnify existing risks**, including political instability and traditional security challenges. Some regions will be more affected than others due to natural geographic advantage. Wealthier states and individuals will be able to build resilience, adapt more readily and recover faster than vulnerable individuals and regions.

71 Impacts of climate change will create human security challenges as health threats increase and access to critical resources (fresh water, food, land, clean air and energy) is reduced. **Fresh water**, in particular, **could become a powerful strategic weapon and re-emerge as a source of conflict.** The geostrategic implications of water scarcity are already being felt as countries manipulate water flow to neighbours.

72 Sea-level rise, drought, water scarcity and more extreme weather will trigger significant population movements within and across borders. The worst effects in impacted countries will take place on a longer timescale, but **pressure for the international community to address a plethora of associated social, legal, economic and security issues will become more acute** over the next 10 years.

73 s6(a)

Disruptive effects of technology on states and societies

74 The exponential pace and scale of technological change will be peculiarly disruptive over the next decade. **Some new technologies will erode the relative power of states** to control the use of force, protect civilians, control critical infrastructure and manage economies; **others will have marked impacts on the fabric of societies.**

75 **Technological advances have commoditised and democratised destructive means**, with the capability to perpetrate large-scale violence no longer the monopoly of states. Progress towards lethal autonomous weapons systems (LAWS) brings new legal and ethical challenges. An artificial intelligence (AI) breakthrough with LAWS applications by any one actor would significantly disrupt the strategic power balance.

76 **Increased connectivity creates new vulnerabilities for data, privacy, intellectual property and critical infrastructure.** Cyber platforms increase the number of potential hostile actors. Attacks are difficult to attribute and the legal principle of proportionality makes any retaliation complex. Addressing terrorist use of the internet, cybercrime and foreign interference also increases the appeal of censorship and surveillance in cyberspace.

77 **Economic and security activities, increasingly reliant on space-based systems, will be more vulnerable to disruption** from space debris and hostile state and non-state activity. Defending space assets will be made more challenging by a lack of formal regulation and control in space.

78 With **data having emerged as a new strategic resource**, the digital power of companies (and the information they hold on individuals and populations) will increasingly compete with the economic and military power of states as a source of strategic influence.

79 **The growth in the digital economy will create opportunities for companies**, regardless of size, sector or location, to access the global trading system through the use of online platforms. Small and medium-sized enterprises in particular stand to gain as digital technologies provide opportunities to increase productivity, boost sales and enhance international competitiveness. Cryptocurrencies, still in their infancy, may erode the state monopoly on money.

80 **Social media have fundamentally changed the nature of public discourse** by enabling groups to coordinate more effectively and circulate information freely and rapidly. Self-selected news feeds and connections between geographically remote groups make it easier for communities to emerge spontaneously in virtual environments,

emboldened by anonymity, common biases and shared conspiracy theories. Grievances, including those manufactured through false or misleading reports ("fake news") and promoted by bots, are more easily translated into political power. These features of contemporary communication are exacerbating polarisation in democratic societies.

More people, fewer working people and greater people flows

81 Population growth and increased consumption by a larger global middle class will place further pressure on resources. **The global population is projected to increase by nearly a billion people by 2030.** Economic trends suggest **the middle class will continue to grow, particularly in Asia**, where two-thirds of the global middle class are expected to live by 2030 (up from just over quarter in 2009).

82 **Rapid population growth will continue to spur large-scale migration to urban centres.** It is forecast that by 2025 there will be 48 megacities (cities with more than 10m inhabitants), up from 33 in 2018. Most of this growth will be in Asia. Large cities present many opportunities in terms of economic development, but if not planned and developed appropriately, they can also have negative health, security and psychosocial consequences.

83 The uneven distribution of population growth will have a number of second order effects. **Many developed countries will see increasing old-age dependency** as mortality and fertility rates continue to fall.

84 Conversely, **least developed countries (LDCs) will continue to experience a youth bulge**, providing an opportunity for accelerated economic growth. Should local conditions present inadequate education and productive

employment opportunities for these high numbers of young people, however, there is likely to be increased periodic social upheaval, criminality and radicalisation. The shift to automated production will disrupt the development model of cheap labour and may exacerbate social challenges for LDCs. More broadly, technological displacement will see **human labour diminish as a driver of economic growth.**

85 Very visible social, economic and security issues associated with **large-scale refugee flows will continue to be a source of political tension** for receiving countries. The number of humanitarian refugees is unprecedented. In 2018 alone, 16.2m people were newly displaced as they fled war, violence, persecution and economic collapse. The total number of forcibly displaced persons stands at more than 68.5m.

Retreat from openness and liberal democracy

86 The number of democratic states remains high by historical standards, but **a steady decline in the quality of democracies looks set to continue**, including in well-established democracies.

87 **The underlying tenets of liberal representative democracy are being challenged from within.** Anti-establishment leaders in liberal states are varyingly seeking to centralise power in the executive, circumvent democratic process, politicise the judiciary, use the state security apparatus in questionable ways and undermine freedom of expression. These changes are supported by publics that have grown sceptical of elites, institutions and globalisation. So far, formal democratic institutions are providing the checks and balances necessary to resist the more egregious challenges by leaders.

88 Globalisation has lifted many millions out of crippling poverty, created burgeoning middle classes across the world and achieved dramatic efficiencies in trade, finance and technology. But policies in developed democracies have failed to address **increasing wealth disparities within countries.** Rewards are flowing disproportionately to the wealthy while the working and middle classes, although not “poor,” are seeing their living standards stagnate and face persistent economic insecurity.

89 These conditions have resulted in **a widespread populist backlash** among people who feel they have not benefited from globalisation, **and a subsequent retreat from liberal economic norms.** Populism comes in nationalist, ethnic, nativist, far left, far right, religious and other forms. But all variants have perceived inequality and disenfranchisement at their root and all have disruptive effects on domestic and global stability. Most parts of the world are affected by rising populist sentiment of one sort or another.

90 **Political participation remains strong.** Social movements around the world are championing equality, sustainability and climate action at levels not seen in a generation.

91 **Authoritarianism continues to be an appealing system in some fragile states** as an antidote to instability. s6(a)

The combination of big data, comprehensive surveillance, computing power and AI may s6(a)

deliver the better quality of life demanded by their citizens while simultaneously suppressing dissent.

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IMPLICATIONS FOR NEW ZEALAND'S REGION

s9(2)(g)(i), s6(a)

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IMPLICATIONS FOR NEW ZEALAND'S REGION

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IMPLICATIONS FOR NEW ZEALAND'S REGION

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IMPLICATIONS FOR NEW ZEALAND'S REGION

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Section III: Implications for New Zealand's interests in the world

150 This section describes how the megatrends identified in Section I will impact on New Zealand's interests in the world and explores the implications for our foreign policy.

151 New Zealanders' well-being is impacted by how New Zealand's foreign policy safeguards and advances:

- An rules-based international order that supports New Zealand priorities;
- A security environment that keeps New Zealand people and activities safe;
- International conditions and connections that enable New Zealanders to prosper; and
- Global action on sustainability issues that matter to New Zealand.

A rules-based international order that supports New Zealand priorities

152 Countries rely on forms of international cooperation, including rules, to solve problems that cannot be solved by one country alone. The range and urgency of such issues is increasing – from the overarching challenge of climate change, to unprecedented humanitarian crises through to a range of issues with frontier technologies. But the outlook suggests cooperation will be less and less the norm.

153 Small states lack the military or economic strength to dictate outcomes. Like other small states, New Zealand therefore derives much of its security and prosperity from the certainty, stability, predictability, universality and safeguards extended by the current order anchored in the UN and other multilateral institutions.

154 The fracture lines in the existing global frameworks are deep and the transition under way will continue over the next 10 years. The global frameworks will need to evolve to present greater opportunities for compromise or they will be increasingly side-lined, with alternative mechanisms only coming into view more slowly.

155 A rules-based international order is a constant – there will always be an order based on a spectrum of power and rules and it will always only be selectively complied with. An important aspect for New Zealand of the *current* order is its underlying liberal value system based on democracy, free and open markets, human rights and associated areas such as media freedom and freedom of speech, as well as the normative commitment to multi-lateralism as the best means for solving global problems. The values dimension is s9(2)(g)(i) contested s9(2)(g)(i)

That situation will worsen in an environment where other countries have more space to pursue different agendas, structures and outcomes. s9(2)(g)(i)

156 s9(2)(g)(i)

New Zealand response

157 There are limits to our ability to influence the global system decisively. Our best course of action will continue to

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IMPLICATIONS FOR NEW ZEALAND'S INTERESTS

be to seek collective solutions to shared problems, though the road will be harder and additional avenues may need to be explored. Demonstrating that the system can deliver positive outcomes will be one way to help sustain it.

158 We will need to be selective in our approach, identifying systemically critical areas, areas pegged to national interests and those where the system can deliver results for New Zealand. We will need to strike a balance between defending existing rules and norms (e.g., UNCLOS, International Humanitarian Law/Laws of Armed Conflict, international human rights) and supporting development and implementation of new rules (e.g., space governance), where the existing suite of international legal and normative instruments is inadequate. There will be choices to be made between universality, which will require compromise on the quality of the rules, and smaller group outcomes ("mini-laterals") with a better set of rules but narrower application.

159 With such s9(2)(g)(i) shifts underway, new structures and approaches will emerge. The transition period will be difficult, characterised by deep uncertainty. We will need to be poised to help build new systems in areas where it has key interests; it will need to be in the room and be recognised as having valuable skills and perspectives to offer. Innovation, agility, boldness and careful diplomacy will be required. Nevertheless, it is unlikely that what comes next will reflect our values as fully or align as closely with our interests.

160 We will need on many issues to partner with groups of countries s6(a)

which benefit in the same way that New Zealand does from speaking together about the principles of open markets and collective security. Such a grouping of like-minded partners will,

however, need to include a broader mix of countries if it is to achieve the critical mass to stem the retreat from the international system. s9(2)(g)(i)

We might usefully explore opportunities within groups such as these to share the load of representation in various fora.

161 Non-state actors with increasing international influence create opportunity and risk. The Christchurch Call demonstrated the role countries can play in the difficult task of bringing non-state actors, in this case tech companies, to engage directly in development of action plans and norms. Such engagement is likely to become more necessary across a greater range of issues such as cyber, space and the provision of development assistance.

162 Within international development, humanitarian and collective security frameworks to which we subscribe, New Zealand will be expected to provide development, humanitarian, peace-building and peace-support assistance. In a more disordered world, the demand for contributions will increase. We will need to be selective in where and how we deploy our resources.

A security environment that keeps New Zealand people and activities safe

163 New Zealand's security interests include the security of the country and people within national borders (land and maritime), the security of domains that New Zealanders use, such as oceans, air navigation, cyber and space, and the state of international and regional security environments that affect our offshore activities (e.g., trade, travel).

164 Our security environment is deteriorating. Many of the challenges arise from long-standing security threats that are overcoming traditional barriers of oceans and distance, and from new

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IMPLICATIONS FOR NEW ZEALAND'S INTERESTS

actors engaging on old issues (e.g., nuclear proliferation). New platforms, such as cyber, are also exacerbating old risks, while new domains, such as space, are creating new vulnerabilities.

Transboundary security threats

165 Significant transboundary security threats to New Zealand over the next decade will come from terrorism, transnational crime, people-smuggling, human-trafficking and drug smuggling.

166 **Terrorism** remains a pernicious threat. Even as an international coalition has largely been successful in rolling back the territorial gains of Da'esh, terrorism within and originating from the Middle East (including under the Da'esh banner) will persist, fuelled by sectarian conflict, weak governance, economic displacement and opposition to perceived Western intrusion. Terrorism in North Africa remains a significant (regional) threat while radicalisation and violent extremism in the Indo-Pacific, susceptible to influence from terrorist groups outside the region, presents a terror threat closer to home.

167 The Christchurch terror attacks were a reminder of terrorist threats arising from other forces, such as far-right, white supremacist and ethno-nationalist extremism. They also highlighted the harm terrorist and violent extremist content online can cause. The advent of nationalist and isolationist narratives in many countries will likely serve to normalise right wing extremism.

168 Threats from **transnational organised crime** are increasing as transnational criminal syndicates are operating with extended reach. These groups are increasingly involved in cyber-crime, expanding their threat across societies, from banking systems to infrastructure, and more broadly perpetuating insecurity through terrorist financing and socially

destructive practices including drug smuggling.

169 Our distance from the source of recent **refugee crises** has meant we have not faced the pressures of a primary entry point country and for the most part refugees taken by New Zealand are controlled under the UN refugee resettlement programme. s9(2)(g)(i)

The most immediate threat to New Zealand from irregular migration is, however, from **people-smuggling** as international syndicates continue to explore New Zealand as an alternative destination to Australia.

New Zealand response

170 New Zealand will need an ongoing focus on mitigating transboundary security threats. In terms of tackling the persistent threats of drug smuggling and people smuggling, our efforts will be largely the same in type (i.e., capacity-building, information sharing, agency cooperation, maritime surveillance and engagement in regional processes, such as the Bali Process on people smuggling), but we will need to dedicate increasing NZ Inc effort as the scale of the problem inevitably increases. s6(a)

close cooperation on people-smuggling will remain critical.

171 To reduce the incidence of transboundary threats and to respond more effectively to such events when they do occur, states need enforceable borders underpinned by strong national institutions and good governance practices. Our foreign and development policies in the Pacific and South East Asia promote such systems and will continue to be important in mitigating a range of security threats that affect New Zealand.

172 New Zealand will need to sustain investment in countering violent extremism (CVE) and building governance

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capability to reduce the space for terrorist (and other criminal groups) to operate. s6(a)

New Zealand's holistic domestic approach to CVE through social inclusion, the building of robust communities and community policing initiatives will continue to shape our international approach. Christchurch has given us an opportunity to provide ongoing leadership in this area if we choose.

Disarmament and arms control

173 The rules governing disarmament and arms control are among the most important to New Zealand and New Zealanders. We should expect the increasingly polarised relationships between s6(a) the nuclear weapons states s6(a) to place increasing strain on the corner-stone Nuclear Non-Proliferation Treaty, and on ancillary models (such as New START) for disarmament. Indeed, we should expect these countries to seek to increase and modernise their stocks, which will in turn undermine collective efforts to persuade other states s6(a) to participate in non-proliferation endeavours.

New Zealand response

174 There will in one sense be much for a country like New Zealand, given its staunch anti-nuclear credentials, to do. At the same time, the circumstances in which we will be doing it are likely to become even less propitious, and we should expect to have to manage points of friction and possibly trade-offs between our anti-nuclear policy and our security relationships. These have been able to co-exist more or less harmoniously because s6(a) wider strategic circumstances have been sufficiently settled to create a permissive environment for our advocacy.

New platforms and domains

175 **Cyber** risks will continue to grow as more people use and do business on the internet, the pay-offs from cyber and cyber-enabled crime increase, threat actors become more sophisticated and emerging technology, such as AI, 5G wireless networks and quantum computing, bring new risks.

176 States are less likely to engage in open warfare and any hostile action will tend to be veiled, disruptive and exploitative – all characteristics that are common in the cyber domain. s6(a)

177 The inter-state implications of **AI technologies**, including the potential for weaponisation of AI in LAWS, will be on the foreign policy agenda. It is likely that a state will develop a LAWS capability at some point. Non-state actors are also active in developing relevant technology in response to an expanding commercial market. Authoritarian regimes may be more able to co-opt new technologies.

178 **Space** is re-emerging as a venue for geostrategic competition, with states competing to develop technologies to control space activity. Space is also increasingly accessible to (and profitable) for companies and individuals. Current space governance frameworks (a series of treaties negotiated in the 1960-70s in a very different technological and strategic environment) do not adequately address the significant growing problems of space debris and congestion, the potential commercial exploitation of space resources and the potential militarisation of space. The current framework leaves open therefore the potential for quantum leaps in how warfare is conducted and the question of what constitutes a "strategic deterrence" capability.

New Zealand response

179 Malicious cyber activity is a significant threat to New Zealand. The transboundary nature of cyberspace means international cooperation is critical to managing the security threats and maximising the benefits of cyberspace.

180 New Zealand will need to continue to advocate for norms that find a careful balance between regulating the internet to maintain privacy and safety, while maintaining one free, open and secure global network. The challenge is great. Already the internet is splintering due to a range of competing interests.

181 New Zealand recognises the need to remove unlawful content from the internet, and the Christchurch Call specifically target aspects of terrorist use of the internet. But a focus on content removal can play into the hands of those states that remove or block content in the name of "national security" in a way that is not consistent with international human rights. We will need to continue to promote the applicability of international law to cyberspace and a multi-stakeholder approach to internet governance that recognises the breadth of users and stakeholders.

182 Public attribution of malicious cyber behaviour is an important tool to develop and strengthen cyber norms and deter such behaviour in the future. We are increasingly prepared to highlight such behaviour publicly – which we will need to continue to do, alongside a broader suite of deterrence and response options.

s6(a)

183 s6(b)(i)

s6(a)

New Zealand will need to press the applicability of existing international legal obligations under International Humanitarian Law/Laws of Armed Conflict.

184 New Zealand's commitment to disarmament and peaceful cooperation, as well as our involvement in space-related activities s9(2)(b)(ii) means we have an interest in shaping an international legal and normative space governance framework.

International conditions and connections that enable New Zealanders to prosper

185 Trade is critical to New Zealanders' well-being, with over a quarter of the national income and some 620,000 jobs dependent on exports. Imports also help to maintain our standard of living and drive our productivity. The country's small size means we rely on connections with other countries not just for trade in goods and services, but also for two-way flows of investment, people and ideas. Global economic and financial stability, an enabling international policy environment and adoption of liberal economic policies by trading partners are important if New Zealand is to maximise benefits from its economic connections.

186 A slowing global economy, rising tension between Beijing and Washington, lack of traction in the WTO, public scepticism about trade agreements and their impact on sovereignty, employment and incomes (particularly in OECD countries) and a steady stream of inward-looking and protectionist policies all create challenging headwinds for our trade interests, the effects of which will be felt more acutely over the next 10 years. This period will also see the necessary transition to a low carbon global economy, which will place more

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IMPLICATIONS FOR NEW ZEALAND'S INTERESTS

pressure on our top export earners (primary products and tourism), which are carbon-intensive, while also creating opportunities in environmental and related goods as well as a broad range of services and investment opportunities. On balance, New Zealand trade policy may need to focus over this period less on the issues that will make our exporters more profitable in the short term and more on issues that will make them more resilient over the longer term.

Challenges to trade governance and rules

187 Our lack of economic power and dependence on primary exports that face higher than average levels of protectionism have driven a successful focus on improving access to overseas markets through multilateral trade negotiations and through bilateral and regional FTAs. New Zealand has also invested in other bodies that foster free and fair trade (such as the OECD and APEC). The recent s9(2)(g)(i) retreat from liberal economic norms holds serious risks for our prosperity.

188 Multilateral trade liberalisation through the WTO remains New Zealand's top trade policy priority: the WTO has delivered comprehensive tariff reductions; it is the only forum to address wider disciplines on agricultural subsidies; it has one set of global trade rules; and it has a dispute settlement mechanism to enforce the rules. But the WTO and the system it presides over are under threat.

189 s9(2)(g)(i)

we have participated in a number of plurilateral negotiations involving a (more ambitious) subset of the WTO membership on particular policy areas to support progress, but most of these negotiations remain uncompleted. s9(2)(g)(i)

s9(2)(g)(i)

The WTO faces a fresh s9(2)(g)(i) challenge to its dispute settlement arm, with the Appellate Body likely to cease to function by the end of the year.

New Zealand response

190 New Zealand's interest is in securing the future of the WTO, including its dispute settlement system. We will need to continue to support reform efforts to modernise the WTO and its rules to reflect the dramatic changes in the way trade occurs and the evolved interests of the WTO membership. Continuing to fill gaps in trade rules by working with smaller groups of partners (e.g., on environmental goods and services, e-commerce) to develop high quality rules that can later be plurilateralised will be one way.

191 Economic gains for New Zealand from trade policy efforts will come less from new market access under new FTAs and more from ensuring effective FTA implementation and utilisation. Addressing non-tariff trade barriers in markets in which we already operate at high levels with minimal tariffs will demand increased focus. In many cases, removing these barriers requires more than mercantilist trade-offs: it requires confidence in the systems of others. In a protectionist environment, the headwinds here will also be greater.

192 New Zealand will also need to continue participating actively in the wider ecosystem of "global public goods" (e.g., APEC, the OECD and international standards setting bodies) that, while typically non-binding, nevertheless build up a useful common understanding on issues that affect trade. s9(2)(g)(i)

New Zealand will need to use these and other mechanisms to influence key global standards, promote liberal economic norms and pursue trade reforms and other areas of international

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IMPLICATIONS FOR NEW ZEALAND'S INTERESTS

trade policy to help shape whatever comes next. APEC 2021 will be a key opportunity to make progress on trade issues of importance to New Zealand.

A changing global market place

193 A changing trade environment – what is sold and how it is sold – presents a range of disruptions, some positive and some less so, but all requiring adaptation. New Zealand trade policy and trade promotional effort will need to support exporters to respond to these changes.

194 On the positive side, **increasing global income and consumerism** will see our mix of export markets evolve as emerging economies grow rich. Higher incomes increase protein consumption, which sits well with our export profile as a supplier of high quality meat and dairy products. Greater disposable income from an expanding global middle class will also create opportunities for our services exports, particularly in education and tourism.

195 Continuing increases in purchasing power in a number of our key markets (e.g., China, Indonesia, and Viet Nam) should, all other things being equal, continue to add value to our exports. Rapid economic growth in emerging countries (e.g., Nigeria and Bangladesh), suggest markets where, subject to local conditions, New Zealand might expect to build increasingly profitable markets.

196 **Digital trade** (traditional goods trade transacted via digital means and trade in services via the internet) also creates opportunities for New Zealand and it is increasing exponentially. Digital trade helps New Zealand exporters by removing challenges of distance from market and small scale through the use of online platforms, as well as enabling small and medium-sized enterprises to increase productivity, boost sales, access new markets and enhance international competitiveness. The rise in digital trade

has not, however, been accompanied by a commensurate development of rules, particularly multilaterally, which means the full benefits cannot yet be realised.

197 On the downside, the inevitable **transition to a low carbon global economy** will be disruptive to the New Zealand economy, given the carbon emissions profile of our most important export sectors: agriculture and tourism.

198 There are three substantial and inter-related challenges to maintaining demand for our meat and dairy products:

- Food technology is enabling production of more plant-based proteins and synthetic meat and dairy alternatives;
- Contestable environmental sustainability arguments are seized upon to support protectionist measures on agricultural products; and
- A consumer-led push for action on climate change is shifting consumption away from animal protein even though this may not reduce the carbon footprint.

199 There will be opportunities in the transition for New Zealand, for example, the heavy investment in research to reduce the environmental impacts of agricultural production has international application, our energy profile makes us an attractive investment option, and the ACCTS is an innovative approach to using legally enforceable trade measures to support the transformation to low emissions, climate-resilient economies.

200 With more than half of our emissions profile made up of methane from agricultural production, and the costs involved in transition to a low carbon economy, achieving our emission reduction targets under the Paris Agreement is likely to require some reductions to be bought through international carbon markets. Carbon trading in this way will entail reaching agreements with national

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IMPLICATIONS FOR NEW ZEALAND'S INTERESTS

and subnational governments, demanding significant policy and negotiating heft and potentially development of relationship capital with a new range of partners.

201 s6(a)

Current levels of international trade tension have not been seen for decades. Moves to block the largest US tech firms from doing business with the largest Chinese ones are a direct rejection of globalisation and foreshadow gradual movement towards bifurcation of the global economy in terms of telecommunications and data systems. Any significant decoupling of such systems would have major global economic and geopolitical implications.

202 At a minimum, such conditions would increase costs to exporters should they be required to operate dual supply chain systems and comply with conflicting standards and regulatory systems; prices of imports would also increase. More worryingly, potential for development of economic spheres of influence beyond the current sectors at issue is growing.

203 Even absent a more fundamental breakdown, the tit-for-tat escalation in tariffs between the US and China will have an ongoing chilling effect on markets more broadly, disrupting global value chains and changing expectations around how trade policy tools can be used.

New Zealand response

204 s6(a)

Trade policy and trade promotional effort to support exporters' agility and resilience, including through market diversification, will remain important.

205 Sustaining a global environment that is "fair" for New Zealand exporters

while the world implements the Paris Agreement will be a critical challenge. Addressing this challenge will likely overtake traditional market access in importance for New Zealand trade policy, and will involve ensuring New Zealand's messages reach consumers and non-state actors who may be more influential than governments. Adequate access to global carbon markets on good terms will be critical for New Zealand to smooth its transition to a low carbon economy.

206 New Zealand's trade policy and promotional effort will be affected by the extent to which export sectors pursue strategies based on growing volume or growing value. Environmental constraints on dairy and meat in particular will mean that achieving greater value from existing volumes should be a priority, reducing impetus for further market diversification.

s6(a)

207 Digital technologies will be a key enabler of the New Zealand economy and will support the shift from volume to value in our export profile. Our trade policy will need to focus on development and implementation of frameworks to enable exporters to take full advantage of digital trade opportunities.

Global action on sustainability issues that matter to New Zealand

208 In adopting Agenda 2030 for Sustainable Development and the associated Sustainable Development Goals (SDGs), the world has recognised the need for urgent, integrated action to ensure a sustainable future for the planet and its people by addressing challenges related to poverty, inequality, climate change, environmental degradation,

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prosperity, peace and justice. We have a stake in that agenda successfully addressing the challenges it encompasses, which variously affect us directly, our Pacific neighbourhood and our wider security and economic interests in other parts of the world.

209 All countries have responsibilities to take action to promote sustainable development. The biggest challenges though will only be addressed through collective action either because they transcend borders (e.g., climate change, health of the world's oceans) or because of their scale (e.g., global poverty and hunger elimination). It is in these elements of the sustainable development agenda that our strategic interests lie.

Climate change

210 Climate change is a challenge of acute global significance, requiring urgent action to avert collapse of ecosystems, with serious flow on impacts for human development, security and prosperity. Global population growth and the associated increase in consumption will push against planetary thresholds as well as driving significant food and water security challenges.

211 Despite the known consequences of climate change and the achievement of the milestone Paris Agreement, greenhouse gas emissions are still increasing. The solutions are difficult. Climate change is one of the most difficult trends to reverse as the contributors to it are hard-wired into the global economy and the necessary economic transition ultimately on the scale of the industrial revolution. But lack of timely and effective action on climate change will exacerbate the challenge as feedback loops increase the rate of environmental decline.

212 The negative effects of climate change will be felt more acutely over the next 10 years and the consequences of

what is done – or not done – will have profound implications for humanity's longer term future. In this context, international and social tensions related to climate change will intensify and developed countries will come under more pressure to take mitigation action and fund adaptation in developing countries.

213 Nation-first impulses, climate scepticism and bureaucratic inertia will probably continue to stymie meaningful progress on climate change, at least in the near term. Popular and coordinated action will grow globally, but it is likely that a crisis will need to occur to shift the dial. There may be conflict induced by resource competition, such as access to fresh waters^{s6(a)}

The Pacific could also be the setting for such a crisis should a severe weather event make a country temporarily or permanently uninhabitable.

New Zealand response

214 To meet the global challenge in the narrowing window, rapid, ambitious and effective actions are required both by developed countries and by large high emitting developing countries. Like all countries, we will need to work with others to achieve the Paris Agreement's goals through greater collective ambition and accelerated action. ^{s6(a)}

215 New Zealand has the opportunity to pursue a global leadership role on climate change. Such a role would demonstrate our commitment to address environmental challenges, which would support our Pacific strategy, shore up our "green" credentials and lead by example – if our domestic action can live up to the international rhetoric. At a minimum, New Zealand should continue to share its own policies (e.g., the Carbon Zero Bill and the decision to price emissions at the farm gate), promote its

own assets (renewable energy sector), share models to support the transition to a low carbon economy (e.g., trade policy levers such as the ACCTS) and cultivate research partnerships to accelerate technological progress.

216 The need for New Zealand assistance with climate change mitigation and adaptation efforts in the Pacific will only increase (the more so if global action is insufficient to curb temperature rises). We will also need to support PIC access to carbon markets. Our efforts here, our domestic action and our approach to international climate negotiations will have a significant bearing on the success of our broader Pacific strategy.

International cooperation for sustainable development

217 The SDGs are applicable and relevant to all countries. The challenge is not only to sustain and accelerate economic and social progress but also to share it more equitably. Poverty and economic insecurity continue to hinder prospects for a majority of people in low and middle income countries, and the outlook for sustaining past patterns of development is clouded by climate change, inward-looking attitudes in developed countries, protectionism, governance issues and challenges in the multilateral system.

218 Middle income countries face particular challenges as they strive to sustain progress while dramatically reducing carbon emissions and environmental impact. SIDS also face acute challenges because climate change and enduring issues of scale and vulnerability constrain options and increase risk. Even many developed countries will struggle to sustain progress while transitioning to lower-carbon economies and building resilience to climate change effects.

219 Access to strategic resources (food, water, energy, land, minerals) will be a defining feature of the future global landscape that will start to come into sharper focus over the next 10 years. Mechanisms to prevent over-exploitation and illegal exploitation and to promote cooperation between neighbours will be needed to remove drivers of inter- and intra-state conflict. It is likely, however, that there will be instances of conflict, particularly regarding access to fresh water. The potential scale of economic disruption and humanitarian impact of severe water shortages will probably in time require a multilateral solution and an investment in carefully managing (where feasible) international tensions caused by dwindling resources.

New Zealand response

220 New Zealand will contribute to Agenda 2030 through a combination of domestic action, international leadership and support for developing countries. New Zealand's funding and policy efforts will need to be well targeted. Geographically, the Pacific is where our development cooperation will continue to be most important. Here, our ODA will need to be sustained at a credible and effective level and address Pacific needs.

221 New Zealand also provides bilateral and regional ODA outside of our region. To support its successful delivery, we will need to sustain investment in (effective elements of) the multilateral system that have reach and scale in parts of the world where we have limited presence but an interest in stability and prosperity. We will also need to support a strong and effective multilateral contribution to achievement of the SDGs in the Pacific and in SIDS more generally. Alongside our ODA, we should look to mobilise and influence much-needed private sector sources of support and investment.

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