Punching Above Our Weight

How a small island nation navigates the world of global strategy

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Abstract

This thesis evaluates three of New Zealand's foreign strategy documents, the China Strategy, the India Strategy, and the ASEAN Strategy. It assesses New Zealand's performance against these strategies in order to elucidate the interplay between diplomatic, economic, and security strategies, and how this impacts on New Zealand's approach to these partners.

The different elements of policy exist in a complex environment of interdependent flows. In ASEAN strategy, security policy is linked to trade policy; in Indian strategy, international sport is linked with domestic tourism; and with China strategy, global reputation is linked with lowering barriers to trade.

To date, New Zealand's China Strategy has been successful, as New Zealand has performed well against the goals its set for itself. While it may be tempting to suggest emulating the China Strategy in other markets, this thesis argues that the success of the strategy is due to the unique set of circumstances of the two countries. When we look at New Zealand's approach to India the importance of customisation is evident. Strategies exist in a complex environment where multiple attempts and methods may be required in order to best elucidate the most successful approaches.

This work argues that country strategy should be sufficiently adaptive to take into account the complex environment of each nation, while holding New Zealand's trade interests as a premier function.

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1. Introduction

New Zealand is a small country in the southwestern Pacific Ocean. Its population is about 4.8 million people (Stats NZ – Population Clock, 2017) and its Gross Domestic Product (GDP) is about \$186 billion (USD) (IMF, 2017). In terms of global measures, New Zealand is a developed country and ranks highly in international comparisons of national performance, such as health, education, economic freedom and quality of life (CIA, 2017). As an island nation with a small population, developing trade and security links with areas such as China, India, and ASEAN are particularly important.

As a developed, but ultimately small island nation, it can be argued that New Zealanders perceive themselves as the ‘underdog’ as a small country on the world stage. New Zealand doesn’t have the military strength of the United States, the oil resources of the Gulf States, or the deep ties and long history of the Europeans.

This means that New Zealand often sees itself as competing on an asymmetric world stage, which is why it describes itself through the national slogan, even used by the Prime Minister, ‘punching above our weight’ (Hurley, 2017).

In respect to global strategy, New Zealand can clearly be seen to have punched above its weight. It was the first developed country to have a Free Trade Agreement with China; (Shu-Ching, 2008) it was a founding member of the Asian International Infrastructure Bank (Edwards 2015), and it helped to stimulate international dialogue and discussion when it proposed the Trans Pacific Partnership Agreement (TPPA) (MFAT – TPP 2016).

New Zealand also punches above its weight in global measures; it consistently scores in the top three least corrupt countries in Transparency International’s Corruption Perceptions Index (Transparency International, 2016). It also has the fifth best reputation of all countries according to the global Reputation Institute (Reprtrak, 2017). These are important measures when looking at how a country compares itself with others.

This thesis evaluates three of New Zealand’s key foreign strategy documents – the China Strategy, the India Strategy, and the ASEAN Strategy, as a way of understanding what underscores this ability for New Zealand to ‘punch above its weight.’

1.1 Definitions

New Zealand has a very different relationship with China compared with its relationship to India, and its relationship with the ASEAN community. There are of course, multiple approaches to globalisation; and from these flow different ways they navigate strategy. The terms ‘strategy’ and ‘globalisation’ require definitions to get a better understanding of their impact.

1.2 Strategy

'Strategy' is used in all sectors, and to different degrees. The traditional use of the term 'strategy' dates back to the fifth century BC, where 'strategy' would always be framed in military terms. Although today the term is commonly used to describe everything from 'corporate strategy' to 'public relations strategy', it is useful to consider the 'strategy' in its original context to get a clearer meaning.

Over the years, there have been a number of authors who have attempted to define 'strategy.' These include some of the great military writers such as Sun Tzu, Colin Gray, Carl Von Clausewitz, Joseph Wylie, and Basil Liddell Hart. There are distinctions between each of these definitions of 'strategy'; however, it is the similarities which best elucidates our understanding of the term.

Author	Quote
Tzu Sun	"A style of thinking; a conscious and deliberate process; an intensive implementation system; the art of ensuring future success." (Sun, S 1964)
Colin S Gray	"Strategy is the bridge that relates military power to political purpose; it is neither military power per se or political purpose. By strategy I mean the use that is made of the threat of force for the ends of policy. ...strategy is neither policy nor armed combat; rather it is the bridge between them" (Clausewitzs, C V.1976, pp 178)
Carl Von Clausewitz	"Tactics teaches the use of armed forces in the engagement; strategy, the use of engagements for the object of the war." ³
Tzu Sun	"Strategy without tactics is the slowest route to victory. Tactics without strategy is the noise before defeat" (Sun, S, 1964)
Joseph Caldwell Wylie	"Strategy is a "plan of action designed in order to achieve some end a purpose together with a system of measures for its accomplishment" (Whylie, J C. 1964)
Basil H Liddell Hart	"Strategy is "the art of distributing and applying military means to fulfill the ends of policy". (Hart, B H L., 1967, pp 335)
Basil H Liddell Hart	"The role of grand Strategy – higher strategy – is to coordinate and direct all the resources of a nation or band of nations, towards the attainment of the political objects of the war – the goal defined by fundamental policy." (Hart, B H L., 1967, pp 335 - 6)

Tzu's definition of strategy refers to it as bringing together the elements of reflection "a style of thinking," of planning "a conscious and deliberate process" execution "an

intensive implementation system”, and making the process circular, “the art ensuring future success.”

Gray’s definition is explicitly military; he links objectives “political purpose”, with resource “military power” with the metaphor of a bridge. Objectives without resources leave unfulfilled goals, likewise resources without objectives serves no purpose.

Clausewitz’s definition of strategy reminds us that tactics are a subset of strategy. Tactics will only win ‘the war’ if they are being driven by a coherent strategy. This is similar to another of Tzu’s definitions “Strategy without tactics is the slowest route to victory. Tactics without strategy is the noise before defeat”

Whyllie differentiates himself by importing measurement into the definition “system of measures for its accomplishment”. Measurement is an important aspect of strategy, because if the strategist isn’t clear on what success will look like, how do they know if it has been achieved?

Hart’s definition of strategy is similar to Gray’s definition, as it relates political purpose “fulfil the end policy” with the application of resources “applying military means.” He goes further with this definition by looking at the “role of grand strategy” in the context of a nation to describe an approach which combines these resources to obtain a political outcome. The key ideas flowing through these different definitions of strategy create a framework to think about strategy and its development. These key themes are:

Purpose/objective: the starting point of developing a strategy is to understand its purpose or objective.

Resources: whether military or otherwise, these are the elements available to achieve the purpose.

Development: strategy development is the bridge that joins together the objectives and the resources.

Tactics: these sit below strategy; tactics are the steps between the resources and the outcome. Strategy designs how those steps should be ordered.

Execution / Implementation: strategy must be about more than theory; it must be put into action.

Measurement / re-testing: the resources and objectives may change over time; refining strategy through re-testing it delivers better outcomes.

Through looking at how different theorists approach and define 'strategy', core themes and a coherent framework emerge. Running across all these definitions are purpose, resources, development, tactics, execution, and measurement as key elements of the definitions. 'Strategy' therefore, could be described as a "consistently re-tested operational framework for deploying resources to achieve an outcome."

1.3 Globalisation

The other key term that needs to be defined, is 'globalisation'. Although the periods of when globalisation began is contested - some argue it follows Dutch mercantilism, (Bauernfeind, 2001, pp. 4) others argue it was following the Industrial Revolution (Ferreira, Pessôa, and Santos, 2010, pp. 2) – this thesis focuses on globalisation following the international rebuilding and settling efforts after World War Two where there was a period of global trade liberalisation.

'Globalisation' has been defined by some as an erosion of state protectionism. Jane Kelsey is an example of a prominent New Zealand academic who takes this state protectionist view. Kelsey argues that to engage in international agreements, and flows of trade and people, then as a small trading nation, the result will be a relinquishing of state sovereignty (Kelsey, 2015).

Kelsey also argues that as trade agreements are negotiated and signed by governments of the day, the process is susceptible to ideological interference, and thus we must be skeptical about whether they are in the best interests of the country. For example that the Trans Pacific Partnership Agreement would hinder state's ability to create global by allowing global corporations to litigate and seek damages for law changes which adversely impact their business (Kelsey, 2015).

This is a state protectionist view. The impact of globalisation on domestic politics is the overarching theme which flows through her work. This argument, while interesting, assumes globalisation is a one-way flow where larger countries will simply win out against smaller countries.

This work contends that globalisation and international strategy is more complex. It draws from Arjun Appadurai's (Appadurai, 1990) contention that globalisation is about competing flows, rather than domination of one country by another.

Appadurai is an Indian born, US educated anthropologist who is best recognised for his work 'Disjuncture and Difference in the Global Cultural Economy.' His work describes globalisation as a "complex, overlapping, disjunctive order which cannot any longer be understood in terms of existing center-periphery model. Nor is it susceptible to simple models of push and pull or surpluses and deficits or of consumers and producers" (Appadurai, 1990, pp 295)

Appadurai uses a framework which this work will apply to the complex trading arrangements that we have developed. The framework contains five dimensions of global cultural flow. These are: 'ethnoscapes', 'mediascapes', 'technoscapes', 'financescapes,' and 'ideoscapes'. The suffix '-scape' is Appadurai's term, and is used to indicate that each one of these terms are not objective, but are a differing perspective on the same view. "These are perspectival constructs informed by historical, linguistic and political 'situatedness' of different sorts of actors". (Appadurai, 1990, pp 296)

Appadurai drew from Benedict Anderson who argued that the nation is an "imagined community" (Appadurai, 1990). Anderson argues the rise in the concept of nationalism coincides with the rise in the development of mass media facilitated by the rise of the newspaper. This allows people to consider themselves as part of "imagined communities" of shared experience.

The act of reading the newspaper allows people to feel like they are participating in the experience of the nation. The notion that a nation, or our concept of the world is more than a physical entity, it is a shared experience, is one that Appadurai draws from. Appadurai argues that globalisation is about a world of these "imagined communities", coining the phrase 'imagined world' as a way to imagine different communities of sentiment.

For Appadurai, the complexity of these imagined worlds can be mapped through looking at how nations engage in competing scape through a series of competing and unequal flows, which he refers to as "scapes". The five of Appadurai's '-scapes' include: (Appadurai, 1990, pp 296 - 310)

- **'Ethnoscape'** : The flow of people traversing between communities. This includes tourists, immigrants, those seeking international education, refugees, exiles, guest workers and other groups of people.
- **'Technoscapes'** : The Flows of technologies between nations without supportive cultural structures. From a New Zealand industrial lens, this could be seen as Fisher & Paykel's Dunedin engineers sharing their industrial design techniques with their manufacturing facilities in Italy or Mexico.
- **'Financescapes'** : The global financial markets allow for finance to flow across borders and backs in seconds, and represent the immediate and sometimes unpredictable flow of capital across borders.
- **'Ideoscapes'** : Are the sharing of ideology, religion and perspectives. The ideoscape include the ideas, terms, and images including freedom, welfare, rights, sovereignty, representation, and democracy. For example, ideas of democracy, flow across borders. Similarly, ISIS' ideas of a fascist

and radical Islam are not situated in one country. It represents an ideology that flows across multiple borders.

- **‘Mediascapes’** : The flow of media across borders and between countries to spread the way we understand the world. Mediascapes are often denoted by media, cinema, advertising, television, and posters. With the advent of YouTube, the internet, and smartphones, Appadurai’s ‘mediascapes’ flow around the world, or through different communities as rapidly as the ‘financescapes’ had started to do in 1990 when he first wrote this work.

Global communities are complex, with different people, contexts, and perspectives. Therefore thinking about international trade in terms of multiple scapes is useful. In the following paragraphs, this will look at how New Zealand’s China, India, and ASEAN strategies fit in to Appadurai’s ‘scapes’.

1.4 The ethnoscape – China and India.

The application of these ‘-scapes’ provides a way of thinking about where different countries are placed on the theoretical landscape. The ‘ethnoscapes’ is an area where China and India are evident, which should come as no surprise for two developing nations with populations in excess of a billion people.

The ethnoscapes is particularly adroit as it specifically relates to the flow of people, tourists, immigrants and refugees. This is prevalent in two core ways with New Zealand’s relationship with both China and India. These are, educational flows, and tourist flows.

New Zealand has sought to attract immigrants who inject money into the economy. Between 2010 and 2015, there was an increase in Chinese foreign students from 20,890 to 30,955 students (Education NZ, 2017). Likewise from 2010 to 2015, there was an increase in the number of Indian students from 11,791 to 29,235 (Education Counts, 2015).

New Zealand has also sought to attract increasing numbers of tourist as part of their tourism strategy. Tourism is another ‘ethnoscape’ flow which has increased markedly. there was an increase from 141,000 Chinese tourists in 2011, to 295,552 in 2015. (Tourism Industry Association, 2016, pp 12) Likewise there was an increase from 25,995 Indian Tourist in 2010, to 53,792 in 2017 (Tourism NZ, 2017).

The increasing flow of people from India and China to visit New Zealand are examples of the Appadurai’s flows being led by people as the most significant step towards partnership and globalisation. As these are both developing countries with more than a billion people in each, it is no surprise that as their GDPs expand, so too does the people’s travel and global education.

1.5 The financescape - China

The asymmetry in the sizes of the economy demonstrates why New Zealand is pursuing the financescapes flows with China. China's 2017 GDP was measured at \$12.3 trillion (USD) (IMF – China, 2017). This compares with New Zealand's equivalent IMF GDP measure of \$186 billion (USD) (IMF – NZ 2017).

The changing financescapes is a motivating factor for the New Zealand Government to pursue its China Strategy as greater economic trade and investment leads to greater prosperity for the country. The total goods exports from New Zealand to China increased from \$6.8 billion in 2012, to \$9.4 billion in 2016 (Statistics NZ, 2016)

The only significant impact to the financescapes flow between India and New Zealand is where the ethnoscape has driven the capital flow. The 'goods exports' – that is, physical commodities, logs, milk products, wool - to India dropped from \$901 million in 2010, to 639 million in 2015. However, the service exports to India – primarily tourism and education – increased from \$356 million in 2001, to \$1,112 million in 2016. (Stats NZ, 2016)

Understanding that the financescapes lens for looking at India isn't strong, demonstrates that this isn't the best lens for understanding India's relationship with New Zealand. Instead, mediascapes and a shared enjoyment of cricket is perhaps more tightly focused.

1.6 The mediascape - India

Mediascape are the flows of media across borders and between countries to share the way we understand the world, New Zealand has used mediascapes as an approach for tourism, such as promoting Lord of the Rings. We've also used mediascapes to link to the national cultural sport and icons of India. For example, cricket is a significant national sport in India. When the India national cricket team (sometimes referred to as Men in Blue) play the Blackcaps – anywhere around the globe, then up to one third of India's 1.2 billion people, tune in (Bynon, D., 2017).

New Zealand encourages India to increase their ethnoscape flows through targeted 'mediascape' flows. In 2016, New Zealand invited Sidharth Malhotra, a prominent Indian actor, to come to New Zealand and share pictures of himself enjoying traditional cultural and tourist experiences.

These generated more than 2.3 million digital interactions (Tourism NZ, 2017). This was a tactical way for New Zealand to use the mediascape's digital flows of interaction to impact on the ethnoscape flows of people movement.

1.7 The ideoscape - ASEAN

Ideoscapes taps into Ideology, and while 'security' doesn't sit comfortably as an identity, security is the result of economic liberalisation. As a multilateral agreement, ASEAN was designed first and foremost as a means of peacefully resolving disputes in the region, and secondly a way of encouraging trade.

This is also true of New Zealand's strategy with the community. As New Zealand's Trade Minister Tim Groser, has said: "there is no difference between 'Foreign Policy' and 'Trade Policy' for New Zealand. Get it right, they complement each other. Get one of them wrong, and it is like waving the wrong flag at a bull, so to speak" (Groser, T., 2014).

What this means is that New Zealand's engagement with the ASEAN community contributes to greater stability in the region, as well as greater security through one of New Zealand's key shipping lanes, which provides for increased economic security for New Zealand's exporting industry.

1.8 Concluding comments

New Zealand "punches above its weight" in its China Strategy due to the way it has adopted proactive, flexible trade strategies that actively facilitate and incorporate Chinese world views, acting as an advocate for China opening its previously closed economy to global capital. New Zealand has had a considerable amount of ethno and financial flows with China, and the results of its China strategy appear to be exceeding expectations.

The result of the India Strategy has been more mixed, and the contrasting nature of the countries has a direct impact. While China has a centralised government, India has 29 federated states. Approaching Indian strategy at a central level hasn't worked as well as it has with China.

The federated states make this more of a challenge as there isn't a strong common identity across the federated states. New Zealand has calibrated its strategy away from the State, and has instead started to focus on targeting individual citizens to encourage the ethnoscares of tourism and education.

When we think of the ASEAN strategy, it could be argued that New Zealand is able to punch above its weight. New Zealand started from outside the community, and worked its way in. New Zealand developed its relationship with ASEAN over time, now its relationship with the community is best expressed through ideoscapes, New Zealand is able to sit at the same table of more significant military powers, and share ideas and opinions on approaches to security and shared military exercises.

This work evaluates these three New Zealand foreign strategy documents – the China Strategy, the Indian Strategy and the ASEAN Strategy. It tests New Zealand's performance against these documents and elucidates the interplay between diplomatic, economic, and security strategy. It assesses New Zealand's approach, and provides context and suggestions for areas of focus.

The first, and most significant trading partner, is New Zealand's largest: China.

2. China Strategy

China and New Zealand have a good diplomatic and trading relationship. The modern lexicon used to describe the relationship is 'one of firsts'. This phrase started as 'four firsts', but quickly morphed into the prior when it became clear there wasn't going to be an upper cap on these early engagement achievements.

China is New Zealand's largest trading partner, and New Zealand's perspective on China is that there is further opportunity for engagement and increased trade.

China sees New Zealand strategically as a nation deeply engrained into the global community, and can help it achieve greater status in international institutions. Tactically, New Zealand is a modern and democratic country with a relatively small economy, meaning China can use New Zealand as a testing ground for western engagement with limited exposure.

These mutual and compatible interests have been at the forefront of the New Zealand China foreign policy success story. Both countries see that through bilateral engagement they can further their own strategic, economic, and security goals; demonstrating the value of globalisation in the modern global economy.

2.1 New Zealand and China's relationship (1860s to 1980s)

New Zealand and China have had a long relationship, especially given the relative youth of New Zealand. The first known Chinese immigrant to New Zealand was Appo Hocton, who arrived at Nelson in 1842 (Ip, M, 2017, pp. 2) Immigration numbers slowly increased, largely driven by the gold mining opportunities in Otago and the West Coast. By 1869 there were as many as 2,000 Chinese people in New Zealand (Beaglehole, A., 2015)

New Zealanders became frustrated with the increased number of Chinese miners, so created anti-immigration legislation. The government passed the Chinese Immigration Act of 1881, creating a 'poll tax' of £10 to help reduce the inflow of Chinese miners. Further, the naturalisation of Chinese was stopped in 1908, along with other measures to reduce immigration (Ip, M, 2017, pp. 3).

It wasn't until fifty years later, after the Second World War, that some of these measures against China – and other countries – were rolled back. Through its engagement in the European war, New Zealand had started to see the world through a more global lens, and China helping defeat the Japanese improved New Zealand's perspective on China. For these reason, the naturalisation of Chinese people was re-instated in 1952 (Ip, M, 2017, pp 4).

The dynamics had also changed, when the People's Republic of China was formally established in 1949. The National Government of the day had to decide whether or not it should offer formal recognition. New Zealand decided against this, partly because of the war on the Korean peninsula, and because the United Nations had declared China to be an 'aggressor,' reflecting New Zealand's early faith, and focus on global institutions (NZ Contemporary China Research Centre, 2015).

The United Nations was also a key reason why New Zealand eventually reversed its position and decided to recognise China. Following Mao's revolution, the Republic of China was formally admitted into the United Nations in 1971 (United Nations Resolution, 1971). A year on, Norman Kirk's Labour Government, formally recognised the People's Republic of China.

The recognition of China was a significant step in the relationship. In doing so, New Zealand's Ambassador to the United Nations John Scott, and China's Ambassador Huang Hua released a joint statement with the four key clauses of:

- mutual respect and non-interference,
- support for the One-China Policy,
- recognition of the People's Republic of China as government,
- the establishment of diplomatic relations (People's Republic Of China, 1972).

Since recognition, the relationship between China and New Zealand continues to warm. The first New Zealand Parliamentary delegation to the People's Republic of China took place between April and May 1977. Parliamentary and diplomatic delegations were a sign of respect and recognition of Chinese sovereignty.

The diplomatic relations frayed during the Chinese Government crackdown on the Tiananmen Square protest in 1989. New Zealand strongly condemned this action, and ministerial contact was suspended.

This suspension couldn't last. China was obviously becoming the key player in the Asia-Pacific region and strategically, New Zealand couldn't fall behind, it needed to be able to engage with China in the region. After almost two years, and with a new New Zealand Government in place for context (following the 1990 election), the suspension on Ministerial contact was lifted (NZ Contemporary China Research Centre, 2015).

This highlights the conflict between the political imperative to condemn, with the strategic imperative to engage. The domestic political imperative to show solidarity with the protest had to take second place. The strategic reality is, as a small exporting nation, New Zealand can only condemn to a point, but it has to be able to maintain

good relations in order to further its export industry. In this respect, globalisation does force countries to weigh conflicting priorities.

2.2 China and the World Trade Organisation (1980s to 1990s)

After recognition in the United Nations, China was increasingly focused on participating in international institutions; they also needed to be part of the global trading economy. During the 1980s, the most significant international trading framework was the General Agreement on Tariffs and Trade (GATT), which was the precursor to the World Trade Organisation (WTO).

China had been one of the original signatories to the GATT agreement, however after China's revolution; Taiwan had announced China would leave GATT in 1949. Although Taiwan's announcement was not recognised by China – as China considered itself sovereign to Taiwan - in 1986, it requested to be readmitted with observer status to GATT (WTO, 2011).

Formalising global trade rules took time and the GATT framework was under constant negotiation. There was an Uruguay Round of negotiations which was intended to take four years. The focus of the rounds was to make GATT cover areas it hadn't included such as services and intellectual property, however, these four years took eight to conclude. Eventually, the conclusion of these negotiations resulted in the Marrakesh Agreement. In 1994 in Morocco, 124 countries signed the Marrakesh Agreement, establishing the World Trade Organisation (WTO, 2017).

China wanted to join the WTO as a founding member; however, there were issues with its application. China submitted its request to join on 1 January 1995. Much to the consternation of other members, in its application, it listed itself as a 'developing country.'

Developing country members of the WTO had a different set of standards to developed members. Developing country members were able to keep in place their protectionist measures, yet they were able to access foreign markets with fewer barriers to trade. From a western perspective, this would have given China an unfair trade advantage.

The United States and the rest of the western world didn't see China as a developing nation. While China had a robust GDP at the time, with its population size, the per capita GDP was low. There is an argument either way but the result was the same, China's application to become a founding member of the WTO was blocked (Brooks-Rosen, J., 1997, pp 1534 – 1535).

As a result of this decision, China's strategy towards New Zealand began to crystallize. In 1997, China's Foreign Ministry was under immense internal pressure to make

progress with its bid to join the WTO (Elder, C, 2013). At the time, China and New Zealand were working towards completing bilateral negotiations.

China made greater concessions than it usually would in order to hasten the bilateral negotiations. In return for favourable terms, New Zealand had to support China's application to the WTO, making it the first developed country to support the application. This became known as the start of a 'relationship of firsts'.

China's strategic perspective on this was that New Zealand is a small but well respected developed economy. The cost of concluding favourable bilateral agreements with New Zealand was relatively low, but the benefit is that they were able to pierce the western consensus blocking China from joining the WTO.

One developed nation's support wasn't enough to get China's application over the line. However, the WTO example informed the basis of China's strategic approach to New Zealand. China was able to build allies through offering favourable trade terms.

The dynamics of the relationship had changed, and China could see the strategic advantages of being more focused on New Zealand. New Zealand was a developed western country with strong global connections, but with an economy so (relatively) small, that if concessions went too far, then it wouldn't make a dent in China's GDP. The diplomatic lexicon between the two countries had become 'a relationship of firsts' (MFAT – China, 2017).

It is worth noting that in 2001, after significant structural changes to the economy and markets, China did become a member of the World Trade Organisation (Lardy, N R, 2016).

2.3 The Free Trade Agreement (2000s to 2010s)

China's economy continued to expand, and it reached a point where it was clear that further foreign policy discussions and trade negotiations needed to be had in order to widen its market penetration.

China's Ministry of Commerce and New Zealand's Ministry of Foreign Affairs and Trade went through an exploratory joint study, looking at the potential advantages a Free Trade Agreement (FTA) between the two countries. It concluded:

"This study has demonstrated that significant complementarities exist between the Chinese and New Zealand economies and that an FTA would benefit the people and economies of both countries.

To secure these benefits and build on the long and warm relationships between the two countries, this study recommends that negotiations on an FTA between

China and New Zealand covering goods, services and investment should commence as soon as possible” (MFAT – Joint Statement, 2004).

While the study concluded that an FTA would benefit both economies, given the difference in market sizes, the impact on GDP would only ever asymmetrically benefit New Zealand over China. With the study released, and the bait set, China’s strategy reverted to mixing foreign and trade policy.

As a condition of starting negotiations, China asked New Zealand to give it formal recognition as a market economy (Beal, T., & Kang, Y. 2016). Given the immense value to New Zealand of a successful FTA, in April 2004, New Zealand became the first developed country to recognise China as a market economy (MFAT, - National Interests, 2017). This became the second of the ‘firsts’.

With New Zealand’s formal recognition as a market economy in place, in November 2004, leaders of both countries announced FTA negotiations would commence. Prime Minister Helen Clark and Chinese President Hu Jintao made this announcement at the APEC leaders meeting in Chile (Clark, H., 2004).

The process of negotiating an FTA with China had never been done before, so the process itself became known as the ‘third of the firsts’. There were fifteen rounds of negotiations over three and a half years, and in April 2008, New Zealand Minister of Trade Phil Goff and Chinese Minister of Commerce Chen Deming signed the Free Trade Agreement in the Great Hall of the People, in Beijing (Chen, S J, 2008).

This wasn’t simply an achievement for New Zealand. No developed economy had concluded a successful FTA with China, so this was a global milestone. China had gained market recognition, and was able to go through the process of negotiating an FTA with a small economy.

When the ink was dry, the successful conclusion of FTA negotiations, and having a treaty in place became known as the ‘fourth of the firsts.’ The FTA was a major achievement, and this lexicon of a ‘relationship of firsts’ ultimately became the strategic framework for the New Zealand China relationship.

2.4 The strategic context (2010 – present)

The early engagement, and relationship of firsts, provides the background for where and how New Zealand’s China strategy has been developed for the 21st century. The economic context provides a good lens to understand the strategic context.

There is significant asymmetry between the sizes of the economies. China’s 2017 Gross Domestic Product (GDP) was measured at \$12.3 trillion (USD) (IMF – China, 2017). This compares with New Zealand’s equivalent IMF GDP measure of \$186 billion (USD) (IMF – NZ, 2017). The numbers swap round when compared with a per capita basis. China’s

GDP per capita is approximately \$8,928 (USD) (IMF – NZ, 2017) while New Zealand's is larger at \$38,707 (USD) (IMF – NZ, 2017).

The GDP figures make China's economy approximately 66 times as large as New Zealand's. When tens of trillions of dollars, are compared with hundreds of billions of dollars, the comparative size of New Zealand's economy is in effect a rounding error.

The economic asymmetry is worth considering from both countries' perspectives. New Zealand's perspective is quite clear; there is significant market opportunity for New Zealand to increase its export receipts. During the Global Financial Crisis, New Zealand's increased trade with China helped to prop up the New Zealand economy.

China's perspective on why it pursues engagement with New Zealand isn't as simple. There is no direct and material economic imperative for China to focus its resources on New Zealand. New Zealand's value to China is a strategic proposition in providing legitimacy through advocacy. Given New Zealand's relatively small market size, the cost to China in pursuing the legitimacy approach is cheap compared with the advantages of having a well-regarded country act as its advocate on the world stage.

As touched on earlier, New Zealand has advocated on China's behalf before. It supported China to be admitted to the WTO, it recognised China as a market economy, and it represented China as more open to the world through beginning and concluding a Free Trade Agreement.

This thesis doesn't set to moralise whether it was right or wrong for New Zealand to advocate on China's behalf, or to say that New Zealand was being taken advantage of. Improving economic outcomes for New Zealand is regarded as a positive focus for any government. If New Zealand can take advantage of its position globally to further economic gains, then that is a legitimate and credible strategy.

Given the asymmetry, New Zealand can't help but be aware of China's approach. In the opening of MFAT's China Strategy, the Prime Minister's foreword remarks acknowledge that:

"[w]e can't engage with China just on the trading front – we need to work across all sectors to build the range of links that will enhance our understanding and familiarity with each other." (MFAT – China Strategy, 2010, pp 1)

Further, New Zealand's Trade Minister Tim Groser, who is very familiar with China as he negotiated the Free Trade Agreement, has said:

"there is no difference between 'Foreign Policy' and 'Trade Policy' for New Zealand. Get it right, they complement each other. Get one of them wrong, and it is like waving the wrong flag at a bull, so to speak" (Groser, T., 2014).

Getting it right means aligning costs and advantages, so that there is a mutual benefit in pursuing a combined foreign and trade policy. This thinking therefore should be reflected in the New Zealand China Strategy.

2.5 New Zealand China Strategy

The New Zealand China Strategy has been developed to help increase the internationalisation of the New Zealand economy. The political relations are a foundational step for building the economic relations, and so make up the first of the goals in the strategy. This ultimately supports the Government's main goal – to deliver greater prosperity, security, and opportunities to New Zealanders.

The five goals in the relationship are as follows:

#	Goal
1	Retain and build a strong and resilient political relationship between New Zealand and China.
2	Double two-way trade in goods with China to \$20 billion by 2015.
3	Grow services trade with China, particularly education by 20% and tourism by 60% by 2015.
4	Increase bilateral investment to levels that reflect the growing commercial relationship with China.
5	Grow high quality science and technology collaborations with China to generate commercial opportunities.

Source: 'NZ Inc China Strategy' Ministry of Foreign Affairs (MFAT – China, 2010)

Each of these goals interrelates and supports the other goals. Building strong and resilient political relations between China and New Zealand improves the trading outcome because China is a centrally controlled country. Increasing the science and technology collaboration with China will have an impact on the shared service and tourism markets as there is a larger platform for shared understanding.

2.6 Goal: Retain and build a strong and resilient political relationship between New Zealand and China

A good relationship is the foundation for all engagement, be it in a political, economic, or a security setting. There are two key elements to this goal, retaining and building strong political relationships, and retaining and building resilient political relationships, though both of these intertwine.

2.7 Strength in relationships

Strength in relationships can be viewed through a political, economic, or security lens. Politically, a strong relationship with China gives New Zealand better access to international institutions that are China-led; economically, New Zealand has better

market access to China; and through a security lens, biological and customs conditions can be negotiated, and disagreements can be more easily resolved.

Joining the Asian Infrastructure Investment Bank, and renegotiating the FTA agreement are two current examples which demonstrate the strength of the relationships. These have both been recognised as contributing to the 'relationship of firsts' framework.

2.8 The Asian Infrastructure Investment Bank

In October 2013, China proposed establishing the Asian Infrastructure Investment Bank (AIIB). On the face of it, the AIIB was an initiative designed to help build infrastructure in the Asia-Pacific region. Whether or not this was the strategic purpose of establishing the bank is debatable.

The United States had the view that this bank was a direct rival to the World Bank and the International Monetary Fund (IMF), increasing China's soft power in the Asia-Pacific region. This would undermine the United States' status as the 'global superpower.' Of the AIIB, Washington publically stated:

"Our position on the AIIB remains clear and consistent. [...] We believe any new multilateral institution should incorporate the high standards of the World Bank and the regional development banks. Based on many discussions, we have concerns about whether the AIIB will meet these high standards, particularly related to governance, and environmental and social safeguards" (Watt, Lewis, Branigan, 2015)

Washington's assessment of the AIIB has an air of legitimacy to it. If China's long term strategy is to position itself as the global superpower, then establishing the bank to support infrastructure in other nations is a good tactic.

New Zealand was invited to join the bank as a founding member, so had to weigh the United States perspective against New Zealand's strategic imperative to be meaningfully involved with international institutions. By the early 2010s, it was also clear that China was to be New Zealand's largest trading partner.

New Zealand did join the AIIB as a founding member. In June 2015, then Deputy Prime Minister Bill English concluded a signing ceremony in Beijing. The signing ceremony formalised New Zealand's place as the first developed western nation to join the AIIB (Radio NZ, 2015). This was another one of the 'firsts' in the relationship according to China's Ambassador Lutong Wang (Wang, L., 2015)

Becoming a founding member of the AIIB is an action which builds strength in the relationship. China was able to increase the AIIB's perceived legitimacy through having a developed country as a prospective founding member, while New Zealand was able

to increase its strategic imperative of gaining influence through international institutions.

2.9 Renegotiating the Free Trade Agreement

Building strength in the relationship can be understood through looking at other examples of the ‘firsts’. This is because the ‘firsts’ are activities where New Zealand is leading the world in its relationship with China.

Renegotiating the FTA with China in light of global and technological changes became another one of the ‘firsts’. MFAT refers to this as the ‘fifth’ of the firsts, though China had already started to change the lexicon from ‘four firsts’ to ‘one of firsts’ leaving the door open for future early engagement opportunities.

New Zealand and China jointly announced the launch of negotiations to ‘upgrade’ the FTA with China in November 2016. Chinese premier Li Keqiang visited New Zealand in early 2017 to formalise the start of the negotiations in April. The focus of this upgrade was in areas such as trade, customs, travel, and climate change (McBeth, Paul 2017).

State controlled Chinese media, which has often been considered the voice of the Communist Party, provides an insight to China’s reaction to the FTA upgrade, and China’s perspective on New Zealand:

“New Zealand has been a front-runner among developed economies in conducting cooperation with China. It is the first developed country that signed a bilateral agreement with China on China's accession to the World Trade Organi[s]ation, recogni[s]ed China's full market economy status, [and] signed a free trade agreement with China, and also the first Western nation to join China-led Asian Infrastructure Investment Bank” (Zhang, J., 2017) .

This demonstrates that the historical context matters, and despite the WTO assistance happening 20 years ago, this is still considered relevant when discussing the current state of the relationship. It also shows this is how the Communist Party consider the relationship.

The relationship is summed up by Fan Zhang, the economic and commercial counsellor at the Chinese Embassy in New Zealand. Mr Fan has been handling commercial relationships between the two countries since 1994. In an interview, he positively remarked:

“I think the relationship is probably the best ever – ever since our two countries established diplomatic relations back in 1972” (Morrison, T, 2016) .

The strategic goal in building the strength of the relationship as part of the New Zealand China Strategy can be said to be achieved.

2.10 Resilience in relationship

Building resilience in a relationship is developing its ability to overcome differences in opinions and resolve disputes amicably. New Zealand has been working to build the strength on its New Zealand China relationship.

Improving the strength of the relationship provides more goodwill that can be 'banked' to help smooth over any future tensions. Between any two countries there are likely to be different views and conflicting interests over time. This was picked up by Zhang Fan of the Chinese Embassy in New Zealand:

"I have been handling the commercial relationship between China and New Zealand for over two decades... I can see this relationship is certainly still very promising and full of potential, but certainly you can't say there are no challenges in our relationship" (Morrison, T, 2016) .

A key test in the resilience of relationships is how they perform under pressure, and a recent 2016 / 2017 example of the South China Seas dispute provides some context.

2.11 South China Seas

The South China Seas dispute is a test on the resilience of New Zealand's relationship with China. This is because New Zealand was compelled to take a stance on a global security issue which was ultimately in conflict with China's strongly held position.

The South China Seas dispute was a contest for valuable maritime territory between China and several other South East Asian countries. This is particularly pertinent for New Zealand as almost half of its exports pass through the South China Sea. Any regional conflicts would have a direct impact on New Zealand's economic security.

This is one of the primary conflicts in the region, and is taken very seriously by all parties. In 2013, the Philippines brought the People's Republic of China to international arbitration under the United Nations Convention on the Law of the Sea (UNCLOS). At the outset, China had said the tribunal had no jurisdiction and would ignore the ruling and so China did not take part in the arbitration.

Despite China boycotting the tribunal, in July 2016, the tribunal ruled in favour of the Philippines position for sovereignty of much of the maritime territory, and said China had broken international law through endangering Philippine ships and damaging the marine environment (Fisher, M., 2016).

China reiterated its earlier position that it would reject the ruling (Phillips, Holmes, Bowcott, 2016). Within China, the rejection of the ruling would be considered farcical if

it wasn't so serious. The Beijing News released a music video with clips of young people saying "South sea arbitration – who cares?" The video was interspersed with clips of military craft undertaking drills. The video reached millions of Chinese people (Wong, H. 2016).

2.12 New Zealand's position on the South China Seas

The South China Seas dispute is an important strategic security issue for both China and New Zealand. New Zealand has conflicting security, political and strategic concerns. The security concerns are that nearly half of New Zealand's exports travel through the South China Seas. The political concerns are that New Zealand needs to retain a good relationship with China. The strategic concern is that New Zealand has to, and be seen to be, uphold the values of international institutions.

In October 2011, at the Xiangshan Forum in China, Defence Minister Gerry Brownlee offered his position on South China Seas through a security lens he said:

"We oppose actions that undermine peace and erode trust and would like to see all parties actively take steps to reduce those tensions...a particular cause of...heightened tension has always been the reclamation and construction activity and deployment of military assets in the disputed areas" (Brownlee, G. 2016)

The fact that New Zealand had commented on the proceedings riled China, making this a good issue to look at the resilience of the relationship. In response to Minister Brownlee's statement, Fu Ying, the Chairwoman for China's Foreign Affairs Committee in government said she;

"hope[d] that countries who are not involved in the disputes respect the countries who are having the disputes to ... work among themselves..

"Outside involvement, I think the developments have shown, interferences, can only complicate the differences and sometimes even add to the tension."
(Blanchard, B 2016)

The reaction to this was stark, media headlines around the world read 'China slams Gerry Brownlee: NZ 'not involved' in South China Sea debate (Reuters, 2016) and 'China berates visiting New Zealand Defence Minister over South China Sea stance.' (Blanchard, 2016)

Defence ministers in particular focus on calibrating their words so as not to cause tension, so the reaction to Brownlee's statement was likely surprising. New Zealand was effectively being told to 'mind its own business' by the Chinese government, in a public setting.

When the ruling was released in July 2016, New Zealand's Foreign Minister, Murray McCully had to be as balanced and diplomatic as possible in his public statement. He said:

"Maintaining peace and stability in the South China Sea is vital to the ongoing prosperity of the wider Asia-Pacific region. It is in all parties' interests to ensure the United Nations Convention on the Law of the Sea is respected."

"We hope that the tribunal's ruling can provide a platform for resolving the longstanding and complex issues in the South China Sea and we urge all parties to work towards this end." (Small, V, 2016)

Minister McCully's statement reiterated that New Zealand didn't take a position on the ruling, only the process. This response was a result of careful word-smithing in order to not create tension with China. Although New Zealand is naturally inclined to strongly support international institutions, in this instance the diplomatic calculus swung the way of China.

China's reaction to the ruling was very strong, calling it a "farce", "ill founded", and "naturally null and void." (Phillips, Holmes, Bowcott, 2016). Although China was frustrated with the ruling, McCully's calculated response didn't get the push back or global headlines that Brownlee's earlier statements did.

Ultimately, there are sensitive issues to talk about; however as Mr Zhang from the Chinese Embassy notes:

"Sometimes we just have different views on different issues, but that's quite natural. We can't just have the same view on all issues." (Morrison, T, 2016).

Agreeing to disagree on major issues is a sign of maturity in the relationship. New Zealand and China are not going to agree on everything, and to be in a position where they can each put major issues to one side demonstrates a robust relationship.

The open-ended question this leaves is if that as New Zealand felt compelled to calibrate their response as lightly as possible, is that good politics, or does this reflect a submissive relationship?

2.13 Strength and resilience in the relationship

Strong relationships advance soft power and is the foundation from which all other objectives stem. This is why the China Strategy's first goal is to retain and build a strong and resilient political relationships.

New Zealand has made strides in its relationship with China, it has started renegotiations of the FTA, it has become a founding member of China's Asian

Infrastructure Investment Bank, and it has been able to navigate the diplomatic complexity of responses to the South China Seas dispute. This goal was achieved, which positions New Zealand well to further its other goals in the New Zealand China Strategy.

2.14 Goal: Double two-way trade in goods with China to \$20 billion by 2015

Increasing the two-way trade in goods between New Zealand and China is a key economic security goal. Increasing New Zealand's export receipts makes New Zealand a more prosperous country, providing the Government with the means to make more choices.

The two-way trade of goods includes commodities such as wood, milk, and fish. This reflects New Zealand's image as an agricultural nation. The value of the trade has seen a steady rise in recent years, and a result of this is that the 2010 China Strategy had the ambitious target of doubling the two-way trade in goods to 20 billion dollars by 2015.

The actual 2015 two-way trade in goods figure was 18.5 billion dollars, not achieving the goal, but demonstrating a significant increase in the two-way goods trading relationship. By 2014, the two-way trade in goods figure was 18.3 billion dollars. The 2013 figure was 17.8 billion, and the 2012 figure was just 14.2 billion. The figure having shown a steady annual increase for the previous few years, the 20 billion dollar target had looked achievable.

The significant decline in global dairy prices impacted the final trade figures. From 2014 to 2015, dairy product exports to China went from 4.3 billion dollars to 2.4 billion dollars – a 1.9 billion dollar drop. Had the dairy exports remained steady, more than \$20 billion dollars in two way trade would have been achieved in 2015, and the goal would have been achieved (Interest, 2015).

By 2016, dairy exports had increased by 264 million dollars (2.419 billion in 2015, to 2.683 billion in 2016) and the total two-way goods trade figure has reached 19.4 billion.

New Zealand's Goods Trade with China	2012	2013	2014	2015	2016
Year ended December 2016	NZ\$(million)				
Goods exported to China					
Milk powder, butter, and cheese	2,558	4,573	4,293	2,419	2,683
Logs, wood, and wood articles	1,240	1,899	1,731	1,551	1,969
Meat and edible offal	412	881	1,058	1,211	1,011
Undisclosed items	57	91	115	227	688
Fish, crustaceans, and molluscs	336	394	423	485	560
Other	2,257	2,128	2,365	2,718	2,494

Total Exports	6,859	9,965	9,986	8,611	9,406
Goods imported from China					
Electrical machinery and equipment	1,293	1,417	1,526	1,915	1957
Mechanical machinery and equipment	1,456	1,505	1,509	1,696	1613
Textiles and textile articles	1,258	1,291	1,328	1,523	1485
Furniture, furnishings, and light fittings	373	441	497	608	663
Plastic and plastic articles	281	309	355	433	446
Other	2,664	2,898	3,087	3,709	3,792
Total Imports	7,325	7,860	8,302	9,884	9,956
Total two-way trade in goods	14,184	17,825	18,288	18,495	19,361

Source: Statistics New Zealand (Stats NZ, 2017)

While the target wasn't achieved, the two-way goods trade exports have significantly increased since 2010. Until the unforeseen reduction of the milk prices, the target would have been achieved. This demonstrates that the strategic settings were about right, New Zealand was and is well positioned in its trading relationship with China. In 2013, China overtook Australia as New Zealand's largest trading partner, (Key J., 2014) which reinforced how the growth of China has been able to change long-standing global trends.

Following Prime Minister John Key's visit to Beijing in 2014, New Zealand and China agreed to update the goal to reach two-way goods trade of 30 billion dollars by 2020 (NZ Treasury, 2015). Whether this upgraded goal will succeed is yet to be seen, like the 2015 20 billion dollar goal, it is ambitious yet achievable.

As the middle class in China continues to increase, New Zealand can expect to see China's amount of protein consumption also increase. According to Christopher L. Delgado's research, protein consumption is an early purchase for the new middle class (Delgado, 2005). This matches a common sense view that as people get wealthier, they start buying more varied and exotic products.

China's increasing demand for protein consumption will also help stabilise the dairy price, having a two-pronged impact on the final two-way goods trade figure. New Zealand will likely see a greater quantity of protein being sold to China, at a greater price per unit.

2.15 Concluding comments

The modern New Zealand - China relationship started when New Zealand supported China's ascension to the WTO in 1997. It developed further when it recognised China as a market economy and was rewarded with FTA negotiations.

As a result of China taking over Australia as New Zealand's largest trading partner, New Zealand can see the strategy settings were in the right place, and these earlier decisions were well rewarded by significantly increased exports.

An upgraded FTA will offer further opportunities for New Zealand to trade and engage with China. As bi-lateral relations continue to improve, and China's middle class increases, the export goals will only increase. If New Zealand's two-way goods trade exports get on or near to 30 billion dollars by 2020, then renewed and higher targets will likely be announced.

2.16 Goal: Grow services trade with China, particularly education by 20% and tourism by 60% by 2015

Increasing the two-way trade in services between New Zealand and China is the second key strategic economic goal. Similar to increasing the amount of trade in goods, increasing services trade increases the economic prosperity for New Zealand, the goal of any government.

The two main drivers of services trade are education and tourism which is why they have been specifically listed. The education goal is to increase the number of Chinese students studying in New Zealand by 20%. The tourism goal is to increase the number of Chinese tourists to New Zealand by 60%.

2.17 Increase the number of international students

Growing international educational enrolment is challenging because it takes time to invest and expand facilities, and to improve the reputation of New Zealand as world class education hub. International students have significant value to New Zealand because not only do they spend money paying the international student fees, but they are also spending money throughout their stay here on accommodation, food, and lifestyle.

As the middle classes in China increase, so too is there an increase in the demand for global education. In 2010, there were 20,890 Chinese Foreign Fee Paying (FFP) students (Stats NZ, 2017). These 20,890 students added an estimated \$600 million to the New Zealand Economy (Stats NZ, 2017).

From 2010 to 2015, the goal was more than achieved. There were 20,890 students in 2010, rising to 30,955 students in 2015 - an increase of 48.18%.

Export Education Levy Statistics: China

Export education: Levy Statistics (Education NZ, 2017)

The value of these students on the New Zealand economy was also significant. The total value was 1.1 billion dollars in 2015, compared with 600 million dollars in 2010 (Tourism Association, 2016, pp 12). This is a rise of 83% - four times the original goal of a 20% increase.

Another indicator of the value of international students is that although the number of students increased by 48% between 2010 and 2015, there was a rise in the aggregate spending of 83% (see above graph). This works out at each student spending \$35,500 in New Zealand to study during 2015, compared with \$28,700 during 2010. This is an increase of almost \$7,000 a year – or 24%.

This increased per student spend of 24% over five years demonstrates not only the value of increasing export education, but also is a key reason why New Zealand is focused on it. It also demonstrates the increasing capacity for greater numbers of Chinese students to be able to pay more, and is one of many ways to be able to see the rising middle classes emerging in China.

2.18 Tourism

Tourists have significant value to New Zealand because they generally spend a large amount of money in a short time span. Tourism follows a similar trend to international education. From 2011 to 2015, there were an increasing number of Chinese tourists, and they were spending an increasing amount per head.

Tourism is New Zealand's largest service export, and is the lifeblood for many regional communities. In the year to 2011, there were 141,000 Chinese visitors, contributing over 360 million dollars to the economy (Tourism Association, 2016, pp 21).

There was a 110% increase in the number of Chinese tourists from 2010 to 2015. For the year ended March 2015, there were 295,552 Chinese tourists – compared with the 141,000 in 2011.

There was a 221% increase in the value of Chinese tourists from 2011 to 2015. In 2015, the value of Chinese tourists was 1.2 billion dollars – compared with 360 million in 2011 (World Bank, 2017). The difference in spending per tourist is also significant. Between 2011 and 2015, this works out at a 58% increase in spending. The 2011 the average Chinese tourist spent 2,470 dollars, while in 2015, the average Chinese tourist spend 4,060 dollars.

The 58% increase in spending per head, the 231% increase in total value of Chinese tourists, and the 110% in the number of Chinese coming to visit New Zealand demonstrate that the tourist aspect of this service goal has not just been met, but also exceeded.

2.19 Next steps

The New Zealand – China trading relationship is thriving, and goes to demonstrate the reality and global impact of the growing middle class in China.

Between 2010 and 2015, China's GDP per capita almost doubled. In 2010, China had a GDP per capita of 4,560 (USD), five years later, that figure was 8,069 (USD), an increase of 3,569, or nearly 77% (World Bank, 2017).

This economic context demonstrates further opportunities for New Zealand to grow its trading relationship, and it is taking steps to do this in both education and tourism.

The New Zealand Government has set a general goal of increasing the value of all export education to 5 billion dollars by 2025. In 2015, the figure was provisionally 3.1 billion dollars, so with a steady growth in Chinese demand the government is well on its way to achieving this goal (McPherson, 2016).

New Zealand is also significantly focused on increasing tourism figures. Chinese Premier Li Keqiang visited New Zealand in 2017, where he met with Tourism Minister Paula Bennett. The pair released a joint statement, which said the two countries were working on an agreement to further improve tourist numbers.

This announcement signalled that in China, 2019 would be considered the 'China – New Zealand Year of Tourism.' New Zealand officials will be working with the China National Tourism Administration to reflect this priority (Bennett, P 2017).

The combination of Chinese central agency focus on New Zealand as a tourism market, combined with a steadily increasing GDP per capita in China, will likely result in continued increases in the quantity and value of Chinese tourists.

The service trade goals between China have not just been met, they have been exceeded, the settings are right for them to grow in the future.

2.20 Goal: Increase bilateral investment to levels that reflect the growing commercial relationship with China

There are two perspectives to bilateral investment. These are the investor and the investee's perspective. An investor wishes increase the value of their initial outlay, and by putting capital into a market, that represents the faith and confidence an investor has in being able to make a return. The second perspective is of that of the investee, i.e. the entity that receives the capital injection. With greater capital, they have greater means to expand and grow.

In 2010/11, China invested about 60 billion dollars globally. The total amount of Chinese investment in New Zealand stock was about 1.87 billion dollars. As a point of comparison, Australia has about 100 billion dollars of Foreign Direct Investment (FDI) in New Zealand (MFAT – China, 2010, pp 25). Likewise, New Zealand investment in Chinese stock in 2010/11 was 541 million, compared with 36 billion dollars in Australia.

There has been significant growth in the bilateral trade since the 2010 goal to increase it was set. By May 2015, Chinese FDI in New Zealand reached 6.6 billion dollars, close to five billion dollars more than in 2010. This substantial increase in FDI is primarily made up of infrastructure / utility investments, primary industries, food, and forestry. The latter two reflecting commodities that are not readily available in China.

Chinese Foreign Direct Investment in New Zealand by Sector (NZ China Council, 2015, pp 19)

2.21 What worked well?

Stability, regulatory and tax-friendly mechanisms are the main three factors that have encouraged Chinese investors to focus their Foreign Direct Investment on New Zealand. The New Zealand China Council report summarises this well:

“As Chinese companies move offshore, they are choosing New Zealand as an investment destination, taking advantage of our stable economic and political environment, favourable regulatory environment and investor-friendly tax policies – including the lack of a capital gains tax.

New Zealand and China have seen a large increase in our two way trading relationship. In the last five years or so we have also seen a huge expansion in the bilateral investment relationship. A big factor in the growth of Chinese investment in New Zealand over the last decade has been China’s ‘Going out’ policy, which encourages Chinese companies to invest offshore.

Part of the interest in investing in New Zealand has also been driven by the Free Trade Agreement which came into force in 2008 - China’s first FTA with a developed economy. Almost all of the phasing out of tariffs has now come into effect, further increasing the attraction of New Zealand as an investment destination, particularly in the primary sector.” (NZ China Council, 2015, pp 15)

These factors have meant there has been a meaningful increase in Chinese investment in New Zealand. The graph below illustrates New Zealand’s Overseas Direct Investment (ODI) by country. For the purposes of this work, ‘China,’ and ‘China, HK SAR’ have been combined.

Chinese Foreign Direct Investment in New Zealand by Sector (NZ China Council, 2015, pp 21)

New Zealand's investment in China has not been quite as significant, in 2014, New Zealand's investment in China accounted for only (China, and China, HKSAR combined) 4% of its total ODI, being approximately one billion dollars. A substantial amount of this has been made up by Fonterra which spent 755 million dollars investing into infant formula manufacturer Beingmate (*NZ China Council, 2015, pp 19*).

2.22 Concluding comments

Foreign investment – particularly from China – is often a politically sensitive topic, and is even more so during an election year. At this stage the policy and trade settings remain in place to allow this investment to increase. It is of note that while there has been a significant increase in Chinese investment in New Zealand, New Zealand's foreign investment in China is very limited. If Fonterra was excluded, there are no other major players.

For foreign investments to occur there has to be enough understanding of the investee economy and culture to mitigate the risks. In the medium term, the upgraded FTA with China will likely result in better mutual economic access between New Zealand and China. However, while the public sector can help facilitate the trade through the best possible settings, it's up to the private sector to actually make the investments.

The goal of increasing the total amount of bilateral trade has been achieved, but it has only really been achieved one-way. There is still work to do in making New Zealand investors comfortable with investing their capital in China.

2.23 Goal: Grow high quality science and technology collaborations with China to generate commercial opportunities

Science and technology collaboration with China was identified as an area where the two countries could work more closely together. According to the China Strategy; “New Zealand science effort in China could be characterised as mainly individual academic contact with a developing China science sector, with little strategic or commercial impact.” (MFAT – China 2010 pp 27)

In order to increase the science collaboration, the New Zealand Government - specifically the Ministry for Business, Innovation, and Employment (MBIE), and China (Ministry of Science and Technology) provided the funding for the New Zealand China Strategic Research Alliance. This was initially developed as a two million dollar project over three years (MFAT – China 2010 pp 27).

Compared to the total trade between the two nations, three million dollars is symbolic at best. The symbolism itself does have some return; it allowed senior Government Minister and National Party chief strategists to unveil a plaque in China’s Guangzhou acknowledging the “strength of science collaboration between New Zealand and China.” Joyce, S., 2015)

Aside from the direct scientific links, this goal has wider metrics for success, including supporting and developing New Zealand’s value proposition in China. MBIE describes the role of New Zealand’s Science and Innovation Counsellor to China as:

[working] closely with China’s Ministry of Science and Technology and other relevant bodies to ensure good scientific outcomes resulting in commercial opportunities, and to maximise collaboration between New Zealand and Chinese researchers, businesses and governments. [the] role also involves the wider promotion of New Zealand as a smart and innovative nation to key international stakeholders.” (MBIE – International Science, 2017).

Through shared scientific recognition and shared resources, New Zealand can develop its brand as safe and reliable in sciences, so that it can generate more commercial opportunities in other areas.

There has been some growth in science and technology collaboration, the project was initially given a two million dollar budget, by 2016, the budget increased to 3.75 million dollars (MBIE – International Science, 2017).

There are yet to be significant outcomes, but science, technology, and research takes time to see results. The New Zealand Government are likely to continue to resource this project because it’s a small distribution that may result in some commercial gain, and has resulted in high-level diplomatic gain.

2.24 Conclusion

2.25 The early Kiwi catches the dragon

New Zealand's strategy with China has been described by both New Zealand and Chinese officials as one of firsts. During the last part of the 20th century, and in the earliest part of the 21st century, this was described as 'five firsts'. The language used to describe this went through a transition to using the phrase 'one of firsts', a move away from quantifying early engagement achievements.

This subtle, but important distinction leaves the door open to form further 'firsts' between the two countries in pursuit of improving the relationship. Arguably the change in language acts as a talisman demonstrating that future relationship advances will be achieved through the tactic of first and having early engagements.

The New Zealand China Strategy has been developed in a way which recognises the asymmetry between the two countries, and there are important lessons to draw from this. Understanding what each party wants out a deal is part of the strategic fundamentals. New Zealand – through purpose of serendipity, has been able to position itself as a willing partner for China.

2.26 The advocate

China is a large global player, with significant ambitions, New Zealand is a small but well-connected economy, looking to expand on its engagement globally. As a small trading economy, New Zealand is grateful for, and rewards, countries which boost its bottom line.

New Zealand is able to offer China legitimacy to a global audience. It supported China's ascension to the WTO in 1997. It also recognised China as a market economy before any other country, and was rewarded with better bilateral negotiation outcomes.

2.27 A test pot nation

The FTA negotiations have been significant for New Zealand, but also work in China's favour. It allows them to 'test' potential western approaches in a low risk environment. China wouldn't consider entering into an FTA with multi-trillion dollar economies such as the European Union, the United States, or even Australia yet. They first need to be confident in approaching, negotiating, and testing different factors in an FTA agreement with another western nation.

New Zealand takes advantage of its position globally to improve on its trade outcomes with China. Mixing foreign and trade policy in developing the China Strategy has mutual benefits, as both parties are able to get what they need out of the relationship, on one hand global advocacy, and on the other hand increased trade.

2.28 The future

The future of the relationship and the direction of the strategy will likely continue to be couched in terms of 'firsts', as this works for both partners. Whether it started early on as well thought out strategic actions, or was the result of initial serendipity, New Zealand has been able to build a good and strong relationship with China.

New Zealand both achieved and in some cases exceeded in the results of its strategic goals with China. Acting early, being willing to help on the international stage, and the luck of being a small western nation has played in New Zealand's favour.

The New Zealand China relationship is difficult to duplicate with any other trading nation. There are many elements and tactics of strategy that can be drawn out from the strategy and result. New Zealand is positioned well to be able to take advantage of a growing Chinese economy.

The strategic security, economic, and political elements to the relationship have all improved since the New Zealand China strategy was launched in 2010. In these terms, it can be said that the China Strategy has been a success.

3. India Strategy

“To lose patience is to lose the battle” – Mahatma Gandhi

3.1 Introduction

Comparing the development of the India strategy with the China strategy highlights some significant differences. China has a powerful central government and reasonably uniform market, India is a federated country across 29 states, and has a parliamentary system. This has contributed to developing an approach being more challenging.

Given the size of the market, and historic shared milestones such as climbing Mt Everest, as well as the fact India was a former colony, it might have been expected that the India-New Zealand relationship would be further than where it is now.

India and New Zealand have a good ‘person-to-person’ relationship. As two nations avid about cricket, their shared interests could well have been leveraged into other fields of diplomacy. In recent years, the most significant shift in the trading relationship is in the rise of service exports – namely export education. However, the historical context of the relationship is a good indicator of where it is at the moment. That is, the potential is there, but hasn’t quite been grasped.

3.2 Historical context

A Bengali man said to have deserted his ship from the British East India Company to marry a Māori woman is one of the earliest stories of an Indian in New Zealand, dating back to the turn of the 19th century. There were some other individual cases, but until 1880s, Indians were not readily identified on the census (Swarbrick, 2015, pp2).

New Zealand and India’s relationship really starts at the turn of the 20th century. In the 1890s the first Indians started to arrive from Punjab and Gujarat (MFAT- India, 2015). While India was still under colonial rule, Indian people had the rights of British citizens, making it easier for migration to New Zealand (Swarbrick, 2015, pp 2).

This did not mean there was significant migration. Although New Zealand’s historical record Te Ara, says there was “[s]teadier Indian migration to New Zealand began in the 1890s”, however, the reality, was that by 1896, there was only 46 recorded Indians in New Zealand. No doubt there were more, but this is what the census data recorded.

The recorded figure grew slowly. In 1899, the Immigration Restriction Act was passed. The result was that anyone not born in Britain, or who didn’t have British parents, had to fill in their immigration forms in a European language. Although designed to make it harder for non-British foreigners to immigrate to New Zealand, it was undermined by cunning as many simply memorised the application forms before arriving in New Zealand (Swarbrick, 2015, pp 2).

By 1916, there were only 181 Indians in New Zealand, including 14 females. Most of them came from the Navsari and Surat regions of Gujarat, though some also came from Jalandhar and Hoshiarpur in the Punjab (Swarbrick, 2015, pp 2).

In theory, 'fighting together' brings countries closer together. There were close to 15,000 Indian troops fighting at Gallipoli, and about 1,400 Indians died in battle (Stenley, 2015). However, by 1921 there were still only 671 recorded Indians in New Zealand (Swarbrick, 2015, pp 3).

Racial tension was an undercurrent to the relationship. The 'white New Zealand league' was established in 1926 (Swarbrick, 2015, pp 3). Until the 1950s, Indian market gardeners were excluded from barbers, bars and balcony seats in cinemas in Pukekohe. The number of Indians in New Zealand was still relatively low, and in 1945, they numbered 1554. (Swarbrick, 2015, pp 2)

India and New Zealand troops continued to share in conflict. During World War Two Indian and New Zealand soldiers fought together in battles in North Africa and Italy, including Cassino (MCH, 2017). Following the war in 1951, the census of Indians in New Zealand had reached 2,425 people. Women had started to arrive in greater numbers to support businesses their husbands had set up. (Swarbrick, 2015, pp 4)

3.3 The relationship begins to build

The most iconic and well-known development in the relationship was in 1953 when Sir Edmund Hillary became the first person to successfully ascend Mt Everest in Nepal. This was never part of a New Zealand–India strategy, but was the foundational point where the relationships began to take place. Hillary became an iconic figure in India and New Zealand, and made progress with putting New Zealand on the map. Following the climb, Hillary went on to raise funds to build schools, hospitals and other facilities in the region. Much later in the 1980s, he was New Zealand's High Commissioner to India (MCH, 2017).

The second major turning point in the relationship came two years later, when New Zealand and India played its first cricket test match in India (EPSN, 2017). Even in 1955, Indian people were obsessed with cricket. Cricket was and is a unifying factor in a splintered nation.

These important and symbolic events between the two countries helped to grow the awareness of each other. There was significant global coverage of Hillary's ascension to Mt Everest; and cricket games were followed by many, however, the trading and immigration relationship hadn't yet gained any traction.

3.4 Relationship starts to falter

The most significant diplomatic event between the two countries happened 30 years later. The Prime Minister Robert Muldoon, made the executive decision to close the New Zealand High Commission in India. There isn't a lot of clarity behind why this decision was made.

Muldoon was and is well known for being a very strong, influential, and front-footed leader. Consequences were not always at the forefront of his decision-making. Perhaps he had good strategic reasons for making this decision, but those who knew him best say otherwise. As former Cabinet Minister under Muldoon, Hugh Templeton outlined in his book:

"[Muldoon's] excesses of dominant power showed up in his decision in January 1982 to close the New Zealand High Commission in India. Muldoon seemed to hate the place.

The general supposition was that Indira Gandhi had put him down at some prime-ministerial conference. Yet there was immense opportunity for New Zealand's wood, dairy products and wool in a country where standards of living for scores of millions were rising rapidly.

The decision itself cost New Zealand valuable property rights in its existing residence and offices in New Delhi. The Indians were angry but too astonished to react to such pettiness. I myself was too frustrated at missing the foreign affairs job, which had gone to Warren Cooper, to bother arguing.

The decision was so blatantly stupid as to require revocation at an early opportunity; this the Lange government did on the assumption of power. They sent Sir Edmund Hillary, ironically one of Muldoon's bêtes noires, as High Commission to India" (Templeton, 1995, pp.166).

David Lange's Labour party beat Muldoon in the 1984 election. Lange assumed the role of Prime Minister, and was very quick to re-instate the High Commission. Re-establishing the High Commission was a more considered and strategic decision than its dismantlement.

Fletcher Construction commissioned Sir Miles Warren to design the new chancery and residences, in New Delhi, and it was eventually formally opened in 1992 by then Minister of Foreign Affairs, Don McKinnon (Waters, 2006, pp 5). This was the start of the next steps towards a modern relationship with India. The late establishment of a modern presence in India was a further example of the tentative relationship between the two countries.

3.5 Nuclear discussions

Nuclear talks and nuclear disarmament became a key theme of the late 80s early 90s, both in New Zealand and around the world.

India and New Zealand shared their vision for global nuclear disarmament, and in 1988 foreign policy talks began to formalise a proposal to be presented to the United Nations, Prime Minister Rajiv Gandhi later that year.

The proposal wasn't to be read at face value. From India's perspective, if other nuclear powers weren't committed to disarmament, then India wouldn't be renouncing its nuclear ambitions (Waters, 2006, pp 6). New Zealand wasn't comfortable with this position, in fact when it came to conversations about nuclear; New Zealand is anti it in both practice and principle.

Disagreement on nuclear issues became a minor issue between the two countries, and plays out in the media narrative. When Prime Minister Helen Clark visited India in 2004, she visited Larsen & Toubro, a major technology company - the New Zealand media delegation were informed they were involved in manufacturing nuclear weapons.

Although this wasn't accurate, it framed the high-level discussions, nuclear was an important issue. It was later clarified the company was involved with nuclear power plants rather than weapons (Bandyopadhyay, 2010).

This distraction in media focus towards nuclear weapons rather than technology were later described as a "missed a chance to promote a better understanding of India and Indians," (Swarbrick, 2015, pp 4) by the Head of School of History, Philosophy, Political Science and International Relations at Victoria University of Wellington, Sekhar Bandyopadhyay.

3.6 A modern context

Indian immigration, communities, and census data started to become a more significant part of the New Zealand landscape at the turn of the 21st century. In 2006, there were nearly 100,000 Indians in New Zealand; this figure grew to 143,000 in 2013 (Jones, 2013. pp 1)

The negotiations for a formal Free Trade Agreement between India and New Zealand were launched in April 2010. While not yet set in stone, there were a number of high quality, high level trade meetings between the two countries.

Prime Minister John Key went to New Delhi in October 2016, one of the last trips he made as Prime Minister before he resigned. On his return, he was optimistic about the relationship and the ability to forge ahead with the Free Trade Agreement. His

optimism aside, there hadn't been significant progress in nearly seven years, despite ten rounds of negotiations without result (IMF, India, 2016)

The next step in India New Zealand relations will be to finalise a trade agreement, and begin to fulfil some of the objectives and goals as set out in the NZ Inc India Strategy, released by MFAT in 2011.

3.7 New Zealand Inc India Strategy

Good strategies require the best possible information and analysis before the plans are put in place. Unlike China, where the central government can make wide-reaching and more importantly actionable policy decision, India is fragmented into 29 states, and through the democratic system and culture, there is much more emphasis on the individual.

What this means for the strategy is that while winning over the government through careful diplomacy has to take place; in order to increase exports and have greater impact, the strategy needs to have emphasis on winning over the people of India. The Indian government won't be doing this for New Zealand as part of a wider strategy.

Understanding India's motivation is also part of developing that strategy. New Zealand's market is small, and far away, so the economic imperative isn't particularly strong. Where the relationship has flourished in recent years has been the services trade, namely international education.

Good strategy should focus and hone strengths, and international education has proven to be that strength. The Indian economy is large, and as it continues to increase, so too will its global demand for other goods and services.

According to the estimates by the International Monetary Fund (IMF), India's Gross Domestic Product (GDP), 2017, sits at \$2.5 trillion (USD) (IMF, India, 2016). This compares with New Zealand's equivalent IMF PPP GDP measure of \$186 billion (USD) (IMF, New Zealand, 2016). This equates to India's economy being (approximately) 13 times as large as New Zealand's economy.

While there is a significant difference in the GDP figure, India's population is huge, massive. It sits at approximately 1.3 billion people compared with New Zealand's 4-5 million people. This means that the GDP per capita figure is significantly asymmetric.

The per capita GDP in India sits at approximately \$1,723 (USD) (IMF, India, 2016) compared with New Zealand's \$38,707 (USD) (IMF, India, 2016). This shows a stark contrast between the developing and the developed world. Aside from cultural difference which driving different trade demands, it's likely that the affordability of New Zealand products will also have an impact on the amount of trade that Indians can undertake with New Zealand.

Nevertheless, India is a significant and growing economy, and New Zealand wants to be able to best position itself to have a stake in part of India's Development. The New Zealand's India vision, as described by MFAT's China Strategy in *Opening Doors to India* is:

"as international competition for India's attention intensifies, New Zealand must draw India's gaze. The vision for NZ Inc. India Strategy is that by 2015 India will become a core trade, economic and political partner for New Zealand" (MFAT, 2011, pp 12)

To achieve this vision, New Zealand has set six goals to help it along the way. They are:

#	Goal
1	Grow merchant[d]ise exports to at least \$2 billion by 2015.
2	Grow services trade with India by an average of 20% per year.
3	Improve the bilateral investment framework and facilitate growth in the investment relationship.
4	Attract and retain skilled migrants from India who are able to make an effective contribution to New Zealand's economic base.
5	Engage more deeply with India on regional and global issues that will impact on New Zealand's future prosperity and security.
6	Raise the profile of New Zealand's value proposition in India through a series of conscious steps, from enhanced cricket diplomacy to increased political contact with India.

Source: 'NZ Inc India Strategy' Ministry of Foreign Affairs (MFAT, 2011, pp 13)

These goals reflect that New Zealand is still finding its feet with India. Creating a bilateral framework, raising New Zealand's profile, and engaging more deeply on issues are all strong goals. However, these all still sit at the fundamental (establishment) level, rather than demonstrating a strong mature relationship.

3.8 Goal: Grow merchandise exports to at least \$2 billion by 2015

Increasing New Zealand's merchandise exports to India is a key economic security goal. Having a diverse number of countries with expanding consumption of New Zealand products enables New Zealand to expand its economy, increasing its economic security.

At the time the India Strategy was written (2011), India was New Zealand's seventh largest trading partner. In the year ending March 2011, New Zealand's exports to India earned \$917 million. The India Strategy suggested there were a number of things that had to fall into place before the \$2 billion goal could be realised. These include:

- Completing a Free Trade Agreement - reducing barriers to entry for New Zealand companies.

- Protecting existing commodity based trade during negotiations, i.e. don't give away too many trade advantages New Zealand has with India.
- Boosting non-commodity exports - finding other ways to increase exports from New Zealand to India. Opening up India to a wider group of companies (MFAT, 2011, pp 12).

Increasing trade seemed like a reasonable expectation in the context of when the strategy was put together. However, instead of going forwards and increasing trade, New Zealand and India's trading relationship went backwards.

The 2010 goods exports was \$901 million, this figure reduced to \$639 million in 2015. That figure was marginally higher in 2016 reaching \$639 million (Stats NZ, 2015)

	2010 (million)	2016 (Million)
New Zealand goods exports to India	901	639
New Zealand service exports to India	356	1,112
New Zealand total exports to India	1,257	1,750
Indian goods imports to New Zealand	347	566
Indian service imports to new Zealand	133	247
Total imports to New Zealand	480	814
Total two way Trade	1,737	2,564

Source: Statistics NZ, Reference (Stats NZ, 2015)

The main drivers of this reduction can be specifically attributed to reduced coal and dairy prices, but with two industries making up such a proportion of the exports, the underlying issue is the lack of diversity in the market

3.9 The Free Trade Agreement (FTA)

One of the criteria that could have helped New Zealand goods exports to India would be establishing the FTA. While this has been negotiated for many years over ten rounds, it hasn't yet been reached. When India's President Pranab Mukherjee arrived in New Zealand, Prime Minister John Key spoke optimistically about further movements.

Discussions on futhering the FTA were not necessarily the panacea for increasing trade with India. Professor Sekhar Bandyopadhyay or the NZ India Research Institute explains that there needs to be more strategy and innovative thinking to increase the trade.

"The blanket FTA will not work ... we need to think in more innovative ways to get into the Indian market. The usual pattern which we have been following - which has worked for China or Southeast Asia - will not work for India"(Rotherham, 2014).

There are areas that New Zealand could focus on for future goods exports, Dr Devi Singh of the Indian Institute of Management in Lucknow said:

"India has high volumes of production in food, livestock and dairy but there was a gap in the infrastructure in food processing, storage and transportation. [There are] opportunities in food technology, food safety and security, and nutrition, particularly relating to protein deficiency.

"Kiwi companies would be better off aiming for joint ventures with Indian businesses rather than directly exporting themselves, mainly due to issues around bureaucracy and scale" (NZ Herald, 2016)

Whether or not having a Free Trade Agreement with India would have made a material difference to New Zealand goods trading relationship is a matter for debate. While it is true that having a strong FTA with China has made a significant increase to New Zealand's exports with China, there isn't the same level of central government oversight, strategy, and motivation to increase the trade figure with New Zealand.

3.10 Protecting existing commodity based trade

Protecting New Zealand's current exports with India is part in parcel of trade negotiations. An FTA by its very nature will lift some of those protections, but the result of the negotiations should be of mutual benefit.

3.11 Boosting non-commodity exports

Just eight companies were responsible for three quarters of New Zealand's' exports to India in 2010. With over 700 exporting companies at that time, this was a strategic opportunity to expand into the Indian market (Rotherham, 2014). Unfortunately, the barriers to trading weren't the protectionist measures as much as they were about good understanding with how to navigate the market.

There were six other areas that the New Zealand Government considered helping New Zealand companies expanding into, these include:

Area	Reasoning
Food and beverage, and agri-technology	India's population continues to expand and middle class consumers increasingly demand higher value food and beverage products.
High value manufacturing and technologies (ICT,	India's manufacturing and telecommunications fields are expanding. With such an increase in India's technological

healthcare)	capability, there are sub-areas such as banking, finance, insurance and health IT where New Zealand is able to add value and export its knowledge in.
Construction and interiors (including value-added wood products)	The increasing middle class in India demand higher quality living quarters. High quality wood and furniture products from New Zealand are considered niche products, and offer a unique selling point to high value Indian people.
High value services (agriculture, forestry, infrastructure, aviation)	As India is still a developing economy, there is a lot of potential in other areas that touch on infrastructure development, and the transition to a developed economy.
Tourism.	Generally there is an increase in tourism with an increase in the level of wealth. The more people who enter India's middle class, the more people have the money ability to travel. With India's population of 1.3 billion people, the tourism potential is very high.
Education	Culturally, Indian parents place high value on education, and there is increasing recognition that education in foreign, western Universities offers a point of difference compared with other local universities. In 2006, the number of Indian international fee paying students in New Zealand was 2599, in 2015 that figure was 28,450. (MFAT – India, 2011, pp 36)

Source: NZ Inc India Strategy, Reference (Education Counts, 2015)

These are all smart areas of focus, and represent clear thinking on what India's needs are, and are likely to be in coming years. It is also the case that New Zealand's exports to India have dropped over the last five years rather than expanded, so fresh thinking is required. In order to facilitate these new areas of trade, New Zealand needs to think strategically about how they will deliver these new streams of exports.

New Zealand needs to get out of the China mindset with India. While China has a central government that could coordinate the mass purchase of products such as protein, India and its States are still dealing at a buyer / seller level.

For smaller, more specialised companies who export, New Zealand needs to increase their knowledge and help their connections with India. New Zealand also needs to be more creative in the way it approaches business with India.

Reducing the barriers to trade through FTAs and negotiations does help. However, to increase New Zealand exports to India, New Zealand businesses need to have a better understanding of the local markets, people, and customs. In a sense, this opportunity is sitting on New Zealand's doorstep, with close to 30,000 Indian international students in New Zealand, there is local knowledge available.

Establishing joint ventures and shared projects is one way forward for New Zealand exporting companies. Using local knowledge can help deepen the market penetration further than a small to medium sized New Zealand company trying to do it on its own.

The silver lining is that the two way trade has actually increased. The two-way trade was bolstered significantly by the growth in the service trade with India, primarily in the education sector.

3.12 Goal: Grow services trade with India by an average of 20 per cent per year

Increasing the two-way trade in services between New Zealand and India is the second key strategic economic goal. Similar to increasing the amount of trade in goods, increasing services trade increases the economic prosperity for New Zealand, the goal of any government.

The two main drivers of services trade are education and tourism. Export education has provides the immediate value of the trade, it also seeds the potential for long-term growth in the economy through potential future partnerships and increasing cross-cultural understanding. In the medium term, while New Zealand students stay in New Zealand, there is also the likelihood their parents come to New Zealand to visit – improving the tourism outcome.

Services trade in 2010 was \$356 million, in 2015 it reached \$790 million (MFAT – India, 2011, pp 16), and in 2016 this figure rose to \$1.1 billion (MFAT – India, 2011, pp 16). These figures are more or less on track to reaching the targeted 20 percent annual increase from 2010. The \$1.1 billion 2016 figure surpassed the target by \$50 million. The exceptional growth in service trade helped to counteract the reduction in the commodities export trade. The two main drivers of this expansion, education and tourism, have seen significant growth.

3.13 Education

An ever-expanding middle class in India, with a cultural thirst for education presents a significant existing, and further potential market for increased demand for New Zealand education.

The number of Indian international students had a marked increase from 2013. It is also reasonable to expect this number of students to expand. This is because of two factors. Firstly, because the as the GDP of India steadily increases from developing to developed, there is more means to pay for international education. Secondly because it makes sense that to a point, export education is cumulative. While there are many students who stay for a month or a year, there will also be a significant number who stay for the course of a full three year degree.

Year	Actual number of students	20 percent increase in number of students	Difference in 20 percent increase verses actual
2010	11,791	11,791	0
2011	12,613	14,149	-1,536
2012	11,650	16,979	-5,329
2013	12,093	20,375	-8,282
2014	20,450	24,450	-4,000
2015	29,235	29,340	-105

(Education Counts, 2015)

The increase in the total number of Indian students in New Zealand was on par with the goal, and has both short and long-term consequences for New Zealand. The short-term tactical impact is that international students help to offset the cost of local students for New Zealand's educational institutions, the long-term strategic impact is the significant number of Indian nationals who now have a relationship with New Zealand.

3.14 Tourism

The number of Indian arrivals in New Zealand has more than doubled over the last few years. Tourism offers good transactional value to New Zealand through the services guest use while they are here. In the age of social media, tourists' pictures and experiences they have while here can be shared back in their home country live, potentially encouraging more visitors.

The number of Indian tourists has increased, contributing to a higher services trade figure. The context around this increase has been outlined by the World Tourism Organisation.

The Indian outbound travel market has grown from 3.7 million in 1997 to 9.8 million international departures in 2007; the pace of growth has accelerated since 2004 at an average annual growth rate of over 16%. International tourism expenditure by Indians has grown from US\$ 1.3 billion in 1997 to US\$ 8.2 billion in 2007.

The UNWTO predicts that India will account for 50 million outbound tourists by 2020; the 'Kuoni Travel Report India 2007' predicts that total outbound spending will cross the US\$ 28 billion mark in 2020.

With over 28 million passport holders in the country who are potential travellers, the source market for outbound travel is wide and complex because of its size and variety. According to the primary research among the travel trade, the main source regions are west and north (including central India) together accounting for about 65% of all outbound travel, followed by south (25%) and east (10%) (WTO, 2009)

The year-end total for the number of Indian arrivals in New Zealand for the year ended April 2017 was 53,792 (Tourism NZ, 2017). This is nearly double the 2010 figure of 25,995 (Stats NZ, 2017). There are a number of factors that contribute to increased tourism, but the most significant one is that the expanding Indian economy increases the total amount of Indian tourism globally.

This marked increase in international visitors, is another significant factor in the rise of service trade with India from \$489 million in 2010, to \$1.36 billion in 2016. The original goal was to grow services trade with India by an average of 20 per cent per year, this works as a goal of \$1.45 billion by 2016.

As India's population and middle class continues to expand, there will likely be an increase in the two-way services trade between the two countries. Although the Government is just about on target with its goal, it will be hard to sustain 20 per cent increase annually due to the nature of exponential growth.

3.15 Goal: Improve the bilateral investment framework and facilitate growth in the investment relationship

There was not meaningful bilateral investment between the two countries when the NZ Inc India Strategy was developed. According to the strategy, the level of inward investment from India was only \$105 million, and the level of outward investment was just \$129 million (ASEAN, 2017). For this reason, one of the key goals was to increase the level of bilateral trade.

Unfortunately at this stage, there is no data available to measure the current state of inward investment in New Zealand from India; likewise there is no data to measure the current level outward investment into India.

The lack of data is indicative but not conclusive. It indicates that the level of investment between the two countries has not been sufficiently high to merit individual inclusion in Statistics New Zealand, Ministry of Foreign Affairs and Trade, and New Zealand Trade and Enterprise.

Although this doesn't identify a way to measure the growth, the bilateral investment framework has improved to a point.

In 2012, the Regional Comprehensive Economic Partnership (RCEP) was launched at the ASEAN economic summit in Cambodia. This is an agreement between the ten member states of ASEAN, as well as six states with existing FTAs (Australia China, India, Japan, South Korea, and New Zealand). The discussions are to focus on:

“Strengthen[ing] economic linkages to enhance trade and investment related activities as well as to contribute to minimising development gap among the parties” (ASEAN,2016).

This partnership agreement provides a vehicle to have an improved investment relationship with India. Although this isn't directly on point with bilateral trade improvements, it does demonstrate that the Indian market is now easier to access than it had been before 2015.

3.16 Goal: Attract and retain skilled migrants from India who are able to make an effective contribution to New Zealand's economic base

Attracting and retaining skilled migrants is a general goal for most governments around the world. This helps countries to have a more highly skilled workforce without the cost of having to educate them earlier in life.

The NZ Inc India Strategy goal is timely, and makes sense of the current economic context. New Zealand has a deficit of highly skilled software engineers and information technology workers while India has a surplus of them look for well-paying jobs (Hunt 2013).

The goal is to attract immigrants who can make an effective contribution to New Zealand's economic base. Therefore, the number of skilled migrants is a blunt, but reasonably accurate reflection of the number of people who can make a contribution.

Source country of Skilled Migrant Category (SMC) principal applicants, 2014/15

Source Country	Number	Percent	Change since 2013 (%)	Average Applicant size	Median Age	male (%)
India	2,830	27	10	1.6	28	74
China	1,393	13	17	1.7	28	59
Philippines	1,170	11	16	2.4	33	60
United Kingdom	1,160	11	-13	2.1	34	66
South Africa	541	5	15	3	37	76
Fiji	358	3	2	2.6	32	78
Ireland	261	2	-11	1.6	30	70
South Korea	238	2	-15	1.9	32	52
Sri Lanka	219	2	0	2.2	32	87
Pakistan	214	2	-17	3.1	33	92
Other (calculated)	2,257	22	-1			
	10,641	100	3	2.0	30	69

Source: Ministry of Business, Innovation, and Employment (MBIE, 2015)

In 2014 / 2015 India was New Zealand's largest source of skilled migrants at 2,830 people, this number of Indian skilled migrants is double that of the second highest country, China, at only 1,393 people.

The reasons behind this increase is partially to do with rising middle classes in India, giving them more means to make choices. This includes education and quality of life. According to the New Zealand Indian Central Association immigrant committee chairman Prithipal Singh, the rise of the numbers is also due to a large population base of well-educated young people in India who are looking for a better quality of life. The second part of this reason is simply a consequence of the rise in the number of Indians studying in New Zealand.

As we have seen the number of Foreign Fee Paying international Indian students rise dramatically from 12,000 in 2010 to just fewer than 30,000 in 2015, there is little doubt this trend will continue to increase.

As India is New Zealand's main source of Skilled Migrants applying for visas under that category, this goal can be said to be achieved.

3.17 Goal: Engage more deeply with India on regional and global issues that will impact on New Zealand's future prosperity and security

New Zealand and India have had limited engagement on regional and global security issues. The most common defence interaction has been of port calls and senior staff visits by the countries' navies. In November 2009 the former chief of the New Zealand Defence Force, Lieutenant General Mateparae, visited India to explore ways of expanding the defence relationship.

Following the visit of the Prime Minister, John Key, to India in June 2011, the Government has appointed a Wellington based defence advisor for India, who will be based in Canberra (Hayes, 2011. pp 10) There have also been a number of high-level meetings between Indian politicians and their New Zealand counterpart, most recently Shri Pranab Mukherjee, President of India visiting New Zealand 30 April – 2 May 2016, as well as the then Prime Minister of New Zealand John Key visiting India in October 2016. This so happened to be his last diplomatic journey before stepping down.

The relationship between the two countries is sufficiently strong that where there are conflicts in security issues, these differences can be managed amiably, avoiding undermining other parts of the bilateral relationship. There is more work to be done in the India New Zealand security space.

3.18 Goal: Raise the profile of New Zealand's value proposition in India through a series of conscious steps, from enhanced cricket diplomacy to increased political contact with India

Given India's population, growing GDP, and expanding international influence, many countries around the world are assessing their relationship with India. Improving New Zealand's value proposition is a foundational goal, which flows on to all other areas of trade. Enhancing cricket diplomacy and increased political contact are two tactics that sit underneath the strategy.

There are two distinct areas where New Zealand has increased its value proposition and brand awareness in the Indian mindset - those are in cricket and celebrity.

3.19 Cricket

The New Zealand Inc China strategy (opening doors to China) and the ASEAN Strategy (one Pathway to ten nations) either have specific goals about economic measures, or general goals about building better relations. Cricket diplomacy is unique to India, and is well targeted.

Cricket is the national game of India, the national pastime, and is best explained by The Economist writer Walter Bagehot in a piece he wrote titled 'why Indians love cricket':

"To outsiders, the magnitude of Indians' love for cricket is as incomprehensible as its feverish intensity. In February 2014, India awarded the Bharat Ratna, its

highest civilian honour, to Sachin Tendulkar, a recently retired batsman. Millions in India, a country of 1.3 billion people and only one nationally popular game, celebrated wildly. When India's national side plays a big game, an estimated 400 million watch on television” (Baghot, 2014).

The main takeaway from this is that 400 million Indians watch cricket, which is about one third of the population. It seems reasonable to extrapolate that these 400 million are at least sufficiently wealthy to have access to televisions.

When the India National Cricket Team (sometimes referred to as Men in Blue) play the Blackcaps – anywhere around the globe, than that creates the potential for a third of India’s 1.2 billion people, to be reminded about New Zealand (Johnstone, 2015).

Australia and New Zealand jointly hosted the 2015 Cricket World Cup, which provided a platform for more than a billion viewers to see the India v Pakistan game. Indeed, India’s interest and obsession with Cricket reached the point where an Indian court ruled prisoners in India couple get cable TV to watch the World Cup in their prison cells (Johnston D, 2015).

Cricket diplomacy is a tactic, which reaches out across the political and economic divide and reaches into people’s homes. It’s a tactic that raises New Zealand’s profile, irrespective of India being divided into 29 states.

3.20 Celebrity

The advent of Facebook, Instagram, Twitter, and other social media channels has impacts the way that New Zealand can promote itself abroad. Using the digital platforms of popular celebrities is a novel approach to promotion. This has the advantage of both directly reminding consumers of New Zealand’s existence, but also associating brand New Zealand with someone who is well-liked and respected.

In New Zealand’s case, Tourism New Zealand was able to secure the Bollywood star Sidharth Malhotra to be New Zealand’s tourism ambassador for New Zealand (Tourism NZ, 2016).. Sidharth has a Facebook following of over five million people, and both his Instagram and Twitter accounts have four million followers respectively. Because of this, Tourism New Zealand invited Sidharth to come to New Zealand.

He shared professional photos of himself during his stay in New Zealand. These generated more than 2.3 million digital interactions (Tourism NZ, 2016). Tactical, and impactful projects such as this are an inexpensive way to generate meaningful promotion of New Zealand as a means to raise its profile and value proposition.

Sidharth Malhotra with Prime Minister John Key on his arrival to New Zealand (Tourism NZ, 2016)

3.21 Increased political contact

The goal of increase political contact between New Zealand and India has been limited. In 2011, the Governor General Anand Satyanand visited India; and later that year so did Prime Minister John Key.

This limited contact over a few years may start to be shifting. In April / May 2016, Shri Pranab Mukherjee, the President of India, became the first Indian President to visit New Zealand since 1986. Later that year, New Zealand Prime Minister John Key visited India again in October 2016 – his final overseas delegation before leaving office.

This late upswing in the international delegations may indicate that political contact will become more of a focus in years to come, or at least the two countries will be able to take further steps forward with advancing the free trade agreement negotiations.

3.22 Conclusion

The relationship between India and New Zealand is a positive one, but not a particularly close one. While the two countries are happy enough to work together on specific deals and projects, there isn't a particular sense of urgency around establishing more diplomatic and trade frameworks and infrastructure. The last formal round of negotiations occurred in Delhi in February 2015, and since then the path to creating a framework has become unclear.

This might, be driven by the nature of the trade between the countries. New Zealand's demand for Indian goods and services are still less than a billion dollars annually (\$814

million), so given the size of India's \$2.5 trillion economy, this isn't enough to motivate rapid engagement.

However, it's also not quite accurate to think of India as a single country – it's federated, that it is broken into 29 states which mean that the central authority is not so pronounced.

Where New Zealand is finding strength and success in its engagement with India is by targeting the citizens, rather than focusing on the central agencies and politicians. As the wealth of India continues to rise, so too does India people's ability to travel, or pay for education. These two sectors alone make up two thirds of New Zealand's exports to India, and aren't steered directly through central agency involvement.

The New Zealand India Strategy acknowledges the diplomatic imperative to increase political engagement and further trade deals with India. This is standard in any foreign affairs document. However, the goals, which have been receiving the most action by the New Zealand Government, are the ones that directly promote NZ Inc to the wider Indian population.

The New Zealand Inc India Strategy has gone well as far as it's gone. There are specific areas for improvement such as finding ways to increase goods trade, but ultimately, the success has been driven through the service economy. Domestic political discussions, particularly around immigration and study visas, may have an impact on the future of this growth, but this does illustrate that the service economy between India and New Zealand still has room to grow.

4. ASEAN Strategy

By its very nature, the ASEAN community, and its practice of peaceful dialogue and mutual respect, are values that New Zealand admires and stands up for. As a small and relatively isolated country with a small economy, the only way for a country like New Zealand to have its voice heard on the world stage is through international institutions and discussions.

4.1 Background

The Association of Southeast Asian Nations (ASEAN) was established in Thailand on 8 August 1967. ASEAN was the result of a coming together of the foreign ministries of Indonesia, Malaysia, the Philippines, Singapore, and Thailand. Together they signed a document, which would become known as the ASEAN Declaration.

In 1976 the ASEAN member states adopted the following principles of the Treaty of Amity and Cooperation in Southeast Asia (TAC) 1976. They were established with the principles of mutual respect, the right for states to exist free from interference, peaceful resolutions of disputes, renunciation of the threat of force, and cooperation (ASEAN University Network, 2017).

4.2 Context for which ASEAN was formed

Between 1940 and 1942, Japan had a swift and strong invasion and occupation in the Southeast Asian region. Its decisive exercise of hegemony was unique for the region. On Japan's defeat, despite some expectations, there was no return to the former status quo. Instead, there was a convergence of three positional frameworks in the regions (McKinnon, M., 2016 pp 8).

The three frameworks were: the defeated colonial powers, the nationalist forces, and the rising communist movement, all seeking control of various territories.

Vietnam was the setting for war between the north and anti-communist south, later to spill over to Laos and Cambodia.

Indonesia was opposed to the British sponsored formation of Malaysia. This was the start of the Indonesia-Malaysia Confrontation from 1963 – 1966. It was marked by a breakdown in political, economic and social relations and eventually leading to incursions attempted subversions (Malaysia, Ministry of Internal Security., 1963 pp 1).

In 1965 Indonesia wound down the Confrontation efforts following an attempted coup d'état by the communist party (PKI), which resulted in hundreds of thousands killed and the communist party destroyed (Ricklefs, M C., 2008, pp 346 – 354).

The Confrontation eventually ended on 11 August 1966 when Indonesia signed a peace treaty in Kuala Lumpur re-establishing normal relations with Malaysia and Singapore (Fortuna, A D. 1994).

Singapore, which had recently separated from Malaysia, sought stability in the region, and the Thai foreign Minister Thanat Khoman played a crucial role in helping to transform the existing Association of Southeast Asia (ASA) countries – Malaysia, Thailand and the Philippines - into ASEAN by adding two members – Indonesia and Singapore (McKinnon, M., 2016 pp 8).

There were a number of priorities with establishing the ASEAN community. Limiting the Soviet and Communist Chinese intervention was one of them, as was the ability to mediate disputes peacefully (Clutterbuck, R. L., 1984). This purpose was best served holding dialogue in a stable regional environment.

The Bangkok Declaration was both anti-colonial as well as anti-communist. The paradigm in Southeast Asia was changing from military, to one focused on enhanced sovereignty and security, ensured through genuine and practiced diplomacy.

This context for why the ASEAN community was established is important for understanding its motivations. With the dominance of the USSR and Chinese influence in the region, peaceful dialogue was seen as a better solution to further strife.

4.3 New Zealand's perspective

New Zealand's perspective on the early establishment of the ASEAN community was ultimately a focus on regional stability. When ASEAN was created, there were genuine fears of regional conflict amongst the member states.

In the original incarnation of the ASEAN community, New Zealand's role was one of support rather than direct participation with the community, but in the early 1970s, New Zealand lost its guaranteed favoured market access to the UK and was looking to find more regions and communities to export its goods and services to.

In 1975, New Zealand took more concrete steps towards supporting ASEAN and its goals. Prime Minister Muldoon wrote to each of the leaders of the ASEAN Summit, offering his personal congratulations for signing the Treaty of Amity and Cooperation at the Bali summit.

'I applaud the spirit of understanding and compromise [demonstrated] in reaching agreement on a concerted approach to the further development of your cooperation in ASEAN. The signing of the summit's declaration of concord, and of the Treaty of Amity and Cooperation, are events of profound significance in the history of the Asian-Pacific region. For New Zealand's part I can assure

you of our continuing support for your collective endeavors in ASEAN.
(McKinnon, M., 2016 pp 8).'

New Zealand became a dialogue partner with ASEAN in 1975, and since then the areas of cooperation and mutual interest have expanded. In 1975, the two way trade with ASEAN and New Zealand was \$133 million, in 2015 that figure rose to \$12 billion. New Zealand now trades more in a week now with ASEAN, than it did in one year in 1970 (McKinnon, M., 2016 pp 13).

4.4 New Zealand ASEAN Strategy

In 2013, the Ministry of Foreign Affairs released its ASEAN Strategy called 'New Zealand's ASEAN Partnerships, One Path to Ten Nations'. This work gives us an insight into the New Zealand government's perspective of where its current trade strategy sits, and where it believes the future state should be.

New Zealand is focused on ASEAN because it is a "predominantly young, increasingly urban, affluent and quality-conscience region only half the distance from our traditional customers in Europe" (MFAT – ASEAN, 2010 pp 5). Total bilateral trade with ASEAN was \$14.6 billion in 2017.

New Zealand has two strategic purposes it is focused on achieving with the community, the first is to encourage more trade, the second is to have input in solidifying the security of the region. The latter, while certainly important, was a more existential threat when ASEAN was first established.

New Zealand's strategy with the ASEAN community is an interesting document, because the pathway outlined in the document almost reads as if New Zealand is on the outside looking in. Underneath the strategy sits three specific strategic goals, these are:

#	Goal
1	Become better connected and more influential in ASEAN countries.
2	Become better integrated with the ASEAN community.
3	Boost investment and trade and economic returns from the region.

Source: 'NZ Inc ASEAN Strategy' Ministry of Foreign Affairs (MFAT – ASEAN, 2010 pp 5).

While these are three separate and distinct goals, they are also connected as they flow on from each other. Becoming better-connected leads to becoming better integrated which in turn leads to better economic outcomes for New Zealand. Another way to think about the three goals is – relationship building, positioning, and then taking economic advantage of the positioning.

Through increased trade, and global cooperation, New Zealand not only improves its economic situation, but also enhances its domestic security situation.

4.5 Goal: Become better connected and more influential in ASEAN countries

There are many opportunities within the ASEAN community to expand New Zealand's exports. Fast growing developing countries are potentially quite interested in New Zealand's exports (MFAT – ASEAN, 2010 pp. 9). However, alongside opportunities with developing countries, there is also a tendency toward protectionist measures by the political elites – who are particularly influenced by local lobbyist.

The strategy of being better connected and influential with ASEAN countries seeks to counteract the influence of local lobbyist, and put New Zealand in the best possible position to access developing markets.

The first goal is to become better-connected and influential in ASEAN countries. Building influence is a process rather than a tactic, the first step in that process requires a country to be able to build its reputation. New Zealand is looking to underscore its value proposition, and be considered and relied on as a trusted partner. As a basis to become better connected and more influential, New Zealand is well situated.

New Zealand's ASEAN strategy cites its "international connections and reputation for fair-mindedness, underpinned by strong and corruption-free legal and commercial systems (MFAT – ASEAN, 2010 pp 11)." This makes sense for New Zealand, because its reputation as a corruption free and fair-minded country is well known.

New Zealand consistently scores in the top three least corrupt countries in Transparency International's Corruption Perceptions Index (Transparency International, 2016). New Zealand also has the fifth highest reputation of all countries according to the global Reputation Institute (Reprtrak, 2017).

These realities about New Zealand's trustworthiness and fairness underscore the fact that New Zealand is well positioned to achieve the goal of greater reputation. For influence to be increased, New Zealand must be able to be in a situation to use its influence to help New Zealand Inc.

The best way for New Zealand to build its influence is through diplomatic or political engagement at the highest level, and New Zealand is well on its way to achieving this. Three months into 2013, the number of South East Asian leaders visiting New Zealand was already been more than New Zealand had received on the average year (MFAT – ASEAN, 2010 pp 11).

New Zealand seeks to increase its engagement with ASEAN at a political level, because particularly in developing countries, this is how the decision-making flows down. Being

better connected with ASEAN also allows New Zealand to be better integrated with the ASEAN community, its next core goal.

4.6 Goal: Become better integrated with the ASEAN community.

The goal of becoming better integrated with ASEAN builds from the first goal of increasing its reputation and influence. This goal stems from the security challenges of the South China Seas, the need to uphold international rules, to keep the peace, and to facilitate exports for New Zealand (MFAT – ASEAN, 2010 pp. 9).

Connectedness and influence are the starting point for any global relationship. Becoming a trusted partner first allows the influence to grow, and when this is in place, becoming better integrated with ASEAN is more straightforward.

The economic flows from the relationship as a result of the New Zealand government being able to reduce barriers to trade. Despite an FTA being in existence, this doesn't mean that all countries abide by it to the letter, or that doing business is necessarily simple. Being able to keep pressure on the governments to uphold their obligations is an important soft skill and use of influence.

Becoming better integrated has a security element as well as an economic element. The security element is important because about half of all New Zealand's exports flow through the South China Sea. New Zealand is motivated to continue to find ways to uphold the international rules and keep peace in the region.

Security tensions were one of the driving forces behind the establishment of the ASEAN. Just because time has passed, it doesn't mean that the risk of old or new wounds opening up is gone.

Today, there are regional tensions, especially in the South China Sea. The South China Seas dispute is a contest for valuable maritime territory between China and several other South East Asian countries. Because of the trade flows, any regional conflicts would have a direct impact on New Zealand's economic security.

In 2013, the Philippines brought the People's Republic of China to international arbitration under the United Nations Convention on the Law of the Sea (UNCLOS). In July 2016, the tribunal ruled in favour of the Philippines position for sovereignty of half of the maritime territory.

New Zealand was put in a difficult situation with conflicting loyalties when it was asked to comment. There was a three-way tie between New Zealand's strong relationship with the ASEAN community who supported the ruling, the fact that had New Zealand's reliance on exports to China and maintaining this relationship, measured against New Zealand's reputation and action in supporting international institutions.

Tactically, this meant New Zealand had to position itself to not take sides, or not take sides strongly enough to rile the community. New Zealand's response was timid, yet calibrated; it was able to in effect speak out against Beijing, without negatively affecting New Zealand's relationship in the region.

4.7 Security

New Zealand's economy relies on Southeast Asian regional stability, providing New Zealand a direct stake in helping to uphold international rules and keeping peace in the region.

Being better integrated with the ASEAN community provides New Zealand with a voice on other areas for security and safety including natural disasters, drugs, people smuggling, terrorism, and money laundering in the region.

The Asian Defence Minister Meeting Plus (ADMM-Plus) was seen as a useful vehicle to be able to mitigate some of these risks and help contribute to peace in the region. New Zealand is a small and isolated country dependent on open shipping lanes. This is why New Zealand was an "enthusiastic founding member" of the ADMM-Plus when it was established in 2010 (Capie, D., 2016, pp 107 – 113).

New Zealand helped to establish the ADMM-Plus because security in the ASEAN region was paramount to New Zealand economic security. With New Zealand's (then second, now first) largest trading partner being China, and half of all New Zealand's exports sailing through the South China Sea, New Zealand had to make contributions where it can to keep peace in the region.

ADMM-Plus gatherings are designed to benefit the member countries in a number of ways. One is to help building capacity to address shared security challenges. The capacity building and drills helped to promote mutual trust and confidence between the countries through dialogue and greater stability (MFAT – ASEAN, 2010 pp 13).

Some of the major ADMM plus exercises have included a focus on transnational crime, maritime security, counterterrorism, military medicine, disaster reduction and peacekeeping (ASEAN Defence Ministers Meeting, 2017). These align closer to New Zealand's strategic security goals where existential threats aren't as significant compared with geological or non-state threats.

The first ADMM-Plus meeting set the agenda and focus for ADMM-Plus's eventual areas of focus. These are five priorities focused on areas of cooperation, including; humanitarian assistance and disaster relief, medicine, maritime security, peacekeeping and counter-terrorism. The reality played out that humanitarian assistance and disaster relief playing the key role in ADMM-Plus's early few years.

In 2016, the ADMM-Plus held military drills in Singapore and Brunei bringing together all 18 different countries. This demonstrated a unique role that ASEAN had played in bringing together the military forces of New Zealand, Japan, China, Singapore, the United States, Vietnam and India to name a few. This demonstrated ADMM-Plus's potential as a place where countries can work together in confidence building measures (ASEAN Defence Ministers Meeting, 2017).

4.8 New Zealand's involvement

New Zealand has been able to play a prominent leadership role with ADMM-Plus. It co-chaired a working group on peacekeeping operations with the Philippines between 2011 and 2013, and in 2014 joined Brunei as co-chair of a maritime security working group 22.

New Zealand hosted an ADMM-Plus Maritime Security Exercise: Exercise Mahi Tangaroa in Auckland, New Zealand from 13-16 November 2016. The Minister of Defences describes these exercises as “navies intercept[ing] fictitious threats to New Zealand's borders” (McKinnon, M., 2016 pp 34).

The exercise came at the conclusion of New Zealand's three-year term as co-chair of the Experts Working Group on Maritime Security with Brunei Darussalam. Having the exercises in New Zealand waters is a positive outcome for New Zealand as ADMM-Plus countries are better prepared to protect New Zealand in the event of a genuine threat.

Co-founding the ADMM-Plus group positioned New Zealand better to become the co-chair of the Experts Working Group on Maritime Security. The reward for this role was naval exercises where protecting New Zealand was the focus.

4.9 Goal: Boost investment and trade and economic returns from the region.

The third strategic goal is boosting investment and trade. This goal is best secured as a result of the first two goals being successful. While there are some political and some security advantages for boosted returns and interdependence, this goal sits under the Appadurai's Financescape framework for providing increased financial flows to the country

In 2012 New Zealand's exports to the ASEAN community was approximately \$5.4 billion. This includes goods of \$4.5 billion, and services of \$0.9 billion. In 2017 these figures increased to a total of \$6 billion - \$4.7 billion in goods, \$1.3 billion in services (Brownlee, G., 2016).

The exports are fairly standard for New Zealand, including proteins and wood. In terms of services personal travel made up the bulk of it while educational travel and other business services made up the rest (Stats NZ – ASEAN, 2017).

The totals are significant numbers and demonstrate that New Zealand's trade with this community is lucrative and important. However, this movement from \$5.4 billion to \$6 billion over a five year period doesn't strike the reader as particularly significant given the timeframe. In 2012 ASEAN was our fifth largest trading bloc, and 2017, it was still our fifth largest trading bloc (behind China, Australia, the EU and United States).

Being our fifth largest trading bloc is a significant achievement, but represents that there is capacity for further trade. New Zealand has made more progress in the security and cooperating space than they have in economic gains. It can be said to have archived its goals under the ASEAN strategy.

4.10 Conclusion

The ASEAN Strategy outlines the process for New Zealand to engage with that community. The first is to build the relationships, the second is to be at the table, and the third is to reap the rewards. These goals are a deliberate process designed at first to get New Zealand to a position where we're at the table, but equally to enjoy the fruits of lower barriers to entries with other markets.

New Zealand has consistently and deliberately positioned itself as the 'honest broker', and the ASEAN goals are a perfect example of New Zealand's way of achieving this position. As a small country with little economic weight is naturally inclined to seek out international institutions to join and be involved with. The international institutes provide a platform where New Zealand's voice can be heard in a global context.

Integrated economies are less likely to engage in state-sponsored threats. It also means that with greater interdependence between the economies on investment and trade, there is a better chance of influencing the other security outcome. These include drugs, people-smuggling, money-laundering and terrorism found in the region to name a few.

There are challenges in balancing the strong connection New Zealand has with international institutions, against the direct relationship challenges when those international institutions are in conflict.

The Philippines International Court of Justice ruling in the South China Seas provides a perspective into the importance and reality of being pragmatic when it comes to tactical decision making with how New Zealand does or should approach different relationships.

According to the New Zealand Defence Whitepaper (NZDF, 2016) the greatest threats facing New Zealand from a security dimension aren't state sponsored acts, but are biological threats (through customs, for example an outbreak of foot in mouth

disease), geological threats such as earthquakes and tsunamis, and thirdly threats from non-state actors fishing in our exclusive economic zone.

The political actions to reduce the biological threats through Customs are manageable. There is no legislation that will prevent earthquakes and geological threats, but countries can set up systems to deal with the consequences. The international community controls have to come together on agreement for economic fishing rights, and this is a key role for our Navy. The major security dimensions related to ASEAN cooperation is ensuring New Zealand is well positioned to mitigate sea-based threats and disputes over fishing.

This security perspective is an important element of the ASEAN strategy, because it demonstrates how small and isolated countries such as New Zealand can 'punch above its weight' to have local military exercises to protect its domestic security.

New Zealand has made more progress in the security and cooperating space than they have in economic gains. It can be said to have archived its goals under the ASEAN strategy.

5. Conclusion

New Zealand sees itself as a country that ‘punches above its weight.’ Despite its size, it is still able to consider itself a global country, often referred and compared to by other countries. New Zealand’s success is driven by its ability to be agile, quick, and flexible.

This work started with defining strategy in terms of “consistently re-tested operational framework for deploying resources to achieve an outcome”, and in defining globalisation in Argun Appadurai’s five ‘flows’ of: ‘ethnoscapes’, ‘mediascapes’, ‘technoscapes’, ‘financescapes,’ and ‘ideoscapes’.

Not all the goals in the three strategies (China Strategy, India Strategy, ASEAN Strategy) have been met. However, through keeping these strategies alive and re-focusing on areas of strength, New Zealand has better positioned itself to take advantage of the opportunity in these three regions.

New Zealand has been particularly adroit at achieving its goals within the China Strategy. This has been particularly successful as China has differing and complex ‘scapes’ driving regional variation in New Zealand’s strategic approach.

New Zealand’s strategies in China is built through relationships and trust building exercises. New Zealand has been successful in building a relationship with China, as China is focused on New Zealand’s strong global reputation, and its position as a well-developed western democracy.

This meant that when New Zealand became the first country in the world to recognise China as a market economy, the decision and announcement had weight. This reinforces not only the value of being first to market and being rewarded because of it, but also the importance of reputation when it comes to soft power.

The second reason New Zealand was so successful with China was arguably that as China was an economy growing at a significant rate in the 1990s, it needed to grow its international trade opportunity. This led to China feeling they needed to build relationships with western countries. From China’s perspective, New Zealand’s GDP is a rounding error compared with their GDP. There was little risk or downside with establishing a Free Trade Agreement with New Zealand, but their upside is that they could test out what a Free Trade Agreement looked like, what its impacts were, how to go about negotiating it, and what considerations they would need when negotiating with other, larger western nations.

The relationship with China also worked because the Chinese government controlled so much of the infrastructure, assets and wealth. When they want to make something work, then it’s a simple case of streaming assets in that direction.

In comparison, New Zealand's India Strategy achievements compares bleakly with those of New Zealand's China Strategy. New Zealand had in many ways ignored the rise of India for most of the 20th century and is only now playing catch up. New Zealand's India Strategy implementation is less developed compared with the China Strategy.

2019 will be the 'China-New Zealand Year of Tourism' in China, led by its government, this will likely result in a significant influx of tourists (Bennett, Hon P., 2017). Meanwhile, New Zealand is still trying to use Cricket diplomacy and celebrity Instagram accounts to get on the Indian people's radar.

This is not completely New Zealand's fault. India is an old democracy comprising 29 states and 7 union territories. Each of these states and territories is led by a different government, and there is not a single entity for the New Zealand government to approach. While established democracies were a unique selling point for the New Zealand China Strategy, this isn't something that India finds uniquely compelling. It is not surprising that India isn't as interested in New Zealand as New Zealand is in India.

New Zealand has an opportunity increase the number of Indian students participating in higher education in New Zealand; the annual increase for the number of Indian students coming to New Zealand is increasing annually. There also appears to be a correlation between the numbers of International students and a rise in tourism, therefore a clear focus on this will help to increase the ethnoscape flows between New Zealand and India.

New Zealand's ASEAN Strategy has to be broad because it has to take into account the approach of 11 different countries. New Zealand's strategy starts explicitly with relationship building, and then moves to influence and security, and then to economic enhancements and trade.

This has been a successful approach in some ways through better security arrangements, but the changes in the financescapes haven't been as apparent. In order to be effective in delivering trade results, it needs to be re-tested and more specific with its objectives in delivering trade outcomes. This isn't to say that trade has not been strong with ASEAN, but the rate of increasing trade has been slow. From 2012 to 2016, trade only increased from \$5.4 billion to \$6 billion (Brownlee, G., 2016).

International strategy is complex. There are many competing flows and drivers. As a small country in the Southwestern Pacific Ocean, New Zealand has been able to develop these strategies to reflect the reality that there are more 'scapes' to international relationships than simply trade and finance. Using these different flows and its soft power influence, New Zealand has done well and can be said to have 'punched above its weight' as a country that successfully navigates the world of global strategy.

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