

**Looking Up from Down Under: New Zealand's best options amid China's rise and the
U.S. foreign policy rebalance to the Asia-Pacific**

Ryan Friesen

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Abstract

With the rise of China and the United States (US) foreign policy rebalance to the Asia-Pacific meeting in international space, small states like New Zealand have decisions to make about how to manage their balancing act between the two major powers. This research is the result of an extensive literature review of the available material coming from international relations scholars, diplomats, governments, and news media. The focus of this thesis is on the options a small state like New Zealand has amid China's rise and the US foreign policy 'pivot' to the Asia-Pacific since late-2011, but some attention has been given to how the US rebalance has been rolled out and New Zealand's position therein. The findings point to a spectrum of options available to New Zealand which goes between choosing a China-centric economic focused set of foreign policies on one end, and backing US interests both in economic and security terms on the other end. It is clear New Zealand has chosen a middle ground and has adopted a hedging strategy designed to optimize its relationship with both the US and China. The task ahead for New Zealand is to use what influence it has to foster an environment where the likelihood of conflict between the two major powers is reduced without giving up too much independence in foreign policy decision making.

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Introduction

Major power relationships in international politics define the space in which states act. Since the end of World War II the United States (US) has been an established major power on the international stage, and the relationships it has had with countries and regions over the past six decades have shaped world politics, often to the benefit of the US and its allies.¹ The system of international free trade and integrated world markets developed and maintained by the US and its Western allies has spurred on economic growth the world over. Those who have elected to play by the rules of the Western system have done well and benefited from US protection and wealth. But while this liberal democratic value structure has been the foundation on which the growth and development of the latter half of the 20th century has been built, it has not been a universally inclusive model. Those who have been ideologically opposed to the Western system have struggled or collapsed. At present, China is proving to be an anomaly and is forging a new path for growing states.

The US response to China's growth has been to directly engage the growing Asian country. For the US this engagement has been from a position of strength, but for smaller states the avenue to influence is not by building capacity in defence and power projection, but by working to establish concepts and norms that mesh with that state's interests and the presiding international system. While New Zealand has meagre power projection capabilities it is none the less a member of Hedley Bull's 'anarchic society' of states in the international system, and therefore a participant in the process.² New Zealand can do little to bully China or the US, but small to medium sized states can seek to influence change through institutional support and participation. Herein lays the potential for small states like New Zealand to influence international society. For New Zealand it is a matter of staying on the radar of its more powerful partners.³ Keeping close enough not only to its nearest neighbour Australia, but also to China and the US, is a challenging foreign policy balancing act that will require deft manoeuvring by New Zealand diplomats and politicians.

¹ Hegemonic stability theory is one theory that has been used to describe why the international system we have today exists, and why the US is arguably responsible for what the complexion of that system has been since the end of World War II. George Modelski's long cycle theory and Immanuel Wallerstein's world systems theory also take aim at describing how powerful states rise and fall and establish order in the international system. See Joshua S. Goldstein and Jon C. Pevehouse, *International Relations*, 10. ed. (international) (Boston: Pearson/Longman, 2012), 59.

² See Hedley Bull, *The Anarchical Society: a Study of Order in World Politics*, 3rd ed., forewords by Stanley Hoffmann and Andrew Hurrell (Basingstoke: Palgrave, 2002).

³ Robert Ayson, "New Zealand in Australia's Asian Century," blog, *The Diplomat*, December 1, 2012, <http://thediplomat.com/the-editor/2012/12/01/new-zealand-in-australias-asian-century/>.

Since the late 1970s China's status in global politics and as an economic player has steadily, and in relative terms rapidly been on the rise both in spite of and inherently because of the international system perpetuated by the US and the West. China has developed, in spite of the Western system, as an ostensibly communist state diametrically opposed to the market-based liberal capitalist model. One-party rule, decision by consensus, and running the state based on what the Chinese Communist Party (CCP) thinks is best for the collective is the structure under which China made massive improvements in infrastructure, economic growth, and "systematically" moved some of the poorest classes into urban centres,⁴ the greatest such migration in modern history. Conversely China has grown precisely because of the advantages an open market system provides for a country like China which is resource rich and geo-strategically advantaged.⁵ The Deng Xiaoping led opening of China allowed the country to prosper from trading relationships with the West, secure financial systems, and international law, all of which helped China emerge from the Cultural Revolution as a would-be regional leader and global power.

China's growth in economic, defence, and political influence represents the most credible challenge to US dominance in global politics. Some theories of power transition in international politics predict that conflict is likely if not inevitable with the US as the established power and China as a rising, and maybe challenging power.⁶ Others see the relationship in more nuanced hues as a balance between forces that push the US and China toward conflict and those that encourage cooperation.⁷ Having moved beyond the status of an emerging power,⁸ China must be recognized by all stakeholders in the Asia-Pacific as a state that must be dealt with on its own terms as well as through the mechanisms of the existing international community of institutions and accepted norms. Whether the US and China enter into outright conflict or their relationship waxes and wanes between one of

⁴ See Lei Guang, "The State Connection in China's Rural-Urban Migration," *International Migration Review* 39, no. 2 (July 1, 2005): 354–380, doi:10.2307/27645501.

⁵ Bryce Harland, "America Must Learn to Respect Asia's Way of Doing Things," *International Herald Tribune*, May 3, 1996, sec. OPINION.

⁶ See Goldstein and Pevehouse, *International Relations*, 57.

⁷ Friedberg talks about how "(t)he collision between these opposing sets of forces will produce a U.S.-China relationship that continues to be characterized by constrained, or bounded, competition." Aaron L. Friedberg, "The Future of U.S.-China Relations: Is Conflict Inevitable?," *International Security* 30, no. 2 (October 1, 2005): 44, doi:10.2307/4137594.

⁸ Ian Clark, "China and the United States: A Succession of Hegemonies?," *International Affairs (London)* 87, no. 1 (2011): 19, doi:10.1111/j.1468-2346.2011.00957.x.

attraction and repulsion is of importance not only to the two big players in the Asia-Pacific but also to more modestly sized players in the region.

Were cooler minds not to prevail and China and the US find themselves in an outright security clash, New Zealand could elect to stand on the side-lines.⁹ Australia's security links and obligations to the US are secure and pre-determined by virtue of a defence alliance and continued expressions of devotion to said relationship. Would Sino-American conflict put a strain on the relationship New Zealand has with Australia, its closest friend and ally? New Zealand might be forced to jeopardize its profitable relationship with China in favour of the protection offered both politically and geographically by Australia. Malcolm Cook sees this trans-Tasman relationship New Zealand has with Australia as a shield from Asian influence, both in real and perceived terms.¹⁰ New Zealand is unlikely to relinquish the benefits of the political and security effects of the Australian 'shield' because under this protection New Zealand has had the luxury to view China predominantly as an economic partner and not a security concern.¹¹

China plays an increasingly interconnected role in Asia-Pacific economics and politics. Small states have options beyond bandwagoning with their larger friends, a process by which the small state must give up some independence. At stake for New Zealand is its traditional and close partnership with Australia, a burgeoning defence relationship with the US, and the strong pull of its economic connections to China. The danger with these competing attractions is that New Zealand could lose sight of what is most important to New Zealanders. Choosing a side could reflect a lack of attention to the multi-faceted picture ignoring issues important to New Zealanders such as human rights violations or Chinese military growth in the Asia-Pacific. Conversely, in light of Australia's security alignment with US interests, it is of particular interest to understand what it means if New Zealand is re-hitching their wagon to a US Western-style leadership model,¹² or are instead realigning

⁹ Robert Ayson, "Rise of Chinese dragon could divide Australia and NZ," *New Zealand Herald*, April 20, 2011, sec. Business, http://www.nzherald.co.nz/business/news/article.cfm?c_id=3&objectid=10720410.

¹⁰ Malcolm Cook and Asia New Zealand Foundation, *Standing Together, in Single File Australian Views of New Zealand and Asia*, Outlook ed. 13, track II (Wellington, N.Z: Asia New Zealand Foundation, 2010).

¹¹ Ayson, "Rise of Chinese dragon could divide Australia and NZ," April 20, 2011.

¹² Amy L Catalinac, "Why New Zealand Took Itself Out of ANZUS: Observing 'Opposition for Autonomy' in Asymmetric Alliances1," *Foreign Policy Analysis* 6, no. 4 (2010): 317–338, doi:10.1111/j.1743-8594.2010.00115.x.

with an Asian leadership model.¹³ New Zealand finds itself looking up, in a geographic and real power hierarchy sense, at a spectrum of options. On one end New Zealand sees its prosperous economic relationship with China. On the other New Zealand has a re-invigorated relationship with the US which is moving slowly in the direction of greater defence cooperation. Between those two poles is an opportunity for New Zealand to hedge its foreign policy, work with both tentative partners, and maintain its independent sense of identity. The middle option, however, requires greater skill to manage and a higher level of commitment to the process, and therefore willingness to fund the diplomatic requirements of maintaining beneficial and amicable relations with both major powers.

This thesis seeks to discover how New Zealand, as a small state, can avoid alienating vital partners while advancing its interests within the feasible options. In light of the Asia-Pacific power balance, New Zealanders should be concerned not only with their countrys position and relationships but also with the positioning and relationships of others. Ideas and perceptions are as important as actual capabilities in international relations (IR). The ideas major powers espouse matter as they guide foreign policy and shape international life.¹⁴ With China's meteoric rise colliding with the US foreign policy rebalance to the region, New Zealand must ask itself if a power transition is underway, and if so how said transition will affect its interests. The course New Zealand charts for itself will determine the range of options available to respond to shifts in power in the Asia-Pacific. What follows is a discussion of the context in which New Zealand must navigate a potential power shift, the options available, and New Zealand's position between China's rise and the American foreign policy rebalance to the Asia-Pacific.

China's rise and the American rebalance

In late 2011 United States President Barack Obama signalled to the world that the US would begin a process of shifting its focus to direct more economic, defence, and diplomatic resources to the Asia-Pacific region. The 'pivot', as it was initially coined, is a strategy the US adopted to turn its attention to the Asia-Pacific in an effort to further its interests in the region. The pivot westward was a turn away from America's long and conflicted

¹³ Robert Ayson, "Australia's Defense Policy: Medium Power, Even Bigger Ambitions?," *The Korean Journal of Defense Analysis* 22, no. 2 (2010): 189, doi:10.1080/10163271003744447.

¹⁴ Jeffrey Legro, *Rethinking the World: Great Power Strategies And International Order* (Cornell University Press, 2005), 1.

engagements in the Middle East and Central Asia, and their more secure yet important interests in Europe, something that encouraged fears of abandonment in partner and allied nations in those European regions.¹⁵ The pivot strategy announcement indicated the US had finally recognized that the global economy and future of a significant portion of their security interests were now centred in the Asia-Pacific. At first glance the pivot, a title later rebranded under the more politically correct term ‘rebalance’,¹⁶ looked to many like a direct response to an increasingly confident and proactive China. While early on it was unclear exactly what the US’ intentions were, it did seem that China was at the core of their motivation.

The US foreign policy rebalance may to some seem reactionary and novel, but it is neither. Since the end of World War II the US, and indeed the West, has been an integral player in the Asia-Pacific in terms of providing security and the mechanisms for economic growth and development. In that time “the United States has systematically favored active engagement in world affairs, a commitment to a liberal and open international order, and the development of multilateral practices and institutions.”¹⁷ The political climate which precipitated the situation by which the US could conceivably rebalance, or ‘return’, to the Asia-Pacific began about 40 years ago when US legitimacy world-wide began to diminish. Confidence in US supremacy began to wane after the OPEC oil crisis of the mid-70s and the Iranian revolution of 1979.¹⁸ American’s unquestioned dominance took a further delegitimizing blow with the culmination of the Vietnam War, which effectively ended the era of *Pax Americana*.¹⁹ Whereas the US was once the sole presiding power in the Asia-Pacific, setting the agenda in economic and defence circles, the subsequent environment began to be one informed by competing interests, influential institutions, and unprecedented environmental and security pressures, e.g. sea level rise, securing fisheries, terrorism, and drug and human trafficking.

¹⁵ Raoul Heinrichs, “Pivotal Dilemmas,” The Australian Strategic Policy Institute Blog, *The Strategist*, February 5, 2013, <http://www.aspistrategist.org.au/pivotal-dilemmas/>.

¹⁶ Richard Weitz, “Pivot Out, Rebalance In,” *The Diplomat*, March 5, 2012, <http://thediplomat.com/2012/05/03/pivot-out-rebalance-in/>.

¹⁷ Legro, *Rethinking the World*, 3.

¹⁸ George Modelski, ed., *Exploring Long Cycles* (Boulder; London: L. Rienner Publishers ; Frances Pinter, 1987), 223.

¹⁹ Shumpei Kumon, ed., “The Theory of Long Cycles Examined,” in *Exploring Long Cycles* (Boulder; London: L. Rienner Publishers ; Frances Pinter, 1987), 56.

The two decades following the death of Mao Zedong saw China re-open its doors to the international community, the fall of the Berlin Wall, and the subsequent dismantling of the Soviet Union, all of which heralded a paradigm shift in IR, and more broadly in the global political economy. No longer were there two dominant powers balancing against one another. The threat to the psyche of the West from communism was greatly diminished, and it was evident the Western model of liberal democracy and capitalist markets were the order of the day.

China may be a primary driver for the American shift, but there are those who lie to varying degrees on the periphery of the rebalance who are an integral part of the dynamic of Sino-American relations. New Zealand is one of those peripheral countries faced with the prospect of balancing the influence and interests of the American and Chinese giants.²⁰ New Zealand currently sits in a tenuous position between two regimes, each with sometimes divergent interests in the Asia-Pacific. These divergent interests come to light surrounding issues like an unpredictable authoritarian North Korean regime, territorial disputes over East China Sea islands like the Diaoyu/Senkakus, and access to Sea Lines of Communication (SLOC) and shipping routes in the South China Sea. The rebalance has also brought renewed interest in old US relationships in the region such as US links with the Philippines, Thailand, Vietnam, South Korea, Japan, Indonesia, and India, economic and trade talks, more support for counter trafficking and counter terrorism efforts, and human rights and environmental security concerns. These issues are not mutually exclusive or under the sole purview of the countries directly affected by them. Not only does New Zealand share in some of these concerns and relationships, but it is also involved in the discussion and solution process either through direct aid, offering security forces, or through its membership and participation in regional institutions.

The US 'pivot' has also brought attention to issues more directly related to New Zealand, specifically in the Pacific surrounding human security issues in Fiji, Timor Leste, Solomon Islands, and Indonesia. But questions persist as to whether the added attention will be sustained. Over twenty years ago Bryce Harland, former New Zealand representative at the

²⁰ The 'giant' metaphor takes a lyrical turn in Weatherbee's analysis when he likens China and the US to two giant Gullivers, the former tied down by the Association of Southeast Asian Nations (ASEAN) and the latter poked and prodded by the same actors of the greater ASEAN community. Donald E. Weatherbee, "Southeast Asia's Security and Political Outlook," in *Regional Outlook: Southeast Asia 2011-2012* (Institute of Southeast Asian Studies, 2011), 3-9.

UN, Ambassador to the People's Republic of China, and High Commissioner to the United Kingdom, astutely observed that the Japanese, as many Asian countries, "will probably want the Americans to stay in the Pacific. The question is whether the Americans will be able, and willing, to do so."²¹ The ensuing two decades have done little to change the fact that "the US is the only country that has the means of exerting power anywhere in the world,"²² or to quiet concerns about American staying power in New Zealand's part of the world.

The US rebalance to the Asia-Pacific shows their commitment, at least rhetorically, to the region. Their proposed shift of resources from Europe to the Pacific illustrates their belief in both the relative security and stability of Europe and their interests therein, and the value of having a greater presence in the Pacific for the foreseeable future. While New Zealand and the US share concern over human rights abuses and environmental change, it is not New Zealand interests which drive the rebalance, but American; and to the extent those two paths run parallel New Zealand benefits. For American's, the rebalance has been more about countering China's rising influence in the region than, for example, re-engaging old relationships or tackling issues of human rights abuses in Melanesia. If and when New Zealand and the US' interests diverge New Zealand will be faced with having to decide whether to change course to match the divergence or to reevaluate its top priority interests.

While a relative peace persists in the Asia-Pacific one of those top priority interests for New Zealand has been its relationship with China. In economic terms China will almost certainly surpass the US by the end of this decade. Important financial markers like the purchasing power parity (PPP) measurement give us insight into relative gross domestic product (GDP) for China and the US.²³ Using PPP/GDP the International Monetary Fund (IMF) predicts the two major economies of the world will reach parity not by the end of this decade, but by the middle.²⁴ The question all states face now is not if or even when China will become a global leader, but how. "With the double advantage of abundant land resources and convenient

²¹ Bryce Harland, *On Our Own: New Zealand in the Emerging Tripolar World* (Wellington [N.Z.]: Institute of Policy Studies, 1992), 77.

²² Ibid.

²³ PPP is the rate at which the currency of one country would have to be converted into that of another country to buy the same amount of goods and services in each country. Tim Callen, "Finance and Development," *Finance and Development | F&D*, March 2007, <http://www.imf.org/external/pubs/ft/fandd/2007/03/basics.htm>.

²⁴ Brett Arends, "IMF Bombshell: Age of America Nears End," *Market Watch*, April 25, 2011, http://articles.marketwatch.com/2011-04-25/commentary/30714377_1_imf-chinese-economy-international-monetary-fund.

maritime transportation, China will rise inevitably,”²⁵ and to a great extent has already risen. New Zealand now faces the prospect of there being two major powers in the region:

*China has been very deferential to U.S. leadership over the past four decades. It's been good for China, and it's enabled it to integrate completely into the world order that the United States created and led. It's simply unimaginable that when China is larger than the United States economically, it will continue to defer to American leadership.*²⁶

Despite the looming prospect of China reaching a critical mass at which point it must confront the US, Minxin Pei, a Chinese scholar, appropriately points out that China's story has not yet been completely written:

*Yet, despite such undeniable achievements, it may be too soon to regard China as the world's next superpower. Without doubt, China has already become a great power, a status given to countries that not only effectively defend their sovereignty, but also wield significant influence worldwide on economic and security issues. But a great power is not necessarily a superpower. In world history, only one country—the United States—has truly acquired all the capabilities of a superpower: a technologically advanced economy, a hi-tech military, a fully integrated nation, insuperable military and economic advantages vis-à-vis potential competitors, capacity to provide global public goods and an appealing ideology. Even in its heydays, the former Soviet Union was, at best, a one-dimensional superpower—capable of competing against the United States militarily, but lacking all the other crucial instruments of national power.*²⁷

China has proven its ability to evolve and adapt. It has undergone historic growth and rapid integration into the international community of states. But until the questions surrounding the legitimacy of the CCP and their ability to lead internationally are addressed, super power status will remain elusive. But China does not need to be the US' equal in every respect in order for New Zealand to want to continue its balancing act. The question for New Zealand is how much to hedge on whether the CCP can manage their challenges without

²⁵ Cui Jian-Shu, “Cyclical Logic in the Transition of Hegemony: Modelski's Long Cycle Theory in International Relations and Its Weakness,” *Journal of World Economics and Politics* No. 12 (2007): sec. VI.

²⁶ Robin Lustig, “What Should the Next American President Do About China?” (debate presented at the Carnegie Endowment for International Peace, Washington, DC, October 4, 2012), <http://www.carnegieendowment.org/2012/10/04/what-should-next-american-president-do-about-china/dunc>.

²⁷ Minxin Pei, “China's Not a Superpower,” *The Diplomat*, 2010, <http://apac2020.thediplomat.com/feature/china%E2%80%99s-not-a-superpower/>.

disintegrating under the pressure of domestic and market demands for growth and an ever present and interested US.

Though likely to soon be second in economic terms to China, the US will remain the supreme military power in the world for at least several decades to come. More importantly than whose PPP/GDP is the largest is that the US still plays a major role in setting the foreign policy agenda of the world's governments, because "when it comes to China's foreign policy, it's all about the United States."²⁸ Nevertheless, both powers should be able to exist and prosper while occupying separate if not equal parts of the region, which is key for small states like New Zealand. Like other small states in the Asia-Pacific, New Zealand is being courted by both China and the US. The dilemma New Zealand faces is that it cannot maximize both relationships. The best New Zealand can hope for is to optimize each relationship by adopting a measured approach to both major powers.

*[N]o country wants to see a tension-filled U.S.-China relationship that creates pressure for everyone else to choose sides. They rather want to be able to maintain equally effective relations with China and the United States and to derive benefit from both the cooperation and the competition between the two giants in the region.*²⁹

China and the US are in a "battle for people's hearts and minds that will determine who eventually prevails."³⁰ What it means to prevail in this context is less about winning a battle of militaries, something China cannot yet hope to achieve, and more about maintaining high levels of growth and the status quo.

Both China and the US have stumbled on the path to advancing their cause of winning hearts and minds. Just as rhetoric and ideas matter in IR, so too do authority and legitimacy, and it will require innovative strategies for China to successfully deal with the questions of environmental degradation, gender issues, and humanitarian issues it faces. Beyond its borders China must "display humane authority in order to compete with the United States." Though the US derives much of its authority from its military strength which "underpins

²⁸ Michael Auslin, "For China, It's All About America," *The Diplomat*, July 6, 2012, <http://thediplomat.com/china-power/for-china-its-all-about-america/>.

²⁹ Kenneth Lieberthal, "The American Pivot to Asia," *Foreign Policy*, December 21, 2011, http://www.foreignpolicy.com/articles/2011/12/21/the_american_pivot_to_asia.

³⁰ Yan Xuetong, "How China Can Defeat America," *The New York Times*, November 20, 2011, sec. Opinion, <http://www.nytimes.com/2011/11/21/opinion/how-china-can-defeat-america.html>.

hegemony and helps to explain why the United States has so many allies,”³¹ ancient Chinese philosophers predict “the country that displays more humane authority will win.”³²

China is not the only country to have struggled with consistently displaying ‘humane authority’. The American War on Terror put US foreign policy under scrutiny and opened up avenues for criticism and scepticism regarding the US use of unilateral force. But unlike the US, which maintains robust alliance structures and informal partnerships in Asia since the 1950s, “China has not formed deep ties with any Asian state. There is no analogue in Chinese foreign policy to America’s relationship with Japan or its initiatives with Singapore.”³³

Chinese Foreign Minister Yang Jiechi described the situation between China and the US as one where “our two nations are trying to do something that has never been done in history, which is to write a new answer to the question of what happens when an established power and a rising power meet.”³⁴ Minister Yang’s prescription for a ‘new’ answer is important to note. History tells us that when an established power meets a rising power there is conflict.³⁵ Can a small state contribute to the creation of a new answer that avoids conflict? New Zealand’s future will be inextricably tied to how China and the US relate to one another. Hugh White, prominent Australian defence author and former Australian Deputy Secretary for Strategy and Intelligence, opens his book about what he called the ‘China Choice’ by saying that “Australia’s future depends on America and China...and they are by far the two most important countries in the world to us.”³⁶ Were a New Zealander writing a book on the ‘China Choice’ the author would only have to amend that statement by adding Australia to the list. Outside New Zealand’s relationship with Australia, the American rebalance and China’s rise form the context in which New Zealand faces its most pressing foreign policy questions. While New Zealand has been engaging China on its meteoric rise since the early 1970s, more recently it has encountered the American ‘pivot’. When China’s rise and the ‘pivot’ intersect, New Zealand will have to decide how to engage both sides.

³¹ Ibid.

³² Ibid.

³³ Auslin, “For China, It’s All About America.”

³⁴ “Remarks With Chinese Foreign Minister Yang Jiechi” (Remarks, Beijing, September 5, 2012), <http://www.state.gov/secretary/rm/2012/09/197343.htm>.

³⁵ Yang notes that war between the US and China is not inevitable. Hugh White, *The China Choice: Why America should share power* (Collingwood, Vic.: Black Inc., 2012), 129.

³⁶ Ibid., 1.

No state, small or large, will be able to reasonably consider not doing business with China on some level. And as long as nation-states continue to rely on the influence of the presence of security forces keeping the peace and upholding international laws to maintain those prosperous economies, the US will remain the global leader well into this century. In that light it should be noted that the relative balance of military power in the Asia-Pacific is changing as the People's Liberation Army (PLA) has undergone extensive modernization efforts.³⁷ So while there is little doubt the US will remain the leader in providing military security in the Asia-Pacific,³⁸ it may be a slightly more restricted leader in the future.

The 'pivot'

The American foreign policy rebalance to the Pacific, and ostensibly to the broader Asia-Pacific region, prompted questions about American intent vis-à-vis China in the international community. The rebalance inspired in some Chinese commentators fears of an American led containment policy.³⁹ A broader historical perspective reveals that the rebalance is nothing new as the US, though distracted by wars in the Middle East and President George W. Bush's War on Terrorism, has long been engaged in the Asia-Pacific since the end of World War II, and certainly since the end of the Cold War. That is not to say the rebalance announcement has had no impact in the region. Rhetoric matters in IR and labelling the 'pivot' had the effect of codifying for many a perception that the centre of gravity for the world, certainly in terms of economics if not security and strategic thinking, had shifted to the Asia Pacific.⁴⁰

³⁷ Bitzinger said that "while Chinese military power may still pale in comparison to the US armed forces, the strength of the PLA relative to its likely local competitors in the Asia-Pacific region has increased significantly, and will likely continue to grow over the next ten to 20 years. As a result, China is definitely gaining an edge over other regional militaries in the Asia-Pacific, particularly Taiwan and perhaps even Japan and India." He added that "China now outspends Japan on defence by a factor of nearly two to one, and the PLAN (China's navy) has more destroyers, frigates, and attack submarines than the Japan Maritime Self Defence Force." Richard Bitzinger, "Modernising China's Military, 1997-2012," *China Perspectives* no. 4 (2011): 15.

³⁸ Mark Beeson, "Hegemonic transition in East Asia? The dynamics of Chinese and American power," *Review of International Studies* 35, no. 1 (January 2009): 100, doi:<http://dx.doi.org/helicon.vuw.ac.nz/10.1017/S0260210509008341>.

³⁹ Dalei Jie, "The Asia-Pacific Pivot and U.S.-China Security Dilemma," *SSRN eLibrary* (2012): 6.

⁴⁰ Jong Kun Choi and Chung-in Moon, "Understanding Northeast Asian Regional Dynamics: Inventory Checking and New Discourses on Power, Interest, and Identity," *International Relations of the Asia-Pacific* 10, no. 2 (2010): 344, doi:[10.1093/irap/lcq003](https://doi.org/10.1093/irap/lcq003).

The US foreign policy adjustment was followed up by a series of high profile events in the region, including the US hosting the Asia-Pacific Economic Cooperation (APEC) leaders' meeting in Hawaii, Obama giving a speech to the Parliament of Australia, and the US joining the East Asia Summit (EAS). Then US Secretary of State Hillary Clinton orchestrated the State Department push by dove-tailing with the initial efforts out of the White House and defining her "forward-deployed" diplomacy strategy in her *Foreign Policy* article 'America's Pacific Century'.⁴¹ Clinton's vision involved a process where the US would dispatch their full range of diplomatic assets, from highest-ranking officials, development experts, interagency teams, and permanent assets, to every corner of the Asia-Pacific region.⁴²

Backed by Clinton and US Secretary of Defense Leon Panetta, Obama's administration tackled questions that insinuated this strategy was designed to hem in and limit China's pursuit of their interests in the Asia-Pacific. Despite repeated statements from the Obama administration that the rebalance is not a China-centric strategy,⁴³ reference to China's growing power in the region is peppered throughout the official rhetoric.⁴⁴ The burning question Chinese scholars and policy makers have is whether or not the US rebalance is aimed at containing China's growth. The renewed focus in the region from the US has certainly been in part a response to China's growth, but the US has interests beyond China in the region. The "balancing dilemma," as Thomas Wright calls it blogging for *The Diplomat*, must straddle the line between encirclement of China and preserving the equilibrium of the region.⁴⁵

Preserving the equilibrium of the region is also an interest of New Zealand. Stable markets and law abiding actors are key to New Zealand's security and economic interests, and the US is the most prolific supplier of enforcement with regard to those interests at the moment, and for the foreseeable future. With some calling for the Australasian region to 'look north'

⁴¹ Hillary Clinton, "America's Pacific Century," *Foreign Policy* no. 189 (2011): 56–63.

⁴² Ibid.

⁴³ Tyrone C Marshall, *Asia-Pacific Rebalance Targets No One Nation, Spokesman Says* (Lanham: Federal Information & News Dispatch, Inc., June 5, 2012).

⁴⁴ United States Department of Defense, *Sustaining U.S. Global Leadership: Priorities for 21st Century Defense*, January 2012, 2, http://www.defense.gov/news/Defense_Strategic_Guidance.pdf.

⁴⁵ Thomas Wright, "Obama's China Re-Balancing Act," blog, *The Diplomat*, July 26, 2011, <http://thediplomat.com/2011/07/26/obama%e2%80%99s-china-re-balancing-act/>.

to see the future,⁴⁶ New Zealand must take an informed and balanced approach to its relationships. Small states watching the interplay between the US and China, the converging size of their relative economies, and China's defence build-up can get understandably nervous about the prospects for conflict. It remains to be seen if the proposed \$1 trillion US defence spending cuts over the coming decade will negatively affect the benefits New Zealand and the Australasian economy have experienced as a result of the US security umbrella. Obama has remained optimistic and said the cuts "will not - I repeat, will not - come at the expense of the Asia Pacific."⁴⁷

Kenneth Lieberthal describes the Obama administration's complex strategy in the Asia-Pacific as one designed to engage China directly to foster more cooperation and to establish a strong presence in the region intended to "encourage constructive Chinese behaviors."⁴⁸ In other words, the US will take an accommodating stance toward China as long as China plays by the rules established with heavy Western influence. But categorizing the Obama administration's plans as a 'complex strategy', as Lieberthal does, is not all together accurate or helpful. The rebalance is robust and comprehensive, but it has historical precedent and follows the relatively straight forward examples from previous administrations. Engaging China directly and accommodating their needs was the approach taken by both US President Richard Nixon in 1972 and US President Bill Clinton in 1998. Though the US takes issue with China's human rights record, both Nixon and Clinton chose to maintain the relationship, despite their strong ideological differences. The direct approach means "working with China wherever possible, and not linking one issue with another."⁴⁹

Sino-American relations are informed by many factors, including public perception and the views of partner and ally nations. One part of the effort to inform the international community on the intentions of the US rebalance which has differed from the past examples is that this time around there has been a marked increase over predecessor administrations

⁴⁶ Paul Keating, "Forget the West, Our Future Is to the North," *The Sydney Morning Herald*, November 15, 2012, sec. Society & Culture, <http://www.smh.com.au/opinion/society-and-culture/forget-the-west-our-future-is-to-the-north-20121114-29cg4.html>.

⁴⁷ *Pivot to the Pacific? The Obama Administration's "Rebalancing" Toward Asia*, CRS Report for Congress (Congressional Research Service (CRS) Reports and Issue Briefs, March 28, 2012), 11, <http://www.fas.org/sgp/crs/natsec/R42448.pdf>.

⁴⁸ Kenneth Lieberthal, "The American Pivot to Asia," *The Brookings Institution*, December 21, 2011, <http://www.brookings.edu/research/articles/2011/12/21-obama-asia-lieberthal>.

⁴⁹ Peter Harris and Bryce Harland, *China and America: The Worst of Friends* (Wellington, N.Z.: Daphne Brasell Associates and the New Zealand Institute of International Affairs with the assistance of the Asia 2000 Foundation of New Zealand, 1999), 36.

with the number of high level diplomatic visits to the Asia-Pacific.⁵⁰ Of the last four Secretaries of State, during her first three years in office Clinton visited the Asia-Pacific 10 more times than her nearest predecessor. This diplomatic effort has been essential to help deflect some of the criticism and speculation the US receives surrounding its deployment of Marines to Northern Australia,⁵¹ or the US Navy's planned stationing of littoral combat ships in Singaporean ports.⁵²

The US' multi-faceted approach of engaging both allies and less friendly states by means of an increased diplomatic presence in conjunction with an increased defence presence nicely encapsulates two ends of the spectrum for how the US rebalance is being pursued in the Asia-Pacific. Marine deployments and littoral combat ships represent the end of the spectrum associated with a strategy designed to contain China, and to deter it from exerting too much influence beyond its borders, or at a minimum prepare for such eventualities. On the other end of the spectrum is an accommodative diplomatic rhetoric which expresses America's contentment with China's rise. Neither tells the whole story of the rebalance, but taken together both provide a solid indication of what the US' actual position is – one of taking a hedging stance. Hedging in IR is about playing both sides of an issue, planning for a worst case scenario of armed conflict while working towards compromise and mutual understanding. White said, “Essentially, America has three options. It can resist China's challenge and try to preserve the status quo in Asia. It can step back from its dominant role in Asia, leaving China to attempt to establish hegemony. Or it can remain in Asia on a new basis, allowing China a larger role but also maintaining a strong presence of its own.”⁵³ White would have the US withdraw from Asia, compete with China, or share power in the region. These options are bold and the extreme end of more nuanced possibilities. The softer, more real-world applicable version of White's assessment is for the US to accommodate China's rise, attempt to contain it, or work with China while hedging against their accumulation of an intolerable level of influence. The following sections will discuss each option and how the US is approaching its choices as well as how New Zealand is able to take advantage of similar strategies.

⁵⁰ *Pivot to the Pacific? The Obama Administration's "Rebalancing" Toward Asia*, 17.

⁵¹ Reuters, “UPDATE 2-First Marines in Australia as U.S. Ramps up Asia-Pacific Focus,” *Reuters*, April 4, 2012, <http://www.reuters.com/article/2012/04/04/usa-marines-australia-idUSL2E8F3DU920120404>.

⁵² John Bennett, “Singapore Willing to Host More U.S. Warships,” *USNews.com*, April 6, 2012, <http://www.usnews.com/news/blogs/dotmil/2012/04/06/singapore-willing-to-host-more-us-warships>.

⁵³ White, *The China choice*, 5.

Accommodation

Officially the US position vis-à-vis China is one of accommodating its rise in economic and political influence.⁵⁴ Panetta told the delegates at the Shangri-La Dialogue 2012, “Some view the increased emphasis by the United States on the Asia-Pacific region as some kind of challenge to China. I reject that view entirely.”⁵⁵ When Clinton said, “[A] thriving America is good for China and a thriving China is good for America,”⁵⁶ one could assume the US is taking the position that the benefits of accommodating China’s rise outweigh the negatives.

Strong economies in Asia and the West are beneficial for New Zealand, a country whose economy relies on the consumption of raw materials by its trading partners. With the four year anniversary of New Zealand’s Free Trade Agreement (FTA) with China having passed in 2012 and Trans Pacific Partnership (TPP) talks in full swing,⁵⁷ the economic motivations are strong for New Zealand to remain engaged with both powers. But if TPP talks continue as they are structured today some warn China’s absence from the negotiation presents a “real potential for a split between a Chinese and US-led regional economic order, which is emphatically not in New Zealand interests.”⁵⁸ New Zealand advocating for an accommodating American policy toward Asia benefits the small state because a US policy that restricts China’s economy could strangle the flow of goods between New Zealand and Asia.

White has addressed the question of how to handle China’s rise, in particular with relation to how the US should handle it, and he advocates for an engaged sharing of power. “Like everyone else in Asia, we need to balance carefully the costs and risks of accommodating China against the costs and risks of confronting it,” White said, adding, “When the costs of

⁵⁴ William Wan, “Panetta, in Speech in Singapore, Seeks to Lend Heft to U.S. Pivot to Asia,” *The Washington Post*, June 7, 2012, sec. World, http://www.washingtonpost.com/world/asia_pacific/panetta-arrives-in-singapore-for-conference-with-asian-leaders/2012/06/01/gJQAxdu6U_story.html.

⁵⁵ Leon Panetta, “IISS First Plenary Session - The US Rebalance Towards the Asia-Pacific,” in *First Plenary Session* (presented at the Shangri-La Dialogue 2012, Singapore, 2012), <http://www.iiss.org/conferences/the-shangri-la-dialogue/shangri-la-dialogue-2012/speeches/first-plenary-session/leon-panetta/>.

⁵⁶ Clinton, “America’s Pacific Century,” 59.

⁵⁷ New Zealand is slated to host Round 15 of TPP negotiations in December 2012 in Auckland. New Zealand Ministry of Foreign Affairs and Trade, “New Zealand to Host TPP Round 15 in December,” government, *Trans-Pacific Strategic Economic Partnership Agreement*, September 17, 2012, <http://www.mfat.govt.nz/Trade-and-Economic-Relations/2-Trade-Relationships-and-Agreements/Trans-Pacific/1-TPP-Talk/0-TPP-talk-17-Sept-2012.php>.

⁵⁸ Terence O’Brien, “NZ must hold its nerve on foreign policy,” *Dominion Post*, September 13, 2012, sec. NEWS, <http://search.proquest.com/docview/1039123845>.

confrontation are clearly understood, accommodation – within clear limits – becomes the only credible option.”⁵⁹ For White, the US must withdraw from Asia, contest China’s challenge to American primacy, or share power with China. The withdraw option is all but unavailable for US politicians to sell domestically, the contesting option too dangerous, and as White put it, the sharing of power option, though the best, is an “inherently very difficult thing to do.”⁶⁰ Though all three of White’s options have undesirable elements, the risks and costs of rivalry are much higher than those associated with sharing.

The main problem with an accommodative strategy for the US is that it is contingent on China playing by Western rules. China must rise “in a manner consistent with the status quo.”⁶¹ If China acts like a revisionist state with intentions of changing the regional political landscape, then accommodating politics will yield to containment strategies.

Containment

Containment can be understood in its most basic form as a strategy to defend one’s interests, as opposed to taking an offensive posture.⁶² Interests cover the spectrum from freedom from fear (presence of security), to territorial claims, to access to a region or resource. How then do these conceptions apply to the case of the US rebalance? For the US, it is clear as a state with if not hegemonic aspirations then at least a hegemonic memory, and a perception that they have something to live up to. As John L. Gaddis puts it, “the fundamental American interest was not so much territory, or industrial-military capacity, but credibility: if the United States allowed itself to be successfully challenged in any part of the world, then its determination to resist aggression would be called into question everywhere else.”⁶³ If then the US must defend its credibility around the world, containing China’s challenge to

⁵⁹ Hugh White, “Power Shift: Rethinking Australia’s Place in the Asian Century,” *Australian Journal of International Affairs* 65, no. 1 (2011): 91, doi:10.1080/10357718.2011.535603.

⁶⁰ Hugh White, Hugh White on The China Choice: Why America Should Share Power - Vision - ANU, YouTube video, August 23, 2012, <http://www.anu.edu.au/vision/videos/6161/>.

⁶¹ Wright, “Obama’s China Re-Balancing Act.”

⁶² Terry L. Deibel and John L. Gaddis, *Containment: Concept and Policy*, vol. 1 (National Defense University Press, 1986), 5.

⁶³ *Ibid.*, 1:6.

American access to the region through the Chinese anti-access/area denial (A2/AD) defence build-up is an imperative.⁶⁴

Containing a small or medium sized regime could be done unilaterally or through multilateral sanctions from a handful of western states, but to contain a state the size of China which nearly every country relies on in some fashion for trade and economic interaction is not only unwise but unfeasible. Containment as a strategy served a purpose when it provided guidance for dealing with an adversary motivated by a political ideology not supported by the West. But the West today does not face an ideological foe as it did during the Cold War. “Without an ideological foe, the practitioners of containment cannot persuade states to organize their foreign policies to oppose others. In effect, states lack a compelling reason or the political will to coordinate their policies and actions. They view the world, not as a dangerous struggle against an expansionist ideology, but as a relatively benign contest between democratic and authoritarian states.”⁶⁵ And while it is not today a democratic country, China is not completely an authoritarian regime, though the CCP is doing all it can to retain one-party rule.

Containment has a hint of a strategy from a by-gone era when zero-sum politics ruled the day. John Mearsheimer, bastion of realist politics, said, “Australian’s should be worried about China’s rise because it is likely to lead to an intense security competition between China and the United States, with considerable potential for war.”⁶⁶ The debate continues as to whether the US and China are actually enmeshed in a contemporary realist power game.⁶⁷ The Obama administration addressed this question directly when Clinton said “Geopolitics today cannot afford to be a zero-sum game.”⁶⁸ Whether the US can afford it or not, there are some in Beijing and around the region who see China’s relationship with the US as a “long-

⁶⁴ Alan Dupont, *Living with the Dragon: Why Australia Needs a China Strategy*, Policy Brief (Lowy Institute, June 16, 2011), 9, <http://www.lowyinstitute.org/publications/living-dragon-why-australia-needs-china-strategy>.

⁶⁵ William C. Martel, “R.I.P. Containment,” blog, *The Diplomat*, September 24, 2012, <http://thediplomat.com/2012/09/24/r-i-p-containment/>.

⁶⁶ John J Mearsheimer, “The Gathering Storm: China’s Challenge to US Power in Asia,” *The Chinese Journal of International Politics* 3, no. 4 (December 21, 2010): 382, doi:10.1093/cjip/poq016.

⁶⁷ Jane Perlez, “Chinese Insider Offers Rare Glimpse of U.S.-China Frictions,” *The New York Times*, April 2, 2012, sec. World / Asia Pacific, <http://www.nytimes.com/2012/04/03/world/asia/chinese-insider-offers-rare-glimpse-of-us-china-frictions.html>.

⁶⁸ Mark Landler and Steven Lee Myers, “U.S. Is Seeing Positive Signs From Chinese,” *The New York Times*, April 26, 2012, sec. World / Asia Pacific, <http://www.nytimes.com/2012/04/27/world/asia/us-is-seeing-positive-signs-from-chinese.html>.

term zero-sum game.”⁶⁹ Even comments from Wellington express scepticism over America’s message. “Despite Ms. Clinton’s assurances at the forum that the Pacific was ‘big enough for all of us’, America’s recent re-balancing of military forces in the Asia Pacific has been widely read as a containment strategy against China.”⁷⁰ With Clinton out as head of the US State Department it will be up to Senator John Kerry to project the diplomatic voice of Washington in 2013.

One might not blame China for having fears of US containment aspirations. Noting Obama’s planned deployment of Marines to Australia in 2012 Kerry told reporters, “You know, the Chinese look at that and say, ‘What’s the United States doing? They [sic] trying to circle us? What’s going on?’”⁷¹ A consistent party-line message is important for the US, and sending mixed messages is confusing. How the US speaks and acts in the Asia-Pacific has an impact on how China and other countries perceive American intentions in the region. It does little good to talk of “what’s good for China is good for the US” while sending littoral combat ships to Singapore and Marines to Australia.

Beyond the Washington beltway there is disagreement between those who say the US is trying to integrate China into the international system of law abiding states and those who say the US is trying to manage the Asian giant and control its political and economic lifelines. “This is all about China,” Whitesaid when speaking about the rebalance policy.⁷² White’s statement flies in the face of the official Washington position which is gearing its public posture to deflect rather than inflame Chinese containment fears.

The accommodation vs. containment debate extends to US participation in the regional institutional architecture in the Asia-Pacific. “There is a demand from the region that America play an active role in the agenda-setting of these institutions,”⁷³ according to Clinton. While involvement with regional institutions is important to American

⁶⁹ Ibid.

⁷⁰ Tracy Watkins, “Chinese Friendship a Dilemma for New Zealand,” *Brisbane Times*, November 12, 2012, sec. World, <http://www.brisbanetimes.com.au/world/chinese-friendship-a-dilemma-for-new-zealand-20121112-297u3.html>.

⁷¹ Matthew Pennington, “John Kerry Expresses Doubt over Need for Further US Forces in Asia,” *www.ChinaPost.com.tw*, January 26, 2013, sec. World, <http://www.chinapost.com.tw/international/americas/2013/01/26/368553/John-Kerry.htm>.

⁷² Craig Whitlock, “U.S., Australia to Broaden Military Ties Amid Pentagon Pivot to SE Asia,” *The Washington Post*, March 27, 2012, sec. World, http://www.washingtonpost.com/world/national-security/us-to-expand-ties-with-australia-as-it-aims-to-shift-forces-closer-to-se-asia/2012/03/19/gIQAPSXlcS_story.html.

⁷³ Clinton, “America’s Pacific Century,” 61.

policymakers, these relationships are intended to supplement, but not supplant bilateral ties.⁷⁴ The US is “seeking to shape and participate in a responsive, flexible, and effective regional architecture – and ensure it connects to a broader global architecture that not only protects international stability and commerce but also advances [US] values.”⁷⁵

Generally Asia-Pacific countries are interested in the US being more involved in regional organizations like the ASEAN Regional Forum (ARF) and EAS, but “questions remain about what US participation means for the East Asia Summit or broader regional architecture.”⁷⁶ Though they said it is unlikely, David Capie and Amitav Acharya argue that some in Asia “fear Washington will try to force a new EAS agenda focused on geopolitics or that it will seek to do away with ASEAN’s central role. Others worry the EAS could become a forum dominated by the US–China rivalry.”⁷⁷ Despite Beijing having embraced ASEAN-centred institutions as part of its regional engagement over the past decade, the other side of that story is that “China increasingly sees institutions as an irritation and a constraint on its power.”⁷⁸

But where then does a strategy of containment lead? No one is looking to supplant the CCP or to enact regime change in China. Rather, in this instance, containment is trying to effect behaviour change, a modification of behaviour “through a combination of deterrents and rewards – sticks and carrots.”⁷⁹ Lieberthal sees one of the functions of the US rebalance as a means to bolster a sense in the region that other countries “need not yield to potential Chinese regional hegemony.”⁸⁰ This perspective alludes to a strategy of using smaller states in the region to resist the Chinese challenger in a coordinated manner. If popular nationalist sentiment among the Chinese masses interprets the American resurgence in the region as a threat to China’s growth, Chinese leadership may feel the need to push back, and as Lieberthal says, “remind the United States of the changing real balance of power in Asia.”⁸¹ This situation would at least raise the temperature of tensions in the region if not open the

⁷⁴ Landler and Myers, “U.S. Is Seeing Positive Signs From Chinese.”

⁷⁵ Clinton, “America’s Pacific Century,” 62.

⁷⁶ David Capie and Amitav Acharya, “The United States and the East Asia Summit: a New Beginning?,” blog, *East Asia Forum*, November 20, 2011, <http://www.eastasiaforum.org/2011/11/20/the-united-states-and-the-east-asia-summit-a-new-beginning/>.

⁷⁷ Though this does not yet appear to be the case. Ibid.

⁷⁸ Ibid.

⁷⁹ Deibel and Gaddis, *Containment*, 1:16.

⁸⁰ Lieberthal, “The American Pivot to Asia,” December 21, 2011.

⁸¹ Ibid.

door for conflict. But since neither China nor the US want to enter into an intense security competition such an occurrence is unlikely. Of the three options available to US and New Zealand foreign policy makers presented here, a strategy of containment is the least attractive and most costly.

Hedging

The third and most attractive option available to not only the US but also small states is a hedging strategy. A hedging strategy is one where a state couples accommodating approaches with policies designed to draw upon regional and global ties in an effort to diminish the impact of another state's pursuit of conflicting or limiting interests.⁸² Although the manner in which the US engages in a hedging strategy differs from virtually all other states in the Asia-Pacific, the concept remains the same. States hedge in order to take advantage of the positive benefits of accommodating while securing an 'insurance policy' against less desirable outcomes.

Large and small states alike are able to hedge by stressing "engagement and integration mechanisms" while simultaneously emphasizing "realist-style balancing in the form of external security cooperation."⁸³ The main difference between a large and small state hedging is that while a large state such as the US or China can directly control the security aspects of their 'insurance policy', small states like New Zealand rely more heavily on the support from and cooperation with their larger partners in security matters. With respect to 'engagement', the term should not be used interchangeably or necessarily in conjunction with accommodation as some have alluded to.⁸⁴ A state can engage another state without offering up concessions or accommodating the rivals strategic preferences. The cost-benefit analysis the US has undertaken regarding China has led them to a hedging strategy, prompting them to ramp up engagement in the Asia-Pacific by re-confirming old relationships in the region with countries like Vietnam, Thailand, Japan, South Korea, India, Indonesia, Singapore, Australia and even New Zealand. But whether to engage or not is a is

⁸² Rosemary Foot, "Chinese Strategies in a US-hegemonic Global Order: Accommodating and Hedging," *International Affairs* 82, no. 1 (2006): 88, doi:10.1111/j.1468-2346.2006.00516.x.

⁸³ Evan S. Medeiros, "Strategic Hedging and the Future of Asia-Pacific Stability," *The Washington Quarterly* 29, no. 1 (2005): 145, doi:10.1162/016366005774859724.

⁸⁴ Friedberg, "The Future of U.S.-China Relations," 33.

only the first question. States must then answer the question of how will that engagement take place.

New Zealand has a role, at least from the US perspective, when it comes to an Asia-Pacific engagement and hedging strategy. When asked how important alliances and friendships are for US foreign policy interests in Asia, Harvard University IR scholar Stephen M. Walt responded by saying, “Alliances will be central to America’s Asia policy. The United States is a hegemon in the Western Hemisphere, but our ability to operate in other theatres — including Asia — depends on support from allies. Furthermore, given that our main strategic goal in Asia is to maintain a regional balance of power, supporting key allies is an inescapable element of our entire approach.”⁸⁵ Maintaining a regional balance of power will require the US to do more than just engage China. While there is still room for China’s economy and influence to grow, the US and its key partners in the region are keeping close watch on China to ensure the rules, norms, and institutions that have been established continue to be observed by China. Outside these parameters the US will begin to tap into its ‘insurance policies’ around the region.

When Kerry said, “we need to establish rules of the road that work for everybody,”⁸⁶ it is not clear if everybody can agree on the same rules, or if it is even possible to see such a task to fruition. What Chinese officials fear is the US having unrestricted influence. “The U.S. approach combines engagement, binding, and balancing mechanisms. U.S. policies aim to bind China further into the existing international system of norms, rules, and institutions and to shape its evolving interests and values through bilateral and multilateral engagement.”⁸⁷ While highly effective thus far, the US strategy is rather transparent and not nearly as benign as the official line coming out of Washington would make it appear. Even with a hedging strategy that seeks to accommodate and integrate, only turning to direct security measures if necessary, this has an implicitly coercive element that aims to deter China from challenging the current regional security order.

⁸⁵ Stephen M. Walt, The Interview: Stephen M. Walt, interview by Zachary Keck, December 14, 2012, <http://thediplomat.com/2012/12/14/the-interview-stephen-m-walt/>.

⁸⁶ Josh Boak, “John Kerry’s China Problem: How Tough Can He Get?,” financial, *The Fiscal Times*, January 29, 2013, <http://www.thefiscaltimes.com/Articles/2013/01/29/John-Kerrys-China-Problem-How-Tough-Can-He-Get.aspx#page1>.

⁸⁷ Medeiros, “Strategic Hedging and the Future of Asia-Pacific Stability,” 147.

China has benefited greatly from the current norm structure. Yet, by the very nature of its rapid growth and insistence on other states not intervening in its policies, China is dissatisfied with the international system modelled under total US dominance. China wants to limit the ability of other nations to constrain its pursuit of “its general foreign policy goals of maximizing its influence, leverage, and freedom of action while pursuing economic development to facilitate its re-emergence as a great power.”⁸⁸ Still, China does not want a fight; it can ill afford one in a time when success was very recently measured in annual double digit growth figures.

Why then would a small state like New Zealand want to participate in a US hedging strategy, or develop a hedging strategy of its own? New Zealand does not rely so heavily on China that it cannot ultimately afford to lose the economic benefits it currently receives through that relationship. Losing China as a trading partner would hurt, but it would not cripple New Zealand. Like the US, New Zealand has chosen to work with China wherever possible and not link issues which would preclude cooperation. New Zealand has more to gain by accommodating China and not allowing ideological differences to get in the way of doing business. And unlike Australia, which does not have the advantage of a large continental land mass between it and the whole of Asia, New Zealand does not experience nearly as much stress regarding questions of security. Nevertheless, all small states must find partners to secure their defence interests, and thus far New Zealand has relied on the help and friendship of Western powers, like its close Australian ally and American friend, for such security arrangements.

Harland saw both the US and Chinese involvement in regional politics as essential. Moreover, he saw New Zealand as having a role to play in keeping the peace and contributing to policies of accommodation over containment. His thoughts on containment and New Zealand’s role in the Asia-Pacific are no less relevant today than they were more than a decade ago when he wrote:

The New Zealand government is interested in expanding the markets for its exports and attracting more investment. It is also interested in promoting human rights, and discouraging their abuse. But New Zealand’s main interest must always be peace – or, as it used to be called, security. Conflict anywhere in the Asia-Pacific region is likely to affect

⁸⁸ Ibid., 153.

*New Zealand, even if it does not involve it directly. That fundamental interest is best served at present by encouraging regional co-operation, and resisting any move to split the region into blocs by going back to the failed policy of Containment. New Zealand is well qualified to do that. It is a small country: no one need be afraid of it. And its actions in the past demonstrate that, while it is friendly with the United States, as well as with China, it does not always follow either country, or any one else. Only perhaps in this country itself is there any serious doubt that New Zealand is an independent country, dedicated above all to the cause of peace. And, in the Pacific, peace depends on good relations between America and China.*⁸⁹

Harland's sentiment reflects that, as a small state, it is in New Zealand's best interest to seek profitable arrangements and peaceful interactions between large states in the region. This is not a far cry from the US perspective where "[t]he imperative for Washington is to define its strategy not in terms of containing problems, but of restraining forces that contribute to instability, chaos, and war."⁹⁰ This approach has much less to do with China or China's rise and much more to do with a recognition of a shift in the geopolitical and economic center of gravity in the world, something all nations can take note of. Hedging against conflict and accommodating growth and development at the same time is a strategy all states can implement without unacceptable risk to economies or security.

⁸⁹ Harris and Harland, *China and America*, 41.

⁹⁰ Martel, "R.I.P. Containment."

New Zealand's position

Though it stole headlines for several months, the landscape of IR did not change drastically after the US announcement of their intended rebalance to the Asia-Pacific. Foreign policy makers in Australasia had seen the writing on the wall and were subdued in their reaction to the refocused energies of the Americans. In this respect, New Zealand and Australia have been in the same camp when it comes to the US rebalance – one of a measured response, embracing the rhetoric, but maintaining a healthy scepticism about US intentions and capabilities. Both New Zealand and Australia took what might be categorized as a prudent, albeit benign approach to the US ‘pivot’.

Though similar in many respects, Australia and New Zealand find themselves approaching the balance of power between China and the US in the Asia-Pacific from inherently different perspectives. Where Australia's choice is clearer as an official ally of the US,⁹¹ the picture is open to more interpretation on the other side of the Tasman Sea, where maintaining strong traditional alliances or transitioning to an Asian or China-centric foreign policy are only two of the myriad options available.

New Zealand's balancing act

The US has experienced the closest thing to hegemony, as defined by a state's ability to act unrestrained beyond its own borders, in the past century. New Zealand's warm, then cool, and now warming relationship with the US has at times limited its options with regard to access to the political and military influence of the Western giant. Yet the options available for small states in a liberal tradition of Western hegemony since the end of WWII go well beyond simply choosing sides and riding coat tails. New Zealand in particular, today even more so than in the period between the end of WWII and their break from the US portion of the three-way Australia-New Zealand-United States (ANZUS) treaty in 1985, has options available that policy makers must balance.

New Zealand is a small and geographically isolated country on the fringe of the Asia-Pacific region.⁹² Relative isolation and a close connection with the West has spawned unique

⁹¹ Anthony L Smith, “Still Great Mates: Australia and the United States,” *Asian Affairs, an American Review* 30, no. 2 (Summer 2003): 114.

⁹² Harland, *On Our Own*, 85.

characteristics in the island nation among states in the region, starting with its strong relationship with its neighbour to the northwest. New Zealand's closest partner and ally in Australia has long informed and sometimes defined New Zealand's foreign policy. But since the mid-1980s New Zealand has taken intentional and determined steps to establish differentiation from its heritage-based relationship with Australia and Britain. New Zealand does not follow a strict association with its Western political heritage, and it differs from the US value structure of individual freedom and liberty above all else by placing more importance on principles of social justice and fairness.⁹³

The challenge that New Zealand and every small to medium sized power faces is how to engage multiple value structures from a Western-based system to an Asian model. Both New Zealand and China's nearer neighbours in Asia "face the need to strike a complex and shifting balance between conflicting imperatives. Certainly none of them wants to live under China's thumb, but equally none of them wants to make China an enemy. Above all, they want peace, stability and opportunities to grow."⁹⁴ The clear advantage for New Zealand to partner closely with the US is to increase security ties with the country that boasts the greatest power projection capabilities in the world. The reasons for New Zealand to draw closer to China are equally apparent and revolve around the economic opportunities attained through tapping into the demands of over one billion consumers. The question for New Zealand is can it court both partners simultaneously while maintaining a focus on its own interests and not sacrificing too much ground on questions of values.

Despite holding a different set of values as paramount, New Zealand and China have both existed and prospered within the post-WWII liberal international tradition, one founded on a rules-based international order with a tacit association with US hegemony codified at the end of the Cold War.⁹⁵ Attempts to talk about a 'clash of civilizations', an 'Asian Way', or a China Model for growth and development, though popular to debate, have not gained much traction in IR literature.⁹⁶ Yet China does offer an alternate model of values, if not civilization, that guide state action based on social cohesion, consensus building, and non-

⁹³ Gerald McGhie, "Economic and Foreign Policy Issues Facing New Zealand: Some Reflections," *New Zealand International Review* 37, no. 5 (October 2012): 24.

⁹⁴ White, *The China choice*, 83–84.

⁹⁵ McGhie, "Economic and Foreign Policy Issues Facing New Zealand," 23.

⁹⁶ Wang Jisi and Zou Sicheng, "Civilizations: Clash or Fusion?," *Beijing Review* 39, no. 3 (January 15, 1996): 8.

intervention. The landscape today is one of a more diffuse platform of traditional, economic, and intellectual power increasingly spread through East and South Asia.⁹⁷

The benefits to New Zealand's economy of a close relationship with China are increasingly evident. China moved past Australia in 2011 as New Zealand's largest source of imports and was second to Australia as a destination for exports.⁹⁸ The impetus for these developments spring forth in large part from the FTA New Zealand and China were able to secure in 2008.⁹⁹ The benefits of the FTA are one part access to Chinese policy makers and one part exposure to Chinese markets. A concerted push by Prime Minister John Key's administration to prepare New Zealand for success in a Chinese driven Asian world-economy is evident. Initiatives like the Ministry of Foreign Affairs (MFAT) NZ Inc. China Strategy¹⁰⁰ were designed with the intention of educating New Zealand business people on how to enter Chinese markets, which often come with different sets of expectations and ways of doing business centred on deference and hierarchy. The Key government likely realizes that New Zealand "is certainly already in a situation where any major disruption to its economic links with China would create a need for major and painful adjustments."¹⁰¹

Does an intentional tilt toward China mean, as has been feared by Europe over the US 'pivot', that New Zealand is tilting away from its more predictable partners? Has New Zealand undergone a 'pivot' of its own? Chris Elder and Robert Ayson caution that New Zealand's relationship with China may not be as 'special' as some think.¹⁰² China has many suitors and engages myriad countries economically and diplomatically on a daily basis. New Zealand can lay claim to their 'four firsts', of which the free trade agreement is one, but "these examples of successful small power diplomacy are not in themselves enough to place the relationship on a stable, long-term footing."¹⁰³

⁹⁷ McGhie, "Economic and Foreign Policy Issues Facing New Zealand," 25.

⁹⁸ Chris Elder and Robert Ayson, *China's Rise and New Zealand's Interests: a Policy Primer for 2030*, Discussion Paper (New Zealand: Centre for Strategic Studies: New Zealand, 2012), 15, <http://apo.org.au/research/china%E2%80%99s-rise-and-new-zealand%E2%80%99s-interests-policy-primer-2030>.

⁹⁹ New Zealand Ministry of Foreign Affairs and Trade, "NZ Inc - Opening Doors to China - New Zealand and China - Bilateral Relationship," accessed December 21, 2012, <http://www.mfat.govt.nz/NZ-Inc/6-Opening-doors-to-China/1-New-Zealand-and-China/1-Bilateral-relationship.php>.

¹⁰⁰ NZ Inc, "NZ Inc China Strategy" (New Zealand Ministry of Foreign Affairs and Trade, 2012), <http://mfat.govt.nz/NZ-Inc/6-Opening-doors-to-China/3-NZ-Inc-China-strategy/0-bilateral-investment.php>.

¹⁰¹ Elder and Ayson, *China's Rise and New Zealand's Interests: a Policy Primer for 2030*, 15.

¹⁰² Ibid.

¹⁰³ Ibid., 16.

A tilt away from traditional partners has not been part of New Zealand's strategy thus far. The American rebalance to the Asia-Pacific has a strong East Asian component, but it has included investment of time and resources in New Zealand. While it is reasonable to assume that the US' comprehensive re-engagement of the Asia-Pacific owes more to its wish to balance China's influence than it does a desire to strengthen its ties to New Zealand, there has been a renewed and noticeable level of defence cooperation between the former ANZUS allies.

When New Zealand and the US came to loggerheads over New Zealand's anti-nuclear stance almost 30 years ago the two broke off direct defence relations. The chill between the two nations was both a reflection of New Zealand's willingness to act independently on the international stage and served as a national rallying cry. The Austral-American relationship remained intact and grew in strength after the New Zealand split,¹⁰⁴ and the ANZUS breakdown initially prompted friction between Australia and New Zealand over the extra work required to keep New Zealand informed now that the US was no longer engaging New Zealand as directly. Despite the initial friction, trans-Tasman cooperation increased in subsequent years, cementing Australia as New Zealand's closest security partner.¹⁰⁵

The American rebalance to New Zealand's region has encouraged the small state to not tilt too far toward China. This is especially evident over the past decade which has seen a warming trend between the US and New Zealand. New Zealand Minister of Foreign Affairs Murray McCully has said of the American relationship, "Today our friendship continues to grow. It is a friendship based on a common set of interests and a common set of values."¹⁰⁶ Whether the US and New Zealand have a precisely shared set of common interests and values is debatable, but they are close in relative terms. In 2002 US Secretary of State Colin Powell commented that "we are very, very, very good friends," and six years later his

¹⁰⁴ Department of the Prime Minister and Cabinet Australian Government, "Strong And Secure: A Strategy for Australia's National Security" (Commonwealth of Australia 2013, January 23, 2013), 22, http://www.dpmc.gov.au/national_security/national-security-strategy.cfm.

¹⁰⁵ Robert Ayson, "When Cooperation Trumps Convergence: Emerging Trends in Australia-New Zealand Defence Relations," *Security Challenges* 2, no. 3 (October 2006): 31.

¹⁰⁶ Murray McCully, "A Warming Relationship," *New Zealand International Review* 37, no. 4 (August 2012): 6.

successor Condoleezza Rice went a step further, stating during a visit that New Zealand was both “a friend and an ally.”¹⁰⁷

Though not technically allies, and with little to no chance of New Zealand backtracking on its anti-nuclear stance on the horizon, the New Zealand/US relationship has never the less taken distinct and practical turns in that direction. With the signing of the Wellington Declaration in 2010 the two countries committed themselves to cooperate on climate change, renewable energy initiatives, disaster recovery, nuclear proliferation, trade, security, and sustainable economic development across the region.¹⁰⁸ This initiative focuses specifically on areas near New Zealand shores, and has been seen by some to signal that the thaw between the US and New Zealand is complete.¹⁰⁹

If the thaw was not fully complete in 2010, then the signing of the Washington Declaration in 2012 surly served to melt what ice remained between the global super power and the South Pacific player. Upon the signing of the Washington Declaration New Zealand’s tilt toward Asia was arrested, if not reversed, in a move that to some resembled a security alliance. The Washington Declaration made New Zealand “a de facto ally of the United States.”¹¹⁰ Though no official alliance between the US and New Zealand exists or is likely to in the near future, increased talks, visits, and collaboration on issues in the Pacific provide “a framework for cooperation to focus, strengthen and expand the bilateral defense relationship.”¹¹¹ Moreover, New Zealand continues to enjoy, as doe Australia, a major non-NATO ally status with the US.¹¹²

The Washington Declaration uses language that leads to talk of a ‘de facto’ alliance when it states that the US and New Zealand intend to; ensure the participants’ capabilities are able to

¹⁰⁷ Rice was using the term ‘ally’ not in the literal sense but in a loose association. Ian McGibbon, “The US-New Zealand Alliance: a Tale of Six Anniversaries,” *New Zealand International Review* 37, no. 4 (August 2012): 5.

¹⁰⁸ “Wellington Declaration,” *US - NZ Council*, November 2010, <http://www.usnzcouncil.org/resources/wellingtondeclaration>.

¹⁰⁹ Audrey Young, “Wellington Declaration Signals US-NZ Thaw Complete,” *New Zealand Herald*, November 4, 2010, sec. Politics, http://www.nzherald.co.nz/politics/news/article.cfm?c_id=280&objectid=10685196.

¹¹⁰ Tracy Watkins, “Agreement with US sees NZ as ‘de facto’ ally,” *Stuff.co.nz*, June 20, 2012, sec. Politics, <http://www.stuff.co.nz/national/politics/7133939/Agreement-with-US-sees-NZ-as-de-facto-ally>.

¹¹¹ United States Department of Defense, “Defense.gov News Release: United States, New Zealand Sign Defense Cooperation Arrangement,” June 19, 2012, <http://www.defense.gov/releases/release.aspx?releaseid=15388>.

¹¹² Jim Rolfe, “Australia-New Zealand Relations: Allies, Friends, Rivals,” *Asia-Pacific Center for Security Studies*, Asia’s Bilateral Relations (October 2004): 4.

counter traditional and non-traditional threats to their security interests; cooperate in the development of the participants' deployable capabilities, in support of peace and security in the Asia-Pacific; and affirm that the participants are prepared to respond in accordance with national approval processes to contingencies which may arise in the region, including multilateral cooperation with regional partners' armed forces.¹¹³ As Ayson pointed out, this language is "not too far from Anzus [sic],"¹¹⁴ in that it covers contingencies beyond New Zealand's immediate neighbourhood. "[W]e don't just mean the Pacific. The canvas is the wider Asia-Pacific region. That means New Zealand is more likely to be seen as a participant in American's rebalancing in Asia."¹¹⁵ This falls in line with the US interest "to strengthen its key alliances, to build partnerships and to develop innovative ways ... to sustain U.S. presence elsewhere in the world."¹¹⁶

Is it then a Western-world dominated by the near hegemony of the US, or a Chinese influenced Asian inspired economic boom time model that New Zealand finds itself balancing between? The short answer is both. As a small isolated country New Zealand must engage multiple value structures. It oversimplifies the point to say that small states are at the mercy of large ones. The liberal tradition of IR and politics that arose with the coming of age of America's global reach brought with it a system that provides for a country like New Zealand to engage, if not influence, where it sees fit. New Zealand will not in the foreseeable future be choosing sides between the US and China, though it may be accused of riding one or both sets coat tails at different times. It is most likely that New Zealand will take advantage of China's economic influence by dealing directly with the Asian trading partner while simultaneously keeping close security ties with the US. This model for New Zealand will resemble something of a 'two sides of the same coin' strategy. The coin represents New Zealand's interests with China on one side and the US the other. New Zealand will benefit most from engaging both partners on different sets of issues but with the same focus on New Zealand's value structure and particular set of interests. In other words, this is New Zealand's hedging strategy.

¹¹³ "Washington Declaration on Defense Cooperation Between the Department of Defense of the United States of America and the Ministry of Defence of New Zealand and the New Zealand Defence Force," June 19, 2012, 2, <http://www.defense.gov/news/WashingtonDeclaration.pdf>.

¹¹⁴ Robert Ayson, "NZ Needs to Watch Out for Itself," *New Zealand Herald*, September 18, 2012, sec. National, http://www.nzherald.co.nz/nz/news/article.cfm?c_id=1&objectid=10834674.

¹¹⁵ Ibid.

¹¹⁶ United States Department of Defense, *Sustaining U.S. Global Leadership: Priorities for 21st Century Defense*, 2.

If the US is able to maintain its rebalance efforts in the Asia-Pacific its interests will inevitably collide with those of China. Likewise, New Zealand will face increasingly frequent opportunities to take a position relative to these intersecting interests as the US and China bump into one another. China and New Zealand both have interests in the Pacific as well, and the opportunity exists that “China’s involvement may cut across New Zealand’s objectives.”¹¹⁷ One area where this has already occurred is with New Zealand and Australia’s efforts to support a return to democracy in Fiji which has been “rendered less effective by China’s political engagement and economic support for the [existing military] regime.”¹¹⁸ China’s tendency to work with whatever regime is in power means its ‘no strings attached’ aid programs could be working against New Zealand interests.¹¹⁹ There is also concern that China’s soft loans to the region will cause issues in the future when those loans are called in. It behoves New Zealand to stay abreast of China’s initiatives in the South Pacific as it is “arguably the only part of the world where New Zealand’s perspectives may carry more insight than China’s.”¹²⁰

It is by no means clear that China is trying to usurp Australia or New Zealand’s influence in Fiji,¹²¹ but China’s growth in ability to influence brings with it inherent opportunity to change the equilibrium of the region. New Zealand’s long standing interest and participation in Asia-Pacific affairs make it a unique and insightful partner for either the US or China. Indeed Clinton has said, “We also believe on the aid front that there is a lot of cooperation between us and China. It is something that we’re modelling after New Zealand.”¹²² This speaks to the notion that while “New Zealand may not be able to influence the big external quantum shifts,”¹²³ it can offer region-specific experience and freedom of movement between the major powers in the region.

In order to maintain that freedom of movement between the powers New Zealand must be able to accomplish the difficult task of continuing to engage both, but not at the expense of

¹¹⁷ Elder and Ayson, *China’s Rise and New Zealand’s Interests: a Policy Primer for 2030*, 18.

¹¹⁸ *Ibid.*, 19.

¹¹⁹ Marc Lanteigne, “Water Dragon? China, Power Shifts and Soft Balancing in the South Pacific,” *Political Science* 64, no. 1 (June 1, 2012): 33, doi:10.1177/0032318712447732.

¹²⁰ Elder and Ayson, *China’s Rise and New Zealand’s Interests: a Policy Primer for 2030*, 19.

¹²¹ Jian Yang, “China in Fiji: Displacing Traditional Players?,” *Australian Journal of International Affairs* 65, no. 3 (2011): 314, doi:10.1080/10357718.2011.563778.

¹²² Kate Chapman, “US to follow NZ lead in China aid,” *Stuff.co.nz*, September 1, 2012, sec. Politics, <http://www.stuff.co.nz/national/politics/7593279/US-to-follow-NZ-lead-in-China-aid>.

¹²³ McGhie, “Economic and Foreign Policy Issues Facing New Zealand,” 23.

either. Engaging both is different than maximizing both relationships. The former simply means to continue to keep open avenues of dialogue, while the latter is impossible as China and the US have at times conflicting interests which New Zealand cannot simultaneously maximize. What New Zealand can do is act as a good international citizen by cooperation with the US in the Pacific on a broad range of regionally important issues per the Wellington Declaration without appearing to choose sides. But signing on to agreements that hint at security alliances is much less palatable for Chinese policy makers. Therefore, “An informal and incomplete alliance relationship with the US is much more compatible with good relations in Asia with a rising China.”¹²⁴

From the American perspective, renewing and keeping close ties to New Zealand is advantageous. It therefore made sense that Panetta was the first US Secretary of Defense to pay New Zealand a visit in 30 years. Even more so than their staunch Australian supporter, New Zealand can be for the US something of an access point to the Asia-Pacific. The Americans see New Zealand as having an ‘in’ with China with “plenty of contacts but not too much baggage in the South Pacific, and a good reputation for supporting multilateralism.”¹²⁵ For the US, or any other country, “there is no such thing as having too many close partners when you are worried about China.”¹²⁶ Though some caution that America’s return to New Zealand is a feeling out process to learn exactly “when and where Wellington sees itself...as a strategic player,” Rob Lyon said warning the US of New Zealand’s intentions adding “the return of strategic cooperation seems likely to be on a case by case basis.”¹²⁷

Partners in the status quo

New Zealand has been a staunch supporter of China’s international integration in the form of their well-known ‘four firsts’. The China FTA is the most recent of the ‘four firsts’, and the others include being the first Western country to conclude a bilateral agreement with China to speed its accession to the World Trade Organisation (WTO), being the first

¹²⁴ Robert Ayson, “New Zealand After Panetta: Australia’s Prodigal Brother,” blog, *The Strategist*, September 2012, <http://www.aspistrategist.org.au/new-zealand-after-panetta-australias-prodigal-brother/>.

¹²⁵ Ibid.

¹²⁶ Ibid.

¹²⁷ Rod Lyon, “New Zealand: Washed in the Blood of the Lamb?,” blog, *The Strategist*, September 2012, <http://www.aspistrategist.org.au/new-zealand-washed-in-the-blood-of-the-lamb/>.

developed economy to recognize China's status as a market economy, and being the first developed country to enter into Free Trade Agreement negotiations with China.¹²⁸ These efforts on New Zealand's part are not insignificant or uncalculated. Helping China into the WTO is to the benefit of small states like New Zealand. "China's cause has become the cause of trade liberalisation. Its importance to New Zealand can scarcely be exaggerated."¹²⁹ China's rise is the result of marketization of their economy, a concerted effort by Chinese leadership at lifting tens of millions of Chinese citizens out of poverty by, and the institutionalisation of China internationally. Though China does not conform to every international norm lauded by the West, it has been moving ever closer.

The Western-dominated international system post-WWII has intentionally aimed to integrate every nation-state, both small and large. This integration has been to the benefit of the West, and in particular to the US as the originator of many of the norms and organizations that fill the IR landscape. China has also been a major beneficiary of the system that has been in place for the latter half of the twentieth century, and continues into the twenty first century. In many respects it is good for the US that China has grown as a marketplace for American products, and even as a source of investment in a struggling US economy. It is good for New Zealand that China has prospered under the Western international order as a destination for export goods like milk, wood, and wine. And it is good for China to be a member of the international community that supports international law and freedom of trade between states that uphold the values and norms of international economics.

China, the US, and New Zealand are all partners in the status quo of maintaining the system they all benefit from. In this case, as it goes for Australia so it goes for New Zealand when White said, "Ideally, of course, we would want the status quo. Uncontested American primacy has been remarkably good for Australia, and if it could be sustained that would clearly be our best option."¹³⁰ Small, medium, and large states alike benefit from their membership and their active participation in both the mechanisms of international economies and the acceptance of shared values and norms.

¹²⁸ New Zealand Ministry of Foreign Affairs and Trade, "NZ Inc - Opening Doors to China - New Zealand and China - Bilateral Relationship."

¹²⁹ Harris and Harland, *China and America*, 38.

¹³⁰ White, "Power Shift," 90.

The interests that New Zealand shares with its larger partners contribute to a shared interest in maintaining the existing relatively peaceful world order. If Harland's earlier statement that "New Zealand's main interest must always be peace" is indicative of New Zealand's position, then Richard Haass' writing in the journal *Foreign Affairs* takes on added significance and further supports the notion that small and large states alike seek to be partners in the status quo in the name of their shared interest in peace:

*"[a] further constraint on the emergence of great-power rivals is that many of the other major powers are dependent on the international system for their economic welfare and political stability. They do not, accordingly, want to disrupt an order that serves their national interests. Those interests are closely tied to cross-border flows of goods, services, people, energy, investment, and technology-flows in which the United States plays a critical role. Integration into the modern world dampens great-power competition and conflict."*¹³¹

In other words, the better China does as a member of the global economy that has spurred on its seemingly unstoppable growth the more dependant it is on those networks and relationships. This dependency China experiences with regard to the system it is a part of speaks to the necessity and urgency with which the CCP seeks to maintain growth at all costs. "The legitimacy of China's political leadership is increasingly dependent on economic development, which while it has been spectacular, remains surprisingly brittle."¹³²

New Zealand has been at the fore front of establishing independent relations with China since the early 1970s when China began opening up again to the West. But the question still needs to be asked to what extent a small state has influence over a large one. There is a sense that a "systemic logic" has developed which has "gathered a force that will enmesh and entrap even the most powerful."¹³³ Is New Zealand then a convenient partner of China and the US or an essential one? Do New Zealand's interests play into the considerations of its larger friends, or is New Zealand bobbing along on the waves of a more powerful 'systemic logic'? Are there options available to New Zealand that go beyond choosing sides or playing to both a sympathetic Western ear and an Asian sentiment? As White put it, "We want the strongest possible economic relationship with China and the strongest possible

¹³¹ Richard N. Haass, "The Age of Nonpolarity: What Will Follow U.S. Dominance," *Foreign Affairs* 87, no. 3 (May 1, 2008): 49.

¹³² Beeson, "Hegemonic transition in East Asia?," 109.

¹³³ Andrew Hurrell, "Hegemony, Liberalism and Global Order: What Space for Would-be Great Powers?," *International Affairs* 82, no. 1 (2006): 6, doi:10.1111/j.1468-2346.2006.00512.x.

strategic relationship with the United States.”¹³⁴ But are these options mutually exclusive and are Australia’s options different than New Zealand’s?

¹³⁴ White, “Power Shift,” 90.

New Zealand's options

The options available to New Zealand as a small state operating in a theatre where two large and powerful states are vying for influence are as open and varied as New Zealanders are willing to risk. The spectrum of options is reducible down to choosing to side with either the US on one end or China on the opposite end. A centre position would be one where relations with both the US and China are maintained as best as possible. While the ends of the spectrum are options available to New Zealand, and are options that other states, e.g. Australia, have engaged in some measure, they are not desirable as a means of advancing New Zealand interests at present.

New Zealand has sought to establish an independent set of foreign policies, though often informed by its close relationships with Britain, Australia and the US. With the emergence in the past several decades of China as a major partner for New Zealand economically the considerations for cooperation and partnership have expanded to include the Asian giant. Though important today, China was not the first Asian economy New Zealand has engaged; Japan was a major emerging trade partner after WWII.¹³⁵ New Zealand's fervent attachment to internationalism, organisational participation and representation, and a pursuit of identity and independence will continue to direct foreign policy decisions in the coming decades. Though economic interests play heavily into decisions of today this is the result of peace time prosperity and not what constitutes the core of New Zealand's foreign policy identity.

The balance of power in the Asia-Pacific continues to shift toward China irrespective of American attentions. "The shift in power is being driven by China's rise, not by America's decline. There is not much America can do about it."¹³⁶ Nor does it appear the US wishes to completely stop the trend if it is to be believed that Washington is operating under the edict that what is good for China is good for the US. That same edict applies to New Zealand, and very likely the greater Asia-Pacific region. A more engaged and integrated China will have spill-over benefits for economies that not only tolerate but support China's growth.

In order to take advantage of China's rising economy and influence New Zealand requires nimble diplomacy. "This requires those framing New Zealand's external policy, and the

¹³⁵ For a brief historical overview of New Zealand, Australia, and Britain's efforts to bring Japan into the 'community of nations' post-WWII see: C. W. Braddick, "Britain, the Commonwealth, and the Post-war Japanese Revival, 1945-70," *The Round Table* 99, no. 409 (2010): 371-389, doi:<http://dx.doi.org/helicon.vuw.ac.nz/10.1080/00358533.2010.498975>.

¹³⁶ White, *The China choice*, 5.

community more generally, to accept that the patterns of association, and the value systems, that have underpinned our foreign policy decision-making throughout the post-war period are no longer to be relied upon to the same extent. The process will from now on become a great deal more complex, the trade-offs less easily arrived at.”¹³⁷ Elder and Ayson frame the situation as one that will require New Zealand to “face a series of smaller judgement calls,” as opposed making a definitive choice between major powers.¹³⁸

This option will require New Zealand to be politically and economically agile, and will demand a significant investment in the regional institutional order, both in terms of funding and rhetorical backing. While New Zealand does not have game changing capacity in the region it “does have a voice in determining the shape and the scope of regional institutions.”¹³⁹ Harland’s contemporarily relevant options for New Zealand include the small state remembering it is “not at the centre of the universe” and “[w]hat happens in the rest of the world affects [New Zealand] much more than [New Zealand’s] actions affect it.” In order for New Zealand to look after its own interests it must closely follow developments in the rest of the world, and must be able to articulate its case “in terms of other countries’ interests” in addition to its own. New Zealand must also work with the countries which have the “power to get things done,” and be able to develop long-term relationships and not get distracted by short-term considerations that may jeopardise those relationships, “no matter how pressing they are.” In order for New Zealand to exert any influence on other countries – “to attract their interest, and win their support when it matters to [New Zealand]” – New Zealand must be able to stand on its own feet and “be able to offer others something they want.” With a nod to the last traditional partner in New Zealand foreign relations Harland added that New Zealand must continue to foster and even grow economic and political ties to Australia (something he admitted then was “not at the top of the political agenda” and it remains so today). Finally, New Zealand must strengthen its position globally by working more closely with other partners in the region, including ASEAN states. Harland is prophetic when he says “Pacific regionalism is not yet as powerful a movement as its counterparts in Europe and the Americas, but it is growing, as are the countries that are

¹³⁷ Elder and Ayson, *China’s Rise and New Zealand’s Interests: a Policy Primer for 2030*, 15.

¹³⁸ *Ibid.*, 20.

¹³⁹ *Ibid.*

taking part.”¹⁴⁰ With the ARF and Pacific Island Forum (PIF) bringing large and small nations to the table and TPP trade talks moving forward, the Pacific and the greater Asia-Pacific as a region is only growing in importance.

Small states and internationalism

Under the Howard government Australia saw international institutions as largely unrelated to the construction of Australia’s state identity or pursuit of national interest, but New Zealand under the Clark government saw its state identity as intimately tied up with a principled commitment to the international rule of law and multilateralism. Though the Key government has taken steps to bring New Zealand’s foreign policy more in line with its economic policy, since the 1950s through today New Zealand is “far more consistent in its commitment to a rules-based world order than Australia.”¹⁴¹

Small states like New Zealand “have long been attracted by the idea that world peace and prosperity can be achieved through international co-operation.”¹⁴² But it was not until after the US entered World War I in 1917 and US President Woodrow Wilson “propounded the doctrine of self-determination” that small-state League of Nations members began to have an interest in upholding the League Covenant providing a guarantee against aggression.¹⁴³ The League of Nations, and later the United Nations, provided the platform upon which small states’ voices could be heard.

Small states have been accused of, due to constraints on resources, “low participation” in world affairs.¹⁴⁴ John Henderson said these constraints on resources narrow a small state’s scope and leaves them to focus attention on economic issues. “In an effort to compensate for their limited resources,” Henderson said, “small states seek to conduct much of their foreign

¹⁴⁰ Harland laid out these points in a lecture he gave at the University of London in 1991 about New Zealand’s options as a small state amid this emerging power structure, and to an extent they hold true twenty years on. Harland concerned himself with the US, Germany, and Japan. While the US is still a major player, Germany and Japan have taken a back seat to China. Harland’s ‘Emerging Tripolar World’ might now be better categorized as a bi-polar world consisting of the US and China with heavy regional influence from the likes of South East Asia, India, Europe, Russia, and Brazil leading the South American contingent. Bryce Harland, *Small Countries in a Tripolar World*, The Fourth Menzies Lecture (London: Sir Robert Menzies Centre for Australian Studies, Institute of Commonwealth Studies, University of London, 1991), 14–16.

¹⁴¹ Richard Devetak and Jacqui True, “Diplomatic Divergence in the Antipodes: Globalisation, Foreign Policy and State Identity in Australia and New Zealand,” *Australian Journal of Political Science* 41, no. 2 (2006): 254–255, doi:<http://dx.doi.org/10.1080/10361140600672451>.

¹⁴² Harland, *On Our Own*, 65.

¹⁴³ *Ibid.*, 65–66.

¹⁴⁴ *Beyond New Zealand: The Foreign Policy of a Small State* (Auckland, N.Z: Methuen, 1980), 3.

policy within the framework of international organisations, agreements or alliances.”¹⁴⁵ New Zealand’s current ambitious and persistent bid for a non-permanent seat on the United Nations Security Council in 2015-2016 is one example of how a small state can conduct part of its foreign policy in front of a larger audience.¹⁴⁶ A continued presence at the table at APEC, EAS, ARF, and the PIF, as well as hosting several rounds of talks on the TPP add to the argument that New Zealand seeks to foster its interests via international co-operation. Though former New Zealand diplomat Terrence O’Brien argued “that moment has not arrived” which New Zealand would push for institutional change in the form of an Asia-Pacific Community, “New Zealand, along with Australia, possesses obvious interest, nonetheless, in ensuring that regionalism in whatever form remains ‘open’.”¹⁴⁷

Inherent in New Zealand’s UN Security Council seat bid is a desire to be heard and a platform on which to pursue interests. The UN might seem like the perfect place for a small state to express its concerns, but as with much of the Western-based international order, that may only work as long as those interests are in line with those of the most powerful states. Participation in the UN is more than a tacit acceptance of the value and values of the organisation; it is an explicit agreement with them. But does the UN truly have the best interests of small states at heart? Harland describes the UN as “the centre-piece of a system that had been set up by the US in accordance with its own principles.”¹⁴⁸ The question must then be asked is New Zealand simply attaching itself to a strong friend in the US through the UN, and if it is will those efforts be rewarded?

Harland went on to say:

Powerful states could be influenced by international pressure, but they could not be coerced without war. This was the reason for the Veto given to the permanent members of the Security Council. It might be unfair, arguably undemocratic, but it reflected the reality of international politics. Small countries like New Zealand could gain little by girding against it. They could achieve more, in the UN as well as in the world at large, by working with one

¹⁴⁵ Ibid.

¹⁴⁶ New Zealand Foreign Affairs Minister Murray McCully said “the culture of the Security Council has to change so that smaller states have more of a say.” Radio New Zealand, “McCully Renews Criticism of UN Security Council,” *Radio New Zealand*, October 2, 2012, <http://www.radionz.co.nz/news/political/117172/mccully-renews-criticism-of-un-security-council>.

¹⁴⁷ Terence O’Brien, “The Australian White Paper: A Trans-Tasman Perspective,” *New Zealand International Review* Vol. 35, no. No. 1 (February 2010): 17–18.

¹⁴⁸ Harland, *On Our Own*, 68.

*or more of the great powers – those countries that have the power to get things done, or to stop them happening.*¹⁴⁹

New Zealand's search for an "alternative to the historic ties with Britain" was unsuccessful through to the last decade of the twentieth century.¹⁵⁰ The US is the only country to have emerged from the twentieth century with the kind of political, economic, and military sway that Harland would have seen as categorizing it as a 'great power'. In that regard, New Zealand seeking a seat at the table of the Security Council makes sense for a small state trying to advance its interests by teaming with those who have both the power to 'get things done' or to 'stop them happening'.

Identity and independence

Putting the 'nation' in nation-state has from its origins as a colonizing settler society been at the root of New Zealanders defining their place in the world, in the Asia-Pacific, and especially in relation to their neighbours across the Tasman Sea. New Zealanders perceived independence is part of their identity, and that identity informs New Zealand foreign policy.¹⁵¹ "[F]or many, independence has become the touch-stone of our foreign policy."¹⁵² But is New Zealand really 'on its own' as Harland said?¹⁵³ The past three decades of New Zealand foreign policy and international relations has seen its own rebalance that pre-dates and even foreshadows the American move. As a small state, New Zealand has been able to move more quickly and respond with greater ease to the changes it saw. It has done so in a fashion unique to New Zealand which has helped forge the nation that lives within the state.

New Zealand's defence relationships with Australia, Britain, and the US sheds light on aspects of New Zealand identity which have been shaped by involvement in conflicts from the Boer war in South Africa, the World Wars, and conflicts in Korea, Vietnam, and now Afghanistan. It was not until New Zealand's participation in the Vietnam conflict that their long standing antipodean defence relationship with Britain was first tested.¹⁵⁴ Fighting in

¹⁴⁹ Ibid., 73.

¹⁵⁰ Ibid., 74.

¹⁵¹ For a thorough discussion of New Zealand's independence and how it relates to their foreign policy see: Malcolm McKinnon, *Independence and Foreign Policy: New Zealand in the World Since 1935* (Auckland [N.Z.]: Auckland University Press, 1993).

¹⁵² Harland, *On Our Own*, 90.

¹⁵³ Ibid., 88.

¹⁵⁴ McKinnon, *Independence and Foreign Policy*, 178.

Vietnam without British support marked the first time New Zealand experimented with living under the American security umbrella.¹⁵⁵ This move was in some respects an act of transferring dependence to the US from Britain, not simply an act of independence from the Britain.¹⁵⁶

New Zealand's relative independence changed little as a result of working with the US in Vietnam, but in the context of fluid and changing identity the move from Britain as the traditional security partner to a new Western friend and ally in the US had a dramatic effect. After Britain joined the European Economic Community (EEC) in 1973¹⁵⁷ and the signing of Closer Economic Relations with Australia in 1983,¹⁵⁸ New Zealand found it was no longer tethered to either the security or economy of Britain.

The mid-80s, however, put New Zealander's sense of collective self to the test when popular outcry in upport of New Zealand's firm anti-nuclear stance put it at odds with the US, and the two countries subsequently broke with their link in the ANZUS alliance. "[New Zealanders] have always prided themselves on their independence of mind, adaptability and self-reliance. The anti-nuclear dispute has enhanced their pride, and the self-respect that flows from it."¹⁵⁹ Touted as a moral victory, New Zealand was catapulted into the spotlight as the David to America's Goliath. "Indeed, the non-nuclear issue in New Zealand illustrates the power of a norm embedded in national culture to shape state identity through foreign policy regardless of the geopolitical and political (and potentially economic) costs associated with it."¹⁶⁰ Those economic costs never materialised,¹⁶¹ and only recently have the political costs associated with New Zealand moulding its own identity in opposition to its American ally seemed less troublesome.

¹⁵⁵ New Zealand's involvement in the war, McKinnon said, was felt to be necessary to stop Communism, but also in securing what he called New Zealand's "security guarantee," ostensibly sourced from the US. Ibid., 152.

¹⁵⁶ James Belich, *Making Peoples: A History of the New Zealanders: From Polynesian Settlement to the End of the Nineteenth Century* (North Shore, N.Z.: Penguin, 2001), 399.

¹⁵⁷ David Capie, "New Zealand and the World: Imperial, International and Global Relations," in *The New Oxford History of New Zealand*, ed. Giselle Byrnes (South Melbourne: Oxford University Press Australia and New Zealand, 2009), 591.

¹⁵⁸ New Zealand Ministry of Foreign Affairs and Trade, "Australian High Commission in New Zealand," *New Zealand Embassy*, accessed January 22, 2013, <http://www.newzealand.embassy.gov.au/wltn/CloseEconRel.html>.

¹⁵⁹ Harland, *On Our Own*, 88–89.

¹⁶⁰ Devetak and True, "Diplomatic Divergence in the Antipodes," 254.

¹⁶¹ Trade actually increased between the US and New Zealand in the intervening years. Tom Hunt, "Flashback: When David stood up to Goliath," *Stuff.co.nz*, February 9, 2013, sec. Capital Life, <http://www.stuff.co.nz/dominion-post/capital-life/8279786/Flashback-When-David-stood-up-to-Goliath>.

If the 1980s and New Zealand's anti-nuclear stance were the crucible by which modern New Zealand was formed, then the 1990s was the decade of the hammer that shaped the New Zealand of today. The economic, trade, and immigration relationships and policies that came out of the 1990s have been every bit as important to creating the New Zealand identity that informs policy makers in the twenty first century. These two influential decades placed New Zealand in a competitive, rather than dependant relationship with its traditional European and British origins,¹⁶² and encouraged New Zealanders to re-evaluate their place in the world; no longer just a smaller version of Britain in the Pacific, but more and more a part of Asia.

Once Britain turned to the EEC New Zealand ceased acting as Britain's source of affordable agricultural goods. Up to that point an essential piece of the New Zealand identity was as provider for the dominion, putting meat and dairy products on English dinner tables. As a part of the British imperial system from the late eighteenth century through the middle of the twentieth century New Zealand was connected to and drew much of its identity from the cultural, economic and political ties it kept with the United Kingdom (UK).¹⁶³ James Belich, in his tome on New Zealand's history said, "In 1960, most Pakeha [non-Maori] New Zealanders had little doubt who they were. They were Better Britons: a distinctive Kiwi branch of the British tree, a species of the genus Briton whose superiority to the original was demonstrated in war, sport and the climbing of mountains. By 2000, an identity crisis had developed among Pakeha."¹⁶⁴ The small island nation was forced to look beyond its traditional partners for new economic relationships.

This "crisis of national identity"¹⁶⁵ contributed to New Zealand's fluid sense of identity, and stemmed from New Zealanders facing an uncertain world where traditional linkages with the West were under review. At the same time Britain was joining the EEC New Zealand was finding the US a receptive defence partner in Southeast Asia. Despite the delegitimizing effects the Vietnam War had on US aspirations in the Asia-Pacific, New Zealand had effectively begun its late-twentieth century balancing act; not between the UK and Asia, but between the US and Asia.

¹⁶² Capie, "New Zealand and the World: Imperial, International and Global Relations," 596.

¹⁶³ Ibid., 574.

¹⁶⁴ Belich, *Making Peoples*, 465.

¹⁶⁵ Paul Spoonley and Augie Fleras, "New Zealand Immigration: National Identity, Social Cohesion, and 'Race' Relations," in *Recalling Aotearoa: Indigenous Politics and Ethnic Relations in New Zealand* (Auckland: Oxford University Press, 1999), 150.

Whether it is ‘birth’, ‘blood’, or ‘belonging’ that determine ones identity, New Zealanders are faced with a sense of ‘ontological unease’ surrounding who they are as a nation.¹⁶⁶ Belich calls the ever aging attachments to Britain ‘residues’ of a colonial collective identity.¹⁶⁷ New Zealanders have a European connection, Pacific connection, and an increasingly Asian connection. This Asian, and in many cases Chinese, connection is changing the demographic make-up of New Zealand raising questions for New Zealanders about who they are and where they belong. “Pakeha are from Europe, from Britain, but we no longer belong there. We are in the South Pacific, in Maori land, but we are not yet quite at home here.”¹⁶⁸ While it would be inaccurate to say that New Zealand foreign policy is fickle, it is fair to reiterate the fluid nature of New Zealand’s international interactions.

Asian economic growth after the “failure of the communist economic model and the liberation of global capital” brought on changes within New Zealand society, “and in its international economic and political ties.”¹⁶⁹ The first change within New Zealand was expressed with the enacting of the 1987 Immigration Bill which had the expressed purpose of enriching the multi-cultural fabric of New Zealand through targeting migrants based on their potential contribution to the country, and facilitating the entry of visitors to foster tourism, trade and commerce, cultural, educational and scientific activities.¹⁷⁰ Four years later an immigration points system was introduced in an effort to increase the effectiveness of the original immigration bill which set both a new tone and standard for immigration geared toward economic prosperity over ethnic or heritage based policies.¹⁷¹ The shift from country of origin factors to an immigrant’s ability to contribute to New Zealand society was a deliberate attempt to fill a labour gap and grow New Zealand’s international exposure. The shift in immigration policy led to changes in immigration flows and started trends of immigration growth, specifically from East Asia and India.

¹⁶⁶ Avril Bell, “Bifurcation or Entanglement? Settler Identity and Biculturalism in Aotearoa New Zealand,” *Continuum* 20, no. 2 (2006): 253–268, doi:10.1080/10304310600641786.

¹⁶⁷ Belich, *Making Peoples*, 392–393.

¹⁶⁸ Allan Bell, “Styling the Other to Define the Self: A Study in New Zealand Identity Making,” *Journal of Sociolinguistics* 3, no. 4 (1999): 539, doi:10.1111/1467-9481.00094.

¹⁶⁹ Capie, “New Zealand and the World: Imperial, International and Global Relations,” 594.

¹⁷⁰ Ruth S. J. Farmer, “Economic Deregulation and Changes in New Zealand’s Immigration Policy: 1986 to 1991,” *People and Place* 4, no. 3 (1996): 57.

¹⁷¹ The points system was created in an effort to assess immigrant applications on employability, age and settlement factors. *Ibid.*, 61.

The impact of Asian immigration on New Zealander identity, and therefore New Zealand's foreign policy, coincides with the rapid growth of Asian economies over the past quarter century. If the first goal of immigration reform was to enrich the multi-cultural fabric of New Zealand "[t]here was a parallel development in reclassifying New Zealand as an Asia-Pacific nation as a matter of national economic interest."¹⁷² In the mid-80s and early-90s successive New Zealand governments deployed a campaign of rhetoric to make New Zealand become a 'part of Asia', resting the country's economic hopes in the twenty-first century on these links to the region.¹⁷³ When Prime Minister Jim Bolger made the comment in May of 1993 that he was 'proud to be an Asian leader' he sparked a debate over whether New Zealand was abandoning its traditional sense of cultural and ethnic identity for a national identity focused on economic growth.¹⁷⁴ To be sure, then as now, the foreign policy of New Zealand has been in favour of international economic engagement unencumbered by differences in ideology. As Prime Minister Key said, "For the first time in New Zealand's history, the engine of world economic activity has shifted to our geographic region, the Asia-Pacific,"¹⁷⁵ and he has shown a willingness to link New Zealand's economic security in some measure to China's growth despite domestic rumblings of anti-Chinese sentiment.

The decade following immigration reform in New Zealand came with new relationships at home and abroad. Trade with Asian countries rose to more than a third of exports through agreements like the one signed with China. Institutionally there was also "enthusiastic" support for regional groups like APEC as a matter of recognizing the importance of Asia-Pacific focused economic interests.¹⁷⁶ These economic interests were being driven from within, and domestic leaders were responding to more than just regional economic changes. "Along with commercial interests, the country's changing demography was driving a new

¹⁷² David Pang, "Education, Politics and Chinese New Zealander Identities: The Case of the 1995 Epsom Normal Primary School's 'Residency Clause and English Test'," in *Unfolding History, Evolving Identity: The Chinese in New Zealand*, ed. Manying Ip (Auckland: Auckland University Press, 2003), 237.

¹⁷³ Jacqueline Lidgard et al., *International Migration from Northeast Asia and Population Change in New Zealand, 1986 to 1996*, PSC Discussion Papers No 26 (Hamilton, N.Z: Population Studies Centre, University of Waikato, 1998), 39.

¹⁷⁴ Kate McMillan, "Immigration, Nationalism, and Citizenship Debates in the 1990s," in *New Zealand and International Migration: A Digest and Bibliography*, ed. Andrew Drago Trlin and Paul Spoonley, Number 5 (Palmerston North: Massey University New Settlers Programme, 2007), 74.

¹⁷⁵ Zachary Keck, "The Interview: New Zealand's Prime Minister John Key," blog, *The Diplomat*, February 8, 2013, <http://thediplomat.com/2013/02/08/the-interview-new-zealands-prime-minister-john-key/>.

¹⁷⁶ Capie, "New Zealand and the World: Imperial, International and Global Relations," 595.

interest in East Asia.”¹⁷⁷ But folding that Asia-interest into New Zealand’s collective consciousness proved a difficult task to navigate:

*But if Asia had suddenly become somewhere to embrace, not keep at a distance, political relations were not always smooth sailing. Concerns over human rights abuses complicated ties with Indonesia and China. Energetic protest groups sprang up to demand independence for East Timor. For some, closer ties with Asia also raised challenges of identity. Asian migrants in New Zealand were the target of racist populist political attacks. Elites accepted Asia’s importance, but much of the public did not feel part of the region and many Asian governments still regarded Australia and New Zealand as ‘European’ outsiders.*¹⁷⁸

Though divisions over ideology remain, New Zealand governments have chosen to take a practical approach to dealing with Asian economies. Disagreements over questions of human rights violations did not prevent New Zealand from signing a trade agreement with China. But how much did identity play into the Chinese trade partnership? Would the China-New Zealand FTA have been possible before immigration reform in the 80s and 90s? Though certainly not the whole story, immigration reform likely greased the wheels of diplomacy for those trade talks. What impact if any did the post-immigration reform Chinese diaspora in New Zealand have on China’s domestic sentiment toward New Zealand? Probably very little, but the reverse may not be so easily ignored. Asian immigrants, and in many cases educated and capital flush Chinese who were directly targeted by the immigration points system helped facilitate and lubricate interactions between New Zealand and China.¹⁷⁹

So then did New Zealand’s identity change allowing it to engage Asia, or was New Zealand’s identity changed as a result of engagement and accommodating policies in Asia? The end of the twentieth century for New Zealand relations with Asia was not a ‘chicken or the egg’ situation, rather a both/and scenario. New Zealand made the decision to focus its attention on its own region because it was partially abandoned by Britain, and because it saw opportunity in shifting economic relationships. This decision required further action to take full advantage. New Zealand was able to better integrate with those Asian relationships by

¹⁷⁷ Ibid.

¹⁷⁸ Ibid.

¹⁷⁹ This article focuses on ethnic Chinese in Australia, but issues at play are transferable to the New Zealand case and the findings are consistent with claims made here. Rosalie L. Tung and Henry F. L. Chung, “Diaspora and trade facilitation: The case of ethnic Chinese in Australia,” *Asia Pacific Journal of Management* 27, no. 3 (September 2010): 371–392, doi:<http://dx.doi.org/10.1007/s10490-009-9146-3>.

changing its immigration policies and relaxing the manner in which it engaged countries like China - something New Zealand was not required to do in order to take advantage of its first major foray into Asian economic engagement. The 1950s saw Japan emerge as an eager participant in the global economy. But unlike China's economic ascension, Japan faced "the continuous and unrelenting task of manoeuvring in a bureaucratic and business system in which it enjoyed no advantages of sentiment, knowledge or leverage. It was an outsider, and an impotent one at that."¹⁸⁰ Few would argue that China's rise has been without leverage and certainly not impotent.

Here one must be careful not to afford New Zealand's China-policies too much import in influencing China's rise. New Zealand has certainly paved its own path to China and has reaped the rewards of the effort, but as it was with Japan so too is it today with China that "New Zealand was not crucial to the process from the economic point of view but it did have some political significance, as a Commonwealth member and ally of the United States. It was important for Japan to normalise its relations with such countries, to break down the reservoir of suspicion."¹⁸¹ In this light one can see that both China and New Zealand have used each other, just for different reasons. New Zealand saw great opportunity in the Asian economies of Japan after WWII and China after the Cold War. Both Japan and China may have seen New Zealand as an unthreatening Western partner with connections to countries of greater strategic interest. While New Zealand did not make Japan's reconstruction or China's rise possible all on its own, the small state may be something of a unique test-bed for modern day Chinese experiments in higher levels of partnership with the West.

Both changing economic realities and notions of identity contributed to, and continue to contribute to, an era in New Zealand foreign policy, and indeed small state foreign policy, where governments must react quickly to changes in power distribution. New Zealand and the Key government have taken big steps toward China, and in doing so risk inviting a challenge to New Zealand's national identity as payment for greater integration into the Asia-Pacific economy. This scenario "seems likely to make Asia only more important to [New Zealand] in the future, but it remains to be seen if that influence will come at the expense of New Zealand's 'Western' or 'British' character. Harland cautioned, "If independence is cherished, it is an asset to be used sparingly, when it is really needed, and

¹⁸⁰ McKinnon, *Independence and Foreign Policy*, 211.

¹⁸¹ Ibid.

can produce real benefits.”¹⁸² New Zealand must decide if the benefit of risking a shift in their national identity is tolerable. The opposite is likely not seen as risky a scenario as closer relations with the US would fall in step with that portion of New Zealand’s identity that already has an innate ‘Western’ or ‘British’ character. Perhaps a more likely scenario is that New Zealand’s international and global relations will come to reflect what one scholar has called “‘hybridisation’, with fluid local, regional and transnational identities competing to shape national interests and policies in the decades ahead.”¹⁸³

What is not in question for the coming few decades is where New Zealand sees both its economic and security futures originating. For New Zealand, and most small states, the two futures are married; and a tenuous marriage it is. Little will change in the coming two decades for small states who look to the US for security and China for economic opportunity. Increasing immigration numbers from China and the rest of Asia coming to New Zealand will not be enough to turn New Zealand away from its cooperation with the US over security issues, e.g. were a crisis event to occur in the South China Sea between the US and China, New Zealand is aligned with American interests to maintain a relative peace and order in the region despite China’s territorial claims and increased naval presence in the region. But greater integration with China and Asia will have the cumulative effect of encouraging New Zealand to take a more balanced approach to its relationship with the West. New Zealand has even begun taking soft steps toward appeasing their larger Asian trading partners by not endorsing, tacitly or otherwise, politically sensitive issues with Indonesia surrounding West Papuan independence,¹⁸⁴ or culturally sensitive issues with China and Falun Gong.¹⁸⁵ New Zealand’s experience with Japan from the 1950s through the

¹⁸² Harland, *On Our Own*, 89.

¹⁸³ Capie, “New Zealand and the World: Imperial, International and Global Relations,” 598.

¹⁸⁴ West Papuan freedom fighter Benny Wenda was prohibited from presenting at New Zealand’s Parliament which critics said was a nod to Indonesia, a strong trading partner for New Zealand. Brook Sabin, “West Papuan freedom fighter blocked from Parliament - Greens,” *3news.co.nz*, February 8, 2013, sec. Politics, <http://www.3news.co.nz/West-Papuan-freedom-fighter-blocked-from-Parliament---Greens/tabid/1607/articleID/286131/Default.aspx>.

¹⁸⁵ New Zealand government officials did not accept invitations to a performance put on in Wellington by the Shen Yun Performing Arts group, critics said because of the government’s deference to China which has blacklisted the show for its alleged links to Falun Gong, a controversial dissident movement. Tom Hunt and Sophie Speer, “Politicians skip show slated by Chinese embassy,” *Stuff.co.nz*, January 26, 2013, sec. Politics, <http://www.stuff.co.nz/national/politics/8225984/Politicians-skip-show-slated-by-Chinese-embassy>.

1980s has informed their current foreign policy, which today as then has “accepted that its economic future would lie, not with one partner, but with many.”¹⁸⁶

Foreign policy decisions are driven by security concerns, economic adjustments, and notions of national identity. While immigration policy may act as a mirror to these themes, in New Zealand’s case, following changes in strategic association with traditional Western powers and dramatic shifts in global economics, immigration policy changes from two decades ago can now be seen both as a sharper reflection of identity and a harbinger of things to come. New Zealand’s identity will remain for the next several decades a moving target amid the US rebalance and New Zealand’s increasing interconnectedness with Asia. It is unclear exactly how independent New Zealand is with its foreign policy today, and it may require a test of resolve to see if the security umbrella from the West or the economic umbrella from the East takes precedence.

¹⁸⁶ McKinnon, *Independence and Foreign Policy*, 211.

Conclusion

There are unanswered questions that loom over the current political melange New Zealand finds itself in as a small state on the periphery of two major powers. The first question concerns the US' staying power in the Asia-Pacific. It is unclear if the US possesses the resources and energy to sustain its rebalance. With a domestic financial sector still reeling after a near-depression and proposals on the table to cut the defence budget by hundreds of billions of dollars over the next decade,¹⁸⁷ Americans may lose their taste for international engagement at the level to which its Asia-Pacific partners have grown accustomed in favour of getting their own house in order. The future of the US rebalance is far from assured.

The unanswered questions on the other side of the Pacific are even more pressing. How long will China continue to grow? Can China sustain double digit economic growth, and if so at what cost to China and its neighbours? If not, there are costs for the CCP domestically as their legitimacy stems directly from continued growth. The Chinese development model is producing "extreme disparities in wealth, pervasive problems in product and food safety, increasing corruption, catastrophic environmental degradation, decreasing returns to investment, widespread feeling that the system itself has become unfair, and so forth."¹⁸⁸ As much as New Zealand's economic future is to the north, China's future depends on its ability to solve these issues.

New Zealand's relationship with Australia has fewer ambiguities but is still relevant to how New Zealand relates to China and the US. Australia looks and talks like a US-in-the-South Pacific by proxy, but it walks more like New Zealand. Australia and New Zealand both hedge against China's expanding geopolitical rejuvenation of sovereignty¹⁸⁹ through increasingly closer ties to US defence, while happily accommodating China's ravenous demand for natural resources and low value-added goods. The difference between the two is that Australia has effectively chosen its side as a staunch US ally, whereas New Zealand policy makers have chosen to view decisions made today in the context of a changing Asia-Pacific order. As much as New Zealand's close relationship with Australia is an asset as a

¹⁸⁷ David Lawder, Roberta Rampton, and Andrea Shalal-Esa, "Despite Warnings on U.S. Defense Cuts, Little Action to Stop Them," *Reuters*, February 7, 2013, <http://www.reuters.com/article/2013/02/07/us-usa-congress-sequester-idUSBRE91603120130207>.

¹⁸⁸ Lieberthal, "The American Pivot to Asia," December 21, 2011.

¹⁸⁹ Zheng Wang, "Not Rising, But Rejuvenating: The 'Chinese Dream'," blog, *The Diplomat*, February 5, 2013, <http://thediplomat.com/2013/02/05/chinese-dream-draft/>.

gateway to continued economic and security ties, when it comes to China the connection could someday prove to be a liability. It is likely the trans-Tasman relationship between Australia and New Zealand will never reach a stage where the two will have identical interests or perceptions of threat, and therefore they will continue to make their own decisions regarding foreign policy.

If the best option for New Zealand, or Australia in their more biased manner, is to hedge and continue with an East and West balancing act, the next question is for how long is such a strategy viable. Is there a time limit on hedging? Is maintaining equilibrium in the Asia-Pacific too lofty a goal for a state the size of New Zealand, or even for one as big as Australia? “Whether we can continue to rely at the same time on America for our security and on China for our prosperity depends not on us, but on both of them,” according to White. “If either country decides that we have to choose between them, then we do.”¹⁹⁰ Perhaps hedging is merely a means to get by until major powers work out how or if they will cooperate. While hedging may be the *best* option for New Zealand *today*, it may not be in the future.

It is how New Zealand manages the small decisions in the coming decades that will determine how well the country navigates the waters of a regional power shift and the American rebalance to the Asia-Pacific.¹⁹¹ In the current climate of China’s continued economic growth and America’s reengagement in the Asia-Pacific, “New Zealand ... does not want to have to choose between America and China: if it did, it could only lose.”¹⁹² The closer New Zealand gets to the US the more it appears to be adopting a containment strategy, which will diminish the return on investment in China. The closer New Zealand gets to China the more susceptible it will be to the reality that in China, domestic issues always come first. New Zealand cannot afford to have a solely transactional relationship with China lest it come to depend so heavily on the large trading partner as to be subject to its whims.¹⁹³ Though this eventuality is improbable, it is clear that in the years to come

¹⁹⁰ White, *The China choice*, 10.

¹⁹¹ Elder and Ayson, *China’s Rise and New Zealand’s Interests: a Policy Primer for 2030*, 20.

¹⁹² Harris and Harland, *China and America*, 40.

¹⁹³ Elder and Ayson, *China’s Rise and New Zealand’s Interests: a Policy Primer for 2030*, 20.

China will have the capacity to exercise a significant level of economic influence over New Zealand, and China “will not feel constrained from bringing that influence to bear.”¹⁹⁴

The best course for New Zealand to chart in the coming decades is the measured moderation of a hedging strategy. Despite ever present security concerns and economic pressures in the Asia-Pacific, politics are relatively smooth and predictable today. This situation affords New Zealand the luxury of being an independent small state, capable of forming relationships on its own. Less predictable times in the past have meant for New Zealand that it was caught in the wake of the bigger players’ moves. Predicting the future is a hazardous occupation, but New Zealand policy makers would be wise to continue their balancing act as long as they can. Not only can New Zealand not captain the ships that are the US rebalance and China’s rise, but it should not, and does not want to. Far better to maintain amicable relations on both sides of the Pacific while continuing to put its energy into the places that New Zealand can influence. Regional institutions, support for international law, open and transparent markets; these are the tools of a small state in the 21st century. As long as the liberal international order persists, New Zealand will have a voice.

¹⁹⁴ Ibid.

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