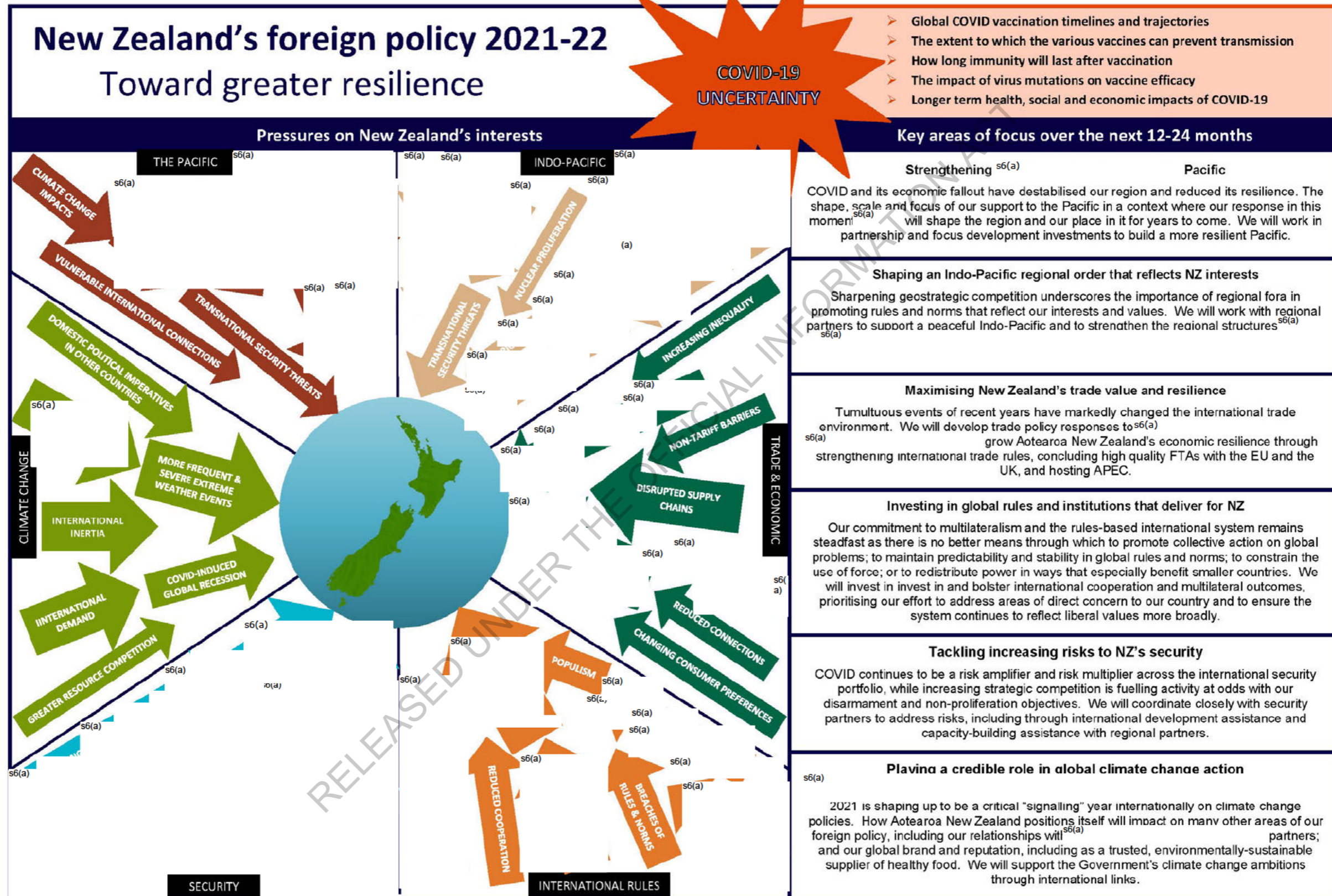


Key foreign policy considerations for the next 12-24 months



Key foreign policy considerations for the next 12-24 months

Annex Two: Aotearoa New Zealand's foreign policy 2021 – 2022:  
Toward greater resilience

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Key foreign policy considerations for the next 12-24 months



# Toward greater resilience

August 2021

A paper assessing Aotearoa New Zealand's shifting operating context and the near-term implications for the country's foreign policy as the world emerges from COVID's grip

## Purpose

This paper provides an assessment of Aotearoa New Zealand's shifting operating context and the near-term implications for the country's foreign policy as the world emerges from COVID's grip. Key foreign policy considerations for the next 12-24 months are outlined.

## Executive summary

This paper outlines key foreign policy considerations over the next 12-24 months as Aotearoa New Zealand continues on the long road to rebuilding our economy and connections with the world following the imposition of COVID-19 border restrictions. The paper situates our COVID recovery and rebuild within the broader context of our strategic environment.

2 Since the end of the Cold War, "the West" has had a favourable strategic environment. a rules-based international order that reflected liberal values. We have benefited from increasingly open trade frameworks that both boosted our GDP per capita in real terms, spurred innovation and cheaper consumer goods and services and created conditions for the expansion of the Māori economy. And, perhaps most importantly, conflicts that New Zealand has been involved in (either diplomatically or with Defence Force personnel) have, , taken place far from home.

3 These foundations on which our foreign policy has rested for a generation no longer hold. The tide was already turning pre-COVID but the pandemic has accelerated the shift and revealed additional pressure points. **We live in an age of much uncertainty** and this new reality will provide the backdrop against which our foreign policy choices will be made. Going forward, much is unknown about the COVID trajectory but it will almost certainly be with us in one form or another for the next three to five years. COVID's indirect effects on societies, economies, governments and security will compound over time.

4 This paper describes **a world that is predicted to be less open, less prosperous, less secure and less free.** Even as the health threat recedes, the economic impacts of COVID will start to bite much deeper.

At the same time, geostrategic competition in our region has sharpened.

5 Against that backdrop, **a central theme of this paper is the need to use our foreign policy to support the building back of Aotearoa New Zealand's resilience.**

With greater resilience as the overarching goal over the short term, this paper notes the following key areas of foreign policy focus over the next 12-24 months:

- **Working in partnership and focusing development investments to build a more resilient Pacific** <sup>s6(a), s9(2)(g)(i)</sup>

The focus, scale and manner, of our support to the Pacific in this period <sup>s6(a)</sup> will shape the region and our place in it for years to come. In the year ahead we will harness bilateral, regional and multilateral action to support Pacific priorities, recognising the mana of each nation, and reinforcing our whanaungatanga across the Blue Continent.

- **Ensure our engagement in Indo-Pacific groupings** <sup>s9(2)(g)(i)</sup>  
<sup>s9(2)(g)(i)</sup> **reflects Aotearoa New Zealand interests, principles and values –**  
<sup>s9(2)(g)(i)</sup>

We will work with regional partners to support a peaceful Indo-Pacific and to strengthen the regional structures that are already established. <sup>s6(a), s9(2)(g)(i)</sup>

- **Grow Aotearoa New Zealand's economic resilience** – Our country has had to confront a global pandemic, a global recession and increasing strategic competition at the same time. These tumultuous events have markedly changed the international trade environment. Trade policy responses are needed to <sup>s6(a), s9(2)(g)(i)</sup>. Priorities will be to strengthen international trading rules and systems and support market diversification, including through conclusion of new Free Trade Agreements (FTAs) with the UK and the EU. Our hosting of APEC this year provides a unique opportunity to help shape a sustainable recovery and lock-in the region's prosperity.

- **Invest in and buttress international cooperation and multilateral outcomes** – The rules-based international system is under pressure <sup>s6(a)</sup>

Despite the challenges, Aotearoa New Zealand's commitment to multilateralism and the rules-based international system remains steadfast as there is no better means through which to promote collective action on global problems; to maintain predictability and stability in global rules and norms; to promote human rights; to constrain the use of force; <sup>s6(a)</sup>

We need to prioritise where and how we direct our effort to address areas of direct concern to our country and to ensure the system continues to reflect liberal values more broadly.

- **Tackle increasing risks to Aotearoa New Zealand's security** – COVID continues to be a risk amplifier and risk multiplier across the international security portfolio, <sup>s6(a)</sup>

International development cooperation and capacity-building assistance will be even more important, as <sup>s6(a)</sup>

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<sup>s6(a)</sup>

- **Supporting the Government’s climate change ambitions through international links** – 2021 is shaping up to be a critical “signalling” year internationally on climate change policies. How Aotearoa New Zealand positions itself will impact on many other areas of our foreign policy, including our relationships <sup>s9(2)(g)(i)</sup> and our global brand and reputation, including as a trusted, environmentally-sustainable supplier of healthy food.

6 In order to achieve these objectives, we will need to:

- **Step up high level contact and re-establish regular official and ministerial travel** – <sup>s6(a), s9(2)(g)(i)</sup>
- **Invest in our relationships with** <sup>s6(a)</sup> **friends and close partners** – Our international relationships are the cornerstone of our foreign policy, without which we can achieve very little. <sup>s6(a)</sup>  
the importance <sup>s6(a)</sup> partners – <sup>s6(a)</sup> increases. We will need to find ways to reinforce our relevance and value-add to others.

7 Finally the paper sets out the challenges in operating in a COVID environment, including the limitations of virtual diplomacy and the <sup>s6(a), s9(2)(g)(i)</sup>

8 The directions set out in this paper are consistent with Aotearoa New Zealand’s intergenerational foreign policy fundamentals of pursuing our national interests for the benefit of New Zealanders, supporting sustainability and promoting values and norms so that all people can live in peace and prosper now and in the future. The focus on boosting long-term resilience is consistent with the Government’s broader domestic policy agenda related to the Living Standards Framework and the subsequent formation of a wellbeing approach.

## Background

9 It has been a little over 18 months since COVID erupted on to the world stage. Since then, the virus has spread to 220 countries and territories around the world and across every continent, including Antarctica. **Over two billion people have been infected and well over four million people have died as a result of COVID.**<sup>2</sup> New strains of the virus continue to emerge that are significantly more infectious, and some strains also appear to be more lethal. Vaccine roll out is proceeding at pace in some richer countries and by the end of this year some of these countries may be approaching herd immunity or at least have serious health impacts significantly limited. New variants will continue to emerge and will complicate and delay – but seemingly not derail – the global vaccination drive.<sup>3</sup> Significant inequities in vaccine access globally persist, however, and will perpetuate illness, promote development of new variants, exacerbate inequality and further increase drivers of the full raft of international security challenges.

10 We must remind ourselves that **this bleak picture is far more positive than had been anticipated at the outset.** When the virus first began to surge early in 2020, modelling was predicting that 40 million people would die in 2020 alone and there were questions over whether a vaccine could ever be developed, never mind in record time.

11 To avoid the predicted dire health outcomes, countries imposed various restrictions, including border closures and strict social distancing measures. These restrictions have had and continue to have profound economic impacts. **The OECD estimates that the global economy contracted by 3.4 per cent in 2020.**<sup>4</sup> Within countries, the brunt of the economic impacts have been borne by low-income and minority communities and women, who are more likely to work in the hard hit hospitality sector and in the informal economy, as well as youth populations, which have experienced significant disruption to education and employment prospects. Development progress has been set back years, pushing the Sustainable Development Goals (SDGs) further out of reach.

12 Alongside the devastating health and economic issues that overwhelmingly characterised 2020, COVID has also had wider impacts on international affairs and Aotearoa New Zealand's operating context. **COVID-19 remains a risk**<sup>s9(2)(g)(i)</sup> It has accelerated<sup>s9(2)(g)(i)</sup> geostrategic, populist, and nationalist trends already under way; it has placed more pressure on<sup>s9(2)(g)(i)</sup> international system; and it has exacerbated pre-existing<sup>s6(a)</sup> challenges<sup>s6(a)</sup> Over the longer term, high ongoing health, social and economic costs will accrue in countries that experienced high caseloads. The New Zealand Government's decision to pursue a COVID elimination strategy means that our country has had a very different COVID experience from most others. **Our health and our economy are in better shape than many others**<sup>s6(a), s9(2)(g)(i)</sup>

<sup>2</sup> Worldometer, <https://www.worldometers.info/coronavirus/countries-where-coronavirus-has-spread/>, as at 10 August 2021, although official figures significantly understate the number of COVID cases and deaths.

<sup>3</sup> Regular vaccine “boosters” look likely to be required. Pharmaceutical companies are currently confident they will be able to deliver effective vaccines for virus mutations expeditiously.

<sup>4</sup> OECD Economic Outlook, Interim Report March 2021, OECD, [https://www.oecd-ilibrary.org/economics/oecd-economic-outlook\\_16097408](https://www.oecd-ilibrary.org/economics/oecd-economic-outlook_16097408), accessed 22 March 2021.

## Analysis

13 The period ahead will be complex and there are many unknowns: about the COVID virus; about vaccination timelines and trajectories; about the duration of the global recession; about how businesses and countries will factor in resilience in trading relationships over the longer term; <sup>s6(a)</sup>

15 Nevertheless, Aotearoa New Zealand's enduring foreign policy interests remain unchanged, even if familiar patterns, hard-fought progress, modes of engagement and international momentum on things that matter to New Zealand have been set back or disrupted. New Zealand's enduring foreign policy interests are:

- An international rules-based order, which gives all countries a voice and provides frameworks that promote stability;
- Keeping New Zealanders safe, promoting regional stability;
- International conditions and connections that aid our prosperity, including supply chain resilience; and
- Global action on sustainability issues such as climate change where solutions depend on international cooperation.

16 Similarly, our foreign policy priorities to 2030<sup>5</sup> also endure:

- Strengthening <sup>s6(a)</sup> the Pacific;
- Shaping an Indo-Pacific regional order that reflects Aotearoa New Zealand interests;
- Maximising Aotearoa New Zealand's trade value and resilience;
- Investing in global rules and institutions that deliver for Aotearoa New Zealand;
- Tackling increasing risks to Aotearoa New Zealand's security; and
- Playing a credible role in global climate change action.<sup>6</sup>

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<sup>5</sup> As set out in the Ministry's most recent strategic assessment, *Strategic Assessment 2030: Building our future in a disordered world*, which was finalised in late 2019.

<sup>6</sup> MFAT (2019): *Strategic Assessment 2030: Building our future in a disordered world*.



17 This paper considers the most pressing strategic issues Aotearoa New Zealand's foreign policy will need to navigate over the next 12-24 months under these 10-year foreign policy priorities in order to promote intergenerational wellbeing for New Zealanders over the longer term, as well as delivering on our responsibilities to progress regional and global priorities, including through the provision of effective development cooperation, and championing human rights. All the while, Aotearoa New Zealand will be guided by our core values – by manaaki, whanaunga, mahi tahi and kotahitanga, and kaitiakitanga – that propel us to create strength through partnership, to enable rangatiratanga, to support sustainability and to promote values and norms so that all people can live in peace and prosper now and in the future.

Strengthening<sup>s6(a)</sup>

the Pacific

s6(a)

19 <sup>s9(2)(g)(i), s6(a)</sup> Having already suffered the economic consequences of prolonged border closures, Fiji is seeking to manage the pronounced social and health impacts of a devastating COVID outbreak. Sustained donor support will be required to assist Fiji's response and recovery efforts over the coming months. In Papua New Guinea, we are likely to see a sustained COVID outbreak <sup>s9(2)(g)(i), s6(a)</sup>

There are also implications for the spread of COVID through Bougainville to Solomon Islands <sup>s6(a), s9(2)(g)(i)</sup>

20 Long-run challenges around supply chain resilience, aviation and shipping links have increased as a result of COVID. Similarly, recovery from the pandemic will compound worsening effects of climate change. Climate change remains the single greatest threat to Pacific lives and livelihoods and to the prosperity, security and wellbeing of the region as a

<sup>7</sup> GDP per capita in the Pacific may not return to 2019 levels until 2028 ("Avoiding a Pacific lost decade: Financing the Pacific's COVID-19 recovery", *Lowy Institute*, <https://www.lowyinstitute.org/publications/lost-decade-pacific>, accessed 19 April 2021).

whole.<sup>8</sup> The frequency and impact of extreme weather events, degradation of fresh water supplies, erosion/loss of land and occurrence of zoonotic diseases on Pacific island countries will continue to increase, but governments, economies, infrastructure and societies already stretched by COVID will be less able to respond. These issues will compound, with associated implications for Pacific island countries' longer-term resilience.

### **What this means for Aotearoa New Zealand**

21 Our engagement within the Pacific reflects our deep connection with the region and its people and is driven by our desire for a peaceful, stable, prosperous and resilient neighbourhood – all interests that have been compromised by the pandemic. 2020 allowed for buffering against the initial COVID crisis. We must continue to respond with a range of concrete deliverables including financial support, vaccines and pathways towards economic resilience. The stakes are higher,<sup>s6(a), s9(2)(g)(i)</sup>

23 While COVID-19 presents urgent health and economic risks to the Pacific,<sup>s9(2)(g)(i)</sup>  
As we work with Pacific partners on the COVID recovery, it is critical that we “build back better” to support climate resilience or we risk undermining the Pacific's long-term ability to withstand future shocks from climate change.

### **Policy considerations**

24 In order for Pacific island countries to begin the slow rebuild, they need to be able to reopen their borders safely. To do that, like Aotearoa New Zealand, they need vaccines. **Ensuring access to and effective roll out of COVID vaccines** is a critical foreign policy priority.<sup>s6(a)</sup>

25 A further critical priority is **preparedness to contribute additional budget support** to tide over key Pacific partners suffering immediate fiscal distress, especially while travel restrictions remain in place.<sup>s6(a), s9(2)(d)</sup>

<sup>8</sup> Ten of the top 30 countries in the world with the highest average annual disaster losses in terms GDP are Pacific Islands (MFAT Humanitarian Action Policy 2019).

<sup>s6(a)</sup> In 2018 (the latest date for which figures are available), of the AUD2.89 billion in ODA provided to Pacific island countries, 45% came from Australia; 9% from New Zealand; 8% from China (though much of China's assistance sits outside ODA parameters and this figure therefore under-represents China's true contribution to the region); 6% from Japan; 5% from the Asia Development Bank; and 4% from the World Bank. The remainder came from a range of other donors, including the EU, the US, the UN, Taiwan, South Korea and the Green Climate Fund. (All data are from the Lowy Institute, “Pacific Aid Map”, *Lowy Institute*, <https://pacificaidmap.lowyinstitute.org/>, accessed 19 April 2021.)

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

26 A key relationship consideration over the next 24 months will be how we **provide opportunities to support Pacific countries to rebuild themselves and develop long-term resilience and wellbeing**.<sup>10</sup>

- **Supply chain resilience** is a potential constraint on Pacific recovery and a longer run threat to the region's economic resilience, with flow on effects for social, governance and fiscal resilience. The work Aotearoa New Zealand has done and continues to do around our own supply chain resilience usefully takes Pacific interests into account;
- **Tourism and labour mobility** are essential for the Pacific's economic resilience. The timing of travel bubbles with New Zealand and access to Aotearoa New Zealand's labour mobility schemes, as well as our broader immigration settings, will need to be carefully navigated<sup>s6(a)</sup>  
The close intersection with Aotearoa New Zealand domestic policy-making, especially around public health, education and labour markets, underlines the ongoing importance of the Government continuing to take Pacific interests into account in domestic policy settings; and
- Fuller resumption of **education opportunities** (scholarships) will also support social recovery and intergenerational resilience.

27 Given the scale of humanitarian need<sup>s6(a)</sup> ns, it will be imperative that Aotearoa New Zealand **coordinate closely with partners** to support the Pacific recovery.<sup>s6(a), s9(2)(d)</sup>

**International financial institutions and multilateral bodies** will play a crucial role,<sup>s6(a), s9(2)(d)</sup>

28 **Sustaining, and where necessary building, political relationships with Pacific counterparts will continue to be essential.** Meeting this objective will require effective virtual engagement to be maintained until it is possible to re-launch a concerted programme of physical engagement, kano ki te kano. Greater high level engagement would help reinforce Aotearoa New Zealand's important relationships in the region and underscore our hononga with the Pacific. How Aotearoa New Zealand works alongside Pacific partners will continue to be as important as what we do. Demonstrating the values of whanaungatanga, kotahitanga and kaitiakitanga and acknowledging the inherent mana of Pacific countries will strengthen our

s9(2)(g)(i)

partnerships. Aotearoa New Zealand's own strategic position will be enhanced by supporting our<sup>s6(a)</sup> partners to engage in similar ways.<sup>11</sup>

29 Our strength and success as a region relies on Pacific countries acting together. The decision by Micronesian countries to withdraw from the Pacific Islands Forum (PIF) will take time and effort to work through. Less regional cooperation will not help in tackling common challenges; it will potentially complicate our coordination with development partners across the region;<sup>s6(a)</sup>

30 The expectation that Aotearoa New Zealand will champion Pacific interests, particularly on climate change, means Aotearoa New Zealand's **domestic and international action on climate change** will shape our future role and influence in the Pacific. Aotearoa New Zealand leadership on addressing the issue of the impact of sea level rise on maritime zones has been welcomed by our Pacific partners. Meanwhile, **our efforts to help Pacific island countries respond and adapt to the impacts of climate change will need to continue apace**, with the need for humanitarian assistance and disaster relief support likely to increase.

31 Finally, the COVID pandemic has increased the likelihood<sup>s6(a), s9(2)(g)(i)</sup> of instability in the region of a kind that would require assistance to resolve.<sup>s6(a), s9(2)(g)(i)</sup> Coordination and contingency planning<sup>s6(a)</sup> will be important.

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

32 Aotearoa New Zealand's wellbeing is inter-twined with that of the Indo-Pacific. We have a deep stake in a peaceful, secure, prosperous and resilient Indo-Pacific region and stable regional architecture that supports our preferred rules and norms, including liberal democratic values, human rights, free trade principles and stable and secure maritime routes.<sup>s6(a)</sup> , these interests have only been impacted at the margins by COVID.

33 Much of Asia has controlled the pandemic fairly well<sup>12</sup> and the region as a whole has emerged earlier and stronger economically than other regions.<sup>s6(a), s9(2)(d)</sup>

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<sup>s6(a)</sup>

<sup>12</sup> Although parts of Asia that appeared to have the virus in check are now suffering surging caseloads.  
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**Policy considerations**

38

<sup>s6(a)</sup>

**There is a strong need to bolster UNCLOS and its regime of maritime zones** in addition to the emphasis we already place on freedom of navigation and overflight. <sup>s6(a), s9(2)(d)</sup>

39

**Aotearoa New Zealand has a rare opportunity to influence the region in 2021 through our chairing of APEC.** APEC's role in building regional resilience and enabling recovery from the pandemic continues to be a focus of APEC Ministers' conversations this

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year. With the institution having faced several difficult years, our longer-term purpose is to revitalise APEC as an institution that champions liberal norms and regional order. <sup>s6(a), s9(2)(d)</sup>

New Zealand has an opportunity this year to chart APEC's course by developing an implementing agenda that will guide the institution's work through to 2040 on economic policy (including trade), sustainable and inclusive growth, and digital. <sup>s6(a), s9(2)(d)</sup>

**40 A focus on economic security and “greening” the COVID recovery will be an Aotearoa New Zealand priority** <sup>s6(a)</sup>

**41 Aotearoa New Zealand will also contribute towards post-COVID regional resilience** through the upgrade of the ASEAN-Australia-New Zealand FTA and implementation of a new five-year programme for the ASEAN relationship focused on the themes of peace, prosperity, planet and people.

<sup>s</sup>  
<sup>s6(a)</sup>

## Maximising Aotearoa New Zealand's trade value and resilience

46 **The trade impacts of COVID on the Aotearoa New Zealand economy have been significant but not as bad as we feared**, with impacts at the lower end of initial forecasts.<sup>13</sup> We have faced some challenges: nationalist and protectionist measures have become more pervasive<sup>s6(a), s9(2)(g)(i)</sup> global demand has dropped; supply chain issues have arisen for both imports and exports; and border restrictions continue to impact<sup>s9(2)(g)(i)</sup> on how services are delivered. Yet it is fair to say that our exports, while inevitably down, have for the most part held up better than we expected.<sup>14</sup> The exceptions are tourism and education services, where border restrictions continue to mean that these industries are profoundly impacted.<sup>15</sup> <sup>s6(a)</sup>

49 The pandemic has illustrated the pitfalls of complex and “just-in-time” supply chains. It appears to have shifted the balance from global value networks/supply chains optimised for economic efficiency towards ones where resilience is given greater weight. Where the balance will settle between these two considerations in the coming years is not yet clear. Some governments are using the opportunity to overlay geostrategic considerations on to existing supply chains, sometimes with protectionist results.<sup>s6(a), s9(2)(d)</sup>

<sup>13</sup> Initial WTO forecasts suggested trade would fall 13-32% in 2020. Statistics NZ data shows that Aotearoa New Zealand's two-way trade fell 12.8% in 2020, with exports falling 9.4% and services exports specifically falling 31%. Total imports fell 16%.

<sup>14</sup> Exports to Australia were down 18%; exports to China, Japan, Singapore, Thailand, Malaysia were down 7 – 9%; exports to US were down 1% overall (though up 18% on goods); and exports to the EU were down 10%.

<sup>15</sup> Tourism (“other personal travel”) fell 46%, while International Education was relatively less affected (down 19%), likely in part due to some international students remaining in the country  
<sup>s6(a), s9(2)(d)</sup>

50 The impacts of the enormous international dislocation resulting from border and travel restrictions will continue to spur behavioural and logistical changes around how people, businesses and governments approach things like international travel (tourism), education, working arrangements and global supply chains. Behaviours and logistical arrangements are unlikely to snap back to pre-COVID settings – even after the health threat diminishes.

51 Climate change and other environmental <sup>s6(a)</sup> concerns will likely also see increased consumer demand for low-carbon goods and services offered by inclusive and socially-responsible companies. These issues will also factor more prominently on the international economic agenda. Some companies will experience tensions between turnover (survival), profit, values and resilience. Taken together, these tensions may set back R&D efforts and slow the sustainable and inclusive liberal economic agenda.

52 Digital trade<sup>17</sup> has been growing exponentially for several years as a key enabler of trade. Crucially for Aotearoa New Zealand, it helps businesses overcome the challenges of scale and distance and to enter global markets that were previously accessible only to larger businesses, thereby supporting business growth and market diversification. In a COVID environment, it has enabled companies to continue to trade, even as shops remain closed and has thus been a significant economic protector. Going forward, digital will become an even more important part of the global trade environment, a fact that drove Aotearoa New Zealand to lead the development of the Digital Economic Partnership Agreement (DEPA) as a blueprint in this area.

### **What this means for Aotearoa New Zealand**

53 The international trade space presents both big risks and big opportunities for Aotearoa New Zealand. As a key proponent and beneficiary of open trade rules, <sup>s6(a)</sup>

This is a period through which Aotearoa New Zealand will need to bolster the resilience of the export sector against a range of issues from climate change imperatives to geostrategic considerations. <sup>s6(a), s9(2)(g)(i)</sup>

### **Policy considerations**

55 Working with like-minded, **we need to bring all our technical expertise and trade policy entrepreneurship** <sup>s6(a)</sup> to chart a path and galvanise the membership to ensure meaningful deliverables in advance of and at the Twelfth

<sup>17</sup> Digital trade here refers “digitally enabled” transactions, which can encompass virtually any area of international trade and investment able to be conducted by or facilitated through digitisation (e.g., e-procurement, “software as a service”, sale of goods through e-commerce platforms and cloud-based data storage and processing services).



Ministerial Conference in December 2021<sup>s6(a)</sup>

56 The biggest trade policy challenge for Aotearoa New Zealand over the next 12-24 months will be to **build economic resilience**. In particular, we will need to do more to develop Aotearoa New Zealand's capacity to manage disruption in our trade<sup>s6(a), s9(2)(d)</sup>

Diversification may be harder now in a post-COVID world where creeping protectionism reduces opportunities and business balance sheets mean there is less money for innovation, less appetite for risk and greater incentives to reduce complexity of transactions<sup>s6(a)</sup>

) is essential. We will need to continue working with New Zealand Trade and Enterprise and the broader NZ Inc network to develop a work programme to support government responses.<sup>s6(a), s9(2)</sup>

57 On the trade negotiations front, **concluding our FTA negotiations with the UK and the EU** are priorities over the next two years. **Efforts to attract more countries to join other open plurilateral initiatives of importance Aotearoa New Zealand** (e.g., DEPA, the Agreement on Climate Change, Trade and Sustainability (ACCTS) and the Inclusive Trade Action Group (ITAG)) are starting to bear fruit and remain ongoing priorities.<sup>s6(a), s9(2)(d)</sup>

58 We will need to **continue work on supply chain resilience and non-tariff barriers** as both will remain significant challenges. The trend of increasing non-tariff trade barriers have accelerated during the COVID pandemic and such barriers now cover<sup>s9(2)(d)</sup> Aotearoa New Zealand exports. Their relative impact will only increase as tariffs fall through successful FTA negotiations. The pandemic highlighted vulnerabilities in Aotearoa New Zealand air and sea connectivity. The initial focus to maintain airfreight for critical goods has shifted to a need for global insights to inform All of Government processes examining medium-term disruptions to air and sea connectivity, a new National Freight Strategy and domestic resilience initiatives, as well as to manage opportunities and risks as countries re-shore and form new resilience initiatives and groupings. Global insights will continue to be needed once borders re-open as it is unlikely that connectivity will snap back to pre-COVID patterns. These headwinds mean that supporting exporters will remain central to the government's Trade Recovery Strategy.

## Investing in global rules and institutions that deliver for Aotearoa New Zealand

59 **The rules-based system**, already under significant pressure, **was dealt further blows in 2020/21**:<sup>s6(a)</sup>

<sup>18</sup> It is acknowledged that the operational arm of the WHO has been at the centre of an effective global health response, operating often in dangerous and complex circumstances.

s6(a) ; and inequitable access to vaccines<sup>19</sup> undermines international cooperation on other issues s6(a)

Violations of human rights obligations that have occurred in many countries are deeply disturbing. Aotearoa New Zealand has been active in advocating for human rights norms to be upheld, including through UN organs and in bilateral discussions.

60 Going forward, there is a balance of risk and opportunity in this domain. The immediate pressing challenge – and test – is global vaccine access. Inequitable vaccine access has the potential to delay the global recovery; to promote a vaccine black market; s6(a), s9(2)(d)

The ongoing need for booster shots means the vaccine “solution” will not be one-off but likely an annual occurrence for some time to come. s6(a), s9(2)(g)(i)

61 Broader downside risks include populist nationalism, exacerbated by the economic impacts of COVID, which will dampen international cooperation as populist leaders seek to show strength at home through pursuing tough lines internationally and blinkered national interest agendas. s6(a), s9(2)(g)(i)

62 On the positive side, the establishment of the COVID-19 Vaccines Global Access (COVAX) facility; the conclusion of an interim arrangement (the Multi-Party Interim Appeal Arrangement, MPIA) to keep the WTO dispute settlement mechanism operating; the Alliance for Multilateralism initiative and the adoption of the UN75 declaration have been encouraging, forward-looking outcomes. s6(a)

combined with a post-COVID resumption of physical summitry, may be sufficient to coalesce countries around a particular issue or set of issues and reinvigorate international cooperation. A contender is climate change in the lead up to and at the 26<sup>th</sup> Conference of the Parties (COP26) to the UN Framework Convention on Climate Change (UNFCCC), with s6(a) UK as host particularly keen to deliver outcomes.

<sup>19</sup> “Wildly unfair: UN says 130 countries have not yet received a single COVID vaccine dose”, *The Guardian*, <https://www.theguardian.com/world/2021/feb/18/wildly-unfair-un-says-130-countries-have-not-received-a-single-covid-vaccine-dose>, accessed 14 April 2021.

s6(a)

Nevertheless, political participation remains strong. Even given the health implications of mass gatherings, the large-scale social protests of recent years have continued around the world as citizens remain intent on addressing social injustices and pressing for change. Over time, a greater focus on equitable wealth distribution and well-being rather than GDP as a key success measure could shepherd in a period of considerable social and economic reform.

### ***What this means for Aotearoa New Zealand***

65 Despite the challenges, Aotearoa New Zealand's commitment to multilateralism and the rules-based international system remains steadfast. Multilateral outcomes may not always be what we want and the process may at times be slower than we would like, but there is no better means through which to promote collective action on global problems; to maintain predictability and stability in global rules and norms; to constrain use of force; or to redistribute power in ways that especially benefit smaller countries, including Aotearoa New Zealand.

66 New Zealand has become accustomed to a rules-based order that reflects our values, supports our interests and amplifies the influence of small countries like ours. That order is changing. A weakening of the current system has negative economic and security implications across the range of Aotearoa New Zealand interests, including territorial integrity (UNCLOS); open and stable trade environments (WTO); adherence to international humanitarian law (various Geneva Conventions and associated Protocols); the sustainable management of global resources; cyber security and space rules; human rights; and climate change. The shift also undermines Aotearoa New Zealand's preferred means of operating through multilateral approaches and frameworks that promote stability and collective action.

67 A coordinated effort with like-minded partners will also be needed<sup>s6(a), s9(2)(g)(i)</sup> to regrow the declining number of champions for human rights and democratic values.

### Policy considerations

68 In this <sup>s9(2)(g)(i)</sup> environment, we need to be realistic about what we can achieve, and **we need a clear sense of where our priorities lie and what success (and failure) look like for us.** Our current priorities include:

- Multilateral bodies and rules that support our interests and values (ocean diplomacy (including UNCLOS), the WTO, climate change, the Organisation for Economic Cooperation (OECD), biodiversity, space, disarmament and non-proliferation);
- A renewed focus on international human rights frameworks that promote fundamental issues of equality, fairness and human freedoms (especially the UN General Assembly Third Committee and the UN Human Rights Council);

<sup>s6(a)</sup>

- Evidence-based approaches to global health security, adequate disease surveillance and ongoing investment in institutions, vaccines, therapeutics and diagnostic capability, including in preparation for the next pandemic;
- The Antarctic Treaty System, which <sup>s9(2)(g)(i)</sup> and provides for peaceful environmental and natural resource protection in Antarctica and the Southern Ocean <sup>s9(2)(g)(i)</sup>
- Building on the success of the Christchurch Call, including as a foundation for greater engagement with influential non-state actors to advance other core international interests;
- Areas where success for multilateralism most likely lies, as a means to bolster the system more broadly. There may be such an opportunity on climate change. Biodiversity and marine biodiversity are two other areas of importance to Aotearoa New Zealand where progress is being made; and
- Those areas that are important to our Pacific neighbours and where they rely on <sup>s9(2)(g)(i)</sup> Aotearoa New Zealand's support (most notably but not limited to climate change and aspects of ocean diplomacy).

### The risks to Aotearoa New Zealand's security

69 Our Indo-Pacific region is a region rocked by protests – <sup>s6(a)</sup>

of COVID, dislocation of populations <sup>s6(a)</sup> exacerbated by the economic impacts will create humanitarian crises

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and could feed terrorism and people smuggling threats. <sup>s6(a)</sup>

70 Mis- and dis-information will continue to be exploited by malign state and non-state actors to frustrate legitimate government objectives, reduce social cohesion and incite violence. In the COVID world, anti-vaxx messages have a higher profile and are more dangerous. Any disinformation campaigns that target the effectiveness or safety of vaccines could see this scenario emerge even where science might have predicted a significant vaccine impact. The need for COVID vaccine “booster” shots raises the spectre of ongoing challenges related to vaccine effectiveness and supply, with incentives for black market or fake trade, especially when pandemic pricing of vaccines ends. Transnational criminal networks will almost certainly seek to exploit demand for vaccines and vaccine documentation through black markets and fake vaccines and certification.

<sup>s6(a), s9(2)(g)(i)</sup>

Climate change remains a significant and pervasive risk multiplier and risk amplifier.

<sup>s6(a), s9(2)(g)(i)</sup>

### **Policy considerations**

73 An emerging and ongoing challenge will be **maintaining international development spending** through a global recession so as not to exacerbate security and stability risks in developing and least developed countries, many of which are already disproportionately affected by the pandemic and in some cases, climate change impacts as well.

74 International security risks, including **transnational crime, violent extremism and terrorism, people smuggling and cyber security are on the rise**, and in many cases have been exacerbated as a result of COVID. Aotearoa New Zealand has well developed policies in each of these areas but <sup>s6(a), s9(2)(g)(i)</sup>

Risks have also increased in the

Pacific <sup>s6(a)</sup>

75 As COVID has consumed governments' attention, important technologies have continued to evolve, outpacing domestic and multilateral efforts to understand and regulate them. Aotearoa New Zealand will need to **step up our international engagement on rules and norms applying to outer space and autonomous weapons** if we are to have influence on emerging multilateral frameworks in these important areas, as well as respond to increasing demands from civil society groups in Aotearoa New Zealand.

76 Notwithstanding the profile provided by the Treaty on the Prohibition of Nuclear Weapons, the environment for promoting **nuclear disarmament and non-proliferation** is inauspicious. This reflects increased strategic competition, reduced international trust and cooperation and the range of other pressing security concerns on the international agenda. Yet reducing the risk from nuclear weapons, and strengthening the norms against them, remain key global security goals. Aotearoa New Zealand will need to work even harder, and with a broader range of partners, to ensure that nuclear disarmament is seen as not only possible but also a priority – a task made more challenging by the further deferral of the Nuclear Non-Proliferation Treaty (NPT) Review to early 2022.

### Playing a credible role in global climate change action

77 The negative effects of climate change will be felt more acutely as each year without effective action goes by. The consequences of what is done – or not done – now will have profound implications for humanity's long term future. In this context, international and social tensions related to climate change will intensify<sup>s6(a)</sup>

There may be conflict induced by resource scarcity and competition, such as access to fresh water,<sup>s6(a), s9(2)(g)(i)</sup>

The Pacific could also face a crisis at any time should a severe weather event make a country temporarily or permanently uninhabitable.

78 The opportunities for meaningful progress on climate change look better over the next 12-24 months than at any time in the past. Despite the deferral of COP26, Paris Agreement commitments and momentum towards enhancing global climate ambition has continued, with several countries pledging more ambitious climate targets than the multilaterally agreed net zero by 2050. A significant driver of this momentum has been the concerted diplomatic effort by the UK as president of COP26. The UK aims to host a COP that will herald a transformational shift in global climate action. Some major economies, including Argentina, China, the EU and the UK, have announced enhanced Nationally Determined Contributions (NDCs) for 2030, and others, including the US, Japan and Korea, have committed to doing so ahead of COP26. The Biden Administration's decision that the US re-join the Paris Agreement has also been a significant boost.

79 And,<sup>s6(a), s9(2)(g)(i)</sup>

the tide is turning on climate change as citizens increase demands that their governments take action and there is a focus in many countries on a "green" recovery. Similarly, "green" market forces are strengthening and businesses will ultimately respond. Nevertheless, it is hard not to see other trends – not least the economic costs of COVID – weighing on progress. Significantly, however, increasing competition<sup>s6(a)</sup>

in climate technologies may lead to faster global innovation and likely faster action<sup>s6(a)</sup>

s6(a)

### **What this means for Aotearoa New Zealand**

80 2021 is shaping up to be a critical “signalling” year internationally on climate change policies. Aotearoa New Zealand climate change positions will have read across to many other areas of our foreign policy, <sup>s9(2)(g)(i), s6(a)</sup>

and our global brand and reputation, including as a trusted, environmentally-sustainable supplier of healthy food.

81 Climate change effects represent a greater existential threat, particularly for our Pacific neighbours, than COVID. Thus the need for Aotearoa New Zealand assistance with climate change mitigation and adaptation efforts will only increase (all the more so if global action is insufficient to curb temperature rises). Aotearoa New Zealand’s efforts internationally on climate change as well as our domestic action will have significant bearing on our wider Pacific interests.

### **Policy considerations**

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

The UK COP26 Presidency’s finance and energy campaigns provide potential platforms for showcasing Aotearoa New Zealand’s leading work on climate-related financial disclosures and fossil fuel subsidy reform. The COP will also provide opportunities to profile Aotearoa New Zealand initiatives such as ACCTS and Aotearoa New Zealand support for Pacific priorities, including decarbonising maritime transport, and domestic climate change architecture.

83 Nevertheless, we must be clear-eyed about the fact that **international attention and momentum is currently focused around national commitments.** <sup>s9(2)(g)(i)</sup>

### **COVID-19 impacts on our tools for pursuing our priorities**

84 Notwithstanding Aotearoa New Zealand’s relatively successful adaptation to **virtual diplomacy**, the platform’s shortcomings are becoming more acutely felt. A significant diplomatic tool – the inward and outward high level visit – remains shelved by many countries, including for Aotearoa New Zealand. Full-scale multilateral meetings are not amenable to virtual format, <sup>s9(2)(g)(i)</sup>

Nevertheless, an increasing number of countries have resumed in-person engagement, including at the political level, sometimes even when managed isolation is still required on return.

85 <sup>s6(a), s9(2)(g)(i)</sup>

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

86 In the meantime, **high quality virtual engagement is being increased** to compensate for the extended length of time that physical meetings have been suspended and to ensure relationships are established between counterparts where one or other is new. <sup>s6(a), s9(2)(g)(i)</sup>

87 Our **international relationships are the cornerstone of our foreign policy**, without which we can achieve very little. Aotearoa New Zealand needs to cultivate a wide network of relationships and be **a predictable and reliable partner** to succeed in working collectively with other countries to progress the intergenerational interests that successive New Zealand governments have pursued. The **principles of partnership and mutual respect** that are embodied in the Te Tiriti o Waitangi provide the foundation for how Aotearoa New Zealand engages with international partners. By recognising mana and exercising kawanatanga in a manner that affirms tino rangatiratanga, we can manage and create strong, enduring and productive relationships even when there are conflicting views. <sup>s6(a)</sup>

s6(a)



s6(a)

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

89 Coalitions and stronger relationships with **a more diverse range of smaller countries** with which we also share (to varying degrees) a set of common interests and values, including a commitment to multilateralism, free trade, the rule of law, human rights and liberal democratic values will be useful.<sup>s6(a)</sup> We can draw on previous productive partnerships,<sup>s6(a)</sup>

90 **The NZ Inc offshore network** will continue to be a critical and unique resource for Aotearoa New Zealand as our eyes, ears and voice in partner countries over the uncertain period ahead. The impact on staff of working remotely in lockdown environments in many locations for up to a year is acute and the Ministry will need to sustain its focus on supporting their wellbeing.

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<sup>21</sup> MFAT (2019), *Strategic Assessment 2030*.

s6(a)

91 The Ministry will also need to maintain **the reprioritisation of resources to focus on COVID response and recovery work**. We need to continue our efforts to support a functioning and effective resident Diplomatic Corps and to facilitate efforts by the non-residential Corps to recommence operations in Aotearoa New Zealand. Demand for consular services is expected to remain elevated. Aligning managed isolation capacity in Aotearoa New Zealand with the level of demand from returning New Zealanders remains a key challenge. Ongoing prioritisation of work on vaccine strategy, safe travel zones, border policy, supply lines and other COVID issues will constrain resourcing for other initiatives.

## Conclusion

92 COVID has exacerbated and accelerated many of the negative global trends that predated it. The pandemic has created new ongoing social, health and economic risks; it has highlighted the <sup>s9(2)(g)</sup><sub>(i)</sub> state of global coordination and cooperation on pandemic planning; and it risks diverting attention and resources from tackling the true existential threat of our time – climate change. Globally, the journey back will be a long one as the effects of high public debt, high unemployment, disrupted education and long-term health and psychosocial consequences of the pandemic create long-term drags on productivity and growth and generate conditions for greater unrest, criminality and violent extremism.

93 The next two years of recovery and rebuilding will be difficult for Aotearoa New Zealand. Our country's international security, prosperity and sustainability interests will continue to be impacted even once vaccines are widely distributed and "normal" international engagement resumes. First and foremost, our foreign policy will need to support New Zealand's economic recovery and resilience; the Pacific recovery and rebuild; and vaccine access for Aotearoa New Zealand and the Pacific.

94 Our foreign policy will need to navigate intensifying geostrategic competition in the Pacific and the Indo-Pacific, <sup>s6(a)</sup>

95 The next two years is a critical period for multilateralism. <sup>s6(a)</sup>

this period of recovery, the international community must comprehensively tackle climate change, while also preparing for the likelihood of another pandemic.

96 Protecting and advancing Aotearoa New Zealand's interests and promoting our values internationally always requires strong bilateral relationships. We will need to continue to work

with our close partners – large and small – to ensure ongoing cooperation and coordination across the breadth of our foreign policy. <sup>s6(a), s9(2)(g)(i)</sup>

In the meantime, ongoing effort will be required to sustain the MFAT and wider NZ Inc offshore network.

97 <sup>s9(2)(g)(i)</sup> The world will be focused on recovery and rebuilding in an environment destabilised by COVID impacts and intensified geostrategic competition. We can support efforts to make it a green, inclusive and equitable recovery and rebuild. But most of all, we will need to work hard toward greater resilience across the breadth of our security, prosperity and sustainability interests, reinforcing key interests and values and managing risks <sup>s9(2)(g)(i)</sup>