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THE BIDEN ADMINISTRATION AND NEW ZEALAND'S STRATEGIC OPTIONS: ASYMMETRIC HEDGING, TIGHT FIVE EYES ALIGNMENT, AND ARMED NEUTRALITY

Reuben Steff¹

New Zealand confronts a seemingly inescapable dilemma: its security interests link it to traditional partners – Australia and the US – while ties between these two and China, Wellington's largest export market, are deteriorating. This article considers what this new era of competition means for New Zealand and assesses the risks, costs and benefits of three strategic options open to Wellington: (1) asymmetric hedge (the status quo), (2) tight Five Eyes alignments (hewing closer to traditional partners) and (3) armed neutrality (a bold proposition for greater self-reliance). It also addresses what the new Biden administration, which is portraying China to be a military and ideological threat to democracy and the international liberal rules-based order, means for New Zealand's management of its ties between Washington and Beijing. Through its analysis, the article contributes to policy debates in New Zealand over its options and to the literature on small state alignments and hedging strategies.

Keywords: Small States, Great Power Competition, New Zealand, United States, Five Eyes, China, South Pacific, Indo Pacific, South Pacific, Hedging, Armed Neutrality, Shelter Theory, Biden Administration

Introduction

A new great power competition between China and the United States (US) – the world's two largest economic and military powers – has commenced, as Beijing's share of power relative to Washington's grows. This heralds the end of American unipolarity and the onset of a more competitive and dangerous multipolar system.¹ As such, a multi-dimensional competition across the Indo Pacific is playing out, comprised of military balancing and counter-balancing, intense economic competition, new institutional arrangements, territorial disputes and a dash for military-technological advantage.

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The US and China are looking to every corner of the globe for friends and allies to contribute to their cause, to protect their flanks, deny their adversaries launching pads, and as a sign of international legitimacy. Their rivalry is extending into practically every sub-region, including the South Pacific. Here, Beijing's influence is growing in ways that concern New Zealand and its allies and partners; China does not share many of Wellington's values, and is accumulating the power and revealing the intent to change regional and international settings.

Washington, under both the former Trump administration (2017-2021) and new Biden administration (2021-present), is portraying China to be both a military and ideological threat to democracy and the international liberal rules-based order,² and has elevated great power competition to the forefront of US grand strategy.³ Meanwhile Australia (Wellington's sole treaty ally) is engaged in a heated spat with China, and is following Washington's lead (Washington and Canberra are both responding to China's rise in a manner reminiscent of the Cold War, via adjustments and enhancements to their military forces, and by taking more assertive diplomatic positions). By contrast, New Zealand has generally preferred a relatively 'discreet' approach when it comes to voicing its differences with Beijing.⁴ Yet, Wellington's position is becoming more complicated and precarious. Like many small states it faces a dilemma: its security interests are maintained through robust relationships with its traditional partners including the United Kingdom, US, Australia and Canada – five nations united through the Five Eyes (FVEY) intelligence arrangement, but its levels of trade are perceived to be dependent on China. However, outside of slight adjustments in recent years, New Zealand's approach to balancing relations with China and its traditional partners is characterised by continuity: it employs an asymmetric hedge. In this, it does enough to ensure close security ties with traditional partners, but maintains a margin of distance on key issues to prevent China from imposing costs on New Zealand. Nevertheless, as US-China⁵ and US-Australia⁶ ties deteriorate, this balance is becoming harder to manage.

This article considers the choices Wellington has in respect to US-China (and to a lesser extent, China-Australian) rivalry, and what the Biden administration means for Wellington's interests. It contributes to policy debates in New Zealand over its options and to the literature on small state strategic alignments and hedging strategies in the Indo Pacific.⁷ It asserts that there are ways for small states to escape their predicament, but these require significant and stark shifts of strategy, mind-set, and have their own risks and costs.

The article is divided into four parts. The first briefly surveys the small state literature and strategic options available to small states. The second outlines a spectrum of options available to New Zealand.⁸ This includes (1) sustaining the status quo characterised by an asymmetric hedge, and two alternatives: (2) a tighter alignment with traditional partners and (3) a bold proposition to escape the dilemma through armed

neutrality. The risks, costs and benefits of each option are considered. The third part discusses what a Biden-era foreign policy will mean for New Zealand and its strategic options. The fourth and final section suggests there is a case for small states like New Zealand to enhance their resiliency and aspects of self-reliance in the face of a changing strategic environment.

Small State Theory and New Zealand

The traditional view of small states is that as they lack material resources, such as population (a small state has a population of approximately ten million people or less), economic and military strength. As such, it is difficult for them to maintain their independence when confronted by larger powers.⁹ Generally speaking, they are 'system ineffectual'¹⁰ and cannot unilaterally act to change the international system in substantive ways; they adopt cautious foreign policies focused on a limited geographic area and issue area(s) (such as trade and economics).

To Alyson Bailes, Bradley Thayer and Baldur Thorhallsson 'alliance shelter'¹¹ is especially important for small states. In this, small states seek (any or all of) security, economic, and diplomatic shelter predominantly from a larger state or global power, and/or an international institution – and sacrifice a part of their sovereignty on a range of issues to secure protection and rewards. This is supplemented by a series of other connections that include allying with states in sub-regions, pursuing security and non-security objectives in regional multilateral forums, and working through various cooperative partnerships. These latter opportunities have grown in recent years due to the intensification of globalisation that created new and more efficient avenues for interstate engagement, advanced the global free trade regime (creating more win-win interactions and interdependence) and provided greater levels of people-to-people and cultural interactions.

Securing shelter is not free for the protector or protected. The weaker partner must align aspects of their foreign policy preferences with their protectors and contribute military forces to the larger powers foreign interventions. This can impose costs in terms of lives, resources, international standing and status, invite retaliation, and generate domestic political tension. At worst, a small state may be abandoned by a larger ally. For example, Iceland (which lacks an army) placed its shelter cards in the hands of the US – only to have Washington close its military base (in 2006) and reduce economic ties. Washington subsequently refused to provide Reykjavík with an economic lifeline after the 2008 economic crash.¹² In similar fashion, New Zealand found itself ejected from the Australia, New Zealand, United States (ANZUS) Security Treaty in 1985 due to its anti-nuclear policy and decision to reject visits by US naval vessels, culminating in the New Zealand Nuclear Free Zone, Disarmament and Arms Control Act in 1987¹³. Finally, larger states can be expected to provide assistance (economic, humanitarian,

diplomatic, technological and/or military) to smaller alliance partners, and take sides during regional conflicts that can, at worst, draw the larger power into prolonged and costly military engagements.

Within the shelter framework, New Zealand ensures its security interests through (1) its security alliance with Australia, close defence and security ties with the US and via security and intelligence cooperation with the Five Eyes, and (2) via major multilateral organisations. The latter includes the United Nations (UN), and regional organisations, like the Pacific Islands Forum (PIF). New Zealand's economic security is advanced through its trading relationship with China and Australia, its two largest export destinations.¹⁴

A key strategy for small states positioning between larger ones is hedging, involving efforts to “cultivate a middle position that forestalls or avoids having to choose one side at the obvious expense of another.”¹⁵ This includes signalling “ambiguity over the extent of shared security interests with great powers.”¹⁶ Hedging has become a common strategy for many states in the Indo Pacific in recent years to manage their relations with the US and China.

In recent years, New Zealand has adopted an asymmetric hedging strategy¹⁷ to manage the fact its key security and economic needs have diverged, requiring positive relations with two competing sets of actors – traditional partners for security and China for trade. Given its location in the South Pacific far from major markets (Australia being the closest at 4,000km away), trade has been a key concern of New Zealand governments ever since it was a British colony. This requires New Zealand to walk a fine line; yet an asymmetric hedge is just one strategy. We now turn to considering a number of strategic options available to Wellington.

The Spectrum of Options

The options considered below all contain risks, benefits and costs – none is perfect. Figure 1 provides a spectrum. The option on the left end (Five Eyes Alignment) would involve New Zealand seeking greater security shelter through enhanced ties between New Zealand, the US and other FVEY partners; the option at the right end (Armed Neutrality) would involve New Zealand adopting a posture of armed neutrality, reorienting its military to territorial defence and operations in the South Pacific. Both would represent attempts by Wellington to escape its ‘immanent dilemma’ (discussed below). The middle (Asymmetric Hedge) represents the status quo; I address this section first.

Figure 1: Spectrum of Options.

Tight Five Eyes Alignment ---- Asymmetric Hedge (status quo) ---- Armed Neutrality

Option 1: Asymmetric Hedge

Through an asymmetric hedge, Wellington aligns itself with Washington and its other FVEY partners on many aspects of security and military cooperation, while maintaining a margin of difference. The latter signals ambiguity to Beijing over how tight the alignment is, allowing room for New Zealand to obtain economic shelter through trade with China underpinned by a Free Trade Agreement (FTA) signed in 2008 (and upgraded in January 2021). This FTA has led two-way trade to triple from approximately 10 billion in 2008 to 33 billion in 2019 (making China New Zealand's largest trading partner).¹⁸

Ambiguity is indicated through the absence of an operative New Zealand-US security treaty (New Zealand only has a security treaty with Australia through the Canberra Pact)¹⁹, distinguishing Wellington from the other FVEYs, all of which have security treaties with Washington. The diplomatic pillar of its asymmetric hedge involves a messaging strategy that repeatedly stresses New Zealand's 'independent' foreign policy (critically assessed below) in which it takes its own positions on major international issues.²⁰ Wellington has signalled this in relation to US-China tensions in recent years. For example, until 2016, it consistently refrained from publicly criticising China on a range of issues, but became slightly more outspoken on issues with the arrival of the Ardern government from October 2016.²¹ During Ardern's tenure New Zealand raised human rights concerns about China's treatment of Muslim Uighurs and backed Taiwan's participation at the World Health Organization (WHO),²² but also maintained some distance from traditional partners, albeit inconsistently. For example, Wellington refrained from signing a joint FVEYs letter of condemnation in May 2020 of China's repression of Hong Kong; in November 2020 it did sign a statement by the FVEYs condemning China, but then refrained from signing a similar FVEYs statement in January 2021, saying that it had already aired its concerns bilaterally to Beijing on January 7.²³ The latter occurred against the backdrop of ongoing negotiations to update the NZ-China FTA, showing how Wellington will adjust its position when key

national interests, such as trade, are at stake.²⁴ Furthermore, New Zealand has opted to join the China-led Asian Infrastructure Investment Bank (AIIB) in 2015; signed a Memorandum of Understanding (MoU) with Beijing's Belt and Road Initiative (BRI) in March 2017; and joined the Regional Comprehensive Economic Partnership (RCEP)²⁵ (this includes the Association of Southeast Asian Nations (ASEAN), China, Japan, South Korea, Australia and New Zealand) in November 2020.²⁶

In short, the payoff of the strategy is that so long as neither Washington nor Beijing imposes serious costs on Wellington for sustaining positive ties with the other, it allows Wellington to benefit from both. In isolation, it is an optimal strategy. Let us now consider some critiques.

An Assessment

In short, an asymmetric hedge requires New Zealand to cultivate a middle position between larger powers. It does enough to ensure it sustains close security ties with the US (and other FVEYs), while maintaining enough distance to not invite retaliation from China, which would likely come in the trading sphere. Here, New Zealand is exposed and particularly vulnerable to Chinese economic coercion given its exports to China are 'elastic' – Beijing could acquire the dairy produce that make up most of New Zealand's exports from other countries.²⁷ By contrast the exports of other states in a similar position, like Australia (which exports large quantities of minerals to China), are relatively elastic, providing its decision makers with more room to manoeuvre.²⁸ As such, New Zealand is caught in a seemingly immanent (inescapable) dilemma.²⁹ This captures the fundamental reality of New Zealand's inferior structural material position relative to Washington and Beijing: as long as the US and China are engaged in a geopolitical competition throughout the Indo Pacific that has implications for small states, the dilemma operates, at the least, as a background (or dormant) condition for New Zealand foreign policy. Decisions today designed to strengthen and/or support Wellington's relationship with China or the US could have implications for its relations with the other power.

To understand Wellington's position, it is informative to think of its bilateral relationships with the US and China as interconnected (a 'strategic triangle'³⁰) rather than discrete. New Zealand's relative material weakness means China and the US are effectively independent from New Zealand while Wellington is dependent upon Washington for its security and dependent upon Beijing for its economic health. This gives Washington and Beijing immense potential leverage to try influence New Zealand's policy in a manner that supports their own interests at the expense of the other state. In addition, given New Zealand's ties with the US and Washington's deteriorating relations with China it is possible that, during a future military crisis somewhere across the Indo Pacific, Washington could ask New Zealand to provide a military contribution to ensure its place in the US alliance system and FVEYs is secured. It is not inconceivable that China would

message New Zealand that there would be serious economic repercussions if New Zealand were to join a US operation.³¹ In these extreme and rare situations, the dilemma facing Wellington would switch from being dormant to immediate.

Indeed, in recent years China has been accused of attempting to interfere in New Zealand politics and society,³² and has thrown its diplomatic and economic heft around the Indo Pacific. For example, the Australian Strategic Policy Institute (ASPI) has catalogued how the Chinese Communist Party (CCP) have used 'coercive diplomacy'³³ over the last 10 years. They find 152 cases of coercive diplomacy used against foreign governments (27 countries) and companies, including New Zealand,³⁴ with the rate escalating since 2018. In addition, the economic pain China can dish out is considerable. Consider: in November 2020, China suspended seven Australian export products (lobsters, sugar, wine, coal, barley, timber and copper ore and concentrate) to China, likely to cost Australian exporters A\$5-6 billion. The stated reason was direct retaliation for Australia's "rash participation in the US administration's attempts to contain China..."³⁵ South Korea also saw its tourist industry damaged in 2017 when Beijing banned travel agencies from selling package tours to Korea in protest at Seoul allowing a US missile defence system on its territory.³⁶ It is not implausible that New Zealand would be subjected to similar economic harm from China should it displease Beijing.³⁷

The dilemma has become more acute in recent years. This is a result of a number of factors. The first is that China has become more assertive in ways that directly concern New Zealand. For example, it is seeking to militarily dominate the South China Seas in contravention of international law.³⁸ This, in effect, is a major challenge to the 'rules based international system' that New Zealand regularly claims is critical to its long-term security. China is also increasing its presence and influence in the South Pacific through greater levels of diplomacy, trade, aid and loans, infrastructure development (with dual use utility – for example, ports can be used for both trade activity and military operations) and increasing security and military cooperation.³⁹ New Zealand and Australia have long sought to ensure that they (and/or other friendly states, such as the United States), are the major players in this region; if a hostile power were to absorb the islands into its sphere of influence and deploy naval power, New Zealand and Australia's strategic depth would significantly shrink. It is for these reasons that former New Zealand Deputy Prime Minister and Minister of Foreign Affairs and Trade, Winston Peters, said in December 2018 at Georgetown University that Wellington wanted the US to "engage more [in the South Pacific]... And time is of the essence," and that Wellington was acutely mindful of, and archly concerned by, the asymmetries at play in the region" as "larger players [China] are renewing their interest in the Pacific, with an attendant element of strategic competition".⁴⁰ For this reason, he said New Zealand welcomes the US's Indo-Pacific Command (US Armed Forces) in the region.

Sustaining an asymmetric hedge is further problematised since New Zealand is considered the “soft underbelly” of the FVEYs – an ideal location for China to test out methods of subversion.⁴¹ Citing concerns that New Zealand political parties had received “major” donations from China, in May 2018, Peter Mattis (a former CIA analyst) said in testimony to the US-China Economic and Security Review Commission that Beijing “has gotten very close to or inside the political core... Beijing-linked political donors buying access and influence with party politicians”.⁴² This is designed to incentivise New Zealand to “parrot its line on issues it deems important”.⁴³ As such, he suggested the other Four Eyes should consider “whether or not New Zealand can remain” in the alliance and “sticks and carrots” could be used to help Wellington “find the political will” to take action against Beijing’s growing influence.⁴⁴ Moreover, the Canadian Security Intelligence Service released a report in May 2018 that said “New Zealand is valuable to China... as a soft underbelly through which to access Five Eyes intelligence”, and the CCP’s “political influence activities in New Zealand have now reached a critical level”.⁴⁵ The report also made the case that China could seek to extricate New Zealand from the FVEYs, the Five Power Defence Arrangement (FPDA), and from NATO partner state status. Although no senior officials or political leaders in the US, Canada, UK or Australia have suggested expelling New Zealand from the FVEYs, the aforementioned will be of concern to decision makers in Wellington as a potential sign of things to come.

The importance of Australia to New Zealand’s interests cannot be overlooked. Canberra is Wellington’s only ally and critically significant to New Zealand’s security and economy. Of note is that of late both US-China and US-Australian ties have been deteriorating. Consequently, Australia is taking significant steps in the military sphere with China’s rise in mind. It announced through its 2020 Defence Strategic Update and 2020 Force Structure Plan that it would spend an additional A\$270 billion over the next decade to extend the reach and power of its military forces, and is acquiring capabilities to deter Beijing and impose substantial costs in the event of a conflict. This will include a strengthened defence infrastructure, new Long Range Anti-Ship Missiles (LRASM) purchased from the US Navy, research and development into high-speed, long-range weapons, including hypersonic missiles, an underwater surveillance system, and improving Australia’s cyber, information and space warfare capabilities (including a network of satellites for an independent communications network).⁴⁶ Canberra may also purchase US missile defence systems that China perceives to be part of a global effort by Washington to undermine its nuclear deterrent.⁴⁷ As such, pressure from Canberra on New Zealand to align itself closer to Australia⁴⁸, develop complementary military capabilities (and to spend more on high-end military technologies like Australia) is likely in the years to come.

Assessing the Independent Tautology

Does regularly asserting that New Zealand is an 'independent' actor strengthen its ability to sustain a successful asymmetric hedging strategy? Unfortunately, Wellington is open to criticism that its 'independent' foreign policy is meaningless or at worse a smokescreen since National and Labour governments interpret 'independence' to mean different things. It rationalises different approaches to foreign policy, with the Labour Party emphasising liberal principles (multilateralism, human rights and democracy) and the National Party emphasising realism (material interests, such as trade and alliances).⁴⁹ Consider that former New Zealand Prime Minister John Key, in announcing his government's decision to send military personnel to Iraq in 2015 to train Iraqi forces to fight the Islamic State (ISIS), claimed it was in the context of and consistent with Wellington's independent foreign policy.⁵⁰ In response, then-opposition leader of the Labour Party, Andrew Little, asserted "There is no case" for New Zealand to dispatch forces and that the "decision was made some time ago, and I venture to suggest it was made for a range of different reasons [to please the US] that have not been outlined today".⁵¹ Seemingly substantiating Little's point, Key said at another time that New Zealand's military contribution to fighting ISIS was "the price of the [FVEYs] club", designed to ensure these nations would support New Zealand during a future "moment of need."⁵²

In short, 'independence' appears to mean that decisions are made based upon the government party's assessment of the situation involving a consideration of the benefits and costs of each policy option, which is linked to the relative weighting given to values versus material interests and alliance considerations. In other words, decisions made within the 'independence' framework are, axiomatically, in New Zealand's national interest as defined by whatever government is in power at the time.

The most glaring area where New Zealand's independence is open to question lies in Wellington's defence relations. Nicky Hager makes this case, saying "Many of New Zealand's foreign policy, military and intelligence activities... [occur] as part of New Zealand's long-term alliance membership... [in which] the actions of military, intelligence and foreign policy institutions are frequently determined by the expectations and demands of the five-nation US-UK-Canada-Australia-NZ alliance."⁵³ To Hager, efforts to 'standardise' military forces, to ensure interoperability and FVEY military agency meetings are primarily designed so smaller allies have forces compatible and prepared to fight wars alongside conflicts chosen by larger allies, and to prepare for future wars.⁵⁴ He continues by noting that New Zealand provides FVEYs intelligence contributions that are likely to be of some concern to Beijing, as the Government Communications Security Bureau (GCSB) "provides collection on China, Japanese/North Korean/Vietnamese/South American diplomatic communications, South Pacific island nations, Pakistan, India, Iran and Antarctica".⁵⁵

In addition, during moments of future US-China tension, would it be wise for Wellington to hope that Beijing will only pay attention to its diplomatic positioning and rhetoric of 'independence'? Is there not a significant possibility that China will consider how and where New Zealand's military has been utilised in the recent past, who it trains with and from what countries it chooses to purchase weapons, and its intelligence cooperation? In addition, while New Zealand and China have some limited defence cooperation⁵⁶, it pales in comparison to New Zealand's security and military cooperation with the US and Australia, which is far deeper and broader. Thus, unless Wellington adopts a posture of explicit strategic neutrality on matters of importance between the US and China, the prospect that New Zealand could retain an image of independence in a future US-China crisis, or during periods of heightened tensions, appears remote. It would be akin to Wellington sitting in the front row of a US-China boxing match claiming it was only an interested bystander, even though it had helped spar with the US fighter and had bet on him to win. As such, New Zealand's 'independence' is of a qualified nature. Arguably, the term obscures the complex reality of Wellington's position.

Option 2: Tight Five Eyes Alignment

A tighter FVEYs alignment would involve New Zealand seeking a greater level of security shelter from traditional FVEYs partners, and securing a formal security treaty with the United States. Why would it do this? Five reasons support it:

1. Geography dictates Wellington's grand strategy: trade routes – as well as invasion routes – into New Zealand are the seas; global trade depends on freedom of navigation and naval threats must be intercepted by a global naval power. Therefore, Wellington's geopolitical allegiance must lie with the world's leading maritime power, presently the United States (and historically Great Britain).
2. Ties to FVEYs partners are complemented by strong cultural, social and linguistic similarities and a shared history of fighting alongside one another. While common interests on various issues may wax and wane, common values act to sustain close ties when a more realist-based assessment of common/divergent interests could otherwise lead the FVEYs to go their separate ways.
3. Seamless intelligence sharing and links between FVEY defence science and technology agencies (with separate Navy, Army and Air Force programmes) already exist;⁵⁷ a security treaty with Washington would add an additional and complementary connection to fortify this activity.
4. The aggregate benefits (for example, access to allies nations intelligence ensures New Zealand does not need to establish its own expensive independent intelligence system, and the same intelligence allows Wellington to remain aware of emerging threats) outweigh the costs.⁵⁸

5. The combined power of FVEY's nations is formidable (and the US maintains alliances with other states throughout the Indo Pacific). As the international environment becomes more threatening and complex, it's key Wellington remains on the right side of history – the right side of the power balance that is most likely to define that history. See Table 1 overleaf (statistics for China are included for comparison. Note that although China's large population provides it with some advantages, its demographic profile⁵⁹ is set to worsen in coming decades as rapid population aging takes place while its working-age population decreases):

Assessment

The case against close FVEY alignment is that its proponents are wrong – the costs outweigh the benefits, with history having sleepwalked New Zealand into a position of automatic psychological deference to the strategic concerns of its partners, engaging in distant wars that are not directly relevant to Wellington's national interests. Meanwhile, the likelihood a direct territorial threat will emerge to New Zealand are so remote that they are not worth taking into serious consideration while China's rise, and the way it chooses to use and project its growing power, may not mimic historical patterns. The costs are also ideational, drawing Wellington into actions that clash with the public's values and self-image of New Zealand as a benign and fair-minded global actor. In addition, alliances are exclusionary – they are against other nations and create in-group v. out-group dynamics – creating and reifying 'enemy' v 'ally' identities that are purely social constructions. The major adversary of New Zealand's friend and allies, China, could then eventually become Wellington's enemy, an outcome threatening the nation's economic interests.

*Table 1: Comparison of Power.*⁶⁰

	GDP in USD \$tn (2019)	Military Expenditure in USD \$bn (2019)	Population (2020)
United States	21.4	732	331,002,651
United Kingdom	2.8	48.7	67,886,011
Canada	1.7	22.2	37,742,154
Australia	1.4	25.9	25,499,884
New Zealand	0.2	2.9	4,822,233
FVEY total	27.5	831.7	466,952,933
China (+ Hong Kong)	14.7	261	1,439,323,776

Recalling Iceland's experience above illustrates another risk of a close alliance for New Zealand: during a time of crisis or protracted war, security guarantors may not be able to provide support. In fact, New Zealand already experienced this during World War II after the UK's Singapore naval base fell to Japan. Should Japan have had more luck when it struck Pearl Harbour and/or defeated the US Navy at the decisive Battle of Midway in June 1942, Australia and New Zealand would have been at mercy of a Japanese invasion. There are also concerns over the future of US military power in the Indo Pacific (this uncertainty was noted in the New Zealand Government's 2018 Strategic Defence Policy Statement)⁶¹, and thus whether the US would/could come to the rescue of its allies in certain contingencies. The Trump years deepened this concern given President Trump's repeated criticism of US allies and his unpredictability.⁶²

Another way to resolve the immanent dilemma would be to switch security alignment from Washington to Beijing. However, this is unlikely. On one hand, Beijing lacks the military power to guarantee global trade routes, while New Zealand decision makers and the public could find it unpalatable to have their security guaranteed by a state that has quite different values. Furthermore, while trade is of great importance to New Zealand, many would agree that, in extremis, territorial security concerns take precedence over trading interests and other markets for New Zealand's goods exist if relations had to be broken off with China. In short, a China-alignment strategy is a hard sell, especially at a time when the Chinese regime is becoming more repressive, has anointed Xi Jinping President-for-life, its soft power is collapsing as a result of this behaviour and questions over how it handled the early stages of the outbreak of Covid-19 in Wuhan.⁶³ Finally, how dependent New Zealand actually is on trade with China, given this seemingly limits the scope of Wellington's actions. What would be the economic consequences if New Zealand were to re-orient trade destined to China to other markets, and how would US re-engagement in multilateral trading arrangements in the Indo Pacific (discussed in more detail below in the section on the Biden administration) influence this equation? If Wellington's exposure to China is not as great as thought (with or without US trade re-engagement), then more room to manoeuvre towards allies and partners (or even just within the existing asymmetric hedging strategy) would exist.

Armed Neutrality⁶⁴

The most radical proposal is to adopt a posture of armed neutrality. In this, Wellington might formally give up alliance arrangements, freeing it to pursue a much greater degree of foreign policy independence.⁶⁵ Additionally, greater self-resiliency would enable Wellington to better respond to low-likelihood but high-risk global developments, like the outbreak of Covid-19. Simon Ewing-Jarvie suggests achieving armed neutrality would require 10 years and up-front costs would be considerable – perhaps \$50bn. Its efforts would “return New Zealand to full combat capability through dramatically increasing its funding to defence and other national security capabilities”.⁶⁶ This would

allow Wellington to assemble a capability to dominate New Zealand's sea lines of communication, Exclusive Economic Zone and territorial airspace through a combination of aircraft and missile technologies. Greater mass, lethality and manoeuvrability of land forces would be required that would include protected mobility vehicles as well as more tactical airlift (fixed wing and rotary). After all, it would do no good if an invader could simply circumvent New Zealand's most potent armed forces and establish a beachhead elsewhere. New Zealand's armed forces would need to present a threat that would deter potential enemies.

The first part of the 10-year cycle would require a political mandate to make significant changes or run a referendum on them. At best, initial training capacity could produce 3,000 basic trainees in the first year, 1000 per year thereafter creating, after seven years, 10,000 voluntary national service personnel per year across defence, police, emergency management (CDEM), fire and emergency, etc. Purchasing new hardware could be limited to non-traditional sources or second-hand markets assuming the US adopts the same approach it did in the 1980s to New Zealand's anti-nuclear policy by reducing the supply of military equipment. A domestic industry tooled to produce ammunition and military spare parts would be essential with 'strategic sourcing' adopted (i.e. the cheapest suppliers would not always be preferred). Peters spoke in support of this concept in April 2020, saying New Zealand should manufacture important products domestically if produced for within 15% of international prices.⁶⁷ While complete self-sufficiency for New Zealand is not realistic, investment in domestic manufacturing capabilities is prudent and increasing its storage capability in a wide number of areas (for example strategic fuel reserves, pharmaceuticals, fertilisers, critical weapons and munitions) is essential in case international contingencies or developments cut off the flow of critical resources.

Assessment

Pursuing armed alignment and de-alliancing is that it would require a dramatic shift in the thinking of New Zealand policy-makers, as it is out of step with New Zealand's current settings. The nation may not have security shelter in times of great need, even if perhaps its own bulked up capabilities would provide it with more capacity to deal with emergencies. It would also have immediate and medium-term costs that the country would need to absorb even if there appeared to be long-term benefits. It would require reliable arms supply arrangements, the concomitant development of a domestic defence industry to reduce foreign dependence and a much higher defence budget. Switzerland is an example: it is not formally part of NATO and has a significant agricultural industry, showing how this can coexist alongside a high-tech sector – something New Zealand would ideally want to facilitate a shift to armed neutrality. This is critical since an independent military capability starts with a strong economy. Switzerland's economy, standing at 703bn in 2019, allows it to spend just 0.728% of GDP or 5.2bn on its mili-

tary.⁶⁸ With this, it maintains 100,000 troops, several frontline air squadrons and more for relatively small expenditure. By comparison, New Zealand's economy in 2019 was 207bn, with a 2.9bn military budget in 2019 (an increase of 19% from 2018) requiring 1.5% of GDP. It maintains 9,300 active duty troops.⁶⁹ Switzerland also has mandatory military conscription for every able-bodied male (females can volunteer for any position) and the army is interwoven with Switzerland's society, a reality that does not exist in New Zealand. As such, outside of a major international military crisis or collapse of the US Indo Pacific alliance structure, New Zealand's major political parties would likely view a shift towards armed neutrality as political suicide.

Nor does New Zealand's economic circumstances look propitious to pursuing armed neutrality given the government's spending rose from 35.8% of GDP in 2017 to 40.0% in 2019 (the largest increase of all 39 "advanced economies"). This occurred prior to emergency expenditure in 2020 to support the economy through the Covid-19 crisis and that has raised it to 46.7% of GDP.⁷⁰ The International Monetary Fund (IMF) forecasts that by 2025 real GDP and average incomes in New Zealand will be lower than 2019.⁷¹

A virtue of the contributions made by Ewing-Jarvie is to raise and propose ideas that usually get little attention in New Zealand. Moreover, with the most ambitious aspects of armed neutrality seemingly unrealistic in the near term, a greater emphasis on self-reliance in key areas and an ability to self-manufacture certain industrial goods – and the need to develop a more technologically advanced economy based on Fourth Industrial Technologies – are prudent suggestions for a geographically remote state like New Zealand. In fact, the Indo Pacific is seeing medium and larger powers embrace greater degrees of self-reliance, with Australia⁷² and Japan⁷³ leaning in this direction, even as they look to ensure they remain closely tied to Washington. Furthermore, the future stability of the Indo Pacific looks increasingly uncertain and fraught; now is the time for Wellington decision makers to start considering what options they have should they need to rely upon domestic capabilities to a much greater degree than in recent years. The article now turns its attention to the Biden administration and what this means for New Zealand's position.

New Zealand and the Biden Presidency

President Joseph Biden has promised to jettison the Trump administration's 'America First' policy by re-asserting Washington's role as a global leader. It will emphasise international institutions, potentially renew regional/global free trade efforts, and seek to repair America's alliances. Recalling that alliances are not free, Biden's approach could lead it to ask allies to do more to counter China's rise. Indeed, he signalled this during the 2020 US presidential campaign, saying he wanted to establish "a united front of friends and partners to challenge China's abusive behaviour," while his Secretary of State, Anthony Blinken, said the US must better organise the "techno-

democracies” against the “techno-autocracies.”⁷⁴ Relatedly, Biden has promised to emphasise upholding democratic norms and values – placing them at the forefront of US foreign policy. It also suggests neoconservative ideas that seek to use US power to promote American values are back in vogue in Biden’s Washington. Unsurprisingly then, Biden has strongly criticised China, saying President Xi Jinping is a “thug” who “doesn’t have a democratic bone in his body”⁷⁵ and called China’s treatment of Uighur Muslims “genocide.”⁷⁶ One eye-catching idea is Biden’s intention to hold a “Summit for Democracy” in 2021 to promote liberal democratic values and rally democratic nations together; New Zealand could be invited to attend.⁷⁷

The administration will certainly continue the geopolitical initiatives in the Indo Pacific started under the Obama and Trump administrations designed to counter China’s rise. This includes the already-approved Pacific Deterrence Initiative (PDI) – a plan designed to “maintain a credible balance of military power” vis-à-vis China’s military rise by increasing investments to strengthen America’s regional military presence and to sustain its military-technological edge.⁷⁸ Defence relations with India, Japan and Australia – the four members of the Quadrilateral Security Dialogue (QUAD)⁷⁹ – could be formalised into a structure resembling the North Atlantic Treaty Organisation. Related initiatives include the Blue Dot Network (BDN)⁸⁰ (that sets standards on infrastructure), and the Economic Prosperity Network (EPN) (an expanded version of the QUAD that includes Vietnam, South Korea and New Zealand and seeks to restructure supply chains in the Indo Pacific).⁸¹ Biden may also support the nascent Boosting Long-term US Engagement in the Pacific Act (BLUE Pacific Act). Established in July 2020, it seeks to “establish a comprehensive, long-term United States strategy and policy for the Pacific Islands” which will involve “consulting like-minded regional allies and partners, such as Australia and New Zealand”⁸² In other key areas, such as technological competition, Biden asserts the US and its allies must promote and export emerging technologies (like 5G and Artificial Intelligence) to ensure Washington, rather than Russia and China, set global rules and use them to “promote greater democracy and shared prosperity”.⁸³

Implications for New Zealand

New Zealand leaders welcomed the Biden administration and its intention to return the US to a leadership role in regional and global governance. The structures the US is facilitating in the Indo Pacific (noted above) could give Wellington and other small states more flexibility within their hedging strategies by reducing their trade dependency on China in the medium term.

The stated intentions of Biden and Blinken suggest the US might engage an effort to align the world into geopolitical blocs divided by regime-type – a broadly liberal-democratic alliance led by the US against an authoritarian bloc led by China.⁸⁴ There is a logic to this, as a US-centric bloc will have far more aggregate power (at least in the short and medium term) than a Chinese alliance. In a worst-case scenario – a war or crisis

between Washington and Beijing – Biden could ask New Zealand and other liberal democracies to join it in military actions against Beijing in the Indo Pacific. But short of extreme scenarios, given that Washington recognises New Zealand as a key US partner, “contributing to peace and security across the [Indo-Pacific] region,”⁸⁵ (as well as a major non-NATO ally)⁸⁶ Wellington will be invited to provide contributions to assist in the containment of China’s rise. In this context, New Zealand’s hedging strategy will require a credible increase in New Zealand’s contribution to US security efforts but in a way that does not upset Beijing. Nevertheless, Wellington does not have the initiative – Washington could set terms and the further New Zealand moves to satisfy American requests, the smaller the amount of ambiguity between New Zealand security interests with Washington and the other Five Eyes. This raises the risk China will choose to exercise the economic levers it holds over New Zealand similar to how it punished South Korea, Norway and Australia in recent years.

If a Biden administration threatens to move New Zealand closer to making decisive choices, the immanent dilemma could become manifest rather than dormant; if the space to practise an asymmetric hedge vanishes then a tight FVEYs alignment or an effort to seek armed neutrality (or aspects of the latter) are logical alternatives. Tight alignment risks China’s ire; yet it is also possible that Beijing’s growing assertiveness and repression of Chinese citizens (in Xinjiang and Hong Kong) and expanding influence in the South Pacific could push Wellington willingly towards a tighter FVEYs alignment. After all, high levels of trade are important; but so too is territorial security and, presumably, some New Zealand politicians and civilians think values should play some role in defining their nation’s relationship with China; right now, the values divide is widening. As such, it is long overdue for New Zealand to have a frank discussion with itself and decide to what extent it wants values to play a role in defining its relationship with repressive regimes.

Conclusion

This article considered the benefits, costs and risks of three strategic options available to New Zealand in the hopes of widening the spectrum of debate. Ultimately Wellington, or any small state, could adopt variations of any of the three strategies outlined in this article or combine ideas from each. This is why ‘big think’ or alternative views have value, as greater self-reliance in some areas can complement other strategies. Furthermore, in a more contested, complex and unpredictable global environment it is logical for small states to consider how they can enhance their resiliency.

Meanwhile, the new Biden administration’s intent to forge greater ties with liberal democracies, like New Zealand, to counter a rising China will present challenges for Wellington. The geopolitical divisions between the US and its allies, and China and illiberal states, could harden. As such, over the next four years New Zealand will likely find its asymmetric hedge pulled in conflicting directions: towards greater economic

dependency with China (a trend already underway) and more cooperation on security issues with the US in the Indo Pacific. New Zealand's leaders will need great diplomatic skill and courage to navigate these contradictory pressures in the context of an intensifying great power competition.

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