

Office of the Minister of Foreign Affairs

Cabinet Foreign Policy and National Security Committee

## RESETTING NEW ZEALAND'S FOREIGN POLICY

### Proposal

- 1 This paper seeks agreement to align our diplomatic resources, and guide broader NZ Inc. effort, behind a reset of New Zealand's foreign policy to better focus on where New Zealand's interests and values are most acute, and/or we have leverage.

### Relation to Government Priorities

- 2 The Speech from the Throne recognised that to achieve our shared ambitions the Coalition Government should not focus its efforts only within New Zealand's borders. In order for New Zealand to seize the opportunities to make more of its potential and to manage the risks in an increasingly complex and contested world, we require an active foreign, defence and trade policy agenda:
  - that enhances our security;
  - that signals that New Zealand is open for business and outwardly engaged;
  - that makes us a participant in major global and regional developments, not a spectator; and
  - that sees us working tirelessly to grow trade and prosperity.

### Executive Summary

- 3 New Zealand's foreign policy approach needs to reflect and respond to the challenging strategic context we find ourselves in. <sup>s6(a)</sup>  
<sup>s6(a)</sup> Other countries are already adapting their stances to address the rising challenges and seize new opportunities, <sup>s6(a)</sup>
- 4 <sup>s6(a)</sup> We need to raise the energy and intensity we bring to our important relationships, have a sharper focus on issues that matter most to New Zealand, and pare away those areas where our inputs deliver at best marginal returns. In practice, this approach would see New Zealand:
  - Significantly increasing its focus on and resources applied to South East Asia, South Asia (in particular India), and North Asia which have a major bearing on our security and prosperity. This will deliver impact through New Zealand being increasingly valued by regional partners that are key to New Zealand's security and prosperity, <sup>s6(a)</sup>

- Applying renewed attentiveness to traditional like-minded partnerships, including with Australia, Canada, the United Kingdom and United States, <sup>s6(b)</sup>

This will deliver impact through New Zealand being recognised by traditional partners as an effective and credible contributor in our region and beyond, with these partners engaging with energy on our shared priorities and interests;

- Sustaining our deeper and comprehensive focus on the Pacific, working closely with Pacific leaders, Australia and like-minded partners <sup>s6(a)</sup>

- Targeting multilateral engagement to global or transboundary issues where we have direct interests or where there are core New Zealand values and freedoms at stake. This will deliver impact through sustaining New Zealand's core interests and values in a rules-based international system that is increasingly under threat and which provides us with a voice and influence we could not otherwise achieve at the global level;

- Supporting new mini-lateral groupings that can effectively and efficiently advance our interests and capabilities, such as the Indo-Pacific Four, Small Advanced Economies Initiative, and Quad. This will deliver impact through enabling New Zealand and sets of likeminded partners to navigate impasses that may exist in the multilateral system, and to embed more ambitious outcomes, consistent with New Zealand's interests and values, for others to coalesce around over time; and

- Promoting the Government's goal of doubling export value over the next decade. An intensive and targeted programme of trade and economic diplomacy will deliver impact through supporting sustainable and resilient export growth.

5 The work of the Ministry of Foreign Affairs and Trade – with its global network of relationships – will be critical to delivering on the above goals. But a coordinated and mutually supportive approach across Ministers and NZ Inc. will ensure that the Government is delivering efficiently and being effective in achieving a safer, more prosperous and more sustainable future for New Zealanders. A focussed set of foreign policy goals will help to guide broader NZ Inc efforts, while recognising agencies and Ministers have their own priorities that also inform their international engagement.

## Background

6 Recent assessments of the strategic global environment by New Zealand agencies have highlighted a challenging global outlook, clouded by heightened strategic tension and

considerable levels of disruption and risk.<sup>1</sup> Many of the assumptions in relation to global and regional affairs that have underpinned New Zealand's foreign policy for a generation or more are under real and sustained pressure.

- 7 We can no longer rely on the durability of the international rules-based system, including continuing trade liberalisation that has been the foundation of trade and economic policies for decades. Russia's invasion of Ukraine has upended a long period of peace in Europe and revived threats of overt state-to-state armed conflict.  
s6(a)

COVID-19 and its response has contributed to greater inequality and set back development progress in some parts of the world, while national security risks have sharpened. These issues reduce the international system's capacity to tackle climate change and other human-induced environmental and biodiversity deterioration.

- 8 This dynamic backdrop evidences three "Big Shifts" occurring in the international order that will affect how New Zealand sees and shapes its place in the world:
- **From rules to power** – a shift towards a multipolar world characterised by a period in which rules are more contested and relative power between states assumes a greater role in shaping international affairs;
  - **From economics to security** – a shift in which economic relationships are reassessed in light of increased military competition in a more securitised and less stable world; and
  - **From efficiency to resilience** – a shift in the drivers of economic behaviour, where building greater resilience and addressing pressing social and sustainability issues become more prominent.

## Analysis

### Focusing New Zealand's Response to the Big Shifts

- 9 As progress in this intensely disrupted environment becomes harder across the board, prioritisation will be increasingly important.  
s6(a)
- 10 New Zealand's ability to achieve key foreign policy goals in this shifting world will come from its ability to:
- Respond in an integrated way, managing the security, prosperity, and sustainability dimensions in mutually reinforcing ways and as part of a coordinated whole-of-government NZ Inc. effort;

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<sup>1</sup> Relevant 2023 assessments and Government policy papers include: The Ministry of Foreign Affairs and Trade 2023 Strategic Foreign Policy Assessment; the NZSIS Threat Environment Report; the National Security Strategy; and the Defence Policy and Strategy Statement.

- Marshal foreign policy effort and resource behind a circumscribed set of issues that really matter. The scope for discretionary effort will be limited;
- Effectively manage our bilateral relationships, <sup>s6(a)</sup>

and

- Channel our engagement and contributions through multilateral and regional processes, mechanisms and architectures where possible for efficiency's sake and to amplify our influence and impact.

**Significantly increased effort in South East Asia, South Asia (in particular India), and North Asia**

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

The most populous country with a rapidly expanding economy and increasing military heft, India has become an ever more important economic and strategic actor. There is room to grow the trading relationship with India as well as value <sup>s6(a)</sup>

- in developing comprehensive and meaningful connections that support a deeper, enduring, and strategic relationship with India. <sup>s6(a)</sup>

there is a compelling case for stepped up political engagement; to advance economic and supply chain linkages; to deepen our sporting and cultural connections; to combat drug trafficking and trans-national organised crime; and to improve collaboration on global issues. This aligns with what India wants from our relationship, which must be broader than just trade <sup>s6(a)</sup>

12 We also need to step up our investment to deepen networks in **South East Asia** and to reinforce the Association of South East Asian Nations' (ASEAN) role in anchoring the region. <sup>s6(a)</sup>

ASEAN's positioning, its engagement, and its response is critical to keeping our supply chains and connectivity to the world open and for maintaining the rules-based system that we depend on. With these countries' collective gross domestic product (GDP) expected to at least double in the next decade, ASEAN economies will also play an important role in helping diversify our trade exposure <sup>s6(a)</sup> New Zealand's strong free trade agreement (FTA) network with ASEAN economies means we are well placed to take advantage of these market opportunities, but it will require constant vigilance to ensure non-tariff barriers are dealt with. <sup>s6(a)</sup>

s6(a)

**Renewed attentiveness to traditional like-minded partners**<sup>s6(a)</sup>

- 13 New Zealand's long-standing relationships with our **closest partners** including Australia, Canada, the United Kingdom and the United States remain integral to our security and prosperity. While of considerable value in their own right, through the Five Eyes partnership and contemporary range of cooperative mechanisms, the relationship between the five reflects a level of trust and deep linkages unparalleled in any other international grouping. The benefits we draw contribute to all facets of New Zealand's national security, directly inform our foreign policy decision-making, and underpin our understanding of the strategic environment and thereby the Government's ability to make informed sovereign decisions.<sup>s6(a)</sup>
- 14 **Australia** remains an indispensable partner across the breadth of our international interests. It is vital that we continue to privilege and prioritise New Zealand's relationship with our only formal ally and largest economic partner.<sup>s6(a)</sup>

The strength, breadth, depth and size of the trans-Tasman economic relationship, supported through the Single Economic Market agenda, will remain of significant value to both countries.<sup>s6(a)</sup>

- 15 <sup>s6(a)</sup> the **United States** is our most powerful international partner and fundamental to the underpinning and functioning of the international rules-based system that reflects and promotes New Zealand's interests and values. Its actions in the world affect our prosperity, security and sustainability.<sup>s6(a)</sup>

s6(a)

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**Sustaining our deep and comprehensive focus on the Pacific**

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s6(a)

We need to continue to invest aid and other resources both directly with Pacific states as well as stepping up efforts to support and influence others' approach to create a secure, stable and resilient Pacific. 60% of the \$1 billion annual International Development Cooperation programme funding is allocated to improve sustainable development and reduce poverty in the Pacific, including at least half of our climate finance funding through 2025. A high priority should be given to travel to the region to demonstrate enduring commitment and build invaluable personal connections between Leaders and Ministers.

**Targeted multilateral engagement, supplemented by new mini-lateral groupings**

18 The **multilateral system** is essential for promoting collective security, furthering global development and providing stability through international law, rules and norms. When it works well, the processes and democratisation of power afforded by bodies such as the United Nations and the World Trade Organisation (WTO) act as "shock absorbers" for small countries against geostrategic challenges that are challenging or impossible to tackle alone. Yet an increasing number of countries, including

developing countries in the “Global South” and the Pacific, criticise international institutions for not adapting to new realities and reflecting their interests and priorities. New Zealand should continue to lean in with other supporters of multilateralism to protect and, where possible, build out the international rules-based system to efficiently address problems that are global or transboundary in nature (e.g. oceans/biodiversity, climate change, Antarctica, and use of cyberspace). We should also continue to work alongside likeminded partners to defend and advance core New Zealand values and freedoms (e.g. human rights, humanitarian action, and disarmament) and fundamental rules of international law.

- 19 To guard against persisting with multilateral work that is perennially stalled or dysfunctional, New Zealand should also invest in **mini-lateral groupings** to advance issues. New frameworks that engage smaller groups can be more effective at navigating impasses and embedding more ambitious outcomes which others coalesce around over time. In the security space, we are part of a new grouping with Japan, the Republic of Korea, and Australia called the Indo-Pacific Four (IP4) that usefully engages with North Atlantic Treaty Organisation (NATO) countries to increase understanding of shared security challenges. It is also in our interest to support bodies like the Quad that New Zealand is not directly part of but has explicitly welcomed us contributing where we have interest and expertise (e.g. maritime domain awareness). In the economic space, New Zealand has had success progressing trade and sustainability issues regionally (e.g. through APEC, and more recently the Indo-Pacific Economic Framework for Prosperity (IPEF)) and plurilaterally (e.g. the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) and through the OECD). The Agreement on Climate Change, Trade and Sustainability (ACCTS) negotiations demonstrate that we can often find commonality across a diverse set of smaller economies.

#### **Maintaining Global Reach**

- 20 New Zealand will still need to be agile enough to maintain relationships and engagement outside of these core areas when issues arise that demand a foreign policy response. Our citizens travel widely. We are a global trader with our primary exports impacted by shocks elsewhere, such as the Russia/Ukraine war which has exacerbated global food and energy insecurity. As New Zealand’s demography becomes more diverse and diaspora communities more active politically, there will be heightened domestic interest in New Zealand’s response to global events as demonstrated by the current Israel/Gaza conflict. Beyond the current conflict we can expect the Middle East to remain a fulcrum of international politics where developments will impact on New Zealand’s security and economic interests.
- 21 To create the conditions that allow us to double our export value over the next decade and implement and expand our network of trade agreements, including recent agreements with the UK and EU and negotiating new agreements with the Gulf Cooperation Council (GCC) and Pacific Alliance, partners will expect us to engage on issues of importance to them. Europe will remain an important economic partner, with particular value in areas of research, science and innovation, as well as a generally likeminded partner when pursuing our objectives through the multilateral system.

- 22 However, investing more deeply in our consequential issues and relationships would mean targeting Ministerial travel, trade missions, and engagement to align with New Zealand's priorities.<sup>s6(a)</sup>

We should also ensure we are applying diplomatic resource and broader NZ Inc. effort where we can have the greater proportionate and long-term impact.

### **Next Steps**

- 23 The work and decisions of this Cabinet committee going forward should reflect the priorities outlined in this paper. We should be spending most of our time addressing issues or assessing new initiatives that have a bearing on New Zealand's national interest and are of significance to the health of our relationships with key partners.
- 24 The set of actions needed to achieve each of the goals, and how impact will be measured, will require further elaboration, including through the development and implementation of NZ Inc strategies where appropriate. Work towards the Government's "doubling exports by value" goal, including its connections into domestic economic policy, will also be elaborated through a separate Cabinet paper.

### **Financial Implications**

- 25 An energetic, high intensity foreign, defence and trade policy will require prioritisation of New Zealand's diplomatic resources, and a coordinated and mutually supportive approach across Ministers and NZ Inc.

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

### **Other Implications**

- 27 There are no legislative, population, climate change, cost of living, human rights, or external contractor implications arising from this paper.

### **Consultation**

- 28 This paper was consulted with New Zealand Trade and Enterprise, Ministry of Business, Innovation and Employment, Customs, the New Zealand Defence Force, the Ministry of Defence, the Treasury and the New Zealand Intelligence Community. The Department of the Prime Minister and Cabinet has been informed.



## Proactive Release

- 29 There are grounds for withholding the release of large sections of this Cabinet paper under 6(a) given the potential of its content to prejudice the international relations of the Government of New Zealand.

## Recommendations

The Minister of Foreign Affairs recommends that the Committee:

- 1 note that New Zealand faces a challenging global outlook characterised by three Big Shifts:
  - from rules to power;
  - from economics to security; and
  - from efficiency to resilience.
- 2 note that in this context it is increasingly difficult to achieve our foreign policy goals of promoting a safer, more prosperous and more sustainable future for New Zealanders, and to balance foreign policy and trade opportunity and risk;
- 3 note that other countries are already adapting their stances to address the rising challenges and seize new opportunities,<sup>s6(a)</sup>
- 4 agree to align our diplomatic resources, and guide broader NZ Inc. effort, behind a reset of New Zealand's foreign policy that will raise the energy and intensity we bring to our important relationships, have a sharper focus on issues that matter most to New Zealand, and pare away those areas where our inputs deliver at best marginal returns;
- 5 agree to significantly increase New Zealand's focus on and resources applied to South East Asia, South Asia (in particular India), and North Asia which have a major bearing on our security and prosperity;
- 6 agree to apply renewed attentiveness to traditional like-minded partnerships, including with Australia, Canada, the United Kingdom and United States,<sup>s6(a)</sup>
- 7 agree to sustain our deeper and comprehensive focus on the Pacific, working closely with Pacific leaders, Australia and like-minded partners<sup>s6(a)</sup>
- 8 agree to target multilateral engagement to global or transboundary issues where we have direct interests or where there are core New Zealand values and freedoms at stake;
- 9 agree to support new mini-lateral groupings that can effectively and efficiently advance our interests and capabilities, such as the Indo-Pacific Four, Small Advanced Economies Initiative, and Quad;

- 10 agree that an intensive and targeted programme of trade and economic diplomacy will be required to support the Government's goal of doubling export value over the next decade (to be elaborated in a separate Cabinet paper);
- 11 agree that New Zealand remain agile enough to maintain relationships and engagement outside of these areas when issues arise that demand a foreign policy response, including in times of international emergencies and crises;
- 12 agree to adopt a coordinated and mutually supportive approach across Ministers and NZ Inc. to ensure efficient and effective delivery of this foreign policy reset, while recognising Ministers and agencies have their own priorities that shape their international engagement.

Authorised for lodgement

Rt Hon Winston Peters  
Minister of Foreign Affairs

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