



5 December 2023

Minister of Foreign Affairs

For approval by

14 December 2023

Our South East Asia and ASEAN Relationships

BRIEFING Overview Submission

PURPOSE In line with the Ministry's recommendation to reset the focus of New Zealand's foreign policy, officials propose a step up in our engagement in South East Asia – bilaterally with Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Viet Nam, and regionally with ASEAN and its membership.

Recommended referrals

Prime Minister	For information by	13 December 2023
Minister of Defence	For information by	13 December 2023
Minister for Trade	For information by	13 December 2023
Minister of State for Trade	For information by	13 December 2023

Contact details

NAME	ROLE	DIVISION	WORK PHONE
Joanna Kempkers	Divisional Manager	South & South East Asia Division	s9(2)(a)
Georgina Roberts	Divisional Manager	Asia Regional Division	

Minister's Office to complete

- | | | |
|--|---|------------------------------------|
| <input type="checkbox"/> Approved | <input type="checkbox"/> Noted | <input type="checkbox"/> Referred |
| <input type="checkbox"/> Needs amendment | <input type="checkbox"/> Declined | <input type="checkbox"/> Withdrawn |
| <input type="checkbox"/> Overtaken by events | <input type="checkbox"/> See Minister's notes | |

Comments

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Key points

- South East Asia, home to 9% of the world's population, is critical to maintaining and building New Zealand's security. This has long been true, demonstrated by the deployment of tens of thousands of New Zealanders during the Malayan Emergency, Indonesian Confrontation, commitment to Singapore, Viet Nam war and deployment to Cambodia and Timor Leste.^{s6(a)}
- Collectively the world's fifth largest economy, countries in South East Asia enjoy some of the fastest economic growth rates in the world, fuelling a 13% increase in our exports to the region last year alone. At a time when we are looking to increase opportunities for growth and to diversify our trade, South East Asia presents strong potential, not least given the comprehensive trade architecture we have established with the region.
- South East Asian countries want a stronger New Zealand presence in the region. They are seeking a deeper partnership with countries like ours – both bilaterally and through the ASEAN¹ platform - as they seek to carve out more space for themselves,^{s6(a)}
- ASEAN sits at the centre of South East Asia as the convenor of the regional architecture and a bulwark for safeguarding stability in the Indo-Pacific. But engagement with this bloc is insufficient on its own to futureproof our bilateral relationships with these partners. We need to know Indonesia, Malaysia, the Philippines, Singapore, Thailand and Viet Nam better. Showing up in capitals matters if we are to preserve and grow our influence as others crowd into the region. We recommend taking advantage of the intensity and energy of the new government to signal a step change in our engagement with South East Asia, including through an energetic programme of political level visits to select South East Asian capitals.
- 2025 also presents a number of opportunities to boost our relationship with ASEAN as we mark the 50th anniversary of New Zealand's relationship with the bloc. Upgrading our relationship with ASEAN to a Comprehensive Strategic Partnership (CSP) presents a unique opportunity to signal a reinvestment in the architecture. Officials propose to return to Ministers with a range of options for leveraging our anniversary year in 2025 for consideration in due course.

Deborah Geels
for Acting Secretary of Foreign Affairs and Trade

¹ ASEAN is the Association of South East Asian Nations, a political and economic union of 10 countries in South East Asia. Timor Leste is an aspirant member.

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Recommendations

It is recommended that you:

- 1 **Agree** that visits to Indonesia, Malaysia, the Philippines, Singapore, Thailand and Viet Nam should be prioritised by the Prime Minister and a range of Ministers over the next three years; **Yes / No**
- 2 **Agree** that officials provide Ministers with recommendations for leveraging the 50th anniversary of New Zealand dialogue relations with ASEAN in 2025, including resourcing the upgrade in our relationship to a Comprehensive Strategic Partnership; **Yes / No**
- 3 **Refer** a copy of this submission to the Prime Minister, Minister of Defence, Minister for Trade, and Minister of State for Trade. **Yes / No**

Rt Hon Winston Peters
Minister of Foreign Affairs

Date: / /

Proactively Released by the Ministry of Foreign Affairs and Trade

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Report

1. The nations of South East Asia – stretching from Myanmar to Timor Leste, home to 9% of the world's population and collectively its fifth largest economy – matter intrinsically to New Zealand for two reasons. First, South East Asia is integral to our security. Second, a successful and growing South East Asia is a key enabler for New Zealand's prosperity. The region as a whole is New Zealand's fourth largest export destination after China, Australia and the United States (US).
2. Since WWII, tens of thousands of New Zealand personnel have been deployed to contribute to security in South East Asia. Today, ^{s6(a)}, and as internal instability within South East Asia pushes problems like drugs, extremism and illegal migrants in New Zealand's direction. Lying at the heart of the Indo-Pacific, South East Asia and the architecture convened by ASEAN is at the frontline of geostrategic competition ^{s6(a)}.
3. Our engagement with this region is underpinned by the mutually reinforcing nature of our support for ASEAN and our relationships with the countries of South East Asia. This submission proposes that, in line with the recommended reset of New Zealand's foreign policy, we redouble our effort in South East Asia with select individual countries, and with ASEAN, across diplomatic, economic, and defence/security domains.

The Strategic Environment

4. Following the post-colonial tumult of the 1960s and 1970s, South East Asian nations have been able to coexist peacefully, providing a platform for rapid economic growth. For several decades, ASEAN has been successful in creating norms of dialogue and cooperation to promote stability among the states of the region and has acted as a bulwark to great power competition in the region.
5. Shifts are afoot, putting those decades of stability under pressure, and ^{s6(a)}

US security support provided through its formal alliances with the Philippines and Thailand, close partnerships with Singapore, and other countries (e.g. Australia, Japan, the Republic of Korea (ROK) and India among others). US economic engagement through the region comes through its FTA with Singapore (and Australia and ROK), and its leadership of the Indo-Pacific Economic Framework. The US, and increasingly countries like India, are also a significant source of Foreign Direct Investment in the region.

6. ^{s6(a)}

To that end, they rely on ASEAN maintaining primacy at the centre of regional diplomacy, reducing the ability of the "great powers" to set the agenda. Support from dialogue partners like New Zealand, Australia, Japan and others has a stabilising effect.

7. South East Asian nations are increasingly recognising that rules and institutions will not wholly insulate them from geo-strategic competition: they are turning to bilateral

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relationships with a wider array of countries, ^{s6(a)}

8. While Australia is New Zealand's only military ally, and security developments in the Pacific directly engage New Zealand's national security interests, ^{s6(a)}

Our security hinges on a secure and stable South East Asia, which today faces a range of issues, including:

- Tensions are mounting in the South China ^{s6(a)}

The risk of miscalculation is real in seas that carry over half of New Zealand's trade, as is the case in the nearby Taiwan Straits. Conflict over these areas would have catastrophic impacts.

- ^{s6(a)}

- Internal tensions in some countries impact New Zealanders, as demonstrated by the three New Zealanders killed by violent extremists in Bali in 2002 and the New Zealand citizen taken hostage in Papua in 2023.

9. Just as New Zealand is integrated in the region's trade agreements, we also have a place in its political and security architecture. We are an ASEAN Dialogue Partner, a member of the ASEAN Defence Ministers' Meeting Plus process and the ASEAN Regional Forum, and a participating country in the East Asia Summit (one of eight non-ASEAN partners with a seat at the table). We participate in the Bali Process to counter people smuggling and other processes targeting transnational crime. We sustain strong military partnerships with Singapore and, to a lesser extent, Malaysia, with both of whom we are part of the Five Power Defence Arrangements².

The Economic Opportunity

10. A successful and growing South East Asia is a key enabler for New Zealand's prosperity. South East Asia's ten countries account for 7% of global GDP. This is the world's most dynamic region with some of its most rapidly growing economies. As a bloc, South East Asia was the fastest growing economy in the world over the last decade, averaging GDP growth of 5.5%. As the region's economic significance increases so will opportunities for New Zealand's economic development.

11. The region is expected to sustain a 5% growth rate through to 2030, with Viet Nam and the Philippines projected to have some of the world's fastest GDP increases through to 2050. While only Indonesia and Thailand are currently in the world's top twenty-five economies, forecasts suggest the Philippines, Viet Nam and Malaysia will have joined them by 2050. These shifts support the slow emergence of a more multipolar distribution of power in our near abroad.

12. Home to 680 million people, South East Asia will have a significant sized working-age cohort as it completes its demographic transition. The region's rapidly growing middle class is

² Five Power Defence Arrangements are a series of bilateral defence relationships established in 1971 between Australia, Malaysia, Singapore, the United Kingdom and New Zealand.

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generating an impressive growth in demand for consumer items, like food and beverage, tourism and education services.

13. As multinational corporations seek to diversify their supply chains, they are factoring South East Asian manufacturing opportunities into their “China plus one”³ strategies, which means these countries will play a bigger role in global value chains.
14. South East Asian governments are principally focused on maximising economic growth as a way to deliver on their peoples’ aspirations for prosperity. When they look out into the world, their economic interests lie with growing trade; attracting productive foreign direct investment; and, where relevant, securing aid flows to invest in human and physical capital.
15. When it comes to supporting South East Asia’s economic growth, however, New Zealand is a bit player. New Zealand receives just 0.4% of the region’s exports and while we are a growing market for South East Asian economies (47% increase in five years), that is off a low base and still slower than the growth in South East Asia’s major markets of China and the US. Similarly, New Zealand accounts for just 0.25% of aid flow to the region, compared to Australia which accounts for 3% of aid flow.
16. Where New Zealand has made an impression is by integrating ourselves in the region’s trade and economic architecture; by playing an active and constructive role in APEC, CPTPP, RCEP, and AANZFTA; and our bilateral FTAs with Malaysia, Singapore and Thailand. We have earned ourselves a reputation for trade and economic leadership in the region and guaranteed ourselves a seat at the table for the region’s most important regional processes.
17. In contributing to South East Asian nations’ prosperity, we occupy a few important niches:
 - Pre-pandemic, 250,000 New Zealanders holidayed in South East Asia every year. If the region were a single country, it would be Kiwis’ second favourite tourism destination (behind Australia).
 - We are a source of quality food in a region where food security remains a concern. Dairy accounts for over half of New Zealand’s goods exports, with New Zealand one of the largest sources of imported dairy for consumers in Indonesia, Singapore, Malaysia, the Philippines and Thailand.
 - We are becoming a more attractive destination for those who can afford to come to New Zealand to study (with Viet Nam, Thailand, Indonesia, Malaysia, and Philippines offering further potential upside growth) and we are becoming an increasingly desirable tourism destination (from those countries, plus Singapore).
 - We are a place where South East Asian nationals have chosen to settle, accounting for over 2.5% of our population and are a significant contributor to our workforce in critical sectors such as health and aged care. Filipino diaspora in New Zealand are an important source of remittances to their home country.

³ “China Plus One” strategy refers to a business strategy adopted by multinational corporations, to diversify their production and supply chain activities by adding an alternative manufacturing or sourcing location to China.

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New Zealand's Place in the Region

18. While New Zealand will never be determinative in the balance of power within South East Asia, we do bring a series of capabilities to bear that partners in the region care about:

- *We provide ballast to a set of countries feeling squeezed.* As a member of the Five Eyes and as a country with good governance, we are seen as a standard-bearer for the liberal international order. We are also respected for our fairmindedness. We can provide South East Asian nations with cover by speaking out on issues of mutual interest,^{s6(a)}

Separately, we support a set of vibrant Track 2 engagements across South East Asia.

- *We exercise influence in the Pacific.* Indonesia wants a greater role in the Pacific (partly seeking to manage the Papua issue).^{s6(a)}
- *We bring assets to the table, with our frigates and maritime patrol aircraft supporting freedom of navigation through the region.* We do this through the regular deployment of NZDF assets,^{s6(a)}
- *We bring an enduring defence partnership with Singapore.* We provide leadership for the practical security arrangements of the Sembawang Naval Installation. We also offer terrain to support training and exercising, particularly for the Singapore Armed Forces, but also with other South East Asian nations.
- *We bring knowhow and capacity-building.* South East Asian countries are keen to grow their own capabilities by tapping into our expertise – on adapting to financial trends, innovative technology, good governance and expertise in healthcare and education.
- *We provide NZ\$308 million in development cooperation funding [2018-2023].* This supports South East Asian countries' priorities on green energy projects, sustainable agricultural practices, education and scholarships.

Stepping up New Zealand's engagement bilaterally and regionally

19. In the new strategic and economic context, there are real opportunities for New Zealand to have more impact in the region and to take advantage of the opportunities the region presents for New Zealand's economic growth. Securing these opportunities would require New Zealand to take a number of concrete steps, including:

20. **First**, we need to recognise that showing up to ASEAN regional meetings is essential, but not sufficient. ASEAN's ten Member States are extraordinarily diverse: ranging in population from a quarter of a billion down to half a million; practicing Islam, Buddhism, Christianity and other religions; with governments that range from one-party states through to vibrant democracies. We need to get to know them better individually, establishing a habit of regular visits and welcoming them to New Zealand.
21. **Second**, if we are to meaningfully invest in relationships in South East Asia, we are going to need to make choices about our focus and prioritisation of scarce resources. Officials propose focussing attention on the six countries where New Zealand's interests are

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strongest: Indonesia, Singapore, Malaysia, Thailand, Viet Nam and the Philippines. All are among our top twenty trading partners, with growth potential. All are strategically significant, and key to our security. Brunei Darussalam, Cambodia, Laos and Myanmar also matter, but their economic and strategic weight does not currently justify prioritising them for increased political attention.

22. **Third**, if we are to deliver on our intent to thicken relationships with Indonesia, Singapore, Malaysia, Thailand, Viet Nam, and the Philippines, the best way to do that is through diplomacy led at the political level.⁴ Showing up demonstrates New Zealand is invested in the relationship. It shows we want to get to know our neighbours on their terms. The Albanese Government's energetic and deliberate engagement across South East Asia provides a model which New Zealand might look to emulate. Officials propose that Ministers and the Prime Minister all make bilateral visits to these six countries over the coming three years, some of which have not had a bilateral visit since 2009. A high-level travel schedule could be as follows:

	Prime Minister	Foreign Minister	Trade Minister
Indonesia	2024 (2016)	2025 (2021)	2024 (pre-2018)
Singapore	2024 (2022)	2025 (2021)	2024 (2022)
Malaysia	2025 (2009)	2024 (2022)	2024 (2015)
Thailand	2024 (2013)	2024 (2018)	2025 (2017)
Viet Nam	2025 (2022)	2024 (2017)	2025 (2022)
Philippines	2025 (pre-2012)	2024 (2012)	2024 (2014)

* First date: Proposed year of visit

* Second date in parentheses: Year of last bilateral visit

23. **Fourth**, we need to ensure that we align our whole of government effort to ensure that an increased tempo of visits to these six countries strengthens our long-run objectives for the region. To achieve that, greater coordination and coherence in our approach to South East Asia across NZ Inc. will be essential.
24. **Fifth**, we need to address our investment in and engagement with ASEAN, which is declining both in real terms and relative to our major partners. At present, New Zealand's reputation with ASEAN partners draws down on investments made in our relationships with the region in the mid-late 20th and early 21st century as we recognised that our future prosperity lay in Asia, and in South East Asia particularly. As other countries reaffirm and reinvest in their relationships with ASEAN partners in response to a shifting strategic environment, New Zealand is now falling off the pace.
25. The commemoration of 50 years of dialogue relations with ASEAN in 2025 will provide some excellent opportunities to signal a reinvestment in New Zealand's relationship with the bloc. We have advised ASEAN, including at Ministerial level, of New Zealand's intention to seek an upgrade in our relationship with ASEAN to a Comprehensive Strategic Partnership in 2025.^{s6(a)}

An upgrade in our relationship and associated activity in 2025 will have resource implications. Officials propose to return to you with costed proposals for your consideration in due course.

⁴ We prioritised 41 distinct visits to 17 countries in Europe by internationally facing Ministers in 2019, compared to just 23 visits to 7 South East Asian countries, many of which were for attendance at regional meetings.