

Chair,  
Cabinet National Security Committee

## New Zealand in the Pacific

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### Proposal

1 This paper proposes, for Cabinet approval, a refreshed New Zealand approach to the Pacific Islands region.

### Executive summary

2 In no other region does New Zealand matter more, wield more influence, and have more impact than in the Pacific. But our ability to pursue our interests in the Pacific is challenged by the dizzying array of problems the region faces and an increasingly contested strategic environment which is eroding our influence. This requires a revamped New Zealand approach to the Pacific. This new approach should include developing deeper partnerships with Pacific Island countries; adopting the following principles of engagement: understanding, friendship, mutual benefit, collective ambition and sustainability; seeking to bolster the influence of likeminded partners. s6(a)

s6(a)

A proposal to increase the size of our development programme, which is strongly focused on the Pacific, is being considered as part of Budget 2018. Officials will report-back by the end of 2018 on how this refreshed approach has been implemented.

### Background

3 This paper has been developed in the context of a broad range of Pacific engagements planned by the New Zealand Government in 2018. It includes a Prime Ministerial-led Pacific Mission to Polynesia in March, the Prime Minister's attendance at the Pacific Islands Forum in Nauru in September, and Papua New Guinea's hosting of the Asia-Pacific Economic Cooperation meeting in November.

### Comment

4 New Zealand's place is in the Pacific.<sup>1</sup> In no other region does New Zealand matter more, wield more influence and have more impact. With respect to the Pacific, there is also a unique and substantial overlap between New Zealand's domestic and foreign policy. Many of the Pacific's challenges are intractable and a great deal of time and money has been expended over the years, with mixed results. Despite the frustration of inevitable setbacks, New Zealand's engagement in the Pacific is non-

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<sup>1</sup> The Pacific is not one, undifferentiated region. Rather, it is home to around 16 million people of diverse cultures scattered across 23 countries and territories, including New Zealand. The depth of New Zealand's relationships and our level of influence differ markedly across the vast Pacific Ocean. See **Annex 1** for an illustration of how New Zealand's Pacific relationships differ across the region.

discretionary: we do not have the option of disengaging politically or walking away from our Pacific development relationships.

5 There are three primary drivers to New Zealand's engagement in the Pacific Islands region:

- **Our Pacific identity:** New Zealand is a Polynesian country, and is linked by history, culture, politics and demographics to all parts of the Pacific. There is greater porosity and interconnectedness between New Zealand and the countries of Cook Islands, Niue, Samoa, Tokelau and Tonga, than any others in the world, with the partial exception of Australia. This has profound implications for New Zealand's domestic and foreign policy settings.
- **National security:** Due to the trans-boundary nature of contemporary security challenges (including gangs, criminal deportations, drug production and distribution, cyber and financial crime, aviation and border security, environmental security, and the need to participate in regional peacekeeping missions), New Zealand's national security is directly affected by the Pacific's stability.
- **Shared prosperity:** Pacific Island countries with improved economic and social well-being help to create opportunities, and minimise risks, for New Zealand and New Zealanders. We seek to assist Pacific Island countries to achieve sustained economic growth and improved public financial management, as the primary engines of lifting living standards and funding vital government services.

6 But New Zealand's ability to pursue our interests in the Pacific faces two significant challenges:

- Pacific Island countries face a dizzying array of problems, which in some cases they are not well equipped to tackle; and
- The Pacific's strategic environment is becoming increasingly contested and complicated, and New Zealand's relative influence in the region is consequently declining.

7 This paper summarises the challenges the Pacific faces, and proposes, for Ministerial endorsement, a series of responses the New Zealand Government should be making to help the Pacific meet its challenges and to preserve our influence.

### ***The state of the Pacific***

8 Pacific Island countries face numerous significant long-term, strategic challenges (summarised in **Figure 1**), including:

# Figure 1: New Zealand in the Pacific: a 2018 Snapshot



Major regional challenges	New Zealand's Pacific toolkit	2018: Seven events to watch and questions to ponder
 <b>Governance:</b> s6(a) s6(a)	 <b>Leadership diplomacy:</b> Frequent Prime Ministerial and Ministerial engagement.	 <b>Fijian election, May:</b> s6(a) s6(a)
 <b>Gender equity:</b> s6(a) s6(a)	 <b>Official development assistance:</b> Currently worth around NZ\$330m/year.	 <b>PALM Summit, Japan, May:</b> s6(a) s6(a)
 <b>Climate change/natural disasters:</b> The Pacific is acutely vulnerable to the effects of climate change and natural disasters.	 <b>Bilateral and regional engagement:</b> Policy discussions to advance mutual objectives.	 <b>The Pacific Islands Forum in Nauru, September:</b> s6(a) s6(a)
 <b>Isolation:</b> The Pacific, its people and products are a long way from the rest of the world—making private sector development challenging.	 <b>Cultural/Pasifika links:</b> Leveraging our Pasifika diaspora and shared Polynesian cultures.	 <b>APEC in Papua New Guinea, November:</b> s6(a) s6(a)
 <b>Resource curse:</b> The Pacific has a number of valuable resources – including fisheries and minerals – s6(a) s6(a)	 <b>Humanitarian assistance &amp; search and rescue:</b> Especially for natural disasters.	 <b>New Caledonia independence referendum, November:</b> s6(a) s6(a)
 <b>Public sector capability:</b> s6(a) s6(a)	 <b>Migration pathways:</b> Including through labour mobility schemes and scholarships.	 <b>PACER Plus entry into force:</b> s6(a) s6(a)
 <b>Brain drain:</b> The Pacific struggles to retain its best and brightest s6(a)	 <b>Security and justice sector engagement:</b> Including defence, police, corrections, food safety and customs.	 <b>Political transitions:</b> s6(a) s6(a)
 <b>Youth:</b> The Pacific has a young population, s6(a) s6(a)	 <b>Government systems support:</b> Including human rights, electoral assistance, judicial support, legislative drafting, tax system and statistics.	
 <b>Insecurity:</b> The Pacific is vulnerable to transboundary security threats—including gangs, criminal deportations, and cyber and financial crime.	 <b>Regional organisations:</b> Provide solutions to transboundary challenges.	
 <b>Voice:</b> Pacific Island countries are, by international standards, small and they struggle to get heard on the regional and global stage.	 <b>External partners:</b> Discussions with the Pacific's other partners, to influence their engagement in the region.	
 <b>Complex strategic environment:</b> The Pacific has many partners vying for influence s6(a) s6(a)		

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- How to combine customary and modern governance structures in a way that preserves cultural traditions, prevents corruption, promotes human rights and fairness, and delivers against 21<sup>st</sup> Century expectations of transparency and responsiveness;
- How to achieve broad-based, inclusive economic growth, so as to fund improved basic government services, especially health and education;
- How to drive down poverty levels especially among children and achieve genuine women's political and economic empowerment;
- How to adapt to the increasing and urgent realities of climate change, in a way that safeguards the autonomy, homelands and cultural heritage of existing communities;
- How to make their countries attractive to enough of their best and brightest members, so as to avoid a debilitating brain drain to New Zealand, Australia and the United States, while appropriately supplementing lost capacity with migrants and citizens returning home later in life;
- How to overcome the tyrannies of distance and isolation, by investing in technologies and adopting policy settings that connect the Pacific, its people and products to the world;
- How to address growing pressures on the Pacific's natural environments, and shore up resilience against extreme weather events;
- How to ensure, as small states, that their voices are heard on the regional and international stage; and
- How to navigate a competitive strategic environment s6(a)  
s6(a), which presents a complex array of partners with corresponding opportunities and risks.

9 Over 30 New Zealand Government Agencies have interests in the Pacific Islands region. Our broad engagement in the Pacific Islands region is focused on helping Pacific leaders to tackle the major issues facing the region (our Pacific Toolkit is summarised in **Figure 1**):

- **Governance:** Transparent, accountable, capable, inclusive and democratic government systems are an important enabler of positive human development trends across the region. s6(a)  
s6(a)

- **Human development:** Health and education are core drivers of positive development outcomes. Healthy Pacific peoples have improved education, workforce participation and life expectancy outcomes. Quality education increases the supply of skilled human capital to support effective leadership, economic growth and social coherence. Yet these fundamental social services often face capacity and capability constraints, which New Zealand must play a sustained role in tackling.
- **Climate change and disaster risk:** Pacific Island countries are particularly vulnerable to the effects of climate change and natural disasters, which are exacerbated by environmental degradation. Indeed, climate change is the most important long-term challenge that the region faces. We seek to assist Pacific Island countries in achieving effective global action on climate change and in adapting to and mitigating its effects including through increased use of renewable energy. New Zealand has an influential role to play in leading debate about appropriate policy responses to climate change-induced migration and is at the forefront of helping the Pacific to prepare for, and respond to, natural disasters. This includes assisting Pacific Island countries to become more socially, economically and environmentally resilient to natural disasters and responding to requests for humanitarian assistance when such disasters occur.
- **Security:** The Pacific faces an array of traditional and non-traditional (such as human and environmental) security challenges, which affect New Zealand and the wider region in interrelated ways. New Zealand's defence and security engagement in the region covers a wide range of partnership areas and is a core component of our Pacific relationships. New Zealand and Australia have been the major contributors to regional peacekeeping missions where these are requested. Given the trans-boundary nature of many Pacific security threats and challenges, well-coordinated regional responses are often required. For this reason, Pacific Islands Forum members, including New Zealand, are currently negotiating a new Pacific regional security declaration.
- **Economic development:** New Zealand seeks to assist Pacific Island countries to achieve sustained economic growth and improved public financial management, as the primary engines of lifting living standards and funding vital government services. We seek economic growth that is inclusive, environmentally sustainable, effectively utilises business and trade opportunities (especially in key sectors such as tourism and fisheries), harnesses modern information and communication technologies, and achieves enhanced labour mobility to meet skills shortages across the region. Implementation of the Pacific Agreement on Closer Economic Relations Plus (PACER Plus) will be an important element of achieving greater economic and trade integration in the region.
- **Oceans and fisheries:** Along with tourism, fisheries are the most important economic resource that Pacific Island countries enjoy. But Pacific Island countries

need help in protecting and managing their fisheries sustainably, and face significant challenges to their ability to realise its full economic value not least from illegal, unregulated and unreported fishing by external actors. The Pacific's important tourism industry also relies on the quality of the region's natural environments (e.g. clean water and healthy coral reefs).

***An increasingly contested strategic environment***

10 The Pacific is an increasingly contested strategic space with more partners competing for finite influence. This is creating a degree of strategic anxiety, as well as some opportunism, among Pacific Island leaders.

11 Australia, New Zealand, China, the United States, France, the European Union, Japan and Taiwan are the eight partners with the most influence in the Pacific Islands region, with multilateral institutions also playing an important role.<sup>2</sup> s6(a)

s6(a)

12 The Pacific Islands region receives around \$NZ3 billion a year in official development assistance (ODA), or NZ\$265 per person. Development spending is not a clear proxy for level of influence in the Pacific. While all countries with significant development spending in the region use their aid programmes to build influence, other factors, including soft power such as television and radio programming and people-to-people links and security/defence engagement, are important when considering relative influence.

13 How New Zealand is perceived in the Pacific has evolved over the past few decades as the region has undergone a transformation in how it views itself. A new generation of post-colonial Pacific Island leaders has become increasingly confident, independent and assertive regionally and internationally, and more comfortable in courting a range of external partners. These dynamics have led both to New Zealand's relative influence in the Pacific declining, and our brand in the region moving from (post) colonial power to development partner. Pacific perceptions of New Zealand are also shaped by our differing patterns of engagement across the region. s6(a)

s6(a)

14 New Zealand - which is the Pacific's second-largest donor, accounting for 11 percent of total development spending in the region is not alone in grappling with a

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<sup>2</sup> See **Annex 2** for discussion of the role that each of these external partners plays in the Pacific.

loss of relative influence in the Pacific. In general, partners that mostly share our values s6(a) are losing relative influence in the region, s6(a) are building it. This strategic environment poses New Zealand a question: *how do we influence Pacific Island countries to pursue their social and economic objectives in a way that promotes our values and mitigates the risks posed by partners with quite different value sets?*

15 s6(a)

16 In seeking to approach the Pacific's complex strategic environment, we must be respectful of Pacific Island countries' clear wish to manage their own international relations. s6(a)  
s6(a)

### ***A refreshed New Zealand approach to the Pacific***

17 The New Zealand Government is more intensively engaged in the Pacific, across a broader range of sectors, than any other part of the world. But the vast scale of the challenges that the region faces, and the increased strategic competition threatening our relative influence, argue for a re-energised New Zealand approach to the region. This section outlines, for Ministerial approval, this refreshed approach.

18 **Renewed principles for engagement:** In engaging with the region, New Zealand Agencies should be guided by the following five key principles:

- **Understanding:** We must develop, and demonstrate, a depth of understanding of the Pacific. This means ensuring that New Zealand Government policy on the

Pacific is properly enriched by the academic, community and civil society expertise on the Pacific that exists within New Zealand, as well as in the region itself.

- **Friendship:** We must exhibit the values of friendship, including honesty, empathy, trust and respect. This means that we make full use of leadership diplomacy with the Pacific, both undertaking frequent Ministerial travel into the region and providing a high degree of political access to Pacific leaders who visit New Zealand. It also means that we should have frank conversations with Pacific Island countries when our values and interests do not coincide s6(a)  
s6(a)
- **Mutual benefit:** In developing domestic and foreign policy with impacts on the Pacific, we must actively identify win-win opportunities and avoid negative consequences. This has implications, for example, in how we approach issues such as pension portability, criminal deportations, labour mobility and health and education policy. Where appropriate, New Zealand Government decision-making on domestic policies should be run through a “how will this affect the Pacific Islands region?” filter.
- **Collective ambition:** We must ensure that the New Zealand Government Agencies working in the Pacific operate in a well-coordinated fashion, so that they can deliver on the Government’s collective ambition for the region. This means working inclusively with a broad range of New Zealand stakeholders, including our Pasifika communities, Pacific-focused civil society organisations and businesses, as well as with external actors and Pacific regional organisations.
- **Sustainability:** Given our enduring stake and place in the Pacific, our focus should be on contributing to the region’s long-term goals.

19 **Building deeper partnerships with Pacific Island countries:** Pacific Island countries, s6(a) fundamentally welcome having a range of partners to work with. A multiplicity of partners provides them with options: if there is a kind of support they cannot get from one partner, they can seek to receive it from another. Any changes that New Zealand makes to our Pacific approach therefore have to be developed in partnership with Pacific Island countries. Our key current challenge in this context is moving our relationships with Pacific Island countries as much as possible past a donor/recipient dynamic into genuine and more mature political partnerships in which we can progress bilateral and regional policy issues of mutual interest. For example, we need to include strategic discussions in our policy exchanges with Pacific Island countries and proactively share information with them s6(a) This would also support a collective approach to regional security.

20 s6(a)

s6(a)

s6(a) We must also not take for granted the 'soft power' advantage that we have traditionally enjoyed in the region, s6(a) Rather, we must work hard to develop broader and deeper social and political linkages, as well as place a greater focus on soft diplomacy, public diplomacy and people-to-people measures. Building deeper partnerships and providing support to our Pacific partners also requires appropriate capital investment by New Zealand including in our own capabilities s6(a) used in the region.

21 **Close cooperation with Australia:** Australia is New Zealand's closest partner in the Pacific, and we have broadly shared interests and objectives across the region. s6(a)

s6(a)

As we refine our approach to the Pacific, it will remain important that we stay closely connected with Australia, so that our respective efforts continue to work to complementary ends s6(a)

s6(a)

22 **Shoring up our values through likeminded partners:** The relative decline in influence in the Pacific of some of our likeminded partners, s6(a)

s6(a)

is detrimental to the cause of promoting New Zealand values in the region. Our engagement with those partners, as well as with Pacific Island countries, should be aimed at ensuring that they remain actively involved in the region's future and in a way which promotes the region's objectives and our shared values.

23 This can be pursued primarily through policy discussions and, where appropriate, joint approaches to activities. s6(a)

s6(a)

24 Another element of this "shoring up" strategy is multilateral and global institutions, which generally share our values and can provide technical expertise to achieve our goals, s6(a)

s6(a)

In each of these cases, we should be encouraging a ramping up of their engagement in the Pacific, whilst also seeking to ensure that their activities in the region are directed at those sectors such as good governance, human rights and democracy promotion s6(a)

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25 **Influencing non-traditional partners:** New Zealand should also seek to engage with non-traditional partners s6(a) in order to try to influence to the extent possible their behaviour in the region. s6(a)

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26 s6(a)

27 **Promoting Pacific regional and international action:** s6(a)

New Zealand (and Australia) s6(a) we are an integral and foundational part of the region's organisations, which play a crucial role in tackling priority regional challenges such as climate change and regional security. New Zealand and Australia were founding members of the Pacific Islands Forum, the region's preeminent political grouping, and this membership allows us to influence Pacific Island countries' international actions and priorities. New Zealand therefore has a stake in ensuring the existing Pacific regional architecture, with the Pacific Islands Forum at its core, becomes more effective. We should also be helping to foster and positively shape the regional and international consciousness of those Pacific Island countries that have an interest or demonstrated track record of being influential in issues beyond their borders. s6(a)

s6(a)

28 **Considering an expanded Pacific development programme:** New Zealand spends around 60 percent of its ODA on the Pacific. But the size of our development programme as a proportion of New Zealand's Gross National Income has declined from 0.30 percent in 2008 to 0.25 percent in 2016. Without additional funding for our development programme, this proportion would decline further to 0.21 percent by 2021. Increasing the size of our development programme, which is under consideration as part of Budget 2018, would:

- help to mitigate New Zealand's loss of relative influence in the Pacific;
- allow New Zealand to bolster our efforts to tackle priority issues for the Pacific, especially climate change;

- enable an increased focus on sectors important for the promotion of our values, including good governance/transparency, human rights, inclusive political participation and development (including women's political and economic empowerment), and youth; and
- provide for an increase in New Zealand funding to multilateral institutions, s6(a) which are an effective means of promoting New Zealand values through the Pacific Islands region.

29 A refreshed approach to the Pacific will have implications for the around 30 New Zealand Government Agencies with interests and significant ongoing investment in the Pacific. Should Ministers agree, officials will report-back to Cabinet by the end of 2018 on progress made under this refreshed approach.

### Consultation

30 The following Departments and Agencies have been consulted in the preparation of this paper: the Civil Aviation Authority, Crown Law, the Department of Conservation, the Department of the Prime Minister and Cabinet, Maritime NZ, the Ministry for Pacific Peoples, the Ministry for the Environment, the Ministry of Business, Innovation and Employment, the Ministry of Civil Defence and Emergency Management, the Ministry of Defence, the Ministry of Education, the Ministry of Health, the Ministry of Justice, the Ministry of Social Development, the Ministry of Transport, the New Zealand Customs Service, the New Zealand Defence Force, New Zealand Police, the New Zealand Qualifications Authority, The Treasury, the Office of the Auditor General, the Parliamentary Counsel Office, Statistics New Zealand and Te Puni Kōkiri.

### Financial implications

31 While this paper does not seek Cabinet to take decisions with direct financial implications, the Minister of Foreign Affairs has submitted a bid under Vote Official Development Assistance for consideration through the Budget 2018 process to increase the size of New Zealand's development programme. The Treasury's Half Year Economic and Fiscal Update 2017, published in December 2017, noted in its Policy Change Risks section that historically funding decisions on our ODA programme have been made in the Budget preceding the end of the funding triennium, and that the current triennium finishes on 30 June 2018. It further noted that if the Government chose to increase funding to maintain the current ODA/gross national income ratio of 0.27 percent, this had been provisionally estimated to cost \$569 million over the next four years, and could be higher if the Government decided to increase the ratio.

### Human rights

32 This paper presents no inconsistencies with the Human Rights Act 1993 and New Zealand Bill of Rights Act 1990. However, it is noted that an increased focus by the New Zealand Government on human rights in the Pacific is envisaged as part of the refreshed approach to the region outlined in this paper.

## Legislative implications

33 This paper has no legislative implications.

## Regulatory impact analysis

34 This paper does not require regulatory impact analysis.

## Gender implications

35 This paper does not require a gender implications statement. However, it is noted that an increased focus on gender in the Pacific and specifically women's economic and political empowerment is envisaged as part of the refreshed approach to the region outlined in this paper.

## Publicity

36 The Prime Minister and the Minister of Foreign Affairs will have opportunities throughout 2018 to describe the refreshed approach to the Pacific outlined in this paper, including during their planned travel to the region, starting with the Pacific Mission to Polynesia planned in early March 2018.

## Recommendations

37 The Minister of Foreign Affairs recommends that the Committee:

- 1 **Agree** that the New Zealand Government needs a refreshed approach to the Pacific Islands region, given the scale of the challenges the Pacific faces and the erosion of New Zealand's influence by a more contested strategic environment.
- 2 **Agree** that a refreshed New Zealand approach to the Pacific should include:
  - 2.1. Building our Pacific relationships around genuine, mature political partnerships, moving past the donor/recipient dynamic;
  - 2.2. Implementing new principles of engagement for the New Zealand Government in the Pacific of: understanding, friendship, mutual benefit, collective ambition and sustainability;
  - 2.3. Reinvesting in leadership diplomacy with the Pacific, by undertaking frequent Ministerial travel into the region and providing a high degree of political access to Pacific leaders who visit New Zealand;
  - 2.4. Ensuring New Zealand Government decision-making on domestic policies considers their implications for the Pacific Islands region; and
  - 2.5. Refocusing on New Zealand's response to increased strategic competition in the Pacific by:
    - 2.5.1. Cooperating closely with Australia;

2.5.2. Seeking to bolster the influence of our likeminded partners in the Pacific, s6(a)  
s6(a)

2.5.3. s6(a)

2.5.4. Enhancing the effectiveness of Pacific regional organisations, so that they are best placed to respond to shared regional challenges (e.g. climate change).

- 3 **Note** that a proposal to increase the size of New Zealand's official development assistance programme, which has a strong focus on the Pacific, is under consideration as part of Budget 2018.
- 4 **Note** that officials will report back by the end of 2018 on progress made on the refreshed approach.

**Rt Hon Winston Peters**

Minister of Foreign Affairs

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**Annex 1:** s6(a)

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Pages 14-16 are withheld in full under s6(a)

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## Key Facts

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## Pacific regionalism

New Zealand supports Pacific regionalism by promoting policy discussions in Pacific regional organisations, especially the Pacific Islands Forum and the Pacific Community, and by funding regional initiatives. Some issues facing the Pacific are trans-boundary in nature, and therefore lend themselves to regional solutions. Others are more cost effective to tackle regionally, due to scale efficiencies. Each year, around US\$220million in funding goes to regional organisations and initiatives. The major funders of this regional work are Australia (51%), NZ (23%), the EU (12%) and France (6%).

**Annex 2: Snapshot of the Pacific's major partners**

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Pages 18-21 and Annex 3 are withheld in full under s6(a)

# Annex 2: the Pacific, a complex strategic environment



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Top donors ranked by % of Pacific ODA, 2012-2016		
1. Australia		39%
2. New Zealand		11%
3. China		8%
4. United States		8%
5. Japan		5%
6. France		5%
7. European Union		4%
8. Taiwan		4%

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