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After Rex Tillerson’s March trip to Asia to address the North Korea crisis, the world has a better sense of the style and work methods of the secretary of state, a confirmed suspicion of how the White House will pursue foreign policy objectives and still no new idea of how it will deal with North Korea. The depth of the crisis is plain; the consequences of getting it wrong unthinkable.

By the time Tillerson arrived in Asia the annual military exercises, called Foal Eagle and Key Resolve, between South Korea and United States forces were already under way, accompanied, as they had been in other years, by various threats and protests from North Korea. Kim Jong Un, the supreme leader of North Korea, as the nation likes him to be known, appeared to protest more vigorously and his threats seemed more credible. The sinking of the South Korean Navy’s corvette Cheonan, almost certainly by North Korea, occurred in 2010, long before Kim Jong Un became supreme leader, but it reinforced the belief that North Korea would go to extreme lengths if it could get away with it. At least four missiles were launched from North Korea, close to simultaneously, just before Tillerson arrived, some landing within 320 kilometres of Japan. During 2016 North Korea conducted two nuclear tests, and there has been considerable speculation that the country is on the brink of being able to make a nuclear weapon small enough to be mounted on a missile. In addition, North Korea may now be able to propel its rockets with solid fuel, rather than liquid fuel, a technical advance that would make the preparation for the launching of any missile much harder to detect. The Bulletin of Atomic Scientists estimates that in 2014 North Korea had ten nuclear bombs.

The paths of the multiple rockets were tracked by various people, not all with military connections, and found to be on a trajectory for a US military base in Japan. The Tillerson visit also coincided with the death of Kim Jong Un’s half-brother, Kim Jong Nam, who was assassinated in Malaysia with an internationally-banned nerve agent VX, another incident for which North Korea was blamed and seems the only likely suspect.

One does not have to have a whit of sympathy for the Trump administration and its floundering to acknowledge that if you are going to be dropped into a foreign policy dilemma, the Korean Peninsula is hardly something to cut your teeth on. So how did Tillerson do? He seems to have been taken seriously enough during his visits to Japan, South Korea and China. Though without diplomatic experience, he is a professional engineer and was chief executive officer of ExxonMobil — a background that would give him considerable standing and international experience, particularly in commercial and financial circles. He was not treated as a lightweight.

**Basic approach**

His basic approach was that the era of ‘strategic patience’ was over, meaning that there would be no more coaxing of North Korea to give up its development of nuclear weaponry by offers of aid, money or engagement in talks. This approach had been US policy for a long time and characterised the Six-Party...
The deployment has been speeded up before he takes office, the bring to the fore a man who opposes the deployment of Thaad. The possibilities of a first strike have also been debated. Tillerson went to Asia, Trump had raised the idea of Japan being supplied with nuclear arms. While Tillerson was in Asia, he said that ‘circumstances could evolve’ in terms of Japan acquiring nuclear weapons. Below I discuss the difficulties involved in such measures as a first strike or other military measures against North Korea. The voicing of such possibilities might simply be meeting threats with threat. But it is a dangerous path. A further response to North Korea’s activities has been that the United States has supplied South Korea with the Terminal High Altitude Area Defence (Thaad) system, a missile defence weapon. This has aroused the ire of both China and Russia, which see it as altering the military balance in Asia. Because of the Thaad deployment, China has instituted severe economic measures against South Korea. Whether South Korea will continue with deployment is not known because the country has been caught up in a political crisis in which the former president, Park Geun-hye, has stepped down from office because of bribery charges. An election may bring to the fore a man who opposes the deployment of Thaad. The deployment has been speeded up before he takes office, the hope obviously being that South Korea would keep it.

Apart from the deployment of Thaad, Tillerson’s stances over North Korea so far are better described as posture than policy, because they are not leading to steps to an outcome. Other characteristics of his approach have been that he seems not to want to involve the State Department in day-to-day decision-making. He took only one journalist, a comparatively unknown man of very conservative leanings, with him in his plane to Asia. It has been the tradition that the secretary of state takes a number of journalists from the established media such as the Washington Post or the New York Times, or a journalist who would cover material for a group of newspapers. In China Tillerson used the phrase ‘mutual respect’, which is a standard formula China uses to describe recognition of its various claims. These would include claims to vast areas of the South China Sea — rather more than the United States is prepared to concede at the moment. If Tillerson had been open to advice from experienced State Department officials, he might have avoided that particular trap. As it is, his use of the wording is almost bound to come back to haunt him. Just how tough Tillerson was in pressing for greater involvement by China in controlling North Korea is not clear. He seemed, however, to leave China on good relations with President Xi Jinping. Whether it will be a new era in US–China relations remains to be seen and may become plainer after Trump meets Xi.

**Unclear influence**

How much influence Tillerson has with the White House is unclear. A former US ambassador to the North Atlantic Treaty Organisation, Ivo Daalder, has said that Tillerson is being kept on a short leash over people (he could not even choose his own deputy) and money. Daalder argues that the White House does not seem to be interested in the kind of activity and kind of diplomacy in which the State Department usually engages. The State Department has been effectively side-lined both by Tillerson’s actions in essentially ignoring its officials, by the forced resignations of senior officials and their non-replacement and by the announced plan to cut its budget and staff. Jared Kushner, Trump’s senior adviser and son-in-law, has played a major part in foreign policy advice to the president. But Tillerson has some international standing and Trump may be cautious about creating a situation that makes Tillerson ready to resign.

Tillerson’s role and influence aside, the options for dealing with North Korea are limited. The do-nothing choice would leave North Korea free to test as many nuclear weapons and missiles as it likes until it is able to have any country it chooses within its range. The military option of bombing, shelling or otherwise attacking the weapons facilities in North Korea runs the risk of nuclear retaliation against Japan and South Korea and possibly other territories. North Korea may not yet have achieved the ability to mount a small enough weapon on a missile, but no-one is quite sure. In any case, it has conventional artillery aimed at the South Korean capital, Seoul, that could devastate the city. It is highly improbable that Seoul would escape heavy destruction and the loss of countless lives. US troops in South Korea would also be in North Korea’s artillery range. Of course, it would mean the end of the present government in North Korea, but the human, pollution and property losses would probably be unthinkable. An attacker would probably want to ensure that China would not intervene and that is an assurance China would almost certainly not be prepared to give. The United States and others would have to calculate whether...
after taking all those risks and the loss of lives who would be at a strategic advantage afterwards.

Neither the Thaad system being installed in South Korea nor Japan’s missile defence system, which it is seeking to supplement, are absolute guarantees against missile strikes. North Korea’s launching of four missiles together was clearly intended as a demonstration of its ability to overwhelm a missile defence system.

No doubt a military option will continue to be entertained and exercises conducted as if it were possible, but more as a game, if a dangerous one, than as a serious policy consideration.

**Third option**

The third option is a continuation of negotiations probably with, rather than without, continued sanctions, all of which is familiar territory in dealing with North Korea. No doubt some appropriate formula will be able to be devised so that further negotiations do not appear to be an extension of the ‘strategic patience’ Tillerson eschewed.

Several questions constantly press themselves when the negotiations option is weighed. One group is about North Korea and Kim Jong Un. Is he irrational? What does he want? What does North Korea want? The second group is about China. Why does it continue to give North Korea its lifeline? Why will it not use its influence to bring North Korea to a more acceptable way of behaving?

Setting aside any overblown ambitions Kim Jong Un might have about his role on the world stage, the man does not act as an irrational being might act. Put succinctly, he might be bad, but he is not mad. The constant element in his thinking is the survival of his rule. He fears a ‘regime change’ of the type that the United States pursued in an ill-advised way in Iraq. The most obvious protection against ‘regime change’ is to have nuclear weapons. He appears to use such exercises as South Korea and the United States conduct to foster the idea that North Korea is under constant threat. Kim Jong Un would also like US troops out of South Korea. North Korea is not a society in which matters are discussed freely so it is hard to know whether pride in North Korea’s nuclear accomplishments is widespread or whether the privations in parts of the society are considered an acceptable price for being a nuclear weapons state.

**Several policies**

China pursues several policies at the same time towards North Korea. It opposes Pyongyang’s nuclear tests and missile tests and abruptly cancelled a coal order from North Korea after February’s missile test. The United States has pressed China to be tougher on North Korea. China does not believe that it has as much influence on North Korea as the United States is wont to believe. Moreover, it does not want to bring about a collapse of North Korea for a number of reasons. One is that a collapse would cause a flow of refugees across the border into China. Another is that North Korea provides a buffer between China and the United States, which has troops in South Korea. China may also want to preserve its principle of not interfering in the internal affairs of other countries. In the past, it has invoked humanitarian principles about not causing deprivation among North Koreans.

Whether those considerations will change is an open question. As mentioned above, China was incensed about the deployment of Thaad in South Korea and some blame is being attached to North Korea for causing South Korea to have Thaad installed.

Recently a number of Chinese strategic thinkers put forward the view that it was time that China abandoned North Korea, a view that apparently surprised the authorities in Beijing. No doubt there will be some interest in Washington (if conventional foreign policy voices and practices prevail) in that approach. That is not to say China will abandon its objections to having a South Korea with US troops extend to its border or worries about refugees flooding into China, but some perspectives might be entertained. This article is being written before Trump and Xi Jinping meet, but when they do the mix might be more complex than it has been in the past.

**NOTES**

1. //the.bulletin.org/nuclear-ntebook-multimedia.
2. Interview: Tillerson skipping NATO meeting ‘a mistake’ that should be reversed. DW.com, 21 Mar 2017.
China in a global context over half a century

During and after the Tiananmen crisis in June 1989 China bucked the global trend, and Chinese Communism stayed intact. The collapse of the Soviet Union in 1990–91 came as a deep shock to Beijing, the reverberations of which are still being felt today. But Chinese leaders soon accepted it as irreversible, and set about ensuring that China’s own fate would be different.

In the aftermath of Tiananmen Beijing and Washington slowly came around to taking a new, less ambitious approach to their relationship. In China economic reforms were reinstated at the urging of Deng Xiaoping, now in his final years of power. In America President Bill Clinton gave up trying to link trade and human rights. He came to see how unrealistic it was to link the two concerns together. As the 1990s passed successive governments in China came to worry less about US-induced ‘peaceful evolution’, despite the warnings of some Party Cassandras, and to concentrate more on new, more demanding phases of the reform process, helped internally by the leverage of China’s entry into the World Trade Organisation.

This is not to say that then and later there were not moments of stress. Three in particular stand out. The first was the Taiwan crisis of 1995–96, when the then Taiwan leader Lee Teng-hui, head of the Guomindang, visited the United States, ending a ban on such visits. Beijing regarded this as crossing a red line, and conducted missile tests close to Taiwan Island. In response Clinton ordered an aircraft-carrier battle group to the Taiwan Strait, in a signal of resolution that helped bring the crisis to an end. It was a reminder that more than two decades after Nixon’s visit to China Taiwan remained a core concern of Chinese leaders. It also raised the question, never explicitly answered, of how far Washington would go in a crisis to defend Taipei.

The second moment of stress was in 1999, when US forces bombed the Chinese embassy in Belgrade in the course of NATO and US military action in Serbia. Washington insisted the bombing was accidental. Beijing rejected this, and the incident provoked a burst of Chinese anger. Here again, half forgotten by this time, was the powerful Chinese nationalism that had erupted in the May 4th Movement of 1919. Now it was showing itself again, nurtured by the Communist Party’s increasing emphasis on patriotism as a substitute for Maoism.

The third moment of stress was in 2001, when a US navy spy plane was clipped by a risk-taking PLA fighter pilot, and had to land on Hainan Island in south China. The Chinese pilot was killed; the Chinese authorities detained the US crew for ten days before releasing them after a muted apology from Washington. The incident was the first real sign that US spy planes operating near the south China coast — and US activities in the South China Sea — could be a major irritant in bilateral relations. The pilot may have been a maverick, but China was beginning to push back.

There were other causes for concern, too, including persistent

Embassy bombing

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friction caused by what many saw as the deliberate undervaluation of the renminbi, and other allegedly unfair Chinese trade and investment practices. At the same time China's burgeoning foreign currency reserves, which grew in value from less than US$2 billion in 1978 to well over US$3 trillion by 2010, much of them actually in US dollars, created a symbiotic relationship between China and the United States that neither side wanted — or indeed can now want — to undermine.

These crises aside, developments at the turn of the century and thereafter deflected US and Western attention away from China for a decade or more. The 9/11 terrorist attacks, followed by the US-led interventions in Afghanistan and Iraq and upheaval in the Middle East, were (and are) a consuming preoccupation. President George W. Bush was so taken up with these calamitous developments, and with the financial crisis of 2008–09, that his policy towards China gradually evolved into one of benign neglect. This suited China’s then leaders Hu Jintao and Wen Jiabao quite well. They oversaw a period of rapid economic development and relative quiescence in China’s foreign affairs. But the quiescence was misleading. Chinese confidence was increasing, as was the sense of authority and status that came with the exponential growth worldwide of Chinese trade, investment, tourism and educational exchanges. But it was not until 2009–10 that this really started to become apparent.

**Improving relations**

Meanwhile Chinese–Russian relations, normalised in the 1990s, continued to improve, to the point of becoming something close to a semi-ally, a turn of events that would have had Leonid Brezhnev turning in his grave. It confounded those convinced that China and Russia would remain adversaries just as much as the depth of the Sino-Soviet quarrel had confounded most Chinese watchers 40 years earlier. And it underlined how much Mao Zedong had been responsible for the Sino-Soviet crisis of the 1960s and 1970s. Boundary disputes with Russia and China’s new central Asian neighbours, successor states to the Soviet Union, were resolved, and the Shanghai Cooperation Organisation gave Beijing an entry-point into central Asian affairs as well as a home-grown international security pact — a first.

The war against terror, as Bush called it, had two other positive effects from China’s point of view. The first was that the Chinese government was able to portray rebel and dissident groups in Xinjiang, which together with Tibet was being subjected to increasing repression, as terrorists deserving the same treatment as terrorists elsewhere. The second was that by condoning policies of imprisonment without trial, torture and so-called rendition, the United States and its allies were depriving themselves of the moral high ground. This, and the growing importance of Chinese trade and investment internationally, resulted in the issue of human rights in China being treated even less seriously than before.

For China the 2008 financial crisis had a further positive effect, since outside the United States it was the only major state ready to take concerted action by putting into effect a $600 billion programme to stimulate domestic investment, one that helped other economies, including notably Australia’s, through heavy spending abroad on primary products such as oil, coal, copper and iron ore.

This brings us to the changes of recent years, particularly the years of Chinese President Xi Jinping, and to China’s standing in the world today. Since 2009 the mood in China has shifted, to a less tolerant domestic climate and a more confident approach to international relations, and Deng Xiaoping’s longstanding strategy of taoguang yanghui, keeping a low profile and biding time, has become increasingly irrelevant.

**Concerted steps**

This change of mood is often associated with President Xi Jinping himself, although it actually preceded him. Still, he has certainly taken steps to match China’s growing influence with benign policy initiatives. These are by now familiar to most of us. They include the awkwardly-named ‘One Belt, One Road’ (Yi dai yi lu) Silk Road initiative, with its focus on trade and infrastructure development, especially to the south-west and west of China — though it may have relevance for us here in New Zealand too. ‘One Belt, One Road’ is redolent of China’s re-emergent nationalism, evoking memories of the country’s millennia-old connections with continental Eurasia, not to mention its southern seas. A Chinese envoy, Zhang Qian, first noted the trade potential of central Asia over two millennia ago, and President Xi wants us to remember that. He also wants us to know that One Belt, One Road stretches even further than Zhang Qian ever envisaged. Not long ago Xi visited Warsaw railway station and met a train arriving there from Chengdu, the capital of Sichuan. Perhaps one day he will arrange to meet a COSCO container ship in Napier to make the same point.

One Belt, One Road was complemented by the new Asian Infrastructure Investment Bank, which New Zealand joined in 2015, and which developed countries have fallen over themselves to participate in despite misguided attempts by the Obama administration to deter them. The bank is sometimes described as a move by China to reshape the orthodoxies of the Bretton Woods system. It certainly seems to be a response to what President Xi in 2015 apparently called ‘unjust and im-
proper arrangements in the global governance system’, singling out the IMF and the World Bank.

A third initiative, less noticed, was the step Xi took in 2014 to develop a pan-Asian forum on security. He said then that ‘in the final analysis, it is for the people of Asia to… uphold the security of Asia.’ This was an unusually explicit rejection of US primacy in Asia.

Important changes

Other important changes were also occurring on President Xi’s watch, notably the step-by-step internationalisation of the renminbi, and the growth of the Chinese stock and bond markets, the latter now the third largest in the world.

To some extent the change in mood in China from 2009 onwards was the result of China's growing wealth and power. But other, more specific factors played a part as well. The first was the global financial crisis of 2008–09. Some Chinese, including many participating in China’s ballooning social media, saw China’s response to this as one more reason why China should no longer keep a low profile. The second, perhaps, was the widespread rioting that occurred in Tibet and Xinjiang in 2008–09, which may have hardened Chinese leaders’ attitude not only to dissent but also to outside interference in China’s affairs.

The third was Xi Jinping’s own emergence as China’s new Party and state leader in 2012–13. As is often remarked, Xi is cut from a different cloth to his predecessors, and has used China’s growing confidence in ways they hesitated to do. He has also accrued power in various ways, and while that still does not necessarily make him the all-powerful leader — capo di tutti capi — we shall have to wait until the next Party congress late this year (2017) to see how much of a ‘core leader’, to use his new designation, he really is — his strength and status do seem to have grown over time, at least with regard to politics and foreign affairs. In any case, his presidency has reflected a change of mood, and amplified it.

President Xi is guided by reactionary rather than liberal beliefs. It is clear that he wants to bring back what he sees as the Party’s earlier ethos while reasserting old, Party-centred methods of engaging with the people while the Party purges itself of graft and corruption. This helps account for the pervasive anti-corruption campaign under way in China, though this campaign has also served to rid Xi of rivals (notably the former Chongqing Party boss Bo Xilai and security supremo Zhou Yongkang). It also helps account for the severe restrictions now being placed on parts of academia, the media, legal activists and others.

Survival preoccupation

Xi and those around him have also chosen, misleadingly, to portray the Communist Party as the sole standard-bearer of China’s historical achievements. And most importantly, Xi has been preoccupied with the Communist Party’s survival. He has shown a telling interest in what happened in the Soviet Union in its final days in 1991, and in why the Red Army failed to support the Soviet Communist Party in its hour of need.

One outcome of Xi’s policies has been a greater readiness to assert patriotic sentiments abroad. Another has been resurgent doubts among some Chinese intellectuals about foreign attitudes towards China, doubts directed primarily at the United States and Japan. Xi himself has been openly impatient with foreigners demeaning China, once famously remarking that ‘There are some foreigners who have eaten their fill and have nothing else to do than carp and cavil at our affairs. China doesn’t (a) export revolution, (b) export hunger and poverty, (c) give you any bother. So what else is there to discuss?’

A fourth factor accounting for China’s change of mood in the years after 2009 was the United States’ so-called rebalance towards the Asia–Pacific region. The overall goals of this policy were couched in large terms of America’s future interests in the Pacific, but its more specific components were what mattered to Beijing.

One of these was the TPP (Trans-Pacific Partnership), an arrangement excluding China. (In a welcome development from Beijing’s point of view this is now defunct after the US presidential election, with the RCEP, the China-inclusive Regional Comprehensive Economic Partnership, likely to replace it). Another was the renewed emphasis on the United States’ hub-and-spoke system of regional alliances and friendships, New Zealand included, and on the US military presence in the East and South China Seas. This presence served to uphold the freedom of air and sea space, as President Barack Obama put it, as the Chinese PLA and other Chinese actors engaged in a step-by-step assertion of China’s longstanding territorial claims.

Thucydides trap

As these changes occurred, some expressed fear of open US–China conflict occurring. People started talking about the Thucydides trap. This was a reference to the Athenian historian’s view that what made war inevitable between Athens and Sparta some 2400 years ago was ‘the growth of Athenian power and the fear which this caused in Sparta.’ Even Xi Jinping talked about the Thucydides trap, though just to say it should be avoided. From New Zealand’s point of view the Thucydides trap — still an abiding concern — was a development that most emphatically needed to be avoided, but one that New Zealand like other small Asia–Pacific states was almost entirely unable to influence.

During the Obama era not all the trends in Chinese–US relations were negative. A series of bilateral dialogues ensured that on various issues ranging from global warming — including a landmark US–China agreement on combating climate change — to Iran and terrorism the two sides achieved a modus vivendi. In a similar way China found common ground with other leading partners both bilaterally and within the UN system, thus helping to integrate China more effectively into the international system.

Recent months have brought new and unpredictable elements...
to this complex relationship, most of them relating to the election of President Donald Trump on a nativist, protectionist platform of ‘making America great again’, not to mention other nativist trends in Europe and elsewhere. At the time of writing (in early April 2017, updating my 2016 talk), the key word here is still ‘unpredictable’. The impact of Trump’s election is still unclear, with his team still apparently at odds with itself over a number of basic questions including how to deal with China, particularly in the economic and financial sphere. In this sphere significant issues include how to redress the chronic imbalance in China-trade, mainly through unilateral action or through the WTO, and how to improve access to the Chinese market for US companies. Another is whether China has manipulated the value of its currency, a concern of Trump’s which many see as out of date, given recent Chinese efforts to uphold the value of the yuan. There is also the issue of cybersecurity (though this is clearly a global rather than a bilateral problem, one currently affecting US perceptions of Russia more than China).

Radical voices in the White House have called for punitive tariffs on Chinese exports, and restrictions on mergers and acquisitions involving Chinese state owned enterprises, among other things. But from the heat and dust of debate some more sensible proposals have emerged on both sides of the Pacific. In Beijing the Chinese economist Yao Yang has proposed, for example, that the two sides work towards new bilateral agreements on investment and free trade. And at the surprisingly emollient Xi–Trump summit meeting at Mar-a-Lago on 7 April, the only clear outcome regarding economic relations was an agreement on a 100-day action plan with ‘way-stations’ of accomplishment. The question in the coming months will be whether this relatively positive start is sustained and how much Trump’s mainstream appointees from Wall Street and the Pentagon will hold sway over his more radical advisers. At the time of writing the mainstream appears to be making the running; but it may be best to reserve judgment for a few months yet, recalling Chinese Premier Zhou Enlai’s response when asked what he thought of the French Revolution — ‘it’s still too early to say’.

Regional power

Were it not for their inherent instability, this response would also make sense when judging how President Trump will address the range of security issues confronting the United States and China, not to mention China’s neighbours. (Yes, neighbours — for the most serious of these issues are regional, on China’s doorstep. They underline the fact that in many key respects, including its military capabilities, China remains a regional rather than a global power, despite its increasingly global aspirations.) The most salient of these are Korea, Taiwan and maritime disputes, the latter being partly connected to the knotty issue of China’s relations with Japan.

Until now I have hardly mentioned Korea, but it is an outstandingly difficult issue to address, and a pressing one. Indeed, it is an indication of its importance that Barack Obama is said to have advised Donald Trump that of all the external problems facing him, Korea was likely to be the most urgent. Its urgency was underlined at the Mar-a-Lago summit, where the two men reportedly agreed on the ‘very serious stage’ developments in North Korea had reached, and the need to take further, unspecified action on them.

An urgent problem Korea may be, but it is not a new one. Ever since the Korean War in 1950–53 the Korean Peninsula has served as a vital but contested buffer between China and Japan. At the end of the Cold War the Korea question was left completely unresolved, and has stayed that way until today. North and South Korea remain at a stand-off, frozen in a caricature of Cold War hostility along the Demilitarized Zone. The 1994 Agreed Framework between Washington and Pyongyang on managing North Korea’s nuclear resources is a dead letter now that Pyongyang has nuclear weapons and a growing ability to deliver them (with the not-too-distant prospect of ICBMs targeting North America). Nearly as lifeless are the Six-Party Talks involving the two Koreas, China, the United States, Russia and Japan. Originally designed to address Korean security concerns, these have been stymied since 2008 by the impasse over Pyongyang’s nuclear programme and other factors. The situation in the Korean Peninsula is thus at least as serious as it was three decades ago.

Both history, in the form of the 1953 Korean armistice, and present circumstances make China and the United States vital players in resolving the Korean stalemate. The United States’ position is central, thanks to its alliance with South Korea and its military forces stationed there. China’s role also remains crucial. North Korea is a longstanding ally, though now a wayward and distrusted one — ‘the rusty lock that China does not have the key to’, as one Chinese official put it recently. At the same time China has to balance its reluctant commitment to North Korea against the web of trade and other relations that it has with the South. In the long run these are likely to increase, despite the serious strains currently being caused by moves to install the US Thaad (Terminal High Altitude Area Defense) anti-missile defence system in South Korea, a system intended to deter attacks from Pyongyang but seen in China as a threat to its own missile systems.

New approach

Secretary of State Rex Tillerson has said the United States’ policy of ‘strategic patience’ towards North Korea no longer applies, and all options are now on the table. These can evidently include stronger targeted sanctions, enhanced cyberattacks and the threat of direct military action including pre-emptive strikes, the latter, one assumes, being mainly a bargaining counter, given the devasting outcome such strikes would bring about. At the same time Washington is pushing China to do more to ensure that Pyongyang curtails development of its nuclear weapons programme and its nuclear capable missiles, particularly through more stringent restraints on Chinese banks and firms doing business in North Korea. Ultimately there is little alternative to Washington and Beijing joining together to underwrite a durable resolution of the Korea problem. But beyond the posturing, this will be best achieved
by a mixture of bilateral diplomacy reinforced multilaterally, some form of South Korean nordpolitik — assuming the politics of both North and South Korea are stable enough for it — and Chinese-style economic reform in North Korea to prevent its collapse.

For China and America, Taiwan is another problem left over from history. Again, it is one in which the United States is still involved, thanks in part to the 1979 Taiwan Relations Act, passed by the US Congress when Washington recognised Beijing. And it remains a core element of Chinese strategic thinking, a fact highlighted by the stir caused by President-elect Trump's phone conversation with Taiwan President Tsai Ing-wen, the first conversation of its kind for decades.

In the case of Taiwan the risk now is that the Democratic Progressive Party, created in the 1980s to challenge the dominant Guomindang and now in power a second time, will drift too far towards independence, and undermine the tacit agreement that has enabled Beijing and Taipei to coexist for decades. A secondary but much less likely risk is that President Trump and his more radical advisers will mishandle the Taiwan issue and aggravate it gratuitously.

Otherwise there are two Taiwan-related questions today. First, will Xi Jinping continue to accept the status quo regarding Taiwan, or before he steps down in 2022, if indeed he does step down then (and he may not), will he want to press for Taiwan to be reunited with mainland China, even by force if necessary? Second, how much do the people of Taiwan still accept the premises of their island's relations with China?

Uncertain outlook

The outlook is uncertain. Tsai Ing-wen seems unable to endorse the so-called 1992 Consensus, in which Beijing and Taipei agreed that Taiwan is, in one sense of another, part of China. In response Beijing is putting pressure on her to do so. Years ago there was some prospect of Beijing and Taipei growing together naturally in some kind of loose confederation, drawing perhaps on the experience of Hong Kong. But now the two sides are moving in different directions, and Hong Kong is no longer a viable model of autonomy, if it ever was. Taiwan's democratic system is maturing, and a sense of local identity growing, just as China's authoritarianism is becoming less flexible. Perhaps with his admiration for aspects of Mao, President Xi will see his way to advocating a patient approach to the Taiwan problem in the same way Mao did to Nixon in 1972. But on present showing this seems unlikely.

Another unstable, historically-based issue affecting China and the United States, not to mention a range of other actors, is that of China's maritime disputes. In recent years there has been talk about China's current, more assertive approach to its claims in the South and East China Seas leading to a conflict in which the United States will become embroiled — either a conflict between China and Japan over the Diaoyu or Senkaku Islands, or one between China and an ASEAN state, most plausibly Vietnam, over islands in the Spratly group (Nansha in Chinese).

Given the right climate it would not be hard to take the heat out of these disputes. In the case of China and Japan, as we have seen recently, it is just a matter of political will on both sides to defuse the Diaoyu/Senkaku issue and return to something like the status quo ante. In the South China Sea moves to agree on a long-pending code of conduct could do much to improve security. A moratorium on new building projects would lessen tensions. So would substantial multilateral or bilateral discussions among affected parties. The prospect of the latter happening has been improved by Rodrigo Duterte becoming president of the Philippines (his summary dismissal of the 2016 UNCLOS tribunal finding being a gift to Beijing). But much will depend on how assertive in the west Pacific rim both the Trump administration and President Xi and the PLA choose to be.

China does hold one little-used card, and that is its record with regard to its boundary disputes on land rather than at sea. Since the late 1950s China has negotiated compromise settlements, with the emphasis on compromise, of a total of twelve out of fourteen territorial disagreements with its neighbours. In every case China staked out its claims on the basis of old maps and treaties, then came to conciliatory terms. Holding up this record, and emulating it, would be a help.

Trust issue

That brings us in closing to a third issue, one of a more basic kind. This is to do with trust. When this article was first written last year, I wrote about the trust China needed to cultivate abroad in an era in which China's interests are becoming predominant. Since the election of Donald Trump the issue of trust has become more complicated. Now the distrust Chinese leaders evidently harbour towards Western and especially US policy-makers, a distrust fomented by Chinese social media, is matched or outmatched by the hostility and distrust that some of Trump's advisers have expressed towards China.

These tendencies are disturbing, but not irresistible. Looking at the Chinese side, a sense of being connived against by external forces is partly a legacy of Leninism and Maoism. But Chinese distrust may also be based partly on the events of recent years, in which the United States has been seen in Beijing (as in Moscow) as being complicit in efforts to undermine inimical governments worldwide. This concern has to be less relevant now that Donald Trump is president. He and his team have shown no interest in promoting political reform inside China, or indeed in anything to do with energetically promoting America's values as opposed to its own interests abroad. So while US–China economic relations may grow more stressful, a breakdown of mutual trust across the board is not bound to occur.

On this as on other issues it is worth reminding ourselves that as far as China is concerned long-term perspectives matter. Two centuries ago China was the world's wealthiest country, and its most enduring. Within the next 50 years the Chinese may again achieve or even outdo the position they had in 1800. No one can predict what this will mean for Chinese foreign policy, just as no one could have predicted the extraordinary changes in China's global role since the 1960s. China may become an overbearing power, drawing on malign precedents of imperial control. On the other hand, Chinese communism may mutate into a more open and trusting political culture, reviving other, more inclusive attitudes from its past. In that case the rise of China would be something that even an adversarial America might learn to accommodate.
Adjusting to the Trump presidency

Robert Ayson comments on the implications of Donald Trump's foreign policy for New Zealand and suggests the need for damage control.

Donald Trump's presidency is now three months old. By my calculation that is less than 2 per cent of a normal four-year term. This should alert us to the hazards of making straight-line projections on the basis of what we have seen since 20 January. We simply cannot know now the full range of challenges and opportunities that the wider world will be presenting between now and 2020 to Trump and his colleagues. Quite what happens to America and to us in the remaining 98 per cent of Trump's first term of office remains unclear.

My hesitancy may be regarded as strange. After all, we already know that some of Trump's controversial campaign rhetoric is becoming much more than that: executive orders and presidential memoranda are now part of Trump's expanded array of options as the holder of the world's most powerful elected office. He is not just tweeting stuff. He has been doing stuff.

With an early stroke of his pen the new president cancelled America's involvement in the Trans-Pacific Partnership. Years of challenging regional negotiations suddenly ended on the cutting room floor of US domestic politics. Trump also set in motion the process for the repeal of Obamacare. This is no accidental choice. It was the signature piece of domestic policy innovation during his predecessor's two terms of office.

Trump's anti-Mexican rhetoric on the campaign trail has been followed by the breakdown in one of America's most important bilateral relationships. A political wall is already in place well before a physical one gets built.

And fears that climate change mitigation would disappear as an American priority seem to have been fulfilled by its disappearance from the White House website. Climate change has become a non-person, a fact too uncomfortable to be acknowledged.

I hardly need remind about the most controversial step of all. That is the executive order entitled 'Protection of the Nation from Foreign Terrorists into the United States'. The New York Times Editorial Board called these restrictions on entry to the United States ‘bigoted, cowardly, self-defeating policy’. The Washington Post equivalent branded this as ‘a train wreck of decision-making’.

In trying to erect a travel fortress against citizens from seven Middle Eastern countries and Syrian refugees the Trump team achieved something quite remarkable. The new administration's first international crisis was one all of its own making. It is a drama playing out in the domestic politics of several of America's partners. Its not been an easy time for leaders who have given the appearance of wanting to soften their criticism of the new administration in the hope of building a strong relationship with those who now govern the world's most powerful country.

Coming crisis

So it was not a great start for Trump on the world stage. But what we have not seen yet is something that will undoubtedly come at some stage: a crisis not driven by the elevation of anti-Muslim populism into an executive order but one which results from external provocation, misunderstanding or disaster.

All administrations go through these. Just think of George W. Bush's first term and the impact of 9/11 on his presidency and US foreign policy. Or think of how the Soviet invasion of Afghanistan and the Iranian hostage crisis spelled the end for Jimmy Carter. Or think of the escalating problems in Crimea and Syria and the challenges these posed for the Obama administration's foreign policy.

We are only 2 per cent along the way. But at some point Trump and his team will be tested. It could be a provocation from North Korea. It could be a significant terrorist attack in Europe. Despite the warm fuzzies between Trump and Putin, it could be a Russian response to NATO's increased deployments in what used to be called Eastern Europe. It could be a test from Beijing designed to challenge Trump's flirtations with a two-China policy or Secretary of State Rex Tillerson's robust language on preventing China's access to features in the South China Sea.

I am hoping for a good–bad crisis. A crisis bad enough to

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Many uncertainties surround the likely course of the presidency of Donald Trump, which is still in its early days. He has taken a number of measures that have created controversy. Self-inflicted problems have dogged his early days in the White House. So far Trump has not been confronted by a testing crisis that arises from external provocation, misunderstanding or disaster. It is sure to come, and the best that can be hoped for is a good–bad crisis, one that engages US attention and drives Trump towards a more orthodox approach to international relations in which he reaches out to allies and partners.
require America’s attention but which somehow demands that the Trump team reach out to allies and partners, and potential adversaries, for their co-operation; a crisis that reminds the new president that there is a reason why we have the United Nations and international agreements and norms. A crisis where Trump realises the importance of the daily briefings the intelligence community wants him to get, and where he sees the value that America’s diplomats bring to the table. And a crisis where he decides that the kitchen cabinet of Bannon, Kushner, Conway and Priebus needs to give way to a real one.

**Foreign policy**

So there is still room to hope that things can improve. But rather than speculate on what might happen, we are required to make an early assessment of the Trump foreign policy. And to New Zealand eyes at least, what we see so far is not pretty.

The first observation I would make is just how elevated domestic political issues are in Trump’s vision of the rest of the world. That is to me the real sense of ‘America first.’ I tell my students that foreign policy begins at home. Those of us who study international relations and strategic studies often overlook the importance of domestic factors. But under Trump I think the domestic factor is magnified.

We are, of course, used to seeing America view the world through an American lens. That should not surprise us. But here there is almost no view of the world happening. The world is not so much seen but obscured through a lens of the variety of American populism which Trump has mobilised and been mobilised by. That is one explanation for Steve Bannon’s elevation onto the National Security Council and the demotion of officials whose counsel the president really needs.

The second observation is that the United States first is also America only. Its interests are not global ones. They are American interests that are primarily for American consumption. There is a telling portion in Trump’s inaugural address that reads as follows:

> We will seek friendship and goodwill with the nations of the world — but we do so with the understanding that it is the right of all nations to put their own interests first. We do not seek to impose our way of life on anyone, but rather to let it shine as an example for everyone to follow.

This is not just a repudiation of American intervention to promote democracy, in line with Trump’s criticisms of US policy in the Middle East, and his challengeable claim that he did not endorse the 2003 war against Iraq. Instead, everyone in Trump’s universe looks after themselves first. There is, by definition, no such thing as a global perspective or a global interest. And global values do not really exist either.

**Sterile debates**

A third observation follows from these. If the world is full of actors putting their own interests first, this is what international relations consists of. In the past we have had rather sterile debates between two views of international co-operation. Some scholars are more optimistic and believe that countries will co-operate even when they realise others may be gaining more: if everyone is benefitting that is enough. To some extent this view upperspins a lot of trade negotiation, climate change negotiation, arms control negotiation, peace treaties and so on.

And then some other scholars believe that countries become nervous when they realise others are gaining more from the co-operation than they are. All countries in this situation are locked in competition even when they are co-operating. This makes co-operation fleeting and defection from bargains more likely. All agreements become fragile and it is almost as if institutions do not really exist.

Trump appears to bring an extreme and almost perverse form of the second argument to his view of the world. There are doubts about how much America will commit to NATO if smaller members are not seen to pay their way. As well as scrapping the TPP, NAFTA is suspect because America’s partners have been ripping off the American worker. And Trump’s views on the United Nations would make President George W. Bush seem like any secretary-general’s best friend.

What seems especially absent in Trump’s worldview is a recognition of the broader benefits that international co-operation has meant for America’s position in the world. Some might argue that what we have come to call the liberal international order is a veneer for American international primacy. But if that is what it takes to convince a Trump administration of the virtues of global governance, then I say so be it. It was to America’s advantage to see the post-war emergence of economic and financial institutions such as the GATT and the IMF and the World Bank. That did not make these multilateral endeavours disadvantageous to others. Indeed smaller powers such as New Zealand stood to gain even more. But that we did benefit did not somehow turn the United States into a loser. Yet that is the philosophical extension of Trump’s logic. He is not a zero-sum thinker, almost a negative-sum thinker.

**Leadership position**

Likewise the American alliance systems in post-war Europe and Asia called on disproportionate contributions from Washington. But that was not because Washington was duped into signing bad deals that only benefitted the free riders. As the leading provider of global public goods Washington was furnishing for itself an unparalleled leadership position. That is not in the Trump view of history.

But the last several decades of the United States’ international primacy paint a clear picture. You cannot sustain the number one position in the world simply by having the world’s biggest and most energetic economy with all the jobs that were supposedly stolen by other countries returning to America. Nor can you have it by throwing even more funding into your armed forces, even if these are indisputably the world’s most advanced and even if you are willing to countenance a new round of nuclear arms racing.

American primacy is not a number. It has not been like the size of the crowd at the inauguration — the biggest we have ever seen, apparently; or the size of the president’s election win — a landslide, apparently; or the size of other things — apparently.

An essential ingredient to this leadership is the ability to lead international co-operation. And that takes us back to the TPP. Views on whether the TPP would benefit New Zealand where it really matters have remained mixed in the debate here partly because people use different indexes of what really counts. In America it became so much of a hot potato for Hillary Clinton that she had to pretend that she did not like it anymore.

I have to admit that I have never read even a portion of the TPP’s enormous contents. But I do know this. Along with other smaller and medium negotiating partners, New Zealand believes that it cannot get where it wants to go without trade and investment co-operation. This includes bilateral free trade agreements,
including the ones we have with Australia and China. And it includes plurilateral arrangements, which is what the TPP would have become. Moreover New Zealand and other countries view great power involvement in these arrangements as a sign of the willingness of these larger countries to offer a form of leadership.

Regional influence

Or to reverse the story, if a great power knows that smaller economies put a premium on trade and investment co-operation, their involvement in these deals provides them with a prospect of regional influence. It is the job of New Zealand and others to find ways to ensure that their influence is responsible.

I have long bemoaned the tendency of New Zealand politicians, especially in recent times, to treat foreign policy as a variety of trade policy. We have been too commercially focused. But that said, if there was one thing that Washington could do to cement its regional credentials in Wellington’s eyes it was to endorse the TPP. That moment has now passed. And it gets worse. It would be easier if Trump’s opposition to multi-country free trade agreements such as the TPP was simply because of populist judgments that play to his base about bringing back jobs. But there is also a broader point here. One extension of the size matters philosophy is that while Trump instead wants a series of bilateral deals, it is almost as if smaller economies need not apply.

Part of the criticism is that wider and more inclusive groupings allow smaller countries too much influence, pushing larger powers like America into concessions they do not need to offer. If the Trump administration proceeds on this basis and conducts a review of America’s participation in multilateralism more generally, then we had all better watch out. That would be a direct challenge to New Zealand’s interests. We have invested much of our diplomatic capital into the international institutions that allow us to have a voice but which also reduce the chances that international relations will be a law of the jungle dominated by great power competition.

And the United States has been there at the creation of so many of these parts of the liberal international order. If Washington was to instead become a chief adversary of those order-building institutions, a fundamental crisis for New Zealand’s foreign policy would ensue.

I genuinely believe that some of Trump’s inner circle would have no problem if their desire to challenge the Washington establishment led them to tear down the fabric of international order that they see as globalist indulgences. And I also believe that Trump would have little concern if the global economy suffered in overall terms so long as he could say to his voters that America was winning. That is the international side of America First.

China champion

What better competition to this negative sum game logic than to argue that globalisation has actually been a positive feature of international affairs? Is not there an opportunity for one of America’s international competitors to steal the march in the knowledge the world will be looking for a new great power champion of free trade? That appears to have been the conclusion that Xi Jinping has drawn. Even before Trump gave his allegiance to the US constitution before the hugest crowd the world has ever seen, the Chinese leader was making just that pitch at Davos. Clever politics I think.

You might say that the new emperor does not have many clothes. We keep hearing stories about the fragility of China’s economic picture. But China remains an essential trading partner for so many of us in the Asia–Pacific region. And competition for the position of globalisation champion is sparse. If Beijing plays its cards right, and limits its own tendency to allow domestic political factors to drive a more assertive foreign policy, it may achieve the status that Bob Zoellick mysteriously suggested some years ago. Especially against the backdrop of a volatile and damaging Trump presidency, China could assume the mantle of responsible stakeholder.

But to do so would require more than an endorsement of globalisation at a time when that word is poison to the Bannon, Farage and Le Pens of this world. It would require China to show real restraint should Trump decide that tariffs and other escalatory economic measures need to be enacted and not just talked about. At that point it will be China’s call on whether a bilateral trade war ensues.

Special restraint

On the security side, being a responsible stakeholder would demand special restraint from Beijing should the Trump administration start playing the Taiwan card, or turn freedom of navigation operations into an attempted quarantine. For domestic political reasons as much as anything else, that would be very challenging for Xi and the Communist Party of China. If that restraint came, I would expect it would mean many more countries in Asia would countenance bandwagonging with Beijing, especially if America’s commitment to the region was proving a mix of neglect and overreaction. China’s sphere of influence could well expand.

But like the rest of the region New Zealand would be looking for other forms of reassurance. I cannot help thinking that we will be spending a good deal of our time not just thinking about what America is doing (or not doing) and how China may be taking advantage of the volatility. I expect we will want to be caucus- ing with our other key partners in the region — Australia and Singapore and Canada. It means thinking about how Japan and South Korea see things. It means thinking about new and emerging security partnerships as well. How will Vietnam, Indonesia and India respond?

It means investing time in our relationships in Europe, which I think will bear the brunt of a fair bit of the Trump animosity: that is, after all, where so many of the globalists come from. Some of them even still will survive Brexit in Britain.

Ballast is going to be needed and I expect new coalitions to form that will place new demands on New Zealand’s bilateral diplomacy. And we can only expect that if Washington expects less from itself and even more from allies and partners (who have apparently been shirking) we are going to be doing more in our part of the world. That most likely means even more with Australia, including in the South Pacific.

Beyond orange

What we cannot afford to do is spend all of our time being mesmerised by Donald Trump. That is exactly what the last several months have been for US politics. The stream of tweets, pronouncements, insults and executive orders seem calculated to keep everyone off balance, unable to digest the shock of the last salvo because the next one has already arrived.

And what we cannot afford to do is let our view of the United States be dominated by the new president. That is not as easy as it
sounds. His approach is not so much America first as Trump first. But his low popularity numbers suggest that he does not speak for as many Americans as he thinks he does. The protests that erupted over the travel restrictions, the dissent position circulating around the State Department and signs of friction with the Republican Party, all suggest an important point: to treat Donald Trump as the embodiment of enduring American values would be a travesty. To see him as the logical extension of an America that sometimes goes overboard in its desire to lead the world would also be a mistake.

We all know Americans who do not share his view of America or of the world. We know that there are many American officials who see value in international co-operation. We know that they were there when the Obama administration decided that the first part of the rebalance was for America to participate more fully in East Asian multilateral co-operation by way of the East Asia Summit. We know an America that like all great powers is capable of error and like all other countries, including New Zealand, is capable of hypocrisy. But to view America through the lens of Donald Trump’s view of America and the world is to let alternative facts become our own vantage point.

**Dangerous alternative**

At the same time he is the new commander in chief. He is the leader of the world’s most powerful and influential country. He chooses if and when America launches nuclear weapons. So it is not as if other countries, including New Zealand, can pretend that he is not president. That would not be an alternative fact. That would be a dangerous alternative reality.

There will still be many opportunities for New Zealand officials to work with like-minded officials in Washington. In some parts of the US system, including the intelligence and diplomatic worlds, they will need our support and understanding.

And it would be an error to assume that a Trump administration will always over-react, even though I think there is every likelihood it will do so on more than one important occasion. Moments of pragmatism will emerge, even if the president does not want to talk about democracy as a global value, and even if his relationship with someone as inspiring as Angela Merkel is as frosty as Obama’s was with someone as questionable as Vladimir Putin.

**Big challenge**

One of the biggest challenges for our diplomats is to ensure that New Zealand’s interest in an effective relationship with the United States is maintained under three conditions. One is the inexperience of so much of the Trump team on foreign policy. A second is the radical departures from American foreign policy consensus that some of Trump’s immediate advisers will be suggesting. A third is the temptation of arguments in the wider international debate that it is somehow possible to bypass Washington as an important partner.

I think Bob Hawke is right to argue that right now is not the time to isolate America even if it seems this is what Trump is doing to his country. We know that a Trump administration will not be talking about the pivot or rebalance to Asia. That is Obama–Clinton speak which will be redacted from the websites. And some of the factors that have encouraged Washington to seek a closer partnership with New Zealand may change. But if Trump solves the situation in Afghanistan and in Iraq, everyone will be surprised. A miracle will have happened. More likely is a situation where the

**Changed assumptions**

None of this will be easy. Some of our assumptions about the way the United States will want to lead need to change because it is not clear how much a Trump administration will want to lead internationally. New Zealand will not be able to assume that for the next four years America’s commitment to international institutions will be nearly as significant as it has been for much of the post-war period. We have even more reason now, if we were not doing so already, to question the confidence some have had that Asia’s many decades of great power peace will survive. We do not know quite how China will adjust its calculations of American resolve and what that will mean for the pressures the region will face.

But will we still be an economic, military, intelligence and diplomatic partner of the United States in four years time? I think so. There will be moments where the New Zealand government will need to distance itself from the Trump administration. It will need to be willing to do this in public as well as in private, not least because New Zealanders need to know that their government is aware of the values and interests it is charged to protect. That distancing is not just about criticism. If someone else is tearing down the fabric of international society, calling them out for it does not negate the damage or create something in its place. We need to be working with others to ensure that the damage Trump does is minimised. And along with the rest of the world we need to keep effective relations going with our United States connections to ensure that the damage can be repaired.

United States will continue to have to work in partnership.

We should not expect everything will change. The momentum that has built up in the US–New Zealand defence relationship will not suddenly come to a screaming halt. And the demise of the TPP will not kill off the US–New Zealand trading relationship that has been built up over the many decades without it. Longstanding friends have every right to disagree and to do that publicly. Some of the Trump positions are and will be an affront to our values and our interests. There may be particular moments of concern and moral hazard. That could come if Trump feels emboldened to rewrite the American rules of the game on the use of force, on respect for the civil liberties of minority groups, on the freedom of expression, on the treatment of captured insurgents, and so on. But we need to believe that there will be chances for America to turn things around. We need to recall that while two months is a long time in politics, the next four years will pass.
The times they are a-changin'

Brian Lynch reviews New Zealand’s options in an increasingly volatile international environment.

Living in New York at the time, I can distantly remember a hit tune that Bob Dylan released in 1967. One of its memorable verses has striking resonance:

Come senators, congressmen, Please heed the call. Don’t stand in the doorway, don’t block the hall. For he that gets hurt, Will be he who has stalled. There’s a battle outside. And it is rarin’. It’ll soon shake your windows. And rattle your walls.

For the times they are a-changin’.

That was indeed a turbulent period, but Dylan’s lyrics seem as prophetic today as they were 50 years ago.

In the early 2000s our then Prime Minister Helen Clark could rejoice that New Zealand enjoyed a ‘benign’ external environment, one that was untroubled and predictable. By any measure the unsettled times we now live in represent truly uncharted waters, stirred by a seemingly insatiable appetite for disruptive change. The largely stable world we have known for decades has lost much of its equilibrium, at least short-term. In the recent past it has suffered a double body-blow. First the Brexit decision that caught most of us by surprise. Its long-term implications for Europe and Britain are only beginning to appear. Then Donald Trump won the US presidential election. For most of us, that was an even more disconcerting outcome than the Brexit vote.

In its early months in office the new Washington administration has been faithful to the campaign rhetoric that foreshadowed it would not be bound by established rules and ways of doing things; nor accept uncritically the institutional economic and security architecture that has guided the post-war global, rules-based order. President Trump’s first executive action was to pull the United States out of the Trans-Pacific Partnership. He has said he will renegotiate NAFTA and review other trade agreements to which the United States is a party; limit migration and build a wall with Mexico; lift defence spending but redefine the nature and content of US security commitments, including with a NATO he described as ‘obsolete’, reject climate change undertakings and revisit the Iran nuclear deal; treat the European Union more remotely; and bring Russia in from the cold.

That avowed Washington agenda, if persisted with, would have implications on a seismic scale. Coupled with it, we see the continuing rise of China, already the world’s second-largest economy and determined to assert its presence in contested waters nearby. A resurgent Russia is set on reclaiming past glory and demanding recognition. A newly pro-active Japan has rewritten its constitution to abandon the constraint of keeping armed forces solely for self-defence. A recalcitrant North Korea continues to build its missile capability, intent on rattling the nerves of its close neighbours. There is accelerated defence spending in South and South-east Asia. North African and Middle East affairs continue on their messy path with no end in sight, contributing to an international humanitarian crisis of historic dimension.

As for Europe, alongside Brexit other palpable threats exist to the ‘European Dream’. They appear to defy what many of us believed was the march of history. What future does the Eurozone have? The single most successful political and economic integration model in world history appears at risk of unravelling. Hopefully not, but it has to be said the anti-establishment, populist sentiments that swept Brexit along and brought President Trump to office are also starkly evident on the continent. They are serious factors in this year’s elections. Moderate forces were successful in the Netherlands. Interest now focuses on France and Germany; Norway too.

Serious downturn

If all that was not hair-raising enough, there is a serious downturn in world trade, with growing unemployment in many countries. There has been a surge in protectionist trade measures that target imports. Measured by their declining annual profits, the boom years for a lot of global firms are behind them. In most developed economies, China too, the growth in gross domestic product has begun to slow.

Bob Dylan’s hit tune of the mid-1960s has lyrics as prophetic today as 50 years ago. Together with other turbulent issues, the Brexit outcome and President Trump’s victory have disturbed what had been a largely stable and predictable world. This has unsettled the established rules about how nations manage their relations with each other, and applied pressure to the economic and security architecture that guided the post-war global order. In this unfamiliar, fluid setting, New Zealand must continue to protect its core interests, have its concerns heard and to do so maintain access and exert influence. Much political engagement and policy activity is underway to that end.
now exceeded the pace at which world trade is expanding. The spectre of a global trade war being unleashed if the Trump administration was to follow through on its threat to impose border taxes is a troubling prospect. The only beneficiaries from such a debilitating contest would likely be destructive radicalised elements.

Far from being in ‘benign’ mode, today’s global and regional environments are volatile, and globally potentially game-changing. It seems to amount to systemic uncertainty on a grand scale. This is creating a state of affairs in which accepted norms and expectations of the way nations behave, and leaders conduct their relations with each other, are under siege. Long-established conventions about what it means to have ‘shared interests’ and ‘shared values’ are no longer self-evident. All this is happening in a manner and at a pace for which, looking back over the past 70 years, one would struggle to find a previous example.

Unsurprisingly, around the globe in cabinet rooms, the chanceries of foreign ministries, defence force headquarters, company boardrooms, think tanks and among those who speak for civil society, the same questions are being asked: ‘How did all this turmoil come about? And what does it mean for us?’ Whoever ‘us’ might be, whether governments, economies, businesses, public sectors, those with a duty to protect or those who simply want a peaceful life. In this tangled skein, what is meaningful and matters? What is trivial and might be better described as ‘death by a thousand tweets’?

**Tangled skein**

A cautionary note is needed. An array of potential global and regional flashpoints could encourage the use of apocalyptic language. As though Armageddon were just around the corner. That is not the case. The planet is not at breaking point. But certainly, this is not a time for hasty conclusions or precipitate action by those fearful of being swept up in swirling waters. It is a time for cool heads, calm analysis, faith in carefully considered findings and a measured response.

In Lima last November, it was interesting to observe first-hand the initial reactions among regional representatives at APEC and its Business Council in the aftermath of Brexit and the upheaval that had just occurred in American politics. Those most preoccupied with what the presidential election result might mean were those from countries for whom a close alliance, common perceptions and easy communications with the United States were a cornerstone of their foreign engagement. These were countries like Australia, Canada, Japan, Mexico and South Korea. For them the known geopolitical world had wobbled on its axis. Their early dismay may have receded, with one-on-one promises of continuing US commitment. But it would be unusual if unease did not linger in those capitals, to stimulate reassessment of their ties with the United States. How much trust can be placed in the assurances given? Especially when there is an impression that some boldly stated positions seem to wilt at the first sign of push-back; over Taiwan, for example.

There was a second cluster at Lima, consisting of the ASEAN group, Chile and Peru. New Zealand was comfortable in that gathering of mainly smaller economies. They held the view that even if ‘times were a-changin’ the world could not simply wait on the side-lines while new power brokers made up their minds about their priorities. Our then prime minister, John Key, was the first publicly to espouse such a forward-looking response. It found a ready audience. Never before had I observed a New Zealand leader being interviewed and quoted, on the same day, on the BBC and CNN, and in the New York Times and the Wall Street Journal. It was heady stuff.

**Third group**

There was a third group, watchful and saying little. Their thinking is best summed up in the aside to me of a long-time Chinese colleague and friend: ‘don’t they’ — a reference to Washington — ‘understand what opportunities this puts our way?’ From that perspective the sight of the bastions of the free world battling their internal demons was not one to create anxiety. Instead, it could create an emerging power vacuum to be exploited to advantage. President Xi Jinping’s remarks at the subsequent Davos Economic Forum implied a readiness on Beijing’s part to uphold the banner of global trade and open markets, even if unnamed others appeared ready to abdicate that role.

So, what does all this mean? With so many mercurial elements to contend with, how can New Zealand maintain access, exert influence and advance its cause? It is useful to remind ourselves that New Zealand is unique in at least one notable sense. This is the only country that fits the description ‘small, developed and distant’. Samuel T. Coleridge wrote in *The Rime of the Ancient Mariner*: ‘alone, alone, all, all alone on a wide, wide sea…’ He anticipated the enduring consequence of New Zealand’s isolated position. To have our aspirations and concerns taken into account, active involvement in fields of core interest remains the only credible economic and strategic approach for New Zealand. As was successfully done in an early framework agreement with the European Union, the Law of the Sea negotiations that produced our large exclusive economic zone and in extracting from the Uruguay Round perhaps the best trade result for any developed country.

Second, we have to recognise that the world as we had come to know it has changed, and is in the process of changing further in fundamental ways and forever. The departure of Donald Trump after a single four-year term in the White House would not herald a return to the status quo ante. By 2020, the content and tone of US relations with others will likely have altered to an extent unimaginable right now. By 2020 as well, Britain may have exited the European Union and others could have decided on that course, leaving the union a shadow of what it had been.

All that gloomy prognostication may not come to pass. But as John Key said in Lima, New Zealand cannot sit idly by and hope that when the rhetoric hits reality this unwanted disruption will run its course. There are times, when the fickle winds of change are blowing offshore, that it is prudent for a nation’s
leaders, policy cohorts and business community to pause and take stock. But when confronted by forces whose impact could be of epic proportions, advice that says ‘let’s just buckle up, go along for the ride and see what pans out’ simply will not cut it as the basis for a strategic response and sound decision-making.

**Important task**
The task for New Zealand is to formulate a coherent strategy to cope with today’s discontents in their many forms, one that puts a premium on being agile and pragmatic — what Prime Minister Bill English has called ‘a portfolio of possible options’. It must fit the New Zealand temperament, which has an underpinning fondness for continuity and stability, not sudden policy lurches. And acknowledge the reality that a large component of the new geopolitical dynamics is without precedent. There is no point in calling for the files, and asking ‘how did we tackle this issue last time?’ No manual of proven best policy practice is at hand for coping with the wholly unexpected.

So, what is it about the current situation that could be detrimental to New Zealand? Where-in lurk the possible threats to our best interests? How to pre-empt their potential negative impacts?

First, in the political and strategic arena, there is legitimate concern about how resolute the US attachment now is to the existing multilateral architecture that has been the context for a rules-based approach to issues around state sovereignty, advancing the primacy of law and protecting the rights of the individual. Whither the United Nations and its specialised agencies? What of reputable international legal bodies? In the Asia–Pacific setting, merely token US support for the East Asia Summit would cripple that forum’s prospects of becoming the pre-eminent regional agency for crisis management.

**Sensitive area**
Second, the sensitive area of defence and security alliances has other policy dimensions. For decades US hard power has helped build a regional environment for economies to flourish. Should Washington insist on its defence partners taking a much larger share of the heavy lifting, those longstanding security arrangements may begin to fray. That might quietly please some capitals which could scent opportunity, and embolden mischievous non-state players. The initial fears of Washington embarking on wholesale reordering of its security commitments have already been taken, with drama around the TPP with-lay somewhat as the weeks have passed.

In the arena of economics and trade, actual decisions of moment have already been taken, with drama around the TPP withdrawal and aggressive talk of enforcing better deals for America. Again, the new mood in Washington shows preference for bilateral contacts. Upholding commitments for the common good, a foundation stone until now of US global leadership, seems to have gone out of favour. The transactional method of managing external economic relationships, seeking to extract maximum advantage from every situation, could be at the expense of the multilateral trade network centred on the WTO and the APEC-sponsored regional integration mechanisms in place since the early 1990s.

All that said is not an excuse for regional hand-wringing. There has to be an energetic search by the willing for an alternative to the TPP, and there are signs this is underway. The option of ‘TPP-lite’ — the eleven original members minus the United States — is on the table. The Regional Comprehensive Economic Partnership (RCEP) is being negotiated; it embraces ASEAN and the Asian heavy hitters of China, India, Japan and South Korea, as well as Australia and New Zealand. China has become the champion of the concept of a Free Trade Area of the whole Asia–Pacific (FTAAP). Much will be read into whether President Trump attends the annual APEC Leaders gathering, scheduled this year in Vietnam.

**Daunting recital**
That recital of emerging challenges is formidable seen from the Pacific’s southern extremity. But while New Zealand may be ‘small and distant’, we are not at the mercy of malign forces, bereft of the means to resist. This country is no stranger to carrying out the sort of measured, single-minded exercise to protect vital national concerns that today’s fluid setting calls for. A campaign on the intensity and scale of that mounted in the 1970s and 1980s to find new markets, and offset the most onerous downside of the United Kingdom’s entry into Europe, may be needed.

What strengths do we have going for us apart from an economy in good heart, a temperate climate, a long if contorted coastline, plentiful reserves of natural gas and a large extended economic zone? To our bankable credit, New Zealand has a reputation for an independent approach to international affairs and a readiness to do more than our share in meeting global commitments; for being a tolerant people, to be taken at our word whether in politics or business; for earning respect as tough but fair negotiators, with a gritty determination to succeed; and for being a nation true to its values even if we cannot please everyone.

Our parting shot on the Security Council last December was to co-sponsor Resolution 2334, an action that earned Israel’s wrath. Soon after Resolution 2334 was adopted, the Guardian commented along the lines that ‘it’s hard to make war with the New Zealanders, such likeable people, but the Israelis seem to have found a way of doing so’. I rather prefer the advice it is claimed Rommel gave his troops at the time of the North African campaign. He had encountered the New Zealand Division on Flanders Fields in the First World War. ‘Treat the New Zealanders with respect’, he is said to have counselled, ‘don’t make them angry’.
Far from being ‘alone, all alone’, New Zealand has cultivated links with many small nations in Asia, Europe and Latin America. They have mutual interests and broadly common ambitions. Chile, Ireland and Singapore are good examples. We are regularly engaged with a group of muscular middle powers. With Australia and Canada as would be expected, but useful ties have been established as well with such as Argentina, Brazil, Indonesia, Iran, Mexico, the Nordics, South Africa, South Korea and Vietnam.

**Tricky business**

There has been a reluctance to take sides when great power interests are or could be at odds. It is a tricky business managing relations with the reigning super-power and the rising power. A stand on one side of an argument has been taken only when clearly consistent with declared New Zealand beliefs. This has been shown in positions taken on vexed issues involving Afghanistan, Iraq, North Korea, the Palestine Question, Syria and the South China Sea dispute. In an age of increased uncertainty it is appropriate that the pace of deepening defence engagement has stepped up. We have been a consistent and welcome contributor to coalition deployments in theatres as far apart as the Arabian Gulf and the Antarctic. New Zealand’s continued participation in the ‘Five Eyes’ intelligence-sharing group may occasionally attract criticism at home, but it has not been a thorny issue affecting relations abroad.

The defining features of New Zealand’s engagement with the world beyond, as that connection has evolved over the years under successive governments, could be described as ‘continuity of presence and constancy of purpose’; not bold and brassy but low key, carefully targeted; and not a policy driven by impulse but what could be called one of ‘preventive care’. That description is relevant to the context of foreign policy relations. It is just as applicable to the commercial sphere, for New Zealand export business, too, prefers predictability in its dealings with the operating environment offshore.

In sum, the present global and regional landscapes are mosaics of changing features, some comforting, others demonstrably less so. The Brexit decision and Donald Trump’s triumph were manifestations of deeper currents flowing. They reflect apprehension about the motives and actions of those who hold and wield political power. There is suspicion in the digital age about the role and influence of the mainstream media. Widespread scepticism is apparent about the perceived merits of globalisation and open markets. And so on. Those concerns are still to be addressed.

Contemplating all this from afar, it is doubtful that any former New Zealand practitioner of diplomatic or economic tradecraft could confidently say ‘ah, but we’ve seen it all and been there before’. Inescapably we are in an unfamiliar setting. Much concerted activity is required to make sure others are aware of how New Zealand perceives what is now going on around us, the possible consequences and pathways forward. It is reassuring that that process is underway. Probably not since the early days of the Kirk government 45 years ago has there been such accelerated New Zealand presence on the international stage as we have seen in the past three months, all designed to sustain access and maintain influence.

**Important interaction**

Post-Brexit there has been a positive prime minister and trade minister visit to influential European capitals; reaffirmation with Australia of commitment to free trade and open markets; a cordial, issue-free first phone contact between the new prime minister and the new US president. A mini-task force was set up in MFAT to monitor developments; it is functioning 24/7.

We have recently hosted in-bound visits at foreign minister level from Hungary and China, the latter publicly sympathetic to New Zealand’s plea to upgrade the bilateral free trade agreement. There have been separate foreign and trade minister visits to Europe and the Middle East. A trade ministers’ meeting took place in Chile of the TPP ‘eleven’, to which China, Colombia and South Korea were also invited. There has been a very rare gathering of Commonwealth trade ministers. The government’s revised trade strategy is due to appear in the next few weeks. In the defence and security setting, timely Royal New Zealand Air Force and Navy anniversaries have been leveraged to good purpose. Further ahead, regularly scheduled meetings such as the ASEAN Defence Ministers Plus, the East Asia Summit and APEC Leaders will command New Zealand attendance.

All that substantial effort is designed to lift the country’s profile as a committed partner in the near region, at the same time buttressing our enduring ties through more distant but longstanding relationships. A busy political and policy agenda is unfolding, and one can see the makings of a solid pattern of response to current challenges settling into place. Pursuing that ‘portfolio of options’ the prime minister talked of. It would be too much to expect the process to be all straight-forward. Inevitably false starts and route diversions will occur; the path the country is now set on is not a well-travelled one.

In a mihi she contributed to the book *Tangata Whenua* in 2014, the writer Patricia Grace wrote ‘May this fine waka [the book] launch heartily. May it sail in ever-widening circles to find its place’. The same metaphorical reference could apply to New Zealand in current challenging times. Not ‘all alone and adrift on a wide, wide sea’; rather, sailing in widening circles to safeguard its place in the world.
Asia–Pacific regional integration — with or without the United States?

Stephen Jacobi discusses the outlook for regional trade and investment in a profoundly changed situation.

This year is definitely not a case of ‘plus ça change, plus c’est la même chose’. A new president in the White House is challenging the model of past American leadership in the global economy and with that long-held principles and practices of economic cooperation and integration. This coincides with a new questioning around the world of the process of globalisation, how its benefits are shared and its challenges managed.

I am perhaps a little brave to explore these issues — the president has been in office for less than a month (somehow it seems longer!) and his administration is not yet completely in place. I am certainly of the view that we need to let time elapse before being too definitive about the policy choices New Zealand might have to make in the light of these profound changes in the global environment.

It is not too early to start thinking about how we might position ourselves. In this article I will explore:

- where the process of economic integration in the Asia–Pacific region has led us thus far;
- how this process might be challenged in the months to come, and
- what we here in New Zealand need to be doing.

I am writing mainly from the perspective of the New Zealand International Business Forum, a group of senior business leaders concerned with New Zealand’s engagement in the global economy. These themes are relevant across the range of my work with organisations including the New Zealand China Council, the APEC Business Advisory Council and the Australia New Zealand Leadership Forum.

One of the much repeated criticisms of the ill-fated Trans-Pacific Partnership (TPP) was that it was not a trade agreement at all. I read as much in a recent blog on the website of the Foundation for Economic Education. Rather than a simple agreement to lower tariffs for mutual benefit, the writer alleged, the TPP morphed into a massive international regulatory regime over 5000 pages long. It was weighed down by numerous non-trade provisions aimed at appeasing non-trade special interests.1

It is not my purpose here to attempt to rebut the many criticisms of the TPP but this particular one calls for a little more economic education! Of course, the TPP was a trade agreement — the larger part of those 5000 pages are taken up by complex schedules outlining the process for the elimination of tariffs. (We can debate whether the TPP is a ‘free’ trade agreement since in some limited cases, albeit ones of interest to New Zealand, the goal of zero tariffs was not reached.) But there is a much bigger picture here and it is really not complicated — trade is not trade anymore.

Trade has been replaced by a set of much more complex economic interactions between firms and whole economies. Professor Peter Petri and colleagues, in a report to ABAC in 2015, captured this well when he said:

Businesses (today) engage in more varied activities, with a wider range of partners, and in more markets than ever. Major technological and economic trends are disrupting the business environment, including the emergence of global value chains, the digital/Internet revolution, the rise of a giant middle class, and dramatic improvements in connectivity.2

Many of the objections to the TPP overlook the fact that the business model in the region has changed and that global and regional value chains, where production occurs across multiple jurisdictions, are, in the words of Professor Petri, ‘an Asia Pacific innovation’.

New Zealand is not immune from this movement. New Zealand manufacturers and processors of natural resources, includ-
Any regional trade arrangement, in order to earn broad support, vide institutional guarantees for fostering an open regional economy. The Asia-Pacific (FTAAP) poses a number of challenges and opportunities for Kiwi firms, and forces policymakers to think in non-traditional ways. What’s been done in the past is unlikely to be ideal now as New Zealand looks to boost its productivity and living standards.

It was precisely to try to find new ways of incentivising and enhancing access into these global value chains that the TPP was conceived. In that sense the TPP represented an effort for the regional framework of rules for trade and investment to catch up with the action — even if in the end it was a very long and tortuous process.

Hence the need for the agreement to cover not just tariffs but non-tariff barriers, not just goods but services, not just trade but investment, not just border measures but behind the border measures, not simply regulatory harmonisation — as the writer of that blog contends — but processes for regulatory coherence and convergence, not ‘one size fits all’ but ‘one fit for all sizes’.

**New reality**

Simply put, the TPP was trying, in all its insufficiency, to reflect the new reality of the way business is done in the region and beyond. The fact of the matter is that business is moving faster than the regulatory system and has been doing so for some time. The TPP was one instrument for achieving economic integration — certainly something less than the utopia of free trade but a very good second best option. The TPP is not the whole answer either — it is a coalition of twelve (now eleven) willing partners, which was always designed to lead to something much larger, an APEC-wide grouping gathered together in the Free Trade Area of the Asia-Pacific (FTAAP).

Nor is the TPP the only such pathway to the FTAAP. In Asia there is the Regional Comprehensive Economic Partnership (RCEP). I am tempted (but it would be unkind) to describe the RCEP as a coalition of sixteen unwilling partners, given the rather limited level of ambition that seems to characterise the negotiating process. It is important to stress that the RCEP is not the forum in which China, as our American friends would have it, ‘is writing the rules for the region’. The RCEP is led by ASEAN, not China, and while on paper seeks an ambitious outcome is mostly about ASEAN integration with the rest of East Asia.

For its part, China remains very interested in the concept of the FTAAP. In his address to the APEC CEO Summit in Lima last November, President Xi Jinping described the FTAAP as ‘a strategic choice concerning the long-term prosperity of the Asia-Pacific; we should steadfastly promote its construction and provide institutional guarantees for fostering an open regional economy.’ President Xi also expressed a preference for inclusiveness: ‘Any regional trade arrangement, in order to earn broad support, must be open, inclusive and all-win; closed or exclusive pacts are not the right choice.’

Finding a way to realise the FTAAP vision has been difficult. The theory was that the TPP and the RCEP, once concluded, would coalesce into the FTAAP, which would be anointed by the coming together of China and the United States in a new framework that could spark life into a global process in the World Trade Organisation. Hope clearly springs eternal in the realm of trade negotiations!

The arrival of President Trump in the White House has clearly put paid to much of this grand strategy — at least for the time being. His decision to withdraw from the TPP was easily done, if fundamentally flawed — after all, he was withdrawing from a treaty that had not come into force, the benefits of which had not been fully seen. But there are broader issues at play. His ‘America First’ policies, including the call to bring businesses back to the United States, pose a direct challenge to the prevailing business model in the region. His stated preference for bilateral deals runs counter to the quest for a region-wide framework of rules for trade and investment. These rules seek to make doing business easier while avoiding the infamous ‘noodle bowl’ effect of conflicting and overlapping disciplines.

**Possible destabilisation**

Any future adventurism in US foreign policy, particularly with regard to China, could serve to destabilise the stability and security of the region. This stability is a necessary pre-requisite for advancing economic and commercial interests. All of this reverses former President Obama’s policy of seeking to engage more directly in the region through the ‘Asia pivot’, of which the TPP became, more by association than by design, the flag-bearer. It may well be, of course, that these worst fears are not realised — as I mentioned above, these are very early days in the life of a new administration. But even at this point it is not hard to see that there could be a departure from what we have known of American leadership in the region.

In a recent memorandum the respected head of the American think-tank CSIS, John Hamre, writes that we are back in 1949 — a time when President Truman faced an existential choice about whether to concentrate on domestic growth and competitiveness at the expense of global recovery after the Second World War. Hamre writes: ‘we are back to the great challenge that faced President Truman. Will America shake off its deep-seated desire to pull back and nurse its bruises, or will it champion an international order designed to create a broad environment where human potential can blossom?’

It was, after all, American leadership that imposed a benign order on the region after the conflict of the last century. It was this leadership that helped secure the emergence of the World Trade Organisation as the repository of trade law and a framework for settling disputes. It is this leadership that has, in more recent times, trialled new arrangements for trade liberalisation through NAFTA and a range of other agreements, and helped shape the new business model we see today in the region.

This is not to say that the existing order is either perfect or sufficient — clearly it was not. In the economic space that order has come under intense criticism. There has been criticism for failing to take sufficient account of environmental and sustainability issues. There has been a perceived failure to ensure that those who are disadvantaged from the adjustment brought about by changing patterns of production and trade are appropriately cared for.
and helped into new areas of enterprise. And there is the criticism that economic integration has served to advance the interests of multinational corporations, especially through measures aimed at stimulating and protecting investment or through the rules being devised for the digital economy.

‘Making globalisation work for people’ is not just a slogan — it has become a policy imperative in the age of Brexit and Trump. So, in 2017, we face not only the prospect of new direction from the United States on trade but also new challenges from within about the nature of the very order that has served us well in the past.

**Needed action**

In this context, what is to be done by a small, open, trade-dependent economy like New Zealand? It needs to be recognised that this is not the first time the core assumptions of New Zealand’s trade policy have been challenged. When Britain joined the European Economic Community in 1973, we faced the herculean task of diversifying our economy while hanging on to our access for butter and sheepmeat. (How ironic that today we are back again talking with Europe and Britain!) In 1983 we sought to break out of a straightjacket of protectionism and economic befuddlement when we concluded the Closer Economic Relations treaty with our best friends the Australians — that living and evolving agreement remains a bedrock of New Zealand economic success.

In 1993 when the outcome of the GATT Uruguay Round was in doubt, we made it known that New Zealand was open to the concept of high quality and comprehensive trade deals in the Asia-Pacific region. That ultimately led to free trade agreements with Singapore, Chile, P4, ASEAN and China and the TPP — this sort of free trade agreement coverage was unthinkable back in the day. Today we see that New Zealand’s Plan A, focused largely if not exclusively around the TPP, has gone off the boil and Plan B is, to quote Prime Minister Bill English, ‘tricky’.

What is Plan B for New Zealand? It is certainly not a retreat into ‘fortress New Zealand’, which makes no sense for a nation so dependent on trade and economic integration. Nor is it a futile attempt to keep away from the controversial aspects of the TPP and seek to negotiate more limited ‘market access only deals’ — this merely denies the reality of value chains. New Zealand, after all, is already largely a free market for others’ exports — most of them do not see the need to reciprocate.

One key advantage today, which was not the case in 1973, 1983 or 1993, is that we have options. Plan B is likely going to be a mix of things, both in the Asia-Pacific region and beyond. Among the latter are the emerging New Zealand/EU free trade agreement and a possible post-Brexit free trade agreement with Britain. Among the former are the initiative to upgrade our bilateral free trade agreement with China and new initiatives like China’s ‘One Belt, One Road’, which we need to examine more deeply. We certainly need to continue to seek a high quality, comprehensive and ambitious outcome from the RCEP.

**Useful initiative**

The RCEP may not at present be an alternative to the TPP, but it is a useful initiative nonetheless, particularly for New Zealand if it delivers for us better access to Japan and India, which we currently lack. Then there is the prospect of a TPP-like agreement amongst the remaining eleven members. Australia, New Zealand and Singapore have expressed interest in exploring the options and Mexico has signalled that it wishes to explore bilateral agreements with the remaining members. Japan, a key player, has recently said the TPP is ‘meaningless’ without the United States. I think this Japanese reticence is entirely understandable and needs to be seen in the context of their critical security relationship with the United States.

On the other hand, Japan, like New Zealand and unlike other members, has already ratified the TPP. We need to let some quiet diplomacy proceed to see if the remaining eleven parties, or a subset of them, see merit in amending the TPP to take account of US withdrawal. This should include deciding whether or not to strip out of the agreement those things that were essentially US demands. TPP (11) would not deliver the long sought-after free trade agreement with the United States.

While China — under our shortly to be upgraded free trade agreement — may have replaced the United States as our top trading partner, the United States remains as important to us today as it was the day before the presidential inauguration. America is not just a major trade and investment partner, it is a powerhouse of innovation, entrepreneurship and business ideas. New Zealand now has to find a way to engage and work constructively with the new administration, even as we look to advance other options for growing and future-proofing our economy.

The way ahead is far from easy. New Zealand has been seeking to obtain a bilateral free trade agreement with the United States since the turn of the century. Two problems have bedevilled that effort: first, a poor political and security relationship, which has now been fixed, thanks to efforts over years by certain politicians and diplomats on both sides, supported by leaders from business and the wider community gathered in the NZ US Council and its counterpart in the United States. And second, on the economic front, the small size of the New Zealand economy and the perceived — if highly exaggerated — risk which our agricultural sector poses to American farmers. This will make it difficult for New Zealand to get ahead in the free trade agreement queue and may make a purely bilateral agreement ultimately no easier to negotiate than the TPP.

While we simply do not know the detail of the new president’s trade policy, he is not likely to do us favours on agriculture and may seek to go beyond the TPP outcomes on issues like investment and intellectual property, especially medicines. There is also the challenge of seeking improved visa access to enable New Zealand professionals to work temporarily in the United States, as many services exporters especially in the tech
sector would wish.

**Ironic situation**

To return to my favourite theme, there is much irony here — the TPP’s lengthy negotiation was in part because the other eleven partners were seeking to counter the full extent of American ambition across a range of issues. This was largely achieved: the final TPP text was a carefully structured consensus, which represented a balance of interests of all parties. For New Zealand the TPP delivered substantial benefits with little change to existing policies, even if we did not achieve all we hoped.

Will economic integration proceed with or without the United States? The theme for my remarks in this article was framed as a question, but perhaps it should have been an exclamation! Economic integration driven by globalisation and commercial impetus is likely to proceed whether the United States ultimately decides to lead that process or not. There may be holes in the boat, but it is not sinking — yet. The question is more what sort of economic integration are we going to see and what will be the rule-making that shapes it. New Zealand benefits from rules for trade and investment, especially when we have had a hand in making them. New Zealand does not have the luxury of closing off options before they have been fully explored. We have been in this space before.

Today we are entering a new and uncertain period where old assumptions may no longer hold true, and where old economic allies may not play the role we have become accustomed to. This profound change requires fresh thinking from governments and stakeholders, together with perseverance and commitment, as we chart some new and potentially rough waters.

**NOTES**


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John Key’s global diplomacy

Ken Ross examines the role of the recently retired prime minister in international affairs.

John Key presents a fresh challenge for the contributors to the next volume in the NZIIA’s *New Zealand in World Affairs* series. The four previous volumes cover the six decades 1945 to 2005: a quartet which documents the liveliness of successive prime ministers and the interesting times they had grappling with global developments.

Key will be a double challenge for them as a rare species among New Zealand’s prime ministers since 1945. His diplomatic energy was seldom evident. His government’s foreign policy stayed humdrum throughout his prime ministership until its starring moment, eleven days after he had exited off-stage. In his time, New Zealand was no longer ‘small state rampant’, but small state dormant.¹

This has been barely remarked on publicly. There has been no quality commentary or assessment in the New Zealand media of our engagement in world affairs during the Key era. The future is bleak too — the academic David Capie spotlighting that ‘diplomatic history today is an intellectual orphan, out of fashion and scarcely taught in the country’s universities’.²

In the seven decades since the Second World War there has previously not been any need for such a description of New Zealand engagement in world affairs. Capie, recycling Fred Wood’s 1944 quip, gets it right — for most New Zealanders foreign policy is ‘a drama enacted on another planet’.³ Key slots in as a flag-bearer of that cohort. He found it hard to engage in global diplomacy. Key was simply not wired for doing the hard yards or exhibiting any high intellect, the two essentials that are integral for success in this arena. Within 18 months other world leaders had passed on him as a valued interlocutor to engage with; his diplomatic dance-card was light from then on.

**Back story**

Key arrived on the New Zealand political scene in late 2001, with a classy reputation as an international high-flyer in currency trading. He entered Parliament in 2002. His smooth journey to parliamentary leadership of the National Party became chocolate-coated by squaring off with Helen Clark as she was extinguishing her credibility with the New Zealand electorate.

Commentators on Key’s pre-prime ministerial parliamentary career have consistently highlighted how he studied Clark to learn the ropes for winning the prime ministership. Jane Clifton was quick to mark him as ‘exceptional’ in not requiring the usual six years as a backbencher before being ‘officially rated’.⁴

John Roughan, Key’s portraitist, has already given us the matters that Key wanted public about his prime ministership in the revised version of *John Key: Portrait of a Prime Minister* (2017). This is the staple reference for Key’s life story. It is a light touch but an essential read — we cannot expect any memoir from Key. The *New Zealand Herald*’s July 2008 series, ‘John Key — the unauthorised biography’, has important material not drawn on by Roughan that enables a sharper appreciation of Key, most particularly the telling quip of an unnamed National MP: ‘Key seems to harbour a deep instinct to be the most important guy in the room’.⁵ He could achieve this in New Zealand; overseas he only could when leading trade missions. Key knew as such, in November 2015 admitting that he was but ‘a junior world leader’.⁶

Eight years of Colin James’s weekly *Otago Daily Times* columns and Jane Clifton’s *New Zealand Listener* columns, plus the numerous contributions of three New Zealand journalists — Audrey Young, Fran O’Sullivan and John Armstrong (until October 2015) — are sufficient to chart Key’s two

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John Key was a prime minister of two halves — brilliant at home; inconsequential on the world stage. He acknowledged the latter with his self-inflicted epigram that he was ‘a junior world leader’. Key was not wired for global diplomacy. He did the requisite obligations, but perfunctorily until he engaged with New Zealand’s bids for the United Nations Security Council and for Helen Clark to become the UN secretary-general. Key’s oft-reported ‘good personal relationship’ with Barack Obama fails scrutiny — there was no oft-heralded presidential visit to New Zealand. Nor, ever a second game of golf.
disparate political halves: the brilliant performance at home and the inconsequential away appearances. Victoria University of Wellington’s round-ups of the general elections Key was involved in from 2002 to 2014 shed more light. Foreign policy did not warrant a chapter in any except for Capie’s in the 2005 study, where he was spot-on. His summation: in this field Key would be Helen Clark-lite. When Key became prime minister, bipartisanship on foreign policy, particularly the non-nuclear stance, was his default position. A central thrust of Key’s prime ministerial diplomacy was to stay close to Clark’s approach, but with less ardour than she exhibited. This was particularly evident in his furthering the three big bilateral relationships — Australia, United States and China — while keeping a low-profile at the regular international gatherings that New Zealand prime ministers must be seen at. He did those requisite obligations, but perfunctorily until he engaged with New Zealand’s bids for the United Nations Security Council and for Helen Clark to become the UN secretary-general. Key was a National Party prime minister, but his hewing largely Labour Party foreign policy practice stands out: most other National prime ministers have been similarly inclined, but none did so with quite the willingness Key did.

Key’s prime ministerial foreign policy ‘talks’ were limited to NZIIA Wellington audiences — six of the seven were reprinted in this journal.7 The one not published, his 2 July 2014 address ‘New Zealand in the World’, prompted Colin James’s reflection of it as ‘a conversational amble’ and he noted that the ‘quintessentially diplomatic’ chair ‘referred to Key’s reliance on only one page of notes’. James continues that ‘that was a measure of how seriously Key took his audience’.8

Important enablers
Since 1945 a persistent story-line of New Zealand prime ministers has been their ‘friends in court’, who walked the talk with them, enabling their better concerted endeavours in global diplomacy. Norman Kirk had Frank Corner as head of his bunch; Keith Holyoake had Alister McIntosh and then George Laking; Jim Bolger had the biggest capable support team, with Don McKinnon and Simon Murdoch to the fore. While Robert Muldoon and Helen Clark had few key lieutenants for their contrasting global diplomatic styles, they were not solo acts. Then there was the cacophony from David Lange’s ‘menagerie’ of advisors — Merv Norrish, John Henderson, Gerald Hensley, Ewan Jamieson, Margaret Pope, Denis McLean and, most importantly, Helen Clark.

John Key has been our only soloist. He barely orchestrated an international security ministerial team that, collectively, was the weakest we have had in the seven decades. Murray McCully put his heart, shoe leather and his legendary cunning into his foreign minister tasks. He performed credibly, as Phil Goff and Winston Peters had done when they were handed the foreign minister's baton. But McCully would have needed to have been in the same league as our two best non-prime ministerial foreign ministers, Don McKinnon and Brian Talboys, to have lifted the government’s foreign policy ratings out of the graveyard slot. Tim Groser was a run-of-the-mill trade minister; not in the premier league with Jack Marshall, Philip Burdon and Talboys. None of Key’s defence ministers impressed — in that, they joined a long line of such, going right back to 1945.

Key accumulated a surfeit of hapless moments — ranging from his miserable ‘panda diplomacy’ to bungling getting on the right side of Barack Obama. When he belatedly arrived at the White House for the first time, in July 2011, the news cycle back home became dominated by who were the four young Israelis who died in the February 2011 Christchurch earthquake, rather than what had transpired with the Key–Obama dynamic. More such moments hung around Key’s announcing visits by Kevin Rudd (in June 2010) and David Cameron (in October 2011) that were canned, even though they were to take place just days after Key announced them. His recounting with seeming glee to John Roughan how he kept the foreign ministry in the dark about his forthcoming golf game with Obama is emblematic of his soloist spirit.

Three accomplishments
Key has just three international accomplishments worthy of mention. He travelled most often of the post-1945 prime ministers. He was the first of them to chair the United Nations Security Council. He was the first New Zealand prime minister to be hosted by the Queen at Balmoral, her private Scottish residence.

Key’s 72 trips in eight years — averaging nine a year — were well ahead of Helen Clark’s yearly average of seven: 63 trips in nine years. In each of his two three-year terms Key made 24 trips; in his final two years he made a further 24.9 Earlier prime ministers averaged no more than five trips annually.

The high foreign policy moment of Key’s prime ministership, paradoxically, came eleven days after he stood down. On 23 December 2016 the United Nations Security Council resolved (Resolution 2334) to call on Israel to cease creation of settlements in occupied Palestinian territory and, as well, called on both the Israeli and the Palestinian authorities to desist from
acts of provocation, destruction and terror. (The resolution’s ‘power punch’ is that the new secretary-general has to report to the Security Council every three months about the resolution’s implementation.) While the resolution’s passing was ‘little short of a personal triumph for McCully — arguably the biggest in a political career which has seen ups and downs aplenty’, Key was crucial in enabling his foreign minister to turn up trumps.10

Resolution 2334 was New Zealand’s resolution — we did the hard yards to get the breakthrough formulation which ensured its passage.11

Key’s diplomatic legacy is heavily coloured by two lows: overseeing the decimation of the country’s foreign ministry and his inability to generate a strong relationship with the United States, when we had the most bilaterally friendly president in the White House since FDR. Key’s inability to connect with Barack Obama is walked through later in this article.

The foreign ministry’s decimation in 2012 is unparalleled in the annals of the New Zealand bureaucracy. This was the gutting of a generation of experienced and capable personnel, accompanied by an upper level of the Beehive bereft of smart minds well-tuned to world affairs. Key seemed happy; it sat comfortably with his policy-lite ambience.

**Foreign friends**

Key’s friendships among other heads of government were few. He stayed close to the ‘Five Eyes’ club relationships. Even within that ‘inner circle’ the only counterparts he looked comfortable with when mingling publicly were the two Australians, Julia Gillard and Malcolm Turnbull.

His association with David Cameron pre-dated the latter’s entering 10 Downing Street in May 2010 — it appears to have been sparse beyond the celebrated texting encounters. Cameron inflicted a home-goal humiliation on Key — standing him up in late October 2011, after Key had gone public announcing a Cameron visit to Wellington notwithstanding Cameron was already committed to being in Brussels for a short-notice European summit.12

Key’s centrist inclinations set him apart from the hard-line conservatism of the Canadian Stephen Harper and the Australian Tony Abbott and he had the misfortune of facing Kevin Rudd as the Australian went chaotic through 2009, ahead of his early forced departure on 23 June 2010.13

John Key did not golf with Barack Obama again after the 3 January 2014 game — the sole high moment in their supposed ‘good personal relationship’. On his last day as prime minister, Key heralded from his recent presidential phone call that a game of golf was expected while he and Obama would soon both be holidaying in Hawaii. They overlapped there for sixteen days. American media covered Obama’s daily schedule while there: Obama played six rounds of golf with named ‘personal friends’ — John Key’s name was not on the list.14

**Teasing intimations**

Through much of the second half of Key’s prime ministership New Zealand media teased with Beehive intimations that President Obama would get to New Zealand. Even FBI Director James Comey’s appearance in Wellington in March 2016 was mistakenly portrayed as a prelude to the presidential coming. The New Zealand media showed no sense of comprehending the massive logistics of an American president dropping in — despite Bill Clinton’s September 1999 visit being sufficient to inform them and Obama’s appearance in Brisbane in November 2014 for a G20 summit being an appropriate reminder of the logistics involved. In early January 2016 it was clear from the announced Obama travel schedule for the remainder of his presidency that there was no slot for New Zealand. Yet, the urban legend (Obama is coming) gained oxygen, again and again!

The early chronology of Key’s contact with Obama illuminates why this was an urban legend, and how stuttering their acquaintance was. For Key a first phone call from Obama in May 2009 was to be the only one in the subsequent four and half years. Between phone calls Key encountered Obama at the 2009 APEC leaders gathering in Singapore and at the Nuclear Security Summit in Washington in April 2010. But it was not until 22 July 2011 that he got his much pursued first visit to the White House. The delay was due to Key having run a diplomatic ‘red light’ with his public utterance, shortly after their first encounter in Singapore, that he was soon to be at the White House.15

Key’s 2011 visit was on the graveyard shift — no other head of government visited the White House that month until a hastily convened crisis meeting between four West African leaders was held in the final days.

That Key encounter appeared not to impress the White
House. A lack of on-going contact between the pair was evident for several years. The coolness ended when Key stood in for Obama to chair a tricky meeting associated with the Trans-Pacific Partnership negotiations at the 2013 APEC summit. Key’s reward was his second phone call from Obama. The game of golf in Hawaii in January 2014, when both were holidaying there, was a moment when neither the prime minister nor the president was acting in their official capacity.

Less hospitality

Key’s second White House visit was on 20 June 2014. His two appearances equal the number of calls that Helen Clark had there. Key received less hospitality than Clark; the formal talks were not as lengthy. The Obama White House would likely have turned on the lights for Helen Clark, had she still been prime minister, hopeful of substantial discourse of a progressive sort — what many in the White House were eager for. Countering Kevin Rudd’s already growing idiosyncratic tantrums and Gordon Brown’s renowned rages, she was one of the few likely prospects among progressive leaders for Obama to talk to. Obama’s people were coloured on Clark by a much-commented 2007 Financial Times profile that was complimentary of her.16

White House engagement with Key at this depth was not to be. That gap was most apparent in April 2010. Then John Key sat quietly throughout the initial meeting of Obama’s first big global initiative, the Nuclear Security Summit, when on the last-minute no-show of the errant Kevin Rudd New Zealand missed a pivotal initiative, the Nuclear Security Summit, when on the last-minute quiet throughout the initial meeting of Obama’s first big global initiative, the Nuclear Security Summit, when on the last-minute opportunity to step forward and demonstrate a new generation ‘small state rampant’. Smoke-signals were discreetly, albeit indiscreetly, made to let it be known Key had not been what the hosts keenly interested in world affairs, but they regarded them with a somewhat impersonal eye: foreign policy was a drama enacted on another planet.’

1. F.L.W. Wood, The New Zealand People at War, Political and External Affairs (Wellington, 1958), pp.370–84. The final chapter is titled ‘Small State Rampant’; the superb tag was of Peter Fraser’s war-time global diplomacy.
3. Ibid., p.585. Frederick L.W. Wood, Understanding New Zealand (New York,1944), p.195. Wood was writing of the 1920s and early 1930s when stating ‘For the time being, therefore, New Zealand had no foreign policy Many of her citizens were keenly interested in world affairs, but they regarded them with a somewhat impersonal eye: foreign policy was a drama enacted on another planet.’
6. The West Australian political editor, Andrew Probyn, reported John Key’s ‘junior world leader’ quip when at the APEC Leaders’ gathering in Manila on 20 November 2015.
9. The figures for Key and Clark are compiled from the beehive.govt.nz website. Muldoon had 38 trips — Barry Gustafson, His way: a biography of Robert Muldoon (Auckland, 2000), p.527, lists the trips. For Bolger and Holyoake, I have made use of their memoirs or biographies, with the Alister McIntosh Papers at the Alexander Turnbull Library helpful for tallying Holyoake’s trips.
12. Key went public with the visit on 21 October: ‘British Prime Minister to visit New Zealand’, beehive.govt.nz, 21 Oct 2011. While Downing Street publicly canned the visit two days later, British media had been reporting for several days of an abruptly called European Council for 26 October.
Dmitry Shlapentokh comments on Hillary Clinton’s failed presidential bid and compares her to Marie Antoinette.

Writing on recent history is often much harder than writing about the distant past. As Hegel noted some time ago, ‘the owl of Minerva flew only in twilight’, in that the meaning of events, and their long-term repercussions, could be understood well only after the events became the distant past. The problem of assessing the recent past is also complicated by the fact that events are in flux, and could change direction or accelerate dramatically, even as the piece goes to print.

However, some assessments can be made even when events are just a few months old. And this applies to the recent US election campaign. The aftermath of Trump’s election was marked not just by widespread protests and demonstrations but also by outbreaks of violence, like the anti-Trump demonstrations at the University of California at Berkeley.

Anyone with even the most cursory knowledge of America’s recent history is aware of violent outbreaks in the United States. In the 1960s, American campuses were awash with violent protests. Black ghettos in major American cities periodically exploded and transformed parts of these cities into war zones. Some parts of these cities are actually war zones in a certain permanent way, due to high levels of violent crime. In the last year, almost 900 people were killed in Chicago. However, most of them were killed in a few areas of the city, which have an extremely high level of violence.

So what is so unusual about Trump’s America and the events that immediately preceded it? The point here is that in the past cases of violence were isolated phenomena mostly involving racial minorities. Students might be very noisy, but in most cases they try not to harm anyone. Those who engaged in brutal violence in urban ghettos were black Americans. The racial characteristics of those engaged in violent crime have been practically avoided in American public discourse, so as not to be accused of racism. But it is a common fact. Deeply alienated from society, blacks of urban ghettos regard violence as legitimate forms of social, or actually anti-social, activity.

The majority of whites, the core of Americans, have a different outlook. Even if they fall into abject poverty, they remain mostly attached to societal norms and believe in institutions. In their view, protest should be done through legitimate constitutional channels. It was this acceptance of the rule of political and social games by the majority of whites that provided the country with stability in the past, despite outbreaks of violence in black ghettos. Even so, this model of behaviour might be changing. It might influence politics of the elite by introducing to the political culture the notion, direct or at least indirect, of extra-judicial and possibly violent means in dealing with the opposite side. This could have a potent implication for the country’s future. And for this very reason, the election campaign, especially Trump supporters’ approach to Hillary Clinton, is worth careful review.

Primitive analysis

Thousands of articles, including those that are supposedly scholarly, have been written about the recent presidential campaign. What might surprise at least some observers is the primitiveness of analysis, which is usually reduced to an evaluation of who is ‘good’ or who is ‘bad’ — or, in other offerings, who is ‘very bad’ and who is simply ‘bad’. The lack of analysis is not, of course, due to a sudden epidemic of dementia overwhelming American social scientists and journalists of all political stripes. It is caused by another reason.

A true analysis of the recent campaign could well uncover some extremely high levels of social tension with serious potential implications for the entire political order and the country itself. One of the indicators of this tension could be the extreme hatred that the throngs of Trump supporters felt toward Hillary Clinton. Thousands of the people at Trump rallies chanted vigorously ‘Lock her up!’ and some even publicly called for her execution. For those who participated in these rallies, Hillary emerged as the embodiment of evil and immorality. Indeed, those who participated in the meetings also posted pictures that implicitly presented both Hillary and her husband as promiscuous; at least some of these images had clear pornographic overtones.

One could argue that the hate of Hillary Clinton is not unusual in the context of American political tradition. Americans often dislike their politicians or other public figures. But a closer look could easily reveal that this dislike is usually skin-deep. President George W. Bush was hated by a considerable segment of the left. Still, he was quickly forgotten after leaving office, and there was certainly no resounding call to imprison him. Calls to imprison Condoleezza Rice, his secretary of state, were heard after she left office. However, these came only from minuscule groups of leftists, and along with the rest of the American republic they soon forgot about her altogether. The same could be said about Henry Kissinger, also a former

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secretary of state and an eminent scholar. His rare public appearances sometimes led to hostile demonstrations, but, as with Rice, demonstrators were few in number; their passionate denunciations of Kissinger as a war criminal who should be put on trial evoked no substantial public response. No one demanded his immediate execution. By comparison, Hillary Clinton’s story is truly exceptional. Her imprisonment, and even physical demise, was being demanded by thousands of ordinary Americans.

Similar cases exist in histories of the other countries. There are surprising similarities between Hillary Clinton and Marie Antoinette, the last queen of France. Both were hardly an embodiment of evil; however, both of them became symbols of all the problems of their countries. The hatred of Marie could well be seen in retrospect as a portent of future revolution.

**Deep hatred**

What is the reason for such deep hatred by so many? Clinton has hardly done anything that has not been done by most of American politicians in the past. Although her enemies denounced her as corrupt, she did what most of the other politicians have done, on both left and right. All of them have lived according to the model of the ‘revolving door’, where those who please wealthy and influential donors are handsomely rewarded for their service. The only difference is this: while republicans landed in well-paying jobs at big corporations and conservative think tanks, liberals landed in the same cushy jobs in liberal think tanks and academia.

Clinton is hardly an exception here. Most who dislike Hillary stated that she provided, either directly or indirectly, good jobs for her friends and relatives. Chelsea Clinton, her daughter, was not just employed by her parents’ foundation; she also attended Columbia University, one of the best American universities, but has no credentials besides being the daughter of a former president and a former secretary of state. Nothing is exceptional in these arrangements; the undeclared rules of academia are based on internal games. At the same time, credentials and achievements (for example, publications) often play no role in defining a scholar’s future.

Finally, Hillary was accused of being a compulsive liar. This, also, is hardly an exceptional characteristic of her as a politician. Lying is quite popular in the country. Everybody lies—from president, ‘I did not have sex with this woman’, to university department chairs. One might state that lying is the only successful industry in the United States, possibly with the exception of money printing—called ‘advertisement’.

It goes without saying that sexual innuendos about Hillary Clinton have no grounds at all. She was actually a victim of her philandering husband. In addition, one could add that she might indeed have a positive feeling for the common folk and sincerely wants to improve their lot, at least for some women. So why did she evoke such a hatred among quite a few? Another look at Marie Antoinette, the last queen of France, might provide some clues.

**Unfair criticism**

Marie Antoinette was an Austrian princess who married the last king of France. Pretty and vivacious, she was married at a very young age and was clearly bored. Consequently, she engaged in various entertainments, which cost money. This was a tiny amount in comparison to the debt accumulated by the state. Generous pensions to the elite and the amount spent on military campaigns cost the treasury much more than the queen spent on herself. In any case, she could hardly be blamed for the country’s financial problems. She was apparently well natured and sincerely wanted to improve the lot of the peasants, the vast majority of the kingdom’s population. She clearly tried to identify herself with them and even played the role of peasant girl on farms created especially for her.

It is true that there was a huge gap between nobles, who paid no taxes, and common folk. Even so, this had been true for centuries, and in fact for most French life had been improving during the last century or so leading up to her time. In any case, the division between noble and commoners, and implicitly between rich and poor, was sort of socially axiomatic for thousands of years. This was Fukuyamian end of history in its peculiar interpretation.

**New philosophy**

This arrangement between noble and peasant was challenged by Enlightenment philosophy not only that all people should have the same rights but also that rulers should be responsible for the well-being of the common folk. The elite were held responsible for commoners’ well-being. Here Marie Antoinette emerges as not just a symbol of the people’s misery but as directly responsible for it. It was assumed by public opinion that the problems were mostly caused by the huge deficit. Regarded as being directly responsible for it, the queen was labelled ‘Madam Deficit’.

As time progressed, the hatred of the queen was transmitted to her husband and finally to the entire French nobility. All of this contributed to the revolutionary explosion known as the French Revolution, during which the queen, her husband and those close to them perished and the entire ancient regime was demolished. One could say, retrospectively of course, that hatred toward Marie Antoinette was not hatred of her as a person but as a symbol of the regime. The hatred of Marie Antoinette indicated the increased doubt about the old order as ‘the end of history’.

Similar processes are taking place in the United States, where belief in institutions and the entire socio-economic order have begun to erode, a process that is reinforced by a sharp decline in living standards for the majority. Hillary Clinton, as it was in France with Marie Antoinette, became the symbol of the misery for many who believed that her demise would solve future problems. Many Americans, like the French majority two centuries ago, believed that their lives would improve dramatically if the ‘evil Clintons’—both Hillary and her husband—disappeared from the political arena and were severely punished for their real or imagined misdeeds.

The populace in 18th century France entertained similar illusions. Only in hindsight, when France went through the convulsions of revolution and war, would the masses realise that the problem was not just the queen, her husband or even the French elite. In this light Marie Antoinette as a ruler hardly seemed the worst option for France. Americans could come to a similar conclusion in regard to Hillary Clinton in the future. But, like the French, they will not be able to go back in time.
David Shambaugh's most recent book has its origins in an address he presented at Victoria University of Wellington in July 2014 to the ‘China at the Crossroads’ conference organised by the university’s Contemporary China Centre. In the preface the author describes China's Future ‘as a relatively short book about a big topic’. Given the importance of China’s future direction in both economic and geopolitical terms not only for the Asia–Pacific region but also globally, this is an extremely important book that deserves a wide readership among government officials, and those in the business community with aspirations to tap into the country’s huge market. It should also be on the required reading list for students studying China’s current and future role in global affairs.

Shambaugh notes that China is at a critical juncture in its overall evolution. He asks whether China will be able to transition out of what he terms ‘the middle income trap’ and implement reforms to ‘rebalance’ the economy to enable it to move up the value chain. His book explores this question and expresses doubts that China can do so if it maintains an authoritarian system of government. He bases this claim on being unable to find a single case of a country that has developed a modern economy without also developing an open democratic system. But as he also acknowledges it is extraordinarily difficult to predict China’s future, noting that it is ‘professionally hazardous’ as the ‘Sinological landscape is littered with China watchers’ wrong predictions’.

Shambaugh catalogues in some detail what he describes as the severe challenges China faces. He draws on views expressed by China’s leaders, but while he finds common ground with them on some points, it seems very unlikely that those same leaders would endorse his prescription of democracy as the answer to those challenges.

The author claims that China’s economy is stagnating and could possibly stall. Such an eventuality would exacerbate a range of social problems which would in turn lead to protracted problems for the Communist Party. He argues for a mid-course correction and suggests that the government could be tempted to lurch backward into a neo-totalitarian approach to China’s problems. It is hard to argue with his claim that this would not be a positive pathway. In any event, as he notes, the economy’s private sector is already too deeply entrenched and China is too intertwined with — and indeed dependent on — the global economy. Three other possible pathways are explored in this book: hard authoritarianism, which he likens to the current system, soft authoritarianism and ‘semi-democracy’. He sees little appetite for the latter approach among China’s current leaders, but points to the significant leadership changes below President Xi Jinping that will take place at the 19th Party Congress to be held later this year. He suggests these could have a significant bearing on China’s future pathway.

Shambaugh believes that China would be better equipped to handle the pressures of globalisation if it was more open economically, politically and socially. It is a timely message in an era of populist politicians peddling protectionism.

For readers interested in statistics China’s Future is a veritable treasure trove. At the time of writing, China’s total debt stood at a massive US$28.2 trillion, representing 282 per cent of GDP. While the size of the debt is reasonably well known, Shambaugh discloses that it has quadrupled since 2007, which represents the fifth fastest increase in growth of debt in the world behind Greece, Ireland, Singapore (its inclusion on this list was a real surprise, at least to this reviewer) and Portugal.

Shambaugh identifies a wide range of other issues that need to be addressed: some economic, others demographic. On the economic front these include: excess manufacturing capacity and inventories, the relative decline in foreign inward investment and the emergence of a large and unregulated ‘shadow banking’ industry whose assets now amount to 51 per cent of GDP. The last-mentioned is a particular problem as the government now confronts the task of strengthening regulation of the system, but divesting itself of excessive control of the banks. Shambaugh describes this as a ‘tricky and contradictory conundrum’.

China’s economy is described as an assembly and processing economy, not a creator of innovation. The Bloomberg innovation index for 2015 ranked China a lowly 22nd. Shambaugh attributes this in part to a higher education system which does not encourage critical thinking. Nearly two-thirds of Chinese tertiary students who study abroad do not return home. Those keen to innovate tend to stay offshore.

Reducing the monopolies that state owned enterprises have over key sectors of the economy is another very dif-
Despite these ties competition has increasingly supplanted co-operation. Shambaugh levels the blame at both countries. America’s disillusion with China ‘probably says much more about the United States than about China’. He sees this as the latest chapter in the United States’ long quest to influence China’s evolution — a ‘missionary impulse’. The United States has been repeatedly disappointed by failing to understand the complexities on the ground in China, a problem compounded by China’s ‘stubborn unwillingness’ to conform to American expectations. Shambaugh suggests this can only be resolved by mutual pragmatism, acceptance and tolerance. He is understandably not confident that China and the United States will reach the same conclusion. One suspects he would be even less confident with President Trump now occupying the White House.

Shambaugh’s pessimism may well be justified. But China has surprised before. It may do so again.

PAUL SINCLAIR

THE SOUTH CHINA SEA DISPUTE:
Navigating Diplomatic and Strategic Tensions

Editors: Ian Storey and Lin Cheng-yi

This book on the South China Sea dispute has been released at a moment of high tension in the region. The decision of the arbitral tribunal in the Philippines v China case was highly critical of China’s policies, including the 9-dash line and its actions around the features in the Spratly Islands. China has rejected the validity of the tribunal and said that it will not comply with the decision. This book has, therefore, emerged at a time when much is being written on the South China Sea dispute. It should be immediately noted that it does not address the legal dispute between the Philippines and China. It is the result of a workshop held in 2012 by the Center for Asia-Pacific Area Studies of Academia Sinica and the East–West Center in Hawaii. The chapters were updated prior to publication, but the latest references are to some events in 2015, and most chapters are only updated to late 2014. Therefore, readers should not expect in-depth discussion of the most recent developments in the dispute.

Although the book is a few years out of date, it is a valuable contribution to the literature. It is a useful overview of the political complexities of the dispute. Some common themes emerge from the contributions. Key among these is China’s view of itself as the natural regional leader, and that the South China Sea is closely linked to China through historic and cultural ties. The rivalry and distrust between China and the United States is mentioned frequently, as is the question of how much influence the United States has, or seeks to have, with South–East Asian states that may be looking to it to counter China’s rising power. Another interesting theme is the
role that the United Nations Law of the Sea Convention has played in the dispute. On the one hand, UNCLOS expanded the control that coastal states have over resources, causing the maritime disputes to have greater importance. On the other, the submissions of claimants to the South China Sea to the Commission on the Limits of the Continental Shelf in 2009 prompted China to circulate the map showing the 9-dash line, which was the turning point for increased tensions in the region.

As with all edited volumes, some chapters are stronger than others, but the book manages to bring together contributions from a range of perspectives. This means that there is sometimes some overlap in discussion of issues but this is not fatal.

The introductory chapter is an expanded version of an earlier publication by Ian Storey, but nevertheless is a well-crafted overview of the key tensions and power dynamics in the dispute, with astute assessments of the interests of the various players in the region.

Chapter 2, by Clive Schofield, is an introduction to the issues of overlapping boundaries and other maritime delimitation problems in the area. Schofield reminds readers of the influence of UNCLOS and the role that the submissions to the Commission on the Limits of the Continental Shelf has played in recent developments.

In Chapter 3, Mingjiang Li argues that within China there have been debates about the appropriate approach to the South China Sea dispute. It is an enlightening, if restrained, insight into the Chinese position. The chapter focuses on the Chinese view that regional states are not respecting China’s interests and that the United States is colluding with them to undermine China. Mingjiang Li ultimately takes an optimistic position, claiming that China will not pursue a policy of confrontation. It is interesting to speculate whether the author would make the same claim in 2017.

Chapter 4 is a description of Taiwan’s policy towards the South China Sea by Anne Hsiu-an Hsai and Cheng-yi Lin. As can be expected, Taiwan’s approach is dominated by its relationship with China and has changed according to the policies of successive governments.

Chapter 5 is one of the best chapters in the book. Unlike many of the other authors, Alice D. Ba goes back to earlier periods in the South China Sea disputes and explores why relationships among the claimants broke down in the early to mid-1990s. She draws parallels between that period and the current issues, arguing that many of the same factors are at play, including insecurities about China’s influence and the role of the United States. In a very valuable section, Ba explores the contradictions that have emerged in the Chinese and ASEAN positions, which have complicated the dispute. It is a balanced, well-reasoned chapter that deserves a close read.

Chapter 6 by Ian Storey outlines the attempts in ASEAN to respond to the crisis, including the efforts to negotiate the Declaration on the Conduct of Parties in 2002 and the failure to agree on a binding code of conduct. The last part of the chapter briefly summarises the positions of the South-east Asian states, some of which overlaps with the content of other chapters but is nevertheless useful.

In Chapter 7, Aileen Baviera explores the dispute from the Philippines perspective. The chapter describes events involving the Philippines and identifies a number of factors that led to increased tension in the region, including some inconsistencies in the Philippines position. She argues that a recent willingness to take a stronger line with China motivated the Philippines to file the case against China under ITLOS.

Chapter 8 is purportedly a Vietnamese perspective on the dispute. However its author, Hoang Anh Tuan, focuses on critiquing the Chinese position rather than exploring the domestic Vietnamese positions on the dispute. This was a missed opportunity to explore the complex relationship that Vietnam has had with China over the years.

Chapter 9 by Elina Noor looks at the dispute from the Malaysian viewpoint. Noor provides a useful sketch of the Malaysian approach of ‘hedging’, which attempts to maintain good relationships with the United States while building on co-operative ties with China. She emphasises that Malaysia has been careful not to stir up nationalist sentiments over the dispute.

Chapter 10 by Denny Roy explores the hegemonic tensions underpinning the relationship between the United States and China, and is another chapter that will reward close examination. The chapter describes the complexities of the attempts by China and the United States to either establish a sphere of influence or protect against a perceived threat to the existing hegemony, respectively. Roy argues that this is a period of possible hegemonic transition which tends to increase the risk of conflict. It is a balanced and thoughtful contribution.

In Chapter 11, Yann-Huei Song provides a description of the United States position on the South China Sea dispute in an ASEAN context.

In Chapter 12, Yoichiro Sato observes the connection that Japan makes between the South China Sea dispute and its own disputes with China over the Senkaku/Diaoyu Islands. He explains that Japan is concerned about what it sees as China’s increased assertiveness and is motivated to see a resolution in the South China Sea that does not undermine its own position in relation to the Senkaku/Diaoyu Islands.

The South China Sea Dispute is a solid, and relatively inexpensive, introduction to many of the issues underpinning the South China Sea dispute. The majority of the contributions from the perspective of regional players do recognise that all parties have played a part in escalating the dispute, but place primary responsibility for the tensions in the lap of China. However, the chapters with the best analysis, primarily those by Alice Ba and Dennis Roy, are reasonably balanced and well-reasoned. Although the book does not cover the effects of the arbitral decision, much can be expected to be written on that development in the near future. Instead, this book is a valuable contribution to a political analysis of the modern history of the South China Sea dispute.

JOANNA MOSSOP

New Zealand International Review 30
At a time when Asian security issues make the headlines almost daily, New Zealand strategic studies expert Robert Ayson’s latest book, *Asia’s Security*, provides a valuable guide for those looking to make sense of it all. This is not another guided tour of Asia’s hotspots, territorial claims or weapons programmes (all of which can be found elsewhere). Instead, the author provides a crisp, systematic and readable analysis of what really constitutes security in Asia and what (if anything) can be done to manage it better.

Ayson’s initial challenge is to define what security means in the contemporary Asian context. He does so in both a broad and narrow sense, providing analytical clarity to the subsequent discussion. At the broad end, he follows the theorist Arnold Wolfers in defining security as ‘the absence of a threat to acquired values’, but then refines it to focus on threats from organised violence, as viewed through three contrasting lenses — region-wide, state-centred and individual/social. While noting the difficulties involved in adopting wider, increasingly popular definitions which encompass economic and human security, he nonetheless gives each its own chapter, where the relationship to core security issues is drawn out (including with reference to the role of free trade agreements such as the TPP). Particular attention is given to ‘ripple effects’ by which security problems in one area spread to affect a wider group of countries.

The discussion unfolds through three groups of chapters. The first assesses various factors in Asia’s security equation — the great powers, economic interdependence, new military technologies, territorial disputes and nationalism. The second group explores the role of domestic security issues and transnational challenges, such as terrorism and climate change. The three concluding chapters examine the region’s response to security issues, through outside intervention, regional co-operation frameworks such as ASEAN and alliances respectively — all of which are judged wanting in some respect.

Ayson brings a solid historical perspective to bear throughout the book. This is central to his contention that Asia is in the midst of a period of relative peace, at least in comparison with the conflicts of the decolonisation and Cold War eras. He carefully examines major trends, such as the reduction in internal conflicts, the interaction between nationalism and territorial disputes and the growth in the military capabilities of regional states. There is a refreshing willingness to question popular perceptions, such as the nostrum that a ‘balance or power’ is a desirable end-state. Indeed, Ayson recalls the affection of most regional players for an ‘imbalance of power’ in which the United States was predominant.

Ayson refers throughout the book to academic theory and argument, but with a light touch. Rather than allowing himself to be drawn into the debate, he uses it as a stepping stone to his own carefully nuanced conclusions. (Nevertheless, the references and excellent bibliography provide a way into the theoretical literature for those who may be interested in further reading.) These conclusions — such as the judgment that transnational threats cannot be simply rooted back to globalisation — may surprise some readers, but they are well argued. Ayson is also careful to accentuate knowledge that government decision-making is based on emotions as well as rationality, and is complicated by the risk of misperceptions, all adding to the challenge of managing security in the contemporary region.

Given the breadth of his analysis and his initial argument that regional security is not just about the United States and China, it is perhaps surprising that Ayson circles back in the conclusion to identify relations between those two countries (and Japan) as the most critical issue likely to have region-wide security effects. Some might prefer Ayson to devote more space to this most important of relationships, but his preference is to keep the focus on broader analytical frameworks, which for this reader was the main takeaway from the book. Ayson concludes by suggesting that developing a greater sense of common values between the major players could help to stem the risks of conflict between them.

This reader’s only quibbles, beyond a few factual slips, were with a steady flow of typos and grammatical errors, which should have been within the power of Palgrave proof-readers (or autocorrect) to fix.

Ayson is, of course, well known in New Zealand through his position as professor of strategic studies at Victoria University of Wellington, following his earlier career at the Australian National University. This ensures that New Zealand and conflicts in the South Pacific, such Bougainville and Solomon Islands, get useful coverage (under the rubric of ‘Asia’s borderlands’, used throughout the book to describe regions around the Asian core) that could not be expected from other authors.

Those seeking to understand what is really happening in Asia, where New Zealand’s interests are as much engaged as ever, will find this a most useful book.
National Office and branch activities.

National Office Executive Secretary Synonne Rajanayagam resigned in December. Christine Kavanagh has now taken over as her replacement.

A memorial function was held for Bruce Brown at the Wellington Club on 24 January. Bruce’s son Stephen and Brian Lynch both gave eulogies.

In conjunction with the New Zealand Contemporary China Research Centre, the NZIIA held a meeting at Parliament on 24 January to hear an address by Prof Shi Yinhong, director of the Center for American Studies at Renmin University, on ‘China’s Strategic Approach toward the United States’. Three days later HE Péter Szijjártó, minister of foreign affairs and trade in Hungary, spoke at the same venue on ‘The Future of the European Union after Brexit’.

On 2 March, a panel discussion chaired by Michael Powles was held at Parliament on ‘Regional Security in 2017, Causes of Concern?’ The panelists were Professor Seiichiro Takagi (senior research adviser, Japan Institute of International Affairs), Dr Jason Young (acting director, New Zealand Contemporary China Research Centre, and senior lecturer in international relations at Victoria University), Dr Alexander Bukh (senior lecturer in international relations, Victoria University) and Jean-Marie Guéhenno (president and CEO, International Crisis Group). Minister for Land Information Hon Mark Mitchell hosted the meeting.

On 15 March Gerard van Bohemen (New Zealand’s permanent representative to the United Nations) addressed a meeting at VUW on ‘New Zealand on the Security Council 2015–16: A View from Within’.

Minister of Foreign Affairs Hon Murray McCully delivered the NZIIA’s 2017 Foreign Policy Lecture at a meeting at Parliament on 2 April. His topic was ‘An Independent Foreign Policy: Reflections after Eight and a Half Years in the Foreign Affairs Portfolio’.

Auckland

The following meetings were held:

24 Nov Dr Rouzbeh Parsi (senior lecturer, Lund University, Sweden), ‘The Iranian Nuclear File and the EU Foreign Policy’.


Hawke’s Bay

On 7 March Mary Nikkhoo-O’Brien addressed the branch on President Trump’s diplomacy.

Nelson

The following meetings have been held:

22 Nov Dr Rouzbeh Parsi (Lund University), ‘The History of the Iranian Nuclear File’.

14 Dec Sam Judd (CEO, Sustainable Coastlines), ‘The Environmental Challenges Facing our Water Ways and the Oceans of the World’.

Wellington

The AGM was held on 22 March. The following officers were elected:

Chair — Brian Lynch ONZM
Deputy Chair — Ian Grant
Secretary/Treasurer — Aileen Weston
Committee — Hon Max Bradford (since resigned), Chris Peterson, Chris Pinfield, Bernard Teahan, Jane Williamson.

Following the AGM Jason Krupp (research fellow at The New Zealand Initiative) addressed the branch on ‘What New Zealand Can Learn from Local Government Elsewhere’.

Wairarapa

The branch AGM was held on 22 February. The following officers were elected:

Chair — Paul Harris
Deputy Chair — Ian Grant
Secretary/Treasurer — Aileen Weston
Committee — Hon Max Bradford (since resigned), Chris Peterson, Chris Pinfield, Bernard Teahan, Jane Williamson.

Following the AGM Jason Krupp (research fellow at The New Zealand Initiative) addressed the branch on ‘What New Zealand Can Learn from Local Government Elsewhere’.

INSTITUTE NOTES

31 Jan Simon Walker (director-general of the British Institute of Directors), ‘Brexit and Prime Minister Theresa May’.


Waikato

The following meetings were held:

23 Nov A panel discussion, with Prof Dow Bing in the chair was held on ‘The 2016 US Presidential Election Results: Causes and Consequences’. The other participants were Dr Raymond Richards, Dr Ron Smith and Dr Reuben Steff.

15 Feb Dr Reuben Steff (Political Science and Public Policy Programme, University of Waikato), ‘Security at a Price? The Emerging Great Power Technological Arms Race’.

29 Mar Brian Lynch (NZIIA Wellington branch chair), ‘The Times They Are A-Changing: Trump, Brexit and All That; What Could it Mean for New Zealand’s Hard-won Place in the Asia–Pacific?’
CORRESPONDENCE

Sir,

In an otherwise thoughtful review of Australia’s recently-completed history of the Great War in five volumes (vol 42, no 1), Dr Ian McGibbon ends with a surprising attack on the New Zealand centenary effort, now in progress, criticising it as a ‘cobbled together effort’ lacking coherence.

The New Zealand Centenary History Programme, a collaborative enterprise by the Ministry for Culture and Heritage, Massey University, the New Zealand Defence Force and other partners, does indeed have a somewhat different aim; that is, to present not just the well-known battles of Gallipoli and the Western Front, but also to cover such less ‘coherent’ topics as the New Zealand soldiers’ own view of the war, the huge military organisation that had to be built up, hospital ships, the war at sea, the medical support including the veterinary services for the large number of horses and of course the home front.

As Dr McGibbon implies this is a larger canvas than the Australian volumes. It consciously aims to provide a much more comprehensive picture of the war than was done by the official histories of the time. This ambitious programme is underway and making good progress. Of the fourteen volumes planned, six have been published to date, including Dr McGibbon’s excellent history of the Western Front. Authors have been commissioned and are at work on the remaining eight volumes including the war with the Ottoman Empire, the war in the air, Maori in the First World War, the home front and the war at sea.

The Australian volumes were fully funded by the Australian Army to an amount understood to be several million dollars. By way of comparison the New Zealand programme has not enjoyed such largesse and has had to fund each volume individually, relying especially on the generosity of Massey University, the Ministry for Culture and Heritage and the New Zealand Defence Force as well as contributions from other institutions such as the Auckland War Memorial Museum and individual donors. Nonetheless, despite this piecemeal approach to funding, the project as a whole is on target.

The aim throughout has been to publish histories which are both enjoyable for the general reader and maintain the highest standards of scholarly rigour and historical scholarship. Literary effort is notoriously open to dispute but Dr McGibbon’s is the only complaint made so far. We remain very proud of the work published to date and confident that the series will add greatly to New Zealanders’ knowledge of the part played by their country in the Great War and create a legacy for future generations of New Zealanders.

GERALD HENSLEY
PROF GISELLE BYRNES
Co-Chairs
Centenary History Programme

Dr McGibbon responds:

I’m sure the co-chairs are right in their contention that the fourteen volumes, whatever their standard, will add to our knowledge of the Great War and New Zealand’s part in it. The official histories produced immediately after that war set a very low bar. They suffered from the dominant role of the military in their production, a situation that was averted in the Second World War official histories by the lodging of the project in the War History Branch of the Department of Internal Affairs.

My use of the term ‘cobbled together’ related to the process by which the centenary history partnership came into effect — a subject that will be of considerable interest to future students of New Zealand military historiography particularly in light of my comment in the previous paragraph — but the co-chairs’ letter bears out my point perfectly by talking about a ‘piecemeal approach to funding’. It is clear that the New Zealand project has been cobbled together as funds became available. I have it on good authority that the Australian project did not receive funding to the tune of ‘several million dollars’, as the co-chairs suggest; the grant was $400,000 plus GST, and was underspent.

It is a fact, moreover, that volumes have been added to the series as and when funding has appeared. This is not a coherent way of producing a series. The lack of funding has also impacted on the authors, with some being given two years to produce their volumes. In my view, based on 44 years’ experience in writing official histories and involvement in such major projects as the Dictionary of New Zealand Biography and the New Zealand Historical Atlas, this is not sufficient time to produce books of the standard expected of the War History Branch or its successors. My observation about the lack of editorial oversight is also valid.

My comment about the New Zealand centenary history was made as a comparison with the exemplary Australian counterpart series. To call it a ‘surprising attack’ is a little over the top.
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