

New Zealand/Asia relations: some reflections address to New Zealand Asia Institute, Auckland

Contributed by Lachlan
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New Zealand/Asia relations: some reflections address to speech by Neil Walter, Secretary of Foreign Affairs and 25 June 2002

New Zealand Asia Institute, Auckland
Trade

I propose to give you my take on where we currently stand in our relations with the countries of Asia and then offer a few thoughts on the way ahead.

My own direct experience of Asia goes back to 1966, when I took up my first overseas assignment as a very green Second Secretary at our Embassy in Bangkok.

At that time New Zealand had seven posts in Asia: Tokyo had been established in 1947, Singapore, Bangkok, Kuala Lumpur, Jakarta and New Delhi in the mid-fifties and Hong Kong in 1960. It was not until the 1970s that we opened for business in Seoul, Beijing and Manila. Shanghai and Ha Noi were set up in the mid-1990s, and last year we put a one-person post into Dili. So we have in all thirteen overseas posts and cover the other countries of Asia by cross accreditation.

Our relations with Asia at that time were rather slight by today's standards. But then, it was rather a different world. There was the Colombo Plan and organisations like ECAFE and SEATO that have long since disappeared - or, rather, been replaced by new acronyms such as the ARF, APEC, PECC, ASPAC, AFTA and PBEC. The Cold War was going strong, and essentially the small fry had to choose between two superpowers. Many Asian countries were not long out of colonial rule, their economies were in the 'emerging' category and their relationships with developed countries those of donor and recipient. Systems of government were relatively new and untried, there were numerous neighbourhood tensions and rivalries, poverty was rife, ASEAN was just being formed - and so on.

On the bilateral economic front, when I completed my assignment in Bangkok in 1970 Asia took less than 10% of our merchandise exports. Now it takes close to 40%, and six of our top ten markets are in Asia. The increase in our export earnings is even more striking. In 1970 our exports to Asia earned NZ\$149 million; a decade on it was NZ\$1.3 billion; the figure for 1990 was NZ\$4.6 billion; and by the year 2000 it stood at NZ\$11.7 billion. And the figures for imports from Asia are strikingly similar: from NZ\$147 million in 1970 to NZ\$1.4 billion in 1980 to NZ\$4.4 billion in 1990 and to NZ\$10.3 billion in the year 2000. And remember these figures cover only merchandise goods, not services.

Asian investment in New Zealand 35 years ago was negligible. Now it stands at some NZ\$7 billion.

I haven't been able to find any statistics covering tourism from Asia back in 1970. Asian visitors were lumped under the ballpark heading entitled 'others'; which numbered 33,000 per annum. In the year ended March 2002 Asian visitors alone numbered 479,000.

You probably know, or could at least guess, that over 85% of the overseas students in New Zealand currently come from Asia. China has headed off Japan as the largest supplier, at some 17,000 a year - and rising. The nearly 45,000 Asian fee-paying students are estimated to bring in to New Zealand around NZ\$1 billion a year. The sharp

increase in numbers of course poses a serious challenge in terms of quality control, balance and student welfare. I would add here that New Zealand shouldn't focus too exclusively on overseas students: other external linkages such as twinning arrangements, faculty exchanges, joint research projects and mutual recognition agreements are equally important.

On the people to people level, things have moved on since the days of early Chinese migration to New Zealand.

Just 354 Asian migrants came to New Zealand in 1970. The comparable figure for 2001 was just under 20,000. (You might be interested to know that the first Japanese settler in New Zealand was a 16 year old named Noda. As a 13 year-old he had gone on board a sailing ship in Nagasaki Harbour in the early 1880s to visit his father, a carpenter. Unfortunately he was still asleep on a pile of ropes when the ship sailed away. Three years and many nautical miles later he had had enough of sea-faring and jumped ship in Dunedin. His descendants still live there.) Anyhow whereas in 1970 the Asian community in New Zealand numbered just 22,000 people, it now comprises 238,000 - thereby outnumbering our Pacific Island community. According to the 2001 census, one in fifteen New Zealanders is today of Asian origin. So you can perhaps say that Asia is among us as well as north of us.

Here in New Zealand it's worth noting that Japanese is now our most widely taught second language. I personally think we have some way to go yet in Asian languages, but some progress has certainly been made. Likewise with sister-city relationships, which in many cases do an excellent job. The Asia 2000 Foundation, which is a good example of public/private sector collaboration, is doing much to increase our understanding of Asian cultures. So too is the New Zealand Asian Institute here at Auckland University and the various Business Councils. And of course as every day goes by there are more Kiwis living or doing the rounds in Asia than ever before. For example, there are close to 400 young New Zealanders working or teaching in Japan under the JET Scheme at present and over 3,000 Kiwi expatriates living and working in Hong Kong.

And whereas we had very few bilateral agreements with Asia forty years ago, we now have a number of visa waiver and working holiday schemes. Similarly there is a whole network of double taxation, civil aviation, investment protection, sanitary and phytosanitary and science and technology agreements that facilitate our contacts with Asia on both an economy to economy and a country to country level.

I guess a few words on the political/security front are in order. Our first military involvement in Asia came with the Second World War and the J-Force. The Korean War, Malayan Emergency, the period of Konfrontasi in the mid-1960s and the Vietnam War took us through to the winding up of SEATO in the early 1970s. Since the withdrawal of our Battalion from Terendak Camp we have remained engaged in the five-Power Defence Arrangements with the UK, Singapore, Australia and Malaysia and participated in a number of bilateral military assistance programmes and occasional regional exercises. Since its formation in 1994, New Zealand has been a strong supporter of the ASEAN Regional Forum, which in shorthand is our regional equivalent of the organisation for security cooperation in Europe. And just recently of course we have made a major commitment to the UN's peacekeeping presence in East Timor.

You shouldn't incidentally underestimate the importance in the way we are seen overseas of New Zealand's military and peacekeeping contributions around the world. It's important to recognise the value of the work done by the New Zealand Defence Force and agencies such as the New Zealand Police. They do a terrific job, and often in the most difficult and dangerous circumstances.

Another important pillar in our links with Asia has been our Official Development Assistance programmes - initially the Colombo Plan and now a series of bilateral programmes. That in my view remains the single best investment ever made in both our and Asia's future. It is in my view critically important that we maintain our contribution to economic growth and capacity building in Asia at a time when the gap between developed and developing countries is, if anything, widening.

Finally, I don't have time to list the myriad of meetings, groupings, discussions, visits and negotiations that are going on every day of the week around the region and in which New Zealand plays a full and active part. The stand-out grouping is probably APEC. Our dialogue partnership with ASEAN and groupings such as PBEC, PECC and the ASEAN Regional Forum have also been important. But whether you're talking ministerial, official or senior business levels, the level of interaction and contact between New Zealand and Asian countries is impressive. Recent meetings on the important issue of people-smuggling are but one example of the way trans-border problems now get dealt with at a regional level.

OK, so much for the nature, extent and importance of our relations with Asia. You can perhaps sum up the changes since World War II by saying simply that New Zealand now sees itself very much as a part of the Asia/Pacific region - various people have called that shift in our sense of identity a triumph of geography over history or the pull of the future winning out over the drag of the past. In any event, we now see our future as increasingly bound up with Asia's.

Now, the question I'm really here to address is how we should be positioning ourselves for that future.

The first point I would make is that not only is the Asia of today a quite different proposition to what it was 35 years ago, but we can expect further significant change around the region for the foreseeable future.

Partly that's for geopolitical reasons. The removal of the Cold War framework has given rise to a new, more uncertain and more complex structure of relations. The United States is now the world's pre-eminent political, military and economic superpower; Russia is no longer a major player in the region; there has been a dramatic rise in the economic and political strength of China; some of the fizz has gone out of Japan's economy; the ASEAN grouping has been weakened by the Asian financial crisis and political uncertainties in Indonesia and the Philippines; and so on.

While it can be argued that the post Cold War era has made the world a better place, it's also I think the case that it is an untidier place. Issues and alliances are not as straightforward in today's multipolar world. Both Asia and the Pacific have seen an awakening of historical rivalries and a worrying resurgence of religious and ethnic nationalism. Most wars nowadays fall into the category of intra-state conflicts.

But the change is also a matter of demographics and changes in income levels and distribution in the countries concerned. (Population statistics make fascinating reading - for example, on current trends Japan's population will fall from its present level of 125 million to below 100 million by 2050: while China's population, notwithstanding its one-child policy, continues to increase each year by more than Australia's total population.)

Moreover average ages are rising and different consumption patterns are emerging around the region. Poverty eradication programmes have made real headway, expectations are rising along with incomes, and political systems are coming under increasing pressure to respond.

Globalisation is of course another major driver of this change. People, ideas, money, goods and services are sloshing around the world to an extent and at a pace that would have been unimaginable just a few years ago. There has been a significant move towards more open economies and greater economic interdependence around the region. Each day of the year now sees more international trade take place than in the entire first year of my posting to Bangkok. Nation states are not what they were, and neither are national borders.

That's both good and bad. On the one hand businesses are increasingly dealing direct with one another across national borders. On the other hand, so are terrorist cells and international criminals.

New Zealand has to both understand and be able to adapt quickly to these changes. We represent just 0.1% of the world's population and 0.2% of its economic output. Most political and business leaders in other countries don't wake up worrying about what they can do for New Zealand today. As the smaller partner, we usually have to make the running in our external relations and offshore commercial activities alike. To give but two examples, Korea is our fifth largest market but we are only number 56 on its list of trading partners; and although Japan takes some 15% of our merchandise exports, that represents just 0.6% of its imports.

At the political level, New Zealand needs to stay closely in touch with efforts to defuse tensions around such trouble spots and flashpoints as Kashmir - particularly worrying at present - the Korean Peninsular, the Taiwan Strait and the South China Sea. We must also keep an eye on relations among the major powers of the region. Security and prosperity are but two sides of the same coin, and there is enough tension and mistrust in the history of relations among the countries of North Asia to warrant our close attention. As a security as well as a price taker, we stand to be big losers if things come unstuck.

Similar considerations apply to the countries of South and South East Asia, many of which still face enormous challenges in terms of political stability, social cohesion and economic growth - not to mention environmental protection. Those countries deserve our understanding and our support.

And New Zealand must also remain engaged in the region's economic "architecture".

Our Government attaches a lot of importance to getting better market access, higher prices, better trade rules and lower transaction costs for our exports. In short, trade liberalisation. That happens to be a major objective for developing countries as well. We'll be doing all we can to get the Doha Development Round up and running. We'll also continue to push the dual objectives of trade liberalisation and capacity building in APEC.

With Australia we're currently engaged in a dialogue with the ASEAN Free Trade Area about a Closer Economic Partnership which, it's been calculated, could add as much as NZ\$48 billion dollars to our collective incomes by 2020. We've knocked off a high quality Closer Economic Partnership Agreement with Singapore and are in negotiation with Hong Kong at present. Another possibility further down the track is Thailand. The recent strengthening of "ASEAN Plus 3" and China/AFTA links must be of concern to a regional "odd man in" like New Zealand. We will continue to push for the AFTA/CER process and have expressed support for Japanese Prime Minister Koizumi's concept of a growing East Asia community.

Strengthening our links with Asian economies is a high priority not just because of the present importance of Asian markets to New Zealand but also because of the further potential they hold: current growth projections for the region are for the most part around 3% to 5%, and projections for countries like China and Korea are at present being upgraded to around 6% and 7%.

One other angle I would touch on is the link between bilateral relations and multilateral diplomacy. Our Government has a strong internationalist tradition. In areas like human rights, international environmental issues, disarmament and United Nations reform we like to get on the right side of issues and to make a difference. A country of our size can do that only if it can form productive alliances with other countries and groupings. Whether or not you can do that often depends on the state of your bilateral relations with the countries concerned.

The message in all this?

First, we have to be seriously engaged in and with Asia. That means government, business, the media, organised labour, academia and civil society in general. That also includes our Asian communities - to my mind they are not yet sufficiently recognised or used for the bridging role they can play.

Second, like it or not, we'll be seen overseas in composite terms as one country. What that means is that what happens in one area can rub off on to others. A bad experience on the part of a single private student, business leader or tourist can have a significant impact on our image as a country - and, as I've said before, New Zealand trades heavily on its reputation.

Third, we still after all these years have a tendency to underestimate or ignore the cultural differences that exist among countries of the region. They are no less real and no less important today than they were when I made my initial cross-cultural mistakes in Bangkok.

Fourth, New Zealanders need always to work as a team - the Prime Minister's visits to China, Hong Kong and Japan last year showed just how well a private/ public sector approach can work. It's something which in my experience Kiwis do well. As another example of how Team New Zealand can work together to good effect, I've been privileged to work closely with Kerry McDonald of the Japan/New Zealand Business Council and Eugene Bowen recently on an exercise aimed at bringing Japan's and New Zealand's economies closer together and getting more value out of that particular relationship.

So there you are - an ongoing challenge, but one that we owe it to ourselves and Asia to take up. It's a challenge to be approached with patience and persistence, working as a team and using all the assets available to us. It is not just a question of strengthening economic linkages. We must get the political and people to people relations right as well. And we should do all this with a view to what we can put in to Asia as well as what we can get out of it.