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and Opportunities

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NEW ZEALAND IN THE WORLD IN THE YEAR 2000

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Most of you are involved in the current practice of New Zealand's foreign policy either as direct practitioners in politics or in departments, or as students of or commentators on what is currently happening in our external relations. But the aim of this conference in the fiftieth anniversary year of the Institute is to examine the future direction of New Zealand Foreign Policy. To perceive direction we need perspective. The future will certainly develop from our past and we will reach it by the little incremental steps we take each day in practice. But if we want to shape that future rather than passively let it happen to us, we need to get some distance away from the pressure of those day-to-day steps, give ourselves room to see the general directions, the choices, challenges and opportunities open to us.

That's the point of my title. Not that I have developed a scenario for 2000 A.D., projected trends or forecast events fifteen years ahead, but that I want us to tramp up into the hills for a while, leave behind the Common Market butter quotas and the Anzus Conferences, and scramble up the slopes until we come out onto some peak in Darien from which we can look out over the sweep of history around these islands we now call New Zealand.

From our usual perspective, from Lambton Quay and The Terrace, we tend to see our foreign policy as being shaped by some basic imperatives - of geography, economics and security. From our more distant peak we should see the prior factors which give impact and direction to those imperatives - ourselves, our identity, our view of what we want from the world and what it wants from us.

Remembering that, think back to that meeting in 1934 and the mind-set of the people who joined Downie Stewart and Walter Nash. Perhaps Sir Guy Powles will be able to tell us how New Zealand looked to those people. I suspect that geography and mind-set combined made for a very strong feeling of remoteness, of being a long way from home, an enclave of a very strong but distant culture, isolated and very dependent here at the bottom of the South Pacific. We are still close enough to that time to understand that, and to retain echoes of that concept of isolation and dependence locked into our mind-set more firmly than the facts support.

We grew up with the influence of the Second World War very strong - its technology, its military logistics, and its geopolitics. Our thinking on many issues still tends to be influenced by that. We grew up with the cultural images of remoteness, of undiscovered shores, of distance looking our way, provided by the first New Zealand poets and writers and I suspect they are still quite strong in our mind-sets. The "we" I am talking about - excluding our overseas visitors - when I look around this room is still very largely Eurocentric pakeha males over 40. There are a number of females but they are definitely still in a minority. But what viewpoint do those in our society who are not Eurocentric have on these problems? What reactions do our children have to the things we say about international affairs? Let us try to think of the mind-set that might be behind foreign policy at that meeting in the year 2000.

There will be a difference in identity, in background, and in approach to problems. Images of "home" in their minds will owe more to Bottle Creek and Rongopai than to the City of Westminster. They will have moved further from the 1934 perspective of us being a long way from home, to the viewpoint of Europe being a long way from us. The difference will be significant. Although in most practical day-to-day matters of foreign relations such as travel and trade we have made substantial adjustments, in particular in the past 15 years; in less immediate and more conceptual matters, our mind-set still retains more sense of distance and remoteness than is justified.

The first determinant of direction in our foreign policy, therefore, will be our ability to answer that memorable challenge at the end of *Foreskin's Lament*, "What are you?". I expect the answer to that challenge will become firmer and more self-assured over the next 15 years.

I do not think that means that New Zealanders will become more isolationist and less interested in the rest of the world. Although, as Brian Talboys said, the general population is not sufficiently interested in international affairs, the general run of New Zealanders are very interested in what is going on outside New Zealand for very fundamental reasons. We are still conscious of having come from somewhere else. New Zealanders do not have a set of legends, like the legends of the Chinese and the Greeks, which make New Zealand the navel of the universe. It is not only Christchurch pakeha who

trace their origins back to the first ships. Whakapapa go back to canoes. We will probably all want to continue to visit our own and others' Hawaikis. Travel and migration will remain important. The links will be renewed.

Allen Curnow's "Overseasia" influences our values, standards and lifestyles, whether the individual focus is on the latest cars, videos and computers, or on health foods, conservation and self-sufficiency. We have structured our society on much the same lines as other "Western" societies, and will continue to follow their social trends in such matters as teenage behaviour, family structures and the "pressures of modern living". At the cost of some incongruities, we still tend to apply to ourselves overseas responses, labels and nostrums. The music we hear, the style of our clothes, the films, plays, and television we watch, and the games we play, all bring overseas influences into our lives. We even demand that our own talent in those areas should test itself against overseas standards. All those cultural and social habits create a very tight web of linkages, which, in the next 15 years, we may modify but certainly will not break.

That has two fundamental implications for New Zealand's external relations. First, barring a major catastrophe, the notion of a self-sufficient, isolationist, New Zealand is, in practical terms, inconceivable. We do not behave in that way. Secondly, as a consequence, external economic relations will remain a predominant concern.

New Zealand dependence on imports

Let us leave isolationism and think more about external economics. Our attention tends to focus on the problems of exporting and the difficulty of getting our goods into markets. We often forget that the problem is created and defined by our importing behaviour, not our exporting behaviour. There is an external economic problem because we persist, collectively, in spending 30 percent or more of our income outside New Zealand - whether on travel, on the latest goods, or on the technology and raw materials to make them. That is the economic expression of the tight inter-linkages and web of connections New Zealand has with the rest of the world. It is worth remembering just how persistent that behaviour is. New Zealand continues to spend at about that 30 percent level of our total income no matter what happens, even if we are not earning the foreign exchange to pay for it. We just go into debt. If we succeed in reducing import demand in one area by import substitution, we respond by spending more in another area. We have managed a remarkable degree of import substitution in the past 25 years, but that has been accompanied by increasing, not decreasing, pressures on our balance of payments. That problem cannot be overcome by import substitution.

The only hint that our behaviour might alter in that area in future is that while you and I can recall New Zealand as one of the top five countries in the world in per capita income, that memory is more distant for our children. They may not consider it as important to maintain the standard of living they see in overseas television programmes. There is no doubt we could be self-sufficient if we wanted to be. With our resources there would not be any trouble feeding, clothing and housing our modest population of 3 million, but I do not think the majority of our children would opt willingly, against the pressures from the advertising industry, for the much lower standard of living and greater sense of isolation that self-sufficiency would imply. We can expect overseas economic pressures to continue.

The key, fundamental, solution to that problem is to use local or imported resources more efficiently within the economy. That is mainly a domestic problem but there are a couple of important external aspects to it. Those problems will not be solved unless we can adapt more readily to changes in the world economy and pay more attention to what the world wants rather than force it to take more of what we want to produce.

Diversification of the New Zealand economy

One of the more persistent aspects of the dependent, vulnerable, isolated, mind-set, the idea that New Zealand is too small to sustain a viable manufacturing sector is that it is dependent on a narrow range of primary products; that it is limited to a small number of high-income, protectionist markets. Let me take each of those in turn.

First, the view that New Zealand is too small for a viable manufacturing sector: manufactured exports now account for 25 percent of our total overseas earnings, and manufacturers believe most of them would survive quite happily without export incentives. New Zealand's distance from markets, its small domestic base, and the slow-down in world trade in manufactures, did not prevent its manufacturing exports expanding at a rate of about 12 percent a year in the past decade. I cannot see any reason to think we cannot become manufacturers.

Secondly, the view that New Zealand is dependent on a narrow range of primary products: wool, meat, and dairy exports have dropped from about two-thirds to half our export earnings in the past 15 years - as long as we remember to include income from services exports. We tend to tuck that away in an account called "Invisibles" and forget it. Tourism is an invisible and that is where it disappears along with income from

insurance companies, and so on. In terms of total overseas earnings, the exports of wool, meat, and dairy products have already dropped to half and by 1990 will be about 40 percent of total earnings. Where will they be in the year 2000? Probably significantly lower. We have found that grass can be used for more than sheep and cows, and that our basic advantages in photosynthesis, and in being off-season to the main population centres of the world, enable us to do more with our land than grow grass. We are not dependent for our future on that narrow range of products.

Thirdly, limited to high-income, protectionist markets: let us keep those problems in perspective. Our butter exports to Britain account now for about 4 percent of total overseas earnings. What will they account for in the year 2000? Those protected, traditional markets, in general, are not growth markets. They are adding fewer new mouths to feed and are growing more slowly than most parts of the world economy. They are not likely to raise their per capita consumption of the livestock products we are worried about. Their protectionism is an overlay on a much more fundamental economic change, and it does not do us any good to blame our difficulties all the time on their protectionism.

The dynamic areas of the world economy, the newly industrialising countries and the middle income countries, show the opposite of all those fundamental market trends I spoke about. They are adding more mouths much faster than the traditional markets. Their incomes are growing more rapidly, and they are more likely to spend those extra dollars on the livestock products we are exporting.

We can discard those myths. But that does not mean that economic salvation will be presented to us on a platter in the next year or two. In the past 15 years, however, we have begun a remarkable diversification of where and how we earn our foreign exchange. The stupidity of the world's protectionist behaviour does not prevent us from earning a living - only we can do that if we fail to use the wide variety of resources we have. By the year 2000 the narrow dependency of the 1960s should be a very distant memory. Our traditional meat, wool, and dairy products, horticulture, fish, wood products, manufactures, tourism, and other services, should all be providing us with a very wide range of sources of income, predominantly, but by no means exclusively, from the Pacific Basin. Even in that marvellous state we will still be affected by shocks and cycles in the world economy, but there is plenty of scope to make our course more stable and more prosperous if we pay more attention to the efficiency with which we operate in New Zealand, and the way we respond to the demands of the world markets.

How significant is New Zealand?

What does the rest of the world want from us? That question affects not only our economics but also our security. A realistic answer depends first on our ability to recognise our insignificance. We matter to our neighbouring Pacific Islands, we have some significance to Australia, but in any computation of political, military, or economic matters in the rest of the world, New Zealand would fall into the range of annual fluctuations or errors in the data. We are not significant.

We can make ourselves significant, and have done so by concentrating our efforts in particular political, economic, and sporting fields, but it takes no great effort to remain insignificant. I suspect the main disadvantage of insignificance is to our own egos. There are many benefits in insignificance. Take economic production, for example. New Zealand's total milk production amounts to 1.5 percent of world supply. If all our production is concentrated in one particularly sensitive product and market area it attracts some significance. It should not be beyond the wit of man, however, to spread the impact and avoid significance when that is an advantage.

As I noted earlier, New Zealand has recently achieved a very substantial expansion in manufactured exports against the trends in world trade. New Zealand is so small it does not need a world economic upturn to expand its trade.

There are advantages in being small. In military terms, it would be a small war in which the total commitment of New Zealand's resources to one side or the other made the slightest difference to the outcome. The notion of a direct attack, directed only at New Zealand, is preposterous - we are too small, and too far away to be worth it. We can attract attention if we want to, but we will not get it naturally. Concern about the integrity of our territory must rest on delusions of grandeur. Our real security concerns relate to the viability of the wider world system on which we depend and in which we live because we do not like being isolated. Because we want to live in the rest of the world, that world system matters to us. The important security issues for us are the wider political ones - disarming the threat of a nuclear holocaust, reducing terrorism and violence, and achieving a more equitable distribution of income between North and South.

How significant are we in political terms? If we go to the British Foreign Office and ask them, we will receive a nice, bolstering diplomatic response, but if one thinks more objectively and asks where New Zealand fits in the posting priorities of major foreign services, one gets a better idea. A posting to Wellington, at least in some of

those services, would rank below one to Rangoon. We are not very significant. We can make a significant political impact, but that takes solid diplomatic work at the right time and in the right place.

Insignificance is not something we need to feel defensive or insecure about. The virtues are considerable. Our demands on the rest of the world are very small, and its demands on us are negligible. We are not inexperienced at operating in the world system. The combination gives us very considerable freedom, and responsibility, for managing our own destiny.

New Zealand in the year 2000?

I come back to the general question of New Zealand's place in the world in the year 2000, to the direction we might take, and to the challenges and opportunities we might face on the way. How will we see ourselves? How secure will we be in our own identity? How well do we know what kind of future we want?

We can look back over New Zealand's history and think how those perspectives have changed. When the Maori first settled here they must have felt for a century or two a sense of distance, of being isolated and uncomfortable in a strange new land very different from the more crowded, settled islands they came from, but they adapted and learnt to live within the resources of the new land. They developed their own legends about it. They became comfortably settled and at home here, while still reminding themselves through their whakapapa of where they came from.

Then the pakeha came and brought a different identity, but they too found themselves in a strange new land, isolated and insecure and not very comfortable in unfamiliar surroundings. This time the world did not leave New Zealand alone. It fed those feelings of remoteness and insecurity with constant reminders. But, after a century and a half, the pakeha are beginning to understand the land they came to and what they can do with it. They are coming to acknowledge and value the people and culture here before them. They are beginning to assimilate and develop a combined set of legends and images of this land that reflect both experiences of settlement. We are beginning to feel comfortably at home, remembering our whakapapa, but able to look back with less sense of loss and vulnerability and inadequacy.

By the year 2000 a nuclear disaster may capriciously recreate isolationism for us. But I gather that's improbable - that the up-to-date theory is that we will all go when we go. Any other retreat into isolationism is improbable. A reversion in the direction of the enclave mentality as a far-flung outpost of a distant culture is also unlikely. Most likely is the continued attenuation of the ways we bolster our insecurity; the lifelines to Britain laid originally by the first sailing ships and relaid by the reefers; the attenuation of the lines we threw out in another access of vulnerability 30 or 40 years ago.

Our children should be able to feel this earth firmer beneath their feet and see the whole world from where they stand. They should be able to see their interests in the rest of the world as a set of widening circles from this firm home base - the South Pacific community, the Pacific Basin, and then the globe as a whole.

They will see the globe as a whole because we do not place artificial boundaries on our interests and concerns. We have many homelands out there. There are many global problems and we will want to play whatever part we can in the management of them. The real concerns I referred to before are: the threatening stand-off between the two super-powers; the dangers of destabilisation by smaller nuclear powers; and the risks and loss of opportunity inherent in the inequitable distribution between North and South.

New Zealanders have not been freeriders in the past and I do not think they will want to be in the future. They should find insignificance a challenge not an excuse.

Our children will look at the Pacific Basin, that tighter circle, because it brings many of the problems closer to our direct interest. Growth and change there also offer us the most dynamic challenges and opportunities for the future.

Then they will look to our home circle, the South Pacific, - that is where we must get it right, because it's where we live. That area offers us three key challenges. First, the challenge in the other islands of whether we can, in our dealings with those smaller nations, apply sensitively the lessons we have learnt in our dealings with larger powers; secondly, the challenge in Australia where there are sufficient similarities and differences to offer the hardest challenge to our own sense of identity - the question of whether we are different; and, thirdly, the challenge in Antarctica, where a territorial claim from an earlier age and our relative closeness give us a place in a challenging attempt to try to manage a resource for the benefit of humanity as a whole.

The choice facing us is not one of either dependence or isolationism. That is in our mind-set not in the facts. The basic question of direction in our foreign policy between now and when our children fill a meeting of the Institute, depends on our capacity to recognise the possibility of hard-headed, self-assured, outward-looking independence in New Zealand.