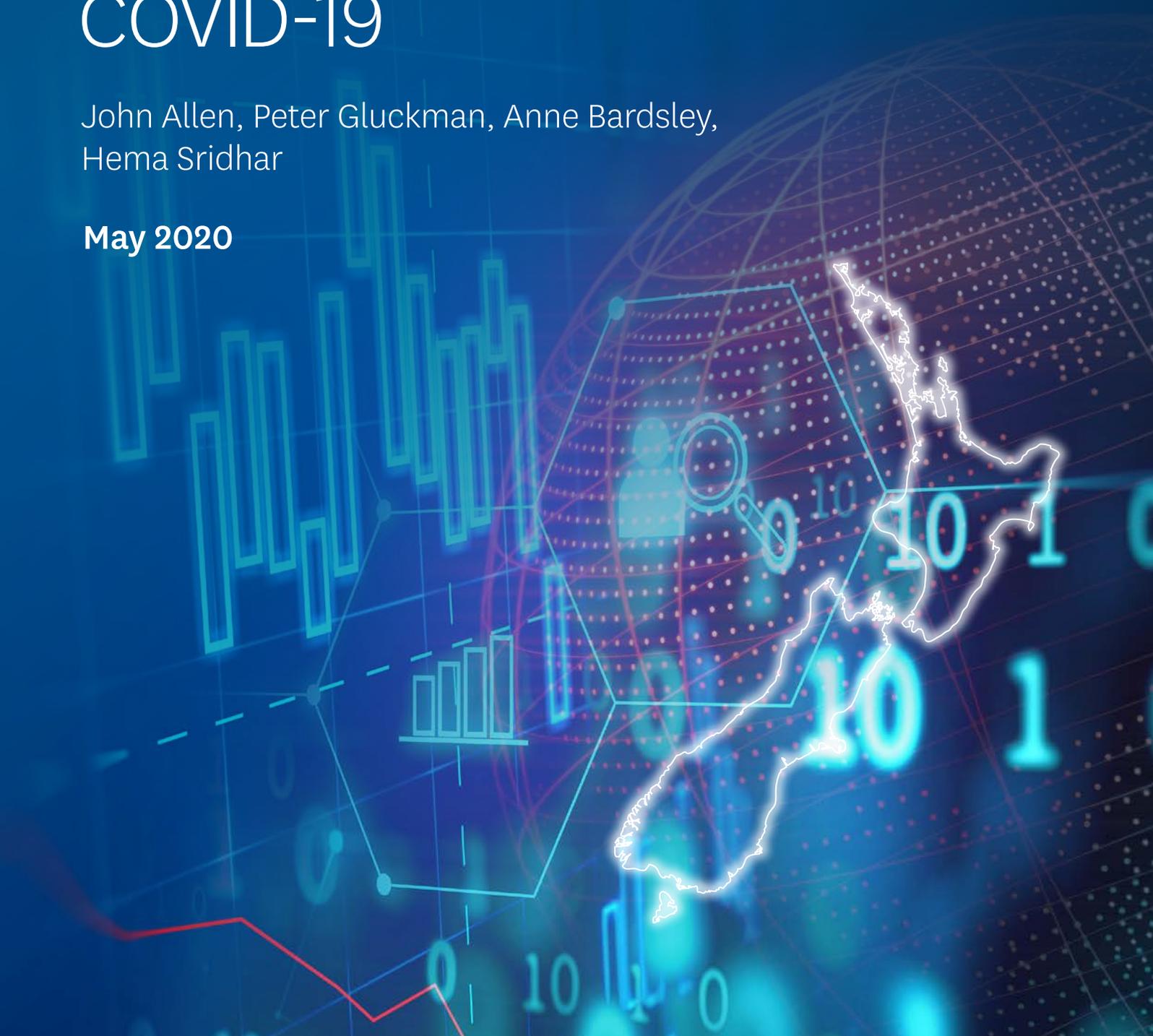


NEW ZEALAND'S PLACE IN THE WORLD: THE IMPLICATIONS OF COVID-19

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EXECUTIVE SUMMARY

As a small, geographically isolated island nation, New Zealand is particularly vulnerable to international disruptions that affect our strategic alliances, market access, supply chains, tourist and student flows, and the availability of international labour. COVID-19 has been such a disruption – and one of unprecedented proportions in peacetime. The future progress of the pandemic and countries' responses to its direct and indirect effects are uncertain. Charting a path ahead will rely on informed consideration of the geostrategic dimensions of the crisis, and how they will play out.

A shifting world order: The COVID-19 pandemic arrived at a time when the world was already struggling with growing tensions between the major powers, in particular the USA and China. New Zealand has to date successfully navigated between Chinese and American interests, but this is becoming more challenging. We appear to be at an inflection point, with the strategic world moving to a multipolar or even leaderless world, where many geopolitical norms will shift. This creates risks for New Zealand, because many of the decisions that determine the new norms will be made by others, and we have limited or no ability to influence them.

Trends: As a result of the current crisis, the progressive withdrawal of US leadership and of its commitment to multilateralism are being fast-tracked, which may act as a catalyst for further regression into a nationalist and protectionist mindset. The pandemic is accelerating other trends that were already under way, including a reversal of globalism, the accumulation of debt, and an increasing influence of digital and other technologies on the way we function as individuals and societies. It is also changing our focus on climate change and ongoing environmental degradation. Overall, the pandemic has exposed existing inequalities and tensions and has deepened existing rifts. There is increasing discussion over the dominant economic model and its focus on efficiency rather than resilience and equity. As that discussion is reflected in decisions being made by individual countries, it may affect the shape of post-COVID globalisation.

Leveraging advantages: New Zealand is in a relatively advantageous position, with high international standing and a reputation as a good global citizen, based on our international cooperation, demonstration of cohesiveness, trust, values, political stability, and strong environmental focus. This perception will be enhanced if we can remain virtually COVID-free. Nonetheless, New Zealand must constantly reinforce its relevance on the world stage, as its ability to shape outcomes is limited, given that many of the issues will be resolved by larger countries. Our influence will in part be through active diplomacy, but it is also about having a point of view on important issues, while being pragmatic, constructive and respectful in how we present and advocate for those issues. We need to be a good partner. In a post-COVID world, such partnerships are likely to be plurilateral, and form as groups of countries with sufficiently joint interests. Our relationship with Australia remains central to sustaining our interests.

Building coalitions: New Zealand has a history of building coalitions and networks with other like-minded countries, especially other small advanced economies. Such coalitions should be developed to give greater voice to these small countries, whose interests are at risk of being compromised by the changed relationships between the major powers and the associated decline in multilateralism and the health of multilateral organisations. New Zealand must act with others to protect a rules-based trading system via the World Trade Organization (WTO), and help build a more effective global public health organisation by reforming the World Health Organization (WHO) so it is able to act with greater autonomy in future pandemic alerts and management.

Soft diplomacy: In this environment, we should be exploiting less-traditional vehicles for relationship building, such as science and culture. New Zealand has been a leader in applying cultural, sporting and science diplomacy to advance its profile, including in countries – even entire regions – where its diplomatic footprint has traditionally been minimal and distant. Such activities indirectly expand our reputation and footprint, and form a strong basis on which economic and other diplomatic goals can be achieved.

Trade: New Zealand has a vital interest in protecting free trade, open supply lines, and a rules-based global trading system, of which the WTO is a key part. Supply chains have become a focus during the pandemic, as countries have rushed to exert greater control over national “strategic” industries and supply chains, particularly around medical supplies and personal protective equipment (PPE), and bring essential capabilities like food production closer to home. This shortening of supply chains is likely to persist after the pandemic, given a greater focus on resiliency.

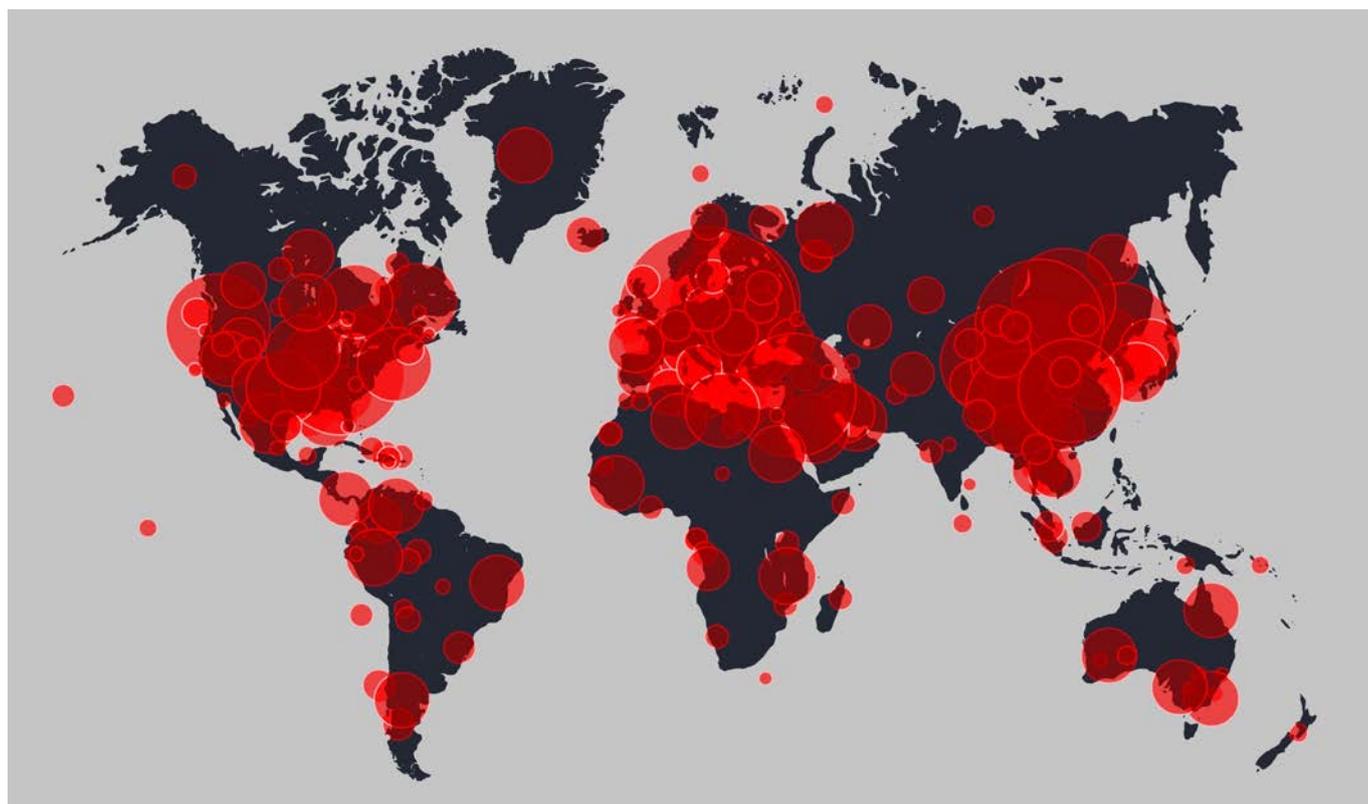
For New Zealand, a key issue will be the extent and duration of the downturn in aggregate demand in our major trading partners. Our relationship with China is critical, as it remains our largest trading partner and still the most significant opportunity for many New Zealand businesses in the immediate future, particularly with both the US and Europe under extreme pressure. We need to work closely with Australia, re-opening our respective borders to each other as soon as possible, while also exploring new, non-regionally based trading alliances, in which Japan could be a critical partner. New Zealand needs to continue to diversify the markets in which we are active, and to diversify the products we sell, harnessing our entrepreneurial and highly flexible business sector, which has proved resilient in responding to market shifts and challenges over many years.

Investing in the future: New Zealand's reputation and standing, along with its hopefully COVID-free status, may make us attractive for corporate entities to bring core R&D and intellectual assets, including management teams, into our well-connected and safe environment. We may need to make significant structural changes to attract foreign direct investment (FDI). We would need to invest much more significantly in research and development and in ensuring the quality of our higher education resulted in

a workforce that would act as an attractor. At the same time, this would help the necessary diversification of our economy. To enable New Zealand to capitalise on the opportunity presented by a world focused on food safety and security, nutritional value and sustainability, we need to increase our investment in agricultural science and infrastructure. Our credentials as a safe, clean, sustainable, high-quality and innovative food producer and manufacturer will be valuable.

Our reputation, past actions, and credentials suggest that New Zealand can be a valuable partner, collaborating on critical issues for our collective futures. However, we must not become complacent, overconfident or arrogant about our positioning – the pandemic is yet to run its course. We will remain challenged by our geographical isolation even while it has given us advantage.

The pandemic has highlighted the need for global cooperation, not just in this crisis but because of the even greater threat of climate change. We are well placed to act as a broker to help progress meaningful action on such issues. But we must be honest about our degree of influence. Most of all, New Zealand must be bold and outward looking in a world that may turn inwards.



INTRODUCTION

A resilient country will be one that can adapt or transform positively in response to significant transitions or threats to its wellbeing. There are many unknowns as New Zealand emerges from the first phase of the pandemic. These include whether the country can sustain the near-elimination it has achieved to date through winter, allowing increasing freedom of movement and business. We do not know how the pandemic will ultimately unfold. Will vaccines and/or antiviral treatments emerge soon enough to reduce public health concerns both domestically and globally? How severe will the domestic and global recession be? How long will trans-Tasman and intercontinental travel restrictions be required? What long-term effects will there be for severely affected sectors such as international tourism and export education? How large a reset will there be in New Zealand's ambitions and vision, in people's behaviours, in business models and in public policies as a result of the crisis?

Koi Tū: The Centre for Informed Futures, New Zealand's non-partisan and transdisciplinary think tank, laid out many of these questions in its report, *The Future is Now: The Implications of COVID-19 for New Zealand*.¹ That report noted that many of these questions cannot be addressed in the absence of consideration of what will happen geostrategically. This paper considers those geostrategic dimensions in greater detail. It is informed by insights from two focus groups of both domestic and international trade, diplomatic and strategic experts. The membership of these groups is listed at the end of the paper.

WHAT KIND OF RESET?

It is too soon to assess with any certainty what the long-term economic and social effects of the pandemic will be globally. It is, however, clear that small economies are deeply exposed and may have to rethink how they do business. Unlike after the global financial crisis of 2009, New Zealand will not be saved by increasing Chinese demand; for China itself will be in a relatively constrained space. Clearly, a very significant global recession is underway – but how long and deep will it be? The outcome at least partially depends on the virus and partially on the scientists trying to battle it with drugs and vaccine development. But political and policy decisions will also significantly influence the outcome.

Overall, the pandemic has exposed existing inequalities and tensions and deepened existing rifts. Some suggest it will create major disruptions sufficient to put the global economy and relationships on a new path, whereas others see it changing little except by significantly accelerating the speed with which previously identified trends and changes occur. These accelerating trends have many implications. They include a reset of globalisation, the accumulation of debt, increased tension between the USA and China, the role of technology, the shift to teleworking, the dematerialisation of offices, and digitalisation. To this list of trends we can add increasing concern about planetary ecosystem collapse and climate change, increased discussion

about the need to reform current political economic models in the liberal democracies towards a greater focus on resilience and equality over efficiency, fears of loss of autonomy, privacy and security in a digitally- and technology-dominated world, the growing power of technocratic plutocracies and growing inequalities. Overall, there is low trust in government institutions, especially in the democratic states, and declining social cohesion, both of which are fuelling populism. In latter regards, New Zealand is an exception that we should exploit.

To a large extent, the severity of the pandemic's impact will depend on the time it takes economies around the world to recover. The longer the pandemic persists, the more dramatic the changes that may occur in other countries and at an international level. A significant contraction in economic activity across the globe is occurring, with prospects for a return to growth later in 2021 cautiously predicted by commentators. Volatility, low business confidence, low consumer demand, increased compliance costs for businesses, and significant disruption as a result of industry collapse and job losses can be expected in the short to medium term. New Zealand predictions mostly suggest a “U” or “W”-shaped recovery; that is, sharp contraction followed by volatility, then gradual recovery in 2021 and beyond. However, we need to be cautious about the speed of recovery, because it depends on the extent of job losses worldwide and the erosion of government and personal balance sheets.

Domestically, the conversations over the recovery vary, with some seeing only a transient change before reverting to something like pre-COVID business-as-usual. For others, this is a chance for a major reset; for example, with respect to social, environmental and economic policy. Other papers in this series will consider these issues in more detail.²

Despite this uncertainty, it is important to make an early assessment of the likely short- and medium-term implications. As a small, geographically isolated island nation, New Zealand is particularly vulnerable to disruptions in market access (supply chains, protectionism), changes in international tourist and student flows, the availability of international labour and access to international capital markets. We have limited resources to respond to the challenges and need to prioritise actions that will make the biggest and most long-lasting differences.

1 <https://informedfutures.org/wp-content/uploads/Koi-Tu-The-Future-is-Now.pdf>

2 See COVID-19 and Koi Tū <https://informedfutures.org/covid-19-and-koi-tu/>

THE GEOPOLITICAL LANDSCAPE: AN OVERVIEW

The virus struck when there were already growing tensions between the major powers, particularly the USA and China. In evaluating the likely scenarios ahead for New Zealand, the changed nature of the US-China relationship and its implications dominate. COVID-19 exacerbated this tension and has become a point of focus in the immediate relationship. There is a sense that the global world order established post-1945 has ceased to function effectively – the multilateral structures established after the war are increasingly ineffectual.³ We are at an inflection point, with the strategic world moving to a multipolar or even leaderless world, in which violation of norms is becoming more common. Increasingly, the great powers are intervening for their own interests rather than for systemic interests. There is a crisis of governance in many countries and the United Nations system is not meeting its primary purposes well.

Governments face many tensions, the most obvious of which is the balance between pandemic management and the economy and its impact on its citizenry. Sovereign and commercial debt will rise rapidly as a result of the pandemic. Global trade will be affected by how the major power rivalries play out, the accelerated trends exposed by the virus, the desire of many countries and businesses to look to more locally-focused supply lines and, in the shorter term, reduced consumer demand as a result of the recession.

Many citizens are now more vulnerable: they may have been vulnerable before the pandemic, but now have even more concerns. Others face status degradation and unemployment, loss of business and uncertain futures. This is a recipe for a decline in social cohesion.⁴ In many countries there has been a move towards authoritarianism and a further reduction in trust in democratic government. The disparate strategies chosen to deal with the virus, with manifestly different outcomes in some countries, are causing some to question their leadership and decision-making. Fear itself can drive people towards authoritarianism.⁵ Information wars are promoting the argument that democratic governments have largely failed in dealing with the crisis. As a long-standing, successful and trusted democracy, New Zealand has a stake in the functioning of the democratic future of countries with which it interacts.

The unequivocal global leadership of the USA that was established in the immediate post-Cold War era has been replaced by a more uncertain and potentially diminished role. At the same time China has emerged as a major science and technology power, and is projecting its interests and influence more broadly through many strategies such as the Belt and Road Initiative. The USA's partial withdrawal from the global stage has had broad effects – the multilateral organisations established after the Second World War with US leadership and funding are weakening. An era of globalisation and free trade was already

being compromised by these trends, reflected in the weakening of the WTO, the USA retreating from free-trade enthusiasm and moving towards protectionism and tariffs, and expanding the geostrategic tensions and overtly using trade barriers as a negotiating and offensive tool. Any isolationist or nationalistic tendencies of the USA have extended to a withdrawal from engagement over climate change, at least at a national level, although individual states and cities remain engaged.

A global blame game over the origin and initial reporting of the pandemic between the major powers now appears to be escalating. This comes at a time when global cooperation is more important than ever, not just because of the pandemic but also because of other global threats, including the even greater threat of climate change. New Zealand can have influence through both domestic and global means in helping to promote collaboration on core issues.

New Zealand already had a strong international reputation, and this continues to be enhanced by demonstrations of domestic cohesion and values. The country has shown respected leadership in multiple fora, for example at the WTO and at UNDP, and for its innovation in forging the Small Advanced Economies Initiative. That reputation has been strengthened by its responses to the pandemic, which if applied well, can be a useful lever in navigating the stormy waters ahead.

CHINA AND THE USA

In the eyes of many, the USA is no longer a reliable leader, and many consequences might flow from this. Its internal politics have become increasingly polarised. The extent to which China seeks to fill that void in Africa, the Pacific and Asia is unclear. All countries will come out of this crisis heavily indebted. Lenders (countries in a 'good' position) will have to think seriously about whether they invest in indebted countries.

The reduction of US leadership and commitment to multilateralism started long before the current administration, although certainly the highly partisan and divisive nature of the current US approach has accelerated this trend. The COVID-19 outbreak may be a catalyst for further regression into a nationalist and protectionist mindset. Much will depend on the outcome of the forthcoming election, both presidential and congressional. It would, however, be naive to expect a rapid reversal of these trends, even if there is a change in administration. It would take time and depend on domestic considerations as to how much and how quickly things might change – if at all. The fundamental tensions both domestically and externally remain.

Will China be strengthened or weakened by the pandemic? China has emerged from the pandemic to date with about 4,600 reported deaths, unlike countries such as the USA, UK, Italy and Spain, where the death rates are vastly higher, and

3 Fishman, E. *The World Order Is Dead. Here's How to Build a New One for a Post-Coronavirus Era*, <https://www.politico.com/news/magazine/2020/05/03/the-post-coronavirus-world-order-230042>

4 Spoonley, P. et al. *He Oranga Hou: Social cohesion in a post-COVID world*, <https://informedfutures.org/social-cohesion-in-a-post-covid-world/>

5 Davies, W. *Nervous States: How Feeling Took Over the World*. 2018: Penguin Random House, UK.

they are all still struggling. To an observer who is not vested in the values of democracy, it might suggest that this is evidence of the competence of the Chinese system of governance. China is reopening its economy, while others are still debating when and how. The Chinese debt position is also good, and it is buying up oil at a cheap price for strategic stockpiling. This is a China that is playing the long game, and with the strategic discipline and resources to do so. Arguably, China is emerging from the COVID-19 outbreak more confident and in a strong position.

At one level, China is using diplomatic and social-media channels to actively promote its apparent success in managing the initial outbreak of the virus. On another, there is a parallel narrative from some countries accusing China of not being sufficiently forthcoming and transparent at the start of the Wuhan outbreak. This is further being used to blame China and its systems for causing the global pandemic. Although it is broadly accepted within the scientific community that this zoonosis almost certainly has a natural origin, an accusatory meme is being promoted that the virus has its origins in a Chinese laboratory. In turn, the argument that China did not act promptly enough in alerting the WHO and global public health community is being used as a weapon in the attack on multilateral organisations, most notably in the withdrawal of WHO funding by the USA. China is the major global provider of personal protective equipment (PPE), and has been seen by some as taking advantage of this as the USA and European pandemic intensified.

For both major powers, the debt crisis that will emerge could affect their own supply lines. For example, given the level of debt faced in some countries, China may increase its investment and leverage in low- and middle-income countries to support its own supply chain. It is also clear that China is treating nations' responses to the pandemic – particularly in relation to the treatment of Chinese nationals and students and how they are dealing with issues related to the origin of the pandemic – as a “friendship issue”. Likewise, the USA will be looking for support from its traditional security and trading partners. This will require careful management by New Zealand.

The rivalry between China and the USA presents a serious challenge for New Zealand, with China being its largest international trading relationship, and the USA an important and long-standing trade and security partner. In the panel discussions that informed this paper, the metaphor of “riding two horses simultaneously” was commonly used. Will these tensions grow to a point where it is not easy to manage the relationships with the two superpowers in the way small countries such as New Zealand have done in recent years? Could there be a bifurcation of global supply chains that create a bipolar world, with echoes of the Cold War era? Such scenarios will undoubtedly make things tougher for New Zealand. That does not mean it will be impossible to continue constructive relations with both major powers, but we are going to have to work even harder at it. Further, in a multipolar world we can expect to see alignments of nations form around specific issues in a much more dynamic way than has perhaps been the case in the past. This will test the relationship-building skills of our Government and businesses.

EUROPE

The pandemic's impact on Europe will be very significant, and has exposed the incomplete nature of the European experiment. Epidemiological realities have compromised the EU's basic concept of freedom of movement, and the European nation states have adopted very different strategies in response to the pandemic. Tensions emerged early on over fiscal measures to support struggling states, and the outcomes observed across the Union have highlighted the model's weakness to act as protector of European citizens.

Europe has long had difficulty in forming consensus, and although this problem existed well before COVID-19, the crisis has brought it into sharp focus for both policymakers and citizens. European soft power is weakened. The financial capacity of the European Union to manage the stress posed by the economic impact of the shutdowns, and particularly the resulting vulnerability of both Italy and Spain, will test leaders and potentially the viability of the European model. The north-south tensions within the EU have resurfaced over financial support for the most affected countries. There is growing recognition that the current weak federal model was poorly equipped to deal with a crisis that affected populations across all member states, reflected in its inability to deal with supply-line issues. The variable health-care standards exposed other issues. There is a growing sense that misinformation is being used to highlight the advantages of authoritarian systems and the weakness of Western democracies when it comes to crisis responses, and to promote the general acceptance of restrictive measures. In the meantime, European markets are likely to be hard hit. European leadership on key global issues, such as climate change and the strength of the multilateral system, may have to take a backseat to short-term economic and social imperatives. However, the European Commission will have significant domestic and reputational incentives to show that it can still operate effectively, and this could accelerate completion of free-trade discussions with New Zealand.

The UK has been particularly badly hit by the virus, threatening the standing and confidence in the Government. This is despite the assumption that it had a well-established and functioning science advisory ecosystem. Already the blame game has become, as in the US, a point of disruptive internal focus. Criticism of the Government's handling of the crisis is growing louder. The coincidence of the pandemic with incomplete post-Brexit trade negotiations must be weakening for the UK's overall position. Its ability to deal with Brexit-associated matters, including trade negotiations, in a timely manner may be compromised.

ASIA

In health terms, most economies in East and Southern Asia have handled the pandemic relatively well to date. Those, like Singapore, South Korea, Hong Kong and Taiwan, that experienced SARS took early and effective action, despite some setbacks. Like New Zealand, all have their geostrategic interests affected by US-China tensions. By and large, those countries with low labour costs will be relatively protected economically, unless consumer

demand collapses in the face of the recession in major markets. Those with a strong tourism base, such as New Zealand and Thailand, will be affected by the collapse of international airline travel and by likely ongoing quarantine requirements.

Japan has been significantly affected by the virus, most noticeably with the delay of the 2020 Olympic Games, but it is an important global player in any efforts to reinvigorate multilateralism and to maintain free trade. It led the completion of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) after the US withdrew from that groundbreaking trade initiative. Japan may well be called on again to step up and lead the effort to sustain free-market access and the international rules-based trading system.

AUSTRALIA AND THE PACIFIC

To date, Australia and New Zealand have been seen as exemplars of the Western response to the pandemic, helped significantly by their geographical reality. The Pacific Islands have also been well protected. Other Asia-Pacific states, particularly those that had experienced SARS, have held the virus well in check through the tools of lockdown, testing, and contact tracing.

Australia is our most important relationship, and our only formal defence ally. The relationship needs constant attention. Our economies and societies are tightly integrated, and it is imperative that we open our border to Australia as soon as possible, and vice-versa. At this stage, both countries are looking towards elimination of the virus as an ongoing major health hazard.

There is confidence in each other's systems, and it is essential this is sustained as the pandemic progresses. There should be no surprises on either side, particularly in times of crisis. Like New Zealand, Australia will need to balance its traditional alliances with the USA with its trading interests in China. Interestingly, Australia seems to be adopting a more assertive position on geostrategic issues, including the importance of the multilateral system, in the post-COVID environment. We should encourage it to continue to do so. Although it is possible the New Zealand and Australian paths may diverge somewhat in this regard (as they have before), a significant difference in perspective on major geostrategic issues would be unhelpful to both, and is therefore unlikely.

Forging ahead with collaborative initiatives between Australia and New Zealand is a viable solution from a local supply-chain perspective as well as in terms of providing much needed economic stimuli as the nationalist agenda grows. New Zealand businesses already export to Australia, some exclusively, and thus closer alignment will be critical in supporting trade between the two nations.

In addition to Australia and New Zealand, East Asia and the Pacific have also largely brought the coronavirus under control. This means the region will restart economic activity earlier and faster than other parts of the world. Air links (probably more than sea and land links) will also restart in tandem. This creates an opportunity, based on the concept of the travel bubble between Australia and New Zealand, to gradually expand it to other parts of East Asia that are demonstrably able to manage COVID-19.

This would speed up trade and business in an expanding ring emanating from the original Australia-New Zealand bubble.

The effects in the Pacific are particularly important for New Zealand because of our deep and long-standing connections. A number of Pacific countries have been able to declare themselves COVID-19-free, and many others have responded quickly to mitigate the impact of the virus, but the economic challenges that have resulted from the fall in international demand for exports and the collapse of international tourism will be very challenging. These difficulties are exacerbated by the ongoing effects of issues such as climate change, fisheries exploitation, and the implications of debt provided by donor states. New Zealand and Australia, with other partners such as the EU and Japan, will need to provide the necessary support, while also addressing the implications of the pandemic at home. The situation also creates opportunities for countries like China to become more active in the region. Similarly, Antarctica and its surrounds are increasingly contentious. New Zealand has a significant role to play to deliver on its obligations, maintain national security interests and monitor activities in the region.

OTHER REGIONS

How the pandemic will unfold in low- and middle-income countries of Africa and Latin America is yet to become clear. Compared with the USA and Europe, they appear somewhat spared, but this may reflect their relatively early stage in the crisis. The global responses to the pandemic, especially the massive reductions in air travel and tourist activity and uncertain supply lines particularly affect the most vulnerable economies.

Capital flight has affected many Southern American economies, and lower oil prices, reflecting in part collapsing demand, are exacerbating the pressure on many oil producers. In addition, many poorer countries in Asia and Africa face challenges as a consequence of weak health systems and other institutions and a lack of capacity to respond to an event of this magnitude.

TRENDS AND CHALLENGES

THE MOVE AWAY FROM GLOBALISATION AND THE CHALLENGE TO MULTILATERALISM

The pandemic appears to be accelerating a move away from globalisation, with protectionism, onshoring of strategic industries, and lower levels of support for multilateral institutions and the associated rules-based system all evident and likely to grow. Subsidies for farmers, preference for locally-based producers, and pressure on companies to act in the best interests of their home country are all being observed in the rush to exert greater control over national “strategic” industries and supply chains, and to bring essential capabilities like food production closer to home. Resiliency is becoming a cogent political argument in the economic and employment spheres. This was particularly evident as countries rushed to secure medical technology and PPE supplies, and in the competition to be the first to produce a vaccine for the virus – motivated, at least in part, by the need to ensure access to the medicine for “our” citizens.

More broadly, discussion about decoupling the USA and Chinese economies reflects the challenging and uncertain environment in which we are now operating. The rhetoric around this can be expected to escalate ahead of the US election, although the reality is that any radical decoupling of the two economies is unlikely, given its very destructive consequences for both parties. It also requires a strategic and long-term industrial policy that will be very hard to develop, let alone implement, in the US given the current political climate. Nevertheless, COVID-19 will compel countries to look at the resilience of their supply chains, and this could lead to less dependency on global supply chains, and the creation of more regional supply chains in vital areas like food and medical supplies. The collateral damage for countries such as New Zealand could be large, as the heightened sensitivity around supply chains is a real issue. If tension rises further in the South China Sea, this could aggravate our trading risks. We have limited capability to protect the critical supply routes other than through the multilateral system, although diplomatic initiatives such as that with Singapore will help.

In this environment, the international rules-based system is particularly important for keeping supply chains functioning, protecting market access and allowing fair competition.

THE WHO, WTO AND OTHER MULTILATERAL ORGANISATIONS

Unfortunately, as distrust of multilateralism grows in many countries, key institutions like the WTO have been disempowered. The USA’s decision to withhold funding for the WHO in the middle of a pandemic is a particularly stark example of this. There is an urgent need to build the capacity, functionality and credibility of multilateral agencies and to secure broad international support for them.

The array of global organisations that are of critical value to New Zealand and other small countries, including Pacific Island nations, were largely formed in the immediate post-war period, and very much driven by the USA. These organisations are

weakened if the USA withdraws fiscally or undermines their function. Certainly China is taking a more active role, but cannot replace the USA.

With the passage of time, the post-1945 world order has become less and less well equipped to deal with issues such as climate change, cyber threats, food security, regional conflict and indeed public health challenges. It is in New Zealand’s interests that this order be refreshed.

United Nations: The UN family of organisations is clearly in need of substantive reform. The failure, despite the good efforts of countries like New Zealand, to make meaningful progress on UN Security Council reform is an indication of the challenge ahead. Yet reform is urgent. Can small countries, including New Zealand, work together to make progress? Unlike in the Cold War, when countries could stay unaligned between two superpowers while they found an equilibrium of sorts, the multipolar world is more complex.

WHO: The WHO has become a political football and a point of focus. The issue of whether the organisation had sufficient competence, authority and resources to act in the early stage of the crisis has provided an excuse for the USA to withdraw its WHO funding. The WHO does have limitations because of the way it was formed, and reform is needed. But such organisational reform should be constructive and member states should support the urgent redefinition of the WHO’s authority to act.

It is in the interests of New Zealand and Pacific states to have a strong and effective WHO. Some pre-existing issues such as the relationship between regional divisions and the central agency, the scope of its activity and the ability to have greater authority to act in emergencies with less political interference is clearly in the interests of small countries. New Zealand is in a position to promote a coalition of like-minded states to focus on WHO reform. The goals might be to address its overstretched and underfunded mandate (particularly in respect of health challenges that, while serious, can be better dealt with at domestic or regional levels); give it powers in a crisis similar to UN weapons inspectors, to thus allow its experts to enter virus-stricken countries and allow it unfettered access to data and medical information; and putting WHO’s regional organisations (and their directors) under the direct control of the WHO headquarters (the lack of such control was an issue in the West African Ebola epidemic). More of the WHO’s funding should be untagged – whether from member states or from donors – to give it flexibility to respond. And the urgency of such reform should be emphasised. The over-politicised nature of its directorship inhibits effective conduct of what should primarily be a technical, not a political organisation.

Reform of the organisation, although difficult, is likely to be more effective than any attempt to form a new organisation. One possible solution could be to develop a stand-alone international treaty to deal with pandemics similar to that negotiated after Chernobyl – The Convention on Early Notification of a Nuclear Accident. Preferably this would be done from within the WHO, but it could also be done from outside. With its standing reinforced by its performance during this pandemic, New Zealand could

be in a position to work with like-minded countries to explore such a solution. This may be more important and constructive than focusing on a forensic examination of the early events in the pandemic. On the other hand, better scientific understanding of the emergence of this zoonosis is essential for prevention of future pandemics.

WTO: The organisation was already weakened, even before the pandemic. Growing nationalism and trade protectionism are increasing concerns about the future of the rules-based trading system on which New Zealand's economy depends. Indeed, the USA's unwillingness to underwrite the functioning of the rules-based system raises real questions as to whether they can be enforced at all and whether reform of the system can be delivered.

As suggested earlier, supply lines are likely to shorten and if US-China tensions grow, new trading alliances may form. We need to work with others to reinvigorate multilateral organisations. New Zealand's leadership in this regard, by Ambassador David Walker at the WTO, has received strong international endorsement.⁶

TRADE

New Zealand has a vital interest in protecting free trade, open supply lines, and an international rules-based trading system and, as discussed above, the WTO is a vital component of that system. New Zealand, Singapore and other countries have already made a joint statement on the need to protect the global trading system.⁷ New Zealand will be hit by the global recession and the associated massive downturn in global trade. Some protection is afforded by free trade agreements (FTAs) in place with many economies in the Asia-Pacific: China, Hong Kong, Taiwan, Korea, Japan (via CPTPP), ASEAN, and Australia (CER).

Many large companies will look to spread risk in supply chains as they seek to enhance their resilience. For New Zealand, maintaining air freight in both directions in the face of global passenger restrictions creates a real challenge. Supply lines in areas such as pharmaceuticals have required particular actions. The USA questions whether a Chinese supply chain can be trusted. This is further compounding extant security issues related to 5G technology.

The key issue will be the extent and duration of the downturn in aggregate demand in our major trading partners and the effect this will have on volumes and prices of our main exports to them. Our top six markets for exports of goods and services are China, Australia, the EU, the USA, Japan, and South Korea. Together they accounted for some \$60 billion of exports out of our total of \$86 billion in 2019.

Food exports are critical. They account for 60-65% of our goods exports, depending on what definition is used. Volumes will likely hold up well – in the hierarchy of human needs outside times of war when guns become more important than butter, nothing tops food as an essential item of consumption. Prices are quite another matter. Recessions kill commodity prices, as is clearly evident in the bloodbath taking place in global oil markets.

Despite the rhetoric, this will not be the end of global trade or connectivity. And protectionism in its various forms will not destroy international supply chains and trade. There will be a rebalancing between efficiency and resilience, but with adroit diplomacy and strong international relationships, we should be able to navigate this. We will be aided by the strength and experience of our major export companies. They, and the products they produce and distribute enjoy strong consumer support in many international markets. However, New Zealand will have to fight its corner. There remain many like-minded countries that we can work with in this. We need to forge new partnerships, engage in network and coalition building, develop new strategies and exert new energy to ensure our trading future.

ECONOMIC PERSPECTIVES

Debt and associated needs arising from this crisis will focus countries on their local world. For New Zealand, like other countries, both sovereign and private debt will increase substantially. Sectors of the externally focused economy and particularly tourism and export education have been significantly affected. The former will take a long time to recover, and is dependent on the outcome of the pandemic, the return of international air travel, the global economy and the changed attitudes to travel of potential tourists. This may be an opportunity for New Zealand to consider the relative value of high-value, low-volume tourism to the current high-volume model, which has serious environmental impacts. Export education has been hit, but may recover rapidly if New Zealand can maintain and build its reputation as a safe, COVID-free country.

The age-old issue remains of how to diversify the economy at scale. This is not possible without enhancing foreign corporate engagement and investment. This will require structural and policy changes. Could we attract whole management teams to relocate here as the place to invest, live and work, and have a long-term commitment to building New Zealand? The key need is to attract entrepreneurship and intellect rather than simply passive dollars, so that we build an innovation system at scale. At its core, this would be a more holistic definition of FDI (more like foreign onshore engagement), and more about nation building on our terms and meeting our growth aspirations than a passive investment. Lessons need to be taken from other small advanced economies as to how that might be achieved. This requires fresh thinking about our company mix, and what it would take to attract more multinational activity to be located here.

There is ample evidence it is the presence of such multinational activity that both directly and indirectly fuels local, innovation-focused growth. Investment in research and higher education is undoubtedly needed as a precursor, but we do have a strong story on which to promote FDI and talent attraction. Being COVID-free, socially cohesive, environmentally sensitive, and digitally connected are all to our advantage. But without deeper R&D, more capital investment and enhanced productivity, we will fail in that competition vis a vis countries like Australia and Singapore.

⁶ <https://www.beehive.govt.nz/release/nz-ambassador-chair-wto-general-council>

⁷ <https://www.beehive.govt.nz/release/covid-19-response-new-zealand-and-singapore-launch-initiative-ensure-free-flow-essential>

SECURITY

The pandemic does not fundamentally change the security landscape for New Zealand, but it highlights areas of risk and concern. The debates over the role of Chinese companies in providing 5G infrastructure, and the consequent diplomatic pressures that have been put on Five Eyes partners, have highlighted the complexity of our relationships with the major powers. Clearly, the rising tension between China and the USA has security implications with respect to the integrity of supply lines through the South China Sea. The risk of instability in our relationships with Pacific Island states could also be heightened by the tensions between China and the USA. Including the Pacific states in the Australian-New Zealand aviation bubble from an early stage would be an important step forward. Our increased aid to the Pacific in recent years has focused more on areas such as health and education, and this remains an important effort.

The tensions associated with the pandemic will accelerate a rise in data warfare and the weaponisation of data. The competition between China, Russia and the USA for data superiority will further intensify. We have already seen examples of this played out with a series of misinformation and disinformation actions designed to increase fear, uncertainty and distrust in democratic institutions. With our increased digital presence, the future war we are likely to be fighting is a digital one.

Preventing dual use (or hybrid) threats now extends well beyond having traditional hardware and software controls. The emergence of the internet of things based on 5G networks creates a new raft of possible threats. These may arise from intellectual property theft, from deliberate misinformation or through cyberattacks. Misinformation has already been extensively used since the pandemic occurred, both by state and non-state actors. New Zealand needs to continue to strengthen its protections against both cyber attacks and misinformation – the latter requires attention to pre-emptive education for digital living, and ensuring our social cohesion.⁸

If New Zealand is going to accomplish some of the things outlined here (whether increased FDI, supply-chain reliability, and so on), it must have a solid reputation for information security. The country has small, globally recognised cybersecurity expertise both in academia and the private sector.

MANAGEMENT OF THE PANDEMIC

The pandemic has put science and scientists at the centre of the world stage and has rekindled interest in evidence-based public policy, risk analysis and horizon planning. This is, at this stage, positive. Whether this evidence-based approach will survive the acute phase of the crisis, as people confront economic challenges and leaders and political systems come under pressure, is moot. Already it is not universal and there is ample evidence of campaigns by state and non-state actors to manipulate and manage information so as to control the message for national strategic interests. Examples include both China and the United States attributing responsibility for the pandemic to the other, partially as a means of deflecting criticism at home.

Arguments have been put forward that authoritarian approaches are more effective or give citizens greater sense of certainty and safety, and that democratic systems have been less well positioned to respond to the crisis than more centralised models. However, the evidence is mixed, with Singapore, South Korea, Taiwan, Norway, New Zealand and Australia among democracies that seem to have managed reasonably effectively. Perhaps the differentiator is the quality of leadership, the strength of national institutions, and the level of public trust that citizens have in their leaders, rather than the political system itself. Surveys in New Zealand certainly demonstrate very high levels of trust and confidence in the pandemic response to date.

Another feature of the management of the pandemic has been the use of executive power to enable tough decisions to be implemented promptly. In addition, tracing technologies that track the locations and activities of citizens have been widely deployed in some countries and their use is expanding in others. These practices raise real issues, particularly in democratic systems. Initiatives like the establishment of the Epidemic Response Select Committee in New Zealand may partially address such concerns.

Pandemic responses are but one example of risk management where national boundaries are crossed. New Zealand has a well-developed and well-performing risk management system – it may take a role as a well-respected small country in exploring how risk-management practices could be better embedded in national systems.

⁸ Spoonley, P. et al. *He Oranga Hou: Social cohesion in a post-COVID world*, <https://informedfutures.org/social-cohesion-in-a-post-covid-world/>

THE SMALL-COUNTRY LENS

New Zealand's interests are similar to a number of other small advanced economies. We can get squeezed by geo-political events beyond our control, we are critically dependent on a strong and effective rules-based global trading system and on the strength of multilateral organisations, and we may find ourselves exposed in an unstable world where our choices are influenced by the conflicting interests of two major powers with different values and interests – and an increasing overt conflict between them. Traditional alliances based on Cold War perceptions of interest may not now be the best way of protecting New Zealand's interests. While the Western alliance remains important, and New Zealand must stay associated, it may need to look to form issue-dependent coalitions to protect its interests. In addition, building on the work done to date, which gave New Zealand a leadership position, the concept of a 'small advanced economies' grouping extending to include more countries, and with political as well as policy discussions, may be advantageous in protecting our interests. Such coalitions of like-minded countries may be critical in a multipolar world, realigning on issues such as the major global challenges to try to ensure collective progress is made.

New Zealand is well-respected internationally, as shown by its overwhelmingly successful bid for the UN Security Council, and reinforced by the image projected to the world after the Christchurch massacre and in the response to COVID-19. This values-based leadership could serve New Zealand well in building coalitions of the willing.

NEW ALLIANCES AND SOFT DIPLOMACY

To date, New Zealand has managed to successfully and simultaneously "ride the two horses" of the Western alliance and the Chinese giant. But as discussed above, that is already challenging, and will become more so. China will remain a major trading partner, but we need to diversify further. Over time, our ability to "sit comfortably on both saddles" is being increasingly compromised. A broader set of partnerships and expanded diplomacy seem likely and needed. These partnerships may coalesce around specific issues. Some such coalitions will be regional, but globally-distributed coalitions will also be needed. Any chance of promoting improvement and protection of multilateral organisations will depend on such groupings, given the increasingly diverging nature of major power interests.

One obvious grouping is that of like-minded small countries, which are usually more agile, diplomatic and vulnerable. As individual countries their voices are generally weak. New Zealand has previously shown the lead in fostering the Small Advanced Economies Initiative (SAEI), which has been narrowly focused on policy questions and limited in size. Is this the time to rejuvenate that initiative to take more of a diplomatic and political focus and expand its size and role? New Zealand as both the initiator of and the secretariat of the SAEI, is in a position to foster such discussion. We have not to date exploited this latent coalition to its full potential.

New Zealand has exploited cultural, sporting and science diplomacy to advance its profile, including in countries (even

whole regions) where its diplomatic footprint is minimal and distant. Indirectly, such activities expand our reputation and form a basis on which economic and other diplomatic goals can be achieved.

The global science community, both in the public and private sector, have come together with remarkable speed to battle the virus. New Zealand scientists, despite our low capacities as a result of our relative deficit in science funding compared with most Western countries (including the other small economies), are engaged in that effort. Science and science diplomacy are powerful tools to bridge gaps between countries. In the Cold War, science was able to do much to bridge between the Soviet and Western blocs. The Antarctic Treaty, the international space station, the International Institute for Applied Systems Analysis (IIASA) are all manifestations of that effort. Perhaps less obviously, many ties were built between Western and Soviet scientists in the Cold War era that developed a level of trust, even in sensitive areas such as nuclear safety. More recently, science played a major role in the temporary rapprochement between the USA and Cuba, and is central to the ongoing efforts to manage the nuclear tensions related to Iran.

Science is caught in the rising tension between China and the USA over the origins of the pandemic in Wuhan and its early management. Science could play a role in reducing tensions, especially if the focus was shifted from one of blame and seeking strategic gain to a more productive discussion exploring how we might better prepare for the next zoonotic pandemic (which is inevitable at some stage in the near future). China will wish to protect its reputation, and promoting open collaboration will be more productive than pursuing a forensic approach. International science organisations, in which New Zealand has a strong presence, and coalitions of small, well-reputed countries could work to find a way through what could otherwise be a counterproductive proposition. This could have the goal of developing some form of more effective and trusted early warning system.

TECHNOLOGY AND CONNECTIONS

The crisis has forced changes in the way people live and work. This has implications for how New Zealand businesses will evolve and may offer greater opportunity for international projection. The pandemic shows the importance of both domestic and international digital connectivity. New Zealand has been well served in these regards by investments in recent years. Technologies that facilitate remote connection and collaboration have boomed, with Zoom now ubiquitous. Further, online commerce, which was already well established, threatens to finally replace much retail shopping, many restaurants and all traditional media. The convenience and relative safety of learning, working, shopping and eating at home will appeal to many.

However, the physical connectivity dependent on air travel has been totally compromised, and its flow-on effects on tourism, education and other sectors are well demonstrated. Supply-line maintenance issues have also surfaced. This has brought

up discussions about local manufacture, but overall it is in New Zealand's interests to maintain an open trading system. The critical role of a national airline as an essential infrastructure is well demonstrated.

To thrive in the future will require high levels of technical confidence, excellent supporting infrastructure, access to suitable devices, and openness to continuing innovation and change. Our institutions and societies will need to evolve to deal with this. These are not new challenges, but they demonstrate how the pandemic has acted to accelerate the future.

The challenge for New Zealand will be finding the balance between being open enough and isolated enough.

CLIMATE CHANGE, SUSTAINABILITY AND OTHER EXISTENTIAL RISKS

An increasingly fragmented world order is not well equipped to deal with issues such as climate change, cyber threats, biodiversity collapse, food security, regional conflict and indeed public health challenges.⁹ Yet it is in New Zealand's interests that

somehow the multilateral structures and rules-based systems are refreshed and protected. Reform is urgent. Can small countries such as New Zealand work together to make progress? Unlike in the Cold War, when countries could stay unaligned and allow the superpowers to find an equilibrium of sorts, the multipolar world is now more complex.

Food security is a growing issue, and has already become a focus of international discussion. The magnitude of the global challenge is expected to become more apparent in coming months. This represents an opportunity for New Zealand, providing supply chains remain open and the onshoring of food production is balanced by efficiency, environmental and food-safety considerations.

Discussion in some quarters is already suggesting that the immediate need to restore domestic economies should outweigh any focus on climate change. But for New Zealand, the potential reset with the pandemic offers opportunities for a shift towards a greener and more sustainable economy.



⁹ <https://www.politico.com/news/magazine/2020/05/03/the-post-coronavirus-world-order-230042>

NEW ZEALAND'S RESPONSE

WHAT TOOLS DOES NEW ZEALAND HAVE TO RESPOND TO THESE CHALLENGES?

New Zealand institutions and leadership are strong and widely trusted. This has enabled us to respond effectively to a range of challenges from the Christchurch earthquakes and Global Financial Crisis to the more recent tragedies in Christchurch and on White Island. The way in which the country has managed the acute phase of the pandemic is also being seen positively. The prospect that we can eliminate the virus (at least while our borders are locked down) will reinforce our position as a safe country in a volatile world. But we must not be triumphalist or complacent. The virus may yet compromise us directly, and certainly is continuing to compromise us indirectly through its global effects.

Our independent, pragmatic and level-headed diplomacy and the skill of our diplomats will matter as we navigate the strategic challenges ahead. We are fortunate to be able to leverage diplomatic capital created during our recent period on the UN Security Council and in our response to the Christchurch atrocities. Further, we have been active in the development and reform of a number of multilateral agencies, from the WTO to UNDP. We have also been leaders in the development of international perspectives on topics such as disarmament, the rights of people with disabilities, and indigenous issues. Our work in the areas of science and cultural diplomacy is well recognised.

We are widely seen as a good global citizen and as an effective, independent voice on behalf of small countries, both developed and developing. We are seen as environmentally aware, to be socially cohesive (despite great diversity in our population) and as a leader in confronting post-colonial issues affecting indigenous people.

Our credentials as a producer of safe, high-quality food are strong. This should see demand for key food and fibre exports hold up, despite the challenges being faced in many of our export markets. We also have an entrepreneurial and highly flexible business sector, which has been exposed to competitive market pressure for many years and has proved resilient in responding to market shifts and challenges.

Our Government finances are strong and debt levels relatively low, and have been maintained as such by successive governments. This creates capacity for both monetary and fiscal policy to be used to help mitigate the impacts of the lockdown.

The capabilities of our defence and intelligence assets, particularly specialised capabilities such as special forces, training, and nation building (Timor-Leste, Afghanistan), give us credibility as a contributor to regional and international security challenges. This is important, as in many capitals the first topic of conversation is security before addressing trade or health.

Together, these powerful reputational and structural assets place us in a strong position to be a small but important voice of reason in the midst of considerable disruption. Here, being small without a geostrategic agenda can be an advantage as the trends discussed in this paper highlight the need not to drift

into more challenging waters but instead look to find a way to a smoother and safer future. The question is, can New Zealand be more strategic and use this position to advance its interests, when viewed from both a national position and a regional and national perspective?

WHAT SHOULD NEW ZEALAND DO?

New Zealand faces many challenges in this multipolar world, which are further exacerbated by COVID-19. Astute and strategic diplomacy will be needed to navigate these stormy and uncertain seas to advantage. The presumption we make in this paper is that it is in New Zealand's interests to remain an open, outward-looking democracy. The recent debates over free trade highlighted the importance of ensuring the public understands the rationale of our international strategy. New Zealand can contribute to the shaping of the future, but many of the decisions that determine this will be taken by others over whom we have limited or no influence. This represents a significant risk and will require us to be focused, informed, and adaptable.

Nonetheless, New Zealand is in an advantageous position, with high international standing based on perceived social cohesion, values, political stability, and environmental focus. We have a deserved reputation as an agile, small, advanced economy, enhanced now by being almost entirely COVID-free (and hopefully remaining so). New Zealand needs to leverage these advantages to attract talent and capital and to help drive the continued success of our exporters. It is not easy, but we need to utilise the alignments that have been created across Government and business in responding to the pandemic and target them on this new and pressing challenge. We cannot afford complacency, as the margin between success and failure in this post-COVID world is, for New Zealand at least, very small.

New Zealand must constantly reinforce its relevance on the world stage. This is in part about active diplomacy, but it is also about having a point of view on issues that are important while being pragmatic, constructive and respectful in how we present and advocate those issues. We need to be good partners. Australia remains our key ally and decisions made there will have significant influence on our options. We are too small to do much on our own and it is to our interest to work with other like-minded countries, wherever they are geographically, to advance our interests. We should be ready to build coalitions as required. New Zealand has a history in this regard, which it should exploit to give greater voice to small countries, whose interests are at risk of being compromised by the changed relationships between the major powers and the associated decline in multilateralism and the health of the multilateral organisations.

The biggest challenge will be navigating between Chinese and American interests where tension is rising. To date, New Zealand has navigated this path to advantage – it will be more difficult in the future. These relationships will, as always, be critical. In both the US and in China, we are not as well positioned as in the past. This is not a criticism, but a call to do more: in particular, we should be using less-traditional vehicles for relationship

building, such as science and culture. We also need to enhance our cultural understanding of China, particularly across Government. We do not have to choose between the major powers, and we should not do so, but “riding both horses” is going to be much harder.

We must continue to focus on what we can progress with the USA, but recognise that, in an election year for both countries, it will remain challenging. These issues will be amplified by the pandemic’s effect there. Further volatility is certain. There will continue to be significant opportunities for New Zealand businesses and entrepreneurs in the USA. However, at a strategic level, it is unlikely we will be able to achieve significant cut-through with the current administration ahead of the election, except perhaps in discussions around supply-chain security.

We must re-energise our relationship with China, which remains our top trading partner. Despite the contraction as a consequence of the pandemic, it still represents the most significant opportunity for many businesses in the immediate future, with both the USA and Europe under pressure.

Our economy and society are tightly integrated with Australia. We need to make sure we are working with them and that they understand the challenges we face and the steps being taken to address them. There should be no surprises on either side. However, our interests may diverge when it comes to the management of major power relationships. We must reopen the border with Australia as soon as possible. This should be more straightforward than it will be with other key markets, such as China and Europe, because of our understanding of, and confidence in, each other’s systems, and the fact that both New Zealand and Australia are looking towards virus elimination.

The state of the multilateral organisations is problematic. While our focus has been and must remain on the WTO to protect a rules-based trading system that is increasingly under threat, there is a more immediate focus on the future of the WHO. The importance of an effective global public health organisation is clear. New Zealand could act as a broker in encouraging reform so that it becomes a more focused organisation, with the ability to act more autonomously in pandemic alert and management.

Opportunities for US and European investment in this country exist, but some structural change is needed to achieve advantage. Even more important than attracting high net-worth individuals for retirement or security is the need to attract active investment (although the two are unlikely to be separated). Further, New Zealand’s reputation and standing, along with its hopefully COVID-free status, would make us attractive for some corporate entities to put core R&D and intellectual assets, including management teams, in a well-connected and safe environment. To assist this, the low investment in upstream R&D and the state of our universities may need to be addressed along with issues of foreign investment and land ownership.

We must look to diversify the products we sell and the sources of products we import. We may need to explore new non-regionally-based trading alliances – in this, Japan could be a critical partner. We must continue to diversify the markets in

which we are active. This has been a challenge for New Zealand throughout its history. We are now overexposed to China both directly and indirectly through its importance to so many other economies, particularly Australia’s. This will require us to increase investment in agricultural science and infrastructure (such as water storage) to enable us to capitalise on the opportunity presented by a world focused on food safety and security, nutritional value and sustainability. Our credentials as a safe, clean, sustainable, high-quality and innovative food producer and manufacturer will be critical.¹⁰

There is need to further reorient our economy to increase export activity (which is low for a small, developed economy), move beyond agricultural commodities (which are increasingly exposed to competition/substitution from lower-cost, plant-based proteins) and improve our innovation ecosystem, which produces lots of smart thinking but has difficulty achieving the scale necessary to attack the international market. This has been an ambition for many years without progress of the desired magnitude. Ironically, at this moment, we have become even more dependent on primary production. There are structural issues that need to be addressed such as our low investment in upstream research, the state of the universities and the need to attract multinational companies to have a significant presence here. Other countries have shown these are essential elements in a diversified technological economy. We need to use the opportunity created by the pandemic to redirect resources into this.

Companies outside the food sector need to move faster to the digital space. New Zealand needs to focus on entrepreneurs (either local or imported) who are thinking globally now that our connectivity internally and externally is of high quality and capacity. Overall, we need to ensure all our citizens have access to the technology and skills they need to operate in the online environment and that our infrastructure investment, education system, and public and private sectors are aligned to keep the country at the forefront of future innovations.

New Zealand stands in an enviable position, with a strong reputation for being a good global citizen and committed to the interest of countries at all stages of development. It has high levels of social cohesion, high integrity in governance, is committed to rules-based multilateralism and is environmentally conscious, and now also virtually COVID-free. It needs like-minded countries as partners to navigate the path ahead and protect the interests of smaller economies. It can take a lead in developing such coalitions, for example by building off the small, advanced economies and other initiatives.

Most of all, New Zealand must be bold and outward looking in a world that may turn inwards.

¹⁰ The environment and agricultural/food sectors are subject of separate papers in development.

APPENDIX

The views expressed in this paper are those of the individual authors and contributors, and do not necessarily reflect the views of the organisations they work with.

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Anne Bardsley is Deputy Director of Koi Tū: The Centre for Informed Futures at the University of Auckland. She specialises in transdisciplinary evidence synthesis and knowledge brokerage at the science/policy interface, especially in the environmental and health domains, and in the areas of risk perception and risk assessment. Prior to joining Koi Tū, Anne was Senior Technical Advisor in the Office of the Prime Minister's Chief Science Advisor, where she led a number of high-impact projects involving close collaboration with leading scientific and policy experts both within New Zealand and internationally.

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Paul Buchanan is co-founder and principal of 36th Parallel NZ Assessments. Formerly an intelligence and defence policy analyst and consultant to US Government security agencies, and a university lecturer, Paul has practical and scholarly experience in international security affairs, including intelligence analysis and unconventional warfare. He has extensive experience as a media commentator on international affairs.

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Ian Fletcher is a former New Zealand, Australian and UK public servant; formerly head of the New Zealand Government Communications Security Bureau (GCSB), a trade negotiator for the EU, Chief Executive of the UK Patent Office, and Director-General of the Queensland Department of Economic Development. Ian is now the Managing Partner in InPhySec Security Ltd, a leading New Zealand cyber security firm.

Charles Finny was formerly Chair of the Board of Education NZ and CEO of the Wellington Regional Chamber of Commerce. Prior to that, Charles had a wide range of experience in government working for the Prime Minister's Department, Department of Trade and Industry and Ministry of Foreign Affairs and Trade. His particular areas of expertise are China, US politics and trade policy, Australia, Asia and international trade. Charles joined Saunders Unsworth – government relations consultants – in 2010.

Roy Ferguson, QSO, is the former New Zealand Ambassador to the United States. He was Director of the Americas Division in the Ministry of Foreign Affairs and Trade from 2002 to 2005, and has served on the boards of the New Zealand-United States Council, Fulbright New Zealand, the Ian Axford Fellowships, and the New Zealand Centre for Latin American Studies. From 1999–2002, he served as the New Zealand Ambassador to South Korea and concurrently served as Ambassador to North Korea from 2001. He also served in Manila and Canberra. He has also served as Director, Intelligence Coordination Group, Department of the Prime Minister and Cabinet.

Mark Gilbert was the US Ambassador to NZ and Samoa, 2015–17. Ambassador Gilbert formerly served as a Managing Director of UBS, the culmination of a distinguished career in finance, which included positions at Barclays and Goldman Sachs. From 2009 to 2013, he served as the Deputy National Finance Chair for the Democratic National Committee.

Robin Grimes is Professor of Materials Physics at Imperial College, London, and the Ministry of Defence Nuclear Chief Scientific Adviser. From 2013–18, he was the Foreign and Commonwealth Office's Chief Scientific Adviser.

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Anne Harrington was the Deputy Administrator for Defense Nuclear Nonproliferation in the US Department of Energy in the Obama Administration. She worked previously as the Director of the National Academy of Sciences Committee on International Security and Arms Control and as Deputy Director of the Office of Proliferation Threat Reduction at the US Department of State. A senior US Government expert on non-proliferation and cooperative threat reduction, she dedicated much of her career to developing policy and implementing programmes aimed at preventing the proliferation of WMD and missile expertise in Russia and Eurasia, Iraq and Libya. Anne is now Principal of Harrington Consulting LLC.

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Paul Hofheinz is President and co-founder of the Lisbon Council, an independent, non-partisan think tank and research centre based in Brussels, Belgium, and an affiliate member of Koi Tū. Paul previously worked as a writer and editor at The Wall Street Journal, covering such diverse topics as European integration, financial-market regulation, emerging markets and Russia. In 1998–99, he was managing editor of Central European Economic Review. Prior to that, he was associate editor of Fortune. He began his career in London as a reporter for Time magazine.

Colin James is an experienced political journalist with a keen interest in policy innovations and the deeper political and social trends that underlie them. He provides briefings on politics and policy to business, government agencies and other organisations, and has contributed to long-range strategic projections for a number of government agencies.

Eugene Kandel is an Israeli economist, the CEO of the Start-Up Nation Central, and Emil Spyer Professor of Economics and Finance at the Hebrew University of Jerusalem. Eugene was actively involved in the 1997 redesign of the Nasdaq trading rules and served as editor and associate editor of leading finance journals. He previously chaired the Prime Minister's Economic Council. He has been involved with the Small Advanced Economies Initiative.

Julie Maxton, CBE, is a British barrister, legal scholar, and academic administrator. Since 2011, she has been Executive Director of the Royal Society. Prior to this, she was in academia – at the University of Auckland, where she became Dean of its Faculty of Law; and from 2006–10, as Registrar of the University of Oxford, and the first woman to hold the office in the 550 years since the position was first established.

Jim McLay (Sir James Kenneth McLay) is a former New Zealand diplomat and politician who served as the Deputy Prime Minister in 1984 (National), retiring from parliamentary politics in 1987. In the following decades he distinguished himself in diplomatic roles, serving as New Zealand's Permanent Representative to the United Nations, New Zealand's Representative to the Palestinian Authority and New Zealand's Consul General in Honolulu. He served as the New Zealand Representative on the International Whaling Commission (during which time he advocated for the establishment of a whale sanctuary in the Southern Ocean).

Bernard Sabrier is a Swiss entrepreneur and philanthropist with New Zealand interests. He is the Chairman of Unigestion, a Geneva-based independent, specialist asset manager. He is a Member of the Advisory Board of the Marshall Institute for Philanthropy and Social Entrepreneurship at the London School of Economics. Bernard established the Famsa Foundation in 2011, a non-profit organisation that contributes to a number of projects in charitable, educational, cultural and medical fields. He is also the founder and President of Children Action, a charitable foundation for disadvantaged children throughout the world.

David Skilling is the Founding Director of Landfall Strategy Group, advising governments, firms and financial institutions in Asia and Europe on the impact of global economic and politics, with a particular focus on small, advanced economies. He previously served as Senior Advisor to the Secretary of Foreign Affairs and Trade in New Zealand. In this role, David also co-coordinated the Small Advanced Economies Initiative (2012–16).

Peter Thomson is a former Fijian diplomat, currently serving as the United Nations Secretary-General's Special Envoy for the Ocean. In this role, he leads UN advocacy and outreach efforts to galvanise political momentum, mobilise action and raise ambition for the implementation of the UN's Sustainable Development Goal 14 (the Ocean Goal to conserve and sustainably use the ocean's resources). Among his former roles, he served as 71st President of the General Assembly of the United Nations and Fiji's Permanent Representative to the United Nations, which included Presidency of the Executive Board of the UNDP, the UNFPA and the UNOPS.

Vaughan Turekian is a US science diplomat, having been the fifth Science and Technology Advisor to the US Secretary of State, Chief International Officer for the American Association for the Advancement of Science (AAAS) and Director of AAAS's Center for Science Diplomacy. He is currently Executive Director of the Policy and Global Affairs Division (PGA) at the National Academies of Science, Engineering and Medicine. He is a fellow and adjunct professor at the Georgetown University School of Foreign Service.

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Ngaire Woods, a New Zealander, is the founding Dean of the Blavatnik School of Government and Professor of Global Economic Governance at Oxford University. Her research focuses on how to enhance the governance of organisations, the challenges of globalisation, global development, and the role of international institutions and global economic governance. She founded the Global Economic Governance Programme at Oxford University, and co-founded the Oxford-Princeton Global Leaders Fellowship programme. Ngaire is a member of the UK Government National Leadership Centre's Expert Advisory Panel, and of the Department for International Trade's Trade and Economy Panel.



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