

LOOKING FOR POINTS IN COMMON WHILE FACING UP TO DIFFERENCES: A NEW MODEL FOR NEW ZEALAND-CHINA RELATIONS

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New Zealand—along with other nations—is being targeted by a concerted foreign interference campaign by the People’s Republic of China (PRC). The campaign aims to gain support for the Chinese Communist Party (CCP) government’s political and economic agendas by co-opting political and economic elites. It also seeks to access strategic information and resources. China’s efforts undermine the integrity of our political system, threaten our sovereignty, and directly affect the rights of Chinese New Zealanders to freedom of speech, association, and religion. The new Labour-New Zealand First-Greens government must develop an internally-focused resilience strategy that will protect the integrity of democratic processes and institutions, and should work with other like-minded democracies to address this challenge.

Key findings

- China’s covert, corrupting, and coercive political influence activities in New Zealand are now at a critical level.
- The New Zealand government needs to make legislative and policy changes that will better protect New Zealand’s interests and help to protect our nation against foreign interference activities more broadly.

Executive summary

The formation of the Labour-New Zealand First-Greens coalition government in October 2017 offers an opportunity to take a fresh look at New Zealand’s relationship with China. New Zealand has developed close economic, political and military links with the PRC in the last nine years. The two countries signed an FTA in 2008, and China is now New Zealand's second largest overall trading partner.¹ New Zealand and China signed a Comprehensive Cooperative Relationship Agreement in 2003, and a Comprehensive Strategic Partnership Agreement in 2014.²

The PRC aspires to be a global great power and is seeking change in the global order.³ Under the leadership of Chinese Communist Party (CCP) General Secretary Xi Jinping, China is now claiming a leadership role in global affairs and pursuing an assertive foreign policy. During the 1960s, Mao Zedong’s China was promoted as the centre of world revolution. But under Xi, China aims to lead Globalization 2.0, via a China-centred economic order: a new economic and strategic bloc known



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as One Belt One Road. Xi Jinping's assertive foreign policy includes the expansion of CCP political influence activities (known in China as united front work). United front work has now taken on a level of importance not seen in China since the years before 1949, when the CCP was in opposition.⁴ The CCP's united front activities incorporate co-opting elites, information management, persuasion, and accessing strategic information and resources. It has also frequently been a means of facilitating espionage. One of the key goals of united front work is to influence the decision-making of foreign governments and societies in China's favour.

New Zealand appears to have been a test zone for many of China's united front efforts in recent years.⁵ Australia has also been severely affected; and the government there has now made strenuous efforts to deal with China's influence activities.⁶ The CCP leadership regards New Zealand as an exemplar of how it would like relations to be with other states in the future.⁷ The PRC's political influence activities in New Zealand have now reached a critical level. So, is the current relationship with the PRC an exemplar for how New Zealand would like its relations to be with other states? This policy brief argues that in an era when influence activities by other great powers are also on the rise globally, it is time to strengthen efforts to withstand foreign interference in the New Zealand political system.

Why China is interested in New Zealand

New Zealand is of interest to China's Party-State-Military-Market nexus for a number of significant reasons:

- The New Zealand government is responsible for the defence and foreign affairs not only of New Zealand, but also of three territories in the South Pacific: the Cook Islands, Niue, and Tokelau, which means four potential votes for China at international fora.
- Since 2011 when legislation was passed to encourage offshore managed funds to invest in New Zealand, our nation has developed a shameful reputation as a hotspot for global money laundering.⁸ The Cook Islands, Niue, and Tokelau are also well-known money laundering nations.
- New Zealand is a claimant state in Antarctica and one of the closest access points there. China has a long-term strategic agenda in Antarctica that will require the cooperation of established Antarctic states such as New Zealand.⁹
- New Zealand has cheap arable land and a sparse population, and China seeks access to foreign arable land to improve its food safety.¹⁰
- New Zealand supplies 24 percent of China's foreign milk, and China is the biggest foreign investor in New Zealand's dairy sector.¹¹
- New Zealand is useful for near-space research; an important new area of research for the PLA.¹²
- New Zealand has unexplored oil and gas resources and China is expanding its offshore oil and gas exploration.

New Zealand is also a member of the UKUSA intelligence agreement, the Five Power Defence Arrangement, and the unofficial ABCA grouping of militaries, as well as a NATO partner state. Extricating New Zealand from these military groupings and away from its traditional partners, or at least getting New Zealand to agree to stop spying on China for the Five Eyes, would be a major coup for the Xi government's strategic goal of turning China into a global great power. New



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Zealand's economic, political, and military relationship with China is seen by Beijing as an exemplar to Australia, the small island nations in the South Pacific, and more broadly, other Western states. New Zealand is valuable to China, as well as to other states such as Russia, as a soft underbelly through which to access Five Eyes intelligence. New Zealand is also a potential strategic site for the PLA-Navy's Southern Hemisphere naval facilities and a future Beidou-2 ground station—there are already several of these in Antarctica.¹³ All of these reasons make New Zealand of considerable interest to China.

China's influence activities in New Zealand and their impact

China's political influence activities in New Zealand can be summarised under the following categories:

- Targeted efforts to co-opt the New Zealand business, political and intellectual elite in order to get them to advocate for China's interests in New Zealand and internationally. The means used are business opportunities and investments, honours, political hospitality, scholarships, party-to-party links and vanity projects.
- Targeted political donations via ethnic Chinese business figures with strong links to the CCP.
- Massive efforts to bring the New Zealand ethnic Chinese language media, Chinese community groups, and New Zealand's ethnic Chinese politicians under CCP control, and efforts to influence their voting preferences.
- The use of mergers, acquisitions, and partnerships with New Zealand companies, universities, and research centres; so as to acquire local identities that enhance influence activities as well as provide access to military technology, commercial secrets, and other strategic information.¹⁴

Some of these activities endanger New Zealand's national security directly, while others will have a more long-term corrosive effect. The impact of China's political influence activities on New Zealand democracy has been profound: a curtailing of freedom of speech, religion, and association for the ethnic Chinese community, a silencing of debates on China in the wider public sphere, and a corrupting influence on the political system through the blurring of personal, political and economic interests. Small states such as New Zealand are particularly vulnerable to foreign interference: the media has limited resources and lacks competition; the tertiary education sector is small and—despite the laws on academic freedom—easily intimidated or co-opted. But foreign interference (by any state) can only thrive if public opinion in the state being influenced tolerates or condones it.

China hasn't had to pressure New Zealand to accept China's soft power activities and political influence: successive New Zealand governments have actively courted it. Ever since New Zealand-PRC diplomatic relations were established in 1972, New Zealand governments have followed policies of attracting Beijing's attention and favour through high profile support for China's new economic agendas.¹⁵ New Zealand governments have also encouraged China to be active in New Zealand's region—from the South Pacific to Antarctica: initially as a balance to Soviet influence,¹⁶ as an aid donor and scientific partner, and since 2014 as part of the "diversification" of New Zealand's military links away from Five Eyes partnerships.¹⁷ In May 2017 New Zealand agreed to promote the One Belt, One Road (OBOR) policies in Oceania, as well as in New Zealand.¹⁸ New Zealand was the first Western nation to sign a cooperation agreement with China on OBOR.



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The New Zealand National Party government (2008-2017), followed two main principles on China: 1. The “no surprises” policy,¹⁹ which appeared to mean avoiding the New Zealand government or its officials or anyone affiliated with government activities saying or doing anything that might offend the PRC government, which inevitably had a chilling effect on normal policy discussions; and 2. an emphasis on “getting the political relationship right”, which under National came to mean developing extensive and intimate political links with CCP local and national leaders and their representatives and affiliated actors in New Zealand.²⁰ Both these approaches fed and encouraged the success of China’s political influence activities in New Zealand.

What can be done?

The new government has an opportunity—if we can borrow a phrase from Chinese diplomacy—to “light a new stove” and re-adjust New Zealand-China relations. The new government has already demonstrated it is aware of some of the challenges New Zealand is facing in its foreign policy. As Foreign Minister Winston Peters has stated, under the Labour-New Zealand First-Greens government, “New Zealand is no longer for sale”.²¹ Prime Minister Ardern recently highlighted her concern that New Zealand maintain its reputation as a nation that is free from corruption. She says under her government, New Zealand will remain outward-facing, while still looking after our own interests.²² James Shaw, leader of the Greens, has made few foreign policy statements so far, but his party is a strong advocate of an independent foreign policy for New Zealand.

The Labour-New Zealand First-Greens government must now develop an internally-focused resilience strategy that will protect the integrity of our democratic processes and institutions. New Zealand should work with other like-minded democracies such as Australia and Canada to address the challenge posed by foreign influence activities—what some are now calling hybrid warfare.²³ The new government should follow Australia’s example in speaking up publicly on the issue of China’s influence activities in New Zealand and make it clear that interference in New Zealand’s domestic politics will no longer be tolerated.²⁴ New Zealand should enter into discussions with Australia and other like-minded nations on the implications of China’s One Belt, One Road policies and other aspects of Xi’s new foreign policy on global politics, economic independence, and the control of strategic assets.

The Labour-New Zealand First-Greens government must instruct their MPs to refuse any further involvement in China’s united front activities. In the Cold War era, New Zealand politicians were very conscious of Chinese and Soviet “Front” organizations, and most kept well away from them. But several decades have passed since the Cold War ended in Europe, and political elites in New Zealand appear to be unprepared for the new battle for influence now coming from China, perhaps because time and again the New Zealand National government participated in the information campaign to downplay the risk.

The new government needs to establish a genuine and positive relationship with the New Zealand Chinese community, independent of the united front organizations authorized by the CCP that are aimed at controlling the Chinese population in New Zealand and controlling Chinese language discourse in New Zealand. The New Zealand Chinese population are entitled to the same rights to freedom of speech, association and religion in New Zealand as any other permanent resident or citizen. Not to address the issue of the CCP’s efforts to control this group of New Zealanders is to ignore the basic human rights of 200, 000 of our own people.



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In addition:

- The new Minister of SIS must instruct the SIS to engage in an in-depth investigation of China's subversion and espionage activities in New Zealand. NZ SIS can draw on the experience of the Australian agency ASIO, which conducted a similar investigation two years ago.
- The Prime Minister should instruct the Department of Prime Minister and Cabinet to follow Australia's example and engage in an in-depth inquiry into China's political influence activities in New Zealand.
- The Minister of Commerce and Consumer Affairs should instruct the Commerce Commission to investigate the CCP's interference in our Chinese language media sector—which breaches our monopoly laws and our democratic requirement for a free and independent media.
- The Attorney General must draft new laws on political donations and foreign influence activities.
- The New Zealand Parliament must pass the long overdue Anti-Money Laundering and Countering Financing of Terrorism legislation. New Zealand should show leadership in the South Pacific by encouraging Niue, Tokelau, and the Cook Islands to pass similar legislation to end their participation in money laundering activities. We can also help them and our other Pacific partners by offering scholarships for their young diplomats to study courses on Chinese politics and international relations in New Zealand, to enable them to proactively engage with China.
- The new government can take a leaf out of the previous National government's book and appoint its own people in strategically important government-organized non-governmental organizations (GONGOs) which help shape and articulate our China policy, such as the NZ China Council and the Asia New Zealand Foundation. What is needed is contestable, deep policy advice on the changing global order, not "no surprises" and silencing of debates.

Conclusion

It has often been said that New Zealand is not important to China and that if we offend the Chinese government we risk our trade with them. It is simply not true that New Zealand is not important to China. And when our national interests may be threatened, the government should be prepared to weather temporary short-term blow back, for long-term political and economic gains.

It is time to face up to some of the political differences and challenges in the New Zealand-China relationship, including the impact on our democracy of Chinese political interference, and make a re-adjustment in the relationship so that New Zealand's interests come first. Chinese diplomacy has a saying from the PRC's first Foreign Minister, Zhou Enlai, which provides a model for this new approach: "seek common points while facing up to differences".²⁵ The saying matches the key Xi-era diplomatic phrase: that China must be "proactive" in its foreign policy. In the current changing global order, New Zealand too must be proactive. And when it comes to dealing with China or indeed our other major partners, while we must continue to look for common points with which we can partner on, we must never be afraid to face up to differences—most especially when they concern matters of national interest such as our democracy, our security, and our sovereignty.

²⁵ <http://www.treasury.govt.nz/economy/mei/archive/pdfs/mei-jun17.pdf>.



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- ² <https://www.beehive.govt.nz/release/joint-statement-between-new-zealand-and-people%E2%80%99s-republic-china-establishment-comprehensive->
- ³ http://www.chinadaily.com.cn/china/19thcpcnationalcongress/2017-10/24/content_33648051.htm
- ⁴ <http://cpc.people.com.cn/xuexi/n/2015/0731/c385474-27391395.html>; Gerry Groot, "The Expansion of United Front Work Under Xi Jinping," *China Yearbook, CIW*, 2015, Gerry Groot, "the Long Reach of China's United Front Work," *Lowy Interpreter*, November 9, 2011, <https://www.lowyinstitute.org/the-interpreter/long-reach-chinas-united-front-work>, Marcel Angliviè de Beaumelle, "The United Front Work Department: 'Magic Weapon' at Home and Abroad," *China Brief*, Volume 17, Issue 11, <https://jamestown.org/program/united-front-work-department-magic-weapon-home-abroad>; James Kyngé, Lucy Hornby, Jamil Anderlini, "Inside China's Secret Magic Weapon for Global Influence," *Financial Times*, October 26, 2017 <https://www.ft.com/content/fb2b3934-b004-11e7-beba-5521c713abf4>.
- ⁵ Anne-Marie Brady, "Magic Weapons: China's Political Influence Activities Under Xi Jinping," <https://www.wilsoncenter.org/article/magic-weapons-chinas-political-influence-activities-under-xi-jinping>.
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- ⁷ "Xinxilan huaren yiyuan Yang Jian: "Zuo hao mei yi jian shi, jihui jiu lai zhao ni" [New Zealand Chinese MP Yang Jian: If you do everything well, opportunity will come to you], *Gongren Ribao*, August 29, 2013, <http://character.worker.cn/c/2013/08/29/130829075919750972761.html>.
- ⁸ <https://panamapapers.icij.org/20160506-john-doe-statement.html>.
- ⁹ See Anne-Marie Brady, *China as a Polar Great Power*, (Cambridge University Press/Wilson Press, 2017).
- ¹⁰ <http://www.ynstc.gov.cn/kjxc/200911060018.htm>;
- http://www.nzherald.co.nz/nz/news/article.cfm?c_id=1&objectid=11534966
- ¹¹ <http://www.radionz.co.nz/news/country/334643/lower-chinese-milk-production-good-for-nz-analyst>.
- ¹² <http://www.stuff.co.nz/business/industries/63416295/space-balloon-for-broadband>; <http://new-zealand-innovation-awards.idealogue.co.nz/tech/2015/02/darling-tech-company-martin-jetpack-wins-chinese-heart>; <http://www.scmp.com/news/china/society/article/2117709/china-tests-new-spy-drones-near-space-death-zone>; <https://www.sguardian.org/2017/10/espionage-spy-schools/>.
- ¹³ See Brady, *China as a Polar Great Power*.
- ¹⁴ Anne-Marie Brady, *Magic Weapons: China's Political Influence Activities Under Xi Jinping*.
- ¹⁵ See Anne-Marie Brady, "New Zealand-China Relations: Common Points and Differences," *New Zealand Journal of Asian Studies*, December 2008.
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- ²² <http://www.scoop.co.nz/stories/PO1710/S00179/qa-prime-minister-elect-jacinda-ardern.htm>.
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- ²⁴ <http://www.abc.net.au/news/2017-10-09/universities-warned-to-resist-chinese-communist-party-influence/9030372>.
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