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‘The world suddenly feels much closer’

Foreign affairs analyst Anna Fifield on New Zealand’s search for stability in a world defined by US–China competition and regional uncertainty

In your blog, you describe New Zealand as being caught between two giants: China, its largest trading partner, and the United States, its key security partner. How difficult has it become for Wellington to balance these relationships in today’s geopolitical environment?

> New Zealand has always felt protected by its isolation. We’re at the bottom of the world, small and very far away, so for a long time we assumed people were unlikely to bother with us. That’s part of the reason we’ve underinvested in defence for the past 30 years.
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> The US action against Iran and the closure of the Strait of Hormuz affected us directly because all our oil comes through Asia. We really felt that. And last year, a Chinese PLA Navy task force sailed through the Tasman Sea between Australia and New Zealand and conducted live-fire exercises. That shattered the illusion that distance alone protects us, and the world suddenly feels much closer.
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> While we’re no longer in a formal security alliance with the United States, we are allied with Australia, whose biggest security partner is the US. So we still rely on the Western, American-led security order for our defence. At the same time, China has become our biggest trading partner by far. Exports to China are almost double those to Australia and the United States combined. So we face the same dilemma many countries have had for years: how to balance between the two giants without antagonising either and risking economic retaliation.

The return of Donald Trump has created uncertainty among many US allies. From a New Zealand perspective, what has changed most in Washington’s approach to alliances and partnerships in the Indo-Pacific?

We thought we had a relatively stable relationship with the United States. Things had recovered after the tensions of the 1980s, when New Zealand adopted its nuclear-free policy and left ANZUS. But that has changed with Trump and the unpredictability he has brought.

Over the past few years, there has been growing fear across Asia that the US is losing interest and pulling back, just as China is investing heavily in becoming a maritime power and projecting its influence further into the Pacific. We've seen this in Trump's pressure on countries like Japan and South Korea to increase defence spending. As a result, Japan, South Korea and the Philippines have all increased their spending rapidly. There is a very real sense of anxiety. Even in New Zealand, where defence spending has been around one per cent of GDP for decades, the government now plans to raise it to two per cent over the next eight years. That's an enormous change and has prompted a lot of discussion.

In the past, we carefully chose our words with China to avoid damaging the economic relationship. Now we also have to be careful with the United States, because upsetting Trump could bring tariffs or other consequences.

At the Shangri-La Dialogue, Pete Hegseth suggested that countries spending less than 3.5 per cent of GDP on defence were effectively 'freeloading', a remark that sparked debate in New Zealand. Was this simply about defence spending, or a broader shift in American expectations towards partners like New Zealand?

Well, that's partly my fault because I was the one who asked the question. Hegseth was praising countries in Asia that are increasing defence spending while criticising Europeans as 'utopians' and 'moralisers'. And I felt somewhat indignant that he was lecturing countries about their priorities.

He said that anyone spending less than 3.5 per cent was freeloading, so I asked whether New Zealand was a freeloader. He replied that even two per cent amounted to freeloading. The government was quite unhappy, but some New Zealanders joked that I had reminded him that we exist.

In a way, though, this debate was quite useful for New Zealand. Unlike Europe, we don't have a Russia on our doorstep. China is becoming more assertive, but still feels far away. So we don't have the same sense of urgency when discussing our defence posture. There is also a debate about whether spending billions on frigates makes sense when conflicts in Ukraine and Iran have highlighted the importance of drones and asymmetric warfare.

As competition between the major powers intensifies, what options does a country like New Zealand realistically have? Can it continue to pursue an independent foreign policy, or will smaller states be forced to choose sides?

New Zealand has talked about having an independent foreign policy since the Second World War, and there have been moments when we were demonstrably independent. In 1984, we adopted our nuclear-free policy, knowing it would anger the United States and rupture ANZUS. In 2003, we declined to support the Iraq War. Those were decisions based on our values.

But 'independent foreign policy' has become something of a cliché. Every country claims it. To me, it means being able to make decisions that align with our interests and values at any given moment. It's not a blanket position. And I worry that economic dependence on China has made us less independent and more cautious.

Likewise, this year, the New Zealand government did not express concern over Trump's attack on Iran. I understand the reluctance to antagonise him, but as a small trading nation, we depend on a strong rules-based order. I would have liked to see us express regret over the disregard for the UN Charter.

At the same time, New Zealand has become more outspoken on China over the past year, partly because of the naval task force that sailed through the Tasman Sea and partly because China is increasingly projecting power into the Pacific, which is kind of our backyard.

In Europe, there is growing discussion about the role of middle powers. Is there a similar debate in New Zealand, and do you see greater potential for cooperation between countries like New Zealand and European partners?

New Zealand isn't a middle power; we're a small power. But Carney's Davos speech has sparked debate about how countries like ours can work together when the major powers are increasingly rewriting the rules. The smart thing is to act with other like-minded countries. We cannot make much difference alone, nor do we want to expose ourselves to retaliation.

There is a tendency in New Zealand to think we're too small to make a difference. But I think we have considerable international respect, especially for standing up for human rights and the environment. So there is a real debate about what role we want to play in a rapidly changing world where international events are felt much more directly.

One thing that struck me on my trip this week to Brussels is how tangible these issues feel in Europe. From New Zealand, we look with concern at the erosion of democracy and democratic institutions in the United States, and for me especially at the pressures on a free press. We care deeply about Ukraine, but it still feels very far away. Being here, you realise how real these challenges are. Democracy cannot be taken for granted. Small and middle powers have to defend it.

Looking ahead 10 years, what do you see as the biggest geopolitical challenge for New Zealand?

Like much of the world, I think the US-China rivalry will be the defining geopolitical challenge. This is a structural change that isn't going away, and we shouldn't assume that today's relatively calmer atmosphere will last. There will be new flare-ups, whether over Taiwan, chips or something else.

China is extending its military reach further into the Pacific, while recent changes in US terminology and strategy have heightened concerns about American disengagement. Economic competition, military rivalry and the broader struggle for influence are going to continue.

For small countries like New Zealand, that means continuing to navigate between two giants. This rivalry will shape our decisions for years and increasingly force choices. Right now, many small and medium-sized states, particularly in Southeast Asia, are still hedging, but that will become harder and harder.

New Zealand is going into a general election later this year. Are the debates over national security affecting domestic politics?

As in most countries, elections are usually about the domestic economy, and this one will be too. The cost of living is a major issue. But foreign policy, defence and security are going to play a much bigger role than they normally do.

The fuel crisis and the disruption caused by the Strait of Hormuz have triggered a broader discussion about economic resilience and diversification. The government recently signed an agreement with Singapore to ensure that we continue supplying food while Singapore continues supplying fuel. So these questions are very much part of the public debate at the moment in a way that is unusual for New Zealand. It will be interesting to see how that plays out politically.

This interview was conducted by Alena Bieling.



Anna Fifield

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