



Small Advanced Economies and the Shifting Dynamics in Asia-Pacific: The Case of New Zealand

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Received: 05/01/2026 ;

Accepted: 02/05/2026 ;

Published: 28/06/2026

Abstract

This study examines how a small advanced economy such as New Zealand navigates shifting geopolitical and geoeconomic dynamics in the Asia-Pacific under intensifying greatpower rivalry. The study aims to answer how a state with limited material weight can manage, and at times shape, regional upheaval in a multipolar environment marked by US-China competition and Pacific instability. It focuses on the Pacific Reset policy (2018) and the interaction of identity, economy, and security in its regional strategy as the main channels through which this agency is expressed.

The study concludes that New Zealand has pursued an independent Pacific centered strategy that links regional stability to national security, replaces donor-recipient logic with partnership, and uses trade, aid, and regional institutions to expand influence beyond its material size. It also finds that New Zealand follows a middle path between its economic ties with China and its Western security commitments, while embedding Māori and Pacific identity more deeply into foreign policy practice.

Key words : Small advanced economies , Pacific Reset policy ; New Zealand

Introduction

Small advanced economies face a complex reality in modern international relations. As multipolarity, great power rivalries, and shifting regional dynamics redraw the global map, survival becomes a matter of pure strategy. How do states with limited material weight navigate this chaos? The Asia-Pacific region is the ultimate testing ground. Here, smaller actors face acute structural pressures, but they also find unique openings to protect their autonomy right in the middle of the bitter US-China cold war (Pizzol & Pelaggi, 2023; Powles, n.d.) . These open economies are simply too small to shift world output or dictate international interest rates. Global shifts hit them as unpreventable external shocks. To survive, they have no choice but to



build hyperflexible policies and maintain non stop international engagement (Keogh & Brassill, 2018) .

Importance of the study

New Zealand is a textbook example of this survival instinct. Isolated in the South Pacific with just five million people, Wellington completely reconstructed its global orientation in the late twentieth century. Today, the regional landscape is even more volatile. Wellington now faces East Asian military buildups, intense US-China geoeconomic friction, territorial disputes, and India's rise as a major geopolitical force (Smith & Holster, 2023)

Wellington's countermove is an fiercely independent foreign policy focused on the Pacific. The 2018 "Pacific Reset" completely upended decades of regional policy, actively dumping old, patronizing "donor-recipient" hierarchies for ties based on genuine mutual benefit. Crucially, New Zealand builds this strategy on its domestic Pacific identity, leaning heavily on indigenous Māori concepts. On the financial front, New Zealand routinely punches above its weight through sharp trade diplomacy. Meanwhile, the security dimension has emerged as a critical priority within this strategy by directly linking New Zealand's security to that of the wider Pacific.

Research Question

This paper dissects how small advanced economies maneuver within the rapidly evolving dynamics Asia-Pacific, focusing directly on New Zealand's trajectory . At its core, the investigation addresses a pivotal question: by what means can states with limited material weight handle and actively shape geopolitical and geoeconomic upheavals during periods of severe great power rivalry? By unpacking Wellington's strategic pivot toward the Pacific, its trade maneuvers, and its culturally rooted foreign policy, this study pushes back against conventional, power centric theories of international relations. It offers empirical evidence of small state agency, showing how peripheral actors leverage non material tools to scale up their regional clout. Structurally, the discussion opens with the conceptual foundations of small advanced economy scholarship, moving subsequently to decode New Zealand's immediate geostrategic pressures, its "Pacific Reset" doctrine, and the complex nexus where identity, trade, and security converge.

Theoretical approaches

Theoretical perspectives on small state behavior have evolved considerably over recent decades. Realist approaches both classical and neorealist have argue small states as "systemineffectual" actors lacking the material power to impact international politics. thereby providing little incentive for systematic study of their foreign policy choices (Willis, 2021) . This trend has been criticized for its inability to explain empirical evidence demonstrating that small states can do formulate effective and influential foreign policies (Galal, 2020). Although constructivist and rationalist approaches have gained prominence by emphasizing the role of ideas, norms, credibility and identity in shaping small state behavior, offering more compelling explanations for how states like New Zealand have structured norms and behaviors in international organizations independent of hegemonic support. (Bayne & Woolcock, 2017)



1. Small advanced economies : Conceptual and theoretical aspects:

1.1. Defining small advanced economies

In studying small states and their role in the multipolar world, the authors are faced with distinctive methodological problems. The first is the "eternal" dilemma about the definition of smallness: Can smallness be defined, and if so, can it be quantified? Is the quantification sufficient, or should other non quantitative criteria be used as well. On the contrary, should the quantification be used at all?(Kurečić, 2017). The term "small economies" has been used in different contexts in the literature, and different measures have been used to define "smallness", including population size, land area and GDP. Population size can be considered to be the most popular measure. Population and land area can both be deemed to reflect the size of an economy's factor endowments. GDP is a frequently used measure for market size, as it reflects domestic demand (Jansen, 2004). David Skilling characterizes small advanced economies as selected IMF classified advanced economies with populations under 20 million. For his analysis, he assembled a cohort of 15 such economies, chosen for their diverse representation of geographies, economic structures, and sizes, which aptly illustrate common themes among small states. He subsequently included Estonia to form a group of 16 small advanced economies and established a comparator group comprising 10 large advanced economies namely, IMF advanced economies with populations exceeding 20 million(Skilling, 2016).

However, some contemporary analyses suggest a broader set of criteria beyond traditional metrics like population, GDP, and land area, incorporating factors such as sovereignty, political influence, and perceptual dimensions to offer a more nuanced understanding of state size (Pizzol & Pelaggi, 2023).

Conversely, scholars contend that small economies are characterized by a range of attributes, many of which also pertain to small island economies, as a substantial proportion of these economies comprise islands or archipelagos. The accompanying articles by Barend de Vries and Vicente Galbis examine key conditions prevalent in small countries or territories. In essence, these conditions encompass both geographical and economic dimensions of smallness. In addition to limited population, land area, and gross national product, small economies and small island economies share other features, including: (Legarda, 1984)

- Geographic isolation.
- Narrow production bases, often one or two primary products or industries, mainly producing for export.
- Diseconomies of scale, translated through factor indivisibilities into higher unit costs of infrastructure, investment, and production.
- Restricted number of export markets and import suppliers.
- High vulnerability to natural hazards and global market fluctuations.

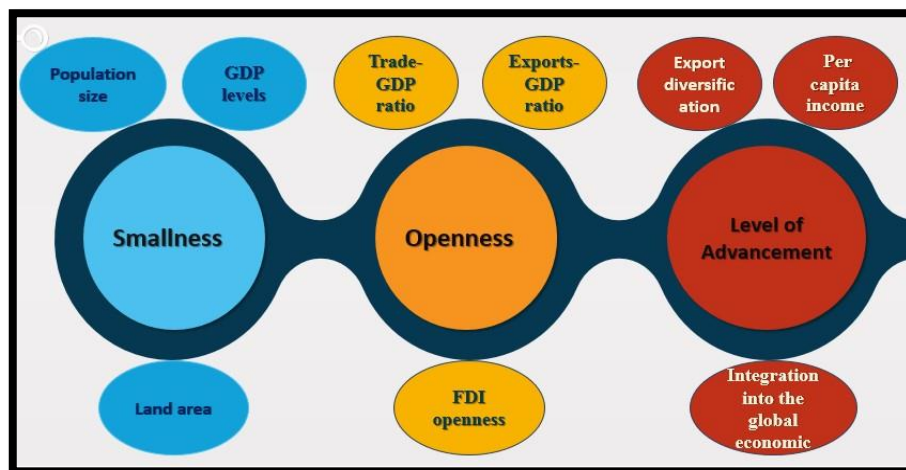
Thus, an open economy is characterized by the unrestricted movement of labor, capital, goods, and services across its borders. A small open economy, by contrast, is deemed too



insignificant to affect global output levels or world interest rates, treating conditions in the rest of the world as exogenous. (Keogh & Brassill, 2018)

Small economies are characterized by their limited scale, typically assessed through three primary metrics: gross domestic product levels, population or labor force size, and land area. Population size has conventionally served as the principal indicator for identifying small economies; although no consensus exists on the precise threshold, this study adopts a cutoff of 20 million inhabitants (Keogh & Brassill, 2018). The International Monetary Fund classifies advanced economies based on per capita income, export diversification, and integration into the global financial system. Economic openness is measured in various ways, with the most common indicators being the trade to GDP ratio, exports to GDP ratio, and foreign direct investment openness (Keogh & Brassill, 2018).

Figure 1: Characteristics of small advanced economies



Source: Prepared by the researcher In the summary of his article titled “Frontier firms: An international small advanced economy perspective”, David Skilling argue that “small advanced economies are not just scaled down versions of large economies, but have distinctive characteristics in their economic behaviour and performance.” Skilling offers several clear insights that support this view: (Skilling, 2020)

- First, domestic market constraints inherently limit local competition and specialization scale, placing the burden of macroeconomic performance squarely on internationally oriented sectors whose global expansion allows them to reach the international productivity frontier.
- Second, Skilling dismisses purely SME centric growth models as under-powered, proving that large, globally engaged firms are the true engines of small state productivity due to their superior capacity for innovation, export volume and wage premiums.
- Third, sustainable competitive advantage in these economies relies on deep, highly localized clusters that pool knowledge specialized labor, and dense industry linkages. Given



material scale constraints, small advanced economies can realistically sustain only a handful of these high performing clusters to achieve global critical mass.

1.2.Theoretical Framework explaining the behavior of small advanced economies

Evaluating the foreign behavior of economically developed small states constitutes a critical factor in understanding their operational dynamics within the international system. Achieving this objective requires leveraging the theoretical propositions and assumptions offered by international relations (IR) theories, which serve as vital analytical lenses. However, an extrapolation of the aforementioned definitions of small developed economies reveals that the primary obstacle confronting researchers lies in the extent to which these theories can adequately explain the behavior and status of such states within the international order, given the unique set of characteristics they exhibit such as geographic scale, limited productive capacities, and restricted export markets. Notably, these very conditions serve as foundational metrics for measuring the power of major states. Furthermore, a review of international relations literature, particularly the dominant realist paradigm, highlights a distinct analytical gap; because small states lack the core components of material power, their behavioral choices are often conceptualized as being constrained by the parameters dictated by major actor powers.

From a realist perspective, both classical realists such as Morgenthau and neorealists like Waltz, states that are seen as more powerful (in a material sense) are seen as more able to impact the international system. Thus, states with larger military capacities and/or economic resources are argued to have a greater menu of foreign policy options available to them at any one time. At its most severe, this way of thinking sees small states as "system ineffectual" unable to impact the structure of international politics in any meaningful way.(Willis, 2021) In general, for realists and neorealists, this means that there is little incentive to study the how and why of small state behaviour since such states are assumed to lack the power necessary to have a significant impact on the international system. As shall be discussed, in practical terms, this has meant that over a considerable period of time much of mainstream IR has avoided the study of small states in international politics and, by extension, the study of small state foreign policy.(Willis, 2021)

Thus, structural realist calculus remains heavily biased toward great power politics , largely discarding small states as strategically inconsequential actors due to their lack of material leverage. In this traditional view, smaller states are reduced to passive , survival driven entities, constantly maneuvering to avoid subjugation or annexation by larger neighbors. They are treated as inherently ineffectual, incapable of crafting autonomous foreign policies that project systemic relevance. Unsurprisingly, this rigid stance has drawn severe academic criticism. Realism effectively blindfolded itself to the entire phenomenon of small state diplomacy and its broader systemic impacts, even when empirical data proved that some smaller actors execute highly impactful external strategies .(Galal, 2020)

While rationalist paradigms often exhibit pessimism regarding the capacity of small states to reshape their strategic environments, New Zealand's economic diplomacy deliberately challenges these power centric assumptions. In practice, as Leslie notes, empirical data



demonstrates that despite its elegant simplicity, the realist school is fundamentally mistaken (Bayne & Woolcock, 2017). A broad spectrum of multilateral architectures including the WTO, the EU, various ASEAN led frameworks, the OECD, APEC and the trans-Tasman Closer Economic Relations (CER) agreements collectively proves that smaller actors can successfully anchor international norms and behavioral rules without relying on hegemonic backing. Therefore, constructivist international relations theory, with its core emphasis on shared ideas, institutional credibility and proactive norm setting, offers a far superior framework for explaining small state economic diplomacy. This theoretical alignment is remarkably evident in the case of New Zealand. (Bayne & Woolcock, 2017)

The emergence of constructivism as a new paradigm was in part driven by an increasingly widespread feeling that practical political developments in small states seemed to be outpacing the ability of IR theory to explain them. Elman directly challenged the idea that domestic factors could be dismissed as a determinant of small state behaviour in foreign affairs, demonstrating through a case study of the pre1900s US that domestic institutions do impact foreign policy development. Elman's article *The Foreign Policies of Small States: Challenging Neorealism in Its Own Backyard* (1995) remains widely cited by small state researchers today.

Driven partly by the constructivist turn and the theoretical premise that ideas shape global outcomes, scholarship began rethinking the utility of small states. Analysts increasingly argued that these actors could function as norm entrepreneurs establishing and reinforcing international standards of appropriate state conduct, or serve as an institutional conscience on existential issues like the climate crisis. simultaneously, identity based frameworks gained traction as a tool to decode post Cold War systemic shifts and relocate small state agency within the emerging global architecture. Since the turn of the twenty first century, this pivot has accelerated. (Willis, 2021) The studies of scholars like Alan Chong, Godfrey Baldacchino, Jacqueline Braveboy Wagner, Christopher Browning and Christine Ingebritsen collectively challenged traditional international relations orthodoxy, proving that smaller actors are far from peripheral. Braveboy Wagner's (2010) assessment of Trinidad and Tobago exemplified this shift; applying a weakly realist framework, she demonstrated that structural systemic pressures, while real, are not absolute. Instead, small states can aggressively transcend conventional material limits and execute an ambitious external posture provided they leverage targeted soft and smart power strategies. (Willis, 2021)

By drawing upon these theoretical assumptions, this study attempts to understand the dynamics of New Zealand's foreign behavior as a model of an economically developed small state. Furthermore, it examines its capacity to develop an active foreign policy in the AsiaPacific region an increasingly vital instrument utilized by small economic powers to project regional roles within their respective geographic spheres.



2. New Zealand's Geopolitical Imperatives and the Pacific Reset Strategy

2.1. New Zealand's geopolitical environment in the Asia-Pacific region:

A useful starting point for understanding New Zealand's relations with the external world is its domestic context. Geographically, New Zealand is about 1250 miles (2012 km) southeast of Australia and consists of two main islands and a number of smaller, outlying islands. The country has a population of 4.83 million people as of 2 November 2017, according to Statistics New Zealand's online population clock, and is dominated by two cultural groups: New Zealanders of Caucasian descent and Polynesian Māori. According to Māori oral history, Māori arrived in New Zealand about 800 years ago.

The historical evolution of Wellington's foreign policy is essentially a narrative of shifting dependencies, moving from imperial British protection to late twentieth century American security guarantees. Initially, New Zealand's external statecraft was severely constrained by a deep colonial attachment to London, which manifested in immediate troop deployments during both World Wars. However, the post 1945 landscape shattered this strategic paradigm. The foundational catalyst for an independent policy was the erosion of British military capability in Asia, a reality made undeniable by the 1942 collapse of Singapore. Recognizing London's inability to secure the South Pacific, Wellington and Canberra took the unprecedented step of establishing a bilateral defense framework via the 1944 ANZAC pact, an alliance later tested in regional conflicts across Malaya, Korea, and Vietnam. (Iati & Patman, 2018)

This vacuum of regional patronage quickly pulled New Zealand into Washington's orbit as Cold War tensions intensified. The formalization of this transition occurred with the signing of the 1951 ANZUS Security Treaty, which effectively institutionalized the United States as Wellington's primary strategic partner. This structural realignment was completed in the late 1960s when Britain officially dismantled its naval presence "East of Suez." Through this transition, New Zealand's defense architecture became explicitly tied to Western containment policies, leading to direct combat commitments in US led operations in Korea and Vietnam. (Iati & Patman, 2018)

However, New Zealand's geostrategic environment is changing due to a combination of ongoing phenomena like rising military tensions in East Asia, the increasing global geoeconomic struggle between the US and China, regional territorial disputes, evolving geopolitical alignments in the Pacific Basin, the growing profile of India as a geopolitical player, Japan's strategic anxieties, and the wave of technological disruption unleashed by the Fourth Industrial Revolution, amongst others. Plus, as a result of Brexit as a process that is redefining transatlantic relations, the UK and the US might forge even closer ties in several fields, something which entails implications for New Zealand's national interests. In short, a threshold of transition is in the horizon.

Moreover, the country has had to grapple with the global challenges brought about by the COVID-19 pandemic and the longer term issue of climate change, particularly in the Pacific. Arguably, New Zealand is at a critical juncture in its foreign policy making as it seeks to navigate these challenges. (Smith & Holster, 2023)



Anna Powles argue that New Zealand's strategic environment is unequivocally the Pacific. The nation considers itself a Pacific nation with a considerable Pasifika population and with constitutional responsibility for the realm territories of the Cook Islands, Niue and Tokelau, and a significant marine territory... In 2002, former Labour Government Foreign Minister Phil Goff suggested that "We see ourselves as a Pacific nation with key responsibilities in the South Pacific, with an increasingly important trading and political relationship with Asia." (Powles, n.d.) The 'safeguarding of New Zealand's interests' is a primary driver of New Zealand's engagement with the Pacific. New Zealand's national security, it is argued, is 'directly affected by the Pacific's stability' This includes contemporary security challenges, such as transnational organised crime, and increasingly, concerns about the rise of Chinese influence in the region and the destabilising impact of US-China strategic competition.

As Dame Meg Taylor stated in mid 2017: "the geopolitical and development context of the Pacific has shifted and the region faces a range of external and internal factors that are acting to reshape it, including increasing plurality of regional actors, shifts in global power, and unmet development challenges". (Powles, n.d.)

As an economically developed small state, New Zealand actively challenges the realist paradigm, which contends that the foreign policy of small states is inherently constrained and characterized by limited options due to material structural limitations such as geographic isolation, small territorial size, restricted access to international markets, demographic constraints, and resource scarcity. According to realist, these structural vulnerabilities inevitably impose dependency and subordination to major global powers, rendering small states incapable of formulating autonomous foreign policies. Conversely, New Zealand has sought to initiate independent regional policies in the Pacific, driven by a salient sense of its own Pacific identity and a corresponding, heightened consciousness regarding the necessity of deep engagement within this geographic space.

2.2. New Zealand's Pacific Foreign Policy reset strategy: balancing of identity, economy and security:

In 2018 the newly formed Labourled coalition government launched the Pacific Reset. The Reset was New Zealand's most notable foreign policy shift towards the Pacific islands region in decades and consequently steeped in expectation. The new government promised to lead change 'rather than managing a modified status quo' and in Prime Minister Jacinda Ardern's first foreign policy address, she forecasted the policy shift stating that, in the Pacific, 'we can do better, and we will'. Labelled the government's 'top foreign policy priority', the strategy was extolled as representing a: "refreshed New Zealand approach to the Pacific region driven by our strong Pacific identity and interconnectedness with the region, coupled with the direct impact the Pacific's stability and prosperity has on New Zealand's national interests". (Powles, n.d.)

Winston Peters argue that the "Pacific Reset" not as a sudden impulse, but as a calculated response to a changing geopolitical chessboard. At its core, the strategy reflects a sharp turn in Wellington's domestic and foreign policy alignment following the late 2017 ascension of the



Labour NZ First Greens coalition. Peters' primary anxiety centers on the Pacific's compounding social and ecological crises. These vulnerabilities, he warns, act as a magnet for competitive external interests, creating a vacuum where urgent local needs trap microstates into risky commitments. Here, New Zealand steps in. The Reset positions Wellington as a protective, stabilizing neighbor aimed at reinforcing local sovereignty against predatory external patronage. This isn't just altruism; Pacific stability is directly tethered to New Zealand's own national security. Peters grounds this entire doctrine in an undeniable reality: historically, culturally, and demographically, New Zealand is a Pacific nation. While Wellington may be a minor actor on the broader global stage, the Pacific dominated by microstates is the one arena where it can, and does, wield disproportionate influence, acting with the strategic weight of a major power. (Iati, 2021)

The Reset was described as a 'reenergised approach' and that New Zealand would move away 'from a traditional donor-recipient relationship to one based on partnership, friendship and mutual benefit'. It claimed to reflect a fundamental change to how our government works that includes deeper collaboration with Pacific partner countries, greater coherence and connectivity between domestic and Pacific policy, more ambition for our Pacific development programme, and increased resources to use our voice and connections internationally to raise awareness for Pacific issues. (Powles, n.d.)

A small state such as New Zealand was bound to adopt this vision as a broader framework for its foreign policy in the Pacific region, positioning itself as an independent regional actor whose external behavior is driven by its own distinct interests and values. Accordingly, New Zealand constructed its "Reset" strategy by focusing on three key variables:

2.2.1 New Zealand's Pacific Identity: The first major theme concerns the significance of the domestic context for understanding New Zealand's foreign relations. In recent decades, New Zealand has been redefining itself and how it relates to the external world. Extraordinary changes in New Zealand challenge the old view, once held, that it is a "small corner of England out in the Pacific". Above all, there has been some recognition of the special constitutional and cultural position of Māori¹ (Iati & Patman, 2018) people expressed in the Treaty of Waitangi.² One of the most important drivers of New Zealand's evolving approach to foreign policy is Minister of Foreign Affairs Nanaia Mahuta, who took office in 2020. Mahuta has the distinction of not only being New Zealand's first female foreign minister but also the first female Māori foreign minister.

¹ are the indigenous Polynesian people of mainland New Zealand (Aotearoa).

² Te Tiriti o Waitangi (known in English as the Treaty of Waitangi), is an agreement made in 1840 between representatives of the British Crown and (ultimately) more than 500 rangatira Māori. It resulted in the declaration of British sovereignty over New Zealand by Lieutenant-Governor William Hobson in May 1840. Most Māori signed the te reo tiriti. <https://teara.govt.nz/en/te-tiriti-o-waitangi-the-treaty-of-waitangi/print>



Mahuta's inaugural speech as foreign minister in 2021 offered a clear blueprint for bringing tikanga Māori to the fore of New Zealand foreign policy, stating that ‘the principles of partnership and mutual respect embodied in the Treaty provide the foundation for how New Zealand conducts its foreign policy today’. Mahuta identified four key tikanga Māori that she deemed crucial to underlying the values based approach she intended to take in directing New Zealand's foreign policy: manaakitanga; whanaungatanga; mahitahi, kotahitanga and kaitiakitanga. These are explained below: (Smith & Holster, 2023)

- Manaakitanga is the Māori concept of hospitality. Manaakitanga is regarded as a ‘core Māori value’ which combines the root word mana (power, prestige or authority) with aki (‘reciprocal action’)... In the foreign policy context, Mahuta cited the value of manaakitanga as signifying ‘kindness or the reciprocity of goodwill’.
- Whanaungatanga is the Māori word for kinship. Whanaungatanga is an emphasis on ‘establishing extended family like relationships’ based on values such as ‘warm interpersonal interactions, group solidarity [and] shared responsibility for one another’, among others. In the foreign policy context, Mahuta delineated whanaungatanga as an acknowledgement of ‘connectedness or shared sense of humanity’.
- Whanaungatanga is the Māori word for kinship which structurally emphasizes the cultivation of deep family like alliances. This value prioritizes interpersonal interactions, group solidarity and shared responsibility for one another. Within Wellington's foreign policy, Mahuta elevated whanaungatanga beyond mere cultural rhetoric, operationalizing it as a formal acknowledgment of global interconnectedness and a shared sense of humanity.
- Finally, kaitiakitanga (guardianship) anchors New Zealand's diplomatic responsibility in the defense of intergenerational wellbeing a core tenet of te ao Māori (the Māori worldview). Rather than viewing humans as masters of the environment, this philosophy treats them as intrinsic parts of nature. In foreign policy, Mahuta operationalized kaitiakitanga to pivot Wellington’s regional role toward non traditional security, framing the state as an active, long term steward of Pacific ecological survival and regional health.

In concluding her outline of the key *tikanga* of New Zealand's foreign policy, Mahuta stated that ‘our lived experience, our values, our deep conviction of what we stand for as a nation means that we will stand for what we believe is in our interest, unafraid to hold our course when the tide turns to navigate towards our destination’.²⁰ Indeed, such a stance evokes New Zealand's so called ‘independent foreign policy’ which has long been a cornerstone of the country's strategic culture, even if, much like the idea of American isolationism, it has not been consistently adhered to.(Smith & Holster, 2023)



Figure 02: Mahuta's approach to New Zealand foreign policy based on tikanga Māori values



Source: Prepared by the researcher

2.2.2. Economic Diplomacy and Policies of Openness and Partnership

A foundational consensus within international relations scholarship maintains that economic survival dictates the foreign policy architecture of small states. For New Zealand, this structural imperative cuts across the partisan divide; regardless of political alignment, successive governments have been systematically forced to prioritize commercial diplomacy due to an acute on global trade. New Zealand is more heavily dependent on trade than many bigger states and therefore may be more likely than they are to give economic issues priority in its foreign policy. National and Labour administrations have diverged sometimes significantly in how they rank economic objectives against competing diplomatic goals, proving that even under intense material constraints, domestic ideology still shapes a small state's foreign policy. (McCraw, 1994)

Like other small advanced economies (SAEs), New Zealand's economic landscape is defined by an acute exposure to the external environment, presenting shared challenges and opportunities. This vulnerability deeply influences domestic policymaking; however, because strategies are highly contingent upon localized economic and political contexts, a universal "best practice" model remains elusive. Instead, high performing SAEs are consistently characterized by a set of shared, overarching strategic pillars: proactive international engagement, sustained investment in knowledge, innovation, and human capital, and robust institutional foundations that structurally support macroeconomic success. (Skilling, 2016)

Examining the New Zealand economy through these characteristics reveals their integration into the reset strategy, highlighting these as a key element of economic strength;

- **Arrangements for the Promotion of International Trade:** Historically, New Zealand maintained limited trade relations, primarily anchored in ties with Britain. However, the early 1960s marked a pivotal shift when Britain's pursuit of European Economic Community (EEC) membership prompted New Zealand to diversify its trade partnerships. The 1965 New Zealand Australia Free Trade Agreement (NZAFTRA), characterized by a positive listing approach, marked the inception of a more regionally focused economic strategy, albeit with restricted



scope as only mutually agreed items were subject to tariff concessions.(Iati & Patman, 2018) New Zealand has aggressively expanded its free trade agenda beyond the region, notably cultivating robust relations with Asian economies through bilateral and multilateral agreements. The 2008 New Zealand-China Free Trade Agreement (FTA) was a landmark, positioning New Zealand as the first developed country to formalize such an accord with China, later upgraded to a Comprehensive Strategic Partnership in 2014 with multifaceted commitments, including cooperation in the Pacific and the promotion of human rights. (Iati & Patman, 2018)

New Zealand's commitment to multilateral trade liberalization is exemplified by participation in the 2016 Trans-Pacific Partnership (TPP); however, its implementation was stalled following the United States' withdrawal in 2017. Nevertheless, optimism remains for continuation among the remaining signatories. Over the last four decades, New Zealand's international engagement has intensified, particularly within Asia-Pacific trade and security frameworks. Scholarship reflects this trajectory: Lynch highlights New Zealand's deep integration into the Asia-Pacific; Scollay foregrounds ongoing uncertainties post-US TPP withdrawal and geopolitical tensions in US-China relations; Kelsey critiques trade negotiations for democratic deficits and implications for indigenous rights; Powles interrogates the contested nexus between New Zealand's Pacific identity and its strategic interests amid regional volatility; and White contrasts differing Australian and New Zealand strategic responses to China's ascendance, with potential ramifications for their bilateral relationship.(Iati & Patman, 2018)

□ **The Diplomacy of Humanitarian Aid :**

The strategic deployment of humanitarian aid diplomacy by New Zealand constitutes a central pillar of its regional statecraft, specifically tailored to the unique geostrategic and cultural environment of the Pacific. As a small advanced economy, New Zealand's foreign policy is driven by a need to mitigate the vulnerabilities of geographic isolation and limited material power. It achieves this by cultivating "perceptual size" and normative influence(Pizzol & Pelaggi, 2023; Skilling, 2016) . In this context, humanitarian aid is not just a philanthropic gesture, but a practical tool of "soft power" used to maintain regional stability, project a distinct national identity, and secure national interests in an era of intensifying great power competition (Pizzol & Pelaggi, 2023; Powles, n.d.; Willis, 2021).

A critical turning point in this diplomatic approach came with the 2018 launch of the "Pacific Reset." This policy shift, led by the New Zealand government, sought to fundamentally reorient relations with Pacific Island Countries away from the traditional "donor-recipient" hierarchy toward a model based on "partnership, friendship and mutual benefit"(Iati, 2021; Powles, n.d.). The Reset was a direct response to a perceived decline in New Zealand's influence and a recognition that regional stability is directly linked to New Zealand's own national security (Powles, n.d.) . By increasing resources for development programs and building deeper political relationships, New Zealand has used aid to demonstrate its long term commitment to the region's autonomy(Iati, 2021; Powles, n.d.) .



The strategic dimension of New Zealand's aid diplomacy is clearest in its commitment to regional institutions like the Pacific Islands Forum and the "2050 Strategy for the Blue Pacific Continent" (Pizzol & Pelaggi, 2023). These platforms facilitate collective action on shared issues, ranging from ocean governance and sustainable development to decolonization and disaster response. New Zealand's active participation in these forums allows it to amplify its influence far beyond its actual material capabilities, positioning itself as a "harmonizer" of regional viewpoints (Pizzol & Pelaggi, 2023; Skilling, 2016). Pacific development is structurally vulnerable. In this environment, New Zealand's humanitarian aid acts as a stabilizing force against "fragile growth and leadership" that often drives geoeconomic dependence (Pizzol & Pelaggi, 2023). Wellington directly addresses the "geographic and cultural distances" of the region through targeted infrastructure, short term training, and people to people exchanges. Ultimately, this soft diplomacy protects local security by fixing the internal vulnerabilities that usually attract destabilizing interventions from outside powers (Pizzol & Pelaggi, 2023; Powles, n.d.)

This aid apparatus also anchors New Zealand's "independent foreign policy" (Smith & Holster, 2023). Historically, the country leaned on major powers like the UK and the US. Today, however, it operates a distinct Pacific strategy outside of hegemonic frameworks (Bayne & Woolcock, 2017; Iati & Patman, 2018). We see this independence clearly in Wellington's prioritization of climate change and ocean health the exact issues labeled crucial by the "New Pacific Diplomacy" (Pizzol & Pelaggi, 2023). By championing these causes, New Zealand proves it values the existential survival of its neighbors far above global power politics.

2.2.3. The Security Dimension and Strategic Realignment

Geostrategic friction in the Asia-Pacific directly dictates New Zealand's security calculations. As a small advanced economy, Wellington has structurally shifted its security architecture. The old reliance on traditional imperial umbrellas is gone; in its place stands a complex, multi layered strategy that constantly balances regional stability, alliance commitments, and a fierce commitment to strategic autonomy. For a state of this material scale, national security is not an abstract concept. It depends entirely on two realities: the survival of a rules based international order and the absolute stability of its immediate maritime neighborhood, especially the Pacific Islands (Iati & Patman, 2018; Powles, n.d.).

Wellington's 2018 "Pacific Reset" serves as the concrete anchor for this modern security strategy. The policy stems from a blunt strategic realization: New Zealand's own national safety is directly bound to the Pacific's internal stability (Powles, n.d.-a, n.d.-b). Crucially, this framework dumps old school security paradigms that look only at raw military hardware. Instead, the Pacific Reset treats regional prosperity and local autonomy as vital, non negotiable components of New Zealand's own defense architecture.

Wellington's Pacific focus is constitutional, not just geographic. Responsibilities for Tokelau, Niue, and the Cook Islands force New Zealand to treat the Pacific as its primary, nonnegotiable strategic environment rather than a mere neighborhood (Powles, n.d.). Through the Reset, New Zealand actively discards old, asymmetrical "donor-recipient" dynamics. It



replaces them with a partnership model anchored in "mutual benefit" and *whanaungatanga* the Māori concept of kinship (Iati, 2021; Smith & Holster, 2023) . This institutional tightening aims to insulate the region from the destabilizing shockwaves of US-China rivalry, while pushing back against a growing crowd of external actors threatening local sovereignty (Powles, n.d.) .

This contemporary landscape is locked in a bitter geoeconomic and military struggle between Washington and Beijing. For New Zealand, this great power friction creates a volatile "threshold of transition" that severely complicates its strategic calculus (Smith & Holster, 2023) . The United States remains Wellington's principal security partner. Yet, China's expanding footprint across the Pacific represents a massive, irreversible shift in the regional balance of power (Iati & Patman, 2018; Powles, n.d.).

To navigate this friction, New Zealand walks a delicate "middle path." The goal is complex: protect its vital economic relationship with Beijing anchored by the landmark 2008 Free Trade Agreement while refusing to compromise its core Western security commitments and democratic values (Iati & Patman, 2018).

Conclusion :

This study concludes that New Zealand, as a model of an economically developed small state, is not a marginal actor in the Asia-Pacific region as posited by realists, who argue that such small states lack the material power necessary to exert influence in international politics.

Instead, by drawing upon the assumptions of the reflectivist school particularly constructivism, which views norms, ideas, and identity as the foundation for activating soft and smart power Wellington has sought to establish an active foreign policy. It has pursued this by leveraging non material instruments such as identity, partnership, diplomacy, trade, aid, and a redefined conception of security as the basis for reshaping its relations with its Pacific neighbors. Furthermore, this paper argues that the most prominent paradigm shift was operationalized through the 2018 "Pacific Reset." This strategy reformulated New Zealand's relationship with the Pacific, shifting from a donor-recipient dynamic to one anchored in partnership and mutual benefit, thereby directly linking the stability of this regional space to its own domestic regional security.

Ultimately, the paper demonstrates that New Zealand as a archetype of an economically developed small state seeks to forge an independent, effective regional role that synthesizes a triad of identity, economic interest, and regional security. This synthesis enables the state to transcend the limitations of material power and exert meaningful influence within its Pacific sphere.

Finding :

- **Regional Agency of Small States:** The paper confirms that limited physical size does not preclude a state from constructing an active and regionally influential foreign policy.



- **Limitations of Realist Explanations:** The paper argues that traditional realism fails to adequately explain the behavior of small states, as the case of New Zealand demonstrates a distinct capacity for independence and strategic initiative.
- **Identity as a Policy Driver:** The paper demonstrates that Pacific identity and Māori cultural reference points have become foundational elements in guiding New Zealand's foreign policy.
- **Economic Interdependence:** The paper illustrates that trade and economic openness remain governing pillars of New Zealand's foreign behavior due to its high reliance on external markets.
- **Aid as a Strategic Instrument:** The paper indicates that humanitarian and development assistance are not merely altruistic acts, but rather diplomatic tools deployed to enhance regional influence and stability.
- **Interconnected Regional Security:** The paper asserts that New Zealand's security is directly intertwined with the security and stability of the Pacific, rather than being solely dependent on traditional military alliances.
- **Strategic Balancing:** The paper highlights that New Zealand pursues a balancing act between its economic relations with China and its security and value based commitments to the West.
- **Preserving Regional Autonomy:** The paper concludes that New Zealand's regional success hinges on its ability to foster the autonomy of Pacific island nations and insulate them from the pressures of great power competition.

Recommendations:

- It is imperative to institutionalize the "Pacific Reset" as a permanent priority in New Zealand's foreign policy, given that it represents the most significant shift toward the Pacific region in recent years and acts as a direct determinant of the national interest.
- New Zealand should shift toward equitable partnerships with Pacific island nations rather than maintaining traditional donor-recipient dynamics. This transition represents the core of the new approach aimed at fostering mutual benefit, shared friendship, and regional sovereignty.
- *Tikanga Māori* (customary values and practices) should be systematically integrated into the formulation and execution of foreign policy. The paper explicitly links concepts such as *manaakitanga*, *whanaungatanga* and *kaitiakitanga* to the construction of a value driven foreign policy that reflects national identity and reinforces regional legitimacy.
- Wellington must sustain a balanced posture between China and the West without slipping into rigid polarization. The New Zealand approach represents a "middle path" that simultaneously protects its vital economic relationship with Beijing while upholding its security and value based commitments to Western partners.



- Humanitarian and development aid should be utilized strategically. This assistance serves as an essential soft power diplomatic tool to cultivate regional stability and mitigate the risks of geopolitical dependency among Pacific nations.
- Climate security and maritime protection must be elevated within the foreign policy agenda. Addressing climate change and preserving the oceans are integral to New Zealand's regional role and are foundational to safeguarding the existential survival of Pacific island states as a whole.

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