DEFENCE ASSESSMENT 2014

New Zealand
**DEFENCE
FORCE**
Te Ope Kātua O Aotearoa

NAVY NZARMY AIR FORCE

New Zealand
**MINISTRY
OF DEFENCE**
Manatū Kaupapa Waonga

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INTRODUCTION

The international environment is characterised by constant change. Change in the position and relative influence of various states, the role and influence of international institutions and non-state actors, and change in what constitutes internationally acceptable behaviour. It is an environment that is shaped by action and reaction, dialogue and dispute, coercion and cooperation.

It is therefore important that all elements of national strategy are examined regularly and systematically.

In order to effectively set a nation's defence policy priorities, the contemporary strategic environment and the shape it may take in the future must be well understood. This in turn underpins decisions on the appropriate mix of military capabilities and relationships needed to advance national security interests.

This document provides an assessment of the strategic environment out to 2040 and will inform the development of a new Defence White Paper 2015.

1. TRENDS AND FACTORS INFLUENCING CONFLICT AND COOPERATION

In order to effectively set a nation's defence policy priorities, the contemporary strategic environment and the shape it may take in the future must be well understood. This in turn underpins decisions on the appropriate mix of military capabilities and relationships needed to advance national security interests.

This Chapter is divided into three sections. Section one details major trends in the characteristics of contemporary conflict. Section two assesses the key themes that are broadly encouraging or deterring future conflict. Section three then assesses a number of evolving, thematic areas that are likely to affect future conflicts. The following Chapter rounds out this analysis, expanding on the observations made in the previous three sections through a geographic lens. All sections seek to place identified trends within short, medium or long-term contexts.

1.1. CONFLICT TRENDS

CHARACTER OF CONFLICT

1.   Conflict is traditionally divided into two types: between states (inter-state) and within states (intra-state) and is understood to exist across a spectrum of intensity.[1] Generally, inter-state conflict has tended to be characterised by high intensity combat between conventional military forces operating according to the Laws of Armed Conflict.[2] Intra-state conflict has generally been distinguished by lower intensities, and non-conventional military tactics (such as the use of improvised explosive devices) used by non-state groups which seek out new, innovative and asymmetric ways of fighting larger, more powerful armed forces. These groups make use of civilian populations and may disregard the restrictions and norms of international law.

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[1] Intensity of conflict (high, medium, low) refers to the overall tempo, degree of violence and technological sophistication of the violence employed and/or encountered. The rate of consumption of resources can also be a measure of intensity. The intensity of a conflict is high when the violence is continuous or when the encounters between combatants are particularly violent; medium when violence is frequent; and low when violence is occasional.

[2] The Law of Armed Conflict comprises a set of rules, established by treaty or custom, that seek to protect persons and property/objects that are (or may be) affected by armed conflict and limits the rights of parties to a conflict to use methods and means of warfare of their choice.

Types and Numbers of Conflict
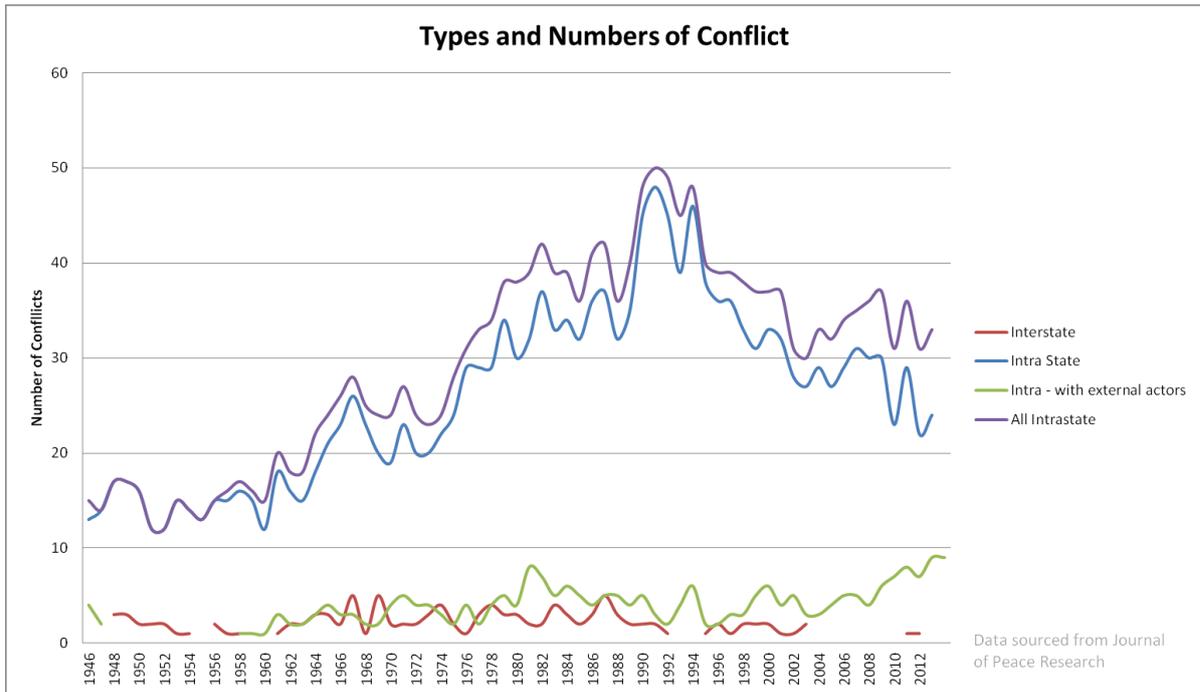
Figure 1-1: Types and Numbers of Conflict

2. The distinction between inter-state and intra-state warfare is important when considering the likelihood of conflict at the very high end of the spectrum (i.e. major inter-state war). Outside of this low likelihood scenario however the distinction between inter and intra-state conflict has less relevance than it once did in terms of the potential threat environment that armed forces are operating in. Some intra-state conflicts exhibit high threat, high intensity environments with well-armed and organised adversary forces.

NUMBERS OF CONFLICTS HOLDING STEADY

3. The number of active conflicts over the past decade has remained relatively static, between 31 and 38 (see Figure 1-1 above). In 2012, 31 of 32 active conflicts were within states. They ranged from reasonably isolated conflicts with low numbers of fatalities (e.g. the Baloch insurgency in Pakistan) to mid intensity conflict between multiple state and non-state actors with substantial military capabilities such as in South Sudan or Libya. Although the risk of inter-state conflict remains low, it is rising primarily due to tensions between major actors in the Asia-Pacific (discussed further on page 40).

RISING EXTERNAL INVOLVEMENT

4. Perhaps more important than the number of armed conflicts is the nature of the active participants. In the last five years there has been a significant increase in the number of active intra-state conflicts with external troop involvement. The current conflicts in Syria and Iraq are good examples. These conflicts are more likely to be sustained because of external support, and the wider region is also more likely to be negatively affected. Such conflicts are also associated with much higher death rates. The number of deaths resulting from intra-state conflicts with external involvement has been rising steadily since 2005.

5. As a trend, the involvement of external actors in intra-state conflicts is projected to continue, although without a high confidence level given the myriad factors in play. It will

be determined in part by how aggressively certain countries seek to re-establish traditional spheres of influence, and the continuing inability of many states to retain control of all of their territory.

6. The number and diversity of participating non-state or semi-state (such as government-backed militias) actors is increasing. The conflicts in Syria, Iraq and Ukraine appear to involve state-backed militia either as reinforcement to conventional forces, or as a method of employing force with deniability. Their success in doing so is likely to encourage other states to utilise this tactic in the future. Should this trend continue it will have negative implications for international security as conflicts are sustained and it becomes more difficult to attribute military actions to specific national forces including in the event of human rights abuses.

7. Should New Zealand choose to involve itself in such conflicts in the future, an increasingly congested operating environment – with state, semi-state and non-state actor involvement – will complicate Defence Force actions from intelligence, planning, legal and operating perspectives. Threat levels in peace support operations, such as the deployment of our Provincial Reconstruction Team to Bamyan in Afghanistan, could be similar to more traditional, higher threat combat operations.
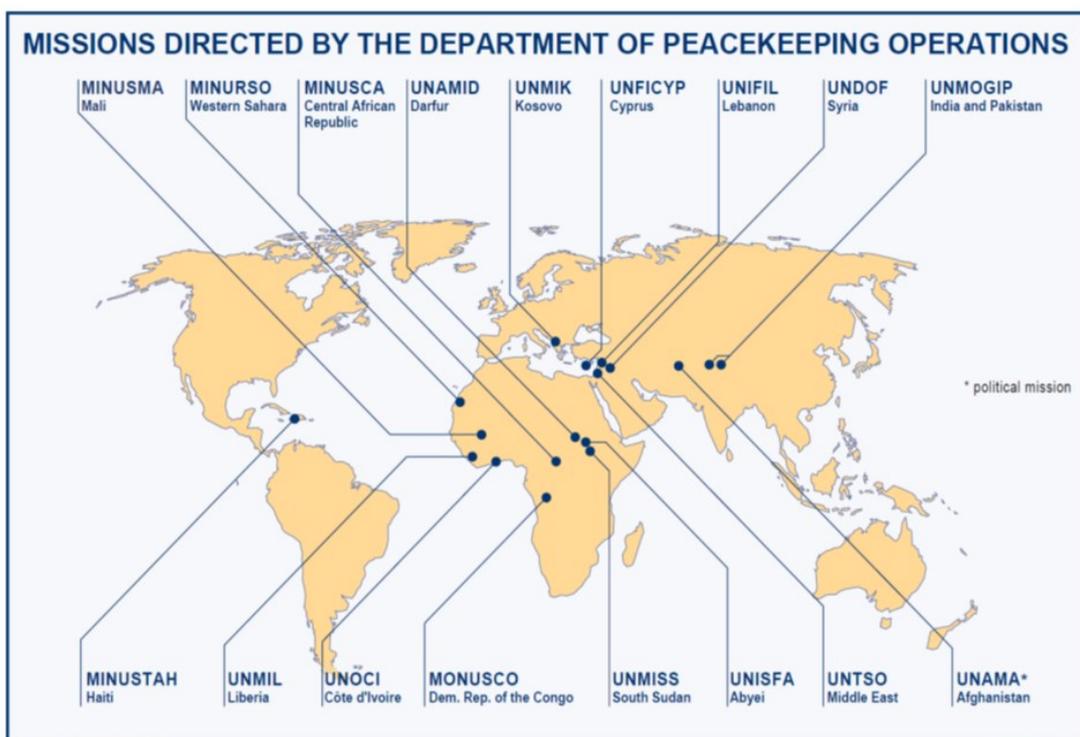
Source: United Nations, April 2014

Figure 1-2: Missions Directed by the UN Department of Peacekeeping Operations

UNITED NATIONS PEACE SUPPORT OPERATIONS: INCREASING THREATS AND COMPLICATIONS

8.   The number of United Nations peace support operations and personnel fielded has remained reasonably stable over the past five years. As at 30 September 2014, there were 17 missions in operation with approximately 120,000 personnel (see Figure 1-2 for names and whereabouts of each mission).[3] Approximately 80% of all currently deployed United Nations personnel are in Sub-Saharan Africa and 60% of all current United Nations missions are located there. With conflict levels overall remaining relatively constant, it is likely that there will continue to be at least one new mission established each year, as well as one disestablished.

9.   Although numbers have remained stable, the nature of United Nations operations has continued to evolve. The majority of new missions[4] since 2010 have been deployed into intra-state conflicts, with on-going violence between actors, significant external involvement in the conflict, and with more robust United Nations mandates relating to the use of force and the protection of civilians. United Nations troops and United Nations civilians are increasingly becoming targets themselves, raising the risk of the United Nations troop contributing countries taking casualties.

10. United Nations missions are at times being preceded by operations conducted under United Nations mandate by "coalitions of the willing" often made up of advanced developed country forces, such as the United Nations mission in Mali. There are also more "hybrid" missions being conducted where a regional body, such as the African Union, conducts the mission jointly with the United Nations as in Darfur, Sudan. The majority of personnel on "hybrid" and United Nations missions continue to be sourced from developing nations in South Asia and Africa.

11. Undertaking more robust, multidimensional mandates in higher threat environments is driving a shift towards incorporating the kind of advanced military capabilities and equipment normally fielded in traditional combat operations, such as armoured vehicles, remotely piloted systems and helicopter gunships. There is also an on-going shortage of military "enablers" in many missions, such as aerial intelligence, planning, reconnaissance and surveillance, and air transport capabilities. The United Nations is conducting a "once in 15 year" review of all aspects of United Nations peace support over 2015. Any recommendations that flow from the United Nations' report will be carefully assessed for their implications for New Zealand's national interests and the Defence Force's ability to conduct its roles and tasks.

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[3] United Nations, *Peace Keeping Fact Sheet 30 September 2014*, downloaded from United Nations Peacekeeping at http://www.un.org/en/peacekeeping/

[4] New missions since the last defence assessment include a larger, more robust UN mission in the Democratic Republic of Congo, a UN mission in Abyei (the province disputed between Sudan and South Sudan), and United Nations missions in South Sudan, Mali and the Central African Republic.

1.2. CONFLICT TRENDS CONCLUSIONS

Character of conflict

The distinction between inter and intra-state conflict has less relevance than it once did. Some intra-state conflicts exhibit high threat, high intensity environments with well-armed and organised adversary forces.

Although the risk of inter-state conflict remains low, it is rising primarily due to tensions between major actors in the Asia-Pacific.

Conflict numbers holding steady

The number of active conflicts has remained relatively steady over the past decade, between 31 and 38.

In 2012, 31 of 32 active conflicts were within states.

Rising external involvement

In the last five years there has been a significant increase in the number of active intra-state conflicts with external troop involvement.

These conflicts are more likely to be sustained because of external support, and the wider region is also more likely to be negatively affected. Such conflicts are also associated with much higher death rates. The number of deaths resulting from intra-state conflicts with external involvement has been rising steadily since 2005.

Rising external involvement cont

The number and diversity of participating non-state or semi-state actors is increasing. In all likelihood the conflicts in Syria, Iraq and Ukraine involve state-backed militia either as reinforcement to conventional forces, or as a method of employing force with deniability. Should this trend continue it will have negative implications for international security as it becomes more difficult to attribute military actions to specific national forces.

Nature of new operations

The majority of new United Nations missions since 2010 have been deployed into intra-state conflicts, with ongoing violence between actors and more robust United Nations mandates relating to the use of force and the protection of civilians. United Nations troops and United Nations civilians are increasingly becoming targets themselves, raising the risk of the troop contributing countries taking casualties.

Should New Zealand choose to involve itself in such conflicts in the future, threat levels in peace support operations, such as the deployment of our Provincial Reconstruction Team to Bamyan in Afghanistan, could be similar to more traditional combat operations.

1.3. DRIVERS OF CONFLICT AND COOPERATION

12. In any potential conflict there is a unique set of both internal and external drivers at play that may cause it to erupt, escalate, be sustained, conclude, or be prevented from occurring in the first place. These drivers can be strongly or weakly inter-related and are likely to change over time. It is therefore challenging to accurately predict where and when the next conflict will occur, its duration, and its consequences.

13. Nevertheless, the presence of such drivers can provide an indication of a state or region's susceptibility to tension or conflict. They can be broadly grouped into environmental, demographic, economic, political, military, and technological categories. More generally, the state of the global political system itself can play a role in increasing or reducing the likelihood of conflict.

1.3.1. EASTWARD SHIFT IN GLOBAL POWER

14. Over the past five years the trend of global power shifting from West to East has continued apace, helped in part by the Global Financial Crisis disproportionately affecting developed nations.[5] By 2030 Asia is expected to have surpassed North America and Europe combined in terms of global power based on gross domestic product, population size, military spending and technological investment (see Figures 1-3, 1-4, and 1-5 over page). The Goldman Sachs "next eleven", which includes South Korea, Philippines, Vietnam, and Indonesia, is expected to overtake the European Union in global power by 2030.[6] Although these countries are not expected to act as a bloc, it demonstrates that the continued shift of global power away from the West is not restricted to India and China.

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[5] National Power describes the aggregate of all elements that is available to a nation in pursuit of national objectives. While difficult to separate into discrete groups, it is useful to apply some form of classification to aid understanding. They include geography; population; natural resources; economic, political and military power; and psychological and informational factors (commonly referred to as soft power).
[6] The "next eleven" was coined by Goldman Sachs in 2007 and refers to the eleven emerging economies in additional to the so-called "BRICS" which consist of Brazil, Russia, India, China and South Africa. The full list is Bangladesh, Egypt, Indonesia, Iran, Pakistan, Mexico, Nigeria, the Philippines, South Korea, Turkey and Vietnam.

Figure 1-3: Multi-Component Global Power Index
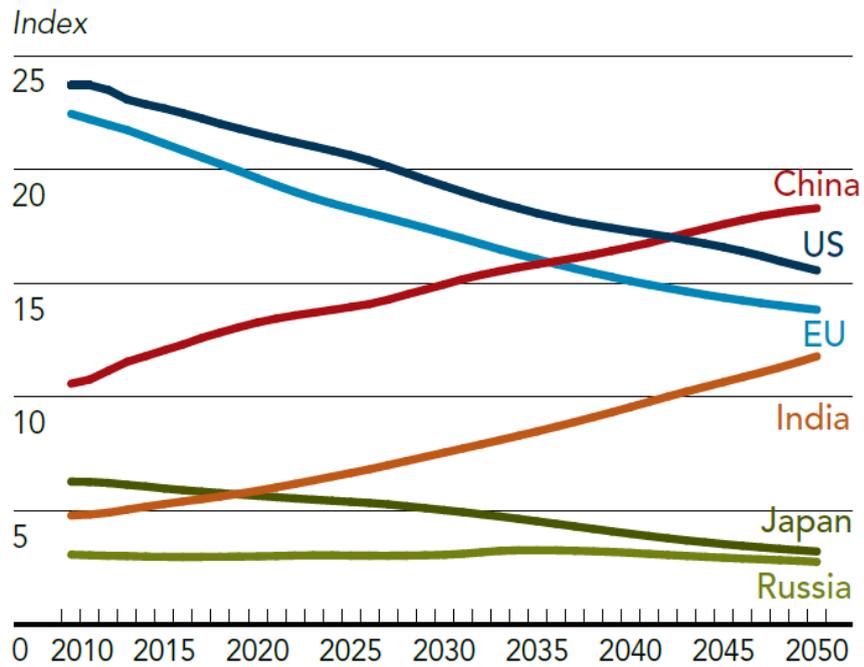
Source Global Trends 2030 (2012)
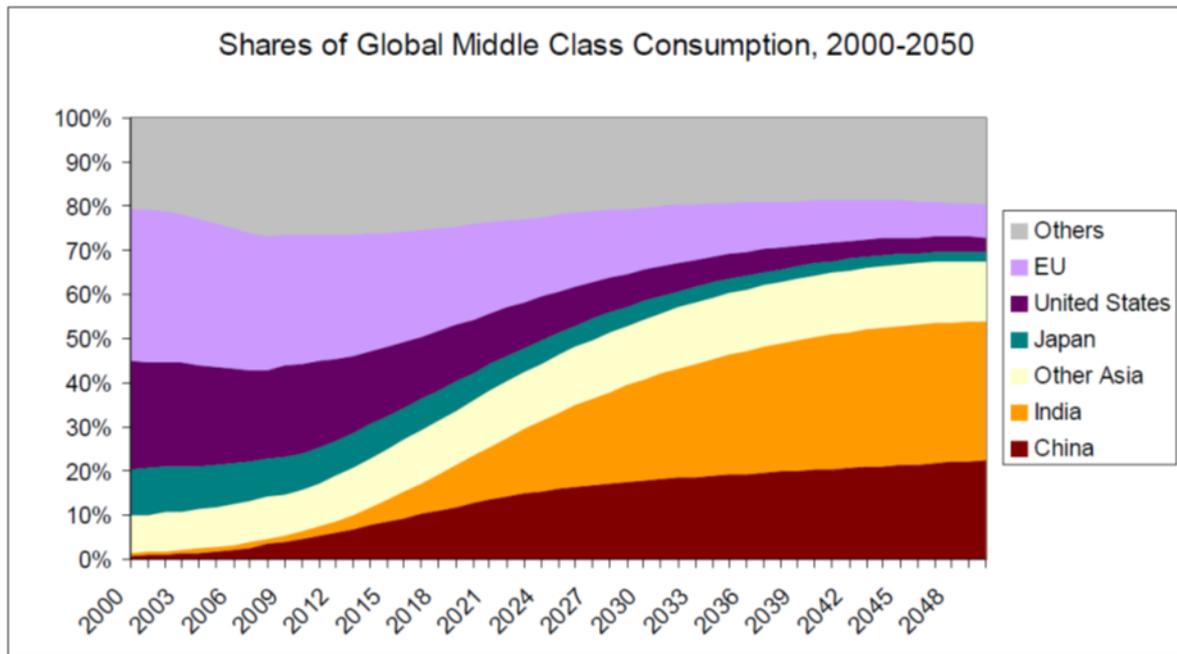
Source: OECD Development Centre

Figure 1-4: Shares of Global Power Index

Real Defence Spending Changes in Selected States Since the 2008 Financial Crisis[1]

This graphic depicts the real change in defence spending for selected states between 2008 and 2013, relative to their spending levels in 2008. In the five years following the 2008 financial crisis, real defence spending has fallen in many advanced economies, particularly in Europe. By contrast, real defence spending has risen in many non-Western states, with particularly large increases seen in China and Russia.

Net Percentage Change 2008–13

Value	Country
43.5	China
31.2	Russia
10.0	Brazil
6.6	Japan
3.0	India
0.3	France
0.1	US (base budget)
-4.3	Germany
-9.1	UK
-21.5	Italy

[1]For each country, defence spending levels (in local currency) were first adjusted for inflation before being rebased to a 100 index, with 2008 defence spending levels set at 100.

Source: The Military Balance

Figure 1-5: Real Defence Spending Changes in Selected States Since the 2008 Financial Crisis

1.3.2.   RISING RISK OF MAJOR CONFLICT

15. Although the risk of conflict is heightened during the shift of economic, military, political and soft power, it is not inevitable. Multiple powers – including China, India, Brazil, and Indonesia – are rising at the same time, though at different speeds.

16. There are a number of factors moderating the risk of major conflict that have not been present during previous shifts in the global balance of power. The world is more interconnected economically than it has ever been before, encouraging a shared interest in a prosperous and stable economic environment; there is a strong, documented memory of past conflicts and their catastrophic impacts; public opinion to varying degrees in both democratic and non-democratic states, and their ubiquitous access to immediate information from across the globe, places limits on decision-makers' ability to use force; and global norms and international diplomatic mechanisms encouraging the prevention or de-escalation of conflict have strengthened since the end of the Cold War.

1.3.3.   INCREASING CHALLENGES TO STATE BORDERS

17. Since the end of World War Two and the establishment of the United Nations, state borders have been largely frozen across much of the world (a notable exception being the decolonisation process across Africa and Asia and the break up of Yugoslavia). Many of the borders drawn up by former colonial powers did not necessarily reflect traditional cultural, ethnic or sectarian boundaries and in the past five years they have come under increasing challenge across a number of regions, most especially in the Middle East.

18. When a group seeks to forge a new state out of two or more other states, this presents a particular challenge to international peace and security. Recent examples include Basque separatists in Spain and France, and Kurdish guerrillas in south eastern Turkey and northern Iraq. Groups seeking to leave one country and join another, such as in the current conflict in Ukraine, also present significant challenges which the international

system is not well placed to address. Should these trends continue it will have a substantial negative impact on world security.

1.3.4.   DIFFUSION OF POWER AND INCREASING INFLUENCE OF INFORMAL NETWORKS

19. Non-state entities, from multinational corporations like Google and British Petroleum to non-governmental organisations like Greenpeace and Transparency International, are likely to continue to increase in influence over the coming decades. Communications technologies are increasing the power of companies that have control over the rich data sets generated by social media networks and the ubiquitous use of search engines across the globe.

20. Information technology is also enabling diverse, sometimes geographically distant groups of state and non-state actors to form in support of a particular issue and then disperse once the issue is addressed (or interest wanes). Although formal state-based alliances like the North Atlantic Treaty Organisation will endure, it is likely that these informal networks will increasingly come together in pursuit of shared goals or policy objectives. The most prominent example of this is international advocacy in support of reducing the impacts of human-induced climate change, which has brought together businesses, non-government organisations, states and international organisations in pursuit of a common objective.

21. The increasing number of actors involved may at times complicate or slow down the ability to take collective action. Conversely many states, particularly the less powerful, may seek to establish or join such groups in order to leverage off the group's collective power.

1.3.5.   ECONOMIC INTERDEPENDENCE: CONFLICT MODERATOR

22. The global economy is more interconnected now than at any other time in history. Technological advances are reducing the costs of communication and transportation, and trade policies around the world have undergone significant liberalisation over the past 30 years.
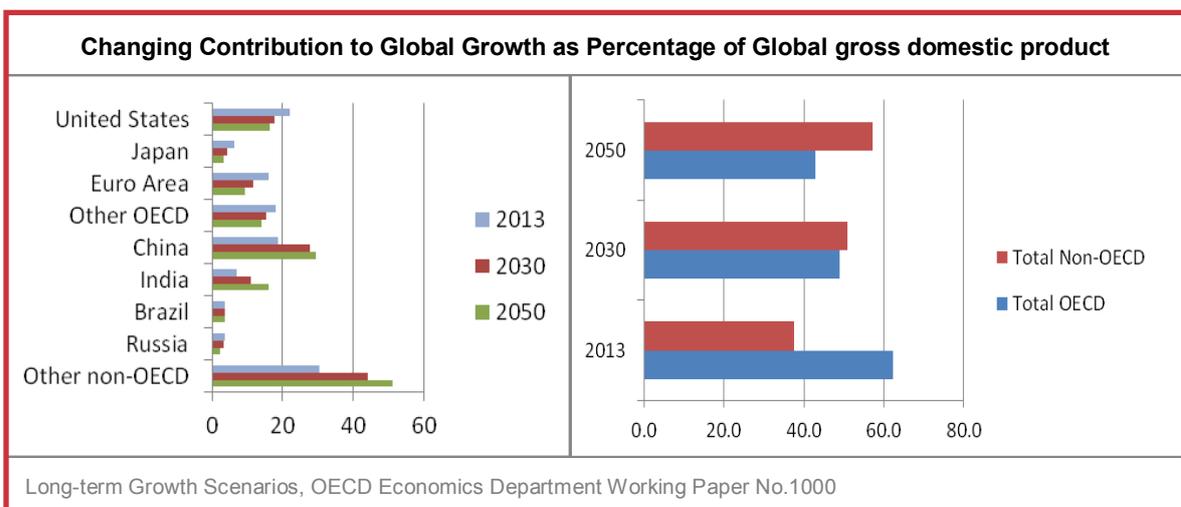

Figure 1-6: Changing Contribution to Global Growth as Percentage of Global Gross Domestic Product

23. The performance of major developed states is no longer as important to the health of the global economy, as Figure 1-6 on the previous page illustrates. The relative contribution of advanced economies to global growth declined from 70% between 1973 and 1985, to 57% between 1986 and 2007, and then to 6% from 2008-2009 during the Global Financial Crisis. Although the United States economic recovery and slowdowns in China and India is likely to reverse this trend, it is unlikely that the West will again dominate global growth to the degree seen previously. The West's economic prosperity will remain tied to the fortunes of emerging nations.

Interconnected Economy

Parts for the new Boeing 787 'Dreamliner' were sourced from seven separate countries across the United States, Europe and Asia before being assembled in America. Even during the Global Financial Crisis states generally chose to pursue policies of economic stimulus or austerity rather than increase protection of domestic industry.

24. Alongside the shift in economic power from West to East is the growth in trade between emerging powers. Between 2000 and 2010, India increased its percentage of exports to other emerging economies from 46% to 65%. The rest of Asia, excluding India and China, increased from 44% to 60%.

25. The implications for international security are both positive and negative. Historically, a state had to conquer territory to access its resources. Globalised trade and investment encourages the purchase of land, resources or products instead. Where this may not apply is in situations where a resource is particularly scarce or lucrative, such as oil and gas. Global economic interdependence provides states with an incentive to cooperate, as their economic wellbeing is tied to the health of the economies with which they trade. Similarly, it encourages the de-escalation of emergent conflicts before they significantly affect trade and domestic economies.

26. Interdependence, particularly where there is an imbalance in power or trade, however, also gives countries the ability to use that imbalance as leverage in a dispute. Most obviously, this includes the use of United Nations-mandated or unilateral trade sanctions. Perhaps less obviously, and certainly less openly, it includes a state's slowing or cutting of a crucial export. One recent example of this is Russia's use of "gas diplomacy" during its conflict with Ukraine. As a tool short of war during times of tension, it is likely that we will continue to see this occurring in the future.

1.3.6.   RISING RESOURCE SCARCITY EXACERBATED BY CLIMATE CHANGE

27. Resource scarcity is strongly linked to rising populations, increasing affluence, and static, low or falling rates of agricultural productivity. The global population is expected to increase from 7.1 billion today to 8.3 billion by 2030. At the same time the size of the global middle class, which consumes greater amounts of protein-rich food, water and energy per capita, is expected to increase from one to two or even three billion.

28. The trend towards increasing scarcity is likely to worsen over the next 15 years, although its effects will be felt unevenly. The demand for energy, food and water is expected to increase by 50%, 35% and 40% respectively by 2030. The impact of climate change, although uneven across the globe, is already negatively affecting overall global food production and water distribution, an effect that will only increase over time given the continued increase in global greenhouse gas emissions.[7] Such scarcity has the potential to fuel tension in areas where there are significant untapped natural resources and improving access, such as the Arctic and Antarctic.

The Himalayan glaciers are the sources of major river systems of the Tibetan Plateau and supply water to almost 1.5 billion people in Asia. Increased glacier melt could cause significant disruption to the region's water security. With regional population expected to increase to 2.2 billion by 2050, access to safe water will be challenging, particularly noting the potential decreased supply due to climate changes.

Figure 1: Map of Tibetan Plateau. Source: www.yowangdu.com
Source: Future Directions International
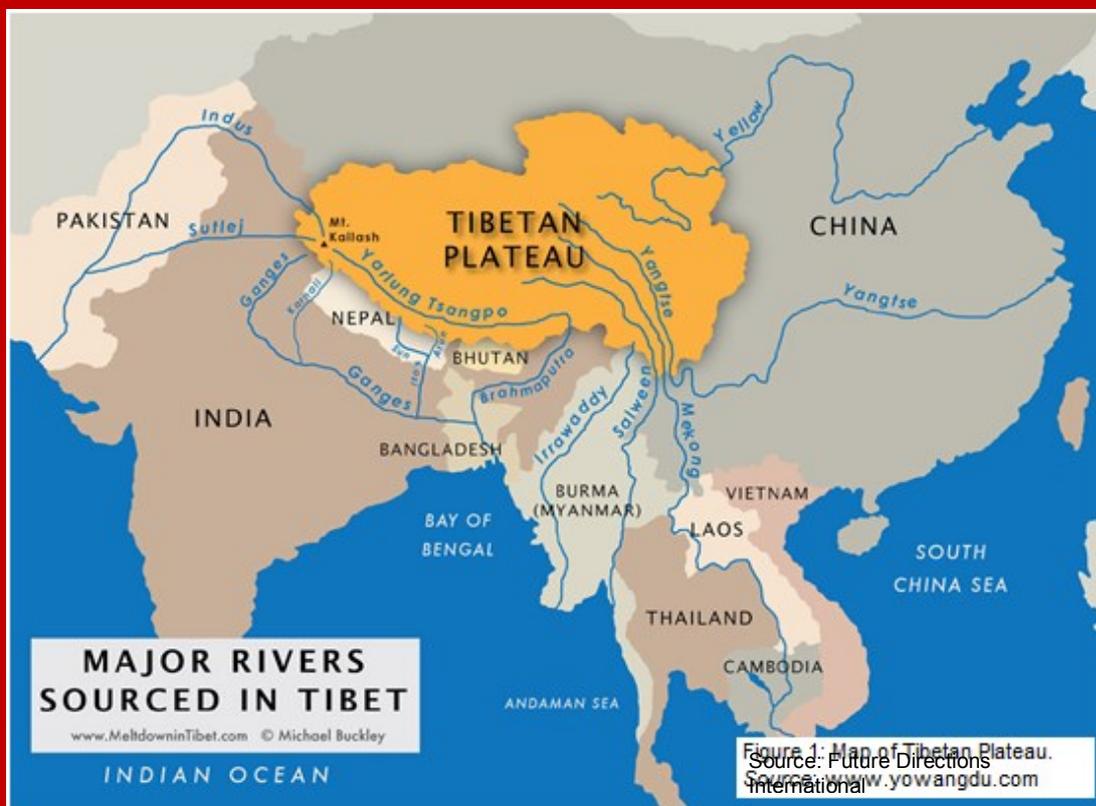
Figure 1-7: Glacial Melt and Future Water Security in the Tibetan Plateau Region

29. A number of factors may slow or reverse this trend over the longer term, although it is difficult to assess their likelihood with any confidence. This could include increased technological transfer of advanced irrigation and agricultural techniques; an agreement to limit global greenhouse gas emissions to the point that warming does not increase beyond two degrees centigrade; and the widespread adoption and public acceptance of drought-resistant genetically modified crops.

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[7] Although some regions at high latitudes, such as Canada, Russia, may see increased agricultural productivity as temperatures rise, this is expected to be offset by areas that will receive less rainfall, such as the Middle East and North Africa.

30. Resource scarcity and climate change are not likely to cause conflict in and of themselves but they can aggravate existing tensions within and between fragile states or regions with existing or historical tensions, such as Egypt and Sudan over the Nile River. There has also been widespread resentment across Africa, for instance, directed towards states purchasing land or long-term leases for food security purposes. Limiting access to a scarce resource could also be used as a tool of war.

31. Conversely, resource scarcity may at times also encourage greater cooperation between countries with an interest in conserving a shared resource. Historically, water-related tensions have led to more water-sharing agreements than violent conflicts.[8]

1.3.7.   DEMOGRAPHY: UNEVEN EFFECTS

32. Since the 1970s roughly 80% of all conflicts have originated in countries with relatively young (average age under 25) populations. This is due in part to countries with young populations having difficulty generating sufficient employment opportunities for the increasing number of people entering the workforce.

33. Overall, the world's population is ageing (see Figure 1-8 over page for demographic projections out to 2040). Between 2010 and 2030 the number and geographic spread of youthful countries is expected to decline from 80 to 50 countries. This indicates that youthful demographics will over time become less of a factor influencing where conflict emerges, as well as potentially the overall number of conflicts. Despite the positive overall trend, however, Sub-Saharan Africa, and parts of the Middle East, South Asia and the Pacific, are expected to continue to have growing, youthful populations which will strain states' ability to provide sufficient employment to the extent that tension or unrest continues in these regions.

34. Conversely, many developed and developing countries will soon face, if they do not already, the effects of declining proportions of working age people relative to the overall population. Most drastically, in Russia the population has already begun to decline, and is expected to decline a further 16% by 2050. Japan, along with Germany and other developed states, is also expected to have a declining population out beyond 2040. Such countries may face lower or stagnating economic growth rates unless they accept significant inward migration.

35. The implications of an ageing population on security are less clear. Slower or stagnant economic growth could contribute to social unrest when combined with other factors, while a greater proportion of spending on health, aged care and pensions may reduce some states' spending on military capabilities. It may also make them more risk averse (due to their cost) when it comes to discretionary deployments such as peace support operations.

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[8] Such as the 1995 United Nations Fish stocks agreement and the United Nations Food and Agriculture Organisation International Plan of Action.

Projected Median Population Age by Country for 2015 - 2040

2015

2030

2040

Legend

No Data
Youthful (25 or under)
Intermediate (26 to 35)
Mature (36 to 50)
Post-Mature (Over 50)

Data sourced from:
US Census Bureau and NGA International Boundaries

Produced 21 July 2014
GNZ-14-3565-01-U
UNCLASSIFIED

Please Note:
This graphic is for briefing
purposes only and should
not be used for navigation
or targeting. Boundaries
and place names are not
necessarily authoritative.

Figure 1-8: Projected Median Population Age by Country for 2015-2040

1.3.8. RISING ECONOMIC INEQUALITY

36. The present era of globalisation has produced vast increases in wealth and productivity. In China alone it is estimated that 500 million people have been lifted out of poverty since it began liberalising its economy in the late 1970s. The benefits of globalisation, however, have not been evenly spread within and between countries. Overall, the difference between the richest and poorest nations in gross domestic product per capita terms has increased, even while many developing countries have increased their share of world gross domestic product and grown wealthier in an absolute sense.

37. Perhaps more importantly, inequality within both developed and developing countries has generally been on an upward trend since the 1980s. In developed, democratic countries dissatisfaction has manifested in the various anti-capitalist movements and rises in the popularity of far left and right political parties which reject current economic and political orthodoxies. The effects of the Global Financial Crisis, such as unemployment and government bail-outs of financial institutions, have exacerbated this dissatisfaction.

38. In countries with lower levels of economic development, and where certain ethnic, age, cultural or religious groups are disproportionally affected, or where the state is already fragile, inequality can lead to a greater probability of conflict. The rapid growth that globalisation can deliver has the potential to, equally rapidly, intensify or create significant inequalities if the benefits are not broadly shared. Inequality will continue to be a driver of conflict in the decades to come unless the benefits of globalisation are more evenly distributed across societies. It will also encourage higher levels of both legal and illegal migration, as people seek economic opportunities.

1.3.9. INCREASING EXTREMISM

39. Extremism – be it religious, nationalist or ideological – tends to increase during times of economic dislocation, and can be exacerbated by poor governance, repression or discrimination against a particular cultural, ethnic or religious group.

40. Extremism helps adherents to unite against an outside enemy and can encourage them to take collective action in the name of their group against a real or notional "other". The strength of group identity – which can transcend loyalty to the state – can be a deciding factor in whether groups can be mobilised to violence. So long as large segments of a population remain marginalised, extremist groups will continue to present challenges to the dominant political order, including though the use of violence.

1.3.10. WEAPONS OF MASS DESTRUCTION PROLIFERATION: INCREASING RISKS

41. As diplomatic action over the Syrian regime's use of chemical weapons demonstrated, the international norm against the use of chemical, biological radiological or nuclear weapons of mass destruction remains strong, reducing the likelihood of countries with existing stockpiles using them. Despite this, the acquisition of weapons of mass destruction (as opposed to their use) continues to be attractive to certain states with perceptions of vulnerability, acting as a disincentive to external intervention.

42. The acquisition of weapons of mass destruction by one state has the potential to generate a cascading effect. Although an outline agreement over Iran's nuclear capability was made in April 2015, it remains a possibility that a final, comprehensive agreement will not be concluded. If Iran declares that it has a nuclear weapons capability (or the ability to

do so at short notice) other countries in the region could seek nuclear weapons of their own, though their success in doing so would be by no means certain.

43. The proliferation of weapons of mass destruction to a greater number of states, and potentially terrorist groups (which continue to seek their acquisition), will remain an important challenge to national and international security given their potential catastrophic impact. For this reason, it is critical that any use of such weapons results in international action against the user, alongside continued multilateral efforts to prevent their proliferation.

1.3.11. QUICKENING TECHNOLOGY ADOPTION: POSITIVES AND NEGATIVES

44. Although the speed of technological change is difficult to assess with any certainty, it is clear that the time in which a new technology is adopted en-masse is accelerating (see Figure 1-9 below). It took more than 50 years for 50% of the United States households to have a telephone following its commercial release, approximately 20 years for mobile phone adoption and roughly 10 years for 50% smart phone adoption.

Source: New York Times
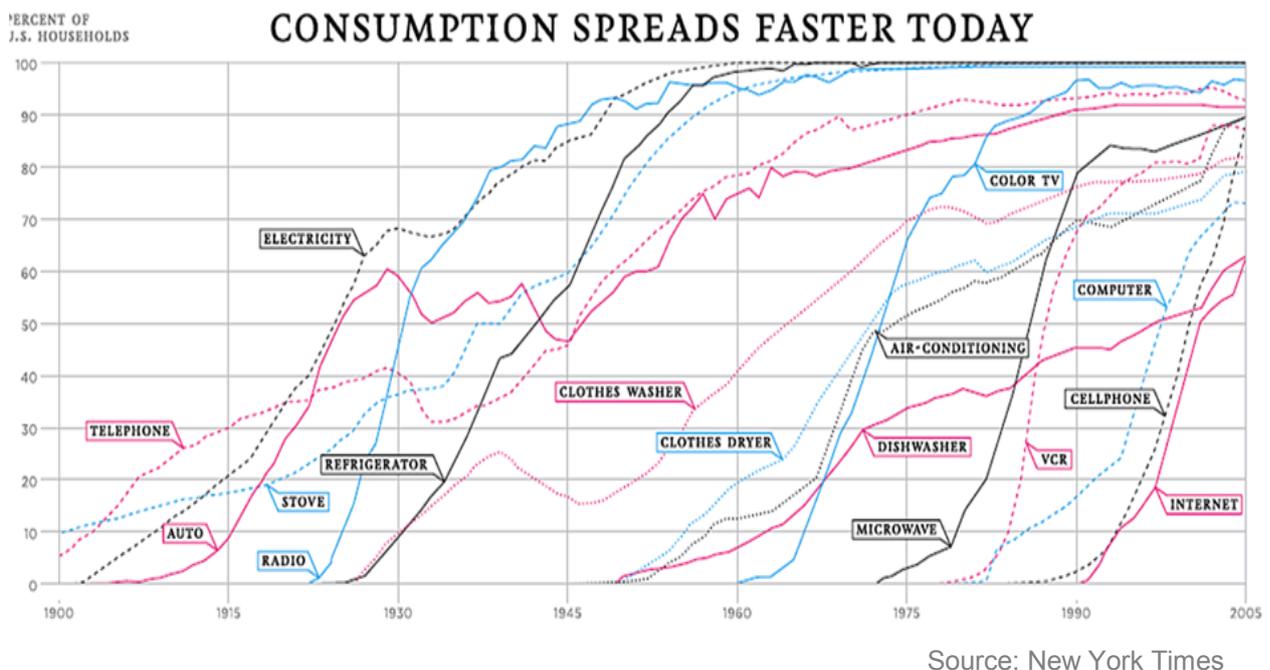
Figure 1-9: Accelerating Adoption of Technology

45. The accelerating adoption of technology within and between states is due in part to globalised supply chains and the internet. This is likely to be affected by the increasing use and lowering price of distributed manufacturing, including 3D printing. As a trend it has both positive and negative implications for international peace and security as greater number of state and non-state actors are able to obtain access to information or technology, including those with military applications.

46. Better access to information and technology has obvious benefits in terms of improving people's livelihoods. The spread of banking via mobile phone in parts of Africa enabling farmers to access credit and improve their productivity is a good example of this trend. The development of cheaper fuel cell or solar power units offering electricity off

traditional, capital-intensive transmission grids could have a similarly positive impact should it occur.

1.3.12. DRIVERS OF CONFLICT AND COOPERATION CONCLUSIONS

Eastward shift in global power

Over the past five years the trend of global power shifting from West to East has continued apace. By 2030 Asia is expected to have surpassed North America and Europe combined in terms of global power based on gross domestic product, population size, military spending and technological investment.

Increasing interconnection

Although the risk of conflict is heightened during the shift of economic, military, political and soft power eastwards, conflict is not inevitable. There are a number of factors moderating the risk of major conflict. Primarily, the world is more interconnected economically than it has ever been before, encouraging a shared interest in a prosperous and stable economic environment. Global norms and international diplomatic mechanisms encouraging the prevention or de-escalation of conflict have also strengthened since the end of the Cold War.

Increasing challenges to state borders

Many of the borders drawn up by former colonial powers did not necessarily reflect traditional cultural, ethnic or sectarian boundaries. In the past five years they have come under increasing challenge across a number of regions, most especially in the Middle East. This presents a challenge to international peace and security that the international system is not well placed to address.

Resource scarcity

The demand for energy, food and water is expected to increase by 50%, 35% and 40% respectively by 2030. Resource scarcity and climate change are not likely to cause conflict in and of themselves, but they can aggravate existing tensions within and between fragile states or regions with existing or historical tensions. Tension can also be fuelled in areas where there are significant untapped natural resources, such as the South China Sea, or improving access, such as the Arctic and Antarctic.

Demography: uneven effects

Since the 1970s roughly 80% of all conflicts have originated in countries with relatively young (average age under 25) populations. Countries with young populations have difficulty generating sufficient employment opportunities for the increasing number of people entering the workforce.

Conversely, many developed and developing countries will soon face, if they do not already, the effects of declining proportions of working age people relative to the overall population. Slower or stagnant economic growth could contribute to social unrest when combined with other factors, while a greater proportion of spending on health, aged care and pensions may reduce some states' spending on military capabilities.

Rising economic inequality

In countries with lower levels of economic development, and where certain ethnic, age, cultural or religious groups are disproportionally affected, or where the state is already fragile, inequality can lead to a greater probability of conflict. Inequality will continue to be a driver of conflict in the decades to come unless the benefits of globalisation are more evenly distributed across societies. It will also encourage higher levels of both legal and illegal migration, as people seek economic opportunities.

Increasing extremism

Extremism – be it religious, nationalist or ideological – tends to increase during times of economic dislocation, and can be exacerbated by poor governance, repression or discrimination against a particular cultural, ethic or religious group. So long as large segments of a population remain marginalised, extremist groups will continue to present challenges to the dominant political order, including through the use of violence.

Quickening technology adoption: positives and negatives

The time in which a new technology is adopted en-masse in accelerating. This has benefits in terms of improving people's livelihoods. Increasing speeds of adoption also means that in the future operations the Defence Force may face increasing threats from groups that would not have previously been able to field high-end capabilities.

1.4. EVOLVING AREAS OF INTEREST

1.4.1. TERRORISM: A CONTINUING THREAT

47. A terrorist attack has the potential to cause loss of life, have negative economic impacts and can cause psychological trauma on a societal scale. Unless backed by a state sponsor (such as Al Qa'eda in Afghanistan under the Taliban), terrorist groups tend to base themselves in areas where central state control is weak or non-existent and recruitment conditions are favourable, such as areas of high unemployment or political, cultural or religious discrimination.

48. The Syrian civil war has proven to be a catalyst for the resurgence of Sunni Islamist extremism, though Shia groups such as Hezbollah (based in Lebanon) also pose a threat to Western interests. The success of the Islamic State of Iraq and the Levant in controlling a large amount of territory across both Iraq and Syria has rapidly increased its influence within the extremist community, drawing in further funding and fighters (both foreign and local).

> **What is the Islamic State of Iraq and the Levant?**
>
> The Islamic State of Iraq and the Levant's origins lie in the Al Qaeda in Iraq movement that sparked the 2006 Iraqi civil war and formed a shadow government in Sunni areas until a number of tribes turned against it. It re-emerged as a faction in the Syrian civil war, before splitting with the central leadership of Al Qaeda over the utility of beheading Iraqi Shia captives.
>
> Following rapid territorial gains across both countries, it declared the establishment of an Islamic Caliphate in mid-2014 and changed its name to Islamic State. Media reports suggest that that the Islamic State of Iraq and the Levant's current strength is estimated to be approximately 20,000-30,000 fighters.

49. In the face of the Islamic State of Iraq and the Levant's rise, Al Qaeda's senior leadership in Pakistan is struggling for relevance. It continues to seek to play an ideological guidance function, with its regional affiliates[9] across the Middle East and North Africa providing operational expertise, though the latter have conspicuously hedged their bets by publicly calling for reconciliation between the two organisations (see text box for further information).

50. The Islamic State of Iraq and the Levant is encouraging its supporters to conduct terrorist attacks in the West independent of their control. The threat of home-grown, "lone-wolf" attacks such as the 2013 Boston Marathon bombing – which are extremely difficult to detect – therefore remains. Al Qaeda's senior leadership and its regional affiliates also continue to seek to conduct attacks in the West and against Western interests

51. Terrorism will remain an enduring threat to the West beyond 2020. The risk of New Zealanders being caught up in a terrorist attack outside of the West is also an ever present danger. The countries where Al Qaeda affiliates and the Islamic State of Iraq and the Levant operates (such as Yemen, Somalia, Libya, Syria and Iraq) are expected to remain in a fragile or failed state for some time (see Middle East section on page 57 for further details).

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[9] This includes Al Qa'eda in the Arabian Peninsula, Al Qa'eda in the Islamic Maghreb, and Al-Nusra in Syria and Al-Shabaab in Somalia.

1.4.2.   USE OF REMOTELY PILOTED AND AUTONOMOUS VEHICLES

52. Two areas of overlapping change with significant military and legal implications are the development of remotely piloted systems and autonomous military systems.

53. The use of remotely piloted systems has continued to proliferate over the past five years. This is due to a maturing of the technology and a reduction in the cost of some of the more simple systems. Over the assessment period, remotely piloted systems will increasingly be deployed on the surface and sub-surface of the sea and in the land and air environments. More militaries will acquire these systems, as well as hostile non-state actors, and they will increasingly be used by civilian government agencies and businesses.

> **Remote versus autonomous systems**
>
> Remote piloted systems are controlled in some manner via a signal by a human. Autonomous vehicles can operate without any direct human control and can have the ability to make decisions without human intervention. An emerging example of an autonomous vehicle is a self-driving car.
>
> While there are increasing amounts of automation in developing remote piloted systems, particularly around control systems, there is considerable debate about the ability for machines to make lethal decisions without human intervention.

54. The deployment of fully autonomous systems in a military environment that are capable of operating independently while making complex decisions is unlikely to occur until further advances are made in the software needed to enable the system to act in a safe manner (such as differentiating between friend and foe and civilian and military targets). Although some experts believe this could occur in the next decade, it is more likely that such systems will not be fielded until 2040.

55. One potential implication is that the increased use of remotely piloted systems, using more precise munitions, could reduce barriers to the use of force due to the reduced risk of human casualties (both pilot and civilians near a target). If the use of force is viewed as a more acceptable option for resolving disputes this could have negative implications for global security, and the number of conflicts occurring around the world may rise from its currently static overall figure.

56. More generally the increasing sophistication of weaponry will continue to raise ethical issues as new and novel technologies emerge. Such weapons may be used with little regard for existing legal norms, with specific international norms around new weapons often lagging far behind their use. Trends in this subject area will need to be closely monitored.

1.4.3.   GROWING THREATS TO SPACE-BASED INFRASTRUCTURE

57. The number of satellites continues to increase, along with the range of tasks they undertake or support, from communications to providing precise global positioning information. Reliance on space-based systems is increasing correspondingly. A vast range of everyday activities, from financial transactions that rely on time signals, through to weather forecasting and military command and control, now rely on space-based systems.

58. Space-based technologies are at risk from a growing range of manmade threats and natural hazards, such as solar flares. The primary changes in space since the last assessment are an increasing amount of space debris from defunct satellites, and an upward trend in earth-based systems being reliant on space-based infrastructure.

59. Some countries are also developing anti-satellite weapons that can physically destroy a satellite in orbit. Physical destruction of satellites is particularly concerning as it increases the amount of space debris, which has significant collateral damage impacts for all space users and activities.

1.4.4. CYBER THREATS: EVOLVING RAPIDLY

60. Information technology is evolving rapidly, making accurate predictions around the development of cyber threats beyond the short term extremely difficult. The amount of data stored digitally, and the number of devices connected to each other and the internet, is rising rapidly. This increase in the volume of data and the number of connected devices represents an exponential expansion in importance and scope of what is referred to as cyberspace.

61. Cyberspace is not like the traditional maritime, land and air domains. It is a human construct and comprises both physical (computer and information networks) and intangible elements (information and data). Much of the physical infrastructure is privately owned, ranging from an individual's computers through to a telecommunication company's international networks. This has important implications for the use of cyberspace by the Government, and also for the military.

62. The cyber threat to all nations, including New Zealand, is growing markedly. Observed malicious cyber activity in New Zealand is increasing. This increasing threat has implications for the Defence Force.

1.4.5. INCREASING INFORMATION CHALLENGES

63. Increasing speeds of technology adoption mean that maintaining an information advantage in future operations will become a more difficult task. The proliferation of information technologies means that actors which would not have previously been able to field high-end capabilities may have sophisticated and effective influencing, communications, intelligence, surveillance, reconnaissance and command and control capabilities. Conversely, when undertaking operations, advanced militaries will also be faced with effectively managing and using increased volumes and diverse information sources.

64. To maintain a comparative advantage, armed forces will need to become proficient at utilising the information resources and the tools available to them. They will also need to develop doctrine and systems for responding to the information activities of adversaries. The increasing adoption of information technology has implications for the pace at which the Defence Force chooses to adopt new technologies or capabilities. These implications will need to be explored further.

1.4.6. EVOLVING AREAS OF INTEREST CONCLUSIONS

Terrorism: a continuing threat

Terrorism will remain an enduring threat to the West beyond 2020. The Syrian civil war has proven to be a catalyst for the resurgence of Sunni Islamist extremism, though Shia groups such as Hezbollah also pose a threat to Western interests. The return of radicalised fighters from the conflict in Syria and Iraq is a growing global concern.

Use of remotely piloted systems

The use of remotely piloted systems has continued to proliferate over the past five years. More militaries will acquire these systems, and they will increasingly be used by civilian organisations.

Growing threats to space-based infrastructure

All advanced economies are highly reliant on space-based systems for their economic prosperity and defence and security. Space-based technologies are at risk from a growing range of manmade threats and natural hazards like solar flares. Satellites are also increasingly vulnerable with some countries developing anti-satellite weapons that can physically destroy a satellite in orbit.

Cyber threat

A number of high profile cyber attacks have highlighted how cyber is now a business as usual element of a nation's defence and security. The number of states with such capabilities is increasing over time.

The cyber threat to all nations, including New Zealand, is growing markedly.

Information technology is evolving rapidly, making accurate predictions around the development of cyber threats beyond the short term extremely difficult.

Increasing information challenges

Increasing speeds of technology adoption mean that maintaining an information advantage in future operations will become a more difficult task. Actors which would not have previously been able to field high-end capabilities may have sophisticated and effective influencing, communications, and command and control capabilities.

This has implications, which will need to be explored further, for the pace at which the Defence Force chooses to adopt new technologies and capabilities.

2. GEOGRAPHIC STRATEGIC ASSESSMENT

Chapter Two assesses the trends identified in the previous chapter through a geographic lens. Beginning with New Zealand, it moves onto Antarctica, Australia, the South Pacific, the Asia-Pacific and then the rest of the world. All sections seek to place identified trends within short, medium or long-term contexts.

2.1 NEW ZEALAND

Multiple challenges

65. New Zealand's vulnerability to risks and threats is heavily influenced by our small size, isolated location, unique geology, and exposure to natural hazards. But we also have a particular combination of other factors – including the structure of our economy, export dependence, and a vast maritime domain – which influence our national security in a fundamental way. Our understanding of threats to New Zealand is based on an "all hazards / all risks" approach in which government agencies work in concert on their mitigation. This includes geological threats (earthquakes, tsunamis and volcanic eruptions); meteorological threats (strong wind, heavy rain and snow); biological threats (pandemics, and animal and plant pests affecting primary production); and all forms of transnational and organised crime (discussed further in the managing maritime threats section below).

2.1.1. NO DIRECT THREAT TO NEW ZEALAND'S TERRITORIAL INTEGRITY

66. New Zealand does not presently face a direct threat of physical invasion and occupation of New Zealand territory. The likelihood of such a threat to the Cook Islands, Niue, Tokelau and territory over which we have a sovereign claim, emerging before 2040 is judged to be very low, and would be preceded by significant change to the international security environment. New Zealand could therefore expect to have a reasonable amount of time to re-orientate its defence priorities should this be necessary.

2.1.2. EVOLVING THREATS

67. Although there is no direct threat to our territorial integrity, New Zealand faces a range of other threats from state and non-state actors, including cyber threats and terrorism.

68. New Zealand's relative geographical isolation offers little or no protection from cyber threats. This threat is likely to continue to increase as the number of state, and to a lesser extent non-state, actors with offensive cyber capabilities increases. This is a significant change for New Zealand as our geography has provided a considerable defensive advantage against physical threats.

69. As more systems, including those of the Defence Force, come to depend on interconnected networks this will increase opportunities for remote disruption, increasing its vulnerability. The diffusion of offensive cyber capabilities means that all future Defence Force operations will need to be cognisant of this threat and take appropriate protective and defensive measures.

70. New Zealand is a potential terrorist target. The risk of a terrorist attack in New Zealand increased from very low to low in October 2014. This was due primarily to the small number of New Zealand citizens that are engaged in terrorism-related activities in conflict zones, such as Syria and Iraq. The threat to New Zealand relates largely to how such individuals behave should they return to New Zealand.

2.1.3. RELIANCE ON SPACE-BASED SYSTEMS

71. Like all nations, New Zealand relies on space-based systems for basic services such as time-keeping, navigation and meteorology. Significant disruption would have a severe impact on the New Zealand's economic prosperity and potentially public safety. With only one undersea fibre optic cable, the resilience offered by space-based systems may make it comparatively more important to New Zealand than for some other nations. The Defence Force's critical infrastructure also relies on space-based technologies. Imagery and navigation services are also of vital importance to military and civilian activities.

2.1.4. INCREASING CHALLENGES TO MANAGING MARITIME THREATS

72. The size of New Zealand's maritime domain, its intrinsic value, and challenges around its management underlines the significance of maritime threats to New Zealand. The Defence Force is the only agency that maintains disciplined forces available at short notice with large-scale, integrated fleets of vehicles, ships, and aircraft. It is therefore able to undertake or support a range of tasks as part of an all-of-government effort directed by civil authorities. This includes maritime resource protection, humanitarian assistance and disaster relief, search and rescue, constabulary tasks such as preventing transnational crime, including people smuggling, responding to maritime pollution incidents and providing support to the Department of Conservation's efforts to protect endangered species on our offshore islands.

73. The requirement to undertake such tasks within our Exclusive Economic Zone – as well as our wider maritime search and rescue area of responsibility which stretches from Antarctica to the equator – is expected to increase over time. (see Figure 2-1 below). Such a large area to monitor tests the Defence Force's ability to understand what is occurring within our maritime domain. Further work in this area is required.
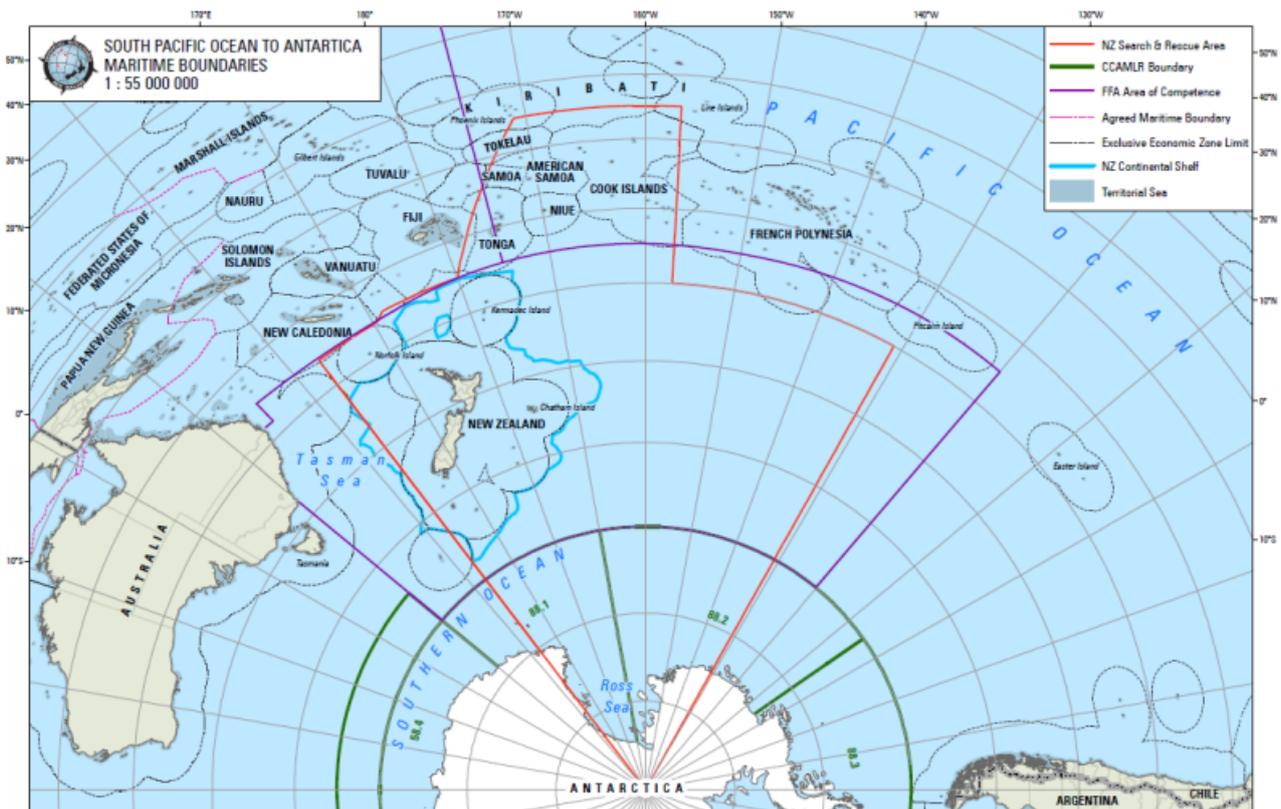

Figure 2-1: Maritime Boundaries

74. Nevertheless, there are a number of indicators which point to how the Defence Force's future tasking requirements might change. One area that bears close scrutiny in the future given its importance to our economy is the risk of illegal, unregulated and unreported fishing within our Exclusive Economic Zone. The New Zealand fisheries management system currently uses a mix of controls on both the total amount of fish that can be taken and on fishing methods, seasons, and size limits. Although illegal, unregulated and unreported fishing within our Exclusive Economic Zone is not thought to be a major problem presently, predicted scarcity in other regions may make New Zealand's Exclusive Economic Zone a far more attractive target in the future.

75. The National Maritime Coordination Centre is starting to receive requests for monitoring of oil pollution from foreign fishing vessels using the Defence Force's maritime patrol and aerial surveillance capabilities. Such requests are likely to increase in the future.

76. Although the number of pleasure craft / recreational vessels arriving in New Zealand has plateaued in recent years, the number of cruise ships is expected to continue to increase. While the increase does not mean an incident requiring a search and rescue

response is inevitable, the likelihood of one occurring is elevated as the market grows in size.

77. The requirement for the protection of offshore oil and gas drilling platforms from those seeking to interfere with companies' lawful activities may increase in the future depending on the extent of future drilling. In the medium term, such protection may also be necessary to protect sea-bed mining activities.

78. There are indications that people smugglers are showing an increasing interest in New Zealand and / or New Zealand Realm countries in the South Pacific.

2.1.5. MORE DOMESTIC DISASTER RESPONSE AND RECOVERY

79. New Zealand faces significant geological hazards (earthquakes, tsunami and volcanic activity), associated with its location on the boundary of the Australian and Pacific plates. It also faces meteorological hazards including flooding, severe winds, extreme cold and droughts. Climate change is exacerbating many of these hazards through long-term trends towards higher temperatures, more hot extremes, fewer cold extremes, and shifting rainfall patterns in some regions. More change is expected including sea level rise, shifts in wind speed and direction and increased risk of wildfire. The Defence Force can therefore expect a steadily increasing requirement for domestic disaster response and recovery out to 2040.

2.1.6. CHALLENGING DEMOGRAPHICS

80. New Zealand's population is projected to continue its slow growth from 4.4 million in 2012 to 5.4 million in 2036. Also increasing is the percentage of people aged 65 and over. The number of people aged 20-24, however, is expected to remain roughly static over this period. As this is the prime demographic group for recruitment into the Defence Force, a static population size could present difficulties should the size of the Defence Force need to be increased substantially in the future.

2.1.7. NEW ZEALAND ASSESSMENT CONCLUSIONS

No direct military threat to New Zealand's territorial integrity

New Zealand does not presently face a direct military threat of physical invasion and occupation of New Zealand territory. The likelihood of such a threat to the Cook Islands, Niue, Tokelau and territory over which we have a sovereign claim, emerging before 2040 is judged to be very low, and would be preceded by significant change to the international security environment.

Evolving threats

New Zealand's relative geographical isolation offers little or no protection from cyber threats. This threat is likely to continue to increase as the number of actors with cyber capabilities increases.

The probability of a terrorist attack in New Zealand was increased from very low to low in October 2014. This is due primarily to the small number of New Zealand citizens that are engaged in terrorism-related activities in conflict zones, such as Syria and Iraq.

High reliance on space-based systems

Like all nations, New Zealand relies on space-based systems for basic services such as time-keeping, navigation and meteorology. Significant disruption would have a severe impact on the New Zealand's economic prosperity and potentially public safety. With only one undersea fibre optic cable, the resilience offered by space-based systems may make it comparatively more important to New Zealand than for some other nations. The Defence Force's critical infrastructure is also highly reliant on space-based technologies.

Increasing challenges to managing maritime threats

The size of New Zealand's maritime domain, its intrinsic value, and challenges around its management underlines the significance of maritime threats to New Zealand. The requirement to undertake tasks within our Exclusive Economic Zone – as well as our wider maritime search and rescue area of responsibility which stretches from Antarctica to the equator – is expected to increase over time.

More domestic disaster response and recovery

The Defence Force can expect a steadily increasing requirement for domestic disaster response and recovery out to 2040 due to the effects of climate change: higher temperatures, more hot extremes, fewer cold extremes, and shifting rainfall patterns in some regions.

Challenging demographics

New Zealand's population is projected to continue its slow growth from 4.4 million in 2012 to 5.4 million in 2036. The number of people aged 20-24, however, is expected to remain roughly static. As this is the prime demographic group for recruitment into the Defence Force, a static population size could present difficulties should the size of the Defence Force need to be increased substantially in the future.

2.2. ANTARCTICA AND THE SOUTHERN OCEAN

## Rising international interest

Figure 2-2: Antarctic Region Map

81. New Zealand has maintained a right of sovereignty over the Ross Dependency in Antarctica since 1923, and has maintained a permanent scientific presence at Scott Base since 1962. International interest in Antarctica and its surrounding waters is growing due to its abundant fish stocks and expectations of substantial unexploited mineral resources. A number of countries

> **Antarctic Treaty System**
>
> The Antarctic Treaty System has been in force over Antarctica since 1961 and limits the use of Antarctica to peaceful, primarily scientific purposes. It prohibits military activities, although military forces are able to conduct non-military tasks such as resupply of bases.

have publicly expressed an interest in resource extraction in Antarctica. Camps and bases enable access to the region in which they are located and are increasing in number.

2.2.1.   INCREASINGLY CONGESTED

82. Total tourist numbers in the Antarctic are also increasing, although still below their 2007-2008 peak of 34,000. Even with the recent dip in numbers, tourism in Antarctica is growing at an unprecedented rate. Numbers are conservatively estimated to reach 60,000 annually by 2020 as reductions in sea ice ease passage.

83. New Zealand has an international legal search and rescue obligation in the Ross Sea region of Antarctica. We conduct maritime aerial surveillance patrols each Antarctic summer to deter illegal, unregulated and unreported fishing. As traffic and activity increases in the region so too will the requirement for such patrolling.

2.2.2.   ANTARCTICA AND SOUTHERN OCEAN ASSESSMENT CONCLUSIONS

> **Rising international interest**
>
> International interest in Antarctica and its surrounding waters is growing due to its abundant fish stocks and expectations of substantial unexploited mineral resources. The number of camps and bases are steadily increasing.

> **Increasing congestion**
>
> Tourist numbers to Antarctica and the Southern Ocean are increasing, as reductions in sea ice ease passage, along with increasing interest in its fisheries resource. New Zealand has an international legal search and rescue obligation in the Ross Sea region of Antarctica. As traffic and activity increases in the region so too will the requirement for patrolling in the region.

2.3. AUSTRALIA

New Zealand's most important bilateral relationship

84. Our most significant security partnership is with our treaty ally Australia. Through its size, location and strategic reach Australia contributes significantly to New Zealand's security. New Zealand therefore has an abiding interest in contributing to a safe and secure Australia. A direct armed attack on Australia is unlikely and Australia remains vigilant in the face of continued non-traditional threats such as terrorism and cyber security.

2.3.1. SHARED SECURITY INTERESTS AND PERSPECTIVES

85. New Zealand and Australia share similar perspectives on, and an enduring interest in, the security and prosperity of the South Pacific. Our militaries have operated together in Timor-Leste and Solomon Islands over the past 15 years and although these deployments have come to an end, we will continue to work together in support of building the capability and resilience of Pacific Island countries' security sectors. New Zealand and Australia also share a common interest in the peaceful accommodation of China's rise within the existing rules-based international order. Both countries advocate for the peaceful resolution of maritime boundary disputes in the East and South China Seas.

86. Comprehensive government efforts to combat sea-borne people smuggling have successfully reduced the number of illegal migrants seeking to enter Australian territory by sea over the past few years.

2.3.2. COMPLEMENTARY CAPABILITIES

87. Increasing the interoperability of our forces will continue to be a strong focus for the future. Current levels of interoperability are high, with good commonality across doctrine, tactics, standards and procedures and strong people-to-people links through training, exercising and exchanges. It is now a matter of course that interoperability is considered as an important factor during our capability development process, including the possibility of joint purchases of military equipment where appropriate.

88. Although our capabilities will differ in their sophistication, interoperability will be maintained by ensuring that our communications, command and control, and data transfer systems can talk to each other. Personnel exchanges and regular exercises are also important in this regard.

2.3.3. AUSTRALIA ASSESSMENT CONCLUSIONS

New Zealand's most important bilateral relationship

Our most significant security partnership is with our treaty ally Australia. Australia contributes significantly to New Zealand's security through its size, location and strategic reach. New Zealand therefore has an abiding interest in contributing to a safe and secure Australia.

Complementary capabilities

Due to the highly advanced nature of many of Australia's planned acquisitions, the gap in capability between our forces is expected to increase. This will not affect our level of interoperability (which remains high) or our ability to operate together in the South Pacific, where it matters most.

Shared security interests and perspectives

New Zealand and Australia share similar perspectives on, and an enduring interest in, the security and prosperity of the South Pacific.

New Zealand and Australia also share a common interest in the peaceful accommodation of China's rise within the existing rules-based international order.

Government efforts to combat sea-borne people smuggling have been highly successful.

2.4. SOUTH PACIFIC

Enduring New Zealand interests

89. New Zealand has a direct and enduring interest in the security, stability and prosperity of the South Pacific. The region constitutes our immediate neighbourhood, with strong people links underpinned by historical, cultural and economic connections. We have legal obligations towards the Cook Islands, Niue and Tokelau, a special relationship with Samoa, and Pacific leaders generally turn to us in times of need, particularly in response to natural disasters.
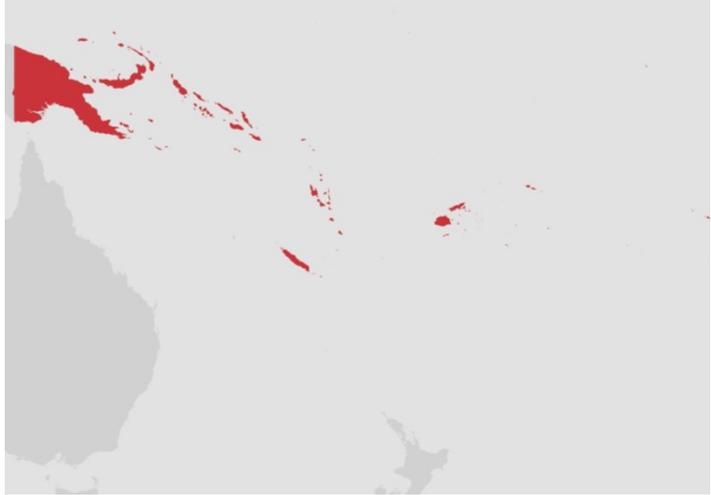
90. What happens in the Pacific region, and how we respond, affects migration, development assistance and security. New Zealand and Australia look to work closely with Pacific Island governments on security and other issues in the region. Our engagement in the Pacific will continue to be important to our domestic and international interests in the future.

Importance of fisheries to Pacific well-being

The Pacific tuna stock is valued at about US$2.4 billion annually and is the main source of income in the Pacific, contributing US$260 million to combined gross domestic product and providing over 13,000 jobs to Pacific Island people.

91. The South Pacific region is defined by differences, even within its sub-regions of Polynesia and Melanesia. Generalised region-wide assessment is therefore difficult. That said, overall the region continues to face difficulties stemming from narrow economic bases (Papua New Guinea being the exception), low resilience to frequent natural disasters, rising transnational organised crime and in some cases poor governance and corruption. Of the two sub regions Melanesia faces the most chronic social, economic, and environmental stresses.

92. It is likely that over the next ten years, New Zealand will deploy military and other assets in support of a Pacific Islands Forum member in crisis beyond standard disaster response support.

2.4.1. NO DIRECT MILITARY THREAT BUT INCREASING CHALLENGES

93. Like New Zealand, the South Pacific is not expected to face a direct military threat from outside the region over the assessment period. Threats in the South Pacific stem largely from the stability and sustainability of each nation, related to both internal and external economic, political, demographic, military, and environmental factors.

94. A significant vulnerability for Pacific countries, given their wide geographic dispersion is effectively controlling their borders. Although there is no direct military threat, transnational organised crime is an increasing challenge to Pacific states. Illegal,

unregulated and unreported fishing in particular is a rising transnational threat with losses estimated to be up to NZ$400 million per year.

95. Pacific Island nations lose not only valuable income, but the viability of their own fishing ventures as it becomes uneconomic for them to fish legally in competition with illegal, unregulated and unreported fishing vessels. This has flow-on effects for economic and social stability. Global demand for fish is expected to continue to increase and inevitably this will place more pressure on Pacific pelagic fisheries, including from distant water fishing nations. With most Pacific states relying heavily on fisheries to support their economies, their depletion will increase dependence on foreign developmental assistance.

96. Transnational organised crime groups are increasing in number and becoming further entrenched in the Pacific, carrying with it high economic and social costs. The impact of transnational organised crime can be disproportionately large given their generally small populations. Activities include trafficking in illicit commodities such as drugs, wildlife and firearms; people smuggling; and financial and cyber-crime. Transnational organised crime groups' activities also present an indirect threat to New Zealand, as well as Pacific states, as a destination for illicit goods.

2.4.2.   SECURITY SECTOR

97. Three Pacific nations have formal defence forces: Papua New Guinea, Fiji and Tonga. In countries without defence forces, such as Vanuatu and Samoa, the police seek to fulfil tasks performed by militaries elsewhere, such as surveillance of Exclusive Economic Zones. New Zealand (and Australia) can expect continued requests for support in this area.

98. The region shares generally similar views on the importance of disaster response capabilities. Fiji also makes substantial contributions to international peace support operations.

Pacific Island Military Forces

Papua New Guinea Defence Force: Approximately 2500 personnel. It consists of a land element with two light infantry and one engineer battalion, an air element with limited light fixed wing transport and helicopters, and a maritime element with two landing craft and four Pacific-class patrol boats.

His Majesty's Armed Forces (Tonga): Consists of a small 600-strong force with operational land experience. The naval element is equipped with three Pacific-class patrol boats.

Republic of Fiji Military Forces: Approximately 3,600 personnel. The land element has one regular light infantry battalion based in Fiji and another two permanently deployed overseas on multinational peacekeeping operations, as well as an engineer regiment and a territorial force. The naval element operates three Pacific-class patrol boats and two coastal patrol craft.

2.4.3.   ECONOMIC PROSPECTS

99. With the exception of Papua New Guinea and its vast natural gas resources, most Pacific economies are relatively small, narrowly based, and vulnerable to external financial shocks and the impacts of natural disasters. Given these factors, improving economic and trade prospects is a challenging undertaking. A mixture of remittances, tourism, income from fisheries, low income inequality, and other resources, such as labour mobility, are expected to largely prevent economic factors from driving instability in the region.

2.4.4. DEMOGRAPHIC CHANGE: MIXED TRENDS ACROSS THE REGION

100.   The Pacific's population is expected to grow significantly over the coming decades – from 10 million in 2010 to an estimated 18 million in 2050. The distribution of the population will be highly uneven, with sustained population growth in Melanesia and Micronesia (Papua New Guinea's growth rate is estimated to be 3.1%) contrasting with declining rates in some parts of Polynesia. Strong population growth where it is occurring is generating very young societies (over 50% of the Pacific population is under the age of 25). With surging working age populations, the majority of urbanised youth lack education and employment opportunities, which increases the likelihood of social and political unrest. In Polynesia a lack of population growth, combined with skills shortages generated by migration to New Zealand, Australia and further afield, presents its own set of problems.

101.   At the same time, increasing numbers of expatriates and foreign workers, particularly from Asia, are migrating to many Pacific states. Tensions between the different ethnicities are likely to be an on-going issue.

2.4.5. INCREASING ENVIRONMENTAL CHALLENGES

102.   Population growth, urbanisation, poor governance, and lack of planning are to varying degrees contributing to water pollution, coastal degradation, loss of indigenous forestry resources and unsustainable pressure on fisheries and other natural resources. These challenges are already being exacerbated by the effects of human-induced climate change, which are expected to continue to increase over time.

103.   Sea levels in the Pacific will rise, perhaps by 1.2 meters by 2100, and temperatures anywhere between 1 and 4 degrees. Rainfall will be less predictable, and cyclones and storm surges are likely to be more intense and frequent. This will result in immediate damage to infrastructure, power and water supplies, as well has having longer term effects on agricultural productivity and migratory fisheries. There is limited capacity in the Pacific to build preparedness for, and resilience to, climate-related disasters.

104.   Climate-induced migration is not likely to become a pressing issue in the short-term but could become more prominent in the coming decades as low-lying atoll states are increasingly affected by sea level rise. If mass migration is necessary there will be significant questions to be addressed with regards to where environmental migrants will resettle, as well as the status of a country's Exclusive Economic Zone if it is no longer above the water line.

2.4.6. RISING INFLUENCE OF NON-TRADITIONAL ACTORS

105.   Access to natural resources, the region's 14 United Nations General Assembly votes, and general competition for global influence is driving an increasing number of states towards engagement with Pacific states. Pacific states themselves are also seeking to develop stronger international linkages.

106.   A greater range of countries are developing relationships with Pacific states, including defence relationships in some cases. New Zealand will continue to maintain our enduring people-to-people links and significant development assistance programmes. We will continue to be among the first responders in the event of a humanitarian disaster. New donors in the region also provide expanded partnership opportunities, such as New Zealand's solar power project with the United Arab Emirates in Tonga. The partnership between France, Australia and New Zealand (known as FRANZ) remains in good stead,

with France expected to retain a strong presence in the Pacific, the United States and European Union also retain significant development programmes and interests in the region.

2.4.7. SOUTH PACIFIC ASSESSMENT CONCLUSIONS

Enduring New Zealand interests

New Zealand has a direct and enduring interest in the security, stability and prosperity of the South Pacific. We have legal obligations towards the Cook Islands, Niue and Tokelau, a special relationship with Samoa, and Pacific leaders generally turn to us in times of need, particularly in response to natural disasters.

The international community expects New Zealand and Australia to take the lead on security and other issues in the region. Our engagement in the Pacific will therefore continue to be important to our domestic and international interests in the future.

Pacific challenges

The region continues to face substantial difficulties stemming from narrow and difficult to grow economic bases (Papua New Guinea being the exception), low resilience to frequent natural disasters, and rising trans-national organised crime. Of the two sub regions Melanesia faces the most chronic social, economic, and environmental stresses.

It is likely that over the next ten years, New Zealand will deploy military and other assets in support of a Pacific Islands Forum member in crisis beyond standard disaster response support.

Rising influence of non-traditional actors

A greater range of are developing relationships with Pacific states, including defence relationships in some cases.

New Zealand will continue to maintain our enduring people-to-people links and significant development assistance programmes. We will continue to be among the first responders in the event of a humanitarian disaster.

2.5. NORTH ASIA

Vital to our national interests

107.   As home to two of the world's four largest economies (China and Japan), the security and prosperity of North Asia is vital to our national interests. Any major conflict in North Asia would have the potential to draw in actors from outside the region, including New Zealand and Australia. The Defence Force remains an important element of New Zealand's overall approach to promoting regional peace and security.

2.5.1.   RAPIDLY INCREASING CHINESE POWER

108.   Nowhere is the shift in global influence eastwards more striking than in North Asia, driven primarily by three decades of sustained economic growth in China. The latest projections suggest that China will become the world's largest economy over the next decade.

109.   Like other states in Asia, China's rapid economic growth has enabled an increase in its defence spending. China's publicly reported defence expenditure increased from US$38 billion in 2004 to US$115 billion in 2013, representing double digit year-on-year increases but a static spend in terms of gross domestic product, at 1.3%.

110.   Chinese military power will continue to increase in relative and absolute terms. Much of its spending is focused on developing capabilities that expand China's ability to conduct military operations in areas outside of its own territory, including a larger more capable submarine fleet, advanced combat aircraft, aircraft carriers, ballistic and cruise missile programmes, and cyber capabilities.

> **The United States rebalancing to the Asia-Pacific**
>
> The United States Government is increasing its diplomatic, economic, strategic and military investment in the Asia-Pacific. Part of the rebalancing involves a change in global military posture to strengthen United States military capabilities in the region including increasing the number and size of exercises in the Pacific and the development of permanent rotational deployments in Singapore and Darwin. The United States is also seeking to expand its partnerships and strengthen its alliances in the region.

2.5.2.   MULTIPLE FACTORS DRIVING TENSION IN THE REGION

111.   As noted on page 10, changes in the balance of power tend to increase the likelihood of conflict as states acclimatise and adapt to new political dynamics. A period of natural tension in Asia is being exacerbated, however, by a number of aggravating factors.

112.   Competition for control of hydro-carbon rich territory is adding to tension across the region. Attempts to lay claim to contested territory via regular patrolling, occupation of islands, and over-flights, increases the risks of minor clashes escalating into more serious conflict.
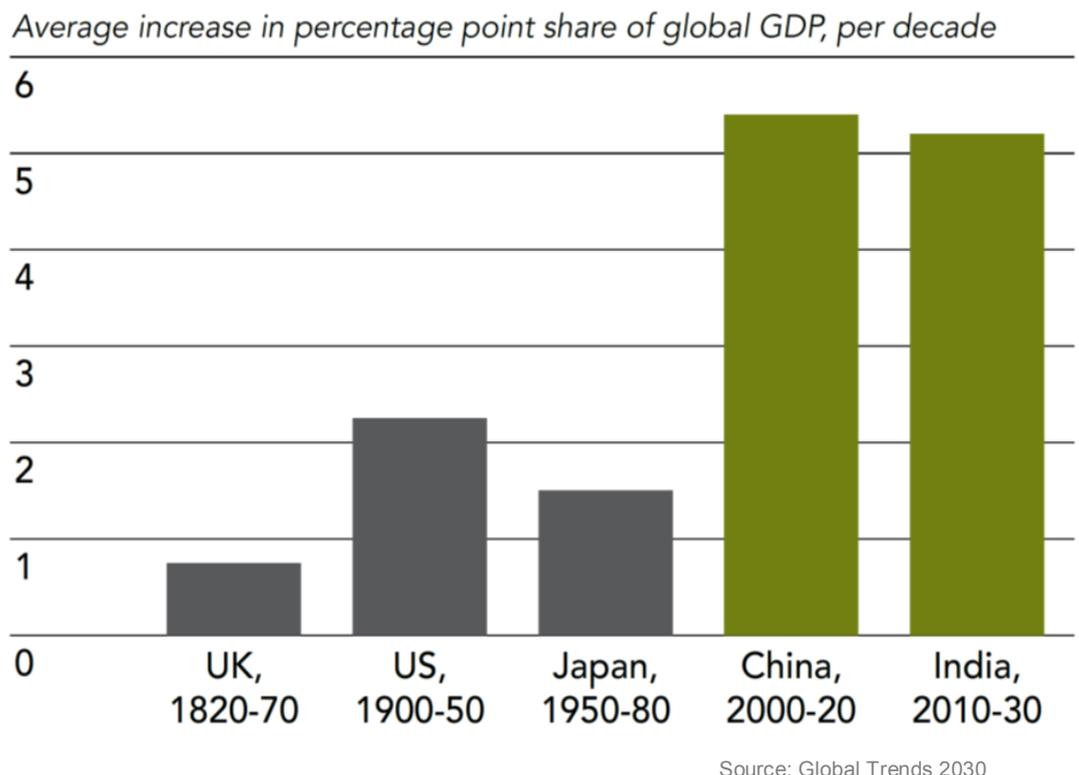
Figure 2-3: Average Increase in Percentage Point Share of Global Gross Domestic Product

113.   China's rise is also occurring at an unprecedented pace. Between 2000 and 2020 China's share of global gross domestic product will increase by just over 5% per decade. In comparison, in the 50 years leading up to the peak of United States global gross domestic product in 1950, its increase was just over 2% per decade (see Figure 2-3 above). China's rapid rise is decreasing the amount of time other countries have in which to adapt to changing power dynamics.

114.   In addition to its regular provocations, North Korea's nuclear missile programme is a further factor exacerbating tension in the region.

2.5.3.   RESPONDING TO RISING TENSIONS AND THE CHANGING BALANCE OF POWER

115.   Countries in the region are responding to the changing balance of power with a variety of strategies. Defence spending across the region has risen by 23% since 2010, including the purchase of submarines, anti-ship missiles, warships and maritime surveillance assets.

116.   In 2013, Japan announced the first percentage increase in its nominal defence budget in 11 years, to US$51 billion, including the purchase of helicopter-carriers and Joint Strike Fighters. 2014 has also seen the Japanese government reinterpret Article 9 of its constitution to allow for military action in conjunction with its allies in pursuit of collective self defence, as well as relaxing restrictions on Japanese involvement in United Nations peace support operations.

117.   Reflecting its enduring interests in the region, the United States has been seeking to "rebalance" its political and military focus away from the Middle East and South Asia

towards the Asia-Pacific.[10] The "rebalance", as it has become known, is driven by the increasing economic importance of the region. It includes strengthening its traditional alliance relationships with South Korea, Japan, Philippines and Thailand, as well as bolstering relations with Malaysia, Indonesia, Singapore and Vietnam.

118.   In a practical military sense this includes the rotational deployment of 2500 United States Marines in Darwin; the positioning of two additional missile defence destroyers in Japan, and up to four littoral combat ships in Singapore; naval deployments to the Philippines for the first time since 1992; and a commitment to increase the number of carrier strike groups in the Asia-Pacific from five to six (out of ten total).

119.   Like the United States, Russia is increasing its focus on North Asia. It is seeking new markets for its primary exports (weapons, oil and gas and other natural resources) and is attempting to reduce its reliance on Europe. This includes the construction of a $420 billion, 4,000km long natural gas pipeline from Eastern Siberia to China. Russia has also increased maritime and aerial patrolling, improved the capability of its military forces in the region and increased the readiness of its forces through major military exercises. Its influence and importance in the region could increase in the future should the Northern Passage across Russia's northern coastline become a feasible alternative shipping route between Europe and Asia.

2.5.4.   OUTLOOK: RISING TENSIONS BUT GROUNDS FOR CAUTIOUS OPTIMISM

120.   Historically, the rise of a newly powerful state was often characterised by conflict with the existing power. Germany challenged the United Kingdom and United States in the early 20th century, Japan and Germany likewise in the 1930s and 1940s, and the Soviet Union challenged the West during the Cold War, though primarily through proxy conflicts and espionage activities.

121.   Overall, the risk of major inter-state conflict in the region is rising. Clashes in the maritime domain, combined with the more sophisticated military capabilities being fielded by many actors, are increasing the risk of escalation or miscalculation leading to major conflict. Hot spots abound, from maritime disputes in the East and South China Seas; cross-strait relations; and on-going tension on the Korean Peninsula.

122.   Despite the rising tensions outlined above the likelihood of major conflict remains low. Unlike the Cold War, all states in Asia (with the exception of North Korea) are fully integrated into the global economy. This provides a powerful incentive for all regional actors to maintain a stable environment, conducive to economic growth and trade.

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[10] Although there is no clear cut definition of what constitutes the Asia-Pacific, it commonly includes South Asia, South East Asia, North Asia, and all states within and bordering the Pacific.

2.5.5. NORTH ASIA ASSESSMENT CONCLUSIONS

Fundamental New Zealand interests

Home to two of the world's four largest economies (China and Japan), the security and prosperity of North Asia is of intense interest to New Zealand. As New Zealand's largest trading partner the bilateral relationship with China is one of our most important. Japan is a valuable strategic partner to New Zealand, our fourth largest trading partner, and is a major source of tourists, international students, and foreign investment. New Zealand also maintains a solid relationship with South Korea.

Rapidly increasing Chinese power

China's rapid economic growth has enabled an increase in its defence spending, much of which is focused on developing force projection capabilities Chinese military power will continue to increase in relative and absolute terms.

Multiple factors driving tension in the region

Competition for control of hydro-carbon rich territory, the unprecedented pace of China's rise in influence and North Korea's nuclear missile programme is adding to tension across the region. Attempts to lay claim to contested increases the risks of minor clashes escalating into more serious conflict.

Responding to rising tensions and the changing balance of power

Defence spending across the region has risen by 23% since 2010. Force posture is also changing, demonstrated by the Japanese Government's reinterpretation of its constitution to allow for military action in conjunction with its allies in pursuit of collective self defence. The United States has also been seeking to "rebalance" its political and military focus away from the Middle East and South Asia towards the Asia-Pacific.

Outlook: rising tensions but grounds for cautious optimism

Overall the risk of major inter-state conflict in the region is rising. Despite this the likelihood of major conflict remains low. Unlike the Cold War, all states (with the exception of North Korea) are fully integrated into the global economy. This provides a powerful incentive for all regional actors to maintain a stable environment, conducive to economic growth and trade.

2.6. SOUTH EAST ASIA

Growing New Zealand interests

123. The ten nations that comprise the Association of South East Asian Nations[11] are becoming increasingly important to New Zealand's future. Already our 4th largest trading partner, the South East Asian region represents one of the world's strongest centres of economic growth and is therefore an attractive destination for New Zealand exports.

124. The region is also important geopolitically to New Zealand and the wider world. The world's busiest shipping lane passes through the region from the Indian Ocean on its way to North Asia, which includes passing through the choke point of the Malacca Strait. The region is likely to remain a focus for great power competition for influence. In these respects South East Asia will have a pivotal influence over New Zealand's immediate and long-term future.

125. Our security relationships with Malaysia and Singapore continue to be our most enduring in the region, based in part on the longstanding Five Power Defence Arrangements, which also includes Australia and the United Kingdom. Although the Five Power Defence Arrangements has diminished in importance as a strategic defence arrangement, it retains its value diplomatically. It provides us with an entry point into the region, demonstrates our enduring commitment to regional security and is a useful instrument through which to strengthen our wider bilateral relationships with Malaysia and Singapore.

2.6.1. STEADY LEVELS OF INTER AND INTRA-STATE TENSION

126. The region is expected to remain relatively free of internal tension in the short to medium term. Where tension exists, outside of the areas outlined above, it is primarily a result of overlapping maritime claims in the South China Sea (see section 2.5.2 on page 38 for further details).

127. Low-level separatist activities are expected to continue in Southern Thailand, the Papua region of Indonesia, and may reduce in the Southern Philippines. An agreement between the Philippines government and the Moro Islamic Liberation Front ending their insurgency in return for greater autonomy and economic development, should it be comprehensively implemented, would have a positive impact on the security of the region as the space for transnational terrorist groups such as Abu Sayaf to train and operate would be significantly reduced.

128. Myanmar has made progress towards democratic governance, though it continues to face significant challenges. Fledging democracies are especially vulnerable to instability, particularly if improvements in economic well being are not immediately felt.

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[11] The ten nations that comprise Association of South East Asian Nations are Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Viet Nam.

How the Myanmar government manages its relations with its ethnic minorities in a newly democratic environment, especially those with standing armies, will be a key challenge.

129.   The security situation in Timor-Leste has remained calm following the departure of the International Stabilisation Force and United Nations Mission in Timor-Leste at the end of 2012.There is a low likelihood of armed conflict in the short to medium term akin to the violence that erupted in 2006.

2.6.2.   INCREASING MILITARY CAPABILITY

130.   Many nations of South East Asia have increased the capability of their armed forces since the last defence assessment, and are expected to continue to do so over the coming decades. There have been substantial increases in defence spending in absolute terms (see Figure 2-4 on page 44). As a proportion of gross domestic product, however, defence spending has either reduced, or remained relatively static in line with their increasing wealth.

131.   Drivers for the increase in spending and capability include many nations' growing ability to allocate resources to externally-focussed capabilities in line with their rising wealth; support for domestic industry; and perceived threats from other nations, primarily in relation to territorial claims in the South China Sea.

132.   Overall, South East Asian nations' military capability is expected to continue to increase. Capability acquisition is likely to focus on modern submarines, expanded surface fleets with advanced armaments, and ships and aircraft that enable the deployment and sustainment of military forces overseas. The growing military capability amongst South East Asian nations increases the possibility of confrontation or escalation between them or with external actors.

South-East Asian defence budgets

Proportion of GDP spent on defence

Proportion of government outlays spent on defence
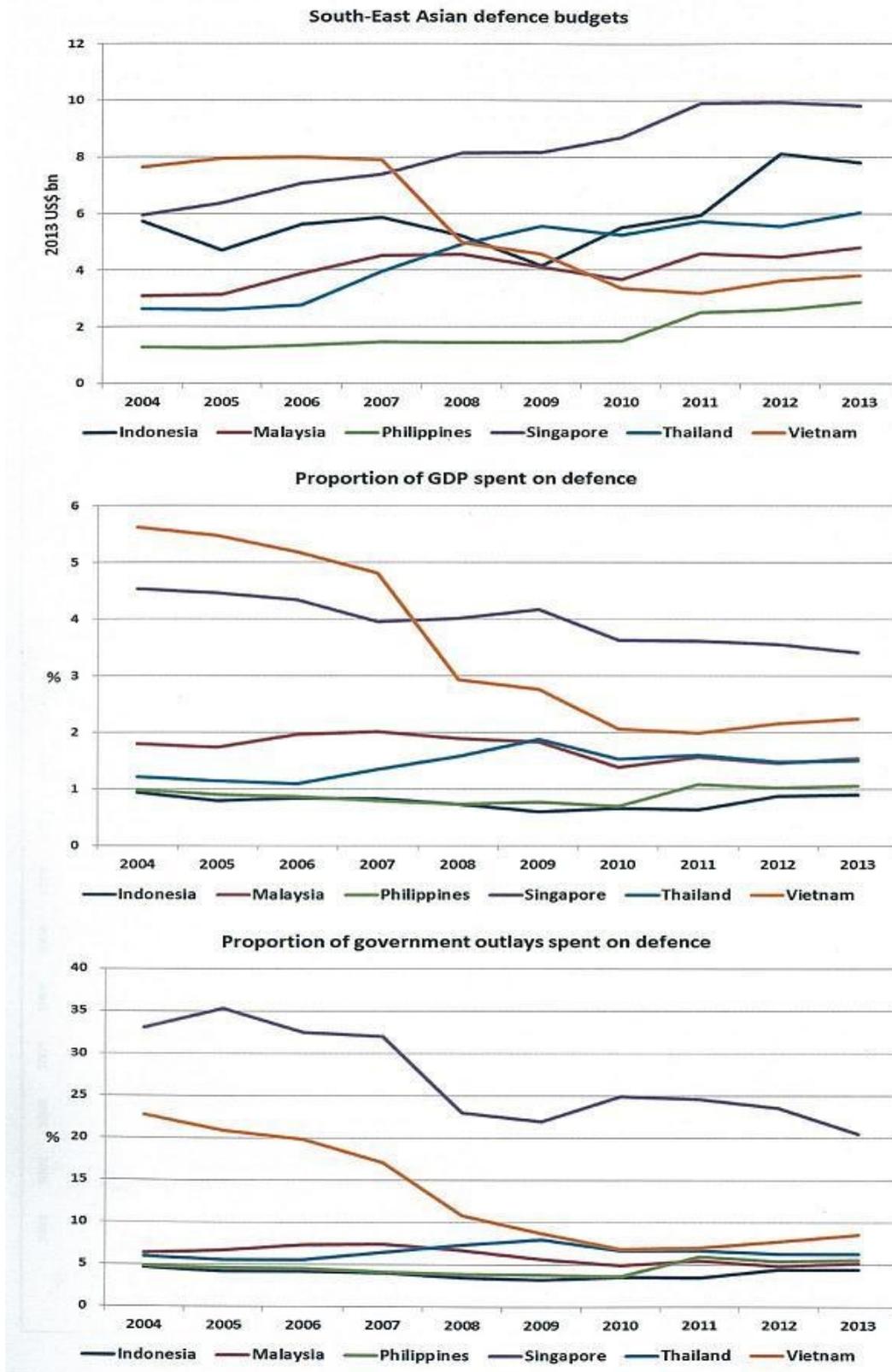
Source: Defence Economic Trends in the Asia-Pacific (2014)

Figure 2-4: Defence Spending Trends in the Asia-Pacific

2.6.3. REGIONAL SECURITY ARCHITECTURE: MEASURED EVOLUTION

133.   The region's main multilateral security forums have emerged from the Association of South East Asian Nations and remain central to this grouping (see Figure 2-5 over page).[12] Their pace and direction are largely determined by the organisation's guiding principles of consensus and non-interference in one another's affairs.

134.   Cooperation is therefore likely to continue to be aimed at management, rather than the resolution, of regional tensions in order to maintain consensus among its members. Given the differences in national interests among members, it is unlikely that the existing regional architecture will develop into a more integrated community along the lines of the North Atlantic Treaty Organisation in the short to medium term, although work towards the establishment of an integrated political-security community in 2015 continues.

135.   Nevertheless, the past five years has seen a collective effort to invigorate the regional security architecture in order to build habits of dialogue on difficult issues, such as regional maritime disputes. Willingness to work on less divisive issues, such as disaster relief and counter-terrorism, is also promoting cooperation and dialogue. The establishment of the Association of South East Asian Nations Defence Ministers' Meeting Plus in 2010, which includes the United States, India, Russia, China, Japan, South Korea, Australia and New Zealand, was a welcome development. Before its inception there was no mechanism to bring the region's defence Ministers together, or to support the kinds of practical military-to-military cooperation between the United States, China, Russia, Japan and India that the Ministers' meeting now sponsors.

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[12] This includes the Association of South East Asian Nations Regional Forum, the East Asia Summit, and the Association of South East Asian Nations Defence Ministers' Meeting Plus.

**Association of South East Asian
Nations Region Forum (ARF) (27)**

Canada, Timor-Leste, European Union, Mongolia, North Korea,
Papua New Guinea, Pakistan, Bangladesh, Sri Lanka

**East Asia Submit (EAS)
Association of South East Asian Nations+8 (ASEAN+8)
ASEAN Defence Ministers' Meeting (ADMM-Plus)**

New Zealand, Australia, India, Russia, United States

**Association of South East
Asian Nations +3 (ASEAN +3)**

China   Japan   Republic of
                              Korea

**Association of South East
Asian Nations (ASEAN)**

Brunei, Burma, Cambodia, Indonesia,
Laos, Malaysia, Philippines,
Singapore, Thailand, Viet Nam

Figure 2-5: Association of South East Asian Nations (ASEAN) Related Diplomatic Architecture

2.6.4. SOUTH EAST ASIA ASSESSMENT CONCLUSIONS

Growing New Zealand interests

The ten nations that comprise the Association of South East Asian Nations are becoming increasingly important to New Zealand's future. The region represents one of the world's strongest centres of economic growth.

The region is important geopolitically to New Zealand and the wider world. The world's busiest shipping lane passes through the region from the Indian Ocean on its way to North Asia, which includes passing through the choke point of the Malacca Strait. The region is likely to remain a focus for great power competition for influence.

Increasing military capability

Many of the South East Asia nations have increased the capability of their armed forces since the last defence assessment, and are expected to continue to do so over the coming decades. Drivers for the increase in spending and capability include many nations' growing ability to allocate resources to externally-focussed capabilities in line with their rising wealth; support for domestic industry; and territorial claims in the South China Sea.

Steady levels of inter and intra-state tension

The region is expected to remain relatively free of internal tension in the short to medium term. Where tension exists it is primarily a result of overlapping maritime claims in the South China Sea.

Regional security architecture: measured evolution

The region's main multilateral security fora have emerged from the Association of South East Asian Nations. They will continue to be aimed at management, rather than the resolution, of regional tensions in order to maintain consensus among members.

Given the differences in national interests among members, it is unlikely that the existing regional architecture will develop into a more integrated community along the lines of North Atlantic Treaty Organisation in the short to medium term.

2.7. SOUTH ASIA

Increasing strategic importance

136.   South Asia is dominated by India, one of the world's rising economic powers. By 2025 India is expected to have supplanted Japan as the third largest economy and will have overtaken China to be the most world's populous state. Its continued economic growth and associated military modernisation means that it will play an increasingly important role in the Indian Ocean and, potentially, further afield in South East Asia.

137.   With the world's busiest trade route now running through the Middle East, the Indian Ocean and into South East Asia, maritime security in the region is taking on increasing importance to a number of major actors, including India, the United States, Australia, China, and Indonesia. New Zealand too has an interest in the maintenance of a stable trade route through the region.

138.   In keeping with India's rapidly increasing regional and global influence – and growing two-way trade – New Zealand is seeking to strengthen its bilateral relationship with India. This includes growing our defence links.

2.7.1.   SLOW BUT STEADY MILITARY MODERNISATION

139.   India is in the process of improving its military projection capabilities through the acquisition of advanced submarines, new and second hand aircraft carriers, and maritime surveillance and stealth aircraft platforms. Along with its traditional security concerns around Pakistan, these acquisitions are being driven by the increasing military capability of its neighbours and other major powers in the wider Asian region.

2.7.2.   SIGNIFICANT MEDIUM TERM SECURITY RISKS

140.   Pakistan's security remains a serious concern. Ageing infrastructure, high population growth and unemployment, a resilient anti-government insurgency, and ungoverned territory allowing the residence of Al-Qaeda senior leaders, all point to Pakistan as a medium to long-term risk to regional security. Afghanistan's security is also expected to degrade over the next decade as Western military support and international aid declines.

141.   Bangladesh has many of the same structural problems as Pakistan. As a densely populated, very low-lying country, it is at particular risk over the longer term of suffering the negative effects of sea level rise. If only a small percentage of its 157 million population seeks to migrate it could have a significant impact on regional relations.

2.7.3. SOUTH ASIA ASSESSMENT CONCLUSIONS

Increasing strategic importance

South Asia is dominated by India, one of the world's rising powers. Its continued economic growth and military modernisation means that it will play an increasingly important role in the Indian Ocean and, potentially, further afield in South East Asia. New Zealand is currently seeking to strengthen its bilateral relationship with India. This includes growing our defence links.

With the world's busiest trade route now running through the Middle East, the Indian Ocean and into South East Asia, maritime security in the region is taking on increasing importance.

Slow but steady military modernisation

India is in the process of improving its military projection capabilities. These acquisitions are being driven by security concerns around Pakistan and the increasing military capability of its neighbours and other major powers in the wider Asian region.

Significant medium term security risks

Pakistan's security and economic prospects remains a serious concern. Afghanistan's security is also expected to degrade over the next decade as Western military support and international aid declines. Bangladesh has many of the same structural problems as Pakistan. As a densely populated, very low-lying country it is at particular risk over the longer term of suffering the negative effects of sea level rise.

2.8. NORTH AMERICA AND THE ARCTIC

Strengthening bilateral relations

142. The New Zealand – United States relationship has steadily improved over the past decade or more. It has also enabled a deepening of New Zealand's engagement in the "Five-Eyes" network with the United States, Australia, the United Kingdom and Canada.

2.8.1. UNITED STATES GLOBAL INFLUENCE: DECLINING YET STILL PEERLESS OUT TO 2040

143. The global influence of the United States will continue to diminish in relative terms over time, but from a high starting position. The United States is likely to remain unparalleled in its ability and willingness to use force, including the deployment of ground forces, if required to directly protect national security.

144. The collapse of the Soviet Union in the early 1990s ushered in a period where United States power was unrivalled, including the capacity to act militarily across the globe. Out to 2040 it will remain the most powerful global actor due to its continued, though steadily diminishing, military superiority; robust political institutions; an innovative economy; extensive alliance relationships; vast energy reserves; and highly influential cultural soft power.

145. The United States has shifted its counter-terrorism strategy towards the increasing use of air strikes (primarily by remotely piloted aircraft); intelligence and military support to local governments; and special forces operations, as demonstrated by the operation against Osama Bin Laden in 2011.

146. There are no contenders in the next 25 years to replace the United States as the world's "indispensable nation" when it comes to international peace and security, including ensuring freedom of navigation.

2.8.2. THE ARCTIC THAW: OPENING UP NEW POSSIBILITIES

147. United States interest in the Arctic region may increase in the future. Climate change is causing polar sea ice to retreat, opening up previously inaccessible areas to oil and gas exploration. Regular ice-free summers by 2045 may allow a new shipping route to open up along the northern coast of Russia, reducing the cost and transit time of goods travelling between North Asia and Europe, and decreasing the strategic importance of the Suez Canal – Indian Ocean route. It would also increase the geo-strategic importance of Russia to global trade.

148. Alongside the United States and Russia, Canada, Denmark, Norway, Iceland and Greenland all have direct interests in the Arctic region. With some jockeying for position already evident,[13] it is probable that the delineation of Exclusive Economic Zone and continental shelf boundaries under United Nations Convention on the Law of the Sea will enable the peaceful settling of ownership of economic rights across the vast majority of Arctic region. Nevertheless, the United States, Canada, Russia, Denmark and Norway are increasing their respective military capabilities to operate in the Arctic region as a hedge against potential conflict. Should relations between Russia and North Atlantic Treaty Organisation states remain difficult due to the current conflict in the Ukraine, there is a possibility it could spill over into other regions (see Europe section on page 53 for further details).

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[13] In 2007, a Russian explorer and Member of Parliament placed a Russian flag on the seabed under the North Pole.

2.8.3.   NORTH AMERICA AND THE ARCTIC ASSESSMENT CONCLUSIONS

Strengthening bilateral relations

The New Zealand – United States relationship has steadily improved over the past decade or more, enabling a deepening of New Zealand's engagement in the "Five-Eyes" network with the United States, Australia, the United Kingdom and Canada.

The Arctic thaw: opening up new possibilities

Climate change is causing polar sea ice to retreat, opening up previously inaccessible areas to oil and gas exploration. By 2045 this may allow a new shipping route to open up along the northern coast of Russia, decreasing the strategic importance of the Suez Canal – Indian Ocean route. It would also increase the geo-strategic importance of Russia to global trade.

United States willingness to use military force

The United States has shifted its counter-terrorism strategy towards the increasing use of air, military support to local governments, and special forces operations.

The United States is likely to remain unparalleled in its ability and willingness to use force, including the deployment of ground forces, if required to directly protect national security. It will retain the ability to project military force across the globe.

Increasing strategic importance of the Arctic

Alongside the United States and Russia, Canada, Denmark, Norway, Iceland and Greenland all have direct interests in the Arctic region. While it is probable that the delineation of Exclusive Economic Zone and continental shelf boundaries will be settled peacefully, countries are increasing their respective military capabilities to operate in the Arctic region as a hedge against potential conflict.

Should relations between Russia and North Atlantic Treaty Organisation states continue to decline due to conflict in the Ukraine, there is a possibility that tension could spill over into the Arctic region.

United States global influence: declining yet still peerless out to 2040

Out to 2040 the United States will remain the most powerful global actor due to its continued, though steadily diminishing, military superiority; robust political institutions; an innovative economy; extensive alliance relationships; vast energy reserves; and highly influential cultural soft power.

2.9. EUROPE AND THE NORTH ATLANTIC TREATY ORGANISATION

New Zealand-European Union relations: holding steady

149.   Although New Zealand, and much of the rest of the world, is increasingly looking to expand relations with growing Asian nations, our relationship with many European states, particularly the United Kingdom, remains important. As a bloc, the European Union is our second-largest regional trading partner, and we retain shared historical links and a common outlook on the importance of democracy, human rights and the rule of law.

150.   New Zealand's defence engagement with Europe is driven principally through our engagement with the North Atlantic Treaty Organisation, as well as the acquisition of military equipment from European manufacturers.

2.9.1.   EUROPEAN UNION: DOWN BUT NOT OUT

151.   The Global Financial Crisis hit much of Europe particularly hard. Inequality, unemployment and dissatisfaction with the existing political order has risen, with far right and left wing political movements increasing in popularity. Economic underperformance is also driving rising calls for independence or increased autonomy within European Union states such as Spain, the United Kingdom, Greece and Belgium. There will be continued pressure on many European Union member states to return certain responsibilities back to state capitals but it is unlikely that the European Union will fracture or collapse.

2.9.2.   DEFENCE CUTS CRIMPING CAPABILITY

152.   Outside of Eastern Europe, defence budgets across the European Union are largely static or falling. Since 2010 real defence spending has declined at a compound annual growth rate of 1.9%, with reductions of 3.0% in 2011, 2.2% in 2012 and 2.4% in 2013. Overall, real defence spending levels in 2013 were 7.4% lower than in 2010 (see Figure 2-6 over page).

153.   Static or declining defence expenditure, accompanied in some cases by significant cuts in capability is reducing European states' ability to deploy its forces outside of Europe. Despite these reductions, however, European Union nations retain some of the most advanced military capabilities outside of the United States and Japan and will continue to provide support to United Nations or United Nations-mandated peace support operations, especially in countries close to Europe or former colonial possessions, such as Libya and Mali.
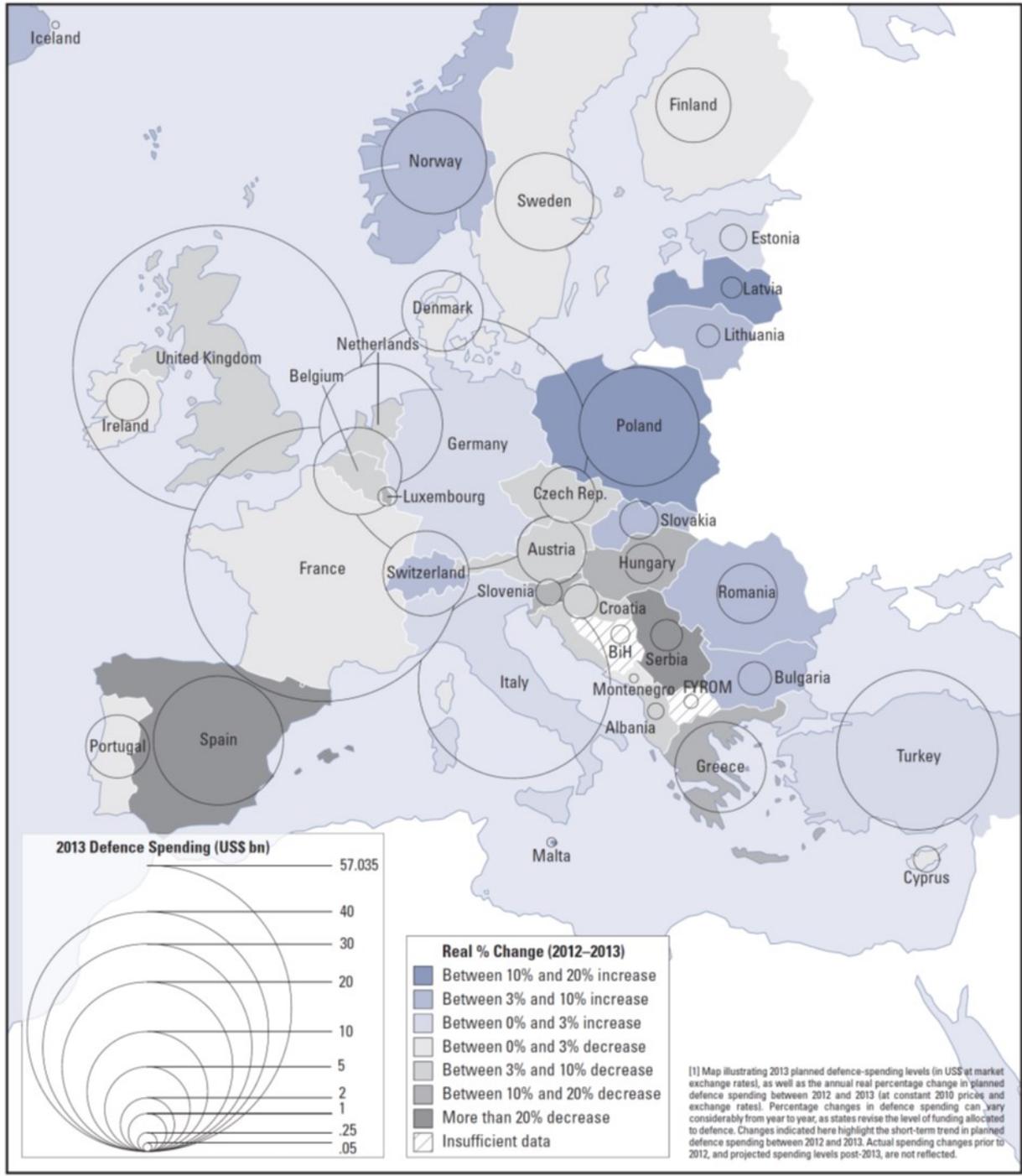
Figure 2-6: Defence Spending Trends in Europe

2.9.3.   NORTH ATLANTIC TREATY ORGANISATION

154.   Since the collapse of the Soviet Union, the North Atlantic Treaty Organisation has evolved from a traditional military alliance for collective defence into a politico-military organisation for security cooperation with a large and complex bureaucracy. The organisation has been able to remain relevant beyond the end of the Cold War due to its ability to re-orient its strategic direction and the historically consistent commonality of values and interests between North America and European states.

155. There is debate over the North Atlantic Treaty Organisation's core role given the differing military requirements of defending its members' territory compared with contributing to peace support operations, tensions in relation to financial burden-sharing, and the current drift of some of its member nations toward geopolitical introversion. Only four of the organisation's 28 members currently maintain the collectively agreed upon defence-to-gross domestic product ratio of 2% or more (Turkey, the United States, France and the United Kingdom).

156. Most of these challenges aren't new: internal divisions, an over-reliance on American resources and military funding discrepancies, have been problems since the organisation's creation. The 2011 air campaign in Libya exposed the dependence of European alliance members' on United States military support.

157. The North Atlantic Treaty Organisation will continue to forge partnerships with external countries, both in order to augment and add greater legitimacy to its operations, and to help distribute the financial burden of operations.

158. The North Atlantic Treaty Organisation–New Zealand relationship reinforces bilateral relationships with many European nations while offering valuable defence training opportunities. The relationship has been strengthened over the course of more than a decade of joint operations in Afghanistan as well as counter-piracy activities around the Horn of Africa. To maintain the bilateral relationship post Afghanistan, we signed an Individual Partnership and Cooperation Programme arrangement in 2012.

2.9.4. RUSSIA RESURGENT

159. Russian actions in Ukraine are challenging the rules-based international order, particularly the inviolability of a country's national borders. It is demonstrating an increasing willingness to use all levers of state power in the pursuit of its national interests.

160. United States–Russian tensions in relation to Syria, and United States–European Union criticism of Russia's actions in the Ukraine, are fuelling speculation of a new Cold War between Russia and the West. This may represent a fundamental and long-lasting degradation of relations between Russia and Western nations. Relations could further deteriorate should the North Atlantic Treaty Organisation expand its membership to include more of Russia's neighbours, or Russia seeks to reclaim further territory (beyond the Crimean peninsula) lost following the dissolution of the Soviet Union.

2.9.5. EUROPE AND THE NORTH ATLANTIC TREATY ORGANISATION ASSESSMENT CONCLUSIONS

New Zealand-European Union relations: holding steady

Our relationship with many European states, particularly the United Kingdom, remains important. As a bloc, the European Union is our second-largest regional trading partner, and we retain shared historical links and a common outlook on the importance of democracy, human rights and the rule of law. New Zealand's defence engagement with Europe is driven principally through our engagement with the North Atlantic Treaty Organisation, as well as the acquisition of military equipment from European manufacturers.

European Union: down but not out

The Global Financial Crisis hit much of Europe particularly hard. Inequality, unemployment and dissatisfaction with the existing political order has risen, with far right and left wing political movements increasing in popularity. It is unlikely that the European Union will fracture or collapse, but economic underperformance is driving calls for independence or increased autonomy within European Union states such as Spain, the United Kingdom and Belgium.

Defence cuts crimping capability

Static or declining defence expenditure, and in some cases accompanied by significant cuts in capability, is reducing European states' ability to deploy its forces outside of Europe. European Union nations will, however, continue to provide some support to United Nations or United Nations-mandated peace support operations, especially in countries close to Europe or former colonial possessions, such as Libya and Mali.

North Atlantic Treaty Organisation

There is internal debate over the North Atlantic Treaty Organisation's core role given the differing military requirements of defending its members' territory compared with contributing to peace support operations and other security challenges. The North Atlantic Treaty Organisation will continue to forge partnerships with external countries, both in order to augment and add greater legitimacy to its operations, and to help distribute the financial burden of operations.

Russia resurgent

Russian actions in Ukraine are challenging the rules-based international order, particularly the inviolability of a country's national borders. This may represent a fundamental and long-lasting degradation of relations between Russia and Western nations. Relations could further deteriorate should the North Atlantic Treaty Organisation expand its membership to include more of Russia's neighbours, or Russia seeks to reclaim further territory.

2.10.   THE MIDDLE EAST AND NORTH AFRICA

New Zealand interests steady

161.   Outside of the Gulf Cooperation Council countries – with whom relations are expanding on the back of rapid economic growth – New Zealand's economic interests in the region are slim. Nevertheless New Zealand has a strong strategic interest given the disproportionate effect events in the region have on international security and the global economy.

2.10.1 CONTINUED CONFLICT

162.   The Middle East and North Africa has undergone significant political change in the last five years, with limited political reform in Morocco; changes in regime in Tunisia, Libya, Yemen, and Egypt (twice); and civil war in Syria, Iraq and Yemen. The region's stability matters to the rest of the world because of its oil and gas production, the strategic importance of the Suez Canal to world trade, and the impact of terrorism.

163.   There are a number of common, underlying factors driving political change in the region although they vary in their extent in each country: high population growth and unemployment; falling real incomes; corruption; scarcity of food, water and energy; cultural, ethnic and religious discrimination; and state borders that ignore traditional tribal boundaries.

164.   With the underlying causes of instability and conflict in the region remaining largely unaddressed, it is highly likely that the region will face further conflict and turmoil over the assessment period.

2.10.2. CHALLENGES TO STATE BOUNDARIES

165.   Two related developments in 2014 are significant for their potential future impact on the region. The declaration of an Islamic Caliphate by the Islamic State of Iraq and the Levant across territory in Syria and Iraq is the first time any group in the region has at least temporarily been able to re-draw the political boundaries established by the allied powers at the end of WWI and following the break up of the Ottoman Empire.

166.   The Islamic State of Iraq and the Levant's takeover of north-western Iraq has enabled long held ambitions in Iraqi Kurdistan to take control of Kurdish-majority territory, including the oil-rich region around Kirkuk. The Kurds in Syria are also building a basis for autonomy.

2.10.3. MORE TERRITORY FOR TERRORIST GROUPS

167.   The conflict in Syria and Iraq is accelerating the shift, already underway, in the centre of gravity of Sunni Islamist terrorism from Pakistan to the Middle East and North Africa. There is now more freedom for the training and planning of terrorist attacks on Western targets, and in an area much closer geographically to Europe.

168.   The conflict has attracted large numbers of Western volunteers seeking to fight on the side of their choice. Their potential radicalisation, combined with any military training or experience received there, could increase the risk of extremism and terrorism in their countries of origin should they return.

2.10.4. RECEDING PROSPECTS FOR THE MIDDLE EAST PEACE PROCESS

169.   Regime change and conflict across the region has increased Israel's threat perceptions, lessening the likelihood of any progress between Israel and the Palestinian Authority on moving towards a permanent two-state solution. Continued settlement building in East Jerusalem and the West Bank is making an economically sustainable, contiguous Palestinian state even less likely over time.

2.10.5. ONGOING IRANIAN NUCLEAR NEGOTIATIONS

170.   An outline agreement relating to Iran's nuclear capability was made in April 2015, although it remains a possibility that a final, comprehensive agreement will not be concluded. If negotiations fail and Iran were to declare a nuclear weapons capability, other states in the region could seek to develop or acquire such a capability themselves. If this were to occur it would have severely negative repercussions for global security.

2.10.6. MIDDLE EAST AND NORTH AFRICA ASSESSMENT CONCLUSIONS

New Zealand interests

Outside of the Gulf Cooperation Council countries, New Zealand's economic interests in the region are slim. Nevertheless New Zealand has a strong strategic interest given the disproportionate effect events in the region have on international security and the global economy.

Continued conflict

The region has undergone significant political change in the last five years, with limited political reform in Morocco; changes in regime in Tunisia, Libya, Yemen, and Egypt (twice); and civil war in Syria and Iraq.

There are a number of factors driving political change in the region, including high population growth and unemployment, falling real incomes, corruption, scarcity of food, water and energy, cultural, ethnic and religious discrimination, and state borders that ignore traditional tribal boundaries. With the underlying causes of instability and conflict in the region remaining largely unaddressed, it is highly likely that the region will face further conflict and turmoil over the assessment period.

More territory for terrorist groups

There is now more freedom for the training and planning of terrorist attacks on Western targets. The radicalisation of foreign fighters, is increasing the risk of extremism and terrorism in their countries of origin upon their return, including New Zealand.

Receding prospects for the Middle East Peace Process

Regime change and conflict across the region has increased Israel's threat perceptions, lessening the chance of any progress between Israel and the Palestinian Authority on moving towards a permanent two-state solution.

Implications for New Zealand peace support operations

The risk to Defence Force personnel in both the United Nations Truce Supervision Organisation and the Multinational Force and Observers mission has increased over the past five years. It is likely that the security situation will remain highly unstable over the assessment period.

2.12.   SUB-SAHARAN AFRICA

Small but rising New Zealand interest

171. Sub-Saharan Africa spans desert, savannah, jungle and temperate climates, with a total population of 936 million people spread across 49 countries. New Zealand's relations with most African nations are sparse, based on Commonwealth and sporting ties and our longstanding development, humanitarian and peace support assistance. Although our trade with the region remains modest, exports have increased steadily over the past 15 years and are expected to continue to do so. This is likely to increase the importance to New Zealand of the Indian Ocean trade routes. New Zealand can expect continued requests for niche contributions to existing and new peace support operations in the region.

2.12.1. DECREASING INTER-STATE CONFLICT, CONTINUED INTRA-STATE CONFLICT

172.   Approximately 80% of all currently deployed United Nations personnel operate in Sub-Saharan Africa and 60% of all current United Nations missions are located there. There has been a steady decline in inter-state conflict in the region over the last few decades. This is expected to continue out to 2040, although some areas are likely to remain contested, such as between Sudan and South Sudan and between Ethiopia and Eritrea.

173.   Despite this, intra-state conflict, complicated by the involvement of external actors, is expected to continue to be the primary type of conflict generating instability across the region. The majority of new United Nations operations over the assessment period are expected to be in Sub-Saharan Africa.

2.12.2. POSITIVE AND NEGATIVE INDICATORS

174.   The Sub-Saharan region is undergoing rapid change. With some of the highest population growth rates in the world, its population is likely to double between now and 2045, exceeding China's working age population in 2030 and India's in 2035. Much of this population growth will occur in urban areas, with most cities struggling to provide basic services. Economic growth has been uneven; strong in some countries (such as Angola) but weak or non-existent in others.

175.   Overall the region presents a mixed picture. Governance is improving in many countries, with an overall shift towards representative government, while others backslide. Corruption and poor governance remain serious problems, though the number of coup d'état per decade decreased from 20 between 1960 and 2000 to six between 2000 and 2010. The region is expected to continue to make progress due to improved health and education, higher incomes, stronger civil societies, better access to information via growth in information and communication access, and the growing empowerment of women.

Regional organisations, particularly the African Union, have also increased their capacity to address security challenges.

176.   The region remains highly vulnerable. It includes 14 of the world's most fragile states (out of the top 20).[14] Many countries already face energy, water and food shortages. These are likely to become more pronounced in some areas due to high population growth, lowering water tables, higher temperatures, increasingly intense droughts and floods, declining agricultural productivity, and changing rainfall patterns. Friction over resources, for example, accounted for 35% of all conflict in the region during 2010-2011. Instability and conflict may increase in some areas for these reasons as well as unemployment, unfulfilled expectations, rising inequality and the influence radicalising ideologies and groups. The risk of terrorism may also increase for these reasons.

2.12.3. PIRACY OFF THE AFRICAN COASTLINE

177.   Since their peak in 2011, attacks by Somali-based pirates have declined markedly. This downward trend is attributable to the combined deterrent effect of the presence of multilateral counter-piracy operations – such as the United States-led Combined Maritime Force and the North Atlantic Treaty Organisation's Operation Ocean Shield, which the Defence Force has contributed to – and the increasing prevalence of armed security teams aboard seagoing vessels. As a result, the overall cost of Somali piracy is down by almost 50% (from US$5.7 billion in 2012 to $3 billion in 2013).

178.   If efforts to combat piracy decline, or the capability of Somali pirates significantly increases, this trend could reverse. The underlying causes of piracy – fisheries depletion, poverty, weak governance and the absence of rule of law – are not expected to be addressed substantively over the assessment period, despite the gradual emergence of capacity building efforts ashore.

179.   Piracy off the Western coast of Africa, primarily around the Gulf of Guinea, is increasing. For the past two years there have been more attacks in this region than in East Africa, including 42 hostage-taking attacks and 58 attempts at robbery. Although the region does not have the same strategic importance as East Africa (with its crucial trade route through the Suez Canal and on to Asia) 30% of oil destined for the United States and 40% for Europe passes through the region.

180.   If the piracy problem escalates and supplies are substantially disrupted, it is possible that international attention could intensify and multilateral counter-piracy operations be considered.

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[14] These are, in descending order: South Sudan, Somalia, Central African Republic, Democratic Republic of Congo, Sudan, Chad, Zimbabwe, Guinea, Cote D'Ivoire, Guinea Bissau, Nigeria, Kenya, Ethiopia, and Niger.

2.12.4 SUB-SAHARAN AFRICA ASSESSMENT CONCLUSIONS

Small but rising New Zealand interest

New Zealand's relations with most African nations are sparse, based on Commonwealth and sporting ties and our longstanding development, humanitarian and peace support assistance. New Zealand can expect continued requests for niche contributions to existing and new peace support operations.

Decreasing inter-state conflict, continued intra-state conflict

There has been a steady decline in inter-state conflict in the region over the last few decades. This is expected to continue out to 2040. Intra-state conflict, complicated by the involvement of external actors, is expected to continue to be the primary type of conflict generating instability across the region. The majority of new United Nations operations are expected to be in Sub-Saharan Africa over the assessment period.

Positive and negative indicators

Overall the region presents a mixed picture. Governance is improving in many countries, with an overall shift towards representative government, while others backslide. Corruption and poor governance remain serious problems. Much of the region remains highly vulnerable, particularly in areas facing energy, water and food shortages.

Piracy off the African coastline

Attacks by Somali-based pirates are declining due to presence of multilateral counter-piracy operations and the increasing prevalence of armed security teams aboard seagoing vessels. If efforts to combat piracy decline, or the capability of Somali pirates significantly increases, the downward trend could reverse as the underlying causes of piracy are not being substantively addressed.

Piracy off the Western coast of Africa, primarily around the Gulf of Guinea, is increasing.