

## **NEW ZEALAND, AUKUS, AND STRATEGIC NEUTRALITY: THE CASE FOR NON-ALIGNMENT IN AN ERA OF BLOC COMPETITION**

### **Executive Summary**

New Zealand's potential involvement in AUKUS Pillar II should be assessed through the lens of national interest, economic realism, and strategic independence rather than through the threat perceptions of larger Western allies. While Australia and the United States increasingly frame China as a central strategic competitor and security threat, New Zealand's circumstances are fundamentally different. New Zealand does not face a direct military threat from China, does not possess the defence-industrial scale to contribute meaningfully to most high-end AUKUS Pillar II programmes, and remains heavily dependent upon China as a strategic economic partner. Deeper involvement in AUKUS would therefore risk imposing significant economic and diplomatic costs while providing only marginal security and technological benefits beyond those New Zealand already receives through Five Eyes intelligence cooperation and its close bilateral defence relationship with Australia.

This paper argues that New Zealand should adopt a position of strategic neutrality and practical non-alignment. This does not mean abandoning traditional partners, leaving Five Eyes, weakening the relationship with Australia, or ignoring legitimate national security risks such as cyber activity, espionage, foreign interference, or regional instability. Rather, it means resisting pressure to adopt a threat narrative primarily shaped by Australian and United States strategic priorities. New Zealand should not allow larger allies to coerce or pressure it into jeopardising its economic relationship with China, particularly when there are no realistic alternative export markets capable of replacing Chinese demand across key sectors such as dairy, meat, forestry, tourism, and education.

New Zealand's intelligence and defence communities increasingly assess China within a wider framework of strategic competition, foreign interference, espionage, and regional influence. These assessments should not be dismissed. However, they must be understood within the institutional reality that New Zealand's security establishment operates inside a deeply integrated Five Eyes ecosystem dominated by the United States, Australia, and the United Kingdom. This creates structural incentives toward shared threat perceptions, common analytical assumptions, and alignment with larger allied strategic priorities. The question is not whether New Zealand's agencies are being directly controlled by allies, but whether New Zealand's national assessment of China is becoming overly influenced by alliance-driven frameworks that do not fully reflect New Zealand's own economic exposure, geographic position, or direct security environment.

AUKUS Pillar II offers some limited areas where New Zealand could participate usefully, particularly in cyber resilience, artificial intelligence-enabled maritime domain awareness, software development, space-related support, secure communications, and limited autonomous systems relevant to surveillance and humanitarian assistance. However, many of the most prominent areas of Pillar II cooperation, including hypersonics, advanced undersea warfare, quantum technologies at strategic scale, large classified research and development programmes, electronic warfare systems, and advanced defence manufacturing, are well beyond New Zealand's current financial, industrial, and technological means. New Zealand could contribute at the margins, but it is unlikely to become a major or strategically decisive participant without a major transformation of its defence budget, research base, and industrial structure.

The most credible policy option for New Zealand is therefore not deeper AUKUS integration, but a deliberate strategy of maintaining greater distance from increasingly confrontational bloc politics while preserving constructive relations with both Western partners and China. New Zealand should seek strategic flexibility, not strategic entrapment. Its long-term security is better served by remaining a stable, independent, economically resilient Pacific state than by becoming a minor participant in a security framework primarily designed around the strategic calculations of larger powers.

## **Introduction**

The debate over New Zealand's possible participation in AUKUS Pillar II has emerged at a moment of growing geopolitical instability and increasing pressure on small and medium-sized states to choose sides between competing major powers. AUKUS, established by Australia, the United Kingdom, and the United States, is widely understood as one of the most significant new security arrangements in the Indo-Pacific. While Pillar I focuses on Australia's acquisition of nuclear-powered submarines, Pillar II focuses on advanced defence technology cooperation in areas including artificial intelligence, cyber capability, quantum technologies, autonomous systems, electronic warfare, hypersonics, and undersea capabilities.

New Zealand has made clear that any involvement would only relate to Pillar II and would not compromise its long-standing anti-nuclear policy. However, the distinction between Pillar I and Pillar II is politically and strategically less clear than it appears. Even if Pillar II does not involve nuclear propulsion, it remains part of the same wider strategic framework. It is designed to strengthen the technological, military, and industrial integration of the United States, Australia, and the United Kingdom in the Indo-Pacific. It is therefore unlikely that China, or many Pacific Island states, would view New Zealand's participation as neutral, harmless, or separate from the wider strategic logic of AUKUS.

The central question is not whether New Zealand can technically participate in AUKUS Pillar II. The more important question is whether it should. This paper argues that New Zealand should not seek deeper involvement. Instead, it should adopt a more neutral, non-aligned posture that protects its economic relationship with China, preserves its independent foreign policy identity, avoids unnecessary entanglement in great power rivalry, and recognises the limited practical benefits that AUKUS Pillar II would provide.

## **New Zealand's Strategic Position Is Not Australia's Strategic Position**

A major weakness in much of the public debate surrounding AUKUS is the assumption that New Zealand's strategic interests are naturally aligned with those of Australia and the United States. While New Zealand shares deep historical, cultural, intelligence, and defence ties with these partners, its strategic circumstances are not the same.

Australia views China through the lens of regional military balance, maritime security, deterrence, strategic competition, and alliance integration with the United States. Canberra's geography, defence posture, resource base, and alliance commitments place it much closer to the centre of United States-led Indo-Pacific military planning. Australia has also made a deliberate choice to move toward deeper strategic integration with the United States, including through the nuclear-powered submarine programme under AUKUS Pillar I.

The United States views China through an even broader global framework. Washington's assessment is shaped by competition for global influence, military primacy, technological dominance, alliance leadership, and the preservation of a United States-led international order. For the United States, China is not merely a regional actor but a peer competitor with the capability to challenge American strategic dominance across multiple domains.

New Zealand's position is fundamentally different. New Zealand does not seek military primacy, does not possess major power ambitions, does not maintain large expeditionary forces, and does not have the capacity to significantly alter the military balance in the Indo-Pacific. Its core national interests are economic stability, maritime security, Pacific regional stability, humanitarian assistance, disaster response, border security, cyber resilience, and protection of sovereign decision-making.

Most importantly, China does not pose a direct military threat to New Zealand. There is no credible scenario under current conditions in which China seeks to invade, attack, or militarily coerce New Zealand in the manner implied by some broader alliance-based threat narratives. China may present strategic risks in particular areas, including cyber activity, foreign interference, intelligence collection, regional influence,

and economic dependence, but these are not the same as a direct military threat. Conflating strategic risk with direct threat risks distorting New Zealand's policy choices.

### **China as a Strategic Economic Partner**

China is central to New Zealand's economic wellbeing. It is not simply one market among many, but a strategic economic partner whose demand supports major sectors of the New Zealand economy. Dairy, meat, forestry, tourism, education, and other export-dependent industries have benefited substantially from access to the Chinese market. For a small trading nation geographically distant from most major markets, this relationship is not easily replaceable.

The argument for diversification is valid in theory, but it is often overstated in practice. New Zealand should certainly seek to reduce excessive economic dependence on any single market over the long term. However, diversification cannot be achieved quickly, and there are no realistic alternative markets capable of absorbing New Zealand exports at the same scale, price, and commercial reliability as China in the near to medium term. To jeopardise the China relationship without a credible replacement would therefore be economically irresponsible.

This is where New Zealand's interests diverge sharply from those of larger allies. The United States has a vast domestic economy and global financial reach. Australia has a larger economy, a deeper resource base, and a different export profile. New Zealand has less capacity to absorb prolonged economic retaliation, informal trade restrictions, or diplomatic deterioration with China. Any policy that unnecessarily places this relationship at risk must therefore be judged against the real economic consequences for New Zealand households, businesses, exporters, and regional communities.

New Zealand should not treat China as a threat simply because Australia and the United States increasingly do. Larger allies are entitled to define their own strategic priorities, but New Zealand is equally entitled to define its own. The fact that China is a strategic competitor for Washington and Canberra does not automatically mean China is a direct threat to Wellington. New Zealand's foreign policy should be based on New Zealand's national interest, not on the automatic importation of allied threat narratives.

### **How the New Zealand Intelligence and Defence Communities View China?**

New Zealand's intelligence and defence communities have become more explicit in recent years in identifying foreign interference, espionage, cyber threats, and strategic competition as central national security concerns. China is increasingly referenced within this wider assessment environment, particularly in relation to foreign interference, influence activity, cyber security, and the changing balance of power in the Indo-Pacific.

These concerns should not be dismissed. New Zealand has a legitimate interest in protecting its sovereignty, institutions, research sector, political system, diaspora communities, critical infrastructure, and information environment. No responsible government should ignore espionage, covert influence, or cyber activity by any state actor.

However, it is equally important to examine how these threat perceptions are formed. New Zealand's intelligence and defence institutions operate within a highly integrated Five Eyes system. This provides New Zealand with access to intelligence capabilities far beyond what it could generate independently. It also means that New Zealand is embedded within a security culture heavily shaped by larger partners, especially the United States, Australia, and the United Kingdom.

This creates a structural issue. New Zealand's intelligence community is small. It does not possess the same global collection reach, military intelligence infrastructure, satellite capabilities, signals intelligence scale, or analytical depth as the United States or Australia. As a result, New Zealand necessarily relies heavily on allied intelligence flows, shared assessments, common terminology, joint exercises, personnel relationships, and integrated planning systems. Over time, this can create convergence in threat perception.

This does not mean that New Zealand's intelligence assessments are simply dictated by Washington or Canberra. That would be too simplistic. However, it does mean that New Zealand's assessment environment is strongly influenced by alliance structures. The institutional gravitational pull of Five Eyes is real. When larger partners increasingly define China as the principal strategic challenge, it becomes difficult for a smaller intelligence partner to remain analytically and politically distant from that framing.

The risk is that New Zealand gradually adopts an Australian or American view of China without fully testing whether that view reflects New Zealand's own national circumstances. Australia and the United States may view China as a military competitor, but New Zealand's direct exposure is different. The primary risks for New Zealand are not invasion or military attack, but economic vulnerability, cyber resilience, political sovereignty, regional diplomatic competition, and exposure to great power instability.

A more independent New Zealand assessment would distinguish clearly between China as a direct military threat, China as a source of specific security risks, and China as a strategic economic partner. These categories should not be collapsed into one another. New Zealand can protect itself against interference, espionage, and cyber activity without adopting a confrontational posture that treats China as an enemy.

### **AUKUS Pillar II and the Problem of Strategic Blur**

Supporters of New Zealand involvement often argue that AUKUS Pillar II is separate from Pillar I because it does not involve nuclear-powered submarines. This argument is technically correct but strategically incomplete. Pillar II is not a neutral technology forum. It exists within the same AUKUS framework and is designed to enhance allied military capability, interoperability, and technological advantage in the Indo-Pacific.

The technologies associated with Pillar II are not politically innocent. Artificial intelligence, autonomous systems, undersea sensors, cyber capability, electronic warfare, advanced communications, and quantum technologies all have direct military applications. Many of them are intended to support future operations in contested environments. Even if New Zealand joined only selected areas, external observers would likely view participation as a political signal that Wellington was moving closer to an anti-China security architecture.

This is particularly important because New Zealand has spent decades cultivating an image of independent foreign policy. Its anti-nuclear position, Pacific identity, humanitarian focus, and pragmatic diplomacy have allowed it to maintain credibility with a wide range of partners. Joining AUKUS Pillar II would risk weakening this position by associating New Zealand more closely with a framework that many in the region view as part of bloc militarisation.

China would almost certainly interpret New Zealand participation through the broader strategic meaning of AUKUS rather than through Wellington's preferred technical distinction between the two pillars. Some Pacific Island states may do the same. For New Zealand, the issue is not only what Pillar II formally is, but how participation would be perceived.

### **What New Zealand Could Realistically Contribute to Pillar II**

There are limited areas of AUKUS Pillar II where New Zealand could make a practical contribution. These areas are generally those that align with New Zealand's existing strengths, geographic requirements, and modest defence-industrial base.

Cyber security is one of the most viable areas. New Zealand has a strong interest in improving cyber resilience across government, critical infrastructure, defence networks, and commercial systems. Participation in narrowly defined cyber cooperation could provide some benefit, particularly if focused on defensive cyber capability, information assurance, incident response, and resilience rather than offensive cyber operations.

Artificial intelligence applications for maritime domain awareness are another plausible area. New Zealand has a vast maritime zone and limited surveillance assets. AI-enabled data processing, satellite integration,

pattern-of-life analysis, and automated monitoring of maritime activity could help New Zealand improve awareness of its Exclusive Economic Zone, fisheries, border approaches, and the wider South Pacific. This would align with New Zealand's practical security needs rather than major power warfighting requirements.

Software development and data analytics also represent areas where New Zealand could contribute at niche level. New Zealand companies and research institutions may be able to support specific tools for intelligence analysis, logistics, sensor fusion, communications management, or operational decision support. These contributions would be modest but potentially useful if scoped appropriately.

Space-related support is another possible area, particularly given New Zealand's growing association with commercial launch activity and space-enabled services. However, this would need careful management because space technologies can rapidly move from civilian and commercial use into military targeting, surveillance, and communications functions. New Zealand would need to ensure that any cooperation did not compromise its broader diplomatic posture or create unnecessary association with offensive military systems.

Autonomous systems may also offer limited opportunities, especially in unarmed maritime surveillance, environmental monitoring, search and rescue, and disaster response. New Zealand could potentially benefit from small unmanned aerial, surface, or underwater systems designed for surveillance and situational awareness. These would be more consistent with New Zealand's defence requirements than high-end autonomous combat systems.

Secure communications and interoperability tools may also be viable, particularly where they strengthen cooperation with Australia during Pacific humanitarian assistance and disaster relief operations. However, even this area requires caution. The deeper New Zealand integrates its command, control, communications, computers, intelligence, surveillance, and reconnaissance systems into AUKUS structures, the harder it becomes to maintain a genuinely independent posture.

Overall, New Zealand could contribute to Pillar II only in a selective, niche, and carefully limited manner. Its viable contributions would be strongest where technologies serve defensive, surveillance, resilience, humanitarian, and maritime awareness roles. These areas could be useful, but they do not require full AUKUS integration and may be achievable through existing bilateral or Five Eyes mechanisms.

### **What Is Beyond New Zealand's Means**

Many of the most prominent areas of AUKUS Pillar II are well beyond New Zealand's current means.

Hypersonic and counter-hypersonic technologies are the clearest example. These programmes require enormous investment, advanced testing infrastructure, specialised materials science, high-end aerospace engineering, classified research environments, and integration with major weapons development pipelines. New Zealand does not possess the scale, budget, or industrial base to contribute meaningfully to this area.

Advanced undersea warfare technologies are also largely beyond New Zealand's capacity. While New Zealand has maritime interests and may benefit from improved undersea awareness, high-end undersea warfare involves sophisticated sonar systems, submarine integration, autonomous underwater platforms, secure communications, and advanced anti-submarine warfare networks. These are expensive, classified, and closely tied to Australia's nuclear-powered submarine programme. New Zealand involvement would create major political sensitivities and limited practical return.

Quantum technologies at strategic military scale are similarly difficult. New Zealand may have academic expertise in relevant scientific fields, but meaningful defence contribution in quantum sensing, quantum communications, or quantum computing requires sustained investment far beyond what New Zealand is likely to provide. Participation would likely be symbolic unless attached to very specific research niches.

Electronic warfare and advanced signals systems are also problematic. These capabilities sit close to offensive military operations, intelligence collection, and high-end conflict planning. New Zealand could perhaps benefit indirectly from allied developments, but it is unlikely to become a major contributor. More



importantly, involvement in these areas would weaken any claim that Pillar II participation is purely defensive or politically neutral.

Large classified research and development programmes are also beyond New Zealand's present defence-industrial structure. New Zealand does not have large defence primes, major military production lines, or a deep classified industrial ecosystem comparable to Australia, the United Kingdom, or the United States. Building this capacity would require major financial and political commitment over many years.

Advanced autonomous combat systems are another area where New Zealand should be cautious. Small autonomous surveillance systems may be useful, but involvement in lethal autonomous systems or high-end military robotics would be strategically and politically inappropriate for New Zealand's likely defence requirements.

The conclusion is straightforward. New Zealand can participate at the edges of Pillar II, but it cannot realistically become a major player in the core areas that define AUKUS as a high-end military technology framework. This reality weakens the case for participation. If the benefits are marginal and the risks are substantial, deeper involvement becomes difficult to justify.

### **The Budgetary Constraint**

New Zealand's defence budget is already under significant pressure. Even with stated ambitions to increase defence spending toward 2 percent of Gross Domestic Product, much of the additional funding is likely to be absorbed by existing capability gaps and long-delayed recapitalisation requirements.

The New Zealand Defence Force faces challenges across naval replacement, maritime surveillance, air mobility, infrastructure, personnel retention, logistics, and readiness. These are not optional luxuries; they are core national defence requirements. Before New Zealand considers deeper involvement in high-end multinational technology programmes, it must first ensure that its existing defence force is sustainable, deployable, and properly equipped for tasks that directly support national and regional security.

AUKUS Pillar II may appear cheaper than Pillar I, but advanced defence technology cooperation is not cost-free. It requires secure facilities, specialised personnel, classified systems, research investment, industrial participation, and long-term programme funding. For New Zealand, these costs would compete against more immediate and practical defence needs.

The risk is that New Zealand could spend scarce defence resources trying to buy relevance inside a framework where it will remain peripheral. That money may be better spent on maritime patrol, sealift, disaster response, cyber resilience, Pacific engagement, border security, and practical interoperability with Australia outside AUKUS.

### **Existing Alliances Already Provide Many of the Benefits**

New Zealand already receives substantial security benefits through existing arrangements. Five Eyes provides intelligence access that few countries of New Zealand's size could otherwise obtain. The bilateral defence relationship with Australia provides interoperability, training, logistics cooperation, regional coordination, and operational familiarity. New Zealand also maintains practical defence relationships with the United States, the United Kingdom, and other partners.

This raises a critical question: what does AUKUS Pillar II provide that New Zealand does not already receive through existing channels?

Supporters may argue that Pillar II offers earlier access to emerging technologies and a seat at the table in future defence innovation. However, New Zealand's ability to shape outcomes would likely be limited. The core decisions would remain dominated by the United States, Australia, and the United Kingdom. New Zealand would more likely be a small add-on participant than an equal partner.

If the benefits are mainly access, interoperability, and limited technology awareness, these may already be achievable through Five Eyes, bilateral arrangements with Australia, and targeted defence technology partnerships that do not carry the same geopolitical baggage as AUKUS.

New Zealand should therefore avoid joining a politically sensitive framework merely to obtain benefits it may already receive through less risky mechanisms.

### **Pacific Identity and Regional Credibility**

New Zealand's identity as a Pacific state matters. Its influence in the Pacific is not based primarily on military power, but on relationships, trust, development support, disaster response, labour mobility, and long-term diplomatic engagement. New Zealand has often been seen differently from larger military powers because of its anti-nuclear stance and its tradition of independent foreign policy.

AUKUS risks undermining this identity. Many Pacific states are wary of militarisation, nuclear legacies, great power rivalry, and external strategic competition. Even if New Zealand insists that Pillar II is non-nuclear, regional audiences may not separate it from the wider AUKUS framework.

New Zealand's comparative advantage in the Pacific lies in being trusted as a stable, independent, and constructive partner. It should not lightly trade that position for limited access to high-end defence technology that may provide only marginal practical benefit.

### **Strategic Neutrality and Non-Alignment**

Strategic neutrality does not mean isolation. It does not mean abandoning Australia, leaving Five Eyes, or refusing to cooperate with Western partners. It means preserving New Zealand's right to make independent decisions based on its own national interests.

A non-aligned New Zealand would continue cooperating with Australia on defence, maintain intelligence relationships, protect itself against cyber threats and foreign interference, and contribute to Pacific stability. However, it would avoid deeper integration into security frameworks explicitly associated with major power competition against China.

This position is not anti-Western and it is not pro-China. It is pro-New Zealand.

The key strategic question is not whether New Zealand should move closer to China. It is whether New Zealand should create more distance between itself and increasingly confrontational bloc politics while maintaining constructive relations with both sides.

That is a far more realistic and sustainable approach. New Zealand does not need to choose between becoming an extension of United States and Australian strategy or becoming aligned with China. It can pursue a middle position based on economic pragmatism, sovereign independence, regional diplomacy, and selective security cooperation.

### **Likely Outcomes**

The most likely outcome is that New Zealand will continue to avoid full AUKUS Pillar II participation while maintaining dialogue with AUKUS partners. Wellington will probably remain open to selected cooperation in areas such as cyber, maritime domain awareness, and emerging technology, but will avoid commitments that appear to compromise its anti-nuclear stance, Pacific identity, or economic relationship with China.

A second likely outcome is that pressure from Australia and the United States will continue. As strategic competition with China intensifies, larger allies will likely encourage New Zealand to align more visibly with Western security frameworks. This pressure may be diplomatic, institutional, and political rather than openly coercive. It may occur through defence planning, intelligence channels, public commentary, ministerial engagement, and expectations around interoperability.

A third likely outcome is that New Zealand's domestic debate will become more divided. Security institutions and some policy communities may argue for closer alignment, while exporters, parts of the public, some political actors, and independent foreign policy advocates may argue for caution. The debate will increasingly centre on whether New Zealand can afford to jeopardise China trade for uncertain security benefits.

A fourth likely outcome is that New Zealand will attempt to preserve ambiguity for as long as possible. It may avoid saying no outright to AUKUS Pillar II while also avoiding meaningful commitment. This approach would allow Wellington to reassure Western partners without unnecessarily provoking China or alarming Pacific neighbours.

### **Future Outlook**

Over the next decade, New Zealand will face increasing pressure to define its strategic position more clearly. The international environment is becoming less forgiving of ambiguity, and major powers are increasingly expecting smaller states to align with one bloc or another. This will create a difficult environment for New Zealand, whose national interest depends heavily on maintaining both Western security relationships and stable economic ties with China.

China will likely remain indispensable to New Zealand's export economy. Even if diversification efforts continue, they are unlikely to produce a near-term replacement for Chinese demand. At the same time, New Zealand will continue relying on Five Eyes and Australia for security, intelligence, and defence cooperation. Managing this dual dependence will be one of Wellington's most important strategic challenges.

The best future course is therefore not deeper alignment with AUKUS, but disciplined strategic neutrality. New Zealand should strengthen national resilience, improve cyber security, protect democratic institutions, maintain credible defence capabilities, and deepen Pacific partnerships. However, it should do so without adopting a confrontational China policy that does not reflect its direct threat environment.

New Zealand should also invest in independent analytical capability. If Wellington is to make sovereign decisions, it must be able to assess China, the United States, Australia, and regional dynamics through its own national lens. Reliance on allied intelligence is useful, but overreliance risks importing external priorities.

In the long term, New Zealand's value may lie precisely in its ability to remain independent, pragmatic, and trusted. In a region increasingly shaped by strategic rivalry, a small state that can maintain constructive relations with both sides may have more diplomatic utility than one that simply attaches itself to a larger bloc.

### **Conclusion**

New Zealand should not deepen its involvement in AUKUS Pillar II unless it can demonstrate clear, practical, and nationally relevant benefits that outweigh the economic, diplomatic, and strategic risks. At present, that case has not been made.

China does not pose a direct military threat to New Zealand. The risks associated with China are real but manageable and should be addressed through resilience, sovereignty protection, cyber security, and careful diplomacy rather than through alignment with a military technology framework designed around great power competition.

New Zealand's intelligence and defence assessments are increasingly shaped by an alliance environment in which Australia and the United States define China as a central strategic threat. While New Zealand should take allied assessments seriously, it should not automatically adopt them. Its circumstances are different, its economy is more exposed, and its national interests are not identical.



AUKUS Pillar II offers limited areas where New Zealand could contribute, but many of its core technologies are well beyond New Zealand's financial and industrial means. Participation would likely be marginal in practical terms but significant in geopolitical perception.

The more prudent course is strategic neutrality and practical non-alignment. New Zealand should remain close to its traditional partners, but not subordinate its national interest to their strategic narratives. It should maintain constructive relations with China, protect its economic interests, strengthen its own resilience, and preserve the diplomatic flexibility that has long been one of its greatest foreign policy assets.

In an increasingly divided world, New Zealand should not rush to choose sides in a confrontation that does not directly serve its national interest. Its strategic future is better served by independence, balance, and restraint.