



Indian Council  
of World Affairs



# CHINA AND THE SOUTH PACIFIC

Unfolding Geopolitical  
Shifts in the Region

DR. PRAGYA PANDEY





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**China and the South Pacific:**

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## ABSTRACT



The South Pacific sub-region of the Indo-Pacific has been witnessing many significant developments in recent years. The region consisting of small Pacific Island Countries (PICs) is a part of the larger Indo-Pacific region. Increasing salience of the Indo-Pacific construct in the regional and global discourse has been a major factor resulting in bringing attention to the South Pacific sub-region. The region which has largely been dormant is experiencing increasing engagement from major global powers. China's profile in the South Pacific has been rapidly rising given the significance of the Pacific Islands in China's Belt and Road Initiative (BRI) and increasing Chinese aid and assistance to small island nations in the region. China's active pursuance of island strategy in the South Pacific may alter the regional balance of power in the long run. This paper attempts to examine these issues in detail. It aims to provide a comprehensive analysis of increasing clout of China in the region and Beijing's conscious effort to increase its diplomatic, economic and strategic footprints in the region, which is unnerving the traditional players and causing a palpable shift in the geopolitics of the region.

**Key Words:** *South Pacific, PICs, China, Indo-Pacific, Australia, New Zealand, US, geopolitics*





# 1. INTRODUCTION



In the current century of ‘perpetual speed and motion, instantaneous information, convulsed by globalisation... struggles over space and power are more important than ever’.<sup>1</sup> The present international security scenario is in a state of flux, characterised by uncertainty and ambiguity, and is likely to remain so for the foreseeable future. That the security of the entire Indo-Pacific region is in the throes of a remarkable change is apparent, especially with increasing interface between the Indian and the Pacific Ocean. Geopolitics of the region will further complicate security environment.

The increasing salience of the Indo-Pacific in regional and global discourse is coupled with intense geopolitical churnings in the region with complex and at times competitive interests of regional and global powers. Within the larger Pacific region, this discourse around Indo-Pacific has brought an increasing attention to the South Pacific sub-region, which is becoming economically, politically and strategically significant. The small island countries in the region with large Exclusive Economic Zones (EEZs), abundance of natural resources and relatively lesser developed economies are attracting increasing attention from regional and extra-regional powers.

What has characterised external powers interests in the Pacific Island Countries (PICs) is “their strategic relationship to trans-Pacific lanes of communications”, which drove the 19th and early 20th century Western scramble for Pacific colonies and island battles during Pacific war from 1941-45.<sup>2</sup> The region has remained

largely inactive from the point of view of great power contestations for much of the post-war period. However, that situation is changing gradually in recent years, and by and large the same factor, i.e., the geostrategic significance of the Pacific Islands is the major driving factor for the current power contestations.

The region, which has largely been relatively dormant, is experiencing increasing engagement from India, Japan, Indonesia and France (with overseas territories) in recent time. However, the most effective and disruptive engagement by far in the region has come from China.

In recent years, China's profile in the South Pacific has been rapidly rising given the significance of the Pacific Islands in China's Belt and Road Initiative (BRI) and increasing Chinese aid and assistance to small island nations in the region. China has been financing a number of infrastructure projects in the region, which has stoked fear among regional players – Australia and New Zealand – of China's strong foothold in the strategically vital neighbourhood. Beijing's attempts at "soft power" diplomacy have given rise to anxieties among other important players about future possibilities of China's active presence in the region, and vulnerability of these islands to Beijing's debt trap.

Given the swift geopolitical changes, there is a dominant narrative of discussion about the region of a choice dilemma between China and other traditional players. China's assertive presence in the region has meant that other actors, new and old, are resetting their priorities and stepping up engagement in the Pacific.



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Islands have always played a crucial role in the great power politics. Despite their small size the islands in the Indian and Pacific Ocean, historically have been game changers. These small islands are important from the point of view of forward power projection by the major powers in the region. Given the considerable economic and geostrategic importance, the island nations in the South Pacific region are gradually becoming central to the regional security complex of the larger Indo-Pacific region.

Mercantilism, past and present, shows that geoeconomics, or economic competition between states, is a driving force behind the rise and fall of great powers.<sup>3</sup> In case of small island states, there has been an inter-weaving of geo-politics and geo-economics<sup>4</sup> in generating greater interests of major powers to focus attention and resources in these island countries. While these small islands are looking for investment needs which can be met by one or the other major powers, it is also important that they evaluate as to “where their strategic autonomy is more likely to remain secure”.<sup>5</sup>

The primary objective of this research paper is to evaluate geopolitical shifts in the South Pacific region in the light of China’s increasing diplomatic and strategic presence in the region. It aims to analyse approaches of major players in their engagement with the PICs.

## 2. SOUTH PACIFIC IN LARGER GEOPOLITICAL MATRIX OF THE INDO-PACIFIC

### 2.1 THE SOUTH PACIFIC REGION

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The South Pacific sub-region of the Indo-Pacific serves as “the strategic front line between Asia and the Americas”.<sup>6</sup> The Pacific Islands consists of the three major groups of islands: Melanesia, Micronesia and Polynesia. The term Pacific Island Countries (PICs) here commonly refers to the fourteen countries scattered in the South-West Pacific Ocean. These are Cook Islands, Fiji, Kiribati, Marshall Islands, Micronesia, Nauru, Niue, Samoa, Solomon Islands, Palau, Papua New Guinea, Tonga, Tuvalu, and Vanuatu. These are certainly not uniform group countries, having diverse set of ethnic groupings, culture, languages, economy, political system and various other differences. There are parliamentary democracies (Cook Islands and Fiji), Constitutional Confederation (Micronesia), Republics (Kiribati, Nauru, Samoa, Vanuatu), Constitutional Monarchies (Papua New Guinea, Solomon Islands, Tuvalu) and parliamentary monarchy (Tonga). Of the fourteen PICs, nine are sovereign – the Kingdom of Tonga, Fiji, Kiribati, Nauru, Papua New Guinea, Samoa, Solomon Islands, Tuvalu, and Vanuatu. Others are in Free Association with the larger nations – which imply that their foreign and defence policies are managed by larger nations. Cook

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Islands and Niue are in Free Association with New Zealand, the Federated States of Micronesia, Marshall Islands, Palau, with the US.<sup>7</sup> In most countries, a democratic style of government co-exists with traditional social systems.



**Figure 1: Map depicting the three divisions in the South Pacific**

**Table No: 1**

<b>S. No.</b>	<b>Country</b>	<b>Area</b>	<b>EEZ</b>	<b>Population</b>	<b>Political System</b>	<b>Economic Sectors</b>
	Cook Islands	240 sq km	1.8 million sq km	13,100	Parliamentary Democracy – Free Association with New Zealand	Tourism, Pearl Industry, Fishing
	Federated States of Micronesia	702 sq km	2.9 million sq km	103,000	Constitutional Confederation in free association with the US	Agriculture, tourism, fishing, services
	Kiribati	810 sq km	3.6 million sq km	114,000	Republic with an executive president	Agriculture, Fisheries
	Marshall Islands	180 sq km	2.1 million sq km	55,000	Constitutional government in Free Association with the US	Tourism, subsistence agriculture, fisheries
	Nauru	21 sq km	320,000 sq km	10,800	Republic with an Executive President	Phosphate mining, fishing, revenue from offshore processing centre and service providers
	Niue	260 sq km	390,000 sq km	1470	Full self-government in free association with New Zealand	Subsistence agriculture, fishing, tourism
	Palau	460 sq km	600,900 sq km	18,000	Constitutional government in free association with the US	Tourism, services, subsistence agriculture, fisheries
	Tuvalu	30 sq km	757,000 sq km	11,000	Constitutional monarchy under HM Queen Elizabeth II	Agriculture and fisheries

Source: PIF Website



<b>S. No.</b>	<b>Country</b>	<b>Area</b>	<b>EEZ</b>	<b>Population</b>	<b>Political System</b>	<b>Economic Sectors</b>
	Fiji	18.3 thousand sq km	1.26 million sq km	890,000	Parliamentary representative democratic republic	Agriculture, manufacturing, mining, livestock farming, tourism, fishing, sugar, construction.
	French Polynesia	4000 sq km	4.7 million sq km	268,270	Overseas country within the French republic – parliamentary democracy	Tourism, pearl industry
	New Caledonia	18.6 thousand sq km	1.4 million sq km	268,767	Mandated collegiate government	Nickel industry, mining, financial transfers from France, tourism, manufacturing
	Papua New Guinea	463 thousand sq km	3.1 million sq km	7.7 million	Constitutional Monarchy	Agriculture, timber, mining , gold, copper, silver), natural gas
	Tonga	720 sq km	700,000 sq km	104,000	National monarchy	Agriculture, fisheries, tourism
	Solomon Islands	27.9 thousand sq km	1.6 million sq km	588,000	Constitutional monarchy under HM Queen Elizabeth II	Agriculture, fisheries, forestry
	Vanuatu	12.2 thousand sq km	680,000 sq km	269,000	Republic	Agriculture, fisheries, tourism, livestock farming

Source: PIF Website

The region comprising the strategically located small island nations (Nauru's total land area is 21sq. km.), with small population (Niue's total population is roughly around 1470),<sup>8</sup> abundance of natural resources, relatively lesser developed economies, lying at the crossroads of strategically significant maritime trade routes, is becoming considerably significant, particularly given the popularity of the Indo-Pacific construct. These remotely located island nations are characterised by small populations, with the total population of the region estimated at approximately 6.6 million,<sup>9</sup> poor infrastructure, long distances from markets, high telecommunications and transportation costs, a heavy reliance on imports and increasing exposure to climate change.

Economies of many of the island countries rely on a single or just a few commodities. Major sectors of economies largely include agriculture, tourism, fisheries, sugar, livestock farming and mining in certain cases. A large proportion of populations in most of these islands are engaged in subsistence agriculture, and the public sector remains the largest employer in many countries.<sup>10</sup> Major exports from the region include high-value plantation timbers, indigenous nuts and processed fruit. Tonga and Samoa have good soil and agricultural capacity. Kiribati and Tuvalu have limited resource base and major internal transport problems. Major agricultural produce and export from Cook Islands include pineapple, orange and banana; coffee is a major export from New Guinea; cocoa from Samoa and Solomon Islands and Fiji have a large-scale sugar industry.<sup>11</sup>





**Table No: 2**

Region	Major Agricultural Products
Melanesia	High-value plantation timber, fair-trade sugar, bottled water, virgin coconut oil, coconut products (cosmetics, furniture, etc), fresh tuna (sashimi), 'single source' cocoa and coffee, kava, fresh fruit and vegetables, indigenous nuts, fresh flowers, preserved spices, organic beef, pearls
Polynesia	Virgin coconut oil, cosmetics, black pearls, noni juice, dried organic fruits, spices, single source cocoa and coffee kava, fresh fruit and vegetables (particularly squash), indigenous nuts, fresh fish, vanilla
Micronesia	Virgin coconut oil, coconut products, import substitution

*Source: Wesley Morgan and Tess Newton Cain, "Activating greater trade and investment between Australia and Pacific Island countries", Policy Brief, Griffith Asia Institute, June 2020, p. 9*

The intra-island trade in the region is very limited. Significant exports from the island states to regional countries – Australia and New Zealand – include gold and crude petroleum from Papua New Guinea; gold, clothing, biscuits, and bottled water from Fiji; and gold and timber from Solomon Islands. Outside the region, Europe remains a key destination for Pacific exports, particularly for processed tuna and agricultural exports from Melanesian states. Besides, other key trading partners include the US, Japan, Singapore and some states in Southeast Asia. China is gradually becoming an important trading partner, primarily more in terms of imports and investment.

The significance of the PICs lays a lot in their resource rich EEZs, which can be attractive sources of natural and mineral resources like fisheries, liquefied natural gas (LNG), hydrocarbons and seabed minerals. Some of the PICs have EEZs that are larger than the landmass and EEZ of India taken together. Kiribati, one of the smallest countries, alone has an EEZ of 3.5 million sq. km.<sup>12</sup>



**Figure 2: Pacific Island countries and their EEZs**

*Source: Food and Agriculture Organisation (FAO) of United Nations*

Given their geography, over 80 percent of populations in the PICs live within 1.5 km of the coastline. The region faces increasing challenges from frequent natural disasters such as tsunamis, cyclones, typhoons, storms and floods; increasing coastal inundation; soil salinity and erosion, coupled with limited capacity to respond, resulting in the loss of life and property. As the sea levels are rising, the coral reefs that protect islands and foster fisheries are bleaching and ocean warming is accelerating.

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These threats are in addition to other problems of poverty, rapid movement of people and outward migration from outer islands to urban areas and to developed countries, resulting in depletion of human resources.

## **2.2 BROADER GEOPOLITICAL LANDSCAPE IN THE REGION**

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Geopolitics can be broadly defined as the struggle for control of geographical entities with an international and global dimension, and the use of such geographical entities for political advantage.<sup>13</sup> Gearóid O'Tuathail in his *Critical Geopolitics* (1996) introduces the concept of 'geo-power', as he argues that "geography is about power", an ever-changing map of the human struggle over borders, space, and authority. "It is a product of histories of struggle between competing authorities over power to organise, occupy and administer space."<sup>14</sup> He argues that the global politics is characterised by perpetual struggle over space. The recent enhanced engagement of major powers with the islands in the South Pacific, particularly China, can be analysed under this light as it is potentially altering the balance of power in the region. China's recent interest in the region seems to challenge the traditional Western predominance causing apprehensions among the regional players.

The South Pacific region, which was generally regarded as quiet backwaters, is experiencing profound changes as far as the geostrategic environment of the region is concerned.<sup>15</sup> The South Pacific, until recently, was considered more of an area of the United States' (US) influence managed under the Australia-New Zealand-United States (ANZUS) trilateral military alliance.<sup>16</sup> For a

long time, after the end of the Cold War, the South Pacific receded into a geoeconomic and geopolitical “backwater” as far as Western powers were concerned.<sup>17</sup> However, situation has been changing in recent years; the islands are not only part of China’s BRI but also important for US’ free and open Indo-Pacific strategy.<sup>18</sup> At the same time, regional countries are pursuing their active approach in the region in the wake of intensification of geostrategic competition, exacerbating the region’s existing vulnerabilities. As the global attention shifts to the Indo-Pacific, the South Pacific sub-region is becoming increasingly important economically, politically and strategically.

What is important to be noticed is that, the global as well as the regional security environment is highly charged today with increasing strategic competition and contestations among major powers. Crisis in Ukraine, US-China contestations, in the region, there has been a deterioration of the ties between China and Australia more so since the pandemic, and of course one of the key factors that has been consequential in influencing the recent geopolitical shifts has been China’s asymmetric rise and its increasing foothold across the region. It has led to a situation where the region is becoming increasingly securitised with other players in an apparent attempt to balance China, are pursuing increasingly proactive stance in their foreign, security and military policies. All of this has resulted in a situation where security balances in the region looks uncertain.

In the light of these developments, both New Zealand and Australia have been vocal about their concerns of China’s strategic ambitions in the region and are trying to boost their role in their Pacific

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neighbourhood. Thus, the South Pacific is gradually becoming a centre-point of geopolitical competition within the broader Indo-Pacific region.

### **2.3 OTHER ISSUES FACING THE REGION**

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As discussed in the previous section, the region is witnessing a new set of power rivalries where powers with varying degree of strengths have been competing for influence, which will largely determine the strategic future of the region. At the same time, the region faces numerous other challenges as well. The geography of these countries with the waters surrounding is a treasure and at the same time, also makes them vulnerable to various challenges from non-traditional angles.

In the post-Cold War world, the conventional representations and understandings of the concept of security have undergone significant change, with growing acknowledgment that security should be understood as a subjective, elastic and essentially contested concept. The concept of security as the absence of existential threats to the state emerging from another state has come under serious criticism. Non-traditional threats to security, survival and wellbeing of people and state, arising primarily out of non-military sources such as climate change, natural disasters, infectious diseases, food shortages, irregular

migration, drug trafficking, and such other transnational crime, have acquired primacy.

The emergence of contemporary theoretical debate on the concept of security could be traced back in 1980s, along with writings of Richard Ullman's (1983) *Redefining Security* and Barry Buzan's *People, State and Fear* (1983, 1991) during the period of heightened Cold War tension. Ullman criticised the overly military-centric approach to security, which he argued, "conveys a profoundly false image of reality".<sup>19</sup> For Buzan security is "not just about state but related to all human collectivities", and this security of human collectivities was affected by the factors of five major sectors, namely military, political, economic, societal and environmental security.<sup>1</sup> The UN Secretary-General's High-Level Panel on Threats, Challenge, and Changes (2004) identified six major areas of security challenges: "economic and social threats; inter-state conflict; internal conflicts; nuclear, chemical and biological weapons; terrorism; and transnational organised crimes".<sup>20</sup>

The threats to peace and security have become multidimensional and multifaceted, including both the traditional, realist "state-centric" and non-traditional challenges which are often transnational in nature. Both the structural economic crises and the universal threat to mankind posed by climate change are beyond the direct control and capacity of a single state. In short, both the threats to security and ways to deal with them have become global in nature.

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1 However, the second edition of the book published in 1991 after the Cold War excludes the military factor out of these. See Buzan, Barry, "People States and Fear: An Agenda for International Security Studies in Post-Cold War Era", Second Edition, Harvester Wheatsheaf, New York (1991).



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The nature of the threats to peace and security has also assumed a new dimension as it has become multidimensional and multifaceted, challenged not only by the traditional, realist “state-centric” threats but also from non-traditional challenges which are often transnational in nature.

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Island countries in the South Pacific face frequent cyclones, tsunamis, earthquakes, volcanic eruptions, flooding, landslides and droughts. One of the major challenges faced by the PICs includes climate change and related impacts. Climate change has been identified as one of the greatest threats to the livelihood, security and wellbeing of the people in the region. The island states are threatened by the rising sea level. Food security can be a concern in future due to climate change and the looming problem caused by the over-exploitation of coastal fisheries. Given their geography, most of the Pacific Island countries are vulnerable to be affected by a variety of natural disasters like cyclones, tsunamis etc. At the second edition of the World Sustainable Development Summit 2018 in New Delhi, India, the representative of Fiji, Attorney-General and Minister for Economy, Aiyaz Sayed-Khaiyum said that climate change presents an immediate threat to food production, and there is an urgent need to make greater finance and sustainable development assistance available to climate vulnerable nations such as the PICs. He invited attention to the steady increase of soil salinity caused by sea level rise, which is a major challenge particularly in low-lying vulnerable nations, threatening food production and food security, giving rise to the problems of relocation and other issues.<sup>21</sup> He particularly highlighted the case of “the Government of Kiribati’s purchase of

land in Fiji made to address food security concerns due to rising sea levels”.<sup>22</sup> Fijian Prime Minister Frank Bainimarama argued that the Pacific Islands ‘have their moral authority as vulnerable states to drive the world to a more ambitious, more aggressive climate action’.<sup>23</sup> At the 51st Pacific Island Forum (PIF) Leaders’ Summit in July 2022, the leaders endorsed the 2050 Strategy for Blue Pacific Continent, a regional strategy that reinforces collective commitment for advancing Pacific regionalism based on “Blue Pacific” narrative. The strategy focuses on key areas like people-centric development, climate change and disasters, ocean and natural environment, technology and connectivity.<sup>24</sup>

Earlier the Boe Declaration on Regional Security adopted by the regional countries, at the 49th PIF Summit in 2018, in Nauru, recognised the concept of security as “all inclusive” with “multifaceted challenges”, and prioritised issues of human security, environmental security, transnational crimes and cyber security. The declaration emphasised that regional cooperation in building resilience to these challenges needs to be given importance. It called for promoting closer security collaboration among the members to respond to the complex regional security environment.<sup>25</sup> The declaration is a crucial step, as it is a regional acceptance of expanded concept of security.

Internal dynamics of the region cannot be ignored while analysing the evolving geopolitics. Many of the small islands in the region also have fragile social and political structures. French Polynesia and New Caledonia have inherent instabilities. They are administered by posted French officials alongside the local elected government. They have ethnically diverse population, with a history of protest





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Internal dynamics of the region can also not be ignored while analysing the evolving geopolitics. Many of the small islands in the region also have fragile social and political structures.

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and violence and unstable governments.<sup>26</sup> Solomon Islands have a history of inter-island tensions. Provincial governments in certain parts of the country have had tense relations with the central government for years.<sup>27</sup> There have also been voices of autonomy in the Malaita province, who feel largely ignored by the Centre for years. The country also witnessed large-scale anti-government protest against the Sogavare administration's pro-Beijing stance in November 2021. Earlier in 2006 as well the country had witnessed riots. On the other hand, Tonga has witnessed anti-Chinese protests in 2006, which led to a short-lived intervention by Australia and New Zealand. In 2009, PNG experienced anti-Chinese agitation in certain parts. Therefore, "the potential for a return to conflict between Pacific Islanders and Chinese in the region remains".<sup>28</sup> Papua New Guinea, Solomon Islands, and Vanuatu are states-in-formation characterised by extraordinary linguistic and group diversity giving rise to weak consciousness of nationhood. Nauru has experienced frequent changes of government and states of emergency.<sup>29</sup> Fiji has witnessed economic downturn and political instability with military intervention with coups in the past.<sup>30</sup>

Energy is another key priority for these countries located far away from the sources of oil and gas. The possibility of renewable energy, wind and solar, needs to be harnessed in a sustainable manner to fulfil their demands. Most of these islands lack capacity to harness such energy and therefore, it is another area where they are in need

of technical assistance by nations who have such expertise. India has provided assistance to the PICs, in this area. A notable example of India's efforts to foster the affordable renewable energy in the PICs includes the training programme organised for elderly women from Fiji, Solomon Islands, Tuvalu, Samoa, Kiribati and Nauru at the Barefoot College in Rajasthan.<sup>31</sup> Such programmes aim at “turning grandmothers into solar engineers through training”, to install and maintain solar lighting and power in their home villages.<sup>32</sup> In the past, India had also facilitated a training workshop on ‘Sustainable Development for PIF Countries’ in Suva, Fiji, in 2007, through the Indian research organisation Tata Energy Research Institute (TERI), with the objective to help the small island states of the region to enhance capacity in renewable energy utilisation, rainwater harvesting and waste management.<sup>33</sup> The problem of food and energy security can be dealt with the proper utilisation of ocean resources, as the PICs should be treated as large ocean states and not small states.

The region is rich in resources but most of the islands lack the capacity to extract them. “Much of the region's goods exports can be properly characterised as primary resource extraction by multinational companies which possess the means and technical know-how to access those resources. The larger share of economic benefits arising from resource exports such as minerals, timber and fish, has tended to accrue to those firms. With little local processing, and tax regimes of limited effectiveness, the employment and financial benefits to the host country are minimal”.<sup>34</sup> The region contributes a significant amount of world's tuna production; however, relatively little of the catch is retained in the region. “Most



tuna is caught by vessels from distant nations and Pacific states earn income by selling fishing licences.”<sup>35</sup>

Apart from these, another recent tension in the region has been challenge to the regionalism, as the most important regional multilateral platform the Pacific Island Forum (PIF), faces crisis. The PIF, formed in 1971, as a multilateral platform, based on the ‘sense of common identity and purpose’,<sup>2</sup> is the major regional organisation in the South Pacific. It provides the small and remotely located countries an opportunity to be heard and to attract the attention of the international community. Just before the 51st Summit meeting in July 2022, Kiribati announced its intention to withdraw from the Forum. The current crisis goes back to the five Micronesian members of the PIF (Kiribati, Nauru, the Federated States of Micronesia, Marshall Islands and Palau) announcing, in February 2021, that they have decided to quit the organisation over the issue of appointment of the new Secretary General of the PIF (Henry Puna, PM of Cook Islands from Polynesia region), Kiribati was one of them. Kiribati’s announcement of withdrawal comes as a setback to the efforts made over last one year (since Micronesian members<sup>3</sup> had announced their intention to exit from the Forum), to mend the rift among member countries. This divide in the Forum had also brought to the fore, an implicit tension between the North and the South within the group.<sup>36</sup> There is a feeling that

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2 The members of the Forum include Australia, Cook Islands, Federated States of Micronesia, Fiji, French Polynesia, Kiribati, Nauru, New Caledonia, New Zealand, Niue, Palau, Papua New Guinea, Republic of Marshall Islands, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu.

3 The three groups of islands in the South Pacific region are: Micronesia: Kiribati, Nauru, the Federated States of Micronesia, Marshall Islands and Palau Polynesia: Cook Islands, Nauru, Niue, Samoa, Solomon Islands, Tonga, Tuvalu, French Polynesia Melanesia: Fiji, Vanuatu, New Caledonia, Papua New Guinea, Solomon Islands

the group is dominated by the South, especially bigger players including Australia, New Zealand and Fiji.<sup>4</sup> Micronesian nations feel that Canberra and Wellington want to preserve their influence in the South Pacific.

These issues along with the challenges posed by over two years of COVID pandemic and the mounting debt to major powers have created grave economic concerns for these island states. The pandemic and local containment measures have strained their economies. The main sector of the economy of most of the countries, i.e., tourism, has been severely hit. The region's output declined by 3.7 percent on average in 2020. The PICs are among the most vulnerable countries worldwide to the effects of climate change and continued external shocks from climate-related events. Economic contraction, loss of tourism revenues, and counter-cyclical fiscal measures generally widened fiscal deficits in 2021. The pandemic has led to a significant rise in public debt in many of the PICs.<sup>37</sup> Many of the islands now have significantly less fiscal space to respond to natural disasters, and even less room to take on new loans to finance climate adaptation and resilience. Finding ways to sustainably finance these investments remains a high priority for the PICs.<sup>38</sup>

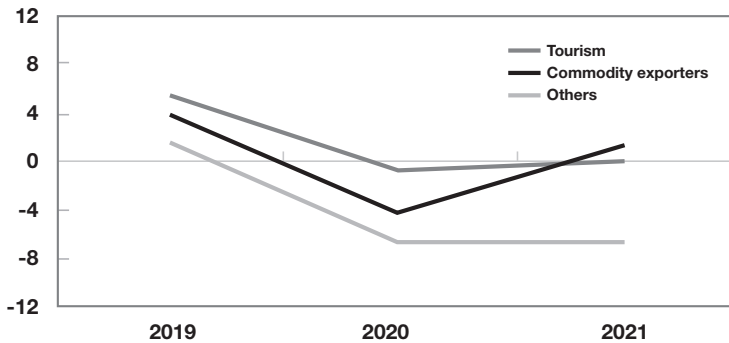
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4 With smaller population and economies, the Micronesian nations feel marginalised in some ways by their larger, more influential and economically bigger neighbours in the south. As Federated States of Micronesia President David Panuelo commented, "What we have seen is a South Pacific that looks down on the North Pacific" (See:<https://www.abc.net.au/radio-australia/programs/pacificbeat/fsm-pres-covid-pif/13120114>)



## PICs: Short Term Output Loss

(Average Real GDP Growth)



Note: Tourism economies include Fiji, Palau, Samoa, Tonga, and Vanuatu; commodity economies include Papua New Guinea and Solomon Islands; and mixed economies include Kiribati, Marshall Islands, Micronesia, Nauru, and Tuvalu. Sources: World Economic Outlook and IMF Staff calculations.

Figure: 3

Therefore, in addition to the shifting trends in the regional geopolitics in the light of China bolstering its economic and diplomatic footprints, mentioned in this section are some of the other crucial issues of concern for the PICs.

### 3. CHINA'S PUSH IN THE SOUTH PACIFIC: RECENT TRENDS

A major geopolitical change evolving in the Pacific Islands region in recent years is China's gradual emergence as an important player. Currently, ten of the fourteen PICs have diplomatic relations with China, after the recent switch of allegiance from Taiwan by Kiribati and Solomon Islands.

In most of the PICs, aid narrative has mainly determined their relationships with the larger countries. South Pacific is one of the

most aid-dependent regions of the world. While Australia remains the largest aid and development partner, over the last decade China has gradually emerged as one of the highest donors to the PICs, challenging Australia and New Zealand’s position as the traditional dominant donors in the region (see Table3). China has provided nearly US\$ 2.11 billion in aid including concessional loans to the PICs from 2009-2021.<sup>39</sup> China is also the largest trading partner of PIF member countries (excluding Australia and New Zealand). China is now the region’s biggest bilateral lender. However, Australia and New Zealand together contribute about 55 percent of the total aid to the region.<sup>40</sup>

**Total Aid to the Pacific Region from 2009 to 2021 (in billion US\$)**

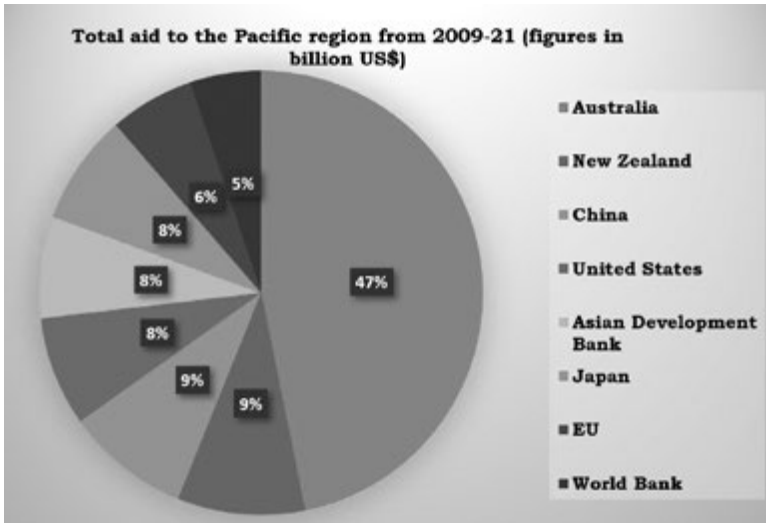
**Table No: 3**

Australia	10.88
New Zealand	2.16
China	2.11
United States	1.85
Asian Development Bank	1.73
Japan	1.87
EU	1.43
World Bank	1.21

Most of these small island countries remain at high risk of debt distress. What is also noticeable is that they owe a major percentage of their total outstanding external debt to China. Papua New Guinea has the biggest debt to China, at almost US\$590 million, representing about one-quarter of its total external debt.<sup>41</sup>

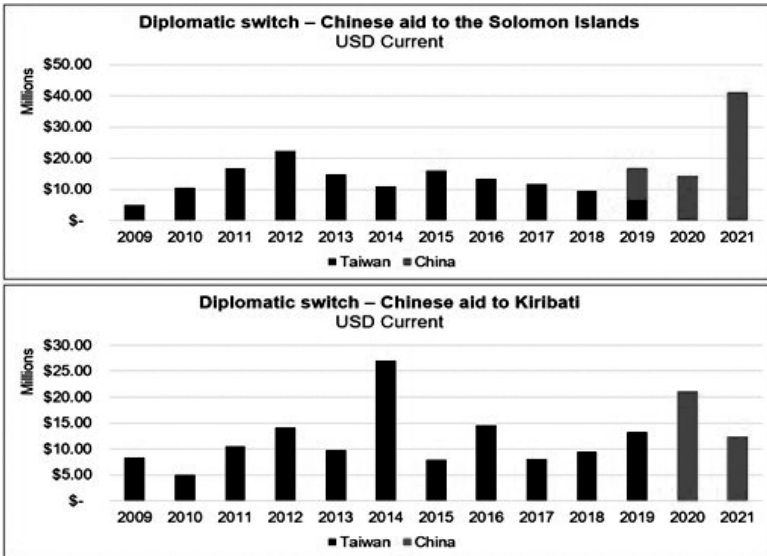


Figure No. 4



Data Source: Lowy Institute, Pacific Aid Map

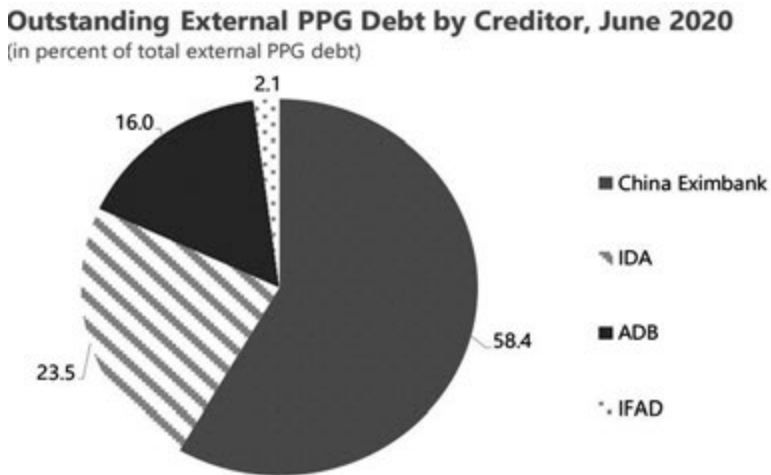
Figure No: 5



Source: A Dayant, <https://twitter.com/AlexandreDayant>, <https://pacificaidmap.lowyinstitute.org/>

As per the International Monetary Fund (IMF) estimates, Tonga, has a total public and publicly guaranteed (PPG) external debt of US\$184 million, which is about 36 percent of GDP, as of end-June 2020. Tonga’s debt obligations are largely external, and half of its total public debt is to China, with a sharp spike in debt repayments due from FY2024 onwards. Tonga started repayments to China’s Exim Bank in FY2019 with larger repayments coming due starting in FY2024.<sup>42</sup> Debt repayments to China will spike in 2024, on a loan used to rebuild its central business district after riots in 2006.<sup>43</sup>

Figure No: 6  
Tonga’s Public Debt Obligations



Source: Ministry of Finance.

For Vanuatu, the public sector debt increased sharply to 52.4 percent of GDP in 2018 from 26.1 percent in 2014. This was mainly caused



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by new disbursement for infrastructure development supported by bilateral partners, including the Japan International Cooperation Agency (JICA) and the Export-Import Bank of China (China EXIM Bank). Vanuatu owes US\$152 million that is 32.3 percent of its GDP, as external debt.<sup>44</sup>

At the multilateral level, China is deeply involved in Pacific Island regional organisations, although it is only a dialogue partner. On 25 August, 2022, the PIF announced that the Government of China has handed over an annual funding contribution of US\$1.08 million to PIF Secretariat under the China-Pacific Island Forum Cooperation Fund.<sup>5</sup> PIF Secretary General Henry Puna said that “over 80 per cent of China’s funding contribution today will support the Pacific Trade and Invest China office to work with the private sector to develop, grow and promote business in the region by facilitating export opportunities with buyers and attracting foreign direct investments”.<sup>45</sup>

A large amount of assistance that these countries have received so far from Beijing is to finance a number of infrastructure projects. Given the trends in China’s aid and assistance to smaller countries elsewhere as well, focused largely on loan-based infrastructure programmes, it is putting these island nations at a risk of debt-trap.

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5 China has been a Forum Dialogue Partner of the Pacific Islands Forum since 1990. The China – Pacific Islands Forum Cooperation Fund was established in 2000 to support bilateral cooperation in trade, investment, tourism, and personnel exchange.

### 3.1 MAJOR INFRASTRUCTURE PROJECTS FUNDED BY CHINA IN THE REGION

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China has been strengthening connectivity with the Indo-Pacific sub-regions, including Southeast Asia, South Asia and South Pacific, through its BRI. An important dimension of China's growing interest in the region has been in the context of role of these island nations in China's BRI, "located, as these are, at the Southwards extension of the BRI".<sup>46</sup> Beijing's aid and assistance to the region have come mostly in the form of many loan-based infrastructure projects. Pacific Islands figure prominently in the China's initiative as "the 21st-Century Maritime Silk Road is an important maritime passage connecting China's coastal ports to Europe through the South China Sea and the Indian Ocean in one route, and the South China Sea to the South Pacific in the other".<sup>47</sup> Beijing's willingness to invest had come as an alternative for island nations in the region, which were in need of such assistance.

Frank Bainimarama, Prime Minister of Fiji, was one of the Heads of States present at the *Belt and Road Forum for International Cooperation* in May 2017 in Beijing. China has now signed MoUs on BRI with all the ten countries that have diplomatic ties with China and has also signed a *BRI Cooperation Plan* with PNG and Vanuatu.<sup>48</sup> While signing the memorandum PNG Prime Minister Peter O'Neil had commented that "BRI is a great initiative because of the opening up of market and access to capital and infrastructure-building capacities that we are now developing together with China."<sup>49</sup>

With recent large-scale Chinese investments in the region, the island nations have begun to look more to their north for assistance.



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An important dimension of China's growing interest in the region has been in the context of role of these island nations in China's BRI. Beijing's aid and assistance to the region have come mostly in the form of many loan-based infrastructure projects.

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China has been financing infrastructure and connectivity projects like building a multi-purpose port in PNG's Manus Island, Kumul Domestic Submarine Cable Project in PNG at the cost of US\$24.53 million, Power Grid Development Project in png.

China's investment in Manus Island, a 2100 sq km island located in PNG, is of significance given the strategic location of the island. "Manus's commanding position of north of mainland PNG would allow China to regulate SLOCs heading toward the eastern Australian seaboard and New Zealand."<sup>50</sup> Historically, Manus Island was a major US naval base during the World War II, used



Figure No: 7  
Strategically located Manus Island

extensively for the Allied campaign in the Pacific. The Island houses Lombrum Naval Base currently used by the PNG Defence Force. Significant progress is being made on an expansion and upgrade project at the Momote Airport, the nearest airfield to the Lombrum Naval Base, wherein construction contractor is a Chinese company.<sup>51</sup> Chinese facilities on the Manus Island could be leveraged by Beijing to monitor and support operations in the Western Pacific region.<sup>52</sup>

China has also financed road upgrade in Tanna and Malekula in Vanuatu and Luganville Wharf redevelopment, funded by a Chinese state-owned enterprise Shanghai Construction Group.<sup>53</sup> China spent a sum of US\$80.<sup>56</sup> million on Luganville Wharf redevelopment which heightened fears of Chinese naval installation in Vanuatu.<sup>54</sup> Reports were carried by Australian media that Chinese and Vanuatu officials held preliminary talks concerning a potential Chinese military base at Luganville Wharf, funded by a Chinese state-owned enterprise Shanghai Construction Group.<sup>55</sup> Earlier Australia was prompt in replacing China in construction of high-speed undersea telecommunications cables to connect PNG and Solomon Islands. Other major infrastructure projects China has funded in Vanuatu include its parliament, a highway, a tuna processing plant and a 1,000-capacity convention centre.<sup>56</sup>

In Fiji, China has been the second largest donor, at US\$274.98 million, after Australia over the last decade. China has funded road upgradation project in Nabouwalu Draketi at the cost of US\$98.82 million.

In Cook Islands, China has financed projects at US\$45.15 million over the last decade. Major projects were undertaken by Urban



Construction Design and Research Institute and China Civil Engineering Cooperation.<sup>57</sup>

In Samoa, over the last one decade China is the highest donor with US\$313.17 million, compared to Australia at the second number at US\$311.46 million. Major projects financed by China include Falelo International Airport Terminal, a convention centre, National Medical Centre, Ministry of Health headquarter and other government offices.

China's investment in Solomon Islands and Kiribati has increased substantially since 2019, as they switched allegiance to Beijing. Kiribati is particularly important for Beijing as it houses China's satellite tracking station which is China's only offshore satellite facility.<sup>58</sup> In Solomon Islands, it had come to light that Chinese Sam Enterprise Group had struck a deal, securing development rights for the entire Tulagi Island in Solomon and its surroundings, for 75 years initially, which can be renewed further. However, the deal was later rejected. The island is strategically located and it had served as a deep-water harbour for Allied forces in the Pacific during II World War.<sup>59</sup> Now with establishment of diplomatic ties between the two countries Solomon Islands is expecting Chinese investment in the country. In December 2020, the country had witnessed violent protests, fuelled particularly by the government's policies especially its pro-Beijing stance. Prime Minister of Solomon Islands, Manasee Sogavare, faced a no-confidence vote in the Parliament, where he had defended his decision to switch ties to China and at the same time maintain ties with bilateral partners– the US, the UK, Australia, Japan and New Zealand– and the rest of the world. He said that “China as an

economic powerhouse provides an opportunity for us to engage and address our development needs and challenges”.<sup>60</sup> During the Chinese Foreign Minister Wang Yi’s visit in May 2022, the two countries agreed to build flagship projects under the BRI.

Such mega-scale projects in the islands of strategic significance have stoked fear down under of China’s strong foothold in the strategically vital neighbourhood. This in turn has raised apprehensions in the region of future possibilities of China’s active presence in the region, considering examples from the past in the Indian Ocean Region (IOR) of strategic ports of Gwadar, Hambantota and the military base at Djibouti. Beyond the debt-trap issue, what also cannot be denied is “the short to medium term economic problems that BRI may create for the host countries, such as acute fiscal issues, balance of payments crises, and a dramatic fall in foreign reserves”.<sup>61</sup>

Most of the Chinese enterprises driving these infrastructure developments have ties with the Chinese authorities. China pursues a distinct “Military-Civil Fusion” (MCF) strategy. MCF is the elimination of barriers between China’s civilian research and commercial sectors, and its military and defence industrial sectors.<sup>62</sup> The “commercial” and “civil” parts of Chinese society are expected to support the People’s Liberation Army (PLA).<sup>63</sup> China

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China is using its financial muscle and economic diplomacy to gain geopolitical clout in the region. There are signs that Beijing plans to use port investments to increase its military and political reach in addition to commercial objectives.

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has gradually developed a modern and advanced naval force to project power beyond its shores. The PLA Navy is well equipped with force projection capabilities such as aircraft carriers, attack and conventional submarines, long-range reconnaissance aircraft, and a large number of ocean-going platforms coupled with considerable sea-lift capabilities.<sup>64</sup> Now with its BRI, China is using its financial muscle and economic diplomacy to gain geopolitical clout in the region. There are signs that Beijing plans to use port investments to increase its military and political reach in addition to commercial objectives. As the case has been with many of the ports in Africa being built by China's assistance have also been visited by the Chinese naval vessels or are dual-use civilian-military ports.<sup>65</sup> Most of the Chinese enterprises driving these infrastructure developments have ties with the Chinese authorities. Notwithstanding the actual or stated motive, it is quite clear that the scope and the scale of the projects could bestow China with powerful long-term strategic influence in the region, and thereby affecting the balance of power in the region.

Beijing has extensive investments in mines, hydro-electricity projects and real estates in the region. In addition, China has also shown interest in the regions' fisheries, aquaculture<sup>66</sup> and other natural resources in the wide EEZs of the islands. Beijing's interest also lies in high value timber, abundantly available but difficult to extract in the region. On 8 December 2021, the first 'China-Pacific Island Countries (PICs) Forum on Fishery Cooperation and Development' was held in Guangzhou, Guangdong Province. The forum discussed issues such as illegal, unreported and unregulated (IUU) fishing, aquaculture technology, fishery facilities and

equipment, and aquatic products processing and work towards the establishment of a centre for China-PICs modern fishery cooperation and exchanges. A ‘Guangzhou Consensus’ of the first China-Pacific Island Countries Forum on Fishery Cooperation and Development was adopted at the forum.<sup>67</sup> Alongside are the traditional regional players’ fears about Chinese influence at the social and political level in the long run.

### **3.2 RECENT HIGH-LEVEL INTERACTIONS**

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In recent years, diplomatic interactions between China and the PICs have also been frequent with high level visits. In 2014, Chinese President Xi Jinping paid a state visit to Fiji. During the trip held the first meeting with the leaders of the PICs having diplomatic relationship with China on 22 November 2014. This was just after when India had launched the multinational ‘Forum for India-Pacific Island Cooperation’ (FIPIC) during the Indian Prime Minister Narendra Modi’s visit to Fiji on 19 November 2014. Once again in November 2018, when PNG hosted the Asia-Pacific Economic Cooperation (APEC) summit in Port Moresby, ahead of the summit, the Chinese President Xi Jinping held a special forum with leaders of eight small island countries, which had diplomatic relations with China, in Port Moresby, Papua New Guinea, to discuss areas of cooperation particularly the BRI. These included leaders from the Cook Islands, Fiji, Micronesia, Niue, Samoa, Tonga, Vanuatu and Papua New Guinea. At the meeting President Xi among other things also proposed that China is ready to host with island nations the joint ‘China-Pacific Island Countries Economic Development and Cooperation Forum’ in the second half of 2019.





China has also held such meetings twice at the foreign minister's level. The latest one was held during the Wang Yi visit to Pacific Islands in May 2022. At the meeting, Wang Yi first read out President Xi Jinping's written remarks to the meeting which stated that "in recent years, the China-PICs' comprehensive strategic partnership featuring mutual respect and common development has made steady progress and yielded fruitful results, setting an exemplary model of South-South cooperation, mutual benefit, and win-win results....China stays committed to equality of all countries".<sup>68</sup> Wang Yi's trip interestingly came soon after the China-Solomon Islands security agreement was signed and just after the successful in-person Quad Leader's meeting was held in Tokyo on 24 May 2022, where the US led Indo Pacific Economic Framework (IPEF) was signed, which Fiji also joined later. Wang Yi also met the Secretary-General of the PIF, Henry Puna, in Fiji. There were media reports about China's intention to sign a region-wide agreement with ten countries in the region on trade and security. However, the proposal did not actualise as some of the Pacific countries expressed concerns about specific elements of the proposal.

Prior to Wang Yi's visit, Chinese Ministry of Foreign Affairs, published a report titled 'Cooperation Between China and Pacific Island Countries: Fact Sheet' on 24 May 2022. The document highlighted that China and the PICs have long-lasting friendly exchanges, which was recognised as 'strategic partnership' during President Xi's first meeting with the PICs in 2014, and it was upgraded to 'comprehensive strategic partnership' at the second meeting in 2018. The report recognised PICs as important economic and trade partners for Beijing, and presented detailed description of

China's political, economic, security and development cooperation with the island states in the region.<sup>69</sup>

Beijing, therefore, has been making conscious efforts to enhance its diplomatic and economic presence in the region and its relations with PICs. Frequent high-level interactions shows that the region is becoming a priority area for pursuing China's strategic goal of emerging as a major global power.

### **3.3 CHINA-SOLOMON ISLANDS FRAMEWORK AGREEMENT FOR SECURITY COOPERATION: AN ANALYSIS**

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The most recent development which has triggered tension in the region has been the signing of the *Framework Agreement for Security Cooperation* between Solomon Islands and China. The agreement, confirmed on 19 April 2022, took New Zealand, Australia and other Pacific nations completely by surprise. The deal marks Beijing's first known bilateral security agreement in the Pacific. The Framework Agreement comes in force from the date of signing for a period of five years which will be automatically extended for successive periods of five years.<sup>70</sup>

The agreement has been signed with a view to strengthen security cooperation between the two countries. The deal entails that "China may, according to its own needs and with consent of Solomon Islands, make ship visits, carry out logistical replenishment, and have stopover and transition in Solomon Islands and relevant forces of China can be used to protect the safety of Chinese personnel and major projects in Solomon Islands".<sup>71</sup> It also mentioned that



“Solomon Islands may, according to its own needs, request China to send police, military personnel, other law enforcement and armed forces to Solomon Islands, to maintain social order and protect lives and property, provide humanitarian assistance and carry out disaster response and provide assistance on other tasks as agreed by the two sides”.<sup>72</sup> Solomon Islands may submit such request in writing to China, through proper diplomatic channels, with details of internal security situation and details of assistance required.

Another clause of the agreement under Article 5, on ‘confidentiality’, that has raised concerns of regional countries, relates to the nature of the deal, as the deal requires that “cooperation information cannot be disclosed to a third party without the consent of the two parties involved”.

The Solomon Islands’ government has defended the agreement as Collin Beck, Permanent Secretary of Foreign Affairs, of Solomon Islands, said that the agreement has “no intention of allowing China to set up a permanent military presence in the country”, it was rather needed to maintain internal security and help fight climate change. He said that there has been unfair and unwarranted intense scrutiny of the deal. The deal is designed to address development needs in the Pacific nation and to address “domestic security threats”, such as the problem of population growing at a faster rate than the economy could support and chronic unemployment and such other issues.<sup>73</sup> He also stated that there are other various

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The opposition in Solomon Islands has expressed concern that the deal can allow PM Sogavare to use Chinese armed police and military personnel to quash democratic dissent and hold on to power for years to come.

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alliances also that exist in the Pacific like the Five Eye Alliance and Solomon Islands also have a security treaty with Australia.<sup>6</sup>

The opposition within the country has expressed concern that the deal can allow PM Sogavare to use Chinese armed police and military personnel to quash democratic dissent and hold on to power for years to come. The opposition expressed views saying that in a fragile country like Solomon, Chinese policies and tactics could lead to further instability. Matthew Wale, the leader of Solomon Islands' opposition party, stated that the decision of the government to sign a deal with China is not "in the best interest of the nation".<sup>74</sup>

What is important here to note is that the country had witnessed heated political tensions and violent protests against the government in November 2021, in Honiara, the capital city. In addition to critical internal issues like poverty, unemployment and corruption, it was large-scale dissatisfaction with the current

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6 On 14 August 2017, bilateral security treaty was signed by Australian and Solomon Islands' Foreign Ministers, under which which "allows Australian police, defence and associated civilian personnel to deploy rapidly to Solomon Islands if the need arises and where both countries consent". Australia has sent its assistance as part of the treaty during the crisis in November 2021. This is Australia's first bilateral security treaty in the Pacific and it replaced the Regional Assistance Mission to Solomon Islands (RAMSI) treaty, which was an agreement between Solomon Islands and fifteen contributing countries of the Pacific region, and expired upon the withdrawal of RAMSI on 30 June 2017. See:<https://www.dfat.gov.au/geo/solomon-islands/Pages/Bilateral-security-treaty>

See also: Joint media statement with Prime Minister and Minister for Foreign Affairs, 25 November 2021, <https://www.foreignminister.gov.au/minister/marise-payne/media-release/solomon-islands>



government's policies especially its pro-Beijing stance and shifting of diplomatic ties to China that fuelled the current crisis. Solomon Islands also have a history of inter-island tension. A large number of protesters during the November 2021 protests, were from the Malaita province, the most populous province in the country, where the provincial government has had tense relationship with the central government for years.<sup>75</sup> The current Prime Minister Manasseh Sogavare has been a controversial figure in the country's politics. He was first elected as Prime Minister in 2000 after a coup against the then government.<sup>76</sup> Currently, he is serving his fourth term of office. The secret deal can now create further domestic tensions.

The secret deal has certainly created anxiety among the US and its regional allies, with fear of China's military presence in the region. Just before the deal was to be signed, officials from the United States, Australia, New Zealand and Japan had convened a meeting in Honolulu to discuss developments in the Pacific Islands, expressing concern over the proposed framework deal, and "it's serious risks to a free and open Indo-Pacific".<sup>77</sup>

Soon after the deal was signed, on 22 April 2022, a high-level US delegation, led by National Security Council Indo-Pacific Coordinator Kurt Campbell, toured the Pacific region and also visited Solomon Islands. The US delegation outlined "clear areas of concern with respect to the purpose, scope, and transparency of the agreement",<sup>78</sup> and also expressed that "in case of any attempts of de facto permanent military presence, power-projection capabilities, or a military installation, the US respond accordingly".<sup>79</sup> Reiterating US' commitment to the region, the delegation also highlighted

willingness to collaborate with allies and protecting sovereignty of the region.

The deal, regional countries feel, could undermine stability in the region'. Both Australia and New Zealand have expressed concern about the militarisation of the region in the light of the deal.

The deal causes concern for Australia as well as to its self-perception as the predominant security provider in the Southwest Pacific. Marise Payne, the then Foreign Minister of Australia, had expressed concerns about the “lack of transparency” as she said, “this has not been agreed in an open and transparent way, not been consulted, for example, across the region.” Australia sent its Pacific Minister Zed Seselja, to Solomon Islands, to discuss Australia’s concerns with the top officials of Honiara, just before the deal was about to be signed.<sup>80</sup> The then PM Scott Morrison, reacting to the deal, had commented that ‘it is a shared concern for Australia and other regional governments. Chinese military naval would be a ‘red line’ for Australia and its partners in the region.<sup>81</sup> The Australian Labour Party which was in opposition at that time criticised government’s handling of the issues, as the greatest Australian foreign policy blunder in the Pacific since World War II.<sup>82</sup> Australia had raised concerns over a possible military base close to its territory, in the light of China-Solomon deal. The current Australian PM Anthony Albanese, during his visit to Fiji, in July 2022, for the 51st Pacific Island Forum (PIF) Leaders’ Summit, attended the PIF meeting, and held bilateral meetings with some of the island countries, on the sidelines of the Summit. He also met Solomon Islands PM Manasseh Sogavare. After the meeting, PM Albanese is reported to have said that “we’ve made very clear, we’d be concerned about



any permanent presence there in the Solomons, so close, of course, to Australia”.<sup>83</sup> He also expressed that meeting was fruitful and he was “very confident” that China would not be allowed to set up a military base in Solomon Islands.<sup>84</sup>

Similarly, New Zealand’s PM Jacinda Ardern, while in Singapore, as part of her first overseas trip since pandemic, told the media that “there is no need for this agreement they have signed...We must draw clear lines where we have areas of concern and the militarisation of our region is a clear line”. She said there ‘needs to be a regional-wide discussion on the deal’.<sup>85</sup> Prior to the 51st PIF Summit meeting, during a media interaction, PM Ardern once again reiterated that “we have a very strong view on militarisation of the region”.<sup>86</sup> Reacting to how a deal signed by an individual country affects the entire Pacific family, she said, “I think what we need to establish – as a forum and as a family – is just what the expectation is when we have attempts to create new relationships that may have an effect on the region? What notice ... does the region expect to have? And is it reasonable to expect that as a family we try and provide for those needs first and foremost?”<sup>87</sup>

Recently as reported in the media, Solomon Islands has refused to allow a US Coast Guard cutter, USCGC Oliver Henry to make a “routine logistics port call” at Honiara – a further sign of the deteriorating relations between Washington and the Pacific nation. The Solomon government did not respond to “the US government’s request for diplomatic clearance for the vessel to refuel and provision”.<sup>88</sup>

Solomon Islands with the bilateral deal, is clearly pursuing closer ties with Beijing. The deal has resulted in further increasing apprehensions among regional countries about China's strategic aims in the region.

#### **4. CHANGING POWER DYNAMICS: REGIONAL GEOPOLITICAL IMPLICATIONS**

The geopolitical environment in the South Pacific region looks increasingly fluid with many significant recent developments discussed earlier in this paper. China's expanding footprints in the South Pacific region has become especially concerning for Australia, which has long considered the region as its backyard. Australia tries to appear as a major player in its neighbouring maritime area and mobilises a large fleet to guarantee the security of the island continent.<sup>89</sup>

In a kind of a push-back against China's expanding presence in the region, Australia plans to modernise the Lombrum naval base at Manus in Papua New Guinea. Australia has already committed \$3.63 million to upgrade the wharf facilities at Lombrum and announced a total of \$29 million on defence projects in the PNG. The move came after China had reportedly approached PNG offering to develop Manus as a commercial port.<sup>90</sup> During a visit to PNG's capital of Port Moresby in 2018, for the APEC Summit, the then US Vice President Pence had said, "The United States will partner with Papua New Guinea and Australia on their joint initiative at Lombrum Naval Base on Manus Island. We will work with these nations to protect sovereignty and maritime rights of the Pacific





Islands as well.” He also said, “The terms of the infrastructure loans supporting unsustainable and poor-quality projects, are opaque and they come with strings attached and lead to staggering debt.”<sup>91</sup>

Australia was particularly alarmed by the recent media reports about a possible Chinese base in Vanuatu. Reports were carried by Australian media, that Chinese and Vanuatu officials held preliminary talks concerning a potential Chinese military base at Luganville Wharf, funded by a Chinese state-owned enterprise Shanghai Construction Group.<sup>92</sup> However, both the Chinese and Vanuatu governments denied any such talks. Vanuatu Foreign Minister Ralph Reganvanu clarified that “no one in the Vanuatu government has ever talked about a Chinese military base in Vanuatu of any sort”.<sup>93</sup> However, the entire episode created anxiety in Australian strategic circle. The then Australian Prime Minister Malcolm Turnbull said that Australia would view any foreign military bases in the Pacific Islands with “great concern”.<sup>94</sup>

In another incident, Australia was prompt in replacing China for construction of high-speed undersea telecommunications cables to Papua New Guinea and Solomon Islands. The Australian Department of Foreign Affairs and Trade formally announced that the government would partner with the telecommunications company Vocus, which was awarded the contract worth US\$136.6 million to start the physical installation of the Coral Sea Cable System.<sup>95</sup> Originally the 4,000kms long cable network was set to build by the Chinese giant Huawei, which was given the contract by the Solomons in 2016.<sup>96</sup> These controversies uncovered Australian sensitivities towards China’s rising influence in the region.

If one compares the overall recent Chinese and Australian assistance to the region, while aid from Australia has been in the areas of education, energy, climate related projects, humanitarian aid public health and sanitation and such other related areas, Beijing's assistance has mainly come in the form of funding numerous infrastructure projects.

However, over the past few years, the regional perception about Australia in some of the South Pacific Islands has slightly depreciated. Particularly, Australia's relationship with Fiji had fractured, which is gradually moving towards normalisation since the republic's return to parliamentary democracy in 2014.<sup>97</sup> Australia and New Zealand had criticised Bainimarama and imposed sanctions on Fiji after he seized power in a military coup in 2006. They imposed targeted financial and travel restrictions on members of the interim government in Fiji. Australia and New Zealand pushed for a wider international condemnation of Fiji's military rule following the abrogation of the Fijian Constitution in April 2009.<sup>98</sup> The then Australia's Minister for Foreign Affairs, Stephen Smith, said that Fiji might be suspended from the PIF and possibly the Commonwealth in light of recent developments.<sup>99</sup> Fiji sees China as providing an economic, diplomatic and aid alternative to traditional friends. Many in Suva believe that the Chinese were in Fiji's corner when the country needed a significant international friend to manage the isolation it felt in the wake of the 2006 coup sanctions.<sup>100</sup> In a slightly veiled swipe at Australia and New Zealand, Banimarama had said that China had been "a true friend of Fiji" and had never interfered in Fiji's internal politics. In Australia, there is a concern that Australian officials somewhere lack the cultural



awareness about the region and its people, the Pacific community at large. “A Pacific lacuna in the Australian discourse is marked by dearth of knowledge about the Pacific Islands on the part of the majority of Australian.”<sup>101</sup>

In April 2017, Fiji and Papua New Guinea, the two major PICs, declined to sign the Pacific Agreement on Closer Economic Relations Plus (PACER Plus), expressing that the trade deal would hurt their developing industries while giving greater access to Australian and New Zealand to regional markets.<sup>102</sup> “PACER Plus is an important part of Australia’s engagement in the Pacific, it aims to provide an avenue to help foster a secure, stable and prosperous region and provide commercial opportunities for Australian exporters and investors in a range of sectors in the region.”<sup>103</sup> However, despite occasional hiccups the relationship between Australia and PICs has remained amiable.

Coming to Australia-China relationship, there has been a change in the way Australia views its relationship with China. Australia has a strong alliance with the US extending over a period of 60 years. The post-war alliance of Australia with the US was shaped by Australia’s interest in keeping Washington engaged in the broader security of the Asia-Pacific. China’s significance to Australia lies in the fact that it is the largest trading partner for Australia. Few years back there was a kind of confusion in Australia whether it should strengthen its alliance with the US in the face of a more assertive China or develop a more independent defence posture and attempt to reduce tensions with China. As Bateman and Galdorisi write, “Australia has one of the largest stakes in ‘hedging its bets’ between the US and China...to keep both the ‘balls in the air’ without either

bouncing”.<sup>104</sup> Therefore, the management of its relationship with both powers has been the toughest foreign policy task for Canberra in the 21st century.

The 2013 Defence White Paper of Australia argued that,

*“more than any other, the relationship between the US and China the globe’s and the region’s two most powerful states, will be a significant factor determining our future strategic environment. The US will continue to be the most influential strategic actor in our region for the foreseeable future. For Australia, the most likely future is one in which the US and China are able to maintain a constructive relationship...”*<sup>105</sup>

Similarly, the 2016 Defence White Paper emphasised that “major powers have become more assertive in advancing their strategic preferences and are seeking to exert influence, including China’s active pursuit of greater influence in the Indo-Pacific. Establishment of military bases in immediate region could undermine the stability in the region. Strategic competition between the US and China is unlikely to abate. At the same time, it also highlighted that “while China will not match the global strategic weight of the US, the growth of China’s national power, including its military modernisation, means China’s policies and actions will have a major impact on the stability of the Indo-Pacific up to 2035”.<sup>106</sup>

The latest Defence Strategic Update 2020 for the first time highlighted that “strategic competition, primarily between the US and China is playing out across the Indo-Pacific and increasingly in our immediate region, i.e. the Southwest Pacific, and it will be the



principal driver of strategic dynamics in our region”.<sup>107</sup> Apparently these policy documents reflect a gradual change in perception about China’s role in the immediate region of Australia.

Australia-China relations have been tumultuous particularly since the pandemic. Many ‘sore points’ have emerged in Australia-China relations in recent years, including the issue of 5G, Canberra’s critique of Chinese meddling in Australia’s domestic politics, Covid-19 and subsequent trade war between the two. During the pandemic, Australia and China were also involved in ‘war of words’ on the issue of virus, as Australia called for an independent inquiry into the origin of the virus,<sup>108</sup> Beijing reacted strongly and called Australia’s actions ‘politically motivated’ and threatened to boycott Australian products. Tightening trade barriers, China announced a ban on select Australian beef imports and placed 80 percent tariff on Australian barley. There was a palpable fear that an escalation of current tension may result in Australia possibly losing billions of dollars every year. Although China still remains Australia’s largest two-way trading partner in goods and services, accounting for nearly one-third (31 percent) of its total trade with the world. Two-way trade with China declined by 3 percent in 2020, totalling \$245 billion (Australia’s global two-way trade declined 13 percent during this period). A series of trade restrictive measures by China has also impacted Australian goods exports to China, which were around 7 percent lower in the second half of 2020, compared to the second half of 2019.<sup>109</sup>

As Australia recently underwent a change in government after the federal elections on 21 May 2022, with Anthony Albanese, leader of the Labour Party, taking over as the Prime Minister of Australia, it

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will now be crucial to see how Australia-China relations will pan out under the new government. Penny Wong's visit to Fiji, just five days after taking over office, reflects that Pacific Islands will be a foreign policy priority under the new government.

Given the background, Australia has already announced its enhanced role in the region with its Pacific "Step-Up" policy. Australia's *2017 Foreign Policy White Paper* and *2016 Defence White Paper* underline that the 'Pacific Step-Up' is a policy of fundamental importance to Australia, building up on its sustained engagement with the region. The policy was highlighted as one of the highest priorities for the country in its Foreign Policy White Paper 2017. As the then Foreign Minister Marise Payne said, "Stepping up in the Pacific is not an option for Australian foreign policy, it is an imperative".<sup>110</sup> A joint statement released by the then Australian Prime Minister Scott Morrison, Minister for Foreign Affairs Marise Payne and Minister for Defence Christopher Pyne on 8 November 2018, emphasised on finding ways to enhance security, economic, diplomatic and people-to-people cooperation with the region. Among other initiatives, it also included establishing Australian Infrastructure Financing Facility for the Pacific, a A\$2billion (US\$1.4 billion) initiative to significantly boost Australia's support for infrastructure development in Pacific countries.<sup>111</sup> This is in addition



to the Australia's large aid to the Pacific. Prime Minister Morrison had also announced that Australia would establish five new diplomatic missions in the Pacific, extending its presence to every Pacific Islands Forum member. During his visit to Fiji and Vanuatu in January 2019, the Australian Prime Minister announced additional funding in various areas. He also made a renewed pitch for PACER Plus (Pacific Agreement on Closer Economic Relations Plus), a Pacific free trade deal which Fiji and PNG have not yet signed. New Zealand and Australia along with other nine Pacific Island countries have ratified the regional development-centred trade agreement.<sup>712</sup>

The 2020 Defence Strategic Update by the Australian Department of Defence highlights that, the strategic competition primarily between the United States and China will be the principal driver of strategic dynamics in our region including the area from the north-eastern Indian Ocean to South West Pacific. It also highlighted Australian government's willingness for continuous deepening of alliance with the United States and strengthening regional engagement across the Indo-Pacific, through initiatives such as the Pacific Step-Up policy in the neighbourhood.

On similar lines, New Zealand's Strategic Defence Policy Statement 2018 expressed concerns about China's increasing influence in the region through development assistance and economic engagement. It is noted that China's military modernisation reflects its growing leadership ambitions and economic power. China is enhancing its influence in the Pacific through development assistance. The

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7 It is a comprehensive Free Trade Agreement (FTA) covering goods, services and investment. Negotiations on PACER Plus commenced in 2009 and concluded in Brisbane on 20 April 2017. See: <https://dfat.gov.au/trade/agreements/not-yet-in-force/pacer/Pages/pacific-agreement-on-closer-economic-relations-pacer-plus.aspx>

statement noted that there is a growing disruption in the region as “steep debt burdens associated with infrastructure projects have potential implications for influence, access and governance”.<sup>113</sup> It also highlights that the relationship between Beijing and Washington is one of long-term strategic competition.

New Zealand also through its ‘Pacific Reset’ policy of 2018, lifting its ambition and investment in the region, has also reiterated its willingness to collaborate with Pacific countries on strategic challenges and opportunities. In February 2018, the then New Zealand’s Foreign Minister Winston Peters announced a refreshed approach to the Pacific Islands region, with the “Pacific Reset” policy. As part of the policy to enhance New Zealand’s role in the region, the government announced a renewed focus on building deeper and more mature partnerships with the PICs, as well as increasing its diplomatic and developmental presence. ‘Pacific Reset’ also includes closer cooperation with Australia, and other major partners in the Pacific.<sup>114</sup> The region already receives almost 60 percent of New Zealand’s aid funding. To demonstrate New Zealand’s commitment to the Pacific neighbours’ prosperity, the government announced additional aid funding for the region in 2018 budget under the New Zealand Aid Programme,<sup>115</sup> including the establishment of a \$10 million Pacific Enabling Fund for diverse range of activities.<sup>116</sup> New Zealand and Australia have announced enhanced partnership in the areas like enhancing collective cyber resilience. Foreign Affairs Ministers of the two countries announced a joint commitment to work with the PICs to support an open, free and secure internet that drives economic growth, protects national security and promotes international stability. This brings





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Australia's total investment in regional cyber cooperation to \$38.4 million by 2022.<sup>117</sup>

New Zealand's Pacific neighbours receive almost 60 percent of its Official Development Assistance (ODA) fundings,118 amounting to NZ\$590 million (\$387million) in 2021-22, up from NZ\$524 million the year before. As per the data from New Zealand's Department of Foreign Affairs and Trade, the government allocated \$75million in support for Pacific Island nations facing "fiscal crises" in the 2022 budget, on top of \$325million in Covid-19 economic support over the past two years.<sup>119</sup> The Department works in collaboration with over 30 other government agencies to deliver development cooperation across the Pacific.<sup>120</sup>

On China, given the latest developments, Prime Minister Jacinda Ardern has emphasised on the need for dialogue and diplomacy to deal with an assertive China in the region and not be reactive. During her speech at the Lowy Institute, Sydney, in July 2022, she said that "diplomacy must become the strongest tool and de-escalation the loudest call," to make sure that the region does not become "increasingly divided and polarised".<sup>121</sup> Beijing had criticised Ardern's comments as "wrong" and "regrettable".<sup>122</sup> Earlier at the NATO summit in June 2022, Ardern said that China is becoming "more assertive and more willing to challenge international rules

and norms”.<sup>123</sup> This was significant as New Zealand has been more cautious than Australia in criticising China and so far has not been too vocal.

Highlighting that New Zealand’s focus remains on the areas which are of priority concern for the PICs, Foreign Minister Nanaia Mahuta said that “with greater interest from superpowers in the Pacific, the New Zealand’s foreign policy approach in the Pacific remains on the resilience of the Pacific, economic resilience, the level of vulnerability, and debt distress.”<sup>124</sup>

New Zealand Prime Minister Jacinda Ardern’s trip to the US in May 2022 coincided with Chinese Foreign Minister Wang Yi’s visit to the Pacific Islands. Both sides expressed that landscape in the Indo-Pacific is challenging, where the values, norms and rules that have fostered stability, growth and prosperity in recent decades are under threat.<sup>125</sup> President Biden, during the meeting with PM Ardern said that “we have more work to do in those Pacific Islands”.<sup>126</sup>

The joint statement issued after the meeting titled “*A 21st-Century Partnership for the Pacific, the Indo-Pacific, and the World*”, it noted that “we are concerned with growing strategic competition in the Pacific region, which threatens to undermine existing institutions and arrangements that underpin the region’s security. It also noted “with concern the security agreement between the People’s Republic of China and Solomon Islands...in particular, a concern that the establishment of a persistent military presence in the Pacific by a state that does not share our values or security interests would fundamentally alter the strategic balance of the region and pose national-security concerns to both our countries”.<sup>127</sup>

The two sides reiterated their commitment to the Pacific Islands region, with a strong and united PIF at the centre and highlighted focus areas for future cooperation based on Pacific priorities including fisheries, protecting the marine environment, livelihoods, traditions, food security, and economic benefits, expanding work in the Pacific on infrastructure, including transportation and information-communications technology; cyber security; maritime security, including combating illegal, unreported, and unregulated fishing; education and skills training; COVID-19 pandemic assistance and global health security; and economic recovery. At the same time, also promoting democratic governance, free and fair elections, media freedom, and transparency; respect for human rights and the rule of law; and expanding access to justice in Pacific countries.<sup>128</sup>

Both Australia and New Zealand are worried about exacerbation of political instability and fragility in their neighborhood.

The US has recently been taking the Oceania region as a whole much more seriously as reflected by recent high-level visits including the first visit by a Defence Secretary to Palau in 2020, which later offered to host a US base and US Secretary of State, Antony Blinken's visit to Fiji – the first such high level visit in 36 years, in February 2022. The US plans to reopen its embassy in Solomon Islands. The US is also working towards negotiations for renewing Compacts of Free Association with Marshall Islands, Federated States of Micronesia (FSM), and Palau. The US' decision to “heighten its engagement with this vital region, reflected in its recent appointment of a Special Presidential Envoy for Compact Negotiations and its commitments to expand its physical diplomatic presence across

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President Biden announced US\$810 million funding for the Pacific Islands at US-Pacific Island Country Summit. The first ever ‘Pacific Partnership Strategy’ was also released during the summit.

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the Pacific. President Biden has resolved to raise US’ ambition in partnering with the Pacific Islands still higher and to match that ambition with resourcing”.<sup>129</sup>

Recently, President Biden hosted the first ever ‘US-Pacific Island Country Summit’ in Washington, DC on 28-29 September 2022. President Biden and Secretary of State Anthony Blinken participated in the Summit, where the key areas of cooperation were discussed including climate change, pandemic response, economic recovery, maritime security, environmental protection, and advancing a free and open Indo-Pacific.<sup>130</sup> Speaking at the Summit, President Biden announced US\$810 million funding for the Pacific Islands.<sup>131</sup> The first ever ‘Pacific Partnership Strategy’ released after the Summit highlighted that elevating broader and deeper engagement with the Pacific Islands both individually and collectively, is a priority of its foreign policy.<sup>132</sup>

The US is a Dialogue Partner of the PIF. The *Pacific Partnership Strategy* highlights US’ commitment to bolster Pacific regionalism and transparent and accountable regional architecture.<sup>133</sup> In August 2021, the US had participated for the first time in the PIF Summit, at the level of President, when President Joe Biden addressed the virtual Summit. Next year in 2022, Vice President Kamala Harris addressed the 51st Forum meeting virtually where she stressed that the US has “an enduring commitment to the Pacific Islands” ... “In recent years,



the Pacific Islands may not have received the diplomatic attention and support that the region deserves, that is going to change now". She announced US\$60 million per year for the next 10 years for the region.<sup>134</sup> She also announced that the US will appoint its first-ever Envoy to the PIF and will launch the process to establish two new embassies in the region: in Tonga and Kiribati.

Apart from Australia and New Zealand, the US has also expressed concerns over China's increasing investment across the region and lack of transparency in its actions. The US-China relationship has already been under a lot of strain and under such circumstances China's growing influence in the region presents strategic challenges to the US' doorstep.<sup>135</sup> The US' relationship with the Pacific Islands needs to go beyond security issues. Congressman Ed Case has argued that, China's interest in the Pacific Islands puts the countries in the region in "a terrible position", they would prefer ties with the US and its democratic partners but their economic and infrastructural development needs are pushing them closer to China and that is a terrible choice.<sup>136</sup>

The US-China Economic Review Commission's (2018) report titled *China's Engagement in the Pacific Islands: Implications for the United States*, highlighted that China is increasing its involvement in the Pacific Islands region in recent years, driven by its broader diplomatic and strategic interests, reducing Taiwan's international

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space, and gaining access to raw materials and natural resources. In fact, it states that an examination of trade, investment, development assistance, and tourism data shows that China has become one of the major players in the region, well ahead of the US in most areas.<sup>137</sup>

The US *National Defence Strategy Paper 2018* warned that China is using “predatory economics”<sup>138</sup> to enhance its international clout. In June 2018, the US-China Economic Review Commission’s report titled *China’s Engagement in the Pacific Islands: Implications for the United States*, highlighted that “China is increasing its involvement in the Pacific Islands region in recent years, driven by its broader diplomatic and strategic interests, reducing Taiwan’s international space, and gaining access to raw materials and natural resources.”<sup>139</sup> It pointed out that a possible base in the region could pose challenges to the US defence interests and to those of Australia and New Zealand, the key US partners in the region.

The US *Vision for the Indo-Pacific (2020)* recognises that the region spanning from the west coast of the US to the west coast of India, is central to the US economic and security interests. The latest *Indo-Pacific Strategy of the United States* announced in February 2022, highlights that under President Biden, the US is determined to strengthen its long-term position in and commitment to, alongside its closest allies and partners, every corner of the Indo-Pacific region, from Northeast Asia and Southeast Asia, to South Asia and Oceania, including the Pacific Islands. The strategy paper reiterates that the region faces mounting challenges particularly due to China’s coercion and aggression, with its economic, diplomatic, military and technological might. It also highlights that, the US will also help build the defence capacity of partners



in the Pacific Islands, and open new embassies and expand the US Coast Guard presence and cooperation in Southeast and South Asia and the Pacific Islands, with a focus on advising, training, deployment, and capacity-building.<sup>140</sup>

The recently released *US National Security Strategy 2022*, mentions that the US plans to “expand regional diplomatic, development, and economic engagement, with a particular focus on Southeast Asia and the Pacific Islands”. The focus areas to be addressed will include climate change, covid-19 and China’s coercive behaviour.<sup>141</sup>

These statements clearly show that the US is alarmed by China’s inroads in the region. The US has an enduring interest in maintaining the status quo in the region where the region remains largely an area of the US’ influence managed under its alliance partnerships with Australia and New Zealand.

**France** is another country having important stakes in the region and has been concerned about rapidly shifting strategic balance in the region. France has overseas territories in the South Pacific including New Caledonia and French Polynesia, and the country also provides a significant aid to the region. Total consolidated French aid from 2008-2021 in the region was estimated at US\$280.55 million which was largely spent in agriculture, forestry, fisheries and education sectors.<sup>142</sup> Given its vast EEZ, France has an

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interest in maintaining security and stability in the region and to reaffirm French sovereignty over the Pacific dependencies.<sup>143</sup> In July 2021, a significant development was French President Emmanuel Macron's visit to French Polynesia, the first Presidential visit ever to the Island. Regular 'France-Oceania summit' is held since 2002. The fifth summit was held virtually on 19 July 2021, five days before the presidential trip to Polynesia. The summit was attended by the leaders from all the PICs, alongside those of Australia, New Zealand and French Pacific Territories, together with the President of France. The forum is the "only regular high-level meeting between the last EU Member State with a presence in the Pacific and the countries of the "Blue Pacific" continent, to foster substantive dialogue on issues of major issues of international and regional concern".<sup>144</sup> At the summit French President Emmanuel Macron announced that France and South Pacific nations would launch a South Pacific coastguard network to counter "predatory" behaviour, particularly focusing on the illegal fishing in the region.<sup>145</sup>

The French Strategic and National Security Review 2017, mentions that France has an interest in strengthening its relations with the major democracies in the region. It points out that trends in China's strategic ambitions and activities may "reshape the entire regions' security dynamics".<sup>146</sup> France, Australia and New Zealand already have close relations to coordinate their assistance in the Pacific Islands under the tripartite FRANZ Agreement of 1992. In recent years, Australia and France have shown renewed interests in their bilateral relationship in the face of growing Chinese presence in the region. It was during his visit to Australia that speaking at the Garden Island, Sydney, on 2 May 2018; French President suggested





“a new Paris-Delhi-Canberra axis as a key for the region with joint objectives in the Indian-Pacific region.”<sup>147</sup>

France as a resident power in the Indian and the Pacific Ocean identifies itself as a “nation of the Indo-Pacific”.<sup>148</sup> The French Strategy on the Indo-Pacific 2019 stresses that, “security of the Indo-Pacific is a strategic challenge” and priority for the country as balances in the region concern France ‘directly and tangibly’.<sup>149</sup> The updated French Indo-Pacific Strategy 2022, highlights that “the Indo-Pacific region is seeing profound strategic changes. China’s power is increasing, and its territorial claims are expressed with greater and greater strength. Competition between China and the US is increasing, which was earlier centred on economics and technology, and is expanding in to the military sphere. All of these elements are changing regional balances of power, and making strategic calculations more complex”.<sup>150</sup> It also highlights France’s commitment to the Pacific Islands region.

French Pacific presence is a strategic asset for the country. New Caledonia is a crucial source of 30-40 percent of world’s total nickel, alongwith petroleum and hydrocarbon reserves. French Polynesia is strategically located. French Polynesia alone makes up almost 45 percent of the French EEZ.<sup>151</sup> Controlling these assets at a time when

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French Pacific presence is a strategic asset for the country.  
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there is ever increasing need for energy puts France in an important strategic position in the regional geopolitics.

**Japan** is another country which has significant interest in the region. The official discourse in Japan highlights the significance of the Pacific Islands region, as an important supplier of food, resources like timber and fuel, and marine resources especially fisheries. Many Japanese fishing vessels operate in the area. A large quantity of Japan's trade passes thorough the sea routes in this area.<sup>152</sup> Japan hosts regular summit meeting with the Pacific Islands leaders every three years since 1997. Historically, Japan has been an important player in the region. Japan also recognises that “there are many Japanese descendants living in those islands over which Japan had governed in the past”. Japan also provides significant aid to the region; since 2008 Japan's official aid to the region is estimated at US\$36.44 billion.<sup>153</sup> Japan has expressed concerns about China's increasing inroads in the region. Recently, the Japanese Prime Minster Kishida met Tuvalu's Prime Minister Kausea Natano at the fourth Asia-Pacific Water Summit in Kumamoto, Japan, on 23 April 2022. He reiterated Japan's commitment to work with countries in the region for realising a free and open Indo-Pacific region, and also expressed concerns about the China-Solomon Islands security pact. PM Kishida told reporters after the summit meetings. Japan “is closely watching (China's moves) with interest”.<sup>154</sup>

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## 5. INDIA'S APPROACH TOWARDS THE SOUTH PACIFIC REGION

In recent years, there has been a gradual positive shift in India's approach towards the PICs. This change can be attributed to various geopolitical, economic and strategic factors. New Delhi has reached out to these small island states, highlighting the government's willingness for greater engagement. India has also begun to focus on the PICs in light of its own rechristened 'Act East policy' with enhanced geographical reach and strategic substance.

Traditionally, Pacific region including the PICs did not find much significance in India's foreign policy. Till date out of the fourteen PICs, India has its resident missions only in two countries, i.e. Papua New Guinea and Fiji. Historically, India's interaction with the region goes back to the colonial era, in the early 19th century when the Indian workers were taken to the region, particularly Fiji, to work as indentured plantation labourers. India's interaction with the PICs still largely revolves around its engagement with Fiji mainly driven by the presence of sizeable Indian diaspora; nearly 40 percent of Fiji's population is of Indian origin and about 3000 Indians live in PNG.

However, over the years India has announced enhanced grant-in-aids to the island nations and concessional Line of Credits which can be availed by the small island countries for undertaking solar, renewable energy and climate related projects. India has announced US\$200,000 grant-in-aid to be provided to the PICs annually. India's total annual trade with the PICs for 2017-2018 hovered around US\$23.9 billion.<sup>155</sup> India has also extended support to the PIC's in

the Small and Medium enterprise (SME) sectors, sent technical experts in the fields of agriculture, healthcare and IT. Assistance has also come in the form of technical consultancy, disaster relief, and humanitarian aid in case of cyclones in the region, educational scholarships and a wide range of capacity building programmes including short-term civilian and military training courses.

India's approach to the region is significantly different from that of China and therefore has been welcomed by countries of the region. India's approach focuses on a more transparent and inclusive relationship building on its historical ties with the countries like Fiji. India is a committed development partner for Island countries in the Pacific region and India's efforts in the region are guided by priorities of the island countries. Such approach is reflected in the formation of 'Forum for India-Pacific Islands Cooperation' (FIPIC) in 2014, where collective discussions have taken place on issues of improving trade relations and not just aid and assistance programme, climate change, sustainable development, United Nations reform, energy security, maritime security etc. Two FIPIC summits have been held till date, the first in Fiji in 2014, followed by the FIPIC-II summit in 2015, in Jaipur, India. The latest event under the aegis of the FIPIC was the 'India-Pacific Islands Sustainable Development Conference', held in Suva, Fiji, in May 2017, to discuss the issues of blue economy, adaptation-mitigation practices for climate change and disaster preparedness. FIPIC has clearly brought

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India and the PICs closer providing a platform to discuss common areas of cooperation and facilitating multidimensional cooperation.

Prime Minister Narendra Modi once again met with the leaders of the Pacific Islands Developing States, in plurilateral format, in New York on the sidelines of the 74th United Nations General Assembly (UNGA), in September 2019. At the meeting Prime Minister Modi stressed that India and the PICs have shared values and a shared future, and India is “committed to advancing development priorities of the PICs”.<sup>156</sup> India also announced allocation of US\$ 12 million grant (US\$ 1 million to each Pacific Small Island Developing States [PSIDS]) towards implementation of high impact developmental project in the area of their choice. In addition, a concessional Line of Credit of US\$150 million which can be availed by the PSIDS for undertaking solar, renewable energy and climate related projects. India has welcomed the decision of some of the regional countries joining the International Solar Alliance (ISA) and has also invited the Pacific leaders to join the Coalition for Disaster Resilient Infrastructure (CDRI).

Apart from the interests and concerns of regional and extra-regional players, with the recent swift geopolitical changes, the PICs are also finding a place on the agenda of multilateral engagements. Earlier at the 2022 Quad in-person Leaders’ Summit, the four countries agreed that members will cooperate to provide high-standard infrastructure in the Pacific Islands, to improve maritime domain awareness and climate responses and improve their cyber security. In recent years, the Indo-Pacific region is witnessing new arrangements with the rise of many minilateral like Quad and various trilateral dialogues. India-France-Australia is an important

trilateral initiative started recently; there are also talks about an India, Japan and France trilateral, and the announcement of a new security trilateral AUKUS. All these developments will have implications for the South Pacific region as well in the long-run. So, clearly as the islands in the Pacific region attract attention from traditional and newer players, the geopolitical situation in the region appears to be in a flux and this churn is likely to remain for foreseeable future.

## CONCLUSION

The Indo-Pacific region, which essentially characterises the vast maritime geography, from the ‘shores of Africa to that of Americas’, is becoming an increasingly contested space, with security balances in the region looking uncertain. The globalisation and global economic prosperity thrives to a great extent on free and open maritime commerce passing through the strategic sea-lanes of the major oceans of the world. The dependence of the international community on seas for food, energy and minerals will only grow in the coming years. Therefore, these valuable resources need to be protected at all costs. Here the role of island states is very crucial, as they are not only source of critical natural resources with enormous maritime zone, but also play an important role in offshore defence strategy. Thus, shifts in the distribution of sea power will largely determine the strategic future of the Indo-Pacific. The international environment has undergone a structural change in the past few decades. The islands in the Pacific region which have been on the periphery of the global geopolitics in the post-war period, are witnessing increasing attention from major powers. At the same



time, they also face numerous non-traditional challenges. Amidst all the debate of collective security the real challenge is maintaining a credible balance of power.

China's aid programmes and loans on highly unfavourable terms to most of the island countries challenge their economic stability and put them under mounting debt pressure, without a promise of delivering real benefits. As has been the case elsewhere, Beijing's investments are frivolous and inadequately planned in most cases. Given the examples of Hambantota, Gwadar and elsewhere, there are concerns emerging about the economic viability and geopolitical implications of most of the Chinese funded projects. The fear of the traditional regional players is that, as is the case with most of the projects elsewhere, there is also a possibility that the island countries already under debt pressure and poor economic situation, may not be able to repay the huge amount of costs to China and therefore forsake the control of the strategic infrastructures to China, resulting in Beijing's active military presence in the region. They feel that, the whole idea of international cooperation and shared development, espoused by Beijing for supporting its large scale investment in the region, is clearly a façade behind which China's long-term motive is to establish itself as a pre-eminent maritime power in both the Indian and the Pacific Oceans.

For many of the PICs, assistance from China has come at a time when they felt slightly neglected by the US, Australia and New Zealand. While these small islands are looking for investment needs which can be met by one or the other major powers, however, it is also important that they assess as to “where their strategic autonomy is more likely to remain secure”.<sup>157</sup>

Some of the PIC's are showing that they no longer seek exclusivity in their relationship with major powers. Tension in the region which was more focused on Taiwan and China earlier, is now brewing up into geostrategic competition among major powers. Given the current backdrop, the region is likely to become an increasingly contested strategic space in coming times, with growing interests of regional and extra-regional players. It is crucial to see how small island countries navigate through the changing geopolitical environment.





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