



China's Push in the South Pacific: Regional Geopolitical Implications

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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 of the South Pacific. With bolstering its economic and diplomatic footprints in the region, China has emerged as one of the major players in the South Pacific, causing shifts in regional geopolitical environment.

As the global focus shifts to the Indo-Pacific, the South Pacific sub-region lying at the crossroads of strategically significant maritime trade routes, comprising small island countries with large EEZs, abundance of natural resources and relatively lesser developed economies, is also attracting attention from regional and extra-regional powers. Until recently, the region was considered more of an area of US' influence managed under the trilateral military alliance set up by Australia-New Zealand-US (ANZUS) agreement of 1951. China's renewed interest in the region seems to be challenging the traditional predominance of Australia and New Zealand. Both in turn, have raised concerns over China's active role in the region and its larger implications.

Recent Trends in China's Approach to the South Pacific Region

In most of the Pacific Island Countries (PIC's), the aid narrative has mainly determined their relationships with the larger countries. South Pacific is the one of the most aid-dependent regions of the world. While Australia remains the largest aid and development partner, over the past few years, China has gradually emerged as one of the highest donors to the PIC's, challenging Australia's position as the traditional dominant donor in the region. China's consolidated aid over the last decade has already surpassed that of New Zealand, becoming the second largest after Australia. China has provided nearly US\$1.26 billion of aid including concessional loans to the PIC's from 2011-18.¹ China is also the largest trading partner of the Pacific Island Forum (PIF) member countries.

China is now the region's biggest bilateral lender.² Papua New Guinea has a debt of almost US\$590 million to China, representing about one-quarter of its total external debt.³ As per the IMF estimates, loans from China account for about 60 percent of the outstanding external debt of Tonga⁴ and for Vanuatu it is more than 70 percent.⁵ Given the trends in Chinese aid and assistance to smaller countries elsewhere in the world focused on loan-based infrastructure programmes, loans to these island nations of the South Pacific is putting them at a risk of debt-trap.

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. Pacific Islands figure prominently in the China's 'One Belt One Road' (OBOR) 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".⁶ Fijian Prime Minister Josaia Voreqe Bainimarama was one of the Heads of States present at the Belt and Road Forum for International Cooperation in May 2017 in Beijing. Papua New Guinea, Fiji and Niue have signed MoU with China on the Belt and Road cooperation in 2018.

Ahead of the APEC summit in November 2018, Chinese President Xi Jinping held a special forum with leaders of eight small island countries, which have 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 2019.⁷ It is interesting to note is that China had held one such summit on November 22, 2014 in Fiji, 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 November 19, 2014.

With recent large-scale Chinese investments in the region, the island nations have begun to look more to their north for assistance. China financing infrastructure projects like building of a multi-purpose port in and Papua New Guinea's Manus Island, Vanuatu's Luganville Wharf redevelopment and other such initiatives have stoked fear down under of China's strong foothold in the strategically vital neighbourhood.

Regional Geopolitics Implications

In the light of these recent 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 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, considering examples from the past of strategic ports of Gwadar (Pakistan) and Hambantota (Sri Lanka) and the military base at Djibouti.

Former Australian Minister for International Development and the Pacific, Concetta Fierravanti-Wells, told the Australian media that Chinese aid programmes and loans on unfavourable terms in PIC's were creating "white elephants" that threatened economic stability without delivering benefits.⁸ The statement did attract a strong backlash from China. As the Chinese Foreign Ministry Spokesperson Lu Kang said that "remarks made by the Australian official show scant regard for the facts and are irresponsible" and that China had made an official complaint to Australian government.⁹

Recent media reports about a possible Chinese base in Vanuatu created large scale apprehensions in Australia. From 2015-17 out of total Chinese aid in Vanuatu, China spent a sum of US\$80.56 million on Luganville Wharf redevelopment, that heightened fears of Chinese naval installation in Vanuatu.¹⁰ 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.¹¹ Although both the Chinese and Vanuatu governments denied any such talks to have taken place. However, the entire episode created anxiety in the Australian strategic circle. The then Australian Prime Minister Malcolm Turnbull said that Australia would view with "great concern" any foreign military bases in the Pacific islands.¹²

Recently, in another incident, Australia was prompt in replacing China for construction of high-speed undersea telecommunications cables to and 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.¹³ Originally the 4,000kilometres long cable network was set to build by the Chinese giant Huawei, which was given the contract by the Solomons in 2016.¹⁴ These controversies exposed sensitivities towards China's rising influence in the region.

Given the background, Australia has announced its enhanced role in the region with its Pacific "step up" policy. The policy was highlighted as one of the highest priorities for the country in its *Foreign Policy White Paper 2017*. As the Foreign Minister Marise Payne said, "stepping up in the Pacific is not an option for Australian foreign policy-it is an imperative".¹⁵ A joint statement released by the Australian Prime Minister Scott Morrison, Minister for Foreign Affairs Marise Payne and Minister for Defence Christopher Pyne on November 8, 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.¹⁶ This is in addition to the Australia's aid of \$1.3billion to Pacific for 2018-19. Prime Minister Morrison 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.¹⁷

On similar lines, New Zealand's the *Strategic Defence Policy Statement 2018*, expressed concerns about China's increasing influence in region through development assistance and economic engagement. It 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".¹⁸ In February 2018, the 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 PIC's, as well as increasing its diplomatic and development presence. 'Pacific Reset' also includes closer cooperation with Australia, and other major partners in the Pacific.¹⁹ 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 Programme²⁰, including the establishment of a \$10 million Pacific Enabling Fund for diverse range of activities.²¹ 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 PIC' to support an open, free and secure internet that drives economic growth, protects national security and promotes international stability. This brings Australia's total investment in regional cyber cooperation to \$38.4 million by 2022.²²

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 2011-18 in the region was estimated at US\$121.05million and largely spent in agriculture, forestry, fisheries and education sectors. Given its vast EEZ's, France has an interest in maintaining security and stability in the region and to reaffirm French sovereignty over the Pacific dependencies.²³ 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 highlights that trends in China's strategic ambitions and activities may "reshape the entire regions' security dynamics".²⁴ France Australia and New Zealand already have close relations to coordinate their assistance in the Pacific Island under the tripartite FRANZ Agreement of 1992. In recent years, Australia and France have shown renewed interest in their bilateral relationship in face of growing Chinese presence in the region.

In recent years, India has also begun to focus on PICs in light of its own rechristened 'Act East policy' with enhanced geographical reach and strategic substance. India has announced US\$200,000 grant-in-aid to be provided to PICs annually. India's total annual trade with the PICs for 2017-18 hovered around US\$23.9 billion.²⁵ However, 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. Such approach is reflected in the formation of 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 and maritime security etc. Two FIPIC summits have been held till date one 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. At this stage no official confirmation has been made for the next round of FIPIC summit. However, it would be prudent to say that since its formation FIPIC has clearly brought India and the PIC's closer providing a platform to discuss common areas of cooperation and facilitating multidimensional cooperation. In recent years, as India's approach towards the region changes gradually as part of its strategic ambitions in the wider Indo-Pacific region, active Chinese presence in the South Pacific under BRI, if it results in any base formation would be a concern.

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 *National Defence Strategy Paper* 2018 warned that China is using "predatory economics"²⁶ to enhance its international clout. In June 2018, 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."²⁷ It pointed out that a possible base in the region could pose challenges to US defence interests and to those of Australia and New Zealand, key US partners in the region.

Therefore, as the Indo-Pacific region becomes the centre of global attention, South Pacific sub-region is also becoming economically, politically, and strategically significant. The geo-economic competition is also determining the geo-politics of the region. Australia and New Zealand are stepping up their games, given the fear of 'chequebook diplomacy' of China. Similar to New Delhi's concerns over China's BRI in its neighbourhood, now Canberra and Wellington are having doubts about China's ambitions in their backyard. With China's increasing political and economic projections, both Australia and New Zealand are finding it difficult to maintain their dominance in the region. Thus South Pacific is increasingly becoming a contested strategic space with the growing interests of regional and extra-regional players. China and India, which have largely ignored the region in past are now gearing up to augment their role in the region, at the same time Australia, New Zealand and US are working to maintain their dominant position. This power play among various actors is likely to continue for foreseeable future, creating tricky geopolitical situation in the region which may alter the regional balance of power.

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Disclaimer: The views expressed are that of the Researcher and not of the Council.*

End Notes

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