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# Chessboard or ‘Political Bazaar’? Revisiting Beijing, Canberra and Wellington’s Engagement with the South Pacific

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In asserting a ‘China threat’ to Australian and New Zealand interests in the South Pacific, many commentators have framed a regional political environment where influence is zero-sum, policy approaches conflict, and Pacific Island Countries (PICs) are reduced to static facets of a geopolitical ‘chessboard’. These three assumptions are challenged through an evaluation of Australasian, Chinese, and Pacific strategic engagement. Rather than merely representing an externally-contested arena of power, Oceania offers possibilities for the mutual satisfaction of objectives within a ‘political bazaar’ where PICs are significant actors bartering their political and economic assets to achieve their regional interests.

In the popular metropolitan imagination, strategic concerns rarely intrude upon stereotypes of the South Pacific as an idyllic, unsophisticated tropical paradise. Yet in an era of transnational threats to state stability and the resurgent political power of East Asia, some New Zealand and Australian commentators have advanced fears that Oceania is falling prey to an invidious “China Syndrome” contracted as a result of the Peoples’ Republic of China’s (PRC) rapid expansion of influence into the region.<sup>1</sup> Such arguments share three basic geopolitical assumptions. Firstly, it is implied that tension exists between Beijing’s objectives in the South Pacific, and Canberra and Wellington’s strategic interests in the maintenance of the current Western-orientated regional order. Consequently, China and Australasia are seen as being in competition for influence across a regional geopolitical ‘chessboard’.<sup>2</sup> Secondly, Beijing’s application of largesse ‘with no strings attached’ is conceived as threatening Australia and New Zealand’s attempts to cement regional political and economic stability. Thirdly, the disparity in scale between external powers and Pacific Island Countries (PICs)<sup>3</sup> is taken as confirming the latter’s status as mere strategic objects, rather than as actors in their own right.

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<sup>1</sup> Sue Windybank, ‘The China Syndrome’, *Policy*, vol. 21, no. 2 (Winter 2005), p. 28.

<sup>2</sup> The metaphor of external intervention in the Pacific as political chess originated in Graeme Dobell, ‘China and Taiwan in the South Pacific: Diplomatic Chess Versus Pacific Political Rugby’, *Lowy Institute Policy Brief* (January 2007), p. 10.

<sup>3</sup> Unless explicitly stated otherwise, the set of PICs is assumed to be defined by the membership of the Pacific Islands Forum (PIF), minus Australia, New Zealand, their territories

The appeal of these assumptions reflects their intersection with aspects of classical realist international relations theory. So deeply-rooted are these perspectives that even some commentators opposed to the conclusions drawn have nonetheless internalised their premises.<sup>4</sup> Yet this vision of the region is neither complete nor unchallenged. An examination of the realities of Australasian and Chinese engagement with PICs provides the basis for a three-fold critique of the 'China threat' thesis. Firstly, rather than competing for influence as a scarce resource, it is argued that the intersection of Australasian power and Chinese interests within Oceania is in fact largely free of zero-sum dynamics. Secondly, while the by-products of Beijing's policies have generated negative political and economic externalities that complicate Canberra and Wellington's strategies, the long-term policy orientations of these regional powers are likely to be shaped by shared interests in strengthening relations. Thirdly, it is emphasised that PICs, rather than representing passive objects to the strategic machinations of the external powers, are key actors in a 'strategic bazaar', where external forces are mediated against internal regional and national interests.

### **The 'China Threat'**

With the exception of the brief and intense campaigns of island-hopping warfare waged between Japan and the Allied powers during World War Two, the South Pacific has historically been absent from the front-line of global strategic contention. Nonetheless political commentary, academic analysis, and government policies in both Australia and New Zealand have periodically resurrected the existence of global strategic competition as an overarching framework from which to analyse the local interactions of extra-regional powers.<sup>5</sup> China's emerging global influence and its progressively more prominent presence in the Pacific over the past ten years has provoked the most recent incarnation of this perspective. To those that view Beijing's increased international clout as symbolic of a threat to the US-led global order, to which New Zealand and Australia are broadly aligned, the PRC's presence within the Pacific is a local movement against the broader existing calculus of power.

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and those of external powers i.e. The Federated States of Micronesia, Palau, Kiribati, the Marshall Islands, Nauru, Papua New Guinea (PNG), Samoa, Solomon Islands, Tonga, Vanuatu, Tuvalu and Fiji (despite the latter's expulsion from the PIF).

<sup>4</sup> See Jian Yang, 'China in the South Pacific: Hegemon on the Horizon?', *The Pacific Review*, vol. 22, no. 2 (May 2009).

<sup>5</sup> See for example Australian Department of Foreign Affairs and Trade, *Australia's Regional Security* (Canberra: DFAT, 1989); Paul Dibb, 'Soviet Strategy Towards Australia, New Zealand and the South-West Pacific', *Australian Journal of International Affairs*, vol. 39, no. 6 (August 1985), pp. 69-76; and Simon Dalby, 'The "Kiwi Disease": Geopolitical Discourse in Aotearoa/New Zealand and the South Pacific', *Political Geography*, vol. 12, no. 5 (September 1993), pp. 437-56.

In doing so, such analyses evoke perspectives reminiscent of classical strategic and realist thought.<sup>6</sup> At their heart lies a conceptualization of international interactions predicated on 'hard' (i.e. military and economic power) and national interest. Depending on their alignment, the policies of these actors are subject to constructive or destructive interference at their points of intersection, akin to waves in a pond. When the parties involved seek mutually-exclusive objectives their interaction resembles what Andre Beaufre referred to as the "dialectic of opposing wills".<sup>7</sup> It is on the basis of this logic that Australasian suspicion regarding Beijing's regional strategic objectives translates into an assumption that zero-sum competition will result.

The logic of this analysis of power is complemented by an evaluation of the specific impacts of the strategies deployed on the stability of the region. Strategically, Australia and New Zealand are wedded to the South Pacific as their geopolitical 'backyard'; proximity breeds concerns of vulnerability to negative developments that inclines Wellington and Canberra towards an approach emphasising the management and long-term amelioration of negative security and economic dynamics in the islands. China however is a distant power; with no exposure to the potential spill-over effects of instability; Beijing is perceived as being free to directly pursue influence through whatever means necessary. The PRC's divergent approach to regional engagement is framed by some analysts as being both more efficient than, and counter-productive to, the policies adopted by Canberra and Wellington.<sup>8</sup>

Finally, while it is rarely explicitly articulated, the analytic focus of the 'China Threat' thesis on the actions of external powers implies a perception of PICs as strategic objects, not actors. Particularly in the last decade, social and political instability, economic stagnation, and a lack of resources have compounded the weakness of state institutions within many PICs. From a realist perspective, the sheer disparity this implies between the limited international influence of Pacific governments, and that of larger regional and extra-regional actors speaks to their vulnerability to external exploitation.<sup>9</sup> In the words of Thucydides, "the strong do what they have the power to do and the weak... accept what they have to accept".<sup>10</sup>

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<sup>6</sup> See for example Hans J. Morgenthau, *Politics Among Nations* (New York: Alfred A. Knopf, 1948), Chapter I.

<sup>7</sup> Andre Beaufre, *An Introduction to Strategy*, B.H. Barry (tr.), (New York: Frederick A. Praeger, 1965), p. 24.

<sup>8</sup> Dobell, 'China and Taiwan in the South Pacific', pp. 8-9.

<sup>9</sup> John Henderson and Benjamin Reilly, 'Dragon in Paradise: China's Rising Star in Oceania', *The National Interest*, no. 72 (Summer 2003), p. 97.

<sup>10</sup> Thucydides, *History of the Peloponnesian War*, R. Warner (tr.), (Harmondsworth, MA: Penguin Books, 1975), p. 402; Duncan Snidal, 'International Cooperation Among Relative Gain Maximizers', *International Studies Quarterly*, vol. 35, no. 4 (December 1991), pp. 389-90.

## Revisiting Australasian Engagement with PICs

As the wealthiest, most developed and militarily capable states in the South Pacific, Australia and New Zealand have historically taken a leading role in regional affairs. As by-products of British imperial expansion into the region from the late 18<sup>th</sup> century, both states once viewed themselves as carrying the colonial writ of a global power and as isolated bastions of Anglo culture. While Australia administered Papua New Guinea (PNG), New Zealand supervised Western Samoa, Niue, Tuvalu and the Cook Islands, with the two sharing responsibility for Nauru. In the post-war era, both Canberra and Wellington have assumed more independent perspectives of their roles in the South Pacific, parallel to the development of increasingly distinctive approaches to global affairs, and in tune with emerging differences in the scale, demographic composition, and political aspirations of their respective societies.

Australia has continued to frame its perceptions of the region through an implicit assumption of hegemony, justified by its status as the region's most powerful state,<sup>11</sup> and its enduring alliance with a globally-dominant United States. Conversely, changing political attitudes within New Zealand regarding the country's international role have resulted in a greater emphasis on independent, cooperative and multilateral engagement in responding to challenges.<sup>12</sup> These differences in emphasis are matched by diverging degrees of threat perception. The 2009 Australian Defence White Paper implies a persistent sense of vulnerability to the dynamics of rising Asian states, and a wary concern for the influence of external forces on the stability of its 'inner arc' of island neighbours stretching from Timor to Fiji.<sup>13</sup> New Zealand, by contrast, has come to view isolation as a strategic barrage rather than a weakness.<sup>14</sup> While the potential for transnational and global forces to impact upon the region is acknowledged as an important factor in the stability of Wellington's island neighbours, these concerns are framed primarily in terms of normative responsibility, rather than national security.

Despite these differences in the foundations of their worldviews, in practice Australia and New Zealand have deepened policy coordination towards the Pacific over the past decade.<sup>15</sup> Primarily, both Australia and New Zealand

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<sup>11</sup> Gregory Fry, 'Framing the Islands: Knowledge and Power in Changing Australasian Images of "the South Pacific"', *ANU Department of International Relations Working Paper No. 1996/5* (Canberra: Australian National University, September 2006), p. 2.

<sup>12</sup> Peter Mayell, 'Beyond the "Outer Crescent": The Mackinder Century in New Zealand Geopolitics', *The Geographic Journal*, vol. 170, no. 4 (December 2004), p. 372.

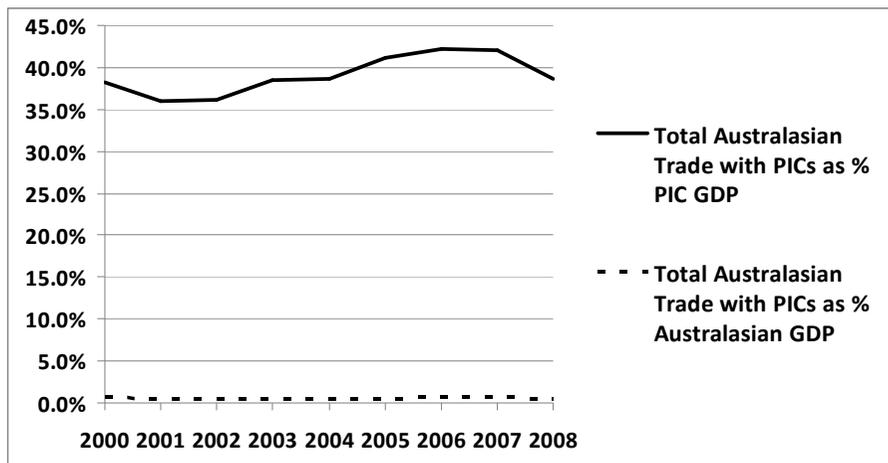
<sup>13</sup> Australian Department of Defence, *Defending Australia in the Asia-Pacific Century: Force 2030* (Canberra: DoD, 2009), pp. 34, 49.

<sup>14</sup> Mayell, 'Beyond the "Outer Crescent"', p. 372.

<sup>15</sup> Robert Ayson, 'When Cooperation Trumps Convergence', *Security Challenges*, vol. 2, no. 3 (October 2006), pp. 33-5; Stephen Hoadley, 'Pacific Island Security Management by New Zealand and Australia: Towards a New Paradigm', *Centre for Strategic Studies Working Paper 20/05* (Wellington: Victoria University, 2005), pp. 6-7.

seek to guarantee their long-term access to the region. In doing so, they emphasise a conception of the regional order that provides strategic cover for broader US leadership in the Asia-Pacific. The corollary to this has been the concern to exclude threats to the stability and security of Oceania. While at the extreme such concerns have in the past focused on the potential for direct North Asian military penetration of the region,<sup>16</sup> contemporary apprehension has focused on the perceived liability of regional instability for the Australasian powers, which are assumed to bear the burden of intervention and stabilisation.<sup>17</sup> An additional, albeit very much secondary, concern is for the security of economic interests and established investments in the region's markets and natural resources. The sum of these goals is a strategic interest in the maintenance of the political, economic and social stability of the South Pacific. Particularly since the early 2000s, the facilitation of this objective has involved an emphasis on improving 'governance', specifically the capability of Pacific political systems to effectively advance and sustain the social, economic, and by extension, security and stability conditions within PICs.<sup>18</sup>

Figure 1: Australia/New Zealand — PIC Trade as percentage of GDP



Sources: International Monetary Fund, Direction of Trade Statistics, <[www.imfststatistics.org](http://www.imfststatistics.org)> [Accessed 10 March 2010]; World Bank, World Development Indicators, <<http://data.worldbank.org>> [Accessed 10 March 2010]. Calculations by author. Due to limited international data reporting in the region, the PICs included here are Kiribati, Palau, PNG, Samoa, Solomon Islands, Tonga, Fiji and Vanuatu.

<sup>16</sup> David McCraw, 'The Defence Debate in Australia and New Zealand', *Defence Studies*, vol. 7, no. 1 (March 2007), pp. 92-3.

<sup>17</sup> Tarcisius Tara Kabutaulaka, 'Australian Foreign Policy and the RAMSI Intervention in Solomon Islands', *The Contemporary Pacific*, vol. 17, no. 2 (Fall 2005), pp. 287-9.

<sup>18</sup> Susan M. Roberts, Sarah Wright and Phillip O'Neill, 'Good Governance in the Pacific? Ambivalence and Possibility', *Geoforum*, vol. 38 (2007), p. 973.

Canberra and Wellington's engagement with the South Pacific is significant both for its scale and for its coordination. The political relationship between the metropolitan powers and PICs is framed primarily through aid and other forms of financial and political assistance. Australia provided an average of US\$451 million per year to Oceania between 2000 and 2006, while New Zealand committed an average of US\$95 million.<sup>19</sup> This spending is coupled to sizable diplomatic representation. Indeed, Australia has the highest number of diplomatic missions in the region of any state.<sup>20</sup>

The economic relationship between the Australasian powers and PICs is dominated by the former. Trade has steadily increased over the past decade to a level of almost US\$6.2 billion in 2008,<sup>21</sup> with Australia responsible for over eighty-five percent of the total. Its composition reflects the modest economic interests of the Australasian powers in PICs, the focal point of which is PNG. The islands' primary relevance is as sources of raw materials such as timber, fish, gold and other metals; while they also serve as markets for value-added manufactures such as machinery and processed steel, refined energy products, and agricultural produce, their economic relevance is limited by their small sizes.<sup>22</sup> Tourism, a vital service industry responsible for approximately eleven percent of regional Gross Domestic Product (GDP), is deeply dependent on visitors from Australia and New Zealand.<sup>23</sup> Collectively, Australasia is the source of almost fifty percent of the region's tourists.<sup>24</sup>

While significant bilateral political interaction occurs between the Australasian powers and PICs, Canberra and Wellington have increasingly emphasised exerting leadership and influence through regional institutions, particularly the Pacific Island Forum (PIF). Sustained diplomatic action within the Forum has seen Australia and New Zealand attempt to advance a regional development agenda that also supports metropolitan strategic interests in reinforcing economic and institutional ties with the region.<sup>25</sup> The Pacific Plan, endorsed by PIF leaders in October 2005, professes to promote economic cooperation, good governance and security through increased

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<sup>19</sup> Organization for Economic Cooperation and Development, *Development Aid at a Glance: Oceania* (Paris: OECD, 2008), p. 5.

<sup>20</sup> Dobell, 'China and Taiwan in the South Pacific', p. 6.

<sup>21</sup> International Monetary Fund, *Direction of Trade Statistics, 2000-2008*, <[www.imf.org](http://www.imf.org)> [Accessed 10 October 2009].

<sup>22</sup> Ministry of Foreign Affairs and Trade, 'Key Pacific Issues—Trade', <<http://www.mfat.govt.nz/Foreign-Relations/Pacific/Trade/index.php>> [Accessed 10 October 2009]; Department of Foreign Affairs and Trade, 'Trade and Economic Data and Publications', <<http://www.dfat.gov.au/publications/stats.html>> [Accessed 10 October 2009].

<sup>23</sup> World Travel and Tourism Council, *Travel and Tourism Economic Impact 2009—Oceania* (London: WTTC, 2009), p. 3

<sup>24</sup> South Pacific Tourism Organization, *SPTO Annual Report 2007* (Suva: SPTO, 2008), p. 8.

<sup>25</sup> Gregory Fry, "Pooled Regional Governance" in the Island Pacific: Lessons from History', in Satish Chand (ed.), *Pacific Islands Regional Integration and Governance* (Canberra: ANU, 2005), p. 100.

regional integration.<sup>26</sup> Formative agreements such as the South Pacific Area Trade and Economic Cooperation Agreement (SPARTECA) and the Pacific Island Countries Trade Agreement (PICTA) are seen by the Australasian powers as stepping stones towards transforming the Pacific Agreement on Closer Economic Relations (PACER) into a cohesive liberalisation of trade and services, PACER Plus.<sup>27</sup> The Australasian powers have strongly defended the potential benefits of the agreements to PICs and their populations. Wellington and Canberra have emphasised the possible economies of scale that may be achieved through the pooling of public goods, and have provided funds to facilitate such attempts with regards to tertiary and technical education, energy storage, and bulk imports, as well as the extension of economic linkages, primarily with the metropolitan powers. Deepening political and economic links may well enhance the stability and cohesion of the region, while at the same time increasing the social, economic, and political profile of PICs within New Zealand and, more marginally, Australia. Ultimately, however, the difference in scale between the island states and the Australasian powers, and the absence of other extra-regional participants, present the prospect and potential of increased, asymmetric dependence of PICs on Australasia.

Given their interest in regional stability, Australian and New Zealand policies have also supported the security mechanisms within Pacific societies. Canberra and Wellington have long nurtured police and military engagement with PNG, Tonga and Fiji. These relationships have been historically significant particularly with regards to training and logistics, despite the curtailment of assistance to Suva in the wake of the 2006 coup. However, such state-centric approaches have been tested over the last decade, amidst extended police and military interventions by the Australasian powers in response to challenges to sovereign institutions within regional states. This has been most notably in PNG during the mid-1990s, and Vanuatu, Tonga and Solomon Islands during the mid-2000s. In the latter case intervention has been successfully tied into the politics of regionalism in the context of the Regional Assistance Mission to the Solomon Islands (RAMSI), representing the application of the more interventionist norms that Canberra and Wellington formalised within the PIF through the 2000 Biketawa Declaration.<sup>28</sup> However, the practical challenges of attempting to strengthen sovereign institutions within societies to which the concept of the state is of lesser relevance than deep-rooted traditional political and social practices persist.<sup>29</sup>

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<sup>26</sup> Pacific Islands Forum Secretariat, *The Pacific Plan for Strengthening Regional Cooperation and Integration* (Suva: PIF, November 2007), pp. 2-4.

<sup>27</sup> *Ibid.*, p. 5.

<sup>28</sup> Hoadley, *Pacific Island Security Management*, pp. 4-5.

<sup>29</sup> Clive Moore, 'Helpem Fren: The Solomon Islands, 2003-2007', *The Journal of Pacific History*, vol. 42, no. 2 (September 2007), pp. 149-51; Terrence Wesley-Smith, 'Self-determination in Oceania', *Race and Class*, vol. 48, no. 3 (2007), p. 41.

## Revisiting China's Regional Engagement

Despite the long history of Chinese economic and political involvement in the South Pacific, contemporary diplomatic engagement under the PRC dates only to the mid-1970s.<sup>30</sup> As with other regions traditionally regarded as peripheral to its strategic interests, China's presence in Oceania has evolved in tandem with Taiwanese efforts to gain diplomatic recognition. Of the twenty-three countries worldwide that diplomatically recognise Taiwan as the Republic of China (ROC), six are located in the Pacific.<sup>31</sup> Beijing continues to regard the Taiwanese government as a renegade province. Constricting its international latitude is not only a matter of strategic interest but a political imperative given rising domestic Chinese nationalism.<sup>32</sup>

The PRC's primary objective in the South Pacific has been the exclusion of Taiwanese influence through compelling the adherence of PICs to the 'one-China policy', both directly in their bilateral relations and indirectly through their support for Beijing's legitimacy as a global actor within multilateral forums.<sup>33</sup> At the heart of every act of engagement with PICs lies Beijing's concern for the maintenance and extension of international recognition for its legitimacy as the sole representative of China. Nonetheless, there are signs that the PRC's regional approach is evolving away from the purely cut-throat competition against Taipei that characterised earlier periods of Beijing's relations with the region. In recent years, China has visibly relented pressure against PICs supporting Taiwan. Statements by the Taiwanese government have lent credence to speculation that a quiet truce has emerged between Beijing and Taipei, following Taiwanese Presidential elections in early 2008.<sup>34</sup> In part, aggressive moves have been dialled back due to concerns over the destabilising strategic impact of the diplomatic rivalry on cross-strait relations. While the PRC has not relented on efforts to entrench existing recognition, the tone of public statements hint that the focus of effort has shifted to securing the support of PICs with regard to the more generalised international concerns of international forums.<sup>35</sup> Within institutions such as the UN General Assembly and the World Trade

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<sup>30</sup> Thomas V. Biddick, 'Diplomatic Rivalry in the South Pacific: The PRC and Taiwan', *Asian Survey*, vol. 29, no. 8 (August 1989), pp. 803-4.

<sup>31</sup> Jian Yang, 'China in the South Pacific', p. 144. The six states are Kiribati, the Solomon Islands, Palau, Nauru, the Marshall Islands and Tuvalu.

<sup>32</sup> Yongnian Zheng and Lye Liang Fook, 'China's New Nationalism and Cross-Strait Relations', *International Relations of the Asia-Pacific*, vol. 7, no. 1 (2007), pp. 59-60.

<sup>33</sup> Jian Yang, 'China in the South Pacific: A Strategic Threat?', <[www.asianz.org.nz](http://www.asianz.org.nz)> [Accessed 30 September 2009], p. 2.

<sup>34</sup> Republic of China (Taiwan) Ministry of Foreign Affairs, 'Foreign Policy Report, 7<sup>th</sup> Congress of the Legislative Yuan, 2<sup>nd</sup> Session', 25 September 2008, <[www.mofa.gov.tw](http://www.mofa.gov.tw)> [Accessed 10 February 2010].

<sup>35</sup> See for example, PIF Secretariat, 'China's Vice Premier Qian Welcomes Closer Pacific Island Cooperation', Press Statement, Beijing, 11 September 2002, <[www.pif.org](http://www.pif.org)> [Accessed 15 February 2010]; UMFA 'China and the Pacific Island Countries Sign the Action Plan of China-Pacific Island Countries Economic Development and Cooperation', 5 April 2006, <<http://www.fmprc.gov.cn>> [Accessed 14 January 2010].

Organization, the votes of PICs are equal to those of any other state regardless of any relative disparity in size. This political reality is increasingly a defining aspect of the PRC's long-term relationship with the island states of the Pacific.

A secondary objective, though one that frequently occupies a higher regional profile, is Beijing's interest in extending the access of Chinese firms to the region's markets and natural resources. These interests reflect a strong mercantilist strain within Beijing's strategic worldview, a product of growing domestic and regional demand for natural resources.<sup>36</sup> The PRC finds the South Pacific, and particularly PNG, economically attractive for the same reason as the former colonial powers. The region has bountiful fisheries, with the combined Exclusive Economic Zones (EEZs) of PIF members (minus New Zealand and Australia) in excess of twenty million square kilometres.<sup>37</sup> In terms of mineral resources, PNG has, in addition to its significant forests of tropical hardwoods, extensive reserves of copper, cobalt and nickel. Energy prospecting, particularly for natural gas, is also on the rise.

Periodically, analysts and academics have asserted a further Chinese strategic interest in developing military access to the region. Indeed, John Henderson and Benjamin Reilly have argued that Beijing's expanding presence in the Pacific is part of a broader attempt to displace the United States as the dominant power in the Asia-Pacific, suggesting that China may one day seek to base military assets in the region as part of an area denial strategy.<sup>38</sup> Were such motives to lie behind the PRC's strategic engagement in the region, Beijing's actions would be explicitly inimical to Canberra and Wellington's interests.<sup>39</sup> As Terrence Wesley-Smith has noted, however, there is little evidence to substantiate these assertions.<sup>40</sup> It is not clear how the South Pacific could be seen to fit into China's current military strategy as Beijing lacks the long-range expeditionary capabilities necessary to sustain intensive operations at distance. It will likely require decades to develop the required assets and operational experience.<sup>41</sup> What is more, the islands themselves can be fickle strategic partners, a fact amply demonstrated to

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<sup>36</sup> Jonathan Holslag, 'China's New Mercantilism in Central Africa', *African and Asian Studies* vol. 5, no. 2 (2006), pp. 148-50; Joshua Cooper Ramo, *The Beijing Consensus* (London: The Foreign Policy Centre, 2004), pp. 3-5, 37.

<sup>37</sup> Fergus Hanson, 'The Dragon in the Pacific: More Opportunity than Threat', *Lowy Policy Brief* (Sydney: Lowy Institute, June 2008), p. 4.

<sup>38</sup> Henderson and Reilly, 'Dragon in Paradise', pp. 94-5, 100.

<sup>39</sup> Senate Foreign Affairs, Defence and Trade References Committee of the Commonwealth of Australia, *A Pacific Engaged: Australia's Relations with Papua New Guinea and the Island States of the South-West Pacific* (Canberra: Parliament House, August 2003), p. 132.

<sup>40</sup> Terrence Wesley-Smith, 'China in Oceania: New Forces in Pacific Politics', *Pacific Islands Policy No.2* (Honolulu, HI: East-West Centre, 2007), pp. 14-6.

<sup>41</sup> Cortez A. Cooper, 'The PLA Navy's "New Historic Missions": Expanding Capabilities for a Re-emergent Maritime Power', Testimony before the U.S.-China Economic and Security Review Commission, 11 June 2009, <[www.rand.org](http://www.rand.org)> [Accessed 16 May 2010].

Beijing when Kiribati's sudden switch of allegiance to Taiwan forced the hasty abandonment of a PLA missile tracking centre.<sup>42</sup>

In support of its objectives, Beijing has sought to significantly expand its political influence in the islands. Estimates put the dispersal of grant aid, soft loans, and other forms of financial assistance at \$100-\$150 million in 2008.<sup>43</sup> On the ground, China's diplomatic presence is sizable. Indeed, according to Ron Crocombe, Beijing in 2005 claimed to have more diplomatic staff in the region than any other state.<sup>44</sup>

The PRC's political strategy has hinged primarily on the various dimensions of elite engagement.<sup>45</sup> High-level 'visit' diplomacy and sponsored elite exchange have provided an opportunity for Beijing to introduce Pacific elites to Chinese interests in a manner that appears highly prestigious to domestic audiences in PICs. In 2005, PNG Prime Minister (PM) Sir Michael Somare met with President Hu Jintao,<sup>46</sup> two years later, Tongan PM Feleti Sevele held talks with President Hu and Premier Wen Jiabao. Furthermore, China has encouraged significant mid-level bureaucratic and civil society interaction through support for journalists, teachers, and military officers to study in China.<sup>47</sup> Support has also been enticed through the gifting of prestigious public buildings facilities, such as the Chinese-constructed Vanuatian Foreign Ministry,<sup>48</sup> the Fijian Embassy in Beijing,<sup>49</sup> and the \$14.8 million Laucala Sports City in Fiji for the 2003 South Pacific Games.<sup>50</sup> In addition, Beijing has sought to build influence at the regional level. The PRC has provided the funds and expertise to support the construction of the Melanesian Spearhead Group's (MSG) headquarters in Port Vila, as well as the conference facilities in Tonga which hosted the 2007 Pacific Islands Forum.<sup>51</sup>

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<sup>42</sup> Robert Keith-Reid and Samisoni Pareti, 'China Stirs the Pot of Divided Pacific Loyalties', *Island Business*, March 2006, <<http://archives.pireport.org>> [Accessed 18 September 2009].

<sup>43</sup> Fergus Hanson, 'China: Stumbling Through the Pacific', *Lowy Policy Brief* (Sydney: Lowy Institute, July 2009), p. 3.

<sup>44</sup> Ron Crocombe, *Asia in the Pacific Islands: Replacing the West* (Suva: University of the South Pacific, 2007), p. 231.

<sup>45</sup> Windybank, 'The China Syndrome', p. 31.

<sup>46</sup> 'China Promises \$4.7 Million in PNG Support', *The National*, 7 April 2001, <<http://archives.pireport.org>> [Accessed 18 September 2009].

<sup>47</sup> Bonney Bonsella, 'Papua New Guinea, China Upgrade Military Ties', *The National*, 13 July 2005, <<http://archives.pireport.org>> [Accessed 18 September 2009].

<sup>48</sup> Keshia Licht, 'China Donates New Ministry of Foreign Affairs Building', *Port Vila Presse*, 28 November 2003, <<http://www.news.vu>> [Accessed 19 September 2009].

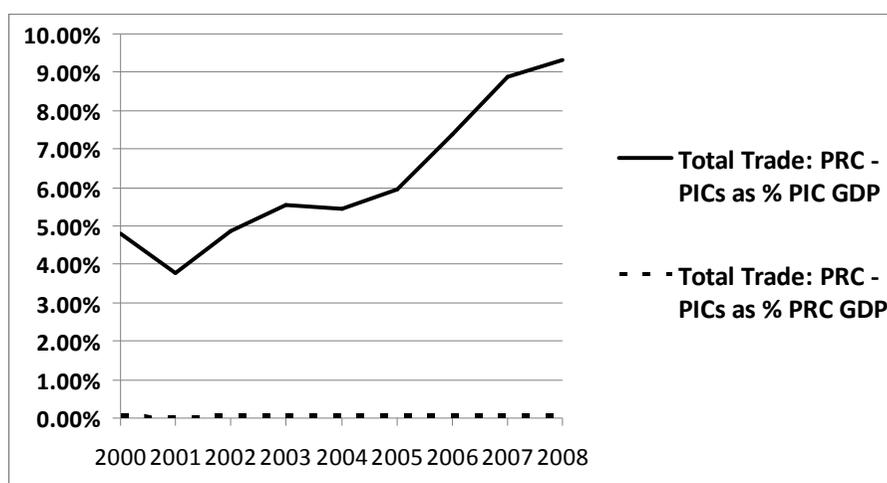
<sup>49</sup> 'China Welcomes Fiji Embassy', *PACNEWS*, 11 September 1998, <<http://archives.pireport.org>> [Accessed 19 September 2009].

<sup>50</sup> 'China Injects \$2m For Facilities', *Fiji Times*, 26 February 2006, <<http://www.ebscohost.com>> [Accessed September 20, 2009].

<sup>51</sup> 'China to Build Spearhead Group Headquarters', *Tahiti Presse*, 4 August 2006, <<http://archives.pireport.org>> [Accessed 19 September 2009]; 'New Convention Centre for Tonga Forum', *Matangi Tonga*, 9 June 2006, <<http://www.matangitonga.to>> [Accessed 20 September 2009].

These moves have been reinforced through further high-level elite engagement, epitomised by the April 2006 visit of Premier Wen to Nadi for the opening of the China Pacific Island Countries Economic Development and Cooperation (CPICEDC) Forum.<sup>52</sup> Throughout, Beijing has sought to emphasise its generosity and the undemanding nature of its relationship with PICs, underscoring, as it did to the military regime in Suva post-2006 coup, its policies of non-interference.<sup>53</sup> Nonetheless, the PRC maintains a crucial exception to this rule with regards to the One-China Policy. It is notable that official aid only flows to those states that support the PRC and reject Taiwan.<sup>54</sup>

Figure 2: PRC-PIC Trade as percent PIC, PRC GDP



Source: International Monetary Fund, *Direction of Trade Statistics*, <[www.imfstatistics.org](http://www.imfstatistics.org)> [Accessed 10 March 2010]; World Bank, *World Development Indicators*, <<http://data.worldbank.org>> [Accessed 10 March 2010]. Calculations by author. Data limitations restrict the PICs surveyed here to Kiribati, Palau, PNG, Samoa, Solomon Islands, Tonga, Fiji and Vanuatu.

While economic concerns are secondary to Beijing, they are regionally significant. As Premier Wen noted in his keynote speech to CPICEDC in

<sup>52</sup> 'Chinese Premier Makes Historical Arrival in Fiji', *FijiLive*, 4 April 2006, <<http://archives.pireport.org>> [Accessed 19 September 2007].

<sup>53</sup> 'Fiji Urged to Pursue Chinese Overtures', *Fiji Times*, 6 April 2006, <<http://archives.pireport.org/>> [Accessed 19 September 2007].

<sup>54</sup> Jerome L. McElroy and Wenwen Bai, 'The Political Economy of China's Incursion into the South Pacific and Caribbean', *Island Studies Journal*, vol. 3, no. 2 (2008), p. 236.

2006: "China has funding and expertise. The island countries are rich in natural resources. Herein lies huge potential for bilateral co-operation."<sup>55</sup>

Estimates in 2004 indicated 3000 state and private Chinese companies had a presence in the islands, with a combined investment of nearly US\$1 billion.<sup>56</sup> By 2007, Crocombe estimated the total to have doubled.<sup>57</sup> While registering a decline from previous years, the PRC's trade with PICs topped US\$1.5 billion in 2008.<sup>58</sup> The PRC's State-Owned Enterprises (SOEs) have negotiated a range of resource acquisition agreements with Pacific governments. These have included access to EEZs, allowing, for example, the China National Fishing Company to base a large tuna fleet in Fiji.<sup>59</sup> Chinese demand for timber has surged; in 2008, over eighty-eight percent of PNG's timber exports went to China alone.<sup>60</sup>

While individual Chinese investments in the South Pacific are generally of a small scale relative to those it has pursued in other regions such as Africa or Central Asia, their local impacts are nonetheless significant. Beijing's most significant project, a majority stake in the Ramu nickel and cobalt mine, represents a \$1.8 billion investment in the PNG economy through the China Metallurgical Construction Company.<sup>61</sup> In addition, Chinese SOEs such as China National Offshore Oil Corporation are exploring investments in PNG's natural gas sector.<sup>62</sup> For the PRC, such investment is subsidised as a minor contribution to its grand strategic objective of increasing resource security. Profits are not a prime motive. However for PICs both the positive and negative implications are manifold. Large scale investments imply an influx of capital into the islands. Nonetheless, this capital, along with the jobs it implies, frequently ends up supporting the internationalisation of Chinese firms and labour. Furthermore, as with the actions of other global economic players within the islands, there is concern as to the ramifications on the environment of Beijing's SOEs.<sup>63</sup>

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<sup>55</sup> 'Aid Package Announced for South Pacific States', *China Daily*, 6 April 2006, <[www.chinadaily.com.cn](http://www.chinadaily.com.cn)> [Accessed 12 December 2009]

<sup>56</sup> Yang, 'China in the South Pacific: A Strategic Threat?', p. 3.

<sup>57</sup> Crocombe, *Asia in the Pacific Islands*, p. 123.

<sup>58</sup> IMF, *Direction of Trade Statistics*.

<sup>59</sup> 'Fiji Keen to Receive Chinese Help to Develop Sea Resources', *FijiLive*, 27 March 2002, <<http://archives.pireport.org>> [Accessed 20 September 2009].

<sup>60</sup> Anton Huafofo, 'China Accounts for 89 Percent of PNG Log Exports', *The National*, 4 July 2008, <<http://archives.pireport.org>> [Accessed 20 September 2009].

<sup>61</sup> Rowan Callick, 'Goliath Fights Back Against David in PNG Mine Battle', *The Australian*, 29 July 2010, <[www.theaustralian.com.au](http://www.theaustralian.com.au)> [Accessed 5 August 2010].

<sup>62</sup> Dinakar Sethuraman and Angela Macdonald-Smith, 'China Agrees to Buy LNG From Exxon's Papua New Guinea Venture', *Bloomberg*, 24 April 2009, <[www.bloomberg.com](http://www.bloomberg.com)> [Accessed 20 May 2010].

<sup>63</sup> Hank Nelson, 'Chinese in Papua New Guinea', in Terence Wesley-Smith and Edgar A. Porter (eds), *China in Oceania: Reshaping the Pacific?* (Oxford: Berghahn Books, 2010), p. 111.

## The Interests of Pacific Island Countries

Despite their small size, PICs appreciate their strategic circumstances and interests.<sup>64</sup> These states vary ethnically, culturally, politically, and in terms of demographic and economic scale. Yet while the agendas of PICs will differ with regards to their specific concerns, a general scheme of shared strategic interests exists. Primary amongst these is a concern for creating, maintaining and entrenching their sovereignty and its practical recognition by external actors. While this is a particular challenge for any post-colonial society, this is even more of a concern for nations whose citizens may only number in the tens of thousands, and which frequently lack the basic resources needed to police the full extent of their territory and waters.

An extension of this is an interest in bolstering their collective weight both informally and via regional institutions, which offer additional tools with which to better control engagement with the international community. PICs, as developing countries, also have a strong interest in improving their socio-economic conditions and standards of living. Politically, while PICs appreciate the necessary role of Foreign Direct Investment (FDI) and aid in providing a basis for their future prosperity, they seek to access it with minimal strings attached.<sup>65</sup> Economic opportunity and growth also requires that PICs give strategic priority to their access to the markets of developed countries. Nonetheless, they resist the pressures to open their own markets to metropolitan and developed powers out of concern for the impact of unrestricted imports on public finances, which are substantially underwritten by customs revenues. The overall theme is one of tension between desires for greater political autonomy and continued economic development.

## Reevaluating the 'China Threat'

The interaction of the three strategic agendas outlined above suggests that competition between the Australasian powers and China is limited. When examining the deployment of political influence by states below the level of full strategic conflict, analysing events in terms of zero-sum outcomes may not accurately reflect the decision-making processes of the actors involved.<sup>66</sup> In actual fact, regional strategic stability is anchored in the various overlapping interests of the islands, Australasia, China, and other extra regional actors.

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<sup>64</sup> Elise Huffer, 'Canoes v. Carriers: International Relations in the South Pacific', *Commonwealth and Comparative Politics*, vol. 36, no. 3 (November 1998), p. 83.

<sup>65</sup> Kevin D. Stringer, 'Pacific Microstates: Pawns or Players in Pacific Rim Diplomacy?', *Diplomacy and Statecraft*, vol. 17, no. 3 (September 2006), p. 565.

<sup>66</sup> Thomas C. Schelling, *Prospectus for a Reorientation of Game Theory*, RAND Monograph P-1491 (Santa Monica, CA: RAND Corporation, 1958), p. 1.

Politically, Beijing's ambition of excluding Taiwanese regional influence is not at variance with the interests of Canberra and Wellington.<sup>67</sup> Since both Australia and New Zealand accept the 'one-China' policy, there is no *a priori* divergence between Beijing's historical goal and Australasian strategic interests. It could be argued that China's attempts to leverage regional recognition into solidarity within multilateral institutions represent a more direct conflict of interest with Canberra and Wellington, particularly if the island states were persuaded to vote against the agenda of their traditional partners. Yet with regards to issues of serious relevance to the security and prosperity of New Zealand and Australia, the positions adopted by Beijing are rarely distant. The clear outlier here is the question of the global response to climate change, where Australasia's desire for a stringent successor regime to the Kyoto Protocol has confronted the PRC's concerted opposition to binding emissions restrictions. Nonetheless in this matter competitive attempts to sway the PICs are moot, as they themselves have long advocated radical response measures alongside other small island states.<sup>68</sup>

Economically, the convergence of the PRC's interests and those of the Australasian powers appear even clearer. China's interests in open trading access are in principle little different from those of any state in the global economy, even if its investments suggest a concern with resource security. As the data indicates, Canberra and Wellington's economic involvement in the South Pacific has grown alongside Beijing's. This would suggest that rather than competing for the same market share, the opportunities for trade and investment in the region are sizable enough to encompass the interests of all parties. While this doesn't banish the possibility of conflict across other arenas of strategic interaction, the possibility exists for much-heralded 'win-win' scenarios, so long as the actors involved share a similar ranking of strategic preferences.<sup>69</sup> Rather than being an arena of zero-sum competition, the South Pacific presents modest strategic and political opportunities for both the Australasian powers and the PRC.

The sticking point is one of means. Both Canberra and Wellington have been critical of the PRC and ROC's 'dollar diplomacy', which has had negative consequences for the battlegrounds across which it has been fought, namely the state institutions of PICs.<sup>70</sup> Indeed, this competition, in some cases tantamount to political bribery, has been identified as a potential catalyst to political instability in Solomon Islands, PNG, and Vanuatu. In the

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<sup>67</sup> Yang, 'China in the South Pacific', p. 153.

<sup>68</sup> Statement of Tuvalu, 'Climate Change and Small Island States: The Alliance of Small Island States', Ministerial Conference on Environment and Development in Asia and the Pacific, Kitakyushu, 31 August–5 September 2000.

<sup>69</sup> Schelling, *Prospectus for a Reorientation of Game Theory*, pp. 3-10.

<sup>70</sup> John Henderson, 'China, Taiwan, and the Changing Strategic Significance of Oceania', *Revue Juridique Polynésienne*, September 2001, <www.upf.pf> [Accessed 20 September 2009], pp. 149-50.

latter case, competing 'no strings attached' offers of financial assistance, reputedly designed to buttress the political support of key elites in return for diplomatic recognition, were directly responsible for bringing down the government of Serge Vohor in 2004.<sup>71</sup> Engaging in a short-term struggle for elite support through cash and prestige has had negative consequences for perceptions of China's role in the region. While PICs remain eager for the financial streams Beijing offers, they are nonetheless wary of the domestic consequences.

However, the negative externalities to China's policies exist within the wider context of increasingly lucrative and pervasive connections between Wellington, Canberra, and Beijing. As Joel Atkinson has noted with regards to the Vanuatu episode:

[w]hile similar Chinese behaviour clearly impinges on Australian policy interests in the South Pacific, the importance of China to Australia's wider interests often results in South Pacific issues being downplayed, to an extent, in the interest of sustaining the broader Sino-Australian relationship.<sup>72</sup>

Other commentators such as Paul D'Arcy have suggested that Australia faces a choice in framing a competitive or cooperative approach towards the PRC's regional presence.<sup>73</sup>

Reciprocally, a rising China seeking to carve a new role on the global stage has long-term interests in positive relations with Canberra and Wellington. What is more, with the maturation of its presence in the region, China is increasingly concerned with the longevity and stability of its diplomatic and economic links with the islands themselves.<sup>74</sup> There is optimism in Canberra and Wellington that differences in policy approaches within the region could gradually be eroded by shared strategic interests beyond it. In its most recent Statement of Intent New Zealand's Ministry of Foreign Affairs and Trade indicated that it "will actively encourage China to engage in the Pacific as a responsible stakeholder", even as it seeks to deepen bilateral relations.<sup>75</sup> Similarly, the Director General of AusAID, Peter Baxter, has stressed that

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<sup>71</sup> See Joel Atkinson, 'Vanuatu in Australia-China-Taiwan Relations', *Australian Journal of International Affairs*, vol. 61, no. 3 (September 2007), pp. 351-66.

<sup>72</sup> Atkinson, 'Vanuatu in Australia-China-Taiwan Relations', p. 354.

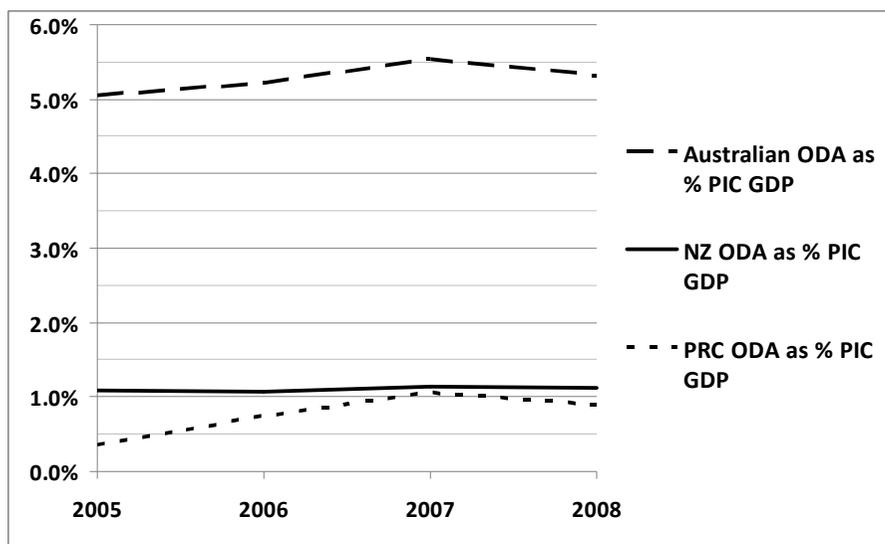
<sup>73</sup> Paul D'Arcy, 'China in the Pacific: Some Policy Considerations for Australia and New Zealand', *ANU Research School of Pacific and Asian Studies Discussion Paper 2007/4* (Canberra: ANU, 2007), pp. 8, 11-2.

<sup>74</sup> Jerome L. McElroy and Wenwen Bai, 'The Political Economy of China's Incursion into the South Pacific and Caribbean', *Island Studies Journal*, vol. 3, no. 2 (2008), pp. 237-8, 240-1.

<sup>75</sup> MFAT, *Statement of Intent 2010-2013* (Wellington: MFAT, 2009), p. 19.

we're hopeful that at some point in the future, China may indeed make the decision to be part of those processes of strengthening donor coordination in the region.<sup>76</sup>

Figure 3: Estimated ODA to PICs as percentage PIC GDP 2005-2008



Sources: Fergus Hanson, 'China: Stumbling Through the Pacific', *Lowy Institute Policy Brief* (Sydney: Lowy Institute, July 2009); Fergus Hanson, 'The Dragon Looks South', *Lowy Institute Analysis* (Sydney: Lowy Institute, June 2008); World Bank, *World Development Indicators*, <<http://data.worldbank.org>> [Accessed 10 March 2010]; Organisation for Economic Cooperation and Development, 'Development Cooperation Directorate – Aid Statistics', <[www.oecd.org](http://www.oecd.org)> [Accessed 10 March 2010]; NZAID, *Annual Review 2008* (Wellington: NZAID, 2008); AusAID, 'AusAID in the Pacific', <<http://www.ausaid.gov.au/country/southpacific.cfm>> [Accessed 10 May 2010]. Calculations by author.

As the preceding analysis suggests, the attentions of larger powers have impacted significantly upon island societies. Yet the real challenges faced by PICs in engaging equally with their larger partners do not justify the adoption of the radical assumption that they are merely passive subjects. The deployment of a geopolitical analysis in terms of balances of 'hard' power has tended to marginalise PICs.<sup>77</sup> This has been bolstered by assumptions, bordering on the ethnological, of societal gullibility and susceptibility to external manipulation. While facing serious internal challenges over the years since decolonisation, PICs possess well defined conceptions of their own national interests. Indeed, the strategic latitude of South Pacific nations has consistently been demonstrated through their

<sup>76</sup> Linda Mottram, 'AusAID Scrutinised by Parliamentary Committee', *ABC Radio Australia*, 3 June 2010, <[www.radioaustralia.net.au](http://www.radioaustralia.net.au)> [Accessed 10 July 2010].

<sup>77</sup> Fry, 'Framing the Islands', p. 21.

management of relations with external powers.<sup>78</sup> Small islands states such as PICs pursue their interests via the assets available to them, including renting access to natural resources such as fisheries and forests, and through parleying support within multilateral forums—what Crocombe has termed “the sovereignty market”.<sup>79</sup> In this way, Pacific peoples attempt to use multilateral and regional means to compensate for their individual weaknesses. Indeed, Pacific nations have long proven adept at using regional and multilateral institutions as diplomatic ‘force-multipliers’, mechanism through which they are able to band together and engage collectively with larger powers.<sup>80</sup>

South Pacific nations have demonstrated themselves to be exceedingly adept at manipulating strategic perceptions in order to maximise political and economic gains. This has been demonstrated by their success in playing Beijing off against Taipei for ever-escalating aid handouts and assistance packages, echoing the regional success of the PIF in exploiting Soviet-US rivalry to gain significant multilateral fishing concessions with Washington.<sup>81</sup> This exploitation of inherent doubts over the stability and resilience of PICs political commitments represents a clear example of Thomas Schelling’s contention that under certain circumstances a perceived weakness can in fact be a form of diplomatic strength.<sup>82</sup> Such a strategic perspective implies a South Pacific that resembles less a chessboard upon which the interests of external powers are played out, but rather a bazaar, incorporating a peculiar Pacific form of political and economic bartering centred on PICs as actors themselves.

The analysis above bolsters the refutation of an aggressive, hostile, Chinese expansion into the South Pacific. However, it also serves to clarify a number of misleading assumptions regarding the strategic dynamics of the South Pacific. Rather than viewing the region as a geographic zone of definite strategic loyalties, measured consequently by finite degrees of political influence, it is perhaps more efficacious to recognise the wide strategic latitude afforded by a region whose relevance to the currents of global events has largely dissipated following the retreat of US and colonial influences. Even more vital, however, is an appreciation for the importance of PICs as strategic actors in and of themselves, capable of negotiating individually or banding together collectively to promote their own interests against external powers.

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<sup>78</sup> Stringer, ‘Pacific Island Microstates’, p. 564.

<sup>79</sup> Crocombe, *Asia in the Pacific Islands*, pp. 551-72, 213.

<sup>80</sup> Gregory Fry, ‘Regionalism and International Politics of the South Pacific’, *Pacific Affairs*, vol. 54, no. 3 (Autumn 1981), pp. 456-7.

<sup>81</sup> Huffer, ‘Canoes v. Carriers’, pp. 87-8.

<sup>82</sup> Thomas C. Schelling, ‘An Essay on Bargaining’, *The American Economic Review*, vol. 46, no. 3 (June 1956), p. 294.

## Conclusion

The assertion of a 'China threat' to Australia and New Zealand's interests in the South Pacific implies a very particular interpretation of the geopolitical dynamics of the region and the interaction between extra-regional actors. It assumes that competition for regional political influence is zero-sum, a question of divergent strategic commitment, in which Pacific countries are themselves primarily of relevance merely as contested objects, rather than as actors in their own right.

An examination of the strategic interests and policy approaches of these actors challenges these assertions. While some of the political dynamics surrounding Beijing's involvement in the region have served to promote instability and consequently concern in Canberra and Wellington, there is as yet no strategic contest between the powers. Furthermore, while the sheer quantity of resources Australia and New Zealand have dedicated to the region is indicative of their strategic interests and commitment, there is little reason to believe this has had any impact upon Beijing's pursuit of its policy options and interests. Finally, if anything has served to complicate China's objectives in the region, it has been the PICs themselves, which have demonstrated repeatedly their central role as strategic actors, seeking to balance the involvement of external powers to achieve their own vision of stability within the South Pacific.

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