

China's Diplomacy in the Pacific: Interests, Means and Implications

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Distinct from the literature, this paper uses China's official definition of 'core interests' as a benchmark to examine three aspects of China's diplomacy in the Pacific: main interests, means to safeguard interests, and the implications for regional powers. It argues that the 'One China' policy outweighs the other aspects of China's core interests in the region. China has pursued its interests in the Pacific by three main means: visit diplomacy, economic leverage and its policy of non-interference. Though China has built stronger trade relations with the Pacific region, it still lags behind regional powers in many other aspects.

China has increased its diplomatic investment in the Pacific region in the past decade. In April 2006, Chinese Premier Wen Jiabao visited Fiji and inaugurated the China-Pacific Economic Development and Cooperation Forum. This was the first visit to the region by a Chinese Premier in history. Similarly, Xi Jinping became the first Chinese President to visit Fiji in November 2014, and he announced the decision to elevate China's "friendly and cooperative" relationship with the Pacific Island Countries (PICs) to a strategic partnership,¹ which demonstrates Beijing's growing emphasis on this region. Chinese aid to PICs has increased rapidly, totalling RMB 9.4 billion (US\$1.45 billion) by November 2013 according to Vice Premier Wang Yang.² Recent research conducted by the Lowy Institute for International Policy in Sydney argued that China's cumulative aid to the Pacific region reached US\$1.78 billion from 2006 onward.³ With China's growing

¹ Du Shangze and Yan Huan, 'Xi Jinping tong taipingyang daoguo lingdaoren juxin jiti huiwu bing fabiao zhuzhi jianghua [Xi Jinping Had a Group Meeting with Leaders of Pacific Islands Countries and Delivered a Keynote Speech]', *People's Daily*, 23 November 2014, p. 1; Wen Jiabao, 'Jiaqiang huli hezuo, shixian gongtong fazhan [To Promote Cooperation of Mutual Benefits and Achieve Common Development]', *State Council Bulletin*, no. 15 (2006), pp. 10-11. It is worth noting that while the concept of strategic partnership bears a strong strategic and military flavour and often refers to relations among allies, it has been loosely used by Beijing in recent years to demonstrate China's emphasis on relations with partner countries, whether developed nations such as Britain, Australia and New Zealand, or developing nations such as South Africa, Iran and Venezuela.

² Wang Yang, 'Wang yang zai di er jie zhongguo taipingyang daoguo jingji fazhan hezuo luntan ji 2013 zhongguo guoji lvse chuanguan jishu chanpinzhan kaimushi shang de yanjiang [Speech by Wang Yang at the Opening Ceremony of the 2nd China-Pacific Islands Countries Economic Development and Cooperation Forum & China International Green Innovation Products and Technology Show]', China's Ministry of Foreign Affairs (MFA), 8 November 2013, <www.fmprc.gov.cn/mfa_chn/zyxw_602251/t1097478.shtml> [Accessed 2 May 2014].

³ Lowy Institute, 'Map of Chinese Aid in the Pacific', <www.lowyinstitute.org/chinese-aid-map/#> [Accessed 10 January 2015].

diplomatic efforts, its eight diplomatic partners in the region have reaffirmed their support for the 'One China' policy. At China's request, PICs such as Vanuatu and Papua New Guinea have also voiced support for China over the South China Sea dispute.⁴

Against this background, China's main interests in the Pacific region, the means China is pursuing these interests, and the implications of China's rise for regional powers are becoming important issues and drawing growing academic attention. Some analysts argue that China regards the Pacific region as a strategic asset and intends to replace the United States as the dominant power in the long run.⁵ In subsequent research, some scholars took issue with this view. Yongjin Zhang argues that China has limited strategic, diplomatic and economic investment in the region, and China's approach to PICs is not different from its approach to other developing countries.⁶ In a similar vein, Terence Wesley-Smith interprets China's diplomacy in the Pacific as part of its broader outreach to the developing world, which is not driven by its strategic competition with the United States and is not reducible to a specific set of interests such as natural resources exploration and competition with Taiwan.⁷ Situating his analysis in China's national security, Jian Yang contends that the Pacific region is important for China's national reunification and long-term development strategy but it is marginal in China's military strategy.⁸

China's soft power approach to the region is also highlighted in the literature. Zhiqun Zhu holds the view that China has been building its soft power in the South Pacific through providing aid to support PICs' economic development and treating them as equal partners.⁹ Marc Lanteigne claims that by increasing its diplomatic and economic inputs in South Pacific, China is exercising "soft balancing" behaviour towards traditional powers instead of

⁴ 'Vanuatu Gov't Issues Position on South China Sea', *Vanuatu Daily Post*, 26 May 2016, <dailypost.vu/news/vanuatu-gov-t-issues-position-on-south-china-sea/article_df783f0f-5a6a-50e1-b48a-54610d728c1b.html> [Accessed 3 July 2017]; China MFA, 'Joint Press Release Between the People's Republic of China and The Independent State of Papua New Guinea', 8 July 2016, <www.fmprc.gov.cn/mfa_eng/wjdt_665385/2649_665393/t1378713.shtml> [Accessed 2 May 2017].

⁵ John Henderson and Benjamin Reilly, 'Dragon in Paradise: China's Rising Star in Oceania', *The National Interest*, no. 72 (2003), pp. 94-104; Thomas Lum and Bruce Vaughn, *CRS report for congress-The Southwest Pacific: U.S. Interests and China's Growing Influence* (Washington, DC: Congressional Research Service, 2007); Tamara Renee Shie, 'Rising Chinese Influence in the South Pacific: Beijing's "Island Fever"', *Asian Survey*, vol. 47, no. 2 (2007), pp. 307-26.

⁶ Yongjin Zhang, 'China and the Emerging Regional Order in the South Pacific', *Australian Journal of International Affairs*, vol. 61, no. 3 (2007), pp. 367-81.

⁷ Terence Wesley-Smith, 'China's Rise in Oceania: Issues and Perspectives', *Pacific Affairs*, vol. 86, no. 2 (2013), pp. 351-72.

⁸ Jian Yang, 'China in the South Pacific: Hegemon on the Horizon?' *The Pacific Review*, vol. 22, no. 2 (2009), pp. 139-58.

⁹ Zhiqun Zhu, *China's New Diplomacy: Rationale, Strategies and Significance* (Burlington, VT: Ashgate Publishing, 2010), pp. 139-164.

engaging in “hard” or military competition with them.¹⁰ Scholars have also debated the impact of China’s rising influence on regional powers. By examining the role of alliances in the Asia-Pacific region in the context of China’s increasingly assertive diplomacy, Mark Beeson argues that a containment policy against China’s rise could be unsustainable and nations need to accommodate China’s rise and encourage it to play a constructive role in international affairs.¹¹ Colonel Peter Connolly, Director of International Engagement for the Australian Army, argues that China’s growing interests in the South Pacific might lead to accidental friction with traditional powers such as Australia in hypothetical scenarios when China sends the People’s Liberation Army (PLA) to evacuate Chinese citizens from Pacific Island nations in future riots targeting Chinese populations.¹²

These analyses have greatly improved our knowledge about China’s expansion into the Pacific region. However, many questions remain outstanding such as: has the Chinese government clearly defined its national interests? If so, what are China’s main interests in the Pacific region? Is the role of the Pacific in China’s strategic security evolving along with China’s growing military ambition and assertive diplomacy? How likely is it China will deploy the PLA to evacuate its citizens stranded in future riots in the region? What are the potential areas for cooperation between China and regional powers? More research is needed to address these questions.

Building upon the author’s previous work experience as a diplomat and observation of China’s diplomacy in the region over the past fifteen years, this article aims to add to the debate by examining China’s diplomacy in the Pacific and focusing on the aforementioned three questions: China’s main interests in the Pacific, the main means to safeguard these interests, and the implications for regional powers (focusing on the United States, Australia and New Zealand). Different from previous analyses, the article will contextualise China’s main interests in the Pacific by using China’s official definition of core interests (*hexin liyi*) as a benchmark.

The concept of core interests was officially announced in September 2011 when the Chinese government released its White Paper on Peaceful Development. While reiterating it will follow a peaceful development path, Beijing has emphasised that it will not compromise on issues concerning China’s core interests which include “state sovereignty, national security, territorial integrity and national reunification, China’s political system established by the Constitution and overall social stability, and the basic

¹⁰ Marc Lanteigne, ‘Water Dragon? China, Power Shifts and Soft Balancing in the South Pacific’, *Political Sciences*, vol. 61, no. 1 (2012), pp. 21-38.

¹¹ Mark Beeson, ‘Invasion by Invitation: The Role of Alliances in the Asia-Pacific’, *Australian Journal of International Affairs*, vol. 69, no. 3 (2015), pp. 315-16.

¹² Peter J. Connolly, ‘Engaging China’s New Foreign Policy in the South Pacific’, *Australian Journal of International Affairs*, vol. 70, no. 5 (2016), pp. 484-505.

safeguards for ensuring sustainable economic and social development".¹³ The articulation of China's core interests has proved significant for China's diplomacy. As China's national capacity has increased rapidly thanks to the nearly four decades of spectacular economic growth, China naturally seeks to expand its national interest. This concept of core interests suggests that China will more likely take a hardline position on issues of core interests, as evidenced by the Xi Jinping administration's handling of territorial disputes with neighbouring countries in the South and East China Seas, while it could be supportive of cooperation on issues of non-core interests. Thus, this concept provides a new and useful perspective to study China's conduct of foreign relations.

Moving to the Pacific, if it is closely linked to China's core interests, we can naturally expect Beijing to put greater efforts on the region and act more assertively on issues of core interests. If the analysis in this article indicates otherwise with regards to PICs' relations with China's core interests, it is more likely that China will demonstrate more willingness for cooperation with PICs and regional powers, and the Pacific region will not be near the top of the agenda for Chinese diplomats in the near future. It is noteworthy that although the White Paper on China's Peaceful Development was released by Hu Jintao administration in 2011, and 'Xi Jinping Diplomatic Thought' is demonstrating new features,¹⁴ the Chinese government has continued to place emphasis on peaceful development and the concept of China's core interests.¹⁵

Main Interests

Similar to other nations, China's interests in the Pacific are multifaceted and not easily grouped into China's core-interests. Judged against the definition provided by the White Paper, the 'One China' policy would seem to be the main issue that can be categorised as China's core interest in the Pacific. It is directly related to China's *territorial integrity and national reunification*. Ever since the founding in 1949, the People's Republic of China (PRC or Mainland China) has regarded Taiwan (ROC or Republic of China) as a renegade province and worked relentlessly to curb the latter's international influence. The battle has centred on international recognition of Taiwan as a

¹³ State Council, *Guowuyuan xinwenban fabiao zhongguo de heping fazhang baipishu [The State Council Information Office released the White Paper on Peaceful Development]* (Beijing: China State Council, 2011).

¹⁴ For instance, President Xi Jinping has put forward new concepts such as 'community of common destiny', 'the Chinese dream', 'diplomacy with "Chinese features", "Chinese style" and "Chinese confidence"'. There is also growing debate on whether China's diplomacy is moving away from 'hiding the capacity and keeping a low profile (*taoguang yanghui*)' to 'making greater achievements (*yousuo zuowe*)'.

¹⁵ Yang Jiechi, 'Zai Xi Jinping zongshuji wajiao sixiang zhiyin xia buduan kaichuang duiwai gongzuo xin jumian [To Open Up New Prospects in China's External Work under the Guidance of General-Secretary Xi Jinping's Diplomatic Thought]', China MFA, 14 January 2017, <www.fmprc.gov.cn/ce/cedk/chn/zgwj/t1430589.htm> [Accessed 2 May 2017].

sovereign state. Among the current twenty diplomatic partners of Taiwan, nearly one-third are in the Pacific. Six small Pacific nations—Marshall Islands, Solomon Islands, Palau, Tuvalu, Kiribati and Nauru—recognise Taiwan rather than the People's Republic of China. The diplomatic competition between Mainland China and Taiwan has been fierce since the 1970s when China started to establish official relations with PICs such as Fiji and Samoa. Lucrative aid pledges from the two sides appeal to the politicians of PICs most of which have small and fragile economies. A few PICs have switched their diplomatic recognition between Mainland China and Taiwan. The two latest examples are Kiribati and Nauru. In November 2003, Kiribati's President Anote Tong set up diplomatic ties with Taiwan despite Mainland China's desperate efforts to overturn this result and its accusation that Taiwan was practising "bribery diplomacy".¹⁶ Similarly, in May 2005 Nauru switched its allegiance back to Taiwan which pledged a low interest loan to restore Nauru's only airline.¹⁷

The victory of Nationalist Party Chairman Ma Ying-jeou in Taiwan's election in 2008 was seen by Beijing as an opportunity to reshape Cross-Straits relations. The Nationalist Party opposes Taiwan's independence though unequivocally insists upon the independence of ROC. To Beijing, the Nationalist Party is a better partner to deal with than the Democratic Progressive Party (DPP), the party known for its pro-independence position in the name of Taiwan, and keeping the Nationalist Party in power is in China's interest. As a result, Cross-Straits relations improved, and the two sides entered into a diplomatic truce during Ma Ying-jeou's presidency between 2008 and 2015, which could be interpreted as Mainland China's efforts to improve relations with the Nationalist Party and suppress the DPP's popularity in Taiwan. The diplomatic wrestling between the two sides cooled down including in the Pacific region. However, even during this period, both sides did not dare to relax, and remained watchful. Despite the informal truce, the Chinese government continued to emphasize the importance of the 'One China' policy to its Pacific counterparts. In November 2009, then Chinese Vice Premier Li Keqiang visited Papua New Guinea (PNG) and met with Governor-General Paulias Matane. Li expressed gratitude to PNG for its support of the 'One China' policy while Matane reaffirmed this position.¹⁸

In addition to the diplomatic truce, PRC demonstrated greater flexibility in managing Cross-Straits relations. Chinese President Xi Jinping even held a

¹⁶ Joel Atkinson, *Australia and Taiwan-Bilateral Relations, China, the United States, and the South Pacific* (Leiden: Brill, 2013), p. 174; John F. Copper, *China's Foreign Aid and Investment Diplomacy III* (New York: Palgrave Macmillan, 2016), p. 135.

¹⁷ Joel Atkinson, 'China-Taiwan Diplomatic Competition and the Pacific Islands', *The Pacific Review*, vol. 23, no. 4 (2010), p. 414.

¹⁸ Ming Jinwei and Cao Yang, 'Li Keqiang huijian babuya xinjineiya zongdu Matane [Li Keqiang met with PNG Governor-General Matane]', *Xinhua*, 4 November 2009, <news.xinhuanet.com/world/2009-11/04/content_12386710.htm> [Accessed 22 May 2014].

high profile bilateral meeting with Ma Ying-jeou in November 2015 in Singapore, which was a historic first time meeting between leaders across the Taiwan Straits since 1949. By convening this meeting, the PRC hoped to send out the message to voters in Taiwan that a healthy Cross-Straits relationship and even a breakthrough was possible between the PRC and the Nationalist Party regime. This effort, Beijing expected, would boost the Nationalist Party's popularity on the eve of the presidential election in Taiwan and help it win a third-term. The strategy turned out to be a failure.

Since DPP Chairwoman Tsai Ing-wen won Taiwan's presidential election in January 2016, increasing uncertainty has been seen in Cross-Straits relations. While Tsai accused China of pressuring Taiwan and damaging the relations, Beijing put the blame on Tsai's administration and slammed her inaugural speech as offering "an incomplete answer sheet" to the exam on bilateral relations, which refers to Tsai's failure to explicitly recognise the 1992 Consensus.¹⁹ Zhang Zhijun, Minister of the State Council's Taiwan Office—the ministerial-level agency in charge of Taiwan affairs—noted in July 2016:

Though the DPP leader [Tsai Ing-wen] stated the desire to promote peaceful and stable development of Cross-Straits relations, she has remained ambiguous about the nature of Cross-Straits relations, the fundamental issue that is of utmost concern to compatriots on both sides, and refused to clearly recognize the "1992 Consensus" and its core connotation that both sides of the Straits belong to one China. The political foundation for peaceful development of Cross-Straits relations since 2008 is thus ruined.²⁰

Since early 2016, the relationship between the PRC and Taiwan has deteriorated rapidly and their diplomatic competition has resumed. In March 2016, China resumed diplomatic relations with Gambia, a former diplomatic partner of Taiwan. This move received strong criticism not only from the DPP regime but also former President Ma Ying-jeou.²¹ In December 2016, another diplomatic partner of Taiwan, Sao Tome and Principe switched its diplomatic allegiance to China. China has also tightened its rein on Taiwan's multilateral diplomacy. Due to Beijing's intervention, Taiwan was excluded from attending a number of international conferences in 2016 such as the international symposium on the steel sector co-hosted by the OECD and the Belgian government (April), annual conferences of the International Civil Aviation Organization (September), the International Criminal Police

¹⁹ Jean Yoon and J. R. Wu, 'Exclusive: Taiwan President Says Phone Call With Trump Can Take Place Again', *Reuters News*, 27 April 2017, <<http://www.reuters.com/article/us-taiwan-president-idUSKBN17T0W3>> [Accessed 12 May 2017]; *Xinhua*, 'Tsai's Speech on Cross-Straits Ties Offers 'an Incomplete Answer Sheet': Mainland Official', 20 May 2016, <news.xinhuanet.com/english/2016-05/20/c_135375303.htm> [Accessed 2 June 2016].

²⁰ Zhang Zhijun, 'Remarks by Minister Zhang Zhijun at the 5th World Peace Forum', Taiwan Affairs Office of the State Council PRC, 16 July 2016, <www.gwytb.gov.cn/en/Headline/201608/t20160822_11545520.htm> [Accessed 20 August 2016].

²¹ Joseph Yeh, 'Ma Condemns Gambia-China Ties', *The China Post*, 18 March 2016.

Organization (November) and the UN Framework Convention on Climate Change (November). In stark contrast, the PRC demonstrated more tolerance for Nationalist Party-led Taiwan to participate in international conferences such as the World Health Assembly since 2009 and the 38th International Civil Aviation Organization Conference in 2013.

This new round of diplomatic competition will undoubtedly affect the Pacific region. Diplomats from Mainland China and Taiwan will face the paramount task of consolidating diplomatic relations with their partners in the region. Meanwhile, it is likely they will be actively exploring opportunities to establish diplomatic relations with new partners whenever possible. On the eve of President Xi's visit to Fiji in November 2014, China's Assistant Foreign Minister Zheng Zeguangu noted explicitly the potential benefits for Taiwan's diplomatic partners if they switch to China, "Under the framework of one China, relations in the future will develop even better. There is a lot of space for cooperation".²² With its greater economic capacity and status as the formal representative of China at the UN, Mainland China has advantages against Taiwan in this battle. It is likely to be able to consolidate relations with its current eight PIC diplomatic partners and attract some of Taiwan's diplomatic partners.

A typical example relates to the Solomon Islands. China has become a principal trading partner of Solomon Islands though the two sides have no diplomatic relations. It was Solomon Islands' leading export destination and third largest import source in 2016, accounting for 62.5 per cent and 14.8 per cent of the total volume.²³ Solomon Islands officials have expressed interest in forging closer linkage with China. In May 2013, Prime Minister Gordon Lilo told Radio Australia that despite Solomon Islands' diplomatic recognition of Taiwan, the rise of China could not be ignored in advancing trade and investment.²⁴ Similar thinking was expressed by his successor Manasseh Sogavare in December 2014, hinting at a possible diplomatic switch from Taiwan to Mainland China.²⁵ In July 2016, President Sogavare met with visiting Chinese Political Counsellor Wang Genhua from the Embassy in Papua New Guinea and asked China to invest in telecommunications, rural

²² Ben Blanchard, 'China to Lift Aid to Pacific, Sees Cooperation with Taiwan Allies', *Reuters News*, 13 November 2014, <www.reuters.com/article/us-china-pacific-taiwan-idUSKCN0IX0B820141113> [Accessed 20 July 2016].

²³ Department of Foreign Affairs and Trade, 'Solomon Islands Country Fact Sheet', June 2017, <dfat.gov.au/trade/resources/Documents/solo.pdf> [Accessed 20 September 2017].

²⁴ Australian Broadcasting Corporation, 'China Economic Rise Will Impact Diplomacy: Solomons', 29 May 2013, <www.abc.net.au/news/2013-05-29/an-solomons-pm-says-china27s-economic-rise-will-impact-on-dipl/4721224> [Accessed 30 July 2016].

²⁵ Pacific Beat, 'Speculation Solomon Islands PM Sogavare Weighing up Taiwan-China Options', Australian Broadcasting Corporation, 12 December 2014, <www.radioaustralia.net.au/international/radio/program/pacific-beat/speculation-solomon-islands-pm-sogavare-weighing-up-taiwanchina-options/1398321> [Accessed 2 June 2015].

electrification and food processing in Solomon Islands.²⁶ The two sides also discussed the potential to establish relations between Sogavare's United Democratic Party and China's Communist Party (CPC),²⁷ which could pave the way for the two nations to form a closer relationship. Back in March 2005, Minister Wang Jiarui of the CPC International Liaison Department met with a visiting Solomon Islands' opposition party delegation and emphasised, "China's Communist Party is ready to promote the normalization of the two countries' relations through the development of party-to-party relations".²⁸ Therefore, it would not be surprising if China and Solomon Islands were to develop a closer partnership including establishing diplomatic relations in the future.

It is worth noting that Palau, another of Taiwan's diplomatic partners, has also developed strong commercial links with Mainland China. China has become Palau's largest source of tourists. Between 2014 and 2015 the number of Chinese tourists to Palau jumped from 39,383 to 87,058 as charter flights brought them directly from Hong Kong and Macau.²⁹ The capital Koror struggled to accommodate Chinese tourists, and the Palau government placed limits on the number of charter flight arrivals, restricting them to a maximum of thirty-two flights a month with an average of 200 to 250 tourists per flight,³⁰ perhaps the first time a Pacific country has ever restricted tourist entry. As Palau is trying to shift to higher end tourism, the fact that Palau recognises Taiwan rather than Mainland China is proving irrelevant to commercial realities. However, different from Solomon Islands, there is no public data available to show Palau's interest to move away from Taiwan to China in the near future.

Though *national security* is clearly defined as China's core interest, the Pacific region has not been put at the top of the agenda for the Chinese government and PLA. China is preoccupied with strategic competition with countries such as the United States, Japan and some ASEAN nations in the

²⁶ Radio New Zealand, 'Solomons PM Asks for Chinese Investment', 13 July 2016, <www.radionz.co.nz/international/pacific-news/308561/solomons-pm-asks-for-chinese-investment> [Accessed 22 November 2016].

²⁷ Pacific Islands Report, 'Solomon Islands Ruling Party Considers Establishing Relations with China's Communist Party', Pacific Islands Development Program, East-West Center, 17 July 2016, <www.pireport.org/articles/2016/07/17/solomon-islands-ruling-party-considers-establishing-relations-china-s-communist> [Accessed 2 April 2017].

²⁸ Xinhua, 'Wang Jiarui huijian suo luo men qundao keren [Wang Jiarui met with guests from Solomon Islands]', 24 March 2005, <news.xinhuanet.com/newscenter/2005-03/24/content_2739661.htm> [Accessed 11 May 2015].

²⁹ Pacific Islands Report, 'Mainland China Now Majority of Tourists to Palau', Pacific Islands Development Program, East-West Center, 20 January 2016, <www.pireport.org/articles/2016/01/20/mainland-china-now-majority-tourists-palau> [Accessed 10 May 2016].

³⁰ Oceania TV network, 'Charter Flights Reduced to Balance Tourism Market in Palau', 6 March 2015, <www.oceaniatv.net/2015/03/06/charter-flights-reduced-to-balance-tourism-market-in-palau/> [Accessed 16 July 2016]. The Yap island of Federated States of Micronesia (FSM) is a similar case to Palau. There are divisions among local politicians in recent years over the Chinese company Exhibition & Travel Group's plan to build a 'mega resort' on the island.

South and East China Seas. Tension in the Korean Peninsula and the United States's deployment of missile defence system THAAD to South Korea are new major concerns for China. With regards to the Pacific region, China does not have military bases in the region. Its only military related presence—the satellite tracking station on Tarawa in Kiribati since 1997—was dismantled after the ending of diplomatic relations in November 2003. China's military engagement with PICs is restricted to donating non-combatant military equipment and uniforms, constructing military hospitals and providing scholarships for Pacific military officers to be trained in China's military universities/academies. This low-level engagement is incomparable to the sophisticated and long-standing military partnerships between PICs and the established regional powers: the United States, Australia, France³¹ and New Zealand.

The accelerated expansion of the PLA navy (PLAN) in recent years could open up room for a more important role of the Pacific region in China's national security, which however demands closer observation. The development of aircraft carriers is an example of the PLAN's growing strategic ambition. In September 2012, China's first aircraft carrier *Liaoning* was commissioned. China launched its second and China's first home-built aircraft carrier in April 2017, and more are reported to be under construction. In December 2016, the PLAN fleet including *Liaoning* aircraft carrier crossed the first island chain³² for the first time.³³ Soon after, China's official media agency *People's Daily* commented straightforwardly, "The first island chain no longer poses a constraint to Chinese military forces. Crossing the chain becomes a 'new normal' (*xin changtai*). It is just a matter of time before China's aircraft carrier crosses the second island chain and reaches the Eastern Pacific".³⁴ If this occurs in the future, the Pacific region will occupy a more important position in China's strategic ambition. At present, however, no significant signs are observable in the PLAN's engagement with the Pacific region towards this end.

Some analysts have expressed concerns about the potential growth of China's military presence to protect its diaspora in the Pacific region and the

³¹ The discussion in this paper focuses on the fourteen sovereign PICs and excludes French territories including French Polynesia and New Caledonia. In addition, as Timor-Leste is treated by China's Ministry of Foreign Affairs as part of Southeast Asia rather than the Pacific, it is excluded from the discussion in this paper.

³² For the island chain strategy, see for example, Robert D. Kaplan, 2010, 'The Geography of Chinese Power: How Far Can Beijing Reach on Land and at Sea?' *Foreign Affairs*, vol. 89, no. 3 (2010), pp. 22-41.

³³ Ankit Panda, 'Power Plays across the First Island Chain: China's Lone Carrier Group Has a Busy December', *The Diplomat*, 27 December 2016, <thediplomat.com/2016/12/power-plays-across-the-first-island-chain-chinas-lone-carrier-group-has-a-busy-december/> [Accessed 14 March 2017]; 'Zhongguo fan er yue lai yue you diqi [China's Style is Having More Confidence]', *People's Daily*, 22 January 2017, p. 6.

³⁴ Duan Ni, 'Guan yu liangjian, xing sheng yu yan [Have the Courage to Draw the Sword, and Action Speaks Louder than Words]', *People's Daily*, 8 January 2017, p. 6.

risk of conflicts with regional powers. As mentioned in the introduction, Col. Peter Connolly predicts that China and Australia may face “accidental frictions” in Melanesian countries when the Chinese army arrives to evacuate its diaspora in future riots. However, the possibility of the PLAN’s involvement in evacuation operations in PICs is low. The protection of overseas Chinese citizens has undeniably become a benchmark for Chinese citizens to judge whether their government has honoured the “putting people first” commitment (*yi ren wei ben*).³⁵ In recent years, the Chinese government organised a growing number of evacuation operations for its citizens in conflict/riot-stricken countries such as Lebanon (July 2006, 170), Chad (January 2008, over 200), Thailand (November 2008, 3,346), Gabon (September 2009, 36), Haiti (January 2010, 60), Kyrgyzstan (June 2010, 1,299) and Central Africa (December 2012, 308).³⁶ However, so far the PLAN were involved only in two evacuation operations, where there were special circumstances. The first case was an operation in civil war torn Libya in February 2011 where more than 35,000 Chinese nationals were evacuated. This is China’s largest scale evacuation in recent years and also the first time that Chinese military forces, including four PLAN aircraft and one navy frigate, were involved.³⁷ The second case is the evacuation of Chinese diaspora during the Yemen Crisis in March 2015 where three PLAN vessels were involved and 577 Chinese citizens were evacuated. Compared with other evacuation operations, the Libya case involved the PLAN because of the large number of Chinese citizens—including the staff of some influential state-owned enterprises—waiting to be evacuated. PLAN vessels were used in the Yemen case because of their proximity. An official from China’s Ministry of Defence confirmed the naval fleet was carrying out escort missions in the Gulf of Aden and Somali waters before it was ordered to sail to Yemen’s southern port of Aden for the evacuation task.³⁸

The growth of Chinese small business in the Pacific region, coupled with fierce competition with local business and even Chinese traders,³⁹ might lead to a rise of incidents involving Chinese diaspora in the near future and more evacuation operations. Yet, compared to other regions such as Asia

³⁵ Hu Jintao, ‘Zhongguo gongchandang di shiqici quanguo daibiao dahui baogao [Speech at the 17th National Congress of China’s Communist Party]’, *People’s Daily*, 15 October 2007.

³⁶ Editing Group, *Zhongguo Lingshi Gongzuo [The Consular Affairs of China]* (Beijing: World Affairs Press, 2014). The number in the brackets refers to Chinese citizens that were evacuated.

³⁷ Shaio H. Zerba, ‘China’s Libya Evacuation Operation: A New Diplomatic Imperative—Overseas Citizen Protection’, *Journal of Contemporary China*, vol. 23, no. 90 (2014), pp. 1093-112.

³⁸ Guo Yuandan, ‘Zhongguo junjian jinru Yemen yadingwang, qidong cheqiao gongzuo [China’s Military Fleet Arrived at Yemen Gulf of Aden and Started the Evacuation Operation]’, 30 March 2015, <world.huanqiu.com/photo/2015-03/2769482.html> [Accessed 2 July 2016].

³⁹ Graeme Smith, ‘Beijing’s Orphans? New Chinese Investors in Papua New Guinea’, *Pacific Affairs*, vol. 86, no. 2 (2013), pp. 327-49.

and Africa, the Pacific has a small Chinese diaspora.⁴⁰ An estimated 20,911⁴¹ Chinese citizens (*huaqiao*) or foreign citizens of Chinese descent (*huaren*) live in the Pacific island countries. As such, though social unrest may occur in some PICs, especially Melanesian countries, the affected Chinese diaspora will be small and it is most likely that the Chinese government will use commercial charter planes rather than the PLAN to pick up its citizens in those scenarios. That was exactly the practice conducted by Beijing during the riots in Solomon Islands (April 2006, 320) and Tonga (November 2006, 193),⁴² although many of them returned to these countries to continue their small business when the situation calmed down. Also, the Chinese government has put part of its blame for anti-Chinese riots such as the 2006 one in Solomons Islands on the low quality (*sushi*) and incapacity of some Chinese citizens to do business overseas.⁴³

Sustaining economic interest constitutes a significant part of China's *basic safeguards for ensuring sustainable economic and social development*. By no means, however, can the Pacific region be seen as a priority area for China's economic and investment activities. Partly encouraged by the 'Go Out/Go Global' strategy, a large number of Chinese state-owned and private companies have gone overseas to seek economic opportunities. The American Enterprise Institute and the Heritage Foundation have tracked China's global investment from 2005 onwards and argued that Europe, Sub-Saharan Africa, West Asia, East Asia and the United States are the main destinations of China's investment and construction activities, attracting 17.6%, 16.4%, 14.5%, 12.9% and 10.4% of the total volume respectively.⁴⁴ In Oceania, Australia and New Zealand account for 6.1% and 0.2% of China's global investment, while PNG and Fiji, the main destinations of Chinese investment in the Pacific, have attracted US\$3.88 billion and US\$150 million of Chinese investment, if combined representing 0.24% of

⁴⁰ The Chinese government includes both Chinese citizens overseas (*huaqiao*) and foreign citizens of Chinese descent (*huaren*) in its calculation of Chinese diaspora. It is extremely difficult for the Chinese government to separate the two figures. One reason is, as China does not recognise dual citizenship, some Chinese citizens do not report their change of citizenship to Chinese diplomatic missions. Another reason is that some Chinese citizens migrate overseas illegally and do not participate in census.

⁴¹ This figure is calculated by the author based on data from the China MFA website. MFA, 'Guojia he zhuzhi: dayangzhou [Country and region: Oceania]', <www.fmprc.gov.cn/web/gjhdq_676201/gj_676203/dyz_681240/> [Accessed 19 September 2017]. It includes seven of the eight PICs that recognise Mainland China except Cook Islands. This official figure could be lower than the real one. Based on available data, the population of Chinese citizens or citizens of Chinese descent in Solomon Islands was 654 according to the country's census in 2009. Solomon Islands National Statistics Office, *2009 Population & Housing Census: National Report (Volume 2)* (Honiara: Solomon Islands Ministry of Finance and Treasury, 2009), p. 83.

⁴² Editing Group, *Zhongguo Lingshi Gongzuo*.

⁴³ Graeme Smith, 'Chinese Reactions to Anti-Asian Riots in the Pacific', *Journal of Pacific History*, vol. 47, no. 1 (2012), pp. 96-97.

⁴⁴ American Enterprise Institute and Heritage Foundation, 'Worldwide Chinese Investments & Construction (2005-2017)', <www.aei.org/china-global-investment-tracker/> [Accessed 19 September 2017].

the share.⁴⁵ Most PICs have a small population and lack minerals or natural resources except fisheries. The potential for China-PICs economic cooperation is limited, though PNG is an exception. Being the second largest country in Oceania in terms of land area and population and boasting rich natural resource endowment, PNG is home to more than two-dozen Chinese state-owned enterprises. An example is the Metallurgical Corporation of China which has invested US\$1.4 billion in the Ramu Nickel mine in PNG's Madang province. This is China's largest single investment project in the region.

It is worth noting that the slowdown of China's economy in recent years has affected its trade with the Pacific region. The Pacific Trade & Investment office in Beijing estimates that China's bilateral trade with the thirteen sovereign PICs except Niue totalled US\$7.5 billion in 2016, a negligible growth of 0.4 per cent compared to their trade in 2015.⁴⁶ A closer examination of these figures reveals that six of the eight PICs that recognise China ran a trade deficit with China in 2016, which could be explained by their limited exports and inadequate competitiveness. Again, PNG is an exceptional case and is in trade surplus with China partly because it started to export liquefied natural gas to China since 2014. In 2015, Chinese enterprises invested US\$120 million in the Pacific.⁴⁷ On the whole, these trading and investment figures between China and PICs pale into insignificance alongside countries in Africa, Asia and Latin America. For instance, bilateral trade between China and Africa exceeded US\$149 billion in 2016 and China's investment in Sub-Saharan Africa, and Arab Middle East and North Africa reached US\$41.24 billion and US\$9.4 billion respectively in 2015.⁴⁸ Therefore, the Pacific region is not China's main economic partner and is not linked to China's core interest of *basic safeguards for ensuring sustainable economic and social development*. It represents a small proportion of China's broad outreach to the developing world.

Seeking PICs' support at multilateral fora has been appealing to China and other external powers as well. Being small, sovereign states in the Pacific

⁴⁵ Ibid.

⁴⁶ Pacific Islands Trade & Investment Office in China, *Trade Statistical Handbook 2016 between China and Forum Island Countries* (Beijing: Pacific Islands Trade & Investment Office in China, 2017).

⁴⁷ China Ministry of Commerce (MOFCOM), 'Zhongguo yu taipingyang daoguo diqu maoyi he touzi jiankuang [An Overview of Trade and Investment between China and the Pacific Island Countries]', 17 August 2016, <mds.mofcom.gov.cn/article/Noategory/200210/20021000042986.shtml> [Accessed 14 May 2017].

⁴⁸ FOCAC, 'Zhongfei maoyi shuju: 2016 nian zhongguo yu feizhou geguo maoyi shuju ji xiangguan paiming [China-Africa Trade Statistics: Statistics and Rankings of China's Trade with African Countries]', 10 April 2017, <www.focac.org/chn/zfgx/t1452476.htm> [Accessed 20 September 2017]; American Enterprise Institute and Heritage Foundation, 'Worldwide Chinese Investments & Construction'. Please note the trade and investment statistics for the Pacific and other regions are from different sources, so the comparison here might not be accurate.

especially small island countries such as Tuvalu (population: 10,900) and Nauru (population: 10,500) are easily influenced by other powers, but they have an equal vote to large nations in the UN. As a result, these island countries have been approached by external powers for diplomatic support. For instance, Nauru was awarded US\$50 million from Russia for recognising Georgia's breakaway provinces of Abkhazia and South Ossetia in 2009.⁴⁹ In addition to the 'One China' policy, Beijing has actively sought support from its eight PICs partners on other issues. In 2006, Beijing-backed candidate for WHO Director-General Margaret Chan visited Tonga—a member of WHO's thirty-four-member Executive Board—and lobbied successfully for its support. These votes cover a wide range of areas and could not be simply put under any single category of China's core interests.

The Chinese government has maintained high vigilance to the five types of 'threats': overseas support for independence campaigns in Taiwan, Xinjiang and Tibet, the Falun Gong movement and the overseas Chinese democratic movement. Condemned by the Chinese government as the "Five Poisons" (*wu du*),⁵⁰ these factors can be linked directly to China's core interests of *state sovereignty, national security, territorial integrity and national reunification and China's political system established by the Constitution and overall social stability*. As discussed above, the Taiwan issue has been a crucial determinant of China's diplomacy in the Pacific region. By contrast, there is little reported evidence of the other four 'poisons' in the region except that two New Zealand-based Falun Gong practitioners were questioned by Tongan officials about their activities in Nuku'alofa in May 2009, and that six Muslim Uyghurs were transferred from the US detention centre in Guantanamo to Palau in 2009, though they left in a few years.⁵¹ Due to the geographical remoteness and small Chinese diaspora to be developed as potential supporters, it is unlikely that these four 'poisons' will become prominent issues in the Pacific region in the foreseeable future.

In addition, Beijing has looked to Pacific countries for support in chasing corrupt Chinese officials and crime suspects abroad. Take Fiji as an example. With the help of local officials, a Chinese drug smuggler and a crime suspect were seized in Fiji in July and August 2013.⁵² More recently, seventy-seven Chinese internet scammers were deported from Fiji to China

⁴⁹ Stewart Firth, 'New Developments in the International Relations of the Pacific Islands', *Journal of Pacific History*, vol. 48, no. 3 (2013), p. 6.

⁵⁰ Chen Jie, 'The Overseas Chinese Democracy Movement after Thirty Years', *Asian Survey*, vol. 54, no. 3 (2014), p. 457.

⁵¹ State Department, *Country Reports on Human Rights Practices 2009*, vol. 1, *Africa, East Asia and the Pacific* (Washington, DC: US Department of State, 2012); Nathan Vanderklippe, 'After Guantanamo, Life on Pacific Island Was Difficult', *The Global and Mail*, 28 June 2015, <www.theglobeandmail.com/news/world/after-guantanamo-life-on-pacific-island-was-difficult/article25172787/> [Accessed 23 November 2016].

⁵² 'Xi Jinping jiang zai Feiji qingke baguo lingdaoren [Xi Jinping Will Treat Leaders from Eight Pacific Islands Countries in Fiji]', *Beijing Youth Daily*, 22 November 2014, p. A03.

in August 2017.⁵³ Similar activities could be expected to occur in the near future.

Means of Influence

The position of PICs in China's diplomacy determines the resources to be allocated by China to this region. The Chinese government has positioned its diplomatic partners in its diplomatic mapping in vague terms as follows: big powers are the key (*daguo shi guanjian*); peripheral countries are the priority (*zhoubian shi shouyao*); developing countries are the foundation (*fazhanzhong guojia shi jichu*); multilateral platforms are the important stage (*duobian shi zhongyao wutai*).⁵⁴ For the sake of these terms' comprehensiveness, although not China's neighbourhood, PICs are labelled by the Chinese government as the extension of China's periphery or "greater periphery". In reality, PICs are not comparable to the importance of developing countries in Africa, Asia, Latin America or even the Caribbean in China's foreign policy. China's Ministry of Foreign Affairs (MFA) has released tailored policy papers on Africa, Latin America and the Caribbean.⁵⁵ No such policy has been released on the Pacific region. Rather, China is managing its relations with PICs on the pattern of its policy towards other developing countries.

China has pursued its interest in the Pacific region through three main means: visit diplomacy, economic leverage and practising non-interference. Firstly, China has insisted that countries, big or small, are equal members of the international community and should be treated as equal. This appeals to the leaders of the PICs. China MFA's website recorded 235 high-level visits (ministerial level above plus foreign minister) between China and its eight Pacific diplomatic partners between 2006 and 2015.⁵⁶ PICs leaders have received high-standard treatment similar to leaders from other countries during the visits which included the red carpet, gun salutes, reviewing the guard of honour, meeting with Chinese leaders, motorcades and visiting one or two cities besides Beijing.

⁵³ Bruce Hill, 'Dozens of Chinese Fraud Suspects Deported from Fiji Arrive Handcuffed, in Hoods', Pacific Beat, Australian Broadcasting Corporation, 8 August 2017, <www.abc.net.au/news/2017-08-08/chinese-suspects-deported-from-fiji-arrive-hooded-and-handcuffed/8786080> [Accessed 19 September 2017].

⁵⁴ Chen Xiangyang, 'Xinshiqi zhongguo da waijiao de fangxiang [Direction for China's Big Diplomacy in a New Era]', *Xinhua*, <w.xinhuanet.com/html/content_4954.htm> [Accessed 14 February 2014].

⁵⁵ Xinhua, 'Full Text: China's Second Africa Policy Paper', 4 December 2015, <news.xinhuanet.com/english/2015-12/04/c_134886545.htm> [Accessed 15 May 2016]; Xinhua, 'China's Policy Paper on Latin America and the Caribbean', 5 November 2008, <news.xinhuanet.com/english/2008-11/05/content_10308117.htm> [Accessed 22 March 2016].

⁵⁶ China MFA, 'Guojia he zhuzhi: dayangzhou [Countries and International Organizations: Oceania]', <www.fmprc.gov.cn/web/gjhdq_676201/gj_676203/dyz_681240/> [Accessed 2 May 2017].

Using the economic tool, including building closer trading relations and providing foreign aid, has been China's second main means to wield influence in the Pacific. Since the inauguration of the China-Pacific Economic Development and Cooperation Forum in April 2006, the average annual growth rate of China-PICs trade reached 27 per cent between 2006 and 2012.⁵⁷ As mentioned earlier, bilateral trade between China and PICs has been affected by China's economic slowdown. As a recent example, China exported US\$5.4 billion worth commodities to the thirteen sovereign Pacific states in 2016, an increase of US\$330 million compared to 2015, but its imports from these countries were down from US\$2.4 billion in 2015 to US\$2.1 billion in 2016.⁵⁸

China has also dramatically increased its aid allocation for PICs in the past decade. In April 2006, China's Premier Wen Jiabao visited Fiji and committed RMB 3 billion (US\$462 million)⁵⁹ concessional loans to the region over the next three years.⁶⁰ In November 2013, the Chinese government announced a similar loan facility of US\$1 billion for PICs in the next four years.⁶¹ Philippa Brant argues that China provided US\$1.06 billion aid to the Pacific region between 2006 and 2013, making it a significant donor in the region, and China was the largest donor to Fiji in this period.⁶² China has used its aid to increase its influence. In light of the substantial differences between China and the PICs in areas such as the political system, values, history, culture and language, China has highlighted their common identity as developing countries. China emphasises its aid is part of South-South cooperation—mutual assistance between developing countries—though the degree of PICs' acceptance of China's identity is debatable.

This label has strategic and practical implications. Strategically, China has distanced itself from traditional donors in the region. Practically, the label of South-South cooperation has benefited China by justifying aid practices that are criticised by traditional donors, such as only using Chinese contractors and sourcing at least half of the materials for aid projects from China. China has also avoided politically sensitive areas including good governance and democratisation in PICs, and focused its aid on infrastructure. Furthermore, China has used South-South cooperation to defend the high proportion of concessional loans in its aid mix. While Australia and New Zealand provide grant aid to the PICs, concessional loans constitute the major form of Chinese aid. Concessional loans exceeded 55 per cent of Chinese total aid in 2010-12 globally, and accounted for approximately 80 per cent of Chinese

⁵⁷ Wang Yang, 'Wang yang zai di er jie'.

⁵⁸ Pacific Islands Trade & Investment Office in China, *Trade Statistical Handbook 2016*.

⁵⁹ One US dollar bought 6.49 Chinese RMB, AU\$1.37 and NZ\$1.46 in December 2015. These rates are used in this paper.

⁶⁰ Wen Jiabao, 'Jiaqiang huli hezuo'.

⁶¹ Wang Yang, 'Wang yang zai di er jie'.

⁶² Philippa Brant, 'The Geopolitics of Chinese Aid', Lowy Institute, 4 March 2015, <www.loyyinstitute.org/publications/geopolitics-chinese-aid> [Accessed 20 March 2016].

aid in the Pacific region in 2006-13.⁶³ As recipient countries are expected to pay back these loans, providing concessional loans meets the growing demand of recipient countries for Chinese aid while reducing Beijing's financial burden given that the Chinese government only needs to cover the gap of interest rates between concessional and commercial loans. Though Chinese economic sources allocated to the Pacific region are incomparable to other regions such as Africa and Asia, they have substantial impact on the PICs. The PICs are vulnerable to external economic influence because of their high dependence on foreign aid and pressing demand for investment from overseas.⁶⁴

China's third means to wield influence in the Pacific is by practising the principle of non-interference in PICs' internal affairs. This principle has been listed as one of the cornerstones of Chinese foreign policy since the 1950s—the five principles of peaceful coexistence. Scholars such as Yongjin Zhang and Zhiqun Zhu have echoed this point.⁶⁵ The Fiji case is an excellent example of how China used its non-interference policy to bolster relations with the island country. After the December 2006 military coup in Fiji, the interim government led by Prime Minister Frank Bainimarama received tough economic and travel sanctions from traditional powers such as Australia, New Zealand, the United States and Britain. It was also suspended from the Commonwealth and the Pacific Islands Forum, rebuffs that were keenly felt by Bainimarama. In contrast to these sanctions, Beijing conveyed a clear message to Suva to deepen bilateral relations. In February 2009, then Vice President Xi Jinping visited Fiji despite concerns expressed by Australia and New Zealand.⁶⁶ Xi met with President Josefa Iloilo and Interim Prime Minister Bainimarama, and emphasised “the Chinese government places great emphasis on its relations with Fiji ... China looks forward to further promoting this relationship”.⁶⁷

China has also increased its aid to Fiji. In August 2014, China provided RMB 80 million (US\$12.3 million) in aid to Fiji during President Epeli Nailatikau's visit to China to attend the Youth Olympic Games.⁶⁸ During his visit to Fiji in November 2014, President Xi committed RMB 70 million

⁶³ State Council, 'Zhongguo de duiwai yuanzhu (2014) [China's Foreign Aid (2014)]', *People's Daily*, 11 July 2014, p. 22; Lowy Institute, 'Map of Chinese Aid in the Pacific'.

⁶⁴ Kate Hannah and Stewart Firth, 'Trading with the Dragon: Chinese Trade, Investment and Development Assistance in the Pacific islands', *Journal of Contemporary China*, vol. 24, no. 95 (2015), pp. 865-82.

⁶⁵ Yongjin Zhang, 'China and the Emerging Regional Order', pp. 367-81; Zhiqun Zhu, *China's New Diplomacy*, pp. 139-64.

⁶⁶ Michael Field, 'NZ Shamed China over Fiji Visit—WikiLeaks', *New Zealand Stuff*, 28 April 2011.

⁶⁷ Luo Chunhua, 'Xi Jinping fenbie huijian Fiji zongtong he linshi zhengfu zongli [Xi Jinping Met with Fiji President and Interim Government Prime Minister]', *People's Daily*, 10 February 2009, p. 2.

⁶⁸ Shayal Devi, '\$50m More', *Fiji Times online*, 23 November 2014, <www.fijitimes.com/story.aspx?id=286947> [Accessed 2 May 2015].

(US\$10.7 million) in grant aid to Fiji.⁶⁹ Chinese aid to Fiji totalled US\$332.96 million between 2006 and 2013, making China the largest donor in the island country, surpassing Australia (US\$252.24 million) and Japan (US\$116.79 million).⁷⁰ In return, the Fijian government reaffirmed their commitment to forging closer relations with China and also supporting China's influence in the region. In May 2013, Prime Minister Bainimarama reiterated Fiji's 'look north' policy and praised China as a friend of Fiji and the Pacific.⁷¹ Fiji's then Foreign Minister Inoke Kubuabola welcomed China's greater role in the Pacific region.⁷² As mentioned earlier, Fiji also provided assistance in chasing Chinese corrupt officials hiding in Fiji, which was appreciated by Chinese President Xi.⁷³ In addition, Fiji has pledged stronger allegiance to Beijing with regards to the one China policy. Soon after Bainimarama's participation in the Belt and Road Forum in Beijing in May 2017, Fiji closed its trade office in Taiwan.⁷⁴

Implications for Regional Powers

China has made remarkable headway in its trade with the Pacific region. Based on available data from China's Ministry of Commerce, China-Pacific trade in 2015 totalled US\$8.11 billion, a ten-fold increase on 2005 levels.⁷⁵ As discussed above, Pacific Trade & Investment argues that bilateral trade between China and thirteen sovereign PICs except Niue⁷⁶ reached US\$7.5 billion in 2016.⁷⁷ As a comparison, in the financial year of 2015/16, the trade volumes of Australia and New Zealand with the fourteen sovereign PICs were US\$4.14 billion (AU\$5.68 billion) and US\$732.8 million (NZ\$1.07 billion) respectively.⁷⁸ China is also becoming the fastest growing source of

⁶⁹ Ibid.

⁷⁰ Lowy Institute, 'Map of Chinese Aid in the Pacific'.

⁷¹ Australian Broadcasting Corporation, 'Fiji Prime Minister on China Visit', 30 May 2013, <www.abc.net.au/news/2013-05-30/an-fiji-pm-on-china-visit/4722110> [Accessed 10 September 2016].

⁷² China MFA, 'Joint Press Release by Foreign Minister Wang Yi and Fijian Foreign Minister Inoke Kubuabola', 13 April 2016, <au.china-embassy.org/eng/xw/t1355260.htm> [Accessed 11 June 2016].

⁷³ Zhang Denghua and Hemant Shiv, 'Dragon versus Elephant: A Comparative Study of Chinese and Indian Aid in the Pacific', *Asia & the Pacific Policy Studies*, vol. 4, no. 2 (2017), p. 4.

⁷⁴ Radio New Zealand, 'Fiji Closes Taiwan Office, Holds Talks with Beijing', 19 May 2017, <www.radionz.co.nz/international/pacific-news/331030/fiji-closes-taiwan-office-holds-talks-with-beijing> [Accessed 1 June 2017].

⁷⁵ MOFCOM, 'Zhongguo yu taipingyang daoguo jingmao guanxi buduan fazhan [The Trade and Economic Relations between China and the Pacific Island Countries Continued to Develop]', 5 April 2006, <www.mofcom.gov.cn/article/Nocategory/200604/20060401829536.shtml> [Accessed 20 April 2014]; MOFCOM, 'Zhongguo yu taipingyang daoguo diqu maoyi he touzi jiankuang [An Overview of Trade and Investment between China and the Pacific Island Countries]'.

⁷⁶ Statistics for China-Niue trade are not available and the figures could be small and negligible.

⁷⁷ Pacific Islands Trade & Investment Office in China, *Trade Statistical Handbook 2016*.

⁷⁸ The figures are made by author based on data from the Department of Foreign Affairs and Trade 'The Pacific' website <dfat.gov.au/geo/pacific/Pages/the-pacific.aspx> [Accessed 20 May 2017]; New Zealand Statistics, 'Goods and Services Trade by Country: Year Ended June 2016',

tourists for the Pacific region. Chinese tourists to eleven PICs grew by an average 27 per cent per annum between 2009 and 2014, and it could continue to grow at 20 per cent per annum over the next ten years.⁷⁹

However, in many other aspects China still lags behind the United States, Australia and New Zealand which have strong historical links with the Pacific region. The United States has predominance in northern PICs: the Marshall Islands, the Federated States of Micronesia (FSM) and Palau. These PICs are in free association with the United States and receive significant financial assistance from it. As an example, the United States provides US\$3.5 billion in aid to Marshall Islands and FSM from 2004 to 2023.⁸⁰ Total US assistance to Palau has been estimated at US\$852 million between 1995 and 2009.⁸¹ Citizens of these PICs are free to live, work and study in the United States without visas, and vice versa. The United States has full authority and responsibility for the security and defence of these countries. Similarly, the governments of Australia and New Zealand have highlighted that the Pacific region is their immediate neighbourhood where they have enduring strategic and commercial interests,⁸² though Australia focuses on Melanesia while New Zealand focuses on Polynesia. Australia and New Zealand are the two leading development partners in the region and pay most of the bills for regional institutions. In 2015-16, the Australian aid budget for PICs totalled AU\$1.1 billion which accounted for more than one quarter of Australian total aid.⁸³ Nearly 60 per cent (NZ\$1 billion) of New Zealand total aid has been committed to the Pacific region between 2015/16 and 2017/18.⁸⁴ Companies from Australia and New Zealand are leading investors in Pacific mining, banking, tourism and other commercial activities, and their dollars are the currency of some smaller Pacific countries.

Australia and New Zealand have close defence relations with PICs and they are the default external states to which the PICs turn in times of social unrest and natural disaster, as could be seen in their rapid and comprehensive

Table 14: New Zealand's trade with the PIF (excluding Australia), 2 September 2016, <www.stats.govt.nz/browse_for_stats/industry_sectors/imports_and_exports/GoodsServicesTradeCountry_HOTPYeJun16.aspx> [Accessed 20 May 2017].

⁷⁹ World Bank, *Pacific Possible: Tourism* (Washington, DC: World Bank, 2016), p. iii. The eleven PICs exclude Nauru, Cook Islands and Niue.

⁸⁰ Government Accountability Office, *Compacts of Free Association: Improvements Needed to Assess and Address Growing Migration* (Washington, DC: US Government, 2011), p. 7.

⁸¹ David Gootnick, *Compact of Free Association: Proposed US Assistance to Palau and Its Likely Impact*, (Washington, DC: US Government Accountability Office, 2011), p. 1.

⁸² Department of Foreign Affairs and Trade, *Annual Report 2015-16* (Canberra: Commonwealth of Australia, 2016), pp. 25-32; New Zealand Ministry of Defence, *Defence White Paper 2016* (Wellington: New Zealand Government, 2016).

⁸³ Department of Foreign Affairs and Trade, *Australian Aid Budget Summary 2016-17*, (Canberra: Commonwealth of Australia, 2016), p. 9.

⁸⁴ New Zealand Ministry of Foreign Affairs and Trade, *New Zealand Aid Program: Strategic Plan 2015-19*, (Wellington: New Zealand Government, 2015), p. 5.

responses to Cyclone Pam in Vanuatu in 2015 and Cyclone Winston in Fiji in 2016. While China also contributed to these relief efforts, Australia and New Zealand were the states expected by Pacific Island governments and the international community to be the first and largest responders. The two countries led the Regional Assistance Mission to Solomon Islands in 2003, and also deployed troops and police to restore law and order after the riots in Solomon Islands and Tonga in 2006. China has also strengthened its linkage with PICs' military forces but in a minimal way that offers no real competition to the United States, Australia and New Zealand.

China also lags behind regional powers in the investment and education sectors. China's cumulative investment in PICs was less than US\$1 billion by November 2013,⁸⁵ and its figure for the period between 2005 and 2014 reached US\$753 million.⁸⁶ These figures are incomparable to Australia's cumulative investment in the region which reached US\$16 billion (AU\$21.98 billion) in 2014. As Merriden Varrall argues, the current levels of economic competition between China and Australia in the Pacific region are normal and no cause for immediate geo-strategic concern for Australia.⁸⁷ China has substantially increased its government scholarships for PICs, but it still lags behind, even though Australia substantially cut its aid budget in 2014.⁸⁸ In that year, Australia provided 1,231 scholarships to the Pacific, exceeding China's cumulative scholarship slots (903) allocated for the region between the 1970s and 2014.⁸⁹

ISSUES OF CONCERN

Diplomatic competition between Taiwan and Mainland China will not pose a serious challenge to regional powers' main interests, though Australia and New Zealand have in the past expressed concerns about the negative impact of 'dollar diplomacy' on the stability and anti-corruption in some PICs.⁹⁰ For the sake of maintaining regional stability, Australia has opposed some PICs such as Vanuatu from changing diplomatic recognition from Beijing to Taipei,⁹¹ which in reality is a great support to Mainland China. As

⁸⁵ Wang Yang, 'Wang yang zai di er jie'.

⁸⁶ The figures are cited from China Commerce Yearbooks from 2006 to 2015.

⁸⁷ Merriden Varrall, 'China and Australia in the Pacific', Short term Policy Brief 84, Europe China Research and Advice Network, July 2014.

⁸⁸ Karen Barlow, 'Budget 2014: Axe Falls on Foreign Aid Spending, Nearly \$8 billion in Cuts over Next Five Years', Australian Broadcasting Corporation, 13 May 2014, <www.abc.net.au/news/2014-05-13/budget-2014-axe-falls-on-foreign-aid-spending/5450844> [Accessed 20 June 2015].

⁸⁹ These figures are calculated by the author based on data from China MFA and Australian DFAT websites. Small errors may exist as Chinese data does not cover Niue and Cook Islands.

⁹⁰ Australian Senate Foreign Affairs, Defence and Trade References Committee, *China's Emergence: Implications for Australia* (Canberra: Commonwealth of Australia, 2006, p. 179; Winston Peters, 'NZ Perspectives on the Asia-Pacific', New Zealand Government website, 16 October 2007, <www.beehive.govt.nz/speech/nz-perspectives-asia-pacific> [Accessed 2 May 2015].

⁹¹ Joel Atkinson, 'Vanuatu in Australia-China-Taiwan Relations', *Australian Journal of International Affairs*, vol. 61, no. 3 (2007), pp. 359-60.

the revitalised diplomatic competition between Mainland China and Taiwan could spread to the Pacific region in the near future, regional powers such as Australia and New Zealand might express concerns about this new competition. However, this issue is unlikely to develop into a main obstacle for China's relations with them.

Two more China-related issues might have impact on regional powers' influence in the Pacific in the future. Firstly, in recent years China has sponsored new initiatives including the Asian Infrastructure Investment Bank, Belt and Road Initiative and BRICS New Development Bank. These initiatives represent China's efforts to impact, if not restructure, global governance dominated by developed nations. If implemented well, they have the potential to accelerate China's global outreach including in the Pacific region. PICs are eligible to benefit from these initiatives. Chinese President Xi encouraged PICs to participate in China's twenty-first century maritime economic silk road in November 2014.⁹² With the rolling out of these new initiatives, China's aid commitment to the Pacific region could be expected to increase rapidly in the years to come. This would further strengthen China's presence in the region and compromise regional powers' influence. However, as these initiatives are still in their infancy, the final impact on the Pacific region needs to be closely observed. The other issue of potential concern for regional powers is that some PICs are increasingly involved in China's diplomatic disputes such as the South China Sea dispute⁹³ and the China-Japan rivalry on Japan's bidding for UN Security Council permanent membership. PICs could be stranded in these diplomatic dilemmas, which might hamper their internal solidarity. Australia and New Zealand have expressed concerns about the uncertainty and tension caused by China's territorial disputes in the South and East China Seas.⁹⁴ However, the involvement of PICs in these disputes is ultimately a diplomatic issue at their discretion and is unlikely to cause a split between China and Australia/New Zealand.

AREAS FOR COOPERATION

Being the main traditional powers and the largest non-traditional power in the region, the United States/Australia/New Zealand and China share common interests in maintaining regional stability and promoting development. The two sides have maintained regular policy dialogues on the Pacific including the US-China Strategic & Economic Dialogue, Australia-China Foreign and Strategic Dialogue, and the Political Consultation between the two foreign ministries of China and New Zealand. The Exercise Rim of the Pacific 2016 involved defence forces from countries including the

⁹² Du Shangze and Yan Huan, 'Xi Jinping tong taipingyang'.

⁹³ Author's interview with senior China expert from Victoria University of Wellington, July 2016.

⁹⁴ Department of Defence, *2016 Defence White Paper* (Canberra: Commonwealth of Australia, 2016), p. 57; New Zealand Ministry of Defence, *Defence White Paper 2016* (Wellington: New Zealand Government, 2016), p. 35.

United States, Australia, New Zealand and China. In October 2014, military personnel from the United States, Australia and China attended the first trilateral exercise called 'Exercise Kowari' in Australia, a move embraced by the Australian Defence Minister as the three nations' intentions to build up trust and regional stability.⁹⁵

Development assistance could be an important area for cooperation between regional powers and China in the Pacific. As foreign aid is a common tool for these donor countries to engage with the Pacific region, how to explore opportunities for trilateral aid cooperation between China and regional powers becomes a practical issue. Trilateral cooperation could build trust between China and regional powers and benefit PICs in terms of aid coordination. It is encouraging that these countries have moved in this direction. China has been conducting trilateral aid cooperation with Australia on malaria control in Papua New Guinea since January 2016 and with New Zealand on supply upgrading in Cook Islands since February 2014.⁹⁶ All these countries involved have placed great expectation on this innovative aid modality while also approaching it with caution.

China-regional powers-PICs trilateral aid cooperation has high policy relevance as the PICs are starting to embark on the Post-2015 Sustainable Development Goals (SDGs). Given PICs' mixed performance in implementing the Millennium Development Goals and the substantial barriers to achieving the SDGs (such as financial and technical constraints),⁹⁷ there is great potential for China and regional powers to support PICs to implement the SDGs through trilateral cooperation. Based on the observation of China's current trilateral aid cooperation globally, potential new cooperation could focus on areas that are both relevant for PICs and less sensitive to donor countries, such as agriculture, health, renewable energy, capacity building and climate change.

Conclusion

This article has examined China's main interests in the Pacific region and its main means to maintain and expand these interests. Judging against China's own definition of core interests, it argues that the Taiwan issue is China's notable core interest in the Pacific while the other aspects including commercial and strategic interests are not prominent compared with regions such as Africa and Asia. The paper has also argued that China has relied on three means to protect its interest in the PICs: visit diplomacy, economic leverage and the non-interference policy. China's focus on securing

⁹⁵ Brendan Nicholson, 'China Joins Three-Way Exercises', *The Australian*, 18 July 2014.

⁹⁶ Zhang Denghua, 'Why Cooperate with Others? Demystifying China's Trilateral Aid Cooperation', *The Pacific Review*, vol. 30 (2017), pp. 750-68, <dx.doi.org/10.1080/09512748.2017.1296886>.

⁹⁷ Pacific Islands Forum Secretariat, *2015 Pacific Regional MDGs Tracking Report* (Suva: PIF Secretariat, 2015), pp. 16-17.

diplomatic support from PICs for the Taiwan issue would not affect the interests of the United States, Australia and New Zealand. It is still far from catching up with, let alone replacing, these regional powers' dominating influence in many aspects.

With China's growth of economic and strategic power, its global outreach will continue. China's diplomatic and economic investment in the Pacific region will also grow. However, this region will not be near the top of the agenda for Chinese diplomacy in the foreseeable future. In a similar vein, though the Pacific region might gain a more important role in China's expanding military strategy, this is unlikely to happen in the short or even medium term.

China and regional powers share common interests in safeguarding stability and prosperity in the Pacific region. Potential opportunities deserve to be explored, which requires China and regional powers to continue their dialogue and all levels of engagement in the Pacific. Given the substantial differences of China and regional powers in broad areas such as political systems, values, cultures and languages, trust building could be a lengthy process. Trilateral aid cooperation is becoming a new area of cooperation between these countries in the region. However, more political commitments from China and regional powers, and closer consultation with PICs are needed in this process. The responses from PICs to China's rise in the region and the potential cooperation/competition between China and regional powers deserve in-depth analysis.

Acknowledgements

The author would like to express his sincere thanks to Dr Stewart Firth at the Australian National University for his comments.

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