China’s ties with the South Pacific – development assistance, trade, investment, involvement in the Belt and Road Initiative, and more – have grown substantially since the early years of the new century. Australia and New Zealand (NZ), the traditional dominant powers in this region, have recently upped their game in order to balance Chinese activities.

- The South Pacific, a huge but sparsely populated world region, is no stranger to geopolitical competition. China and Taiwan, jostling for diplomatic recognition, used to be the key protagonists.

- Australia’s and NZ’s regional dominance has been challenged by China’s growing presence. China offers alternative options in terms of funding and policy to Pacific Island countries (PICs). PICs, seeking to increase their agency by diversifying political and economic relationships, generally welcome China’s more intensive engagement.

- In the face of China’s growing regional engagement, Australia and NZ have re-energised their relations with PICs, increasing aid and diplomatic efforts. Australia’s in particular are driven by a strong security imperative.

- The unwillingness of Australia’s conservative federal government to move away from coal remains a strong irritant for PICs, while NZ under Prime Minister Jacinda Ardern has made climate policy a defining strand of regional policy.

- Australia’s and NZ’s planned COVID-safe travel zone could potentially be extended to PICs. Such a move would help PICs cushion the effects of the pandemic on their economies and become an exemplar of regional leadership.

Policy Implications

*The South Pacific is facing greater geopolitical competition. Yet the region is not really on the radar of European foreign policy establishments, despite the European Union being an important cooperation partner. Increased exchanges with governmental and non-governmental actors in Australia and NZ can help foster greater understanding of the complex dynamics in the South Pacific. Such activities are, however, no substitute for deep, sustained engagement with PICs themselves.*
The South Pacific: An Important Oceanic World Region

The South Pacific – or simply “the Pacific” in Australian and NZ parlance – is a huge but sparsely populated world region. It covers nearly one-third of the Earth’s surface and offers plenty of blue-economy resources – some of which already require protection against depletion (such as tuna) and others of which have not even been fully explored yet (deep-sea mining). The South Pacific is of tremendous importance for the planet’s climate and is a showcase of what climate change can lead to. Whereas the nations and territories in this world region produce collectively only around 0.03 percent of global greenhouse gases (GHGs) (SPREP 2016), some of the region’s microstates face physical extinction due to rising sea levels. Tropical storms are bound to grow in intensity. Climate-related problems can exacerbate some of the traditional developmental challenges faced by many PICs and are likely to lead to greater migratory pressure.

Australia and NZ aside, no more than 12 million people combined live in the 16 other member states and territories belonging to the Pacific Islands Forum (PIF), the premier regional organisation set up in 1971. Population-wise, Papua New Guinea (PNG) with its nearly nine million inhabitants and Fiji with its close to one million are the heavyweights among the core PICs – while the region’s microstates include Tuvalu and Palau, with their respectively less than 20,000 inhabitants each. Together with Tonga, PNG and Fiji are also the only PICs with standing armies. Yet, despite their small populations and landmasses, the PICs are a force to be reckoned with. They constitute 12 members of the United Nations and have developed their “Blue Pacific” narrative – an evocative framing of the importance of the Pacific Ocean for its inhabitants, and for humankind more generally.

Since the coming into force of the UN Convention on the Law of the Seas (UNCLOS) in 1994, the PICs have also called some of the world’s largest Exclusive Economic Zones (EEZs) their own (see Figure 1). For example, Kiribati (pronounced Kiribas) with its 120,000 inhabitants has an EEZ of more than 3.5 million square kilometres. To sum up: While the South Pacific is a sparsely populated world region composed of island states and self-governing territories scattered over vast expanses it...
is also a world region that matters globally in terms of climate issues, political representation, and economic resources. What is more, geopolitical competition has entered the picture (again) in recent years, especially with China’s growing regional presence and the reaction thereto of Australia and NZ.

China’s Growing Regional Engagement

Concerns among the region’s traditional powers, Australia and NZ, about external forces are nothing new. In the 1980s there were worries about the Soviet Union’s increased interest in the region. The Soviet threat, real or imagined, disappeared in the late 1980s however; concerns about Libya’s romance with the postcolonial regime in Vanuatu and the independence movement in French New Caledonia had also largely dissipated by that time. What remained was the rivalry between the People’s Republic of China (PRC) and Taiwan, the key protagonists of geopolitical competition. Decolonisation in the South Pacific, starting with Samoa in 1962 and ending, for now, with Palau in 1994, provided Beijing and Taipei with opportunities to boost their international legitimacy by befriending countries that would recognise them diplomatically.

The emerging marketplace for diplomatic recognition saw Beijing and Taipei engage in chequebook diplomacy, offering development aid – presented in the case of the PRC as “South-South cooperation” – in exchange for diplomatic recognition (Atkinson 2010). By 2008, when a truce was instituted, the PRC was entertaining diplomatic relations with eight countries and Taiwan with six. The rivalry picked up steam again when the mainland-friendly KMT lost the presidency in Taiwan in 2016. By that time it had become clear that this was a race that Taiwan could not ultimately win. In 2019, the Solomon Islands and Kiribati cut ties with Taiwan, leaving it only with four small diplomatic allies in the region – the Marshall Islands, Nauru, Palau, and Tuvalu.

On a per capita basis, the South Pacific is the most aid-dependent region worldwide. Chinese aid to the region would grow significantly in the 2010s. According to the Lowy Institute’s Pacific Aid Map (https://pacificaidmap.lowyinstitute.org/), the PRC provided USD 1.62 billion in aid to PICs between 2011 and 2019, making it the largest donor behind Australia and ahead of NZ. Well over 70 per cent of Chinese overseas development assistance (ODA) has taken the form of concessional loans, thus having to be repaid at some point. What also sets Chinese ODA apart is that there is a huge difference between funds committed and funds spent. In geographical terms, China’s ODA is concentrated on the more resource-rich Melanesian PICs, with PNG receiving one-third of funds.

The PRC has by now a fairly extensive diplomatic presence in the region. Since 1989 it is an official dialogue partner of the PIF. The PRC has thrice convened the China-Pacific Island Countries Economic Development and Cooperation Forum, a “multi-bilateral grouping” (Taylor 2019) in which China engages with its diplomatic partners and announces aid packages. China’s rising regional profile has also been marked by two visits in recent years by President Xi Jinping.

Apart from the competition with Taiwan, there have also been other factors behind Chinese engagement in the region. Business opportunities and broader eco-
nomic motivations have clearly played a role. Some scholars emphasise the strategic nature of it, seeing such engagement as part of China’s longer-term plan to become the leading power also in this part of the Pacific. Others have argued that China’s interest is mostly commercial (Zhang and Lawson 2017: 201). While local markets are not huge, they do provide opportunities for many small entrepreneurs active in the PICs’ retail sectors and beyond. Bigger, often state-owned, companies have engaged in construction projects either as part of Chinese ODA activities or as part of their own “Going Global” ones.

The PICs’ huge EEZs and the stocks of migratory fish – in particular tuna – in them have also drawn Chinese fishing fleets (including illegal operators) to the region. So have abundant natural resources in PNG and Fiji, where Chinese companies have invested in the two countries’ respective mining sectors. China has become a key trading partner for PICs in recent years, competing in some for number one spot. The volume of Chinese tourists has also increased over the past decade. In 2018, close to 125,000 visited the South Pacific, accounting for around 6 per cent of total visitors in that year. For PICs interested in diversifying their relationships, this all is mostly good news.

China’s increased engagement has, however, also led to problems. Concessional loans have certainly increased the debt burden of some PICs. As of 2019, six PICs were indebted to the PRC. But, as a Lowy Institute report (Rajah, Dayant and Pryke 2019) notes, only PNG and Vanuatu had taken on new Chinese loans since 2016. Tonga, Samoa, and Vanuatu are the countries in the region that are most indebted to China in relation to their gross domestic product. Tonga’s debt to China amounts to nearly two-thirds of its overall debt and to close to one-third of the country’s GDP. While there are thus real issues in terms of debt for some PICs, China is not necessarily the driver and the only source of this. Claims of Chinese “debt diplomacy” do not – at least not recently – withstand close scrutiny in the case of the South Pacific (see also, Fox and Dornan 2018).

Many of the grander Chinese activities in the region in recent years, such as the building of a new terminal at Samoa’s international airport, have been carried out as part of China’s Belt and Road Initiative (BRI). When Xi visited Fiji in 2014, he invited the PICs to participate in the “21st Century Maritime Silk Road” – that is, the maritime part of the BRI. By early 2019, nine PIF members had signed Memorandums of Understanding regarding participation in the BRI. Generally, China’s greater presence has been welcomed by PICs (Taylor 2019). The emergence of China as a major player in the region has endowed PICs with greater agency, and helped them to reduce their dependence on traditional development partners.

**Australia “Steps Up” Its Regional Engagement**

Australia and NZ worry that China’s more opaque and unconditional financial support undercuts the good-governance approach of their own ODA programmes focused on the region. Other perceived problems include the mixed quality of some of the Chinese infrastructure projects there, the lack of maintenance of existing facilities, and the fact that it is mostly Chinese workers who participate in these projects. Finally, and perhaps most importantly, as mentioned there are also concerns that the debt burdens of individual PICs will become unsustainable and that China
might transform its leverage in this regard into political capital or even use it as a pretext for the seizure of assets in the PICs (some of which might ultimately be used for military purposes).

This leads to the heart of security and geostrategic concerns that have animated relevant discourses in Australia. The South Pacific is far away from current or potential trouble spots in the Indo-Pacific and is unlikely to become a new hotspot for militarised confrontation. The region matters, however, in strategic terms in the increasing geopolitical competition between China and the United States (and its regional ally, Australia). The ability – or presumed inability – of PIC governments to remain free of Chinese influence has emerged as a significant concern for strategic circles in Australia. This is connected to earlier, long-standing concerns about state fragility and internal security issues in the PICs and their ramifications for Australia. These concerns led to a number of Australian-led “cooperative interventions” from the late 1980s – usually jointly with NZ – in places such as the Bougainville region of PNG or the Solomon Islands (see Wallis 2017: chapter 3). Australia’s “age of intervention” in what has been called an “arc of instability” only came to a close in 2017 with the end of the multibillion, 14-year-long Australian-led Regional Assistance Mission to the Solomon Islands (RAMSI), an initiative to stabilise the country and to rebuild key state institutions there.

However, Australian governments continue to see a “special responsibility” to manage the region in security terms – sometimes described by political leaders in Canberra as “our patch.” Likewise, there is the expectation in Washington and beyond that Australia assumes this responsibility. In recent years, strategic circles in Australia have worried that China will set up a military base in the South Pacific. While such a base would be of limited military value, it would signal China defying the status quo in this world region and trying to assert itself as a maritime player in this part of the Pacific as well (White 2019). Australia has, in conjunction with NZ, long followed a policy of “strategic denial,” trying to make sure that no (potentially) hostile power gains a foothold in the South Pacific. This policy can be traced back to colonial times, and is also a legacy of World War II – when heavy fighting occurred in the region, with northern Australia being attacked by Japanese bombers.

In April 2018, front-page newspaper articles in Australia reported – being later vehemently denied by the governments in Beijing and Port Vila – that China had approached Vanuatu, one of the countries most heavily indebted to it, with a view to setting up a naval base there. Other PICs, including PNG, have also been mooted as possible locations for dual-use bases. Regardless of whether these were just rumours, they led the Australian government to take action. At the 2018 APEC summit, PM Scott Morrison announced that his country (together with the PNG and the US) would re-develop a naval base on Manus Island. This announcement formed part of an Australian policy initiative towards the region which became known as the “Pacific Step-up,” evolving into a full-fledged foreign policy programme under Morrison.

The government in Canberra likes to emphasize that the initiative is not directed at any one country but constitutes a positive contribution to the region – Australia’s “Pacific family.” Yet, it is clear that the Step-up seeks to balance China’s growing engagement there. Australian governments had long liked to believe that it was possible to enjoy the best of both worlds by benefitting from China’s economic rise while also being allied to the US. Under Morrison’s predecessor Malcolm
Turnbull, Canberra finally came to the conclusion that it needed to push back both against Chinese interference in domestic politics and public life and against China’s growing influence in the region — which might undermine PICs’ sovereignty. The domestic pushback, culminating in the “Espionage and Foreign Interference Act” of 2018, and the Pacific Step-up are thus two sides of the same coin.

The Step-up consists of measures ranging from the redevelopment of the Manus Island base to the promotion of people-to-people exchanges. Main activities include:

- substantially raising ODA to the South Pacific, reaching AUD 1.4 billion (around EUR 850 million) in the 2019/2020 financial year;
- building an ODA-financed underwater Internet cable linking the Solomon Islands and PNG to Australia (outbidding China’s Huawei telecommunications company);
- establishing the Australian Infrastructure Financing Facility for the Pacific, which can draw on AUD 1.5 billion in loans and AUD 0.5 billion in grants. To better compete with China on infrastructure the government has also made available AUD 1 billion for Export Finance Australia, whose remit got extended to overseas infrastructure projects;
- introducing a new Pacific Labour Scheme which allows low- and semi-skilled persons from the South Pacific to work for three years in rural Australia;
- launching the Australia Pacific Security College, devoted to the training of mid-and senior-level officials from the region;
- making available a semi-mobile infantry unit and, in the future, a large-hulled vessel for humanitarian and disaster-relief missions in the region;
- new diplomatic posts in the region and a new coordinating “Office of the Pacific”;
- significantly intensified high-level visit diplomacy.

Symbolically, Morrison’s first overseas visit as PM took him to the Solomon Islands — where he announced a 10-year, AUD 250 million (EUR 150 million) bilateral infrastructure programme. Overall, the Pacific Step-up represents a fairly substantial and comprehensive policy initiative. Australia will remain the biggest donor to the region, contributing around 45 per cent of all ODA going there. It remains to be seen, however, how sustained this all will be. In the past Australia’s engagement in the South Pacific has been cyclical, with episodes of strong engagement alternating with ones of benign neglect. While PICs will welcome the increased aid to their region, it comes at the expense of Australian aid going elsewhere. Australian ODA increasingly follows diplomatic and security objectives. In the current cabinet, the minister for international development notably also serves as the assistant minister of defence.

New Zealand also “Resets” Its Pacific Engagement

A few months after coming to power, the centre-left coalition NZ government led by PM Jacinda Ardern (Labour Party) and Foreign Minister Winston Peters (NZ First) also embarked on a major regional initiative. Peters announced the “Pacific Reset” in March 2018 in Sydney, indicating the need for collective regional efforts by the two Australasian allies. Later, he also implored the US to reinforce its activities in the
South Pacific. Although Peters did not cite China by name, the challenge posed by the latter’s regional engagement to the traditional dominance of Australia and NZ provided an important motivation for the Reset. Differences in relative size and available resources notwithstanding, the Reset shares some characteristics of Australia’s Step-up: it involves a substantial increase of ODA to the region – to be increased over four years by NZD 714 million (more than EUR 400 million) –, the establishment of 14 new diplomatic and development posts in the region and, to coordinate development policies, also in Beijing, Brussels, Tokyo, and New York, plus a substantial increase in high-level diplomacy.

Whereas Australia has traditionally a strong focus on Melanesia, given its geography and PNG’s history as a former colony, NZ has an equally strong focus on Polynesia. This is also easily explained by a combination of geographic and historical factors, as well as by constitutional obligations to the Cook Islands and Niue – which are self-governing but in free association with NZ – and Tokelau, a dependent territory. NZ also has a special relationship with its former colony Samoa, which includes a preferential immigration regime. The Reset does stretch beyond Polynesia however, for example in terms of ODA. Similar to Australia, NZ’s ODA spending had declined under conservative governments between 2008 and 2017. Even with the new outlay, NZ’s ODA will only go up, in relation to GDP, to something like 0.28 per cent in 2021. Past National-led governments were more focused on creating free trade agreements (FTAs) – though with limited success in the South Pacific. An upgraded FTA linking Australia and NZ with many PICs was signed in 2017, but regional heavyweights PNG and Fiji decided to opt out as they felt that the FTA overly favoured Australian and NZ interests.

**Differences between the Approaches of Australia and NZ: Climate Policy and beyond**

Differences between Australia’s and NZ’s approach to the Pacific extend beyond regional foci and diplomatic styles. NZ’s Pacific policy is overall less “securitised” than Australia’s. There are various reasons for this. For one, NZ spends – even in relative terms – less on defence than Australia. Being sheltered by Australia, it can afford a military more geared towards peacekeeping operations than territorial defence. Since the mid-1980s, NZ is also no longer a formal ally of the US – though security and intelligence ties have increased again in the past decade. Furthermore, NZ’s focus on Polynesia means that it is mainly concerned with the part of the region that has experienced fewer problems in terms of state fragility and internal security than Melanesia, Australia’s focus. Overall, NZ’s views of the South Pacific thus tend to be more benign than Australia’s.

Still, security issues are certainly integral to the Reset. Most prominently, in terms of the operational readiness of the NZ Defence Force the South Pacific has been placed on the same level as NZ’s own territory. This matters, for example, with respect to responding to requests for help from PICs hit by cyclones. Climate change will likely lead to higher-intensity cyclones and the need for more humanitarian and disaster-relief operations. NZ military procurement priorities thus include increased air and sealift capabilities as well as improved aerial and maritime domain
surveillance capacity. The latter will come courtesy of four state-of-the-art P-8A Poseidon maritime patrol aircraft. The biggest NZ defence procurement in decades, coming with a price tag of NZD 2.4 billion (EUR 1.4 billion), will also increase interoperability with Australia.

Every official NZ defence document published since 2018 has featured climate change prominently, discussing what it means for the stance of the NZ Defence Force, its equipment, cooperation with partners in the Pacific, and so on. This focus reflects a comprehensive understanding of security. It also helps to explain why the Greens in NZ have lent their support to the government’s defence policy and the, by NZ standards, massive investments that it entails. The focus on climate change also shows that the current NZ government is in tune with the PICs, for whom this constitutes the single-biggest security threat. The Boe Declaration on Regional Security, issued at the 2018 PIF summit, captures this reality. It affirms that “climate change remains the single greatest threat to the livelihoods, security and wellbeing of the people of the Pacific and our commitment to progress in the implementation of the Paris Agreement” (Pacific Islands Forum Secretariat 2018).

The Declaration has served to increase security-related cooperation between Australia, NZ, and the PICs. It is, however, also a reminder that not every party is on the same page when it comes to related priorities. For the Australian government, the challenge from China constitutes the most prominent security issue. China’s growing regional “footprint” also animates discussions among strategic circles in NZ – but it is still possible to discuss Pacific issues in Wellington without necessarily referencing the East Asian country. Climate change does matter for the Reset. And in 2019 the NZ parliament also passed, with partisan support, the “Climate Change Response Amendment Act.” This bill sets the framework for cutting net emissions of all GHGs (except biogenic methane) to zero by 2050. In sum, the NZ government is singing from the same hymnbook as PICs when it comes to climate change policies.

Australia was once instrumental in setting up the Green Climate Fund, a key body under the Paris Agreement to support climate action in developing countries – including in the South Pacific. But that was then. The current government is opposed to “damaging the economy in pursuit of climate goals” and to a “recklessly high target” for GHG reduction, as Treasurer Josh Frydenberg declared in 2018. The government clings to coal exports, and in 2019 gave the green light to the construction of the huge and hugely contested Carmichael mine in Queensland. Moreover, Australia is the only advanced country that plans to use “carryover credits” – carbon credits accrued from the Kyoto Protocol – to meet its Paris Agreement targets. By doing so, Australia seeks to meet its 2030 reduction target mostly based on a mere book-keeping exercise.

Australia also blocked an ambitious climate statement coming out of the 2019 PIF summit in Tuvalu. PIC leaders were not impressed by the consolation prize of a five-year, AUD 500 million climate and resilience regional support package and criticised Australia for placing the interests of an industry above the welfare of its Pacific family. They have also not forgotten that Australia has used the region as a dumping ground for unwanted refugees, having put them for years under its “Pacific Solution” and “Operation Sovereign Borders” policies in detention camps in Nauru and on Manus Island. Australia might be a superpower in the South Pacific whose resources are vital and welcome. Generating goodwill and trust in the region – the
very basis for influence – will, though, need more than what the Step-up might ultimately be able to deliver. Stepping up in the Pacific and stepping back on climate action are difficult to reconcile, as Richie Merzian (2019) notes.

The current COVID-19 pandemic has seen both China and the Australasian partners provide the PICs with medical supplies and other humanitarian assistance. What might be even more important in the medium term, given that PICs (with the exception of resource-rich PNG) are heavily dependent on tourism and remittances and thus hard-hit by the pandemic, would be an extension of the planned trans-Tasman COVID-safe travel zone. Australians and New Zealanders account for nearly two-thirds of the tourists visiting PICs annually, while seasonal worker programmes have seen thousands of Pacific Islanders employed in agri- and horticultural jobs in both countries, sending much needed remittances home. If the comparatively low number of infections in all countries concerned can be reduced to around zero and stringent health and travel protocols established, an extension of the planned COVID-safe travel zone could help cushion the economic effects of the pandemic on the region and become an exemplar of Australian and NZ regional leadership.

To sum up, China is today the most important non-traditional power in the South Pacific. Australia and NZ have been quite active in the past three decades when it came to security interventions and free trade initiatives, but have not treated the South Pacific as a foreign policy priority. Their recent large-scale initiatives towards the region are welcomed by PICs as they further increase their options. These initiatives also help to make sure that China does not become a hegemon in the South Pacific. Together, the two Australasian partners still account for more than half of ODA going to PICs, and their support for the region in toto stands in contrast to China’s preference for bilateralism. Yet, the Australian government’s climate policy (or lack thereof) limits its potential for regional influence. Still, by extending the planned COVID-safe travel zone to the South Pacific, Australia has the potential to provide, in conjunction with NZ, regional leadership during the current pandemic.

Getting the South Pacific on the Radar in the European Union

Strategic circles in Australia and beyond have viewed China’s growing engagement in the South Pacific with equally growing suspicion. The PICs themselves, however, have generally welcomed China’s burgeoning profile – as they welcome the engagement of other external actors. Especially with respect to development cooperation and adaptation to climate change, the EU is an important partner. According to the Lowy’s Pacific Aid Map, the EU spent over AUD 1.2 billion (close to EUR 750 million) in the region between 2011 and 2019, making it the fourth-biggest donor. EU spending to promote regional integration has been particularly strong. The EU is represented by a Delegation in Fiji, also covering much of the region, and one in PNG. In contrast, the diplomatic presence of most EU member states in the region is not substantial. The South Pacific is mostly covered – and by only few staff – from embassies in Australia, NZ, and elsewhere. One partial exception, due to its territories in the region, is France. If only very indirectly, the EU is thus also part of the region.
Yet, the South Pacific does not especially feature on the radar of European foreign policy establishments. This may be understandable given pressing challenges in more proximate world regions. Still, a global approach to foreign policy requires that adequate attention and expertise are devoted to this vast world region – which is exposed to increasing geopolitical competition coming on top of many other challenges, including climate change. Following a “think global, think South Pacific” agenda, governmental and non-governmental actors in Europe – including foundations and civil society organisations – should review their extant efforts to understand regional dynamics and to sustainably connect with local partners.

Relevant questions include: Do our resources devoted to the region in terms of personnel and funding, both at home and on the ground, match the importance of this complex and increasingly contested world region? What can we do (better) to provide home audiences with both “big picture” and detailed, context-sensitive analysis and information? What platforms (physical and virtual) can we use to better connect to the South Pacific?

To properly understand and engage with the South Pacific first of all requires to listen to Pacific Islanders themselves. Such efforts cannot be replaced, but they can be complemented by closer cooperation and more in-depth exchanges – including Track 1.5/Track 2 dialogues – both in the EU and with partners in Australia and NZ.

References


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GIGA Research Programme 4 “Power and Ideas” examines the implications of the rise of powers such as China on regional and global governance. In New Zealand, the GIGA cooperates institutionally with the University of Otago. In 2018, they jointly organised the Otago Foreign Policy School under the theme of “Asia-Pacific Diplomacy in Transition: Ideas, Issues, and Institutions” (www.giga-hamburg.de/en/event/asia-pacific-diplomacy-in-transition-ideas-issues-and-institutions). A conference volume will be published by Palgrave in late 2020.

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