

# **China's Strategic Interests in the South Pacific, 1991-2016**

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**MASTER OF PHILOSOPHY**

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26-07-2017

**DECLARATION**

I declare that the dissertation entitled *CHINA'S STRATEGIC INTERESTS IN THE SOUTH PACIFIC; 1991-2016* submitted by me for the award of the degree of **MASTER OF PHILOSOPHY** of Jawaharlal Nehru University is my own work. The dissertation has not been submitted for any other degree of this University or any other university.

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Dedicated

To

My

Parents

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## LIST OF ABBREVIATIONS

ADF	Australian Defence Force
APEC	Asia-Pacific Economic Co-operation
ARATS	Association For Relations Across The Taiwan Strait
CCP	Chinese Communist Party
CMCC	China Metallurgical Construction Company
EEZ	Exclusive Economic Zone
EU	European Union
EXIM	<i>Export-Import Bank</i>
FAS	<i>Freely Associated States</i>
FSM	Federated States of Micronesia
KMT	Kuomintang
MCCL	<i>Metallurgical Corporation of China Limited</i>
MOFCOM	Ministry of Commerce of the People's Republic of China
MOU	<i>Memorandum of Understanding</i>
MSG	<i>Melanesian Spearhead Group</i>
OC	Overseas Chinese
OECD	Organisation for Economic Co-operation and Development
PICS	Pacific Island Countries
PIF	<i>Pacific Islands Forum</i>
PLA	People's Liberation Army
PLAN	People's Liberation Army Navy

PNG	Papua New Guinea
PRC	People's Republic of China
RAMSI	Regional Assistance Mission to Solomon Islands
ROC	Republic of China
SEF	Strait Exchange Foundation
SPTO	South Pacific Tourism Organization
UN	United Nations
UNIFEM	United Nations Development Fund for Women
US	United States
USAID	United States Agency for International Development

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# MAP OF SOUTH PACIFIC REGION



Source: (<http://www.geographicguide.com/oceania-map.htm>).

## Chapter One

### Introduction: China's Strategic Interests in South Pacific

The proposed study intends to examine China's strategic interests in the South Pacific in the post-Cold War period. A state's strategic interests are derived from its perceptions of factors within its strategic environment. These can be geographic, demographic, social, cultural, economic, historical or military in nature. China has a strong and growing involvement in the South Pacific. China is strategically motivated and China's growing influence poses a major threat to the West. The Pacific islands scattered across the Central and Southern parts of the Pacific Ocean, located in the sea route between China and South America, Antarctica, as well as Australia and New Zealand. China has strategic interests in Pacific island countries that made the regional powers became concerned about maritime security, especially in the context of rising trade and shipment across the sea lanes. The South Pacific Islands have strategic importance for external powers since the 19<sup>th</sup> century, and acted as a major battlefield during World War II, which curbed Japanese power and gave the United States strategic command of the entire Pacific Ocean. Since the end of World War II the South Pacific region become a zone of strategic competition. Then Pacific Islands served as nuclear testing sites for the USA, the UK and France from 1946 to 1996, which left the radioactive contamination in the region.<sup>1</sup> After the end of Cold War the United States largely withdrew its presence in the region. China has steadily increased its presence in the region at a time when the United States and European powers are decreasing their aid and presence with the end of the Cold War. Now China has the largest number of embassies and consulates in the region. China is emerging as a new world power with the potential to challenge United States. Chinese interests in the South Pacific are driven by an ambition to dominate the region, challenging the longstanding strategic primacy of the United States.

The South Pacific has very unique characteristic features, which includes remoteness of the region, 'vast geographical distribution of countries and territories, rich natural resources, tropical climate, fragile ecosystems, sandy beaches, different ethnic groups and cultural diversity' within the Pacific Island Countries (PICs). South Pacific region is dominated by Australia. The other two major landmasses of this region are New Zealand and Papua New Guinea. It also includes vast island nation groupings of Micronesia, Polynesia and Melanesia.

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<sup>1</sup> Smith, A. (2007). Colonialism and the Bomb in the Pacific. *A fearsome heritage: Diverse legacies of the Cold War*, 51-72.

There is a major regional organization in the South Pacific region known as Pacific Islands Forum (PIF). PIF is a political grouping of 16 sovereign and self-governing states. It consists of Australia, Cook Islands, Federated States of Micronesia, Fiji, Kiribati, Nauru, New Zealand, Niue, Palau, Papua New Guinea, Republic of Marshall Islands, Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu. Australia and New Zealand are the major powers in the region. The mainstay of the region's economy is natural resources, fishing, tourism, and agricultural sector. The oceans of the South Pacific are rich in fisheries, especially tuna. The immediacy of the Pacific Islands to resource-hungry East Asia will be very beneficial over the long term point of view.

The motivation for Chinese involvement from the middle of the 1990s initially focused on blocking further expansion of Taiwan. Six out of twenty-three countries in the world that recognize Taiwan are Pacific Island nations, thus the region has become a major focus of the Taipei-Beijing diplomatic rivalry.<sup>2</sup> Both Beijing and Taipei have engaged with the region through intensified aid, attracting widespread criticism for the destabilizing impacts of their "check book diplomacy"<sup>3</sup>. China's interest due to its desire to access the South Pacific's natural resources, which include fisheries, timber, mineral and hydrocarbon deposits. Chinese official statistics show that China's trade with the fourteen island states that make up the Pacific Islands Forum excluding Australia and New Zealand has increased from \$121 million in 1995 to \$1229 million in 2006 and \$2.1 billion in 2011.<sup>4</sup> By 2011 China had become the Pacific Islands second largest bilateral two-way trading partner.<sup>5</sup> Regardless of their small size, each independent South Pacific state has a vote in international organizations, which China can seek to persuade them to use in pursuit of its interests. The 14 islands constitute a significant voting bloc in the international forums, especially in the United Nations. And also there is considerable number of Chinese Diasporas scattered in those islands. Though lots of Chinese people had inter-marriage with the local people, and have deeply integrated into local society. Their Chinese descents and the close linkage to both Chinese and local culture, can serve as a bridge to further the promotion of friendly relations between China and the Pacific island countries. China's internal transformation over the last 35 years has been dramatic. Since 1979, when China's leaders began to implement radical reforms, the economy has expanded extremely rapidly.<sup>6</sup> China's requirement of the resources and markets

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<sup>2</sup> Rich, T. S. (2009). Status for sale: Taiwan and the competition for diplomatic recognition. *Issues & Studies*, 45(4), 159-188.

<sup>3</sup> Ibid.

<sup>4</sup> [http://www.defence.gov.au/ADC/Publications/IndoPac/Webb\\_IPS\\_Paper.pdf](http://www.defence.gov.au/ADC/Publications/IndoPac/Webb_IPS_Paper.pdf)

<sup>5</sup> Ibid.

<sup>6</sup> Lin, J. Y., Cai, F., & Li, Z. (2003). *The China miracle: Development strategy and economic reform*. Chinese University Press.

clearly explains to us China's increased presence in the resource rich regions of the world. Developing or underdeveloped resource-rich areas are often targeted by the Chinese business leaders. China's relations with the PICs have however developed rapidly since the early 1990s. China increased its activities with the gradual decrease of the United States from the early 1990s.

Geo-strategically PICs are very important for China because of three major reasons. First, the important location of various island countries can serve China's safe ship transport through the South Pacific sea lanes; second, the island countries play a significant role in China's offshore defence strategy in the Pacific along with the further development of blue water navy; and lastly the Pacific island countries remain a major concern of Chinese leadership for the struggle with Taiwanese authority for the diplomatic recognition, which is closely linked to China's peaceful unification strategy.

The oceans of the South Pacific are rich in fish stocks, especially tuna. China has established Memorandums of Understanding (MOU) regarding fishing with at least the Cook Islands, Fiji, Micronesia, PNG, and Kiribati.<sup>7</sup> Financial assistance and development projects have also been awarded or discussed to support the forestry, agriculture, mineral extraction, tourism industry, and power and energy sectors. Both the Fijian and PNG governments have discussed joint development schemes of timber resources and mining with Chinese officials. Chinese corporations have investigated the feasibility of both copper and methanol projects in PNG.<sup>8</sup> In perhaps the largest of China's South Pacific development projects, the China Metallurgical Construction Company (CMCC) signed an MOU on the \$625 million Ramu nickel and cobalt mine in PNG.<sup>9</sup> The region's need and potential for energy sources has also attracted Chinese investment in areas such as PNG's natural gas and oil reserves, and solar and wind power capabilities; Vanuatu's hydropower, and Tonga's electricity.<sup>10</sup> In 2006 the first China-Pacific Island Countries Economic Development and Cooperation Forum was held.<sup>11</sup> Since then the region has witnessed an increased flow of Chinese development assistance to the region.

The United States concern about China's increasing presence in the South Pacific region. The United States focus in the region is in Micronesia, where it controls Guam and the

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<sup>7</sup> Shie, T. R. (2007). Rising Chinese Influence in the South Pacific: Beijing's "Island Fever". *Asian Survey*, 47(2), 307-326.

<sup>8</sup> Ibid.

<sup>9</sup> Ibid.

<sup>10</sup> Ibid.

<sup>11</sup> Atkinson, J. (2010). China-Taiwan diplomatic competition and the Pacific Islands. *The Pacific Review*, 23(4), 407-427.

Commonwealth of the Northern Mariana Islands. It also has Compacts of Free Association with the Marshall Islands, Palau and the Federated States of Micronesia, according to which it is obliged to provide public services, security and defence support. In Polynesia the United States also controls American Samoa. Most significantly, the United States has the Anderson Air Force Base on Guam, and the Ronald Reagan Missile Defence test site at its base on Kwajalein Atoll in the Marshall Islands. United States and China's increasing focus on the South Pacific, the region might become a microcosm of broader emerging strategic rivalry between the two powers. China and the United States will engage in a zero-sum competition for regional influence, as occurred during the Cold War.

**Table: 1**

**Entities and Political Alignment of the Pacific Islands Region**

American Samoa	US territory
Cook Islands	Free association with NZ
Federated States of Micronesia	Free association with US
Fiji	Independent
French Polynesia	Overseas territory of France
Guam	US territory
Kiribati	Independent
Marshall Islands	Free association with US
Nauru	Independent
New Caledonia	Overseas territory of France
Niue	Free association with NZ
Northern Mariana Islands	Commonwealth of the US
Palau	Free association with US
Papua New Guinea	Independent
Pitcairn Islands	Dependency of the UK
Samoa (formerly Western Samoa)	Independent
Solomon Islands	Independent
Tokelau	Territory of New Zealand
Tonga	Independent
Tuvalu	Independent
Vanuatu	Independent

Wallis and Futuna	Overseas territory of France
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Source: From various data base.

## Review of Literature

### China's Strategic Interests in South Pacific

**Crocombe (2007)** asserts that, the “hardware”<sup>12</sup> of China-Pacific Islands relations is well known, such as the growing exports of Pacific Islands minerals, timber, fish and agricultural products to China; the rapid increase in imports of Chinese manufactured goods; and the growing proportion of foreign aid to the Islands that come from China. However what he calls the “software” of burgeoning China-Pacific interactions is less well understood. He divided this “software” up into ten different categories- religion; language; Sino-Pacific ethnic connections; media links; educational links; social and personal relations; tourism; similarities in value systems; approaches to governance; and the evolving new architecture of regional organization.<sup>13</sup> He concludes with a warning that Pacific peoples must take on the challenge of better understanding China, because he says, in future that will be the main external influence in the South Pacific.

**Yang (2011)** argues that Chinese policy towards the South Pacific is integral to China's grand strategy as part of ‘Greater Periphery’<sup>14</sup> diplomacy which is subordinate to China's periphery and core interests. This observation is reinforced by the assertion of Professor **Yu Changsen (2014)** director of the Centre for Oceania Studies at Sun Yat-Sen University in Guangzhou, that ‘Oceania Island states are an important part of Chinese grand peripheral strategy’<sup>15</sup>.

**Phillip Saunders (2006)** considers how China might use its growing power in the future, and assesses how other Asian and global powers are likely to respond to a more powerful and more influential China.<sup>16</sup> He also examines likely implications if current trends continue, and potential developments that might alter China's regional policy. Saunders argues that China's reassurance strategy has been remarkably successful in preserving a stable regional environment and persuading its neighbours to view China as an opportunity rather than a threat. However, despite China's restrained and constructive regional behaviour over the last

<sup>12</sup> Dobell, G. (2007). *China and Taiwan in the South Pacific: Diplomatic chess versus Pacific political rugby* (p. 3). Sydney: Lowy Institute for International Policy.

<sup>13</sup> Ibid.

<sup>14</sup> Yang, J. (2011). *The Pacific Islands in China's Grand Strategy: Small States, Big Games*. Springer.

<sup>15</sup> Connolly, P. J. (2016). Engaging China's new foreign policy in the South Pacific. *Australian Journal of International Affairs*, 70(5), 484-505.

<sup>16</sup> Saunders, P. C. (2006). *China's global activism: strategy, drivers, and tools*. NATIONAL DEFENSE UNIV WASHINGTON DC INST FOR NATIONAL STRATEGIC STUDIES.

decade, significant concerns remain about how a stronger and less constrained China might behave in the future.

In **Yang's (2007)** view the South Pacific "China threat"<sup>17</sup> discourse is characterised by its assertiveness and superficiality. He says that despite the claims of some analysts, there is no clear evidence to suggest that China's deepening involvement in the South Pacific is a calculated strategic move for its military security. Rather, he argues that China's main strategic interests in the region are the goal of resolving the Taiwan issue and furthering China's economic development. He asserts that the South Pacific has little strategic value to China's national security either at present, or in the foreseeable future. Chinese influence in the region is not deep-rooted and is largely based on its "no-strings-attached"<sup>18</sup> aid and its increasing economic interactions with the region. According to him, China has neither the hard power, nor the soft power, to become a genuine hegemony in the region.

**Wesley-Smith and Porter (2010)** saw little evidence in Beijing's activities in the Pacific Islands region of a grand strategy driven by hegemonic aspirations.<sup>19</sup> Others are less convinced of the South Pacific's importance in China's calculations, but observe that the pursuit of reliable resource supplies is the most important driver for the expansion of China's presence in all regions, including the Pacific. However, to keep these interests in perspective, trade with the South Pacific still only represented 0.12 percent of China's total trade volume two years ago, and China's aid to the sub-region is approximately 4.2 percent of its total outlay.<sup>20</sup> **Yongjin Zhang (2007)** observes that China's involvement in the South Pacific has not been the result of any coordinated strategy to fill a power vacuum and that 'China has emerged as a regional power in the Pacific by default'<sup>21</sup>. China's 'expanding power is not strong enough to shape the regional order, but is sufficient to unsettle regional stability'<sup>22</sup>. Furthermore, increasingly assertive Chinese policy has generated a perception of greater risk to regional stability, which motivates the reinforcement of alliances.

**Henderson and Reilly (2003)** described China's growing presence in Oceania as more than filling a vacuum- from which the USA, Australia and New Zealand had become distracted as they responded to threats in the Middle East and South Asia- but an effort to incorporate the

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<sup>17</sup> Hoadley, S., & Yang, J. (2007). China's cross-regional FTA initiatives: Towards comprehensive national power. *Pacific Affairs*, 80(2), 327-348.

<sup>18</sup> Ibid.

<sup>19</sup> Wesley-Smith, T. (2013). China's rise in Oceania: Issues and perspectives. *Pacific Affairs*, 86(2), 351-372.

<sup>20</sup> Ibid.

<sup>21</sup> Zhang, Y. (2007). China and the emerging regional order in the South Pacific. *Australian Journal of International Affairs*, 61(3), 367-381.

<sup>22</sup> Ibid.



Pacific Islands ‘into its broader quest to become a major Asia-Pacific power’<sup>23</sup>. They judged that the region ‘may well become an important arena for China to establish footholds of influence, recruit new allies and to test its growing strength and ability to command allegiance in a region hitherto dominated by Western powers’.<sup>24</sup>

### **China’s Diplomatic Rivalry with Taiwan**

**Biddick (1989)** noted that Beijing and Taipei had been and remained most immediately concerned with their competition for diplomatic recognition and political influence in the South Pacific. The Beijing-Taipei competition for diplomatic recognition in the region escalated in the past two decades.

**Lin Cheng-yi (2007)** states that, the South Pacific has become increasingly important for Taiwan in the recent years. Taiwan has six diplomatic posts in the region, so more than a quarter of all the countries that recognise the Republic of China on Taiwan are located in the South Pacific. China and Taiwan have both established dialogue partnerships with the Pacific Islands Forum even though Taiwan’s status is not fully recognized.<sup>25</sup> Rivalries between China and Taiwan have caused some island states to bet their best interests for economic development, leading to increasing allegations of corruption. Diplomatic considerations, geographical proximity, the richness of ocean resources, and affordable foreign aid packages have made the South Pacific a region vital to Taiwan’s foreign relations. Lin states that the South Pacific-second only to Central America and the Caribbean-is now a key location for Taiwan’s diplomatic recognition.

**Fergus Hanson (2007)** argues that to halt and reverse diplomatic recognition of Taiwan has been “the main driver”<sup>26</sup> of Chinese aid to the region. He concentrates on China’s move into the South Pacific, focusing on the eight nations with which China has established diplomatic relations. **Wesley-Smith (2007)** has observed, China’s foreign policy in Oceania “has always had a powerful strategic component”<sup>27</sup> and that it was China’s intense antagonism toward the Soviet Union that spurred its early involvement in the region.

**Bertil Lintner (2007)** draws on a fascinating series of examples from his extensive reporting of South Pacific affairs to illustrate his argument. He asserts that since many of the Pacific

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<sup>23</sup> Wesley-Smith, T. (2013). China’s rise in Oceania: Issues and perspectives. *Pacific Affairs*, 86(2), 351-372.

<sup>24</sup> Ibid.

<sup>25</sup> Tow, W. T., & Yen, C. S. (2007). Australia–Taiwan relations: the evolving geopolitical setting. *Australian Journal of International Affairs*, 61(3), 330-350.

<sup>26</sup> Yang, J. (2010). THE SOUTH PACIFIC IN CHINA’S GRAND STRATEGY. *Looking North, Looking South: China, Taiwan and South Pacific*, 26, 259.

<sup>27</sup> Ibid.

nations recognise Taiwan, the Republic of China (ROC), it is in the interest of the People's Republic of China (PRC) to be involved in the South Pacific in order to deny the island its claim to legitimacy.<sup>28</sup> However, while competing with Taiwan for diplomatic recognition, Beijing is also laying the groundwork for a future contest between the United States and China for supremacy in the Pacific Ocean, the "buffer"<sup>29</sup> between China and North America. At the same time, Chinese migration to the region has resulted in anti-Chinese riots in island nations such as Tonga, the Solomon Islands and Papua New Guinea, further contributing to the volatility of the region. He says that South Pacific is changing, it is no longer the peaceful backwater it once was, and China's increased involvement in the region is part of the reasons for this.

### **Chinese Diaspora in South Pacific**

**Yang (2011)** mentions the growth of the Chinese diaspora in Oceania and Beijing's responsibility to protect them.<sup>30</sup> **Wallis (2012)** observes that increased Chinese assertiveness could lead it to respond with military force if members of the Chinese diaspora were threatened, as they were in Solomon Islands and Tonga in 2006, and PNG in 2009.<sup>31</sup>

**Zhuang Guotu (2009)** argues that the new Chinese immigrants are different from the old Chinese immigrants in at least three aspects. First, the new immigrants are better educated than old immigrants. Second, they are no longer the poor people from a poor country. They, especially those from Hong Kong and Taiwan, have become a formidable economic force domestically, regionally, and even globally. It is well known that ethnic Chinese played a crucial role in Southeast Asia for over 600 years.<sup>32</sup> However, it was not until after the late 1970s that the wealth of ethnic Chinese increased rapidly. According to an estimate of the World Bank, the output of overseas Chinese enterprises increased from US\$400 billion in 1991 to US\$600 billion in 1996.<sup>33</sup>

**James To (2010)** details the Overseas Chinese communities' presence in the South Pacific; how both China and Taiwan attempt to maintain links with it; and, in the case of China, attempts to "manage"<sup>34</sup> its allegiance. The Overseas Chinese community (OC) continues to be a significant channel for China's extension of its national interests abroad. He argues that

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<sup>28</sup> Shie, T. R. (2007). Rising Chinese Influence in the South Pacific: Beijing's "Island Fever". *Asian Survey*, 47(2), 307-326.

<sup>29</sup> Ibid.

<sup>30</sup> Yang, J. (2011). *The Pacific Islands in China's Grand Strategy: Small States, Big Games*. Springer.

<sup>31</sup> Connolly, P. J. (2016). Engaging China's new foreign policy in the South Pacific. *Australian Journal of International Affairs*, 70(5), 484-505.

<sup>32</sup> Zhou, M. (2009). *Contemporary Chinese America: Immigration, ethnicity, and community transformation*. Temple University Press.

<sup>33</sup> Ibid.

<sup>34</sup> Brady, A. M. (2010). *Looking North, Looking South: China, Taiwan and South Pacific* (Vol. 26). World Scientific.

the OC are specifically targeted and mobilized by China as a means of advancing two of its key national interests around the world: increasing China's soft-power and improving its image as a global citizen. While there are long-standing Chinese communities in many South Pacific countries, in recent years there has been a dramatic increase in illegal immigration. He says that China's attitude towards the Overseas Chinese in the Pacific reflects one of the main strategic goals for its involvement in the region: isolating Taiwan. China actively seeks to exert influence amongst OC communities in the Pacific in an effort to isolate and challenge political threats such as Taiwan and the independence movement.

**Bertil Lintner (2007)** observed that the South Pacific is becoming one of three areas of the world where Chinese influence is spreading so rapidly that it may soon make not only an economic but also a significant demographic difference. He further claimed that as more and more Chinese migrants settle into the region and contribute to changing the region's ethnic demographics, the Pacific is steadily becoming a Chinese sphere of influence.

## **Definition, Rationale and Scope of the Study**

The proposed study on China's strategic interests in the South Pacific region after the Cold War period is an under researched area. Existing studies mainly focus on China's approach towards South Pacific region. This study also explains the major challenges for China's growing involvement in South Pacific such as China's diplomatic rivalry with Taiwan and Competition with United States (US) in the region. It is very important to look in to the Chinese Diaspora role in making foreign policy between Pacific Islands and China. Each independent South Pacific state has a vote in international organizations, which China can seek to persuade them to use in pursuit of its interests. The 14 islands constitute a significant voting bloc in the international forums; especially in the United Nations (UN). The rich energy resources are also one of the reasons for China's interest in the region. Therefore it is very important to explore China's involvement in South Pacific region. The scope of the study is limited to the period between 1991 and 2016.

## **Research Objectives**

The study looks into the following objectives.

1. To examine China's strategic interests in the South Pacific.
2. To analyse the foreign policy of China towards South Pacific region.

3. To understand the role of Chinese Diaspora in the relations between South Pacific Island countries and China.
4. To study China's diplomatic rivalry with Taiwan and the United States.

## **Research Questions**

The study aims to answer the following questions.

1. What are the main driving forces behind China's deepening involvement in the South Pacific region?
2. What are China's core interests in the South Pacific?
3. What is the role of Chinese Diaspora in its diplomatic relations with the region?
4. How is China competing with other external players of the region?
5. What are the challenges faced by China in the region?
6. What are the determining factors of China's Foreign Policy in the South Pacific?
7. What are the causes behind China-Taiwan diplomatic rivalry?

## **Hypotheses**

The proposed study would examine the following hypotheses

1. China's long-term strategy is to exercise its economic leverage for greater political influence.
2. China's interest was initially driven by its competition with Taiwan for diplomatic recognition and to question the hegemony of the United States.

## **Methodology**

The study will be analytical in nature. It will follow an interdisciplinary approach and employ various theoretical insights from international relations, strategic studies, economics and geopolitics. Insights from the works of scholars like Jian Yang, Wesley-Smith, Yongjin Zhang, Baddick, Zhiqun Zhu, Anne-Marie Brady, Ron Crocombe, Fergus Hanson, Henderson and Reilly, etc will be used in the study. These works are helpful in defining strategic interests, examines China's core interests in the region, understanding the way countries uses Diaspora as a foreign policy tool and so on. The study will be based on both primary and secondary sources. Primary sources include government and legal documents, reports, policy documents, speeches, interviews and various press releases. Secondary sources include books, periodicals, journals, news paper articles and internet.

## **Structure of the Study**

### **Chapter I: Introduction: China's Strategic Interests in South Pacific**

The introductory chapter formulates the understanding of strategic interests in International Relations, China's relations with the South Pacific and its foreign policy towards the region. It also highlights the geo-strategic significance of the South Pacific region.

### **Chapter II: China's Growing Involvement in Pacific Island Countries**

This chapter will give a broader view of China's growing involvement in Pacific Island Countries (PICs). It explores the key dimensions of China's emergence as a significant force in Pacific Island affairs. It will examine the relations between China and South Pacific Island countries and its impact on Australia and New Zealand. It will analyze the trade, agreements, power projects and different programmes between China and PICs.

### **Chapter III: China's Diplomatic Competition with Taiwan and United States and its Implications in the Pacific Island Countries**

This chapter discusses the background of the Beijing-Taipei diplomatic rivalry. It examines the diplomatic competition between China and United States in the South Pacific, its implications for the Beijing-Taipei diplomatic rivalry.

### **Chapter IV: Role of Chinese Diaspora in its diplomatic relations with South Pacific**

This chapter will explain and analyse the background, reasons and implications of an increased ethnic Chinese presence in the South Pacific. This chapter explains the role of Chinese Diaspora in maintaining relations with the South Pacific. It will also discuss how China is using them to advance Beijing's national interests.

### **Chapter V: Conclusion**

The last and fifth chapter states the validity of hypotheses and the conclusions arrived there in.

## Chapter Two

### China's Growing Involvement in Pacific Island Countries

The rise of China globally in the 21<sup>st</sup> century has raised the eyebrows of western powers in Unipolar world since Cold War. China emerged as a significant power in the South Pacific region has been one of the most important developments in regional affairs in the post-Cold War. Political-diplomatic relations, aid programs, economic exchanges, and virtually all declensions of soft power, both by governmental and private-sector actors, are on the rise between China and the South Pacific region. China is a large and rising power in the world politics, with an economy that replaced Japan as the world's second largest in 2010.<sup>35</sup> China's growing economic power will allow the country to bulk up its military muscle and successfully challenge US military dominance in the South Pacific.<sup>36</sup> China's rise is one of the most magnificent developments in the world politics, with GDP per capita growing about 8 percent per year from 1979 to 2004 for the 25 years.<sup>37</sup> Chinese interests in the South Pacific region are wide-ranging and growing over time. China's active engagement in the region provides important and potentially long-lasting developmental opportunities for Pacific Island countries. China has rapidly developed its relations with the region since the late 1990s. The South Pacific plays an important role in China's national reunification and development strategies. China increased its financial assistance packages aimed at enhancing trade, infrastructure development, equipping government and military property, and developing natural resources in the region<sup>38</sup>. China's one of the major interests is the natural resources including fisheries, gold, copper, timber, other minerals, and hydrocarbons of the South Pacific which is very essential for the resource hungry China and also these countries are too underdeveloped to harvest the resources themselves. The South Pacific regional annual GDP growth rates are higher than the global average over the last decade this growth rates increased the demand of the natural resources in the Melanesia. China is also providing financial assistance to support the agriculture, energy and power sectors, mineral extraction, forestry and tourism industry. China's presence in the Pacific Islands was followed by the opening of its embassies in Western Samoa and Fiji in 1975, and spreading across other

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<sup>35</sup> Lin, J. Y. (2013). Demystifying the Chinese economy. *Australian Economic Review*, 46(3), 259-268.

<sup>36</sup> White, H. (2010). Power shift: Australia's future between Washington and Beijing. *Quarterly Essay*, (39), 1.

<sup>37</sup> Zheng, J., Bigsten, A., & Hu, A. (2009). Can China's growth be sustained? A productivity perspective. *World Development*, 37(4), 874-888.

<sup>38</sup> Shie, T. R. (2010). Rising Chinese Influence in the South Pacific: Beijing's Island Fever. *Looking North, Looking South: China, Taiwan and the South Pacific*, 137-163.

Pacific Island Countries (PICs), thereafter.<sup>39</sup> The PICs comprises of three distinct groupings: the Micronesians, Polynesians and Melanesians. Of which 8 of the Island nations out of 14 recognizing People's Republic of China (PRC) "One China Policy" which are: Fiji, Papua New Guinea (PNG), Vanuatu, Samoa, Tonga, the Federated States of Micronesia (FSM), Niue and Cook Island.<sup>40</sup>

China has been started its engagement with the region as a whole mainly through the Pacific Islands Forum (PIF). In 1989, China sent its first delegation to the PIF and from 1990 has sent delegate to attend the post-Forum dialogue meetings.<sup>41</sup> China is acting as an alternative to the traditional South Pacific Powers such as Australia and New Zealand. China approved four South Pacific Island countries, the Cook Islands, Fiji, Tonga, and Vanuatu, approved tourism destination status in 2014.<sup>42</sup> The increasing Chinese middle class is the potential for a large growth of tourists in the region. China joined the South Pacific Tourism Organization (SPTO) in 2003 and became the first full member of the organization in April 2004.<sup>43</sup> Premier Wen Jiabao made China's intention clearly with regard to China's growing engagement with the Pacific Islands Forum in his Nadi address to the China-Pacific Island Countries Economic Development and Cooperation Forum on 5<sup>th</sup> April, 2006.<sup>44</sup> China's move towards to the South Pacific under Xi Jinping has seen a continuous search for diplomatic partners amongst the Pacific Island Countries to support an increasingly assertive foreign policy of China. Xi Jinping visited Fiji in November 2014<sup>45</sup>. Presently China is having diplomatic relations with eight out of the 14 Pacific Island Countries. They are Cook Islands, Federated States of Micronesia, Fiji, Niue, Papua New Guinea (PNG), Samoa, Tonga, and Vanuatu.<sup>46</sup> Chinese interests in the South Pacific have increased significantly in the last two decades, mainly in search of natural resources and commercial opportunities. It remains unclear whether this is the product of strategic design, a result of economic opportunism, or combination of both. Under many respects, China's influence in the region appears bound to rival that of Australia and New Zealand. The established partners of the

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<sup>39</sup> Ibid.

<sup>40</sup> Ibid.

<sup>41</sup> Yang, J. (2011). The Evolving Regional Order in the South Pacific: The Rise and Fall of External Players. In *The Pacific Islands in China's Grand Strategy*(pp. 19-35). Palgrave Macmillan US.

<sup>42</sup> Lum, T., & Vaughn, B. (2007). The Southwest Pacific: US interests and China's growing influence. *China-US Economic and Geopolitical Relations*, 85.

<sup>43</sup> Yang, J. (2009). China in the South Pacific: hegemon on the horizon?. *The Pacific Review*, 22(2), 139-158.

<sup>44</sup> McElroy, J. L., & Bai, W. (2008). The Political Economy of China's Incursion into the Caribbean and Pacific. *Island Studies Journal*, 3(2).

<sup>45</sup> Connolly, P. J. (2016). Engaging China's new foreign policy in the South Pacific. *Australian Journal of International Affairs*, 70(5), 484-505.

<sup>46</sup> Ibid.

South Pacific region fear that China is displacing their influence, locking natural resources up, and pursuing long-term strategic ambitions.

## **HISTORICAL BACKGROUND**

China is having deep cultural and historical roots with the South Pacific region. These cultural roots were traced back to 5,000 years ago as the language used by the first settlers in the South Pacific originated in Taiwan.<sup>47</sup> It is believed that Micronasian, Polynesian and eastern Melanesian of the South Pacific people are related to indigenous people of Taiwan. The trade between China and South Pacific started from the eighteenth century. The migration of Chinese started from the nineteenth century. First Chinese traders migrated to the region and Sydney was the hub of Chinese trade in the Pacific. After that Chinese contract labourers were introduced into the South Pacific. Chinese contract labour was first introduced into Tahiti in 1865, then New Guinea in 1898, Samoa in 1903, and Nauru in 1906 in the South Pacific.<sup>48</sup> Those going to Tahiti were Hakka, recruited from Swatow and Hong Kong, while the Chinese labourers in New Guinea were from Singapore, Macao and Swatow and probably included Hakka and Cantonese. Those labouring in Nauru, Banaba and Samoa were Cantonese from Macao and Hong Kong. Chinese labourers were also recruited by German authorities to work in the phosphate mines of Angaur in 1908-1909.<sup>49</sup> Most of them worked in the phosphate mines and plantations of Pacific Islands.

There was a revolutionary military uprising on 10<sup>th</sup> October, 1911, which led to the abdication of the last Qing monarch in February 1912 and formation of the Republic of China (ROC).<sup>50</sup> China was first ruled by various warlords and then had to fight against a Japanese invasion. In 1945, Japanese surrendered and left China but it was followed by a civil war between the Kuomintang (KMT, Nationalist Party or Guomindang) and the Chinese Communist Party (CCP). In October 1949, the CCP established the People's Republic of China (PRC) and the KMT government retreated to Taiwan.<sup>51</sup> From 1949 to the early 1970s when the PRC started to normalize its relations with the West, China did not have much contact with the South Pacific although its ideology-driven foreign policy ensured China's moral support for the independence movement in the South Pacific region. The South Pacific was under Western hegemony in terms of the prevailing Cold War spheres of influence. A

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<sup>47</sup> Kirch, P. V. (2000). *On the road of the winds: an archaeological history of the Pacific Islands before European contact*. Univ of California Press.

<sup>48</sup> Tung, Y. C. (2005). Reflections on the Studies of Overseas Chinese in the Pacific. In *Asia Pacific Forum* (Vol. 30, pp. 29-54).

<sup>49</sup> D'Arcy, P. (2007). China in the Pacific: some policy considerations for Australia and New Zealand.

<sup>50</sup> Joseph, W. A. (Ed.). (2014). *Politics in China: an introduction*. Oxford University Press, USA.

<sup>51</sup> Yang, J. (2011). *The Pacific Islands in China's grand strategy: small states, big games*. Springer.



series of developments in the 1960s and 1970s contributed to a more active Chinese policy toward the South Pacific. In 1960, the dispute between Beijing and Moscow became public and the two giants in the Communist camp split. The Soviet Union thus emerged as Beijing's primary security concern. Consequently, China sought to normalize its relations with the United States. The rapprochement between Beijing and Washington paved the way for US allies to normalize their relations with Beijing. Australia established its diplomatic ties with China on 21<sup>st</sup> December, 1972, and New Zealand established its diplomatic relations on 22<sup>nd</sup> December, 1972.<sup>52</sup>

The most important incident in the early 1970s was that Beijing replaced Taiwan in the United Nations Security Council in 1971.<sup>53</sup> Taiwan was forced to seek new friends among the emerging independent states to offset China's diplomatic win. China did not seem to have a comprehensive strategy to engage with the PICs until 1974. The Soviet Union established diplomatic relations with Fiji in 1974 and the Soviet Navy paid some noticeable visits to Fiji. The South Pacific subsequently gained its importance in China's strategy to counter Soviet influence in the Third World. China established diplomatic ties with Fiji on 5<sup>th</sup> November, 1975, and with Western Samoa on 6<sup>th</sup> November, 1975. Up till then, Fiji and Western Samoa had recognized Taipei. In October 1976, China established diplomatic relations with PNG.<sup>54</sup> China even opened a popular trade fair in Suva in 1978. There was also more social and cultural interaction. Chinese and South Pacific athletic teams exchanged visits. In 1975, China sent a soccer team on a goodwill tour to Fiji. The Chongqing acrobatic troupe made a goodwill tour of Western Samoa and PNG in 1977.<sup>55</sup> Politically, leaders from PNG, Vanuatu, Fiji, Kiribati, and Western Samoa all paid a visit to Beijing shortly after China established diplomatic relations with these countries. A highlight of the bilateral relationship at that time was the 1978 announcement by the Fijian prime minister Ratu Sir Kamisese Mara, after his visit to China, his government intended to reject Soviet efforts to set up an embassy.<sup>56</sup> Clearly, China appreciated the value of the words and votes of the PICs. China's policy toward the South Pacific, like its policies toward other regions, that is, both China and the PICs belonged to the Third World countries and it was their common concern to fight against imperialism.

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<sup>52</sup> Van Fossen, A. (2007). The struggle for recognition: diplomatic competition between China and Taiwan in Oceania. *Journal of Chinese Political Science*, 12(2), 125-146.

<sup>53</sup> Ibid.

<sup>54</sup> Ibid.

<sup>55</sup> Ibid.

<sup>56</sup> Yang, J. (2011). China's Growing Involvement in the South Pacific. In *The Pacific Islands in China's Grand Strategy* (pp. 5-18). Palgrave Macmillan US.

Hu Yaobang, the general secretary of the Communist Party of China (CCP), visited PNG, Fiji, and Western Samoa in 1985 and proposed three principles that would direct China's policy:<sup>57</sup>

1. Full respect for the foreign and domestic policies of the PICs;
2. Full respect for the existing close relations among these countries; and
3. Full respect for the treaties the PICs had signed with third parties.

Despite the new development in Chinese foreign policy, it was believed that to counter balance the growing influence of the Soviet Union in the South Pacific was a main reason behind Hu Yaobang's visit to the region.

China has been largely self-sufficient in major resources, but this changed in the 1990s and it is now dependent on foreign countries for resources vital to its economic growth. China is now the world's largest energy consumer, its oil self-sufficiency ended in 1993 and it became a net coal importer in 2009.<sup>58</sup> Pacific island states are endowed with marine resources but lack financial and technical capacity for development whilst on the other hand China has these resources available to develop it.

## **TRADE**

China's growing presence is further reflected in its growing economic and trade ties with the region. China's political and economic engagement over the last decade has caused concern amongst some policymakers and commentators, especially in Australia and New Zealand. China made efforts to develop its relations with the PICs in various areas. Economically, it supported the idea of exclusive economic zones (EEZ) which was of particular importance to the Pacific Islands. China started its trade delegations to the PICs in the mid-1970s. China's economic interest in the region is relatively new, but no less important. This interest has grown strongly due to China's "go global" strategy since the early 2000s.<sup>59</sup> China's heightened demand for overseas resources and markets add further impetus to its Pacific Islands engagement. The region's rich mineral, timber, fish, and potential seabed resources are all of great interest to China. The Pacific Islands have also emerged as new markets for Chinese products, thus giving China a stake in the economic development of the region. The growing importance of economic considerations is perhaps most clearly reflected by the fact

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<sup>57</sup> Ibid.

<sup>58</sup> Ibid.

<sup>59</sup> Brautigam, D. (2011). Aid 'With Chinese Characteristics': Chinese Foreign Aid and Development Finance Meet the OECD-DAC Aid Regime. *Journal of international development*, 23(5), 752-764.

that China is actually trading more with Island countries with which it has no formal diplomatic ties than with those with which it has formal relations. This suggests economic interests, more than political considerations, drive China's engagement with the region. China's trade with the eight Island countries with whom it has diplomatic ties rose from \$248 million to \$1.767 billion between 2000 and 2012, a more than seven-fold increase<sup>60</sup>. There is a strong political component to China's trade and investment. For instance approved destination status for tourists was granted to Tonga, Fiji, the Cook Islands and Vanuatu in 2004 and extended to Samoa, the FSM, PNG and Niue in 2006, but not to Pacific nations that recognised Taiwan.<sup>61</sup> Chinese interest in trade with the PICs is also due to the vast area of EEZ that these islands share with tremendous capacity to trade and explore for deep sea research and fisheries.

**Table: 2**

**Pacific Island Countries and their Exclusive Economic Zones (EEZ)**

S.NO	Country (or) Territory	Land Area (skm)	Exclusive Economic Zone (skm)
1.	Samoa	2,934	120,000
2.	Solomon Islands	29,785	1,340,000
3.	Vanuatu	12,189	680,000
4.	Fiji	18,376	1,290,000
5.	New Caledonia	19,103	1,740,000
6.	Guam	549	218,000
7.	Tonga	696	700,000
8.	Palau	500	629,000
9	French Polynesia	3,521	5,030,000
10.	Niue	258	390,000
11.	American Samoa	197	390,000
12.	Wallis and Futuna	124	300,000
13.	Marshall Islands	720	2,131,000
14.	Northern Marianas	475	1,823,000
15.	Fed. States of	702	2,978,000

<sup>60</sup> Yu Chensen, Chang Chenguang and Wang Xuedong, eds., *The Blue Book of Oceania: Annual Report of Development of Oceania 2013-14* (Beijing: Social Sciences Academic Press, 2014), 8.

<sup>61</sup> Ibid.

	Micronesia		
16.	Kiribati	726	3,550,000
17.	Cook Islands	180	1,830,000
18.	Nauru	21	320,000
19.	Tokelau	12	290,000
20.	Tuvalu	26	900,000
21	Pitcairn	5	800,000
22.	Papua New Guinea	461,690	3,120,000
	Total	552,789	30,619,000

Source: South Pacific Commission (SPC)

In 2009, China became the second-largest trade partner in the region, after Australia. China has become a significant export market for some of the PICs. In 2013, around 45 percent of Solomon Islands exports went to China. For Papua New Guinea, China has become the largest market for its timber exports over the last decade.<sup>62</sup> The total trade between China and the Pacific Island countries reached US\$8.1 billion in 2015, a 60 percent increase from the previous year.<sup>63</sup>

**Table: 3**

**Pacific Island Trade with the China, Australia, and the United States, 2015 (in millions of dollars)**

S. No	Country	China	Australia	United States
1.	Cook Islands	17	7	5
2.	Micronesia	16	5	41
3.	Fiji	352	414	260
4.	Kiribati	49	20	10
5.	Nauru	5	61	2
6.	Niue	0	0	1
7.	Palau	22	2	26

<sup>62</sup> Chen, H., Rauqueqe, L., Wu, Y., & Yang, Y. (2014). Pacific Island Countries: In Search of a Trade Strategy.

<sup>63</sup> Yang, J. (2011). *The Pacific Islands in China's grand strategy: small states, big games*. Springer.

8.	Papua New Guinea	2,875	3,523	299
9.	Marshall Islands	3,399	5	83
10.	Samoa	66	49	27
11.	Solomon Islands	544	124	9
12.	Tonga	30	11	16
13.	Tuvalu	16	6	1
14.	Vanuatu	86	65	10
	Total	7,477	4,292	790

**Source:** Global Trade Atlas

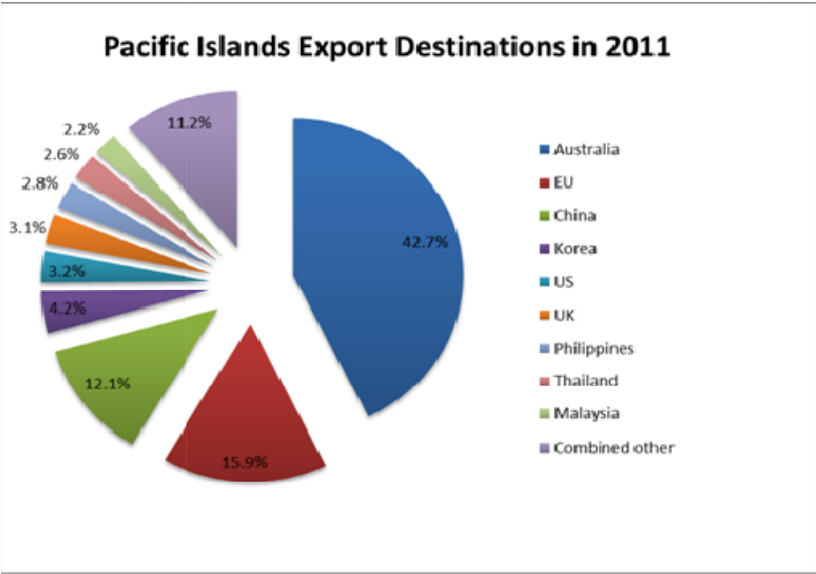
According to China's ambassador to the Fiji Islands, in 2010 the value of trade with the South Pacific region reached US\$3.66 billion, a nine-fold increase from 2001, and continues to expand. At first China-Pacific Island Countries Economic Development and Cooperation Forum in Fiji in April 2006, Chinese Premier Wen Jiabao pledged to make available preferential loans worth US\$376 million over three years, establish a fund to encourage Chinese companies to invest in the region, cancel or extend debts maturing in 2005, and remove tariffs on imports from the least developed island nations.<sup>64</sup>

The Figure: 1, illustrates the Pacific Islands exports to Australia, EU, China, US, United Kingdom and Malaysia. Fisheries including natural resources are the main exports from this region. Australia and European Union (EU) are the leading importers of natural resources from the Pacific countries.

**Figure: 1**

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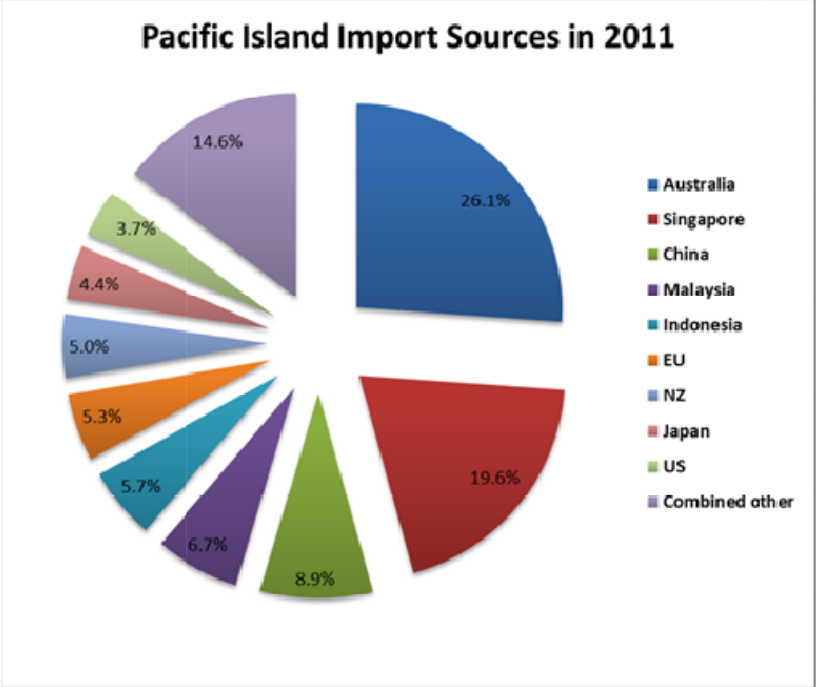
<sup>64</sup> Wesley-Smith, T. (2013). China's rise in Oceania: issues and perspectives. *Pacific Affairs*, 86(2), 351-372.



Source: Paul and Daniel (2012).

The Figure: 2 explore Pacific Island countries imports from neighbouring states including Australia, Singapore, Japan, China, Malaysia, Indonesia, EU, New Zealand and US. Australia and Singapore are the leading import sources for Pacific region.

Figure: 2



Source: Paul and Daniel (2012).

**INVESTMENTS**

Chinese investments in the region have increased significantly. Between 2003 and 2012, Chinese enterprises invested more than \$700 million in Pacific Island countries.<sup>65</sup> The rise of China as an investor in the region has been most noticeable in Papua New Guinea, where it has been mainly prompted by the objective of securing access to that country's massive natural resources. Papua New Guinea (PNG) has been, by far, the largest beneficiary of Chinese investment, receiving a total of \$313 million and it has been driven in large part by a desire to secure access to that country's vast natural resources, followed by Samoa (\$265 million) and Fiji (\$111 million). China's investment in the \$1.4 billion Ramu Nickel Project in PNG is the largest Chinese investment in the region.<sup>66</sup> Chinese construction companies are growing in number and influence in the region, with a particularly strong presence in Papua New Guinea and also in Fiji. Chinese companies have been responsible for the construction of roads in Central, Gulf, Morobe and Madang provinces and the construction of student dormitories at the University of Goroka in Papua New Guinea.<sup>67</sup> Chinese companies often work in cooperation with other foreign investors and multinational partners to complete projects in the Pacific Islands. They also compete for and win World Bank and Asian Development Bank tenders in the Pacific Islands, which demand levels of transparency not previously associated with Chinese activities in the region. This aspect of Chinese commercial activities further complicates the perception that Chinese actors in the region are inherently different from Western actors.

At the April 2006 Nadi summit China declared the establishment of the "China-Pacific Islands Countries Economic Development and Cooperation Forum" to facilitate investment and aid in the Pacific.<sup>68</sup> At that summit Chinese Premier Wen Jiabao announced that China would offer:

- US \$375 million of soft loans over the next three years for the development of agriculture, minerals, forestry, fishery, tourism, textiles, telecommunications, aviation, shipping, and consumer goods manufacturing in the South Pacific.
- A separate fund to encourage Chinese companies to invest in those Pacific Island countries who have established diplomatic relations with the China.
- The cancellation of all debts that became mature at the end of 2005; and extension by 10 years for payment of any other debts.

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<sup>65</sup> Ibid.

<sup>66</sup> Yang, J. (2011). *The Pacific Islands in China's grand strategy: small states, big games*. Springer.

<sup>67</sup> Ibid.

<sup>68</sup> Brady, A. M., & Henderson, J. (2010). New Zealand, the Pacific and China: The challenges ahead. *Looking north, looking south: China, Taiwan, and the South Pacific*. Singapore: World Scientific, 189-223.

- Zero tariffs to the majority of exports to China from the eight Pacific countries who recognise the PRC.
- Training in capacity building for 2,000 Pacific Island officials and technicians from those countries.
- Free anti-malaria medicines in the next three years to the eight pro- PRC Pacific nations.
- Chinese medical teams to continue to be sent to these island countries. China will also conduct annual training courses for local health officials, hospital managers and medical researchers.<sup>69</sup>

Chinese investment also needs to be seen in the context of the activities of other foreign investors. It is difficult to collect reliable data on foreign direct investment in the Pacific Islands, in part due to weaknesses in Pacific Island government collecting agencies and a lack of transparency from some investors. Nevertheless, it is clear that there is growing diversity in an investment scene once dominated by Australia and New Zealand. There are a number of new external players in the resource, aviation and communication fields. The Irish telecommunications company, Digicel, has invested in the mobile phone markets of most Pacific Island countries and has driven a revolution in communications in the region. Energy companies from France have investments in Fiji and Papua New Guinea as well as the French Pacific. China's major investments in the South Pacific region:

- PNG's Ramu Nickel Mine (2005): Majority owned by Metallurgical Corporation of China Limited (MCCL);<sup>70</sup>
- PNG's Pacific Marine Industrial Zone (2011): Nearly 80 per cent owned by China's Eximbank, Beijing's concessional loan arm;<sup>71</sup>
- Fiji's Bua Bauxite Mine (2012): Owned by China's Xinfu Aurum Exploration<sup>72</sup>;
- PNG's Porgera Gold Mine (2015): China's Zerjin mining group owns a 50 per cent stake<sup>73</sup>;
- PNG's Frieda River gold and copper prospect (2015): An 80:20 joint venture between China's PanAust and ASX-listed junior Highlands Pacific<sup>74</sup>.

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<sup>69</sup> Ibid.

<sup>70</sup> <http://www.abc.net.au/news/2016-09-10/china-extends-its-influence-in-the-south-pacific/7812922>

<sup>71</sup> Ibid.

<sup>72</sup> Ibid.

<sup>73</sup> Ibid.

<sup>74</sup> Ibid.



## AID

China's foreign aid began in 1950 when it provided material assistance to Democratic Republic of Korea and Vietnam.<sup>75</sup> Following the Asian-African Conference in Bandung, Indonesia in 1955, the scope of China's aid extended from socialist countries to other developing countries, along with the improvement of its foreign relations.<sup>76</sup> In recent years, China's foreign aid becomes the hot issue in international relations; most west media criticized the China's foreign aid. China's growing presence in the Pacific Islands region is first and foremost demonstrated by its substantial aid activities. Providing infrastructures is probably China's favourite avenue of aid because buildings, roads and port facilities are tangible and impressive. While the PRC has a long history of providing aid to the region, dating back to the 1970s, it is over the last decade that the China has become a major aid donor to the South Pacific region. China's foreign aid to the Pacific islands channelled via government to government cooperation, which considered being the effective means, although China has started providing foreign aid through multilateral institutions like PIF, it still prefers that such aid also go directly to the recipient governments of the island states. Chinese foreign aid, globally and in the South Pacific, is provided in three forms: grants and interest-free loans and concessional loans administered through China EXIM bank. Chinese aid program mostly directed toward "infrastructure development" projects such as roads constructions, fish processing factories, sporting facilities, government offices, mega conference centres, school dormitories, mining processing factories, ship building, hydro power plants, capacity building of human resources, so forth.<sup>77</sup> According to China's two foreign aid white papers published in 2011 and 2014 respectively, the South Pacific's share in China's total foreign aid increased from 4 percent in 2009 to 4.2 percent during the period 2010 to 2012, indicating Beijing's increased attention towards this region. Between 2006 and 2011, China provided a total of \$850 million in aid to the region, making it the fifth largest donor after Australia (\$4.8 billion), the United States (\$1.27 billion), New Zealand (\$899.3 million), and Japan (\$868.8 million). China's foreign aid programmes are vehicles for furthering its foreign policy agenda.<sup>78</sup>

China's aid to developing countries is driven by a variety of motives, of which there are three main categories:

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<sup>75</sup> Lawrance, A. (2013). *China's foreign relations since 1949*. Routledge.

<sup>76</sup> Tan, S. S., & Acharya, A. (Eds.). (2008). *Bandung revisited: The legacy of the 1955 Asian-African conference for international order*. Nus Press.

<sup>77</sup> Kitano, N., & Harada, Y. (2016). Estimating China's foreign aid 2001–2013. *Journal of International Development*, 28(7), 1050-1074.

<sup>78</sup> Zhang, J. (2015). China's new foreign policy under Xi Jinping: towards 'Peaceful Rise 2.0'?. *Global Change, Peace & Security*, 27(1), 5-

1. Economic motives: the securing of natural resources, such as oil, gas, but also copper and other minerals as well as breaking into new consumer markets and hence increased trade;
2. Political motives: the establishment of strategic diplomacy;
3. Ideological motives: spreading Chinese values and hence increasing China's soft power though less intense compared to religious ideology or the West's quest of spreading and strengthening democracy globally.<sup>79</sup>

In addition to its bilateral relationships with Pacific Island countries, Beijing has also actively engaged with regional multilateral institutions. Having been a dialogue partner of the Pacific Islands Forum (PIF) since 1989, Beijing has shown more interest in PIF in recent years, sending senior officials to attend meetings.<sup>80</sup> In 2000, China also set up the China-PIF Cooperation Fund and sponsored establishment of a PIF trade office in Beijing in 2002.<sup>81</sup> It is noteworthy that, apart from its contacts with PIF, Beijing has also developed close relationship with other sub-regional groups, such as the Melanesia Spearhead Group (MSG). China funded the building of the MSG headquarters in Vanuatu.<sup>82</sup>

China has rapidly become one of the top PIF aid donors and eighty-five percent of its aid is in the form of soft loans. Unlike the other top two major aid donors in the region, the USA and France, who only provide aid to their former or existing colonies in the South Pacific, China gives aid, soft loans, and preferential trade to all its diplomatic partners in the region as well as offering bribe to the leaders of non-diplomatic partners to get there to recognition. In April 2006 at a meeting in Suva Chinese Premier Wen Jiabao announced a massive increase in China's aid to the region, offering \$US492 million in soft loans, as well as multiple other benefits such as training for 2000 officials but only offering this to the PRC's eight diplomatic partners in the region.<sup>83</sup> China's emergence as a major aid provider has created new development opportunities for the Pacific Islands. However, they also call for changes in the no-strings-attached policy, requesting China undertake greater coordination with other aid donors by aligning with Western aid norms and practices. China's aid spending in the Pacific Islands tends to be highly visible as it has generally focused on infrastructure such as roads, bridges and government buildings. China's aid is frequently invoked by analysts and Pacific

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<sup>79</sup> Brautigam, D. (2011). Aid 'With Chinese Characteristics': Chinese Foreign Aid and Development Finance Meet the OECD-DAC Aid Regime. *Journal of international development*, 23(5), 752-764.

<sup>80</sup> Shen, S. (2015). From Zero-sum Game to Positive-sum Game: why Beijing tolerates Pacific Island states' recognition of Taipei. *Journal of Contemporary China*, 24(95), 883-902.

<sup>81</sup> Yang, J. (2011). *The Pacific Islands in China's Grand Strategy: Small States, Big Games*. Springer.

<sup>82</sup> Ibid.

<sup>83</sup> Shie, T. R. (2007). Rising Chinese Influence in the South Pacific: Beijing's "Island Fever". *Asian Survey*, 47(2), 307-326.

Island politicians and officials as evidence that China has strategic ambitions to replace the West by filling a gap left by the established donors. This interpretation would, however, appear to overestimate the actual quantum and intent of China's development assistance spending in the region. China's aid also focuses on high-profile projects such as Apia's white elephant Olympic swimming pool built for the 2007 South Pacific Games.<sup>84</sup> China has so far refused to participate in the Pacific Plan, the Pacific region's aid strategy programme; although in 2012, after years of negotiating with New Zealand they did agree to cooperate on one small project, a water processing plant in the Cook Islands.<sup>85</sup>

The release of China's second White Paper on foreign aid in 2014 signalled more openness and interest in conducting trilateral aid cooperation with traditional donors<sup>86</sup>. In 2010, China signed a memorandum of understanding with the United Nations Development Programme to promote trilateral cooperation, and since 2012 trilateral aid cooperation has been explicitly included in the annual China-US Strategic and Economic Dialogue.<sup>87</sup> There are three examples in the South Pacific: the China and New Zealand trilateral aid project to improve water supply in Rarotonga; China and Australia working together on malaria research and prevention in PNG; and China and the USA promoting improved cultivation of food crops in Timor Leste.<sup>88</sup>

China's 2011 foreign aid white paper proudly claimed that China's foreign aid program has emerged as an effective model with its own unique characteristics. According to China's 2011 foreign aid White Paper, key features of this policy are:

- Unremittingly helping recipient countries build up their self-development capacity;
- Imposing no political conditions;
- Adhering to equality, mutual benefit and common development;
- Remaining realistic while striving for the best;
- Keeping pace with the times and paying attention to reform and innovation.<sup>89</sup>

Despite China's rise, Australia remains the dominant foreign aid donor in the region. Between 2006 and 2014, Australia reportedly provided approximately \$7.7 billion in foreign aid to the region, compared to the United States (\$1.9 billion), China (\$1.8 billion), New

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<sup>84</sup> Atkinson, J. (2010). China-Taiwan diplomatic competition and the Pacific Islands. *The Pacific Review*, 23(4), 407-427.

<sup>85</sup> Ibid.

<sup>86</sup> Kitano, N., & Harada, Y. (2015). Estimating China's foreign aid 2001-2013. *Journal of International Development*.

<sup>87</sup> Ibid.

<sup>88</sup> Byfield, S. (2013). Enhancing aid Cooperation-The Australia-China Development Cooperation Memorandum of Understanding. *Articles from Devpolicy Blog from the Development Policy Centre*.

<sup>89</sup> "China's Foreign Aid," Information Office of the State Council white paper, April 2011.

Zealand (\$1.3 billion), Japan (\$1.2 billion), and France (\$1.0 billion). In terms of grant-based aid, China's foreign assistance is relatively small.<sup>90</sup> Unlike other major donors, which provide mostly grant assistance, nearly 80 percent of Chinese aid reportedly has been provided in the form of preferential loans, generally to finance infrastructure projects that use Chinese companies and labour.<sup>91</sup>

There is no single centralised aid agency in Beijing coordinating China's development assistance. Aid is typically delivered through a combination of grants and interest free loans, both managed by China's Ministry of Commerce (MOFCOM), and concessional loans, extended from China's Export Import (EXIM) Bank.<sup>92</sup> China also provides other forms of development finance, which it does not classify as aid. Scholarships and technical assistance are generally extended through individual line ministries in China. Chinese diplomatic missions in the Pacific Islands have small discretionary aid allocations. Concessional loans dominate the dollar value of China's aid to the Pacific, but grants are responsible for the majority of individual aid projects.

## **TOURISM**

Tourism is the biggest economic sector in the Pacific island region. The region's tropical, exotic appeal, its culture and its way of life, attract millions of tourists but mostly visitors come because of the scenic beauty of the islands' coastal and marine environment. Spending time on the beach, boating, game fishing, scuba diving and snorkelling, and spotting marine mega-fauna are some of the most popular reasons for the tourists showing the importance of an undisturbed environment to the success of the tourism industry. Tourism is one of the few economically viable sectors for the 11 World Bank member-Pacific Island Countries (PIC11) of Papua New Guinea (PNG), Solomon Islands, Vanuatu, Fiji, Tonga, Samoa, Tuvalu, Kiribati, Palau, Marshall Islands (RMI), and Federated States of Micronesia (FSM).<sup>93</sup> Being very small, and very remote, severely constrains the countries' areas of international competitiveness and growth potential. The key economically viable growth areas are those that draw on PICs' natural and human resource endowments. Tourism offers the PIC11

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<sup>90</sup> Shen, S. (2015). From Zero-sum Game to Positive-sum Game: why Beijing tolerates Pacific Island states' recognition of Taipei. *Journal of Contemporary China*, 24(95), 883-902.

<sup>91</sup> *Ibid.*

<sup>92</sup> Hayward-Jones, J. (2013). *Big enough for all of us: Geo-strategic competition in the Pacific Islands*. Sydney: Lowy Institute for International Policy.

<sup>93</sup> Heath-Brown, N. (2015). Secretariat of the Pacific Community (SPC). *The Statesman's Yearbook 2016: The Politics, Cultures and Economies of the World*, 70-71.

significant opportunities for economic growth and shared prosperity. Tourism already plays an important role in the economies of Palau, Fiji, Samoa and Vanuatu as a contributor to GDP. Solomon Islands, PNG, Tonga, and FSM have all seen significant growth in arrivals since 2000. Between 1995 and 2008, total Chinese arrivals in nine of the PIC11 were reported by the UNWTO as growing from only 278 to 3,969.<sup>94</sup> Notably, in 2009 the total jumped to 25,988, then increased to 84,468 in 2014.<sup>95</sup> The main destinations for Chinese tourists in the region are six PIC11s: Palau, Fiji, PNG, FSM, Samoa and Vanuatu. China joined the South Pacific Tourism Organization (SPTO) in 2004.<sup>96</sup> China has been by far the fastest growing tourism source market in recent years and has been the world's top spender in international tourism since 2012.<sup>97</sup> According to UNWTO, 109 million Chinese travelled abroad. The market share of Chinese tourists can be increased substantially beyond its current seven percent.<sup>98</sup> Between 2009 and 2014, Chinese visitors to PIC11 grew by an average of 27 percent per annum, and now represent seven percent of the inbound market.<sup>99</sup> Based on the experience of other destinations that implemented well-targeted policy interventions that facilitated improved access, such as aviation and visa policies, together with targeted marketing, the annual growth rate of Chinese arrivals could continue to grow at 20 percent for the next 10 to 20 years in most PIC11.<sup>100</sup> Spending by Chinese tourists has significant economic value to destinations. Asia-Pacific destinations, for example, receive more than 40 percent of their total travel spending from Chinese visitors. Palau and Fiji are key destinations receiving more than 80 percent of the total Chinese arrivals in the top PIC11s in 2014.<sup>101</sup> The Northern Mariana Islands has been grown quickly as a destination for Chinese visitors, due to the establishment of direct airline connections with China and increased marketing by Chinese agencies. The country received 29,528 in 2009 by 2014 arrivals had increased to 170,121.<sup>102</sup> The other island states in the region include American Samoa, Cook Islands, French Polynesia, Guam, New Caledonia, and Niue. The only place among them that has seen substantially more Chinese visitors is Guam, which has doubled arrivals from 7,069 in 2011 to 14,547 in 2014.<sup>103</sup> Chinese arrivals to other countries in the Pacific region increased from 1.43 million in 2009 to 4.92 million in 2014. The PIC11 can attract nearly one

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<sup>94</sup> Ibid.

<sup>95</sup> Ibid.

<sup>96</sup> Shie, T. R. (2007). Rising Chinese Influence in the South Pacific: Beijing's "Island Fever". *Asian Survey*, 47(2), 307-326.

<sup>97</sup> Mowforth, M., & Munt, I. (2015). *Tourism and sustainability: Development, globalisation and new tourism in the third world*. Routledge.

<sup>98</sup> Ibid.

<sup>99</sup> Ibid.

<sup>100</sup> Ibid.

<sup>101</sup> Ibid.

<sup>102</sup> Telfer, D. J., & Sharpley, R. (2015). *Tourism and development in the developing world*. Routledge.

<sup>103</sup> Ibid.

million Chinese tourists in 2040. Chinese visitors could represent a 26 percent share of total PIC11 tourism, resulting in a figure of approximately 965,000 visitors by 2040.<sup>104</sup> At that time the PIC11 would welcome nearly 3.7 million international tourists. Compared to a long term growth rate of around five percent for most PIC11, the additionality of the transformational scenario estimates the economic potential of the Chinese market opportunity in 2040 at over 660,000 additional tourists, which bring nearly US\$950 million in tourism receipts, and generate nearly 65,200 additional jobs.<sup>105</sup>

## MILITARY TIES

Another rapidly growing area of engagement is in military exercises and training activities. The *People's Liberation Army* (PLA) started to seek opportunities in 2002 and, by 2010, had conducted 53 combined exercises with other nations.<sup>106</sup> Chau (2011) believes that the change was pushed by Chinese perceptions of a need for confidence-building measures, cooperation against non-traditional and transnational threats, PLA modernisation, 'military operations other than war' to enhance China's soft power (without exposing capability weakness), and to counterbalance the perception of US containment.<sup>107</sup> The recent increase in the number of combined exercises is focused on enhancing Chinese influence, exposing the PLA to other militaries, testing new capabilities, improving the PLA's image, and enhancing PLA confidence. However, Chau advises that exercise partners should not expect transparency in the short term, as the PLA will continue to use small contingents in short duration exercises that do not expose its true capabilities. Finkelstein has described "three pillars" of PLA reform and modernization, including:

1. Development, procurement, and fielding of new weapons systems and capabilities;
2. Institutional and systemic reforms to improve the professionalism and quality of Chinese military personnel; and
3. Development of new war fighting doctrines for employing these new capabilities<sup>108</sup>

A recent demonstration of this phenomenon is the agreement for China to establish its first naval logistics base on foreign soil in the port of Obock in Djibouti.<sup>109</sup> This hub will support

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<sup>104</sup> Ibid.

<sup>105</sup> Mowforth, M., & Munt, I. (2015). *Tourism and sustainability: Development, globalisation and new tourism in the third world*. Routledge.

<sup>106</sup> Montgomery, E. B. (2014). Contested primacy in the Western Pacific: China's rise and the future of US power projection. *International Security*, 38(4), 115-149.

<sup>107</sup> Chau, W. C. H. (2011). Explaining China's Participation in Bilateral and Multilateral Military Exercises. *Security Challenges*, 7(3), 51-69.

<sup>108</sup> Finkelstein, D. M. (2007). China's National Military Strategy: An Overview of the "Military Strategic Guidelines". *Asia Policy*, 4(1), 67

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<sup>109</sup> Lubold, G., & Page, J. (2015). US navy ship sails near islands claimed by China. *Wall Street Journal*.

the *People's Liberation Army Navy* (PLAN)'s contribution to counter-piracy patrols in the Gulf of Aden and could support China's growing commitment to peacekeeping operations on the African continent, but most importantly will enable the protection of Chinese oil imports from the Middle East and become a strategic node in Chinese economic plans for the '21st Century Maritime Silk Road' and its land-based version, the 'the Silk Road Economic Belt'.<sup>110</sup> It will also place the PLA in a better position to influence Chinese interests in Africa and protect its overseas workforce there. Djibouti already hosts a sizeable contingent of US, French and Japanese troops, and the needs of each nation will have to be carefully considered with the introduction of a permanent Chinese presence.<sup>111</sup>

Operation Southern Indian Ocean in 2014 demonstrated the capacity of Australian Defence Force (ADF) and PLA personnel to work closely together in the context of a large multilateral operation. Their search for missing Malaysian airlines flight MH370 reinforced the tangible benefits of cooperation after three years of small military-to-military exercises.<sup>112</sup> In November 2011, ADF members joined the PLA in exercise Cooperation Spirit, a humanitarian and disaster- relief planning activity. The exercise has subsequently involved New Zealand and US participants, with the PLA hosting the activity for Australian and New Zealand participants in November 2014. After the search for MH370 commenced in the Southern Indian Ocean in 2014, the PLAN apparently asked to operate under Australian command in the 2014 Rim of the Pacific Exercise.<sup>113</sup> While military engagement has potential in the China-Australia relationship, it is important to keep the nature of this cooperation in perspective small, short-duration activities which avoid areas of sensitivity. Militaries are expected to prepare for the full spectrum of potential contingencies, but through engagement and cooperation it is possible to build understanding to help avoid accidental friction. It is in the interests of all to do so. There is a modest precedent in defence and aid cooperation, but it will take a long time to achieve an effective level of mutual understanding. Australia's military engagement with China will always be conducted in the context of Australia's alliances and relationships with other partners. This provides an opportunity to increase understanding in the region.

## **DIPLOMATIC TIES**

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<sup>110</sup> Arase, D. (2015). China's Two Silk Roads Initiative: What It Means for Southeast Asia. *Southeast Asian Affairs*, 2015(1), 25-45.

<sup>111</sup> Page, J., & Lubold, G. (2015). US Bomber Flies over Waters Claimed by China. *Wall Street Journal*, 18.

<sup>112</sup> Gurney, M. I., & Navy, R. A. (2016). Cold fleet: The Southern Ocean, Antarctica and the ADF.

<sup>113</sup> *Ibid.*

Political and diplomatic interests have always been high on Beijing's agenda since the China began its Pacific Islands engagement. Beijing's official links with the region started in 1970s when Island countries were acquiring independence as a result of the decolonization process sweeping the region. In addition to its bilateral relationships with Pacific Island countries, China has also actively engaged with regional multilateral institutions. Having been a dialogue partner of the Pacific Islands Forum (PIF) since 1989, Beijing has shown more interest in PIF in recent years, sending senior officials to attend meetings.<sup>114</sup> In 2000, China also set up the China-PIF Cooperation Fund and sponsored establishment of a PIF trade office in Beijing in 2002.<sup>115</sup> It is noteworthy that, apart from its contacts with PIF, Beijing has also developed close relationships with other sub-regional groups, such as the Melanesia Spearhead Group (MSG).

**Table: 4**  
**Diplomatic Relations of China with PICs**

Country	Date Diplomatic Relations Established with China
Cook Islands	1997 (July 25)
Federated States of Micronasia	1989 (September 11)
Fiji	1975 (November 5)
Kiribati	1980-2003
Marshall Islands	1990-1998
Nauru	2002-2005
Niue	2007 (December 12)
Papua New Guinea	1976 (October 12)
Samoa	1975 (November 6)
Tonga	1998 (November 2)
Vanuatu	1982 (March 26)

Source: Taken from various source and data base

As part of its overall regional engagement, China has, in more recent years, sought to actively expand its cultural influence in the region. For example, in 2006, Beijing set up the Confucius Institute at the University of South Pacific in Fiji, offering courses on Chinese languages and

<sup>114</sup> Yang, J. (2011). *The Pacific Islands in China's Grand Strategy: Small States, Big Games*. Springer.

<sup>115</sup> *Ibid*



culture. Between 2004 and 2012, the Chinese foreign ministry also organized six training workshops for South Pacific diplomats. China also announced the offer of 2,000 scholarships to support students from South Pacific island countries to study in China.<sup>116</sup> According to one seasoned observer of China-South Pacific relations, among all the other external powers in the region, China has been the most active in promoting the study of its national language. In 2009, China's then vice-president, Xi Jinping, visited Fiji. In the same year, China's then senior vice-premier, Li Keqiang, visited PNG.<sup>117</sup> President Xi visited Fiji again in November 2014 after attending the G20 Summit in Australia. And he announced the establishment of a Chinese Culture Centre in the Fiji.<sup>118</sup> These regular visits by top Chinese leaders highlight the importance Beijing has attached to the region. It should also be noted that leaders of Pacific Island countries have also visited China frequently, often sponsored by Beijing.

Win-win cooperation is the most essential idea of the new thinking of China's diplomacy. Under the current new circumstances where connections between countries become increasingly close and all kinds of global issues become more prominent, no country can manage alone or stand aloof, but to work together in order to seek solutions to all the global issues. Interaction between countries is not a zero sum game. It should be a win-win scenario for both sides or even multiple wins for all. We should achieve common prosperity through mutually beneficial cooperation. The "One Belt and One Road" initiative and establishment of Asian Infrastructure Investment Bank are the typical examples of this win-win cooperation notion of China's diplomacy.<sup>119</sup>

## **STRATEGIC INTERESTS**

China's emerging maritime strategy is focused on protecting sea lanes of communication; which includes establishing alternative sea routes in times of political crisis and setting up friendly ports for military and quasi-military visits. As China is keen to avoid the Strait of Malacca and adjoining sea lanes where US, India and Japan are having substantial influence, Beijing has explored the opportunity for acquiring new base in the South Pacific region called as Tonga Island.<sup>120</sup> China is aggressively lobbying for its geo-strategic interests across the Indian Ocean Region and the Pacific Basin. The island archipelagos are strategic points in the global commons and China would want to ensure its maritime security, particularly from

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<sup>116</sup> Zhu, Z. (2016). *China's new diplomacy: rationale, strategies and significance*. Routledge.

<sup>117</sup> Yang, J. (2009). China in the South Pacific: hegemon on the horizon?. *The Pacific Review*, 22(2), 139-158.

<sup>118</sup> Goud, R. S., & Mookherjee, M. (2015). Growing China Influence in Indo-Pacific Oceans: Implications1. *CHINA IN INDIAN OCEAN REGION*, 1, 101.

<sup>119</sup> Swaine, M. D. (2015). Chinese views and commentary on the 'One Belt, One Road' initiative. *China Leadership Monitor*, 47(2), 3.

<sup>120</sup> [http://www.cassindia.com/inner\\_page.php?id=65&&task=military](http://www.cassindia.com/inner_page.php?id=65&&task=military)

regional giants and rivals like USA, Japan and India. Thus it has also consistently focused its attention on Seychelles, Maldives, Madagascar and other Pacific Island countries. The Pacific islands geopolitical position is very vital for the development of China's maritime interests and energy resources. This area of location is also the gateway of the Pacific Ocean from east to west and south to north. Given its status as the second global economic power, expansion of its interests and influence from land to sea would be China's primary focus. For example, China anticipation of an observatory installation to be set up in the Pacific region for its future satellite and space technologies.

The primary reason why Beijing is increasingly interested in these Pacific nations is their fish, potential mineral resources and votes in the UN. China now appears to have strategic interests in demonstrating its ability to project global power via its increasing influence in the region. This is because regardless of their size, each independent South Pacific state has a vote in international organizations, which China can seek to persuade them to use in pursuit of its interests. China's efforts to lure the South Pacific islands were given a boost after Australia and New Zealand attempted to isolate the Fijian regime following a coup there in 2006.<sup>121</sup> The Fijian regime responded by adopting a policy that included closing forging ties with China and since then, other regional states like Tonga have followed suit. Thus, China seized this opportunity to gain influence. China's most significant strategic interest in the South Pacific is military access. China is also seeking naval access to the region's ports and exclusive economic zones, engages in military assistance programs, and is negotiating access to facilities for maintenance and resupply purposes. China is developing a "blue water" navy capable of projecting its power throughout the Asia Pacific region. It is also developing space warfare capability, for which it requires monitoring stations. Most notably the competition between China and Taiwan for diplomatic recognition by the Pacific Island Countries and China's opposition to Japan's desire to obtain a permanent seat on the UN Security Council complicate the scene and have the potential to interfere with the domestic politics of PICs. Bush Administration declared 2007 as the 'Year of the Pacific' and pledged of re-engagement of the United States in the region in the 21<sup>st</sup> century.<sup>122</sup>

## **IMPLICATIONS TO AUSTRALIA AND NEW ZEALAND**

Australia and New Zealand are actually unable to exclude China from the Pacific Islands Region. The geopolitical event horizon has already been crossed. There is no way back. The

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<sup>121</sup> Wesley-Smith, T. (2007). *China in Oceania: New forces in Pacific politics*.

<sup>122</sup> Hanson, F. (2008). *The dragon looks south*. Sydney: Lowy Institute for International Policy.

Cold War era ‘good old days’ will not return. China is in Oceania to stay.<sup>123</sup> China’s grand entree in the Pacific Islands is seen as the result of Australia and New Zealand’s failure as custodians of the region. Australia and New Zealand deeply resent the loss of their special status in the region. Australia’s dominant role in the region is now being challenged by China, which has increased its use of soft power, mainly through diplomatic and economic power.<sup>124</sup> The South Pacific islands feature significantly in Australia’s geostrategic point of view and are essential in the formulation of Australia’s foreign and defence policies. Australia’s Defence White Papers over the last 40 years have placed self-reliance in defence of Australia as the top priority and, in doing so, have recognised that a crucial aspect of that defence is the ability of any hostile force to use the Pacific Island Countries as bases from which to attack.<sup>125</sup> In more recent years, Australian policy has emphasised a raft of other, more likely threats to Australia’s national interests in the South Pacific, notably social and political instability, and transnational crime. Australia has implemented a range of policies intended to shape the nations of the South Pacific, with aid and trade at the forefront of this diplomacy. However, China has increased its own presence in the South Pacific through a range of measures, including development aid, low-interest loans and expanding trade.

The Australian *Defence White Paper 2013* labels the ‘growing reach and influence of Asian nations which opens up a wider range of external players for our neighbours to partner with’ as a ‘challenge’ in the South Pacific and cautions that Australia’s ‘contribution to this region may well be balanced in the future by support and assistance provided by other powers’.<sup>126</sup> The language of the White Paper is generally welcoming of China’s growing influence, and the Australian Government has elsewhere been supportive of China’s contribution to economic development in the region.<sup>127</sup> But it is fairly clear there is still some concern about China as a potential geo-strategic threat, with the reference in the White Paper to Australia seeking to ensure ‘that no major power with hostile intentions establishes bases in our immediate neighbourhood from which it could project force against us.’<sup>128</sup> Again, while it does not name China, this language at best sends a mixed message about Australia’s thinking regarding China’s intentions in the region.

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<sup>123</sup> Bertil Lintner, “The South Pacific: China’s New Frontier”, in Anne-Marie Brady (ed.), *Looking North, Looking South: China, Taiwan, and the South Pacific*, New Jersey, World Scientific, 2010, pp. 3-33

<sup>124</sup> Freeman, D. B. (2010). Reviews of Donald B. Freeman, *The Pacific*. *International Journal of Maritime History*, 22(1), 283-317.

<sup>125</sup> White, H. (2009). *A focused force: Australia’s Defence priorities in the Asian century*. Lowy Institute for International Policy.

<sup>126</sup> Lee, J. (2013). Australia’s 2015 defence white paper: seeking strategic opportunities in Southeast Asia to help manage China’s peaceful rise. *Contemporary Southeast Asia: A Journal of International and Strategic Affairs*, 35(3), 395-422.

<sup>127</sup> Hayward-Jones, J. (2013). *Big enough for all of us: Geo-strategic competition in the Pacific Islands*. Sydney: Lowy Institute for International Policy.

<sup>128</sup> Frühling, S. (2013). The 2013 Defence White Paper: strategic guidance without strategy. *Security Challenges*, 9(2), 43-50.

The policies have been selected because they span two key outcomes in support of Australia's interests in the South Pacific. The first is improved Australian influence to ensure that Australia remains a trusted and welcome regional leader and key political influence in the South Pacific. The second is for the South Pacific to be politically 'stable, secure, peaceful and prosperous'. Australia's longer and deeper engagement with the South Pacific islands, as well as its proximity and status as the largest aid donor by a huge margin, should result in Australia having the strongest influence. It is clear that China is pursuing a long-term strategy of building relationships in the South Pacific to be able to exert influence, much as Australia has done for many years. The motives behind this are likely to be little different to China's motives for increasing its influence throughout Africa. China needs access to resources to feed its growing economy, and to food sources to feed its enormous population. Australia's choice is whether to accept that China's growing influence in the Pacific is for the benefit of the Pacific Island Countries or whether that influence is coming at the expense of Australia's influence and supporting outcomes in Pacific Island Countries inimical to Australia's interests.

Australian policies should seek to improve the security and stability of the South Pacific Island Countries while also maintaining Australia's key leadership role and influence. China's aid and trade can contribute significantly to the prosperity and development of the South Pacific, and Australia should look to work with the region and China to maximise the benefits. This can be done without ceding influence to China, especially if Australia also seeks to independently improve its standing with greater contributions through labour migration and high-level diplomacy. Australia's ability to assist the nations of the South Pacific to achieve the UN's Millennium Development Goals and to facilitate more substantial improvements in socio-economic indices, such as the Human Development Index, will be the highest level assessments of policy effectiveness. The heart of Australia's concerns regarding China in the South Pacific lies not with the presence of China or the influence China has over the island nations but with the stability and prosperity of the nations themselves. China's desire to assist the development of South Pacific nations through aid, loans and trade represents an opportunity for the South Pacific and Australia. Australia, the United States and other traditional powers in the region should be seeking to engage and cooperate with China on its commercial and development activities. The region faces massive development challenges, and with its sizeable resources and experience in lifting millions of people out of poverty, China is having the capability to solve all these problems of the region. But as a

relatively recent and still inexperienced donor and investor in the region, China would benefit from the experience of countries such as Australia.<sup>129</sup> The challenge therefore will be to build the appropriate framework through which this can occur.

## **IMPLICATIONS FOR PACIFIC ISLAND COUNTRIES**

The South Pacific region once influence and dominated by the United States, Australia, New Zealand and France have been contended by China, adding China is not limited to the Pacific region. Its increased use of soft power in the region, primary through diplomatic and economic influence; and has become the second largest provider of foreign assistance consisted mostly of loans, infrastructure and mega construction projects, unlike the traditional donors aid, which comes with unconditional offers on the part of recipient countries, one exception being the adherence to One China Policy.<sup>130</sup> The small island states of the Pacific have much to gain from the increased engagement with China. China provides an alternative to traditional donors to Pacific Island countries. Increased engagement with the Chinese also offers new opportunities for economic growth and development in the region. However, the relative poverty of these nations, coupled with their lack of appropriate institutional mechanisms to ensure political and bureaucratic accountability, leave them prone to financial influence and corruption. In particular, there is concern that without appropriate safeguards, aid assistance may not be directed to where it is most needed or it may find the way into the hands local politicians or officials. The problems associated with this competition can be exacerbated when the practice of gift giving an inherent practice in many Pacific Island cultures are exploited. Opinion remains divided on the consequences of the increased presence of China in the Pacific Islands. There is general consensus amongst commentators that the political rivalry between China and Taiwan in the Pacific does not provide an environment conducive for the most effective use of development assistance. There is also concern that the China-Taiwan rivalry is planting the seeds for longer-term tensions for Pacific Island Countries. Graeme Dobell and others note mounting concern in the Pacific Islands, Canberra and, to a lesser extent Wellington, about the implications for Island state stability due to the rising Chinese presence.<sup>131</sup> At particular issue is Chinese crime syndicates and corrupt businessmen, and the rivalry between China and Taiwan fostering corruption in domestic politics due to their failure to adhere to the normal rules of the 'aid game' and to the recent Organisation for Economic Co-operation and Development (*OECD*) guidelines for

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<sup>129</sup> Hayward-Jones, J. (2013). *Big enough for all of us: Geo-strategic competition in the Pacific Islands*. Sydney: Lowy Institute for International Policy.

<sup>130</sup> Hanson, F. (2008). *The dragon in the Pacific: more opportunity than threat* (p. 3). Sydney: Lowy Institute for International Policy.

<sup>131</sup> D'Arcy, P. (2007). *China in the Pacific: some policy considerations for Australia and New Zealand*.

donor assistance.<sup>132</sup> Dobell notes that these concerns have only gathered momentum in the last five years, with China's economic take off and the perceived diminishing of US influence in the Asia Pacific region. Former New Zealand diplomat Michael Powles is less concerned, believing China's record and statements consistently demonstrate a willingness to abide by international conventions, while obviously pursuing its own national interest.<sup>133</sup> The increased engagement in the region by China and Taiwan, and the growing business presence in the region of ethnic Chinese, have contributed to a growing resentment towards ethnic Chinese in the region. In some cases, public anger against the national government has spilled over into the simmering resentment against ethnic Chinese businesses. Paul D'Arcy has broadly identified two main scenarios for future engagement with the region:

- Increase Australian aid to Pacific Island Countries in an attempt to counter Chinese influence in the Pacific and persuade Pacific Island governments to accept policies it sees as best for the region.
- Seek to work cooperatively with China and Taiwan and Pacific Island governments to deliver development that benefits Islanders and preserves all parties' national interests through a degree of compromise.<sup>134</sup>

With regard to the Pacific Islands region, the central concern here is China's potential not only for greatly complicating Australia and New Zealand's regional interests but also to seek dominance in the Islands. Chinese regional interests are diverse, wide-ranging and expanding over time; objectives include enduring political and diplomatic interests, expanding economic and trade considerations, and managing growing new security concerns and needs. Though countries like Australia and the USA have responded by increasing diplomacy and economic aid to counter China's growing influence, what China is actually doing is ensuring economic and military opportunities and not presenting a threat to Western influence there necessarily. But the Island states need to manage the risks of a rapid rise of economic interest from China, which include a lack of capacity to repay loans. Less suspicion and more cooperation from the region's traditional partners would help. The importance of Pacific islands is very vital for China. The Pacific islands geopolitical position is very vital for the development of China's maritime interests and energy resources, and the location is also the gateway of the

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<sup>132</sup> Dobell, G. (2007). *China and Taiwan in the South Pacific: Diplomatic chess versus Pacific political rugby* (p. 3). Sydney: Lowy Institute for International Policy.

<sup>133</sup> Powles, M. (2007). China looks to the Pacific. *CSCSD Occasional Paper*, (1), 50.

<sup>134</sup> D'Arcy, P. (2014). The Chinese Pacifics: A Brief Historical Review. *The Journal of Pacific History*, 49(4), 396-420.

Pacific Ocean from east to west and south to north. Being the second global economic power, expansion of its interests and influence from land to sea would be China's priorities.

## Chapter Three

### China's Diplomatic Competition with Taiwan and United States and its Implications to the Pacific Island Countries

Southwest Pacific region has become one of the most significant battle ground for China-Taiwan diplomatic rivalry. These two countries emerged as key actors in this region. This involvement is mainly to gain diplomatic recognition due to the capacity of the Pacific Island Countries (PICs), one of the most efficient powerful voting bloc in the international organizations. China is mostly victorious in other parts of the world but Taiwan is giving tough competition to China in the South Pacific region. The China-Taiwan diplomatic rivalry enabled these PICs to influence their new sovereignty into aid, investment and other benefits, and some of the PICs took both sides. For instance, PNG tried to develop relations with both Taiwan and China ahead of its independence. The People's Republic of China (PRC) officially replaced Republic of China (ROC) in the United Nations in 1971, since then Taiwan is trying to counterbalance the diplomatic victory of the PRC by establishing new relations with Third World countries and securing its existing relations.<sup>135</sup> Six out of Fourteen PICs recognized Taiwan they are Tuvalu, Nauru, Solomon Islands, Marshal Islands, Palau and Kiribati.<sup>136</sup> China is having eight diplomatic allies. With the growth in the economies of China and Taiwan, their rivalry also grew. Taiwan's major interest in the region has been political, to secure global recognition through its diplomacy in the region. To gain the United Nations membership has been Taiwan's ultimate diplomatic ambition. Taiwan's diplomatic partners regularly express their robust support for its membership in international organizations.

China's growing role in this region is to challenge monopoly of the United States and Australia. The diplomatic rivalry between China and Taiwan isn't restricted to the PICs on the bilateral stage. It is also expanding to the regional organizations as well. Pacific Island Forum (PIF)'s Post-Forum Dialogue Meeting is the one of the battleground for this rivalry. Taiwan is not a Dialogue Partner however since 1992 it's conducting its personal Post-Forum meeting separately with its diplomatic allies at a closed setting. In 2000, representatives from

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<sup>135</sup> Yahuda, M. (1996). The international standing of the Republic of China on Taiwan. *The China Quarterly*, 148, 1319-1339.

<sup>136</sup> Yang, J. (2011). The Taipei-Beijing Diplomatic Rivalry. In *The Pacific Islands in China's Grand Strategy* (pp. 51-73). Palgrave Macmillan US.



PNG Fiji and PIF agencies officials that had accepted financial assistance from Taiwan, including the PIF Secretariat, the University of the South Pacific, South Pacific Trade Office and PIF Fisheries Agency also attended the Taiwan's Post-Forum meeting.<sup>137</sup> In the South Pacific Tourism Organization (SPTO), the China-Taiwan rivalry grew to the extent that the unity of the SPTO was fractured. Because of a lack of external participation, Taiwan is one amongst the SPTO's few sources of money. Therefore, three of the SPTO's ten members Tuvalu, Kiribati, and the Solomon Islands have been demanding that Taiwan must be treated in the same way with China. China and Taiwan offered the buildings for parliamentary and government use in the PICs are the clear manifestation. The Taiwan holds member, observer, or other status in more than forty organizations, such as the APEC, the International Civil Aviation Organization, Asian Development Bank, OECD committees, and regional fishery organizations. China said in November 2015 that it might welcome membership of the Taiwan in the Asian Infrastructure Investment Bank, which led by China "under the appropriate name."<sup>138</sup> Problems are arising because of this diplomatic competition is that political instability, corruption, racial riots and other financial problems in the region.

The major area of concern relating to China in the Pacific expressed by both Australian and New Zealand governments, has associated to the destabilising fallout from the China-Taiwan competition for the diplomatic recognition of the PICs. And also Chinese interests in this region are focused by an objective to become the dominant player in the region, and also to challenge the longstanding strategic supremacy of the United States (US). China gives military support to Tonga, Vanuatu, PNG and Fiji. China wants to use the South Pacific region as a monitoring base. To observe the military activities of the US and Japan in the Pacific. China also consider this region as a perfect place for Chinese space program particularly when receiving the re-entry of a spacecraft to Earth.<sup>139</sup> Developing a blue-water navy and increasing the presence of People's Liberation Army Navy (PLAN) has also become an important task for the China.

## **HISTORICAL BACKGROUND**

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<sup>137</sup> Yang, J. (2011). *The Pacific Islands in China's grand strategy: small states, big games*. Springer.

<sup>138</sup> Bush, R. (2015). Taiwan's January 2016 Elections and Their Implications for Relations with China and the United States. *Asia Working Group Paper, 1*.

<sup>139</sup> Shie, T. R. (2007). Rising Chinese Influence in the South Pacific: Beijing's "Island Fever". *Asian Survey, 47*(2), 307-326.

Ethnic Chinese settlers, primarily merchants, began to arrive in Taiwan in the 17<sup>th</sup> century. Presently, more than 97 per cent Taiwan is inhabited by a Han Chinese majority, many of whom identify as distinctly Taiwanese, and there is only around two percent of indigenous people. Professor Salvatore from University of Sydney Babones wrote that “Taiwan has a messy history of invasion, occupation, colonization, refuge, and intermarriage”<sup>140</sup>. Taiwan was annexed by the Qing dynasty in the late 1600s, later surrendered to Japan in 1895 by China in according to “Treaty of Shimonoseki” which ended the Sino-Japanese War<sup>141</sup>. Taiwan was ruled by Japan as a colony until 1945, when Japanese forces on the Taiwan were needed to surrender to ROC military forces of Chiang Kai-shek. The ROC, which ruled China for many years, after losing the civil war to the Communists he fled to Taiwan in 1949.<sup>142</sup> However Chiang insisted that his government continued to represent all Chinese people both on the Taiwan and also on the mainland China. US and most of the Western countries confirmed the Kuomintang’s (KMT) position by long refusing to acknowledge the Communist government in China, which most of the countries recognised later.

US began to change its stance under the Nixon government. Back-channel diplomacy helped in US official recognition of the PRC in 1979. The ROC lost its seat representing China at the United Nations in 1971 to PRC.<sup>143</sup> In response to Taiwan’s dynamic political standing, the US Congress approved the Taiwan Relations Act in April 1979<sup>144</sup>, supporting for the US non-diplomatic affairs with Taiwan. According to this act, the US government is authorised to support Taiwan with weaponry of a defensive character. The KMT ruled the Taiwan from 1949 to 1987 under martial law. Political rebels were cruelly repressed and Taiwanese who had long settled the island before 1945 were discriminated. Taiwan conducted its first free legislative elections in 1992 and presidential elections in 1996. The KMT and coalition partners have historically viewed Taiwan as a part of “One China” and do not support the island’s independence.<sup>145</sup> After 2000, the KMT often found itself in opposition to parties representing Taiwanese who had been on the island before 1949 and their descendants. Although risen with its own factionalism, the KMT retains

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<sup>140</sup> Babones, S. (2016). One China, one Taiwan: Little chance of a red future for Taipei.

<sup>141</sup> Pan, Z. (2007). Sino-Japanese dispute over the Diaoyu/Senkaku Islands: The pending controversy from the Chinese perspective. *Journal of Chinese Political Science*, 12(1), 71-92.

<sup>142</sup> Roy, D. (2003). *Taiwan: A political history*. Cornell University Press.

<sup>143</sup> Campbell, K. M., & Mitchell, D. J. (2001). Crisis in the Taiwan Strait. *Foreign Aff.*, 80, 14.

<sup>144</sup> Ibid

<sup>145</sup> Martin, F. (2003). *Angelwings: contemporary queer fiction from Taiwan*. University of Hawaii Press.

deep ties to the island's business leaders and consistently calls for closer ties with Beijing. The party lost its majority in Taiwan's legislative body for the first time in the 2016 elections.

China closely observes the Taiwan's elections. It has favoured a steady deepening of ties with Taiwan, forging economic linkages that could ultimately become too costly for the island to sever, thus nudging it closer to unification. However, since the PRC's own leadership transition in 2012, President Xi Jinping has embraced a tougher, nationalistic stance toward all of the special regions it claims, including Hong Kong, Tibet, Xinjiang, and Taiwan alike.<sup>146</sup> Taiwan's election of Tsai has brought closer scrutiny of cross-strait ties from Beijing and Xi has shown a willingness to use pressure to try to limit Tsai's ability to reset the island's relations with the mainland. For example, Beijing suspended a cross-strait communication mechanism with the main Taiwan liaison office in June 2016 because of Tsai's reluctance to adhere to the 1992 Consensus.<sup>147</sup>

## **1992 CONSENSUS**

Relations across the Strait are principally managed via semi-official agencies: Taiwan's Straits Exchange Foundation (SEF) and China's Association for Relations across the Taiwan Strait (ARATS). In November 1992, a working-level meeting between SEF and ARATS was held in Hong Kong, in preparation for a meeting of the agencies' heads which took place in Singapore in April 1993. The 1992 meeting took place on the understanding that each side could verbally state its opinion of "one China", for Taiwan, this meant the Republic of China, and for China, this meant the People's Republic of China. This understanding was later referred to as the "1992 Consensus"<sup>148</sup>.

## **POLITICAL DEVELOPMENTS OF TAIWAN**

Since the end of martial law in 1987, Taiwan has transformed itself into a vibrant democracy. The first democratic elections for the Legislative Yuan (parliament) were held in 1992, with democratic elections for the Presidency following in 1996.<sup>149</sup> Presidents and members of the Legislative Yuan are elected for terms of four years; presidents are limited to a maximum of two terms. The central government consists of the Office of the President

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<sup>146</sup> Blackwill, R. D., & Campbell, K. M. (2016). *Xi Jinping on the Global Stage: Chinese Foreign Policy Under a Powerful But Exposed Leader* (No. 74). Council on Foreign Relations Press.

<sup>147</sup> <https://www.cfr.org/backgrounders/china-taiwan-relations>

<sup>148</sup> Ross, R. S. (2006). Taiwan's fading independence movement. *Foreign Affairs*, 141-148.

<sup>149</sup> Hsieh, J. F. S., & Niou, E. M. (1996). Issue voting in the Republic of China on Taiwan's 1992 legislative Yuan election. *International Political Science Review*, 17(1), 13-27.

and five branches they are the Executive Yuan, Legislative Yuan, Judicial Yuan, Examination Yuan and Control Yuan. The President, as Head of State, has command of the armed forces and the authority to promulgate laws under the Constitution of the Republic of China. There are two main political parties in Taiwan. The modern Kuomintang (KMT) evolved from the former military government Nationalist Party.<sup>150</sup> The KMT generally supports a conservative free-market agenda, although it maintains support for some state intervention in important sectors of the economy through a number of large state-owned enterprises that had been established under its leadership. The pro-democracy movement of the 1970s and 80s gave rise to the Democratic Progressive Party (DPP).<sup>151</sup> The DPP's broader policy agenda is generally socially progressive, focusing on issues such as social inequality, the environment, and economic and trade diversification.

Legislative Yuan and presidential elections were held together on 16<sup>th</sup> January 2016. Dr Tsai Ing-wen of the Democratic Progressive Party (DPP) was elected Taiwan's first woman president and the DPP secured a majority in the Legislative Yuan for the first time.<sup>152</sup> Tsai's policy platform looks to build stronger economic relations in the region to reduce Taiwan's economic dependence on China, while at the same time having a positive relationship with China. She has committed to maintaining the status quo in cross-Strait relations, in line with public opinion in Taiwan.

Bilateral trade between China and Taiwan in 2014 reached \$198.31 billion, up from \$8 billion in 1991. China is Taiwan's largest trading partner, accounting for almost 30 percent of the island's total trade including the mainland, Hong Kong, and Macao, according to Taiwan's bureau of foreign trade.<sup>153</sup> Likewise, Taiwan ranked seventh among China's top ten trading partners in 2015. Over ninety-three thousand Taiwanese businesses have invested in the mainland since 1988. Reciprocal mainland investment in Taiwan is on the rise but increasing at a slower rate. China and Taiwan have also agreed to allow banks, insurers, and other financial service providers to work in both markets. In 2015, the number of direct flights between China and Taiwan hit just under nine hundred per week, up from 270 in 2009. More than 9.4 million people travelled across the strait in

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<sup>150</sup> <https://www.cfr.org/backgrounder/china-taiwan-relations>

<sup>151</sup> Ibid

<sup>152</sup> Ibid

<sup>153</sup> Ibid

2014, and in September 2015 Taiwan upped its daily quota of mainland visitors from four thousand to five thousand<sup>154</sup>.

### **TAIWAN'S INVOLVEMENT IN THE SOUTH PACIFIC VIS-A-VIS CHINA**

Taiwan is geographically located in the Western Pacific and culturally attached to the Austronesia heritage of its indigenous peoples, so has more than strategic reasons for wanting to engage with Oceania. Taiwan's rise to 'Asian tiger' status through the 1970s and 1980s assisted Taipei in winning the allegiance of several PICs, partially counterbalancing China's bigger international footprint.<sup>155</sup> Taiwan's participation in the PIF has never been smooth since 1992 when it was first invited to join post-PIF dialogue meetings. In order to secure the diplomatic relations with the Pacific island countries, Taiwanese authority has continuously strengthened its influence in these countries through political, economic and cultural investment. In terms of political investment, Taiwanese authority has carried out the "visiting diplomacy", "summit diplomacy", and "transit diplomacy" and so on.<sup>156</sup> Since most of the Pacific island countries are small, underdeveloped and recently independent, it paves a unique way for the Taiwanese authority to carry out the chequebook diplomacy, namely, to provide economic aid for the exchange of their diplomatic recognition. Meanwhile, Taiwanese government has increased economic aids to those countries with an attempt to win the strong supports from those top-ranking officials in the Pacific. Culturally, Taiwanese authority has touted the cultural similarity between the aboriginal peoples in Taiwan and the islanders. More importantly, Taiwanese authority has made concerted effort with the US in order to retard the rising stature of China in this region. As times went on, China's remarkable economic growth and its returning to the stable political situation has indeed paved a way for China to consolidate and develop friendly relations with the Pacific island countries strictly in accordance with the "One China" policy<sup>157</sup>. At present, there are eight Pacific island countries which have formal diplomatic relations with mainland China, slightly more than that of Taiwan. However, China's economic relations with the Pacific island countries grew fast recently, the total volume of trade between mainland China and the Pacific island countries had greatly exceed those of Taiwan.

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<sup>154</sup> Ibid

<sup>155</sup> Zhang, Y. (2007). China and the emerging regional order in the South Pacific. *Australian Journal of International Affairs*, 61(3), 367-381.

<sup>156</sup> Ibid

<sup>157</sup> Wang, T. Y. (2000). "One China, One Taiwan": An Analysis of the Democratic Progressive Party's China Policy. *Journal of Asian and African Studies*, 35(1), 159-182.

China will often block delegations from Taiwan from attending dialogue meetings when they are held in countries maintaining diplomatic ties with China. Regardless of such pressure, Taiwan has sought to join and cooperate with the PIF and endorse the four goals of Pacific Plan: economic growth, sustainable development, good governance, and security. In 2006, Taiwan assisted the PIF with funding of US \$735,000, covering eight Pacific regional organizations and 32 projects.<sup>158</sup>

**Table: 5**  
**Taiwan's Assistance to South Pacific Organizations**

Organization	Assistance
Fiji School of Medicine	USD 30,000
Pacific Islands Forum Fisheries Agency	USD 80,000
Pacific Islands Forum Secretariat	USD 210,000
Secretariat of the Pacific Community	USD 238,000
Secretariat of the Pacific Regional Environment Program	USD 30,000
South Pacific Applied Geosciences Commission	USD 80,000
South Pacific Board for Educational Assessment	USD 15,000
University of the South Pacific	USD 52,449

Source: Yang, J. (2011).

President Chen Shui bian initiated the first annual summit meeting of Taiwan-Pacific Allies at Palau in 2006. Eight Pacific nations attended the summit. In the Palau Declaration, Chen announced that Taiwan would assist its South Pacific allies in areas such as law enforcement training, digital governance, tourism, healthcare, protection of natural resources, the development of renewable energy, economic partnerships, cooperation on agriculture and fishery, and the preservation of culture.

From 2000 to 2008, during the administration of Chen Shui-bian, China faced fierce diplomatic competition from Taiwan. Kiribati changed its diplomatic recognition from Beijing to Taipei in 2003, and in 2005 Nauru decided to return to Taiwan's side after maintaining only three years of diplomatic ties with Beijing. Vanuatu switched its diplomatic recognition from Beijing to Taipei in November 2004 but its Prime Minister Serge Vohar was forced to step down and then revoked the ties with Taiwan. Similar confusion also occurred

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<sup>158</sup> Yang, J. (2011). *The Pacific Islands in China's grand strategy: small states, big games*. Springer.

in July 1999 when Prime Minister Bill Skate of Papua New Guinea decided to change his allegiances from Beijing to Taipei, and within weeks the Bill Skate's government was replaced. In 2006, Taipei was again involved in another secret offer to Papua New Guinea for diplomatic recognition through two notorious brokers, further tarnishing Taiwan's reputation and image in the region.<sup>159</sup>

**Table: 6**  
**Taiwan's Diplomatic Ties with South Pacific**

Country	Year	Change in the diplomatic status
Nauru	1980-2002, 2005-	2002-2005 maintained diplomatic ties with China
Kiribati	2003	1980-2003 maintained diplomatic ties with China
Marshall Islands	1998-	1990-1998 maintained diplomatic ties with China
Palau	1999	
Solomon Islands	1983	
Tuvalu	1979	

Source: Yang, J. (2011).

### **CHINA-TAIWAN RIVALRY IN THE SOUTH PACIFIC**

PICs transition to independence from the late 1960s to early 1980s delivered new opportunities for the China-Taiwan diplomatic rivalry. The diplomatic competition between the PRC and the ROC is now no longer about whether or not other states recognition, but rather about suppressing or maintaining Taiwan's de facto independence. This has been an issue of concern in the Pacific in the last 15-20 years due to the intense diplomatic rivalry between the PRC and the ROC. The ROC is recognised by 6 Pacific Island Forum states (Kiribati, Marshall Islands, Nauru, Palau, Tuvalu, Solomon Islands). This represents more than one quarter of the 24 states in the world which recognise the ROC, meaning that from both China's and Taiwan's perspectives, the relationship with the PICs has taken on an important way out of proportion of their respective size and influence.<sup>160</sup> Since 1988 Taipei

<sup>159</sup> Lin, C. Y. (2010). The Security Implications of Cross-Strait Competition in the South Pacific from a Taiwanese Perspective. *Looking North, Looking South: China, Taiwan, and the South Pacific*, 113-133.

<sup>160</sup> Atkinson, J. (2010). China-Taiwan diplomatic competition and the Pacific Islands. *The Pacific Review*, 23(4), 407-427.

has adopted a policy of both encouraging formal diplomatic relations, as well as attempting to develop substantive relations with states which do not formally recognise it.

In 1971 Tonga recognised Taipei and Fiji recognised Beijing, but also allowed the establishment of a Taiwan trade mission in the capital of Suva, which was upgraded in 1988. In 1975 Papua New Guinea (PNG) recognised the PRC, as did Western Samoa, a country that had established diplomatic links with Taiwan in 1972.<sup>161</sup> In 1976 Nauru recognised Taiwan. In 1980 the Solomon Islands and Tuvalu opted for the ROC, while Vanuatu and Kiribati chose the PRC. In 1991 the Marshall Islands and the Federated States of Micronesia recognised Beijing. In the late 1990s competition and instability intensified, Tonga switched to the PRC in October 1998 and Nauru severed diplomatic relations with Taiwan on 23 July 2002.<sup>162</sup> The Marshall Islands lost its ties with the mainland by recognising Taiwan on 20 November 1998, when its government faced imminent electoral defeat. In 1994 Palau created its strong ties with Taipei, which led to official recognition in December 1999, a move reportedly opposed by the US, with which Palau is in free association.<sup>163</sup> Palau, which is geographically closer to Taiwan than any of its other diplomatic allies, also enjoys a much higher level of private sector investment and people-to-people contacts. Palau illustrates how recognition from countries in the Pacific Islands can mean considerably more for Taiwan than recognition from relatively remote countries in Latin America, the Caribbean, and Africa.<sup>164</sup>

**Table: 7**

**The Pacific Island Forum Member State's Relationship with China and Taiwan**

Country	Relationship with China and Taiwan
Cook Islands (Self governing since 1965)	Consistently supported PRC since the Cook Islands took a position on the issue in July 1997.
FSM (Independent 1986)	Consistently pro-China since 1989. The PRC has an embassy in Pohnpei.
Fiji (Independent 1970)	Consistently supported the PRC since 1975. The PRC has an embassy in Suva, as Fiji has in

<sup>161</sup> Ibid

<sup>162</sup> Ibid

<sup>163</sup> Ibid

<sup>164</sup> Lin, C. Y. (2010). The Security Implications of Cross-Strait Competition in the South Pacific from a Taiwanese Perspective. *Looking North, Looking South: China, Taiwan, and the South Pacific*, 113-133.



	Beijing.
Kiribati (Independent 1979)	In 1980 recognised the PRC. Changed support to the ROC following the 2003 election.
Marshall Islands (Independent 1986)	Established diplomatic relations with the PRC in 1990. Changed to the ROC in 1998.
Nauru (Independent 1968)	Recognised the PRC 1980, change to the ROC in 1985. Changed recognition to the PRC in 2002, then back to the ROC in 2005.
Niue (Self governing in 1974)	In 2000 declared itself pro-PRC.
Palau (Independent 1994)	Consistently pro-ROC since 1999. ROC established embassy in Karor.
Papua New Guinea (Independent 1975)	Recognised the PRC in 1976, which established an embassy in Port Moresby. PM Skate sought to change to the ROC in 1999, but lost office.
Samoa (Independent 1962)	In 1972 backed the ROC. In 1975 changed to the PRC, which established an embassy in Apia.
Solomon Islands (Independent 1978)	In 1982 recognised the ROC, which established an embassy in Honiara in 1985. Guadalcanal Province has a “sister” relationship with China’s Guangdong province.

Source: Yang, J. (2011).

Both Beijing and Taipei have offered Pacific Island states considerable financial incentives for their continued diplomatic recognition, or to swap sides. The consequence has been widespread allegations in the Pacific of the buying off of key politicians to support either Taipei or Beijing’s stance, the Taiwan issue becoming a local domestic political issue, for example, as it did in the Solomon Islands in 2006. Where rivalry between PRC and ROC has been intense, this can contribute to political instability. In 2006 an Australian report concluded that “China and Taiwan have added to corruption by competing for recognition”. An Australian journalist specialising in Asia Pacific affairs, Graham Dobell, has highlighted

the “destructive impact” of China-Taiwan rivalry, which he says is “making South Pacific politics more corrupt and more violent”.<sup>165</sup>

The Taiwan issue has infected Solomon Islands politics. Snyder Rini, who briefly served as Prime Minister following the 2006 election, was considered by many to have bought the necessary support to win the parliamentary vote for PM with money provided by the ROC.<sup>166</sup> He also had the support of wealthy local Chinese business men, most notably Tommy Chan, who held the position of President of the Association of Independent Members of Parliament. Chan’s family settled in Honiara several generations ago. But the popular perception was that ROC money was manipulating Solomon politics, and Snyder Rini was forced to stand aside in favour of a new Prime Minister Manasseh Sogavare. Although Sogavare indicated that his government would consider a shift and support the PRC, he took no further action. Change has continued to be advocated by the former Prime Minister and opposition MP, Billy Hilly.

The 1993 Kiribati election is a further example of PRC-ROC tensions influencing an election outcome. During the election there were bitter exchanges between the government and opposition candidates led by Harry Tong about receiving campaign finance from China and Taiwan respectively. The opposition accused the government of being “over friendly” with China, and objected to the presence of the Chinese satellite tracking station near Tarawa. Although Beijing insisted that this facility was for peaceful purposes only, it forms part of China’s ambition to develop rocket and space technology, which has significant military implications. China was keen to ensure that the incumbent Tong government re-elected to protect the future of the tracking station. But instead the election brought about a change of government, the closure of the tracking station and a switch in diplomatic recognition. China accused Kiribati of “betrayal” and Taiwan of an “unscrupulous policy of money diplomacy”.<sup>167</sup> The communication equipment remains in storage on Tarawa, as China awaits a change of political fortunes. Vanuatu has also been pressured by the Taiwan issue. Former Prime Minister Edward Natapei has recalled that shortly after he took office he was offered US \$2 million to establish diplomatic ties with Taiwan. He refused, but in November 2004 Vanuatu PM Serge Vohor sought to change his government’s recognition from China to Taiwan. He bluntly stated the reason for the changes “we need the money”.

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<sup>165</sup> Brady, A. M. (2010). *Looking North, Looking South: China, Taiwan and South Pacific* (Vol. 26). World Scientific.

<sup>166</sup> Ibid

<sup>167</sup> Ibid

However he failed to gain the support of his cabinet, and lost a vote of no-confidence after just six months in office. In Opposition Vohor argued that China exercised too much influence and was “corrupting our leaders”.<sup>168</sup> Whatever the truth, it is clear that the result was to further destabilise the turbulence that surrounds Vanuatu politics. These cases demonstrate how the China-Taiwan rivalry has become a divisive and destabilising influence in Pacific Island politics. There have been attempts by some island states to gain the maximum benefits from both the PRC and ROC without committing political allegiance to either. This was, until late 1999, the policy of Palau. However, a recent case study of Palau concluded that, while playing one side off against another can bring short-term benefits, and it cannot be played indefinitely, as it risks alienating investors. Investment, particularly in the tourist industry, was the major factor in Palau’s decision to establish diplomatic relations with Taiwan in 1999.<sup>169</sup>

Beijing attempted to subvert Taiwan’s role in the Solomon Islands by establishing relations on a province-to-province basis. On 10<sup>th</sup> October 2000 the Solomon Islands Foreign Minister Danny Philip created a crisis in relations with Taiwan by failing to attend the ROC’s National Day celebrations and the opening of the Solomon Islands embassy in Taipei.<sup>170</sup> Instead, he met with PRC officials in Hong Kong apparently about financial aid for national reconstruction to meet the destitute national government’s commitments under the peace agreement.<sup>171</sup> From these cases we can draw some tentative conclusions. The Pacific Islands countries which are the most likely to switch recognition are those where governments face economic crisis or defeat, and where there is the prospect of a large increase in economic assistance as the result of the move. This was the case with the Marshall Islands in 1998, PNG in 1999, the Solomon Islands in 2000 and Nauru in 2002 and 2005.<sup>172</sup> In PNG, the Solomon Islands and Vanuatu a diplomatic switch was averted only after the state that was already recognised made a higher counter-offer.

Taiwan and China are sometimes accused of buying friends in Oceania. In fact, Taipei and Beijing may only be renting them. In our contemporary global condition of post modernity, with its valorisation of ephemerality,<sup>173</sup> there is even the possibility that PICs will shift

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<sup>168</sup> Ibid

<sup>169</sup> Ibid

<sup>170</sup> Ibid

<sup>171</sup> Ibid

<sup>172</sup> Van Fossen, A. (2007). The struggle for recognition: diplomatic competition between China and Taiwan in Oceania. *Journal of Chinese Political Science*, 12(2), 125-146.

<sup>173</sup> Ibid

relations back and forth between the ROC and PRC to raise maximum revenues from both sides creating concern in Australia. The rental of diplomatic recognition is paralleled by the global neo-liberal trend, since the late 1980s toward auctioning rights to public resources, which during post-World War II period were given away or allocated according to non-market political or administrative processes. The rental of diplomatic recognition has the seeming advantage of creating revenues for the Pacific Islands government. Pacific Islands leaders may feel that it is their ethical duty to obtain the best price from the bidding war between China and Taiwan. The renting of diplomatic recognition strengthens an emerging utilitarian global constitutionalism, a neo-liberal world politics where the interests of investors.<sup>174</sup> This weakens democracy and accountability to the people. A major effect of the Taiwan-China conflict in the Pacific Islands has been to introduce large amounts of foreign money into domestic political activities, which are oriented away from grassroots concerns and the interests of ordinary citizens, whose voting rights are thereby depreciated. These foreign institutionalised interests may corrupt domestic political processes. Yet, the struggle for recognition produces higher flows of foreign aid, with arguable benefits for the domestic economy.

The South Pacific Tourism Office (SPTO) provides an informative case study of China-Taiwan rivalry and the benefits for Pacific Island states. Taiwan started giving aid to SPTO in 2001, at a time when other donors, such as the European Union (EU) and the US, were pulling out.<sup>175</sup> Over the next 5 years Taiwan gave US \$237, 000 to the SPTO. In 2003 China was the first donor country to join the SPTO as a member, and provided a donation of US \$99,000.<sup>176</sup> As a condition of its membership, China insisted that the ROC be excluded from joining. Pro-ROC Pacific Island states resisted. However in 2005, the ROC was formally excluded from becoming a member of the SPTO. At the Guangzhou China-Pacific development forum in 2013, eight Pacific Island leaders were told they could access \$1 billion in concessional loans and a further \$1 billion in commercial loans for development projects.<sup>177</sup> The temptation is obvious. Politicians and governments will want to accept Chinese financing in order to secure fast-track economic development that, at least in the immediate future, will bolster their political legitimacy. Chinese contractors are keen to secure infrastructural development projects.

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<sup>174</sup> Ibid

<sup>175</sup> Yang, J. (2011). *The Pacific Islands in China's grand strategy: small states, big games*. Springer.

<sup>176</sup> Ibid

<sup>177</sup> Ibid

In the Pacific, as elsewhere, Chinese contractors have been making direct approaches to government ministers. Dornan concluded that the demands made Chinese contractors are ‘managed in some countries to a certain degree’, but in other Pacific Island countries ‘it has been more problematic’.<sup>178</sup> Dornan’s work is supported by studies undertaken in other developing countries where China’s exotic mix of finance and companies seeking infrastructural projects has been evident and will increase under the Belt and Road Initiative. Fiji and Samoa, which have been celebrating 40 years of diplomatic links with China, are particular beneficiaries. The old marine school in Samoa, for example, closed in 2009, and Samoa turned to China for a new one, which will train Samoans for work on the merchant marine internationally. In 2015 Samoa opened the US\$14m School of Maritime Training and Marine Research at the Mulinu campus of the National University of Samoa.<sup>179</sup>

Policy on the Taiwan issue has divided the main regional organisation, the Pacific Island Forum. The six states that recognise Taiwan are the same group which backed Japan over whaling and for similar reasons, dollar diplomacy. The group is made up of the smallest and apart from Palau the poorest states in the Pacific. Palau, Nauru, and Tuvalu all have populations of less than 20,000. The Solomon Islands is amongst the poorest of the Pacific Island states. The small size and vulnerability of these states means that their support can be obtained for a relatively minor investment.

## **ONE CHINA POLICY**

Beijing and Taipei sharply disagree on the island’s status. The PRC asserts that there is only “one China” and that Taiwan is an inalienable part of it. Referred to as the 1992 Consensus, it states that there is only “one China,”<sup>180</sup> but with differing interpretations, allowing both Beijing and Taipei to agree that Taiwan belongs to China, while the two still disagree on which is China’s legitimate governing body. The tacit agreement underlying the 1992 Consensus is that Taiwan will not seek independence. Taiwan’s KMT accepts the consensus as a starting point for future negotiations with the CCP. However, the island’s president, Tsai Ing-wen, leader of the Democratic Progressive Party (DPP), has refused to reference the 1992 Consensus when speaking about cross-

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<sup>178</sup> Ibid

<sup>179</sup> Burton, C., & Noakes, S. (2016). Forging Free Trade with China: The Maple Leaf and the Silver Fern. *Pacific Affairs*, 89(4), 839-858.

<sup>180</sup> Klintworth, G. (2000). China and Taiwan: From Flashpoint to Redefining One China.

strait relations. Tsai has emphasized that she seeks to build trust with the mainland through various channels of communication to ensure stability in cross-strait relations.

### **DOLLAR DIPLOMACY**

Financial considerations have been the key factor motivating Pacific Island states which have either changed or considered changing their allegiance from China to Taiwan or the reverse. There have been two recent examples of this “dollar diplomacy”.<sup>181</sup> In July 1999 the then Papua New Guinea Prime Minister, Bill Skate, declared that his government had changed its diplomatic support to Taiwan. He made no secret that his immediate goal was to make up a crucial budget shortfall. His move was reported to involve a massive \$3.2 billion in grants, soft loans, and trade and business deals, although apparently no firm commitments were made by Taiwan. The decision was reversed within weeks when the Skate government was replaced by a new administration.<sup>182</sup> Had it succeeded it would have constituted a major gain for Taiwan, as Papua New Guinea is by far the largest Pacific Island state with a population of over four million, is rich with minerals, and is adjacent to Asia. The Chinese Ambassador in Port Moresby was concerned enough about a possible future occurrence to issue a warning against Taiwan’s willingness to take advantage of countries in financial crisis. Similarly, it was money which helped Taiwan gain the Marshall Islands diplomatic support in 1998, and to retain it after a change of government. In recent years Taiwan has provided the bulk of the funding for the Marshall Islands government’s supplementary budget which has been crucial for keeping government departments operating.

### **VISIT DIPLOMACY**

‘Visit diplomacy’ also has an important role in the China-Taiwan diplomatic competition in the South Pacific. For Taipei, official visits the island states’ capitals serve a double purpose: showing respect to PICs and, more importantly, asserting Taiwan’s sovereignty. During Chen Shui-bian’s two mandates, the Taiwanese government decided to supplement its diplomatic efforts in the region through presidential visits to the PICs.<sup>183</sup> In early 2005, Chen became the first ROC president to pay an official visit to Palau and the Solomons and, by September 2006, Chen had called at each of Taiwan’s Pacific allies. The Chen administration even inaugurated a multilateral diplomacy approach to the region, by organising and attending two Taiwan-Pacific Allies Summits in Palau and the Marshall Islands respectively in September

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<sup>181</sup> Yang, J. (2011). *The Pacific Islands in China's grand strategy: small states, big games*. Springer.

<sup>182</sup> Ibid

<sup>183</sup> Ibid

2006 and September 2007. According to Chen Shui-bian, the summit was meant to be “an evolution in Taiwan’s diplomacy from bilateral links to multilateral comprehensive partnerships.” In late March 2010, ROC President Ma Ying-jeou’s made his first Pacific tour of all Taiwan’s six diplomatic allies.<sup>184</sup> Ma’s voyage had been originally scheduled for October 2009, but “it was postponed due to pressures of rescue and relief work in the wake of Typhoon Morakot.”<sup>185</sup> This delay also brought a change in the character of the program. The original agenda prepared by the Ministry of Foreign Affairs included the convening of the Third Taiwan-Pacific Allies Summit in Honiara. However, the Office of the President decided to replace the summit with traditional bilateral state visits. The Ma administration reportedly “renounced the multilateral approach on the grounds that the ‘diplomatic truce’ between the KMT government and Beijing has ‘stabilized’ Taiwan’s ties with the six Pacific allies and because the bilateral approach is ‘more sincere’ for maintaining official relations and deepening cooperation.”<sup>186</sup> Even though Chinese officials had made over twice as many high level visits to the region as Taiwan between 1988 and 1998, Chinese President Hu Jintao has been unable or unwilling to imitate Chen’s and Ma’s diplomatic activism. However, in April 2006, Beijing’s premier Wen Jiabao flew to Fiji, becoming the first Chinese premier to visit the South Pacific. There, he combined bilateralism and multilateralism through meeting separately and jointly with leaders from all of China’s allies during the first China-Pacific Island Countries Economic Development and Cooperation Forum. “China made several significant pledges to its allies at the conference. In addition to the main agreement, each participating country struck bilateral deals with China, supposedly worth over \$24 million in the case of Fiji.”<sup>187</sup> In March 2007, Chinese vice premier Li Keqiang visited Port Moresby and Port Vila, and paid an official visit to Papua Guinea again in 2009. On Nov. 22, 2014, Chinese President Xi Jinping paid a state visit to Fiji, where he held a summit meeting with leaders of the eight Pacific Island countries that have diplomatic ties with China.<sup>188</sup> During that meeting, Xi and his Pacific counterparts announced their decision to elevate the relationship between China and the eight Pacific Islands countries to the level of “strategic

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<sup>184</sup> <http://www.erenlai.com/en/focus/2011-focus/mapping-and-unmapping-the-pacific/item/4511-looking-south-taiwan-s-diplomacy-and-rivalry-with-china-in-the-pacific-islands-region.html>

<sup>185</sup> Ibid

<sup>186</sup> Ibid

<sup>187</sup> Ibid

<sup>188</sup> Alley, R. (2016). Regionalism, security and cooperation in Oceania. *New Zealand International Review*, 41(3), 28.

partnership.”<sup>189</sup> More than anything else, Xi’s visit symbolizes China’s growing presence in the Pacific Islands region, and its far-reaching consequences for the evolving regional order.

### **DIPLOMATIC TRUCE**

In 2008, the election of Taiwanese president Ma Ying-jeou, a leader openly committed to start a fresh dialogue with China and make political overtures to Beijing in return for economic benefits and diplomatic detente, deeply changed the dynamics of the Sino-Taiwanese diplomatic rivalry in the South Pacific. Ma’s government claims it has successfully negotiated a ‘diplomatic truce’ with Beijing and, although China has not publicly acknowledged the truce, “a tacit agreement appears to be in effect.”<sup>190</sup> This informal truce appears to have temporarily anesthetized the rivalry, given that at the moment neither side is actively operating to change the diplomatic balance. This is reflected by some interesting policy shifts on both sides of the straits. “Taiwan released an aid white paper in 2009 that set out a much more responsible approach to aid giving, essentially rejecting the old chequebook diplomacy for which both China and Taiwan got plenty of ‘bad publicity’. For its part, Beijing has taken the unprecedented step of discouraging countries loyal to Taiwan from switching allegiance to China in an effort to keep the improving bilateral relationship on track.”<sup>191</sup> However, the truce does not imply that the contest with Taiwan is no longer central to China’s strategy in the South Pacific and the other regions where Taiwan retains diplomatic allies. Beijing is likely to withdraw its tacit cooperation with the truce if it does not receive what it considers sufficient concessions to its unification policy. “What concessions will satisfy Beijing, and whether this or future Taiwan governments will be prepared to make them - is the subject of intense debate, and the long-term prospects of the diplomatic truce are uncertain.”<sup>192</sup> If the truce breaks down, it is possible that the resulting uncertainty will see the Cross-Strait diplomatic rivalry return to the Pacific Islands Region with sudden rapidity. There are also questions surrounding what the truce will mean for the region while it endures. It is unlikely that the two rivals will drastically reduce their aid commitments to the PICs. Presumably, neither contender will want to unnecessarily neglect ties with its allies while the termination of the truce remains a concrete possibility. Despite the truce, Beijing has so far continued to promise relatively substantial aid packages to the Pacific. This suggests that “China is assuming something of a holding pattern: Waiting to see

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<sup>189</sup> Ibid

<sup>190</sup> <http://www.erenlai.com/en/focus/2011-focus/mapping-and-unmapping-the-pacific/item/4511-looking-south-taiwan-s-diplomacy-and-rivalry-with-china-in-the-pacific-islands-region.html>

<sup>191</sup> Ibid

<sup>192</sup> Ibid



whether the truce with Taiwan holds and if it does not, making sure it is ready to jump back into the diplomatic tussle for allies.”<sup>193</sup>

Even if the truce were to become durably consolidated, there are reasons to assume that Beijing would maintain its aid commitment to the region, albeit it may decide to donate less liberally. China’s view and perception of its place in the world arena, and its capacity to act accordingly, have changed while the South Pacific might be geopolitically marginal, as a state with global vision and ambitions, the PRC needs to be a protagonist in every regional theatre. Actually, both contenders have a set of interests in the Pacific Islands that are separate from their rivalry. For this reason, Beijing and Taipei may prove reluctant to relinquish the versatile influence they have cultivated with the Pacific Islands. For example, In China’s case, the links with the island states provide Beijing with a measure of international support on a range of issues such as its control over Tibet and Japan’s bid for a permanent UN Security Council seat. For Taiwan, its involvement in the region is also a means to advertise itself as a humanitarian power. It is also true that in the South Pacific, there are substantial resources of interest to both China and Taiwan for instance many island states have large fishing zones. In the light of these factors, it is foreseeable that the two dragons will continue to be important actors in the Southern Seas well into the next decade, regardless of the resilience of the diplomatic truce.

### **CHEQUEBOOK DIPLOMACY**

The South Pacific region witnessed very active ‘chequebook diplomacy’ in the past, as Taiwan also has six diplomatic allies in the Pacific. Overt ‘chequebook diplomacy’ largely came to an end in 2008 when Taiwan’s President Ma Ying-Jeou struck a truce with Beijing after promising Taiwan would no longer compete with China for allies in the Pacific. China is using “cheque book diplomacy”<sup>194</sup> to make friends and also acquire real estate in strategically-located foreign lands as part of its global OBOR, which using China-Pakistan Economic Corridor (CPEC) will connect it to Europe by sea and land for trade. The first nation to learn a bitter lesson from China’s “chequebook diplomacy” was Sri Lanka, which under the previous pro-China President Mahinda Rajapaksa, allowed the Chinese to build a new railway, a new container terminal at Colombo port, super highways connecting Colombo to the tourist centre of Galle and then onwards to the new Chinese-built port of Hambantota,

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<sup>193</sup> Ibid

<sup>194</sup> Yang, J. (2011). *The Pacific Islands in China's grand strategy: small states, big games*. Springer.

with a new Chinese-built Mattala Rajapaksa International Airport near Hambantota.<sup>195</sup> Today both the new Hambantota port and its nearby airport lie unused and have become a financial burden on cash-strapped Sri Lanka. The Chinese invested about \$9 billion, and when the Lankans expressed inability to start repayment of the loan about \$1.1 billion for the Hambantota port, a controversial agreement is being worked out shortly as “debt relief”, which would permit a Chinese company to hold 60 per cent to 80 per cent of the management control for a 99 or a 50 year lease.<sup>196</sup> If this agreement between Sri Lanka and China is finalised, a Chinese naval base in Hambantota port and airbase in the nearby airport may become a reality.

### **THE US REBALANCE TO ASIA-PACIFIC**

The US has made efforts to catch-up with Chinese influence in the South Pacific. Obama administration has adopted a strategy of rebalance towards the Asia-Pacific region since 2011. In geostrategic terms, the rebalance is the Obama administration’s grand strategy for US foreign policy. It is a comprehensive strategy covering the security, diplomatic and economic fields.<sup>197</sup> The goals are to consolidate US leadership, regulate international rules, and reinvigorate US economic competitiveness in the Asia-Pacific region. The US has a long association with Micronesian territories, which are regarded as a ‘security border’ *and which are* home to US military bases.<sup>198</sup> Accordingly, the US runs the annual Rim of the Pacific Exercise (RIMPAC) and the annual multinational humanitarian exercise, the Pacific Partnership, in the region. The US also works with South Pacific states to address transnational and maritime security issues via its Shiprider program. After a near withdrawal after the Cold War, the US has also recently resumed a more active diplomatic, aid and trade role, including opening the United States Agency for International Development (USAID) Pacific Island Regional office in Papua New Guinea in 2011.<sup>199</sup> USAID is the lead US Government agency that works to end extreme global poverty and enable resilient, democratic societies to realize their potential. In response to the US rebalance strategy, China has proposed the Belt and Road initiative and the new type of major-country relationship. In future, China should closely follow US adjustment of the rebalance strategy, guarding against and preparing for any possible worsening scenario. The dispersal of US forces and the

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<sup>195</sup> <http://www.videohd.easyp3.in/video/xqKsXC6yaTI/india-is-unable-to-match-chinas-chequebook-diplomacy-video-song-download.html>

<sup>196</sup> Ibid

<sup>197</sup> Denmark, A., Xuetong, Y., Yamaguchi, N., Chun, C., Huang, A. C. C., Mohan, C. R. & Jennings, P. (2013). Regional Perspectives on US Strategic Rebalancing. *asia policy*, 15(1), 2.

<sup>198</sup> Ibid

<sup>199</sup> Ibid

development of the new Air-Sea Battle concept are designed to counter growing “Anti-Access and Area Denial” efforts in the Asia-Pacific region, mainly by China in the Taiwan area and along the Chinese maritime rim.<sup>200</sup> Some US foreign policy specialists worry that the rebalance will prompt China to react negatively, leading to a downward spiral in relations and greater confrontation with a danger of conflict, including possibly military conflict. A few experts argue that Washington has exaggerated recent Chinese assertiveness and reacted in strong ways that are likely to prompt even stronger Chinese measures. They warn of a US-China “action-reaction” dynamic that could destabilize the Asia-Pacific region.<sup>201</sup>

### **CHINA-TAIWAN RIVALRY AND US FACTOR**

The United States plays an overarching security role in the South Pacific, but it is not the only provider of security, nor the principal source of foreign aid, and has relied upon Australia and New Zealand to help promote development and maintain political stability in the region. Concern has been expressed that China has taken advantage of the Pacific power vacuum that developed following the end of the Cold War and US preoccupation with the Middle East.<sup>202</sup> This has resulted in a declining US presence in the South Pacific. United States should pay greater attention to the region and its problems. The United States also concern about China’s increasing presence in the region. Its principal interests are situated in the northern Pacific. The state of Hawaii is headquarters to the United States military presence in the region known collectively as the US Pacific Command. The United States maintains three flag territories, American Samoa, the Commonwealth of the Northern Mariana Islands, and Guam, and has Compacts of Free Association with the Federated States of Micronesia, Palau and the Republic of the Marshall Islands. Most significantly, the United States has the Anderson Air Force Base on Guam, and the Ronald Reagan Missile Defence test site at its base on Kwajalein Atoll in the Marshall Islands.<sup>203</sup> The Freely Associated States (FAS), together with Guam and the Northern Mariana Islands, have been regarded as a security border of the United States, the defence of which is considered to be key to maintaining vital sea lanes. In addition to being home to the Reagan Ballistic Missile Defence Test Site at Kwajalein Atoll in the Marshall Islands, the FAS are located strategically between Hawaii and Guam. According to some military experts, the FAS provide a vast buffer zone for Guam, which serves as the “forward military bridgehead” from which to launch US

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<sup>200</sup> Ibid

<sup>201</sup> Ibid

<sup>202</sup> Henderson, J., & Reilly, B. (2003). Dragon in paradise: China's rising star in Oceania. *The National Interest*, (72), 94-105.

<sup>203</sup> Yang, J. (2011). *The Pacific Islands in China's grand strategy: small states, big games*. Springer.

operations along the Asia-Pacific security arc stretching from South Korea and Japan, through Thailand and the Philippines, to Australia.<sup>204</sup> The US military is building up forces on Guam to help maintain deterrence and respond to possible security threats in the Pacific.

There have been increasing signs of a change in US interest in the region, partly in response to China's growing influence. In October 2003 US President George Bush met with Pacific leaders in Honolulu. US Assistant Secretary of State, Christopher Hill, attended the 2005 and 2006 meetings of the Pacific Island Forum. The US has retained its strong interest in Micronesia, especially with the FAS states of Marshall Islands, the Federated States of Micronesia (FSM) and Palau.<sup>205</sup> The US military base in Guam is now regarded by Washington as one of the most strategically important US bases in the Pacific, particularly for dealing with potential conflicts in Asia. Washington's announcement of a planned build up of US forces in Guam has been linked to concerns about China's expanse of naval facilities at its base on Hainan Island. The US facilities on Guam are the likely staging bases from which aircraft would be despatched to defend Taiwan in the event of an attack from the Chinese mainland. The US is duty-bound to defend the ROC under the Taiwan Relations Act, but only if the PRC attacked first or had precipitated any conflict through its actions.<sup>206</sup> Australia is bound to support the US under the ANZUS treaty, which, however, remains "inoperative" for New Zealand.<sup>207</sup>

The US is concerned by China's anti-access or area denial (A2/AD) naval strategy, which is intended to deny the Western Pacific to the US navy up to the first island chain.<sup>208</sup> The Chinese navy depicts the first island chain as a zone of maritime defence running from the Japanese archipelago to include Taiwan and either part or all of the South China Sea. The second island chain is even vaguer and runs from Japan through the Pacific to the coast of Papua. To extend a naval presence in these zones, China has developed the world's largest submarine fleet with at least 70 vessels, including 13 *Song* class, 12 *Yuan* class and 12 *Kilo* class diesel electric vessels purchased from Russia. China is also developing the "killer carrier" ballistic missile or the DF-21 in C and D versions which is intended to target US carriers within a 1,700 km range.<sup>209</sup> This would keep the US carriers at a sufficient distance from operations within the first island chain depriving them of range for their

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<sup>204</sup> Ibid

<sup>205</sup> Brady, A. M. (2010). *Looking North, Looking South: China, Taiwan and South Pacific* (Vol. 26). World Scientific.

<sup>206</sup> Ibid

<sup>207</sup> Ibid

<sup>208</sup> <http://www.maritimeissues.com/commentary/the-geopolitics-of-uschina-naval-rivalry-in-the-western-pacific.html>

<sup>209</sup> Ibid

airpower. China has also unveiled the DF-26 ballistic missile and with an estimated range of 3,000-4,000 kms it is capable of striking the US base in Guam, and may also be used as a carrier strike missile.<sup>210</sup>

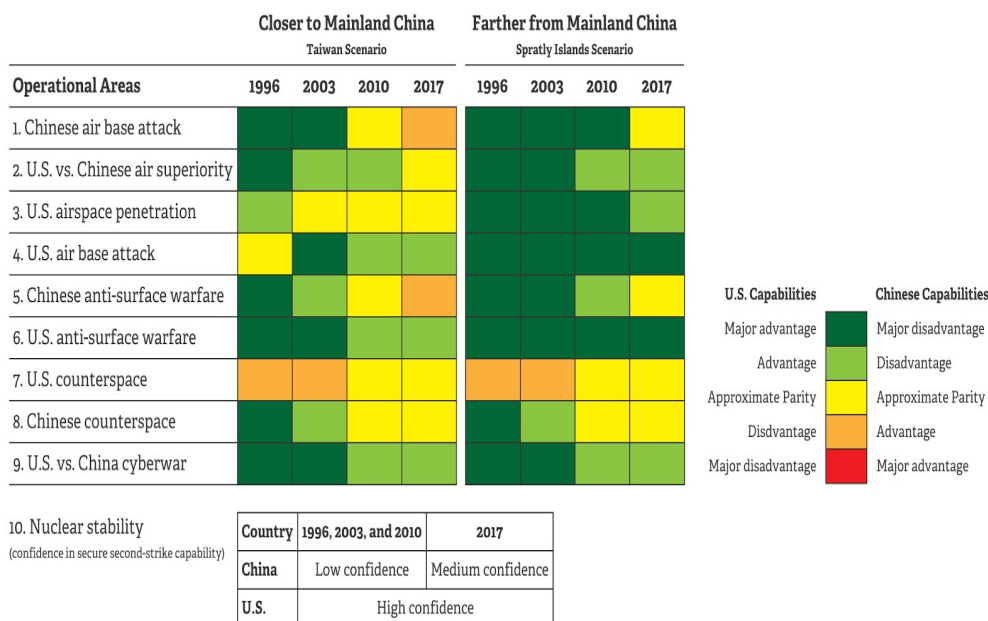
US and China Defence Capabilities

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<sup>210</sup> Ibid

**Figure: 3**

**Defence Capabilities of US and China**



Source: (<https://www.rand.org/paf/projects/us-china-scorecard.html>).

In an interview to mark his first hundred days in office, US President George W. Bush stated in April 2001 that the US would do ‘whatever it took’ to defend Taiwan in the event of a Chinese attack. Professor Jacobs commented to the committee that President Bush was the first US leader to make the promise that they would defend Taiwan if attacked by China.<sup>211</sup> United States and China’s increasing focus on the South Pacific, the region might become a microcosm of broader emerging strategic rivalry between the two powers. The United States policy of strategic ambiguity aims to provide a deterrent to both sides from upsetting the uneasy peace prevailing across the strait. On one hand, the US maintains its adherence to the one-China policy and openly discourages the Taiwanese from declaring political independence. On the other, the US maintains substantial links with Taiwan and provides arms in accordance with the provisions of the Taiwan Relations Act. China is in a geo-strategic competition with the United States for influence in the Pacific Islands region. It is not the first time since the end of World War II that the Pacific Islands region has been seen as a theatre for geo-strategic competition. In the 1980s it briefly attracted the interest of the Soviet Union and Libya as part of Cold War strategic power plays. With that exception, however, the region has largely been ignored by the world’s great powers.<sup>212</sup> In the 1990s and first part of the 2000s, the region was mostly inwardly focused, concentrating on

<sup>211</sup> Brady, A. M. (2010). *Looking North, Looking South: China, Taiwan and South Pacific* (Vol. 26). World Scientific.

<sup>212</sup> Ibid

development challenges and a number of domestic security crises, including the 1989-1998 Bougainville conflict, the 2000 and 2006 coups in Fiji, the breakdown of law and order in Solomon Islands from 1999, and riots in Solomon Islands and Tonga in 2006.<sup>213</sup>

China has deployed missiles along the Taiwan Strait and continues to modernize the bulk of its military capabilities. “Preparing for potential conflict in the Taiwan Strait remains the focus and primary driver of China’s military investment,” says a 2015 US Defense Department report.<sup>214</sup> Although Beijing continues to seek progress with Taipei through the discussion of economic issues and high-level people-to-people exchanges, it has refused to renounce the use of force to resolve the dispute over the island’s status. The PRC’s introduction of the 2005 Anti-Secession Law, intended to strengthen Beijing’s approach to “peaceful national reunification,” included language stating that in the event secessionist forces seek independence, Beijing would “employ non-peaceful means” to protect its national sovereignty.<sup>215</sup> In response, Taiwan continues to purchase weapons, primarily from the United States. In December 2015, the United States announced a \$1.83 billion arms sale to Taiwan, the first in four years. Between 1979 and 2014, Taiwan ranked as the ninth largest recipient of arms globally.<sup>216</sup> During the same period, the United States supplied more than three-quarters of Taiwan’s imported weapons, according to the Stockholm International Peace Research Institute’s arms transfers database.

Taiwan’s strategic security rests heavily on guarantees offered by the United States under the Taiwan Relations Act. Yet in recent years, security analysts have cited concern over the emerging military imbalance between Beijing and Taipei. “Given the pace of People’s Liberation Army Navy (PLAN) modernization, the gap in military capability between the mainland and Taiwan will continue to widen in China’s favour over the coming years,” writes the Congressional Research Services’ naval affairs specialist Ronald O’Rourke.<sup>217</sup> When former President Ma Ying-jeou’s KMT government came to power in 2008, the ROC government committed to boosting military spending to 3 percent of GDP, up from 2.2 percent. However, Taiwan’s \$10.4 billion defence budget in 2014 was a mere 2

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<sup>213</sup> Yang, J. (2011). *The Pacific Islands in China's grand strategy: small states, big games*. Springer.

<sup>214</sup> Heginbotham, E., Nixon, M., Morgan, F. E., Hagen, J., Heim, J. L., Engstrom, J., & Frelinger, D. R. (2015). *The US-China military scorecard: Forces, geography, and the evolving balance of power, 1996–2017*. Rand Corporation.

<sup>215</sup> <http://www.china.org.cn/english/2005lh/122097.htm>

<sup>216</sup> Yuan, J. (2016). Cross-Strait Relations 2008-2016: Progress, Problems, and Prospects. *Asian Journal of Peacebuilding*, 4(2), 187.

<sup>217</sup> Ibid

percent of GDP and represented 16.2 percent of the total budget, compared to 1994 levels of 3.8 percent and 24.3 percent, respectively.<sup>218</sup>

US arms sales to Taiwan, totalling more than \$46 billion since 1990, have led to US-China friction and an upsurge in bellicose rhetoric across the strait.<sup>219</sup> Political transitions can also prompt tension between Beijing and Washington over Taiwan. For example, in December 2016, Taiwan's Tsai spoke with President-Elect Donald J Trump by telephone, the first between leaders of the two sides since 1979. Tsai later said the call did not signal a policy shift for Taiwan. China's claim to Taiwan has shot back into the spotlight since US President Donald Trump broke diplomatic protocol and spoke with Tsai, angering Beijing. Trump has also questioned the "one China" policy which the United States has followed since establishing relations with Beijing in 1979<sup>220</sup>, under which the United States acknowledges the Chinese position that Taiwan is part of China.

## **IMPLICATIONS FOR AUSTRALIA AND NEW ZEALAND**

The main area of concern regarding China in the Pacific expressed by both the New Zealand and Australian governments, has related to the destabilising fallout from the competition between China and Taiwan for the diplomatic recognition of the Pacific Island states. It is important to deal fully with the Taiwan issue as it impacts on all other aspects of the China-Pacific relationship. The Australian government officially recognised the PRC as the sole legal government of China in the Joint Communiqué of 21<sup>st</sup> December 1972, a position that has retained bipartisan political support since then.<sup>221</sup> Australia is one of many countries that are friendly toward Taiwan and freely trade and culturally interact with it, yet Canberra subscribes to Beijing's "One China" policy that casts doubts over Taiwan's long-term viability as an independent polity.

Australia had increased its involvement in the South Pacific since the mid-1970s, in part to counter the Soviet Union. As the interest of external powers in the region declined after the Cold War, the expectations of the South Pacific countries on Australia increased. As such, Australia supported what Albinski described as "the PRC-Taiwan 'creative tension' basis of benefits accruing to the region."<sup>222</sup> Australia's attitude towards the involvement of Taiwan and China in the South Pacific hardened as this involvement escalated, and as Australia

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<sup>218</sup> Ibid

<sup>219</sup> Ibid

<sup>220</sup> <https://thewire.in/88494/taiwan-loses-ally-china-ties/>

<sup>221</sup> [https://www.whitlam.org/gough\\_whitlam/china/Joint\\_Communique\\_and\\_Recognition](https://www.whitlam.org/gough_whitlam/china/Joint_Communique_and_Recognition)

<sup>222</sup> Atkinson, J. (2012). *Australia and Taiwan: Bilateral Relations, China, the United States, and the South Pacific*. Brill.



became increasingly focused on reforming countries within its sphere of influence through the 1990s.

In the South Pacific the intensifying rivalry between the PRC and ROC draws the interest of other Asian countries to the region and disturbs Australia. It threatens Australian hegemony in the South Pacific. Australia's position in the region has also been jeopardised by its endorsement of an increasingly austere economic rationalist agenda for Pacific Islands countries since the mid-1990s. Furthermore, John Howard and his government are often seen as unsympathetic, patronising or worse by many Pacific Islands leaders. Howard displayed arrogance and petulance at the first South Pacific Forum meeting which he attended and Howard has missed more than one annual Forum meeting.<sup>223</sup> Although these obstacles lower Australia's standing in the region, the most significant threat came in 1999 from Taiwan. This growing conflict in the interests of Taiwan and Australia sparked a public clash between the two countries over Papua New Guinea in 1995, and again in 1999.<sup>224</sup> Australia grew increasingly concerned about the impact of PRC-ROC rivalry on the South Pacific Forum and regionalism. While Pacific Islands states expect Australia or the US to protect their sovereignty in an emergency, there is discomfort about their dependency on Canberra or Washington and a desire for a wider range of aid and trade partners, especially from Asian countries, which they have become closer to as they have been combined in the "Asia-Pacific" rubric under which intergovernmental organisations have placed them since the 1970s.<sup>225</sup> Australia fears that requests from Asian countries for membership in regional organisations have significant implications for the identity and the future of the region. For many Pacific Islands countries, expanding links with Asia is a matter of urgency. The most interested Asian country is almost always Taiwan. There is potential for the US and Australia to draw China into a more cooperative approach in the region.

### **IMPACT OF CHINA-TAIWAN RIVALRY ON PICs**

Susan Windybank argued that the most immediate problem arising from the Pacific Cold War between Taiwan and China is that it further destabilises already weak and unstable governments and feeds the endemic corruption throughout the region. She cited the case in 1998 when the then Prime Minister of Papua New Guinea tried to secure over \$3 billion in grants, loans and business deals from Taipei almost half of PNG's GDP at the time in return

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<sup>223</sup> Ibid

<sup>224</sup> Ibid

<sup>225</sup> Ibid

for switching allegiance from China to Taiwan.<sup>226</sup> Professor Helen Hughes, Senior Fellow at the Centre for Independent Studies, expressed concern at the extent of corruption in the region stating that unscrupulous conduct among the political and bureaucratic elites and their business associates are constantly covered in the Pacific press.<sup>227</sup>

- China and Taiwan have added to corruption in the Pacific by competing for recognition in Kiribati, Nauru, Vanuatu and Papua New Guinea. For example, accusations were raised during the 2002 Kiribati Presidential election campaign that the Chinese were interfering in domestic affairs by engaging in chequebook diplomacy. China vigorously denied giving money to political candidates, insisting that funds were made available for projects intended to benefit the community, such as to restore a damaged seawall. As noted earlier, soon after the Prime Minister announced Vanuatu's recognition of Taiwan in 2004, accusations of graft and bribery by Taiwan and China again surfaced.
- The initiative is usually taken by Taiwan, and although all the politicians in Taiwan when they are out of office say, 'This dollar diplomacy is ridiculous,' the moment they get in they realise they have to use it.<sup>228</sup> The reason they do that is that politically it is very popular within Taiwan. China then finds that it has to counter it.
- Some argued that China is able to buy influence. By courting and winning the allegiance of these poorer countries, it garners support for its proposals in the UN and is able to shield itself from international criticism on issues such as political persecution, religious freedom, the occupation of Tibet and human rights violations.
- Their financial and other problems make the support of Pacific states cheap for Beijing to buy. At the same time, their utility as a source of diplomatic recognition particularly in the China and Taiwan tussle, voting blocs in international forums, fishing and other maritime resources, and as possible sites for port facilities or even military bases, means that relatively small investments in these countries can have a major longer term payoffs for countries such as China.
- Other questions have been raised about China's motives for showing an interest in the region. For example, there was speculation about whether the China Space Telemetry Tracking Station on Tarawa atoll in Kiribati was for spying purposes. Ideally located,

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<sup>226</sup> [http://www.aph.gov.au/Parliamentary\\_Business/Committees/Senate/Foreign\\_Affairs\\_Defence\\_and\\_Trade/Completed\\_inquiries/2004-07/china/report02/c10](http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Foreign_Affairs_Defence_and_Trade/Completed_inquiries/2004-07/china/report02/c10)

<sup>227</sup> Ibid

<sup>228</sup> Ibid

some defence experts suspected that the base could be used to monitor US missile tests or assist a future space warfare effort.

- Chinese companies' mistreatment of PNG workers and dominance in some local economies has spurred anti-China riots in a number of island nations, such as the Solomon Islands in April 2006, Tonga in November 2007, and PNG in June 2009. Similar anti-China sentiment is detected in Fiji, Vanuatu, and French Polynesia.

## Chapter Four

### Role of Chinese Diaspora in its diplomatic relations with South Pacific

Population movement has been a constant phenomenon in human societies before and after the term globalization came into existence. Liberalism recognises that non-state actors can play a role in international relations. Diasporas, functioning as political pressure groups, may alter foreign policy outcomes in accordance with the liberal paradigm. In the past few decades, China has undergone enormous political, economic, and demographic changes that have transformed the realities of migration to and from the country. This chapter will explain and analyse the background, reasons and implications of an increased ethnic Chinese Diaspora in maintaining relations with the South Pacific. It will also discuss how China is using them to advance Beijing's national interests.

To facilitate its ambitions to become a global economic power, China has actively promoted tourism, trade and enterprise amongst the Overseas Chinese (OC) as a key aspect of its "Going Out"<sup>229</sup> strategy with various countries around the world.<sup>230</sup> The networks of numerous Chinese organizations have formed a World Wide Web. This Web has played a crucial role in strengthening the Chinese identity of overseas Chinese and in facilitating their commercial activities. For the Chinese government, the Web has been helpful in mobilizing overseas Chinese to serve China's economic and political interests. Politically, OC in the South Pacific plays an important role in China's national development strategy and national reunification strategy. Economically, the Chinese immigrants are dominating the economy of some Pacific Islands. They have also played a vital role in China's diplomatic rivalry with Taiwan in the region. Chinese influences, comes in many forms like government diplomatic initiatives and aid, electronic media, large commercial enterprises, crime, migrants and actions by locals of Chinese heritage. They tend to dominate local commerce and industry whilst maintaining a robust cultural identity; moreover, transnational mobility has facilitated their travel between countries without necessarily maintaining a sense of loyalty to their place of residence. As such, the OC are well placed to support Chinese interests abroad. Chinese were the major source of Asian labourers working in the Pacific during the colonial period.

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<sup>229</sup> In the late 1990s the Chinese government announced a new "going-out" strategy aimed at encouraging Chinese enterprise to invest abroad. Since the beginning of the 21<sup>st</sup> century, more and more Chinese enterprises have established operations overseas.

<sup>230</sup> To, J. (2010). Sino-Pacific: Extra-Territorial Influence and the Overseas Chinese. *Looking North, Looking South: China, Taiwan, and the South Pacific*, Singapore: World Scientific, 49-82.

They were indentured labourers, returning home at the end of their contracts. Chinese contract labourers were spread out on different continents. In the Pacific they appeared in Australia, New Zealand, New Guinea, Samoa, Tahiti, Nauru, Palau etc. Chinese like working in the Pacific because the lifestyle there is relatively good when compared with other destinations.<sup>231</sup> The region is conducive and attractive for business. Given the lower costs of compliance, overheads and wages, merchants can make and save more money than in China or other industrialized countries. Chinese in the Pacific reveals a fragmented record of diversity within and between communities, but unified by successful adaptation to local communities, with or without intermarriage. In more recent years, China's engagement with the region, as in other parts of the world, is driven by growing concerns about the safety and security of the increasing number of Chinese citizens working and living in Island countries.

There is a growing ethnic Chinese involvement in the print media in the Islands. Within the past 20 years the second newspaper in Papua New Guinea,<sup>232</sup> The National is mainly owned by Malaysian Chinese, The Vanuatu Daily Post mainly by Australian Chinese and The Saipan Tribune by the ethnic Chinese of the Hong Kong-based Tan family.<sup>233</sup> There are two Chinese owned, Chinese-language newspapers in Fiji.<sup>234</sup> It was estimated that there were some 33 million ethnic Chinese living outside China, Taiwan, and Hong Kong toward the end of the 20<sup>th</sup> century.<sup>235</sup> Many island nations have played host to Chinese migrants for decades, with only Tuvalu, Tokelau, Niue and Tonga not having OC communities until the 1970s. By 2006, the ethnic Chinese population throughout the Pacific was conservatively estimated by one expert at 22,000 not including illegal migrants.<sup>236</sup> Other sources have cited larger numbers in Fiji 12,000 and Papua New Guinea (PNG) to create a total of up to 80,000.<sup>237</sup> These numbers are hotly debated. There are gross variations and discrepancies between declared and actual immigration figures. Census details for many Pacific nations are outdated, and do not distinguish ethnic Chinese from others, or do not record ethnicity at all. Ethnic Chinese may be represented incorrectly as they might have arrived via other countries. In the absence of reliable official data and lack of information on illegal migrants, the true number and nature of the OC in the region is unknown.

## **HISTORICAL BACKGROUND**

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<sup>231</sup> Ibid.

<sup>232</sup> Tung, Y. C. (2005). Reflections on the Studies of Overseas Chinese in the Pacific. In *Asia Pacific Forum* (Vol. 30, pp. 29-54).

<sup>233</sup> Ibid.

<sup>234</sup> Brady, A. M. (2010). *Looking North, Looking South: China, Taiwan and South Pacific* (Vol. 26). World Scientific.

<sup>235</sup> Ibid.

<sup>236</sup> Ibid.

<sup>237</sup> Ibid.

Diasporas are dispersed ethnic or national groups across different countries. They have influenced international politics since ancient times and they continue to do so today. Diasporas are non-state actors that interact with state actors, primarily their host state the state they currently live in and their country of origin. They have a unique role in international relations because they find themselves in between two countries, sharing two cultures, having an emotional investment in two nations, and preserving social connections in two societies. As mobilised groups with a strong sense of identity, diasporas can play a role both in domestic and in international politics. As far as domestic politics is concerned, they may influence both the domestic politics of their homelands and the domestic politics of their host states regarding issues that are of interest to them. Diasporas are political and cultural bridges between two countries. In the realm of international relations, they have the power to influence both national foreign policy decisions and the decisions of international organisations.

Europeans visited the Pacific first as explorers and traders and gradually became settled planters in the 19<sup>th</sup> century.<sup>238</sup> There were settler colonies such as Australia and New Zealand under the British influence and New Caledonia under the French control. Sugarcane plantations in Queensland and Fiji, phosphate mines in Kiribati, French Polynesia and Nauru and coconut plantations on many islands all needed external labour for the exploitation of resources.<sup>239</sup> This imbalance of labour was a significant force in the shaping of contemporary composition of populations in the Pacific. People moved from densely populated areas to where labourers were in demand. These inter-island migrants worked by contract and sometimes settled permanently. Asians were also brought in to meet the need for labour in mining and plantations. The British import, Indians to work on sugarcane plantations in Fiji, the French recruited the Javanese to work at nickel mines of New Caledonia and Chinese from Hong Kong to work at Atimaono cotton field of Tahiti.<sup>240</sup> Chinese were the major source of Asian labourers working in the Pacific. Hawaii was a stopover point facilitating the trade among the American Northwest coast, Pacific islands and China. Chinese had been involved in this trade since the early 1800s. Sugar production and exclusive laws shaped Chinese migration to Hawaii around the turn of the 20<sup>th</sup> century.<sup>241</sup> Hawaii was annexed by

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<sup>238</sup> Tung, Y. C. (2005). Reflections on the Studies of Overseas Chinese in the Pacific. In *Asia Pacific Forum* (Vol. 30, pp. 29-54).

<sup>239</sup> Ibid.

<sup>240</sup> Yang, J. (2009). China in the South Pacific: hegemon on the horizon?. *The Pacific Review*, 22(2), 139-158.

<sup>241</sup> Yang, J. (2011). *The Pacific Islands in China's Grand Strategy: Small States, Big Games*. Springer.

the United States in 1898, and adopted Exclusion Laws the same year. Presently Hawaii is an extension of the continental United States.<sup>242</sup>

International migration is understood as “The movement of a person or a group of persons, either across an international border, or within a State. It is a population movement, encompassing any kind of movement of people, whatever its length, composition and causes; it includes migration of refugees, displaced persons, economic migrants, and persons moving for other purposes, including family reunification”.<sup>243</sup> Humans have been migrating since early in our history. In fact, there have been different periods of migration, whether it was during colonialism, the rise of economic power with the United States, migration as a result of war, as well as current migration with regards to labour.<sup>244</sup>

Most studies of Chinese in the Island Pacific followed the four-stage evolution of Chinese diasporas communities in the 19<sup>th</sup> and 20<sup>th</sup> centuries.<sup>245</sup> The first Chinese to go overseas in this period was *huashang*, or traders in search of commercial opportunities. Later in the 19<sup>th</sup> century, another type appeared *huagong*, or overseas labourers, who worked mostly for non-Chinese companies.<sup>246</sup> Then in the early 20<sup>th</sup> century, the *huaqiao*, or sojourners, established communities, often including both *huashang* and *huagong*, with continuing connections to the motherland. The fourth and final category of *huayi* emerged after 1980 and consists of Chinese who move freely across the global economy to take advantage of new opportunities.<sup>247</sup> *Huayi* is a Mandarin term meaning ethnic Chinese that is particularly applied to ethnic Chinese with passports other than from China. Through hard work and thrift, many early Chinese settlers and their descendants achieved outstanding success, but shortly before and after independence of the Island nations many of them emigrated if they could mainly to the Pacific Rim. Those in Papua New Guinea were offered Australian citizenship in 1957. Almost all took it, but a number still maintain homes and businesses in both countries. Those born in French colonies were granted French citizenship in 1973.<sup>248</sup> Some remained, but others migrated to North America, Australia, New Zealand or Europe. Canada accepted many Chinese from Fiji.

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<sup>242</sup> Ibid.

<sup>243</sup> Betts, A. (Ed.). (2011). *Global migration governance*. Oxford University Press.

<sup>244</sup> Koser, K. (2009). *The global financial crisis and international migration: policy implications for Australia*. Geneva: Lowy Institute for International Policy.

<sup>245</sup> D'Arcy, P. (2014). The Chinese Pacifics: A Brief Historical Review. *The Journal of Pacific History*, 49(4), 396-420.

<sup>246</sup> Ibid.

<sup>247</sup> Ibid.

<sup>248</sup> Ibid.

## **AUSTRALIA AND NEW ZEALAND**

Australia and New Zealand are similar in many ways. Both were settler colonies with a majority of British or Irish immigrants, considered the Britain in the South Pacific. The Chinese first came to this part of the world as indentured labourers around the middle of 19<sup>th</sup> century, and their numbers declined as colonial governments imposed increasingly restrictive immigration regulations since the 1880s until World War II.<sup>249</sup> This situation was changed during the War, when wives and children were permitted to reunite with their families for humanistic reasons. Thus, Chinese communities became stable and naturally grew in size. Australia and New Zealand have seen a surge of new Chinese immigration since the late 1980s, after the reform of immigration policies.<sup>250</sup> Contrary to the farm hands, gold miners, market gardeners and street hawkers of early Chinese immigrants, new arrivals under Business and Skills Migration Program tends to be highly educated middle class. They maintain transnational households, shuttling between Australia, New Zealand and Taiwan, Hong Kong or China. Two conferences of importance were held one year apart: “Histories of the Chinese in Australasia and the South Pacific” in 1993 and “Chinese Settlers and Sojourners in Australasia and the South Pacific” in 1994.<sup>251</sup> The 1993 conference was organized by the Museum of Chinese Australian History is more comprehensive, including all but one contributor of the 1994 conference. Both conferences strived to explore new methods and new sources of material. The 1993 conference discussed the diversity of the Chinese immigrants in greater details. Since the early 1990s, Australia has become one of the receiving countries of Chinese immigrants.

## **ASIA-PACIFIC REGIONALISM-GROWING CHINESE INVOLVEMENT**

Regionalism can be seen to satisfy a wide range of social, economic, environmental and geopolitical functions. It is a sense of belonging or feeling of community in a socio-cultural sense that is, its a social construct associated with identity. From this perspective, regionalism can become a rationale for policies associated with stability and control within a perceived sphere of influence. The emergence of regionalism can be seen as a response to the dynamic processes of globalisation. In the 20<sup>th</sup> century, two simple models were especially influential

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<sup>249</sup> Ibid.

<sup>250</sup> Ibid.

<sup>251</sup> Ibid.



in describing the global differentiation of space.<sup>252</sup> During the Cold War period, at the broadest scale, global space was differentiated primarily on ideological grounds the East that is, the communist world and the West that is, the capitalist world. With the demise of the Soviet Union and the end of the Cold War period, the most important basis for the differentiation of global space was on economic grounds. Thus, we had the rich states of ‘the North’ and the poor states of ‘the South’.<sup>253</sup>

Asia-Pacific sporting events are growing in number, and are a new element of Chinese-Pacific interaction. Martial arts from China, Japan and Korea are becoming widespread. Chinese New Year is becoming popular with people of all races in some national calendars. Chinese medicine, acupuncture and exercise routines are being adopted in the Pacific. Until World War II each colonial power kept all others out of its colonies, and even Australia and New Zealand kept strictly clear of each other’s colonies. But the attack from Japan in World War II, the fear of communism, the withdrawal of Britain from the Pacific, and United Nations pressure to decolonize, all made them realize they had common interests to protect. One technique for doing this was by setting up Pacific regional organizations, both inter-governmental and non-governmental, in which the former colonial powers retained leverage by supplying funds and personnel.

Between 1946 and 1980 over 300 regional organizations were set up with the focus on the Pacific Islands.<sup>254</sup> Then Asia-Pacific regional organizations began to reach into the Pacific and are now in the process of eclipsing regional activity in the Pacific Islands region. Now there are at least 750 Asia-Pacific regional organizations involve the Pacific Islands.<sup>255</sup> Japan remains the most important innovator, initiator and contributor to Asia-Pacific organizations, and Taiwan has played a positive role, but since the 1990s China has become a significant player. To facilitate its ambitions to become a global economic power, China has actively promoted tourism, trade and enterprise amongst the OC as a key aspect of its “Going Out” strategy with various countries around the world.<sup>256</sup> An international forum of OC in 2001 sought to establish transnational entities and investment overseas for securing access to essential resources and increasing exports of Chinese-manufactured goods.<sup>257</sup>

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19 Rumley, D. (2005). The Geopolitics of Asia-Pacific Regionalism in the 21st Century. *The Otemon Journal of Australian Studies*, vol. 31, pp. 5–27.

<sup>253</sup> Ibid.

<sup>254</sup> Brady, A. M. (2010). *Looking North, Looking South: China, Taiwan and South Pacific* (Vol. 26). World Scientific.

<sup>255</sup> Ibid.

<sup>256</sup> Ibid.

<sup>257</sup> Ibid.

There has been an increase not only of overseas Chinese organizations, but also of a trend of alliance, regionalization, and globalization among these organizations. According to an incomplete survey, by the end of the 1990s there were over 70 world-level Chinese organizations with 70 percent of them being established after the 1980s.<sup>258</sup> Another survey suggests that by the mid-1990s, the number of world-level Chinese organizations had surpassed 100. Most of these organizations are based on kinship, hometown, or profession. On January 24, 2001, the World Federation of Overseas Chinese Associations was established in Hong Kong.<sup>259</sup> It was endorsed by both the government of the Hong Kong Special Administrative Region and the central government of the PRC.

The Chinese government has divided the Chinese living outside Greater China into two main categories, *huaqiao* and *huaren*.<sup>260</sup> The former is translated into overseas Chinese and refers to Chinese citizens temporarily residing outside of Greater China. The English translation of *huaren* is Chinese overseas and it refers to the ethnic Chinese who are living outside of Greater China and are no longer Chinese citizens. The Chinese government uses overseas Chinese to refer to people of Chinese ethnicities who live outside Greater China, regardless of citizenship.

New Chinese immigrants are different from the old Chinese immigrants in at least three aspects. First, the new immigrants are better educated than old immigrants. Second, they are no longer the poor people from a poor country. They, especially those from Hong Kong and Taiwan, have become a formidable economic force domestically, regionally, and even globally. It is well known that ethnic Chinese played a crucial role in Southeast Asia for over 600 years. However, it was not until after the late 1970s that the wealth of ethnic Chinese increased rapidly.<sup>261</sup> According to an estimate of the World Bank, the output of overseas Chinese enterprises increased from US\$400 billion in 1991 to US\$600 billion in 1996.<sup>262</sup> Zhuang also noted in 2001 that ethnic Chinese dominated Southeast Asian economies: 80 percent of enterprise assets in Indonesia; 90 percent of Thai manufacturing; 50 percent of Thai service industry. Out of 1,000 large-scale enterprises in the Philippines, one-third of

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<sup>258</sup> Ibid.

<sup>259</sup> Ibid.

<sup>260</sup> Wang, C., Wong, S. L., & Sun, W. (2006). Haigui: A new area in China's policy toward the Chinese diaspora?. *Journal of Chinese Overseas*, 20(2), 294-309.

<sup>261</sup> Yang, J. (2011). *The Pacific Islands in China's Grand Strategy: Small States, Big Games*. Springer.

<sup>262</sup> Yang, J. (2011). China's World Wide Web: Overseas Chinese in the South Pacific. In *The Pacific Islands in China's Grand Strategy* (pp. 105-125). Palgrave Macmillan US.

them were controlled by ethnic Chinese; ethnic Chinese controlled 60 percent of Malaysia's capital market.<sup>263</sup> Finally, the new immigrants maintain close relations with China.

Bertil Lintner observed in 2007 that the South Pacific "is becoming one of three areas of the world where Chinese influence is spreading so rapidly that it may soon make not only an economic but also a significant demographic difference."<sup>264</sup> The other two areas were the Russian Far East and contiguous parts of Southeast Asia. Lintner emphasized that "there are bigger geostrategic stakes in the Pacific. While the United States was focused on conflicts in Iraq and Afghanistan, China was making substantial human inroads into a region that has long been regarded as America's sphere of influence."<sup>265</sup> Citing other observers, Lintner further claimed that "as more and more Chinese migrants settle into the region and contribute to changing the region's ethnic demographics, the Pacific is steadily becoming a Chinese sphere of influence."<sup>266</sup>

Overseas Chinese in the South Pacific play an important role in China's national development strategy and national reunification strategy. Economically, the Chinese immigrants are dominating the economy of some Pacific Islands. Ethnic Chinese are believed to be the largest investors in the Islands today and they have taken over wholesaling and retailing in most Pacific island nations. Even in Fiji, Chinese immigrants are filling the "commercial vacuum" created by the departure of the Indians due to political uncertainties.<sup>267</sup> Overseas Chinese in the South Pacific have played a major role in China's FDI, with their economic influence and connections with government officials, they are well positioned to help Chinese businesses to "go out"<sup>268</sup> and to strengthen China's economic relations with the region. OC in the region have played a crucial role in deepening China's economic and trade relations with the region. They have become an indispensable medium between motherland China and their adopted countries. The newly elected presidents of these Islands used to visit their former colonial capital for aid, funds and technical assistance when they got independence. Then the range broadened to other Western capitals, then to Japan. Now China or Taiwan is the first port of call for many newly elected leaders, and for ministers, officials, and many Pacific Islands businessmen. Much of the travel by Pacific Islanders to many

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<sup>263</sup> Ibid.

<sup>264</sup> Lintner, B. (2010). The South Pacific: China's New Frontier. In *Looking North, Looking South: China, Taiwan, and the South Pacific* (pp. 3-33).

<sup>265</sup> Ibid.

<sup>266</sup> Ibid.

<sup>267</sup> Yang, J. (2011). China's World Wide Web: Overseas Chinese in the South Pacific. In *The Pacific Islands in China's Grand Strategy* (pp. 105-125). Palgrave Macmillan US.

<sup>268</sup> Ibid.

countries is paid for by the host country, but this is much more in the case of China than in the case of Western nations and like aid, all international actions form a pattern of reciprocity.

The Pacific is perceived to be an easy destination to which to migrate, settle down or move on from. Some Chinese make a point of choosing to live there for only the necessary time to gain the documentation required to immigrate elsewhere. Island nations are commonly used as back doors to enter more developed countries. Some of the migrants are going overseas in search of one in order to return to China as a foreign national. As such, one can gain entry into prestigious universities as a foreign student, apply for jobs advertised specifically for foreigners, or even to bear a second child. A Pacific passport accords such privileges to the bearer.<sup>269</sup> There is now a strong anti-Chinese resentment in some Pacific islands as demonstrated in the 2006 riots in the Solomon Islands and Tonga and the 2009 riots in PNG.<sup>270</sup> Violence against immigrants has been disproportionately against Chinese not only in spectacular riots in Solomon Islands, Tonga, Tahiti, and Papua New Guinea, but on a smaller scale also in Fiji and elsewhere. This has been overwhelmingly against those who arrived in recent years, vastly more than against the long-established Chinese who are generally well integrated.

### **RIOTS IN THE SOLOMON ISLANDS IN 2006**

The election of Snyder Rini triggered the violence. Rini was accused of being too closely aligned with ex-Prime Minister Sir Allan Kemakeza who was tainted by corruption allegations.<sup>271</sup> Rini was also accused of accepting money from Taiwanese and Chinese backers to bribe Members of Parliament into voting for him. It was generally believed that people had hoped that the election would herald a new era in their country and that their hopes were ruined. Riots started in the capital city of Honiara on April 18, 2006. Over 20 Chinese stores were reported to have been torched. The main shopping street was razed to the ground. Chinatown was the main target. Approximately 90 percent of it was destroyed. As they burned Chinatown, rioters chanted the word “Waku,” meaning Asian or Chinese.<sup>272</sup> Fortunately, violence was not targeted at individuals but was limited to the destruction of property. There were no fatalities. It is important to note that the riots occurred against a backdrop of prolonged ethnic and political tensions. Differences in economic, political, and

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<sup>269</sup> To, J. (2010). Sino-Pacific: Extra-Territorial Influence and the Overseas Chinese. *Looking North, Looking South: China, Taiwan, and the South Pacific, Singapore: World Scientific*, 49-82.

<sup>270</sup> Hanson, F. (2009). China: Stumbling through the Pacific?. *Looking North, Looking South: China, Taiwan and the South Pacific*, 104-7.

<sup>271</sup> Yang, J. (2011). China's World Wide Web: Overseas Chinese in the South Pacific. In *The Pacific Islands in China's Grand Strategy* (pp. 105-125). Palgrave Macmillan US.

<sup>272</sup> *Ibid.*

social standing of different ethnic groups exacerbated the situation. At the time of the riots, the Chinese population numbered around a few thousand out of an overall population of 500,000.<sup>273</sup> The Solomon Islands Chinese community had been in existence for nearly 90 years. Many had lived there for generations. In recent years, however, the country has seen a new influx of Chinese, with money and the desire to do business. Regional Assistance Mission to Solomon Islands (RAMSI) had been considered to have done a successful job in ensuring stability in the region up to that point.<sup>274</sup>

The rioting in the Solomon Islands highlighted the sensitivities over Chinese business influences, both in the Solomon Islands and across the South Pacific. Solomon Islanders complained of low wages and poor working conditions under the Chinese, as well as alleged unethical business practices. Allegations of property being bought without proper planning procedures have been aired, as have claims that visas and local passports had been handed out to Chinese without the applications going through the official channels. Resentment against ethnic Chinese and Asians is a reflection of deeper social problems in the Solomon Islands. Arguments exist that poor governance was the key causative factor of the riots, rather than the Chinese themselves. Prior to the riots, a United Nations Development Fund for Women (UNIFEM) report stated that the likelihood of conflict was high in the Solomon Islands due to the lack of trust between political groups, high frequency of disputes concerning land, economic inequality within the population, and ongoing friction in social and ethnic relations.<sup>275</sup> It is argued that the rioters reacted to what they perceived was a “corruption of the democratic process, in particular, concerns about the process of selecting a prime minister, and how ‘business interests’ allegedly influenced the formation of governments.”<sup>276</sup>

## **RIOTS IN TONGA IN 2006**

The rioting started after the parliament went into recess for the year without voting on proposals for sweeping democratic reforms to Tonga’s “semi-feudal” system on 16<sup>th</sup> November, 2006, in the capital of Nuku’alofa, the riots began and later spread throughout the main business district.<sup>277</sup> A political demonstration calling for democratic reform ran out of control and turned into riots. Predominantly Chinese-owned shops and business were then targeted. Disaffected and unemployed youth made up the bulk of the rioters. Like the

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<sup>273</sup> Ibid.

<sup>274</sup> Glenn, R. W. (2007). *Counterinsurgency in a Test Tube: Analyzing the Success of the Regional Assistance Mission to Solomon Islands (RAMSI)*. Rand Corporation.

<sup>275</sup> Singh, S., & Prakash, S. (2006). Politics, democracy and the media: Case studies in Fiji, Tonga and the Solomon Islands. *Pacific Journalism Review*, 12(2), 67.

<sup>276</sup> Ibid

<sup>277</sup> Langa’oi, P. (2010). China’s Diplomatic Relations with the Kingdom of Tonga. *China in Oceania: reshaping the Pacific*, 164-78.

Solomon Islands riots, the main target of the riots was property rather than people. On November 18, 2006, 110 troops and 44 police came from New Zealand and Australia into Tonga at the request of the Tongan government. Later, eight Tongan citizens were confirmed dead, and around 80 percent of the Central Business District was estimated to be destroyed.<sup>278</sup> Hundreds of people were left jobless. Many Chinese sought sanctuary in the Chinese embassy in Tonga, and some of them evacuated the country.

Like the riots in the Solomon Islands, the riots in Tonga occurred in the context of a changing Tongan society. Challenges to the traditional lifestyle, growing economic inequality, and ethnic identity issues all contributed to the riots. Some note that Chinese migration has upset traditional ethnic and economic patterns. The growing Chinese population would dominate Tonga's economy as the Indians did in Fiji fuelled resentment. At the time of the riots there were fears that the Chinese presence would ensure that Tongans would become second-class citizens. Rising unemployment in Tonga also helped to increase resentment toward the Chinese. In 2001, it was reported that only around a quarter of the 2,000 young people who left school each year were able to find jobs without moving abroad.<sup>279</sup> As in the Solomon Islands, the recent movement of Chinese into trades traditionally in the hands of Tongans, such as taxis, food stalls, and small dry-goods shops, caused resentment, as did their evident wealth compared to most indigenous Tongans. Tonga is the only monarchy left in the Pacific region.<sup>280</sup> However, in more recent times, there has been a greater push for democracy. The desire for political changes has partly originated from Tongan people witnessing how democratic systems operate in foreign countries. Although Tonga has a parliament, a cabinet, and free elections, many Tongans still feel that it is not democratic. The death of King Tupou IV on September 10, 2006, after being in reign for 41 years, saw an outpouring of growing popular resentment of aristocratic privilege.<sup>281</sup> Tongan society started its transformation towards the political demonstration for democratic reform.

### **RIOTS IN PAPUA NEW GUINEA IN 2009**

A protest was organized in Port Moresby on 13<sup>th</sup> May 2009, for the purpose of petitioning the government to reduce Asian immigration. The march ended in looting and violence, involving tens of thousands of people. Banks, shops, and other businesses run by ethnic

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<sup>278</sup> Ibid.

<sup>279</sup> Ibid

<sup>280</sup> Ibid.

<sup>281</sup> Yang, J. (2011). China's World Wide Web: Overseas Chinese in the South Pacific. In *The Pacific Islands in China's Grand Strategy* (pp. 105-125). Palgrave Macmillan US.

Chinese and others of Asian origin were targeted in towns across the country.<sup>282</sup> Four people died in total. No Chinese were injured or killed. The riots prompted China to express its concern and urge the PNG government to protect its nationals and enterprises. As in other Pacific Islands, the anti-Chinese resentment partly resulted from a perception that foreigners, particularly the Chinese, were taking away small businesses that were traditionally dominated by local Papua New Guineans. Local businesses were in no position to compete with Asian, most Chinese, newcomers simply because the latter had access to much cheaper products. It was also believed that Asians were involved in crimes such as drug trafficking, people smuggling, illegal gambling, and prostitution. Adding to the resentment was the view that government officials were corrupt and had opened the entry gates to Asians. The high unemployment rate, in some towns as high as 80 percent, was also blamed for the riots.<sup>283</sup> Anti-Chinese sentiment is also strong in other parts of the South Pacific, such as in Majuro, capital and the largest city of the Marshall Islands, due to a rapid increase of Chinese. Other than the causes mentioned above, the limited land available in the Pacific is also a significant factor. On some islands, there are too many people in a small area for the land and sea to sustain the population. Consequently, there is a strong likelihood of internal conflict. The Chinese can become an easily recognizable target.

### **CHINESE INVOLVEMENT IN THE CRIMINAL ACTIVITIES**

The South Pacific is increasingly vulnerable to exploitation by transnational organized crime, law enforcement agencies in the region are largely unable to manage territorial borders, and governments and regional organizations are struggling to address the situation. Some of the Chinese involved in the criminal elements which is in transnational crimes like people smuggling, prostitution and illegal gambling, illegal migration.<sup>284</sup> Such OC were given titles such as envoy, consul or representative but many of them turned out to be opportunists, gangsters and criminals.<sup>285</sup>

### **CHINESE TRANSNATIONAL CRIMES**

Chinese involved in transnational organized crimes which are affecting the Pacific region. Drug and precursor trafficking, trafficking in persons and smuggling of migrants, and small arms trafficking are the major emerging threat to the region.<sup>286</sup> Transnational crime is

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<sup>282</sup> Ibid.

<sup>283</sup> Ibid.

<sup>284</sup> Ibid.

<sup>285</sup> Ibid.

<sup>286</sup> Thachuk, K. L. (Ed.). (2007). *Transnational threats: smuggling and trafficking in arms, drugs, and human life*. Greenwood Publishing Group.

predominantly coordinated through international organized triad crime rings, facilitating the illegal trafficking of drugs and other contraband. Counterfeit goods are an emerging problem in Tonga, and it is already rampant in PNG.<sup>287</sup> In Fiji, Asian fishing vessels are used to smuggle items into the country unchecked, aided by customs, immigration and police officers who have a good relationship with Chinese business people. These Islands are having poor maritime border security, with authorities relying on the captain's declarations of cargo and number of people on board.<sup>288</sup> In response to the high number of incidents concerning undeclared goods, the Fijian Customs Department imposed a 100 percent search on all containers imported by Chinese nationals, deeming them a high risk status. Prostitution is another concern for local authorities. In the Northern Marianas, 90 percent of the 1500 prostitutes in Saipan are Chinese.<sup>289</sup> Saipan is the most populated Island of the Northern Mariana Islands. Some arrive on valid papers for work in garment factories, but end up overstaying and working without permits for as long as eight years working to pay off their recruitment fees and living expenses.

## **ILLIGAL MIGRATION**

Many of these criminal elements are directly related to international illegal migration. This is essentially a Chinese phenomenon, with 90 percent of it originating from the PRC.<sup>290</sup> In fact, the number of illegal migrants from China exceeds that of legal ones. The problem is so big that Fijian authorities have lost track of controlling them. They are flown in, dropped off by fishing boats, or arrive under the guise of tourists. Others arrive legally, but end up being unaccounted for. Some of them become local residents after receiving coaching on how to evade immigration controls. Illegal migrants entering the region are a frustrating issue for border management. It puts stress on local infrastructure, and raises bilateral problems with China. As early as 1999, Fijian authorities were probing these concerns through a specially established Asian Unit. Fijian immigration officials later reduced the visitor visa period from four to one month following violations by Chinese.<sup>291</sup>

## **PASSPORT SALES**

As a means of raising revenue, passport sales were widespread during the late 1980s and 1990s. After a military coup in 1987, migrant Chinese settled in Fiji after responding to

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<sup>287</sup> Yang, J. (2011). China's World Wide Web: Overseas Chinese in the South Pacific. In *The Pacific Islands in China's Grand Strategy* (pp. 105-125). Palgrave Macmillan US.

<sup>288</sup> Ibid.

<sup>289</sup> Ibid.

<sup>290</sup> Ibid.

<sup>291</sup> To, J. (2010). Sino-Pacific: Extra-Territorial Influence and the Overseas Chinese. *Looking North, Looking South: China, Taiwan, and the South Pacific, Singapore: World Scientific*, 49-82.



government efforts seeking foreign investment.<sup>292</sup> In 1995, over 7000 were approved in a plan for Hong Kong Chinese to immigrate to Fiji if they paid the appropriate fees and investments. Chinese from other regions of China arrived to take over from Indian Fijian businesses left vacant after ethnic instability in the late 1990s.<sup>293</sup> Tonga, Samoa, Vanuatu, Kiribati, Tuvalu, Nauru and the Marshall Islands all had similar schemes in which citizenship was sold for thousands of dollars. These sales were embroiled in controversy and complications. Allegations of corruption and greed by local immigration officials were raised in every country where residency or passports were sold.

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<sup>292</sup> Ibid.

<sup>293</sup> Ibid.

## **Chapter Five**

### **Conclusion**

The South Pacific has very unique characteristic features, which includes remoteness of the region, vast geographical distribution of countries and territories, rich natural resources, tropical climate, fragile ecosystems, sandy beaches, different ethnic groups and cultural diversity within the Pacific Island Countries (PICs). South Pacific region is dominated by Australia. The other two major landmasses of this region are New Zealand and Papua New Guinea. It also includes vast island nation groupings of Micronesia Polynesia and Melanesia. All 14 of the independent states of the region are either developing or least developed countries. The region is highly diverse in environmental, economic and cultural terms, but has developed a common sense of shared identity. The rise of China globally in the 21<sup>st</sup> century has raised the eyebrows of western powers in unipolar world since Cold War. China emerged as a significant player in the regional affairs of the South Pacific region in the post-Cold War era. Political-diplomatic relations, aid programs, economic exchanges, and virtually all declensions of soft power, both by governmental and private-sector actors, are on the rise between China and the South Pacific region. China is a large and rising power in the world politics and it became world's second largest economy in 2010 by surpassing the Japan.

The introductory chapter formulates the understanding of strategic interests in International Relations, China's relations with the South Pacific and its foreign policy towards the region. It also highlights the geo-strategic significance of the South Pacific region. The second chapter will give a broader view of China's growing involvement in PICs. It explores the key dimensions of China's emergence as a significant force in Pacific Island affairs. It will examine the relations between China and South Pacific Island countries and its impact on Australia and New Zealand. It will analyze the trade, agreements, power projects and different programmes between China and PICs. Third chapter discusses the background of the Beijing-Taipei diplomatic rivalry. It examines the diplomatic competition between China and United States in the South Pacific, its implications for the Beijing-Taipei diplomatic rivalry. And it will also explain how this diplomatic rivalry is influencing the region. Fourth chapter will explain and analyse the background, reasons and implications of an increased ethnic Chinese presence in the South Pacific. This chapter explains the role of Chinese

Diaspora in maintaining relations with the South Pacific. It will also discuss how China is using them to advance Beijing's national interests.

China's interests are wide-ranging and increasing over time in the region. Its active engagement in the region provides essential and potentially long-lasting developmental facilities for Pacific Island countries (PICs). China has rapidly developed its relations with the South Pacific region since the end of Cold War. The South Pacific plays a significant role in China's development and national reunification strategies. China increased its financial support for enhancing trade, infrastructure development, equipping government and military property, and developing natural resources in the region. China's one of the major interests is the natural resources including hydrocarbons, fisheries, copper, gold, timber, and other minerals of the South Pacific which is very essential for the resource hungry China and also these countries doesn't have the technology to collect the resources. The importance of Pacific islands is very vital for China. The PICs geopolitical position is very vital for the development of China's maritime interests and energy resources, and the location is also the gateway of the Pacific Ocean from east to west and south to north. Being the second global economic power, expansion of its interests and influence from land to sea would be China's priorities. The South Pacific islands feature prominently in Australia's geostrategic perspective and are central in the formulation of Australia's foreign and defence policies. Australia's Defence White Papers over the last 40 years have placed self-reliance in defence of Australia as the top priority and, in doing so, have recognised that a crucial aspect of that defence is the ability of any hostile force to use the Pacific island nations as bases from which to attack.

Presently China is having diplomatic relations with eight out of the 14 PICs. They are Cook Islands, Federated States of Micronesia, Fiji, Niue, Papua New Guinea (PNG), Samoa, Tonga, and Vanuatu. China's interests in the region have increased rapidly in the post-Cold War, mainly to explore the natural resources and to expand its business. China's interests in the Pacific Islands were driven largely by its competition with Taiwan for diplomatic recognition. The motivation for Chinese involvement from the middle of the 1990s initially focused on blocking further expansion of Taiwan. Six out of twenty-three countries in the world that recognize Taiwan are Pacific Island nations, thus the region has become a major focus of the Taipei-Beijing diplomatic rivalry. Since that time, China's increasing presence in the Pacific has been characterised by expanding trade, investment and aid ties with the

region, driven by a diverse range of Chinese economic actors. Chinese aid program mostly directed toward infrastructure development projects such as roads constructions, fish processing factories, sporting facilities, government offices, mega conference centres, school dormitories, mining processing factories, ship building, hydro power plants, capacity building of human resources, so forth.

The 14 PICs constitute a significant voting bloc in the international forums, especially in the United Nations. And also there is considerable number of Chinese Diasporas scattered in those islands. Though lots of Chinese people had inter-marriage with the local people, and have deeply integrated into local society. Their Chinese descents and the close linkage to both Chinese and local culture, can serve as a bridge to further the promotion of friendly relations between China and the Pacific island countries. Geo-strategically Pacific island countries are very important for China because of three major reasons. First, the important location of various island countries can serve China's safe ship transport through the South Pacific sea lanes; second, the island countries play a significant role in China's offshore defense strategy in the Pacific along with the further development of blue water navy; and lastly the Pacific island countries remain a major concern of Chinese leadership for the struggle with Taiwanese authority for the diplomatic recognition, which is closely linked to China's peaceful unification strategy.

The United States concern about China's increasing presence in the South Pacific region. The United States focus in the region is in Micronesia, where it controls Guam and the Commonwealth of the Northern Mariana Islands. It also has Compacts of Free Association with the Marshall Islands, Palau and the Federated States of Micronesia, according to which it is obliged to provide public services, security and defence support. In Polynesia the United States also controls American Samoa. Most significantly, the United States has the Anderson Air Force Base on Guam, and the Ronald Reagan Missile Defence test site at its base on Kwajalein Atoll in the Marshall Islands. United States and China's increasing focus on the South Pacific, the region might become a microcosm of broader emerging strategic rivalry between the two powers. China and the United States will engage in a zero-sum competition for regional influence, as occurred during the Cold War.

The region is made up of many small and underdeveloped islands vulnerable to the influences of larger countries. Any country engaging with a small Pacific island state should ensure that the island's needs are a priority and that the island's political and social stability, its

economic development and security and environmental interests are not compromised by the presence of the country or the activities of its nationals. Diplomacy and aid in the Pacific region are intrinsically linked as the PRC and Taiwan compete for recognition, often utilising the blunt foreign policy tool of aid payments. Amongst some Pacific Island nations, competition between the PRC and Taiwan for diplomatic recognition has, on occasion, appeared to take on the characteristics of a bidding war, conducted mainly through bilateral aid payments. This problem can be exacerbated when the practice of gift giving, an important aspect of many Pacific Island cultures, is exploited. Being relatively poor and tending to lack the appropriate institutional mechanisms to ensure political and bureaucratic accountability, many Pacific islands are vulnerable to financial influence and corruption. Deng Xiaoping once proclaimed that China could wait for 100 years to reunify with Taiwan if necessary. More recently, former Chinese leader Jiang Zemin started to articulate that China would not wait forever, but lacked the capacity to back up the implicit threat. While President Xi Jinping has made greater efforts to push for political dialog, what is clear is that he is more confident in resolving the Taiwan issue on Beijing's terms. In the middle of 2016 Xi argued that the Taiwan issue is the only incomplete part of the CCP's mission for national unification. Linking the great rejuvenation of the Chinese nation and the national unification issue, Xi has pushed for a resolution with Taiwan. Xi has implied a timetable for the resolution that if not in 2021, it has to be resolved by 2049, precisely 100 years after the founding of the PRC. China's stated aim in establishing diplomatic relations and providing assistance to countries in the South Pacific is to provide genuine aid, to cultivate friendly relations and cooperation, its rivalry with Taiwan in the region creates problems for the PICs.

The proposed study intended to examine the following hypotheses:

1. China's long-term strategy is to exercise its economic leverage for greater political influence.
2. China's interest was initially driven by its competition with Taiwan for diplomatic recognition and to question the hegemony of the United States.

Relatively all the hypotheses are tested positive. Chinese interests in the South Pacific region are wide-ranging and growing over time. China's active engagement in the region provides important and potentially long-lasting developmental opportunities for Pacific Island countries. Pacific islands geopolitical position is very vital for the development of China's maritime interests and energy resources, and the location is also the gateway of the Pacific Ocean from east to west and south to north. Being the second global economic power,

expansion of its interests and influence from land to sea would be China's priorities. China's diverse and expanding regional interests, and its rising economic and strategic strength, one can expect that Chinese presence in the region will only grow stronger in the coming decades. The diplomatic rivalry between China and Taiwan isn't restricted to the PICs on the bilateral stage. It is also expanding to the regional organizations as well. Chinese interests in this region are focused by an objective to become the dominant player in the region, and also to challenge the longstanding strategic supremacy of the United States. The Chinese intention is to edge the US out of the South Pacific and to dislodge it from its current forward military presence, leaving the South China Sea and Taiwan to a Chinese sphere of influence.

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