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CHINA IN THE SOUTH PACIFIC

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China in the South Pacific



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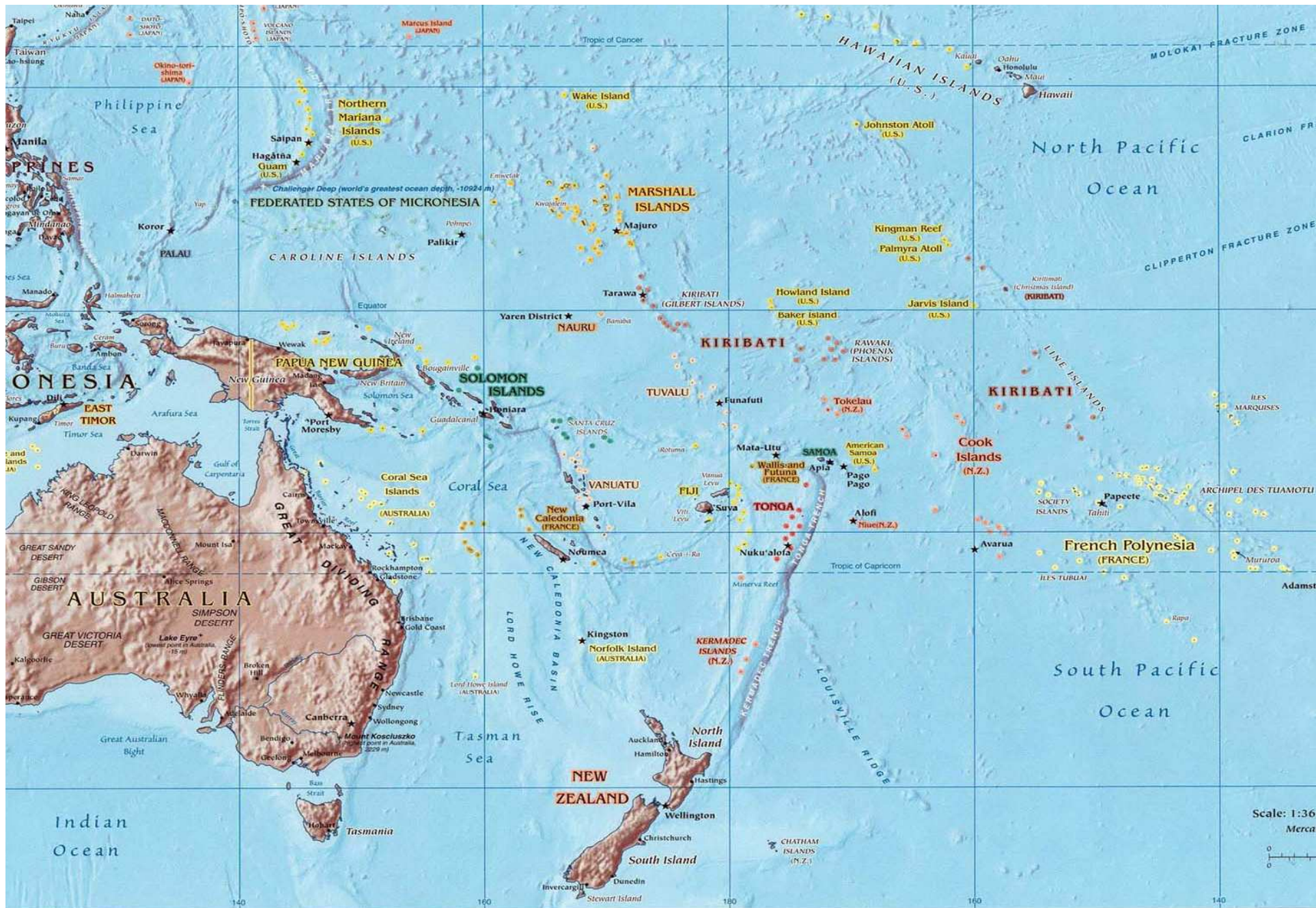
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Expanding Role of China and Taiwan in the Pacific Region

April 2006 – China's Premier Wen Jiabao at the first China-Pacific Islands Countries Economic Development and Cooperation Forum held in Fiji.



September 2006 – Taiwan's President Chen Shui-bian at the first Taiwan Pacific Allies Summit, held in Palau.

Japan Pacific Islands Summit

May 2006 – Fourth Japan-Pacific Islands Forum (PIF) Summit Meeting held in Nago, Okinawa Prefecture.



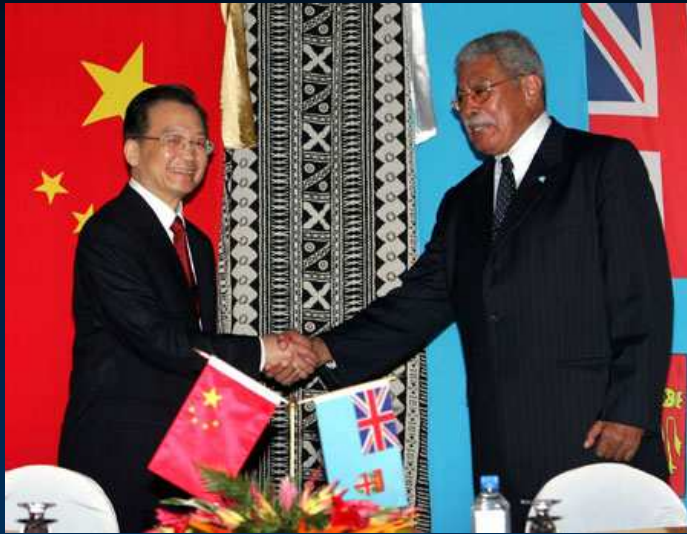
China's Push into the Pacific



Photo: Fiji Prime Minister Qarase in Beijing in June 2006, days before the two countries mark the 30th anniversary of the establishment of diplomatic relations.

- China has been gaining influence in the Pacific for some years, with a regular procession of Pacific Islands politicians getting five-star treatment during visits to Beijing.
- There have been more Pacific Islands minister visits to China than to any other country.
- However, it was not until 2006, when Wen Jiabao (溫家寶) visited the Pacific islands as part of the first ever China-Pacific Islands Countries Economic Development and Cooperation Forum that a Chinese premier visited the Pacific islands.

Chinese Direct Aid to Pacific Island Countries



- China announced a new aid package worth 3 billion yuan (US\$375m) at the 2006 China-Pacific Islands Countries Economic Development and Cooperation Forum.
- The bulk of aid is in the form of preferential loans over a period of 3 years to boost cooperation in resources development, agriculture, fisheries etc.
- China offered US\$1.7 million to Fiji to sponsor the one-day conference, and Fiji is estimated to have received up to US\$13million in grants from China in 2006.



Chinese Funded 'High-Profile' Buildings in Pacific Island Nations



Vanuatu's Parliament House



Samoa Government Office



Fiji National Stadium in Suva

Other Forms of Assistance from China

- **Zero tariffs for exports from the least developed countries in the region.**
- **Cancelling any of their debts which matured at the end of 2005.**
- **Free anti-malaria medicines would be provided to affected Pacific countries over the next three years and training for 2,000 government officials and technical staff.**
- **Wen witnessed the signing of bilateral agreements with eight island countries during his stopover at Denarau. Ministers also signed a regional framework agreement for economic cooperation between China and the Pacific nations.**

Chinese Migration to Pacific Islands

- In late 1800s and early 1900s, Western colonial powers recruited Chinese indentured labourers
- These labourers were followed by free immigrants who found economic niches as merchants and artisans within the Colonial economies
- Chinese average less than 1% of total populations but play a large role in local economies
- 'New' Chinese immigrants crowding-out local entrepreneurs, introducing criminal elements - smuggling, drugs

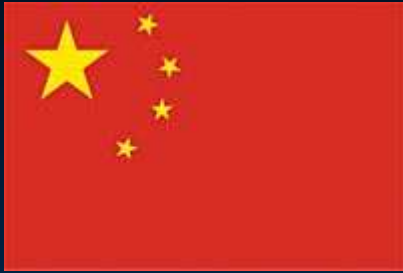


Photo: A shopping mall in Samoa owned by a Chinese immigrant.

Chinese Populations in Pacific Island Countries

Country	Total Population	Chinese Population (Est)	% of Total Population (Est)
Papua New Guinea	5,670,544	20,000	0.035%
Fiji	905,949	20,000	2.21%
Vanuatu, Solomon Islands, New Caledonia		2,600	0.29%
Tonga	114,689	500	0.44%
Nauru	13,287	1,000	7.53%

Diplomatic Rivalry between China & Taiwan



Cook Islands
Federated States of
Micronesia
Fiji
Niue
Papua New Guinea
Samoa
Tonga
Vanuatu



Kiribati
Marshall Islands
Palau
Solomon Islands
Tuvalu
Nauru

- China gained international recognition when Beijing replaced Taipei at the UN in 1971.
- Taiwan responded by seeking new allies among emerging developing nations.
- Over the past two decades, both China and Taiwan have focused particular attention on the South Pacific region, where the decolonization process and a high reliance on foreign aid have provided fertile ground for diplomatic initiatives.

Current Tensions

- Both China and Taiwan have interfered in the political process in island countries by handing out cash to their favoured politicians (most recently in the Solomon Islands' 2006 election campaign)
- Concerns have been raised about the spread of Chinese criminal syndicate-controlled activities in the region (e.g. illegal migration, money laundering, drug smuggling)
- At the local level, these tensions are sometimes evident in unrest involving the targeting of Chinese businesses (for example, recent riots in Tonga and the Solomon Islands)
- At a regional level, there appears to be a widening gulf between those who see China's increased role in the region as a threat ("dragon in paradise"), and those who view it as a source of opportunity

Changing Alliances.....

- Some Pacific island nations have reassessed their alliances to China and Taiwan over time
- Example: Kiribati, which was the site of a Chinese Satellite Tracking Station from 199x to 2003



China's Objectives in the Pacific Region?

- Competition with Taiwan for diplomatic recognition and political influence in the region – the 'blocking' strategy
- Projection of China's global role and power to be influential in all regions of the globe
- Compete for influence with Japan and challenge 'Western' hegemony
- Increased international recognition of an emerging major power – no 'strings' attached
- Access to the region's fishery and potential seabed resources
- Enhance trade to region

Strategic Interests?

- In 2003, the Satellite Tracking Station on Kiribati became an election issue
- After newly elected President Anote Tong's government formally recognised Taiwan as a country, China quickly:
 - severed diplomatic relations with Kiribati
 - dismantled its satellite tracking station Dec 2003
 - withdrew its doctors from the local hospital
 - halted construction on a new sports stadium



The Satellite Tracking Station in Kiribati before dismantling



President Chen addresses Kiribati Parliament

Countering China's Diplomacy so far

- In May 2006, Japan announced US\$410 million in new aid to Pacific nations
- This marked a big jump in aid in what some see as a growing battle with China over influence in the region
- The 12 votes of the Pacific states at the United Nations, considered vital if Japan is to reach its goal of a permanent seat on the UN Security Council
- China, a permanent member of the UN Security Council, is trying to block momentum for a seat for Japan
- No direct Aust/NZ reaction so far to counter China's influence
- For Taiwan it's an all-consuming pre-occupation



China Rising? The debate

The 'Dragon in Paradise' view

- China not just filling a vacuum, but incorporating the islands into its broader power quest
- It will sideline Taiwan and undermine ties between the PICs and US and Japan

Versus

The 'responsible China' view

- China is not trying to change the global architecture
- China becoming 'enmeshed' in the international system
- Unequivocal commitment to respect PICs sovereignty and resource rights

Implications?

- China's rise in the region and its increasing influence (combined with a perceived decline in the US's regional presence), will require adjustments within the region – but creates dilemmas for some inc Australia
- Island countries have another option for aid and political support which frustrates Australia and other donors in their attempts to link aid to good governance outcomes
- The competition between Taiwan and China – 'chequebook diplomacy' - exacerbates the region's problems ,contributes to corruption & instability and impacts on the re-building of Solomon Islands
- Cheap tradestore goods undermine markets – sound business practices also at risk
- There is a need for the 'traditional' powers in the region (the US, Europe, Japan, Australia, New Zealand) to draw China into a more mainstream collective effort on development and security in the region