

## China, India and Japan in the Pacific: Latest Developments, Motivations and Impact

Denghua Zhang

Discussion Paper 2018/6

### Introduction

China is increasing its presence in the Pacific region. In Papua New Guinea (PNG) as an example, Prime Minister Peter O'Neill visited Beijing in June 2018, his sixth trip in an official capacity since 2012. During this latest trip, he signed up to China's Belt and Road Initiative, making PNG the first and only country in the Pacific to join this initiative<sup>1</sup> to date (China MFA 2018). In July 2016, O'Neill and Chinese leaders agreed in Beijing to integrate PNG's Development Strategic Plan 2010–2030 with China's 13th Five-Year Plan and Belt and Road Initiative (China MFA 2016). China also funded the construction of the International Convention Centre in Port Moresby, which is China's largest grant aid project in the Pacific to date and will be used as the main venue for the 2018 APEC summit in November.

Japan has a long history of engagement with Pacific island countries (PICs) and is maintaining its presence. In May 2015, Japan hosted the seventh Pacific Islands Leaders Meeting in Fukushima and pledged to provide a minimum of US\$515.8 million (55 billion yen)<sup>2</sup> in aid to PICs over the next three years (Japan MOFA 2015a). It fulfilled this aid pledge and committed the same amount at the eighth summit in May 2018 (Japan MOFA 2018). Japan also donated 46 buses, 22 ambulances and musical instruments to PNG for use during the APEC summit. Under a loan project worth US\$77.5 million (8.2 billion yen), Japan and PNG also aim to complete the upgrading of Port Moresby's sewerage system before the APEC meeting and have it opened by the Japanese prime minister during the summit (Vari 7/2/2018).

India is another Asian power that is becoming increasingly active in the Pacific. In November 2014,

Prime Minister Narendra Modi became the first Indian prime minister to visit the region in 33 years. In May 2017, the India–Pacific Islands Sustainable Development Conference was inaugurated in India and the Indian government pledged to set up centres of excellence in information technology (IT) in Cook Islands, Fiji, Nauru, Niue and Samoa (India MEA 2017).

The growing presence of external players, China in particular, has bred anxieties among traditional regional powers, notably Australia and New Zealand, and forced them to devote more attention to the region. For example, the Australian Government increased their support (totalling over AU\$100 million) for PNG to host the APEC summit (ABC 1/2/2017). It also blocked Chinese company Huawei's plan to lay an undersea internet cable between Australia and the Solomon Islands and instead provided nearly AU\$137 million to lay a cable between Australia, PNG and the Solomon Islands (ABC 11/7/2018). In his address at the Lowy Institute in Sydney in March, Winston Peters, New Zealand Deputy Prime Minister and Minister of Foreign Affairs, said the Pacific is 'attracting an increasing number of external actors and interests ... This is creating a degree of strategic anxiety' and New Zealand would respond by increasing its aid to the region (Lowy Institute 2018c).

China's rise in the Pacific has also led to greater US attention on the region. The Pacific was part of President Obama's rebalance strategy and forms part of President Trump's Indo-Pacific strategy. In 2012, Hillary Clinton became the first US Secretary of State to attend the Pacific Islands Forum Post-Forum Dialogue in the Cook Islands. While noting 'The Pacific is big enough for all of us', she declared that 'The 21st century will be America's Pacific century,

with an emphasis on the Pacific' and the United States will stay 'for a long haul' (Clinton 2012). She pledged an aid package of US\$32 million on top of America's annual aid of US\$330 million to the region (Larsen 2012), which stands in stark contrast to America's aid cut in the previous two decades. USAID also opened its office in PNG in 2011 and provided US\$100 million in military aid to the region (ibid.). These activities echoed the remarks of Secretary Clinton before the US Senate Committee on Foreign Relations in 2011: 'We are in a competition for influence with China' (Pennington 2/3/2011). More recently, the US *National Security Strategy* stated bluntly, 'A geopolitical competition between free and repressive visions of world order is taking place in the Indo-Pacific region ... China presents its ambitions as mutually beneficial, but Chinese dominance risks diminishing the sovereignty of many states in the Indo-Pacific' (White House 2017:45–46).

Although the activities of China, Japan and India in the Pacific have attracted growing academic attention, the existing literature is patchy at best. The two books of the late Professor Ron Crocombe, *The South Pacific* (2001) and *Asia in the Pacific Islands* (2007), are a good starting place, covering China, Japan and India's engagement with PICs until about 2006. Existing literature also covers China–Taiwan rivalry, PICs in China's grand strategy, the United States's response to China's rise and Chinese investors' practices in different sectors (Brady 2010; Firth 2013; Smith 2013; Wesley-Smith 2013; Yang 2011). The evolution of Japan's aid policy in the South Pacific is investigated by Sandra Tarte (2008) while India's inroads into the southern Pacific are canvassed by David Scott (2007). Saloni Salil argues that India has no strategic ambitions in the South Pacific and can cooperate with China (2014). Further academic attention is warranted, given the ever-changing geopolitical atmosphere in the Pacific.

Why focus on China, Japan and India? The engagement of the three countries, the world's second, third and sixth largest economies, with PICs could have significant impact on the region. All three have been active in the Pacific in the past decade — activity which is inadequately discussed in the literature. Asian diplomacy in the Pacific, in particular, is under-explored when compared with that in Asia itself, Africa and Latin America, and scholarly works have mainly focused on China in the Pacific and paid less attention to Japan and India. China, Japan and India are

competitors in many respects. Whether and how they compete in the Pacific deserves more research.

Three questions will be examined in this paper: 1) what are the latest engagements of China, Japan and India with the Pacific region? 2) What are their motives? 3) How have they impacted the region? The time frame of this research is between 2006 and 2017,<sup>3</sup> a period that witnessed substantial engagement of the three countries with the region, but with these new developments being inadequately captured by the literature. The analysis covers all 14 PICs. It builds upon the author's 16 years work and research in the region and more than 120 interviews with government officials, diplomats, scholars, company representatives, media and civil societies during his doctoral research. The paper also refers to an extensive review of scholarly works and public government reports.

## Part 1. Latest developments

### *Political engagement*

High-level visits and the presence of embassies in the Pacific are in this paper taken to be indicators for the intensity of political engagement with PICs by China, Japan and India. Figure 1 below provides the total number of ministerial level (or above) two-way visits between the three Asian powers and PNG, Fiji, Vanuatu, Tonga, Samoa, the Federated States of Micronesia (FSM), Cook Islands and Niue. While Japan and India have diplomatic relations with all 14 PICs, China is only recognised by the above eight Pacific states (hereafter referred to as 'the eight Pacific partner states of China').

Clearly, most interactions have involved China. The number of Chinese high-level visits to the Pacific between 2006 and 2016 is more than twice the number of visits from Japan and India combined. China was also a more popular destination for Pacific leaders and ministers during this period than Japan and India. The larger number of high-level visits between China and PICs provides evidence of China's growing engagement with the region.

Particular high-level visits and bilateral mechanisms symbolise the growing attention China, Japan and India place on the Pacific and therefore they warrant a special mention. One of these occurred in April 2006 when Premier Wen Jiabao visited Fiji, the first Chinese premier in history to do so, and inaugurated the China–Pacific Economic Development

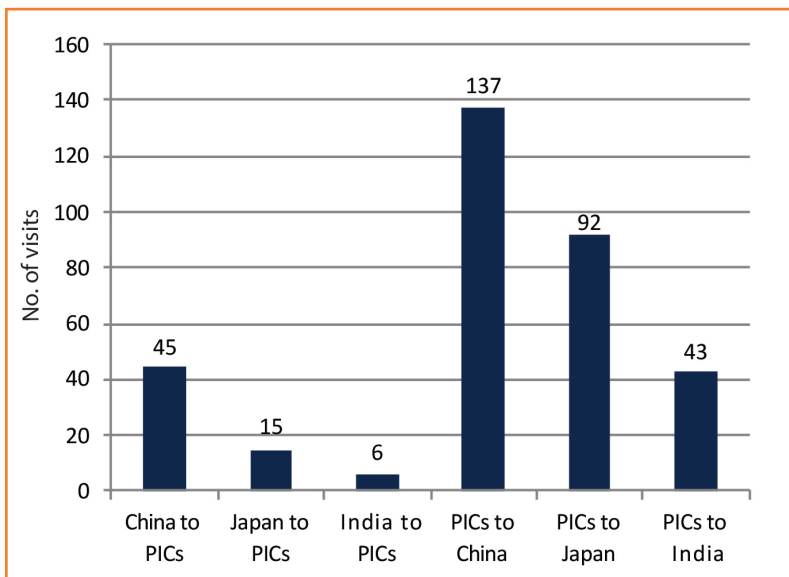


Figure 1: High-level visits between China, Japan, India and PICs, 2006–16

Source: compiled by author from online sources.<sup>4</sup>

and Cooperation Forum. This forum was designed to be a framework for China to promote relations with the region, and shortly afterwards it was hailed as a great success in Chinese media. Eight years later, the trip of Xi Jinping to Fiji in November 2014 was the first visit by a Chinese president to the region. Xi and leaders from the eight Pacific partner states agreed to elevate their relations to a 'strategic partnership'.<sup>5</sup> This term, which is used vaguely in China's diplomatic parlance (Zhang 2017), is a telling sign of China's growing attention to the Pacific.

Japan has also put greater efforts into its bilateral relations with PICs. In 1997, a triennial Pacific Islands Leaders Meeting (PALM) was established by Japan as a platform for the Japanese prime minister and Pacific leaders to discuss bilateral cooperation. Four PALM meetings were hosted by Japan between 2006 and 2017, and substantial development assistance was pledged to the Pacific, which will be discussed later in this paper. In 2010, Japan started to host ministerial interim meetings with PICs to assess the follow-up of PALM outcomes.

India's admission as a Dialogue Partner of the Pacific Islands Forum, the most important regional organisation, occurred in August 2002, over a decade later than Japan's (1989) and China's (1990). Similarly to China and Japan, India set up a framework mechanism to promote cooperation with PICs. During his visit to Fiji in November 2014, Prime Minister Modi established the forum for India–Pacific Islands Cooperation. The second meeting was held in India's city of Jaipur in

August 2015. India's engagement with PNG, the largest PIC both by population and land area, has also grown. In July 2009, PNG's Minister of Foreign Affairs Samuel Abal visited India, which was the first ministerial visit from PNG to India. President Pranab Mukherjee's visit to PNG in April 2016 was also the first state visit in history to PNG by an Indian head of state.

In terms of resident embassies, China has set up embassies in six of the eight Pacific partner states: Fiji, FSM, PNG, Samoa, Tonga and Vanuatu. This arrangement provides Chinese diplomats with the advantage of maintaining close contact with the governments of these PICs and swiftly reporting first-hand information on bilateral relations back to Beijing. The Chinese embassy in Wellington looks after China's relations with Cook Islands and Niue, two Pacific states that are in free association with New Zealand. Niue, in December 2007, was the latest Pacific state to establish diplomatic relations with China. In the past decade, China slightly increased the number of its diplomats in PNG and Tonga. Each Chinese embassy designates one to two officials to oversee the provision of China's fast growing in-country aid under the economic and commercial counsellor's office.<sup>6</sup>

In terms of the number of embassies, Japan with nine embassies in the region has a stronger presence in the Pacific than China. While the embassy in Fiji provides services for another three PICs (Kiribati, Nauru and Tuvalu), Japan has set up an embassy in each of the following six PICs: FSM, Republic of Marshall Islands (RMI), PNG, Palau, Samoa and Solomon Islands. In June 2011 and August 2015, Japan entered into diplomatic relations with Cook Islands and Niue. Similar to China, the embassy of Japan in New Zealand manages Japan's relations with Cook Islands and Niue. To lift its cooperation with Tonga and Vanuatu and better manage its growing aid, Japan opened its embassies in the two PICs in early 2009 and 2018 respectively. Japan dispatched its first ambassador to Palau in February 2010, though the embassy was opened in 1999.

Compared with China and Japan, India's diplomatic presence in the Pacific is limited. It has only opened resident diplomatic missions in PNG and Fiji, India's principal diplomatic and trading partners in the region. India's bilateral relations with the other 12 PICs (as shown in parentheses) are managed remotely

by its diplomatic missions elsewhere: Indian high commission in PNG (Solomon Islands), Indian high commission in Fiji (Kiribati, Nauru, Tonga, Tuvalu and Vanuatu); Indian embassy in Japan (RMI); Indian embassy in the Philippines (FSM and Palau); Indian high commission in New Zealand (Cook Islands, Niue and Samoa).

Similarly, PICs have a higher number of embassies in China and Japan than India. Except Cook Islands and Niue, all eight PICs in diplomatic relations with China have opened embassies in Beijing. Among them, the most recent are FSM and Samoa, which established diplomatic missions in China in April 2007 and June 2009 respectively. Regarding Japan, seven PICs have

resident diplomatic missions in Tokyo: Fiji, FSM, RMI, Palau, PNG, Samoa and Tonga. In July 2009, Samoa's first ambassador to Japan arrived in Tokyo. Tania Tupou, deputy private secretary to the King of Tonga, became the country's first ambassador to Japan since October 2012. In stark contrast, Fiji and PNG are the only two among the 14 PICs that have resident diplomatic missions in India. They were opened in January 2004 and October 2006 respectively.

### Trade

In the trading landscapes of China, Japan and India, the role played by PICs economic activities is minor.

For example, in 2016, China's export to and import from the 14 PICs reached US\$5.39 billion and US\$2.1 billion respectively, accounting for merely 0.23 per cent and 0.13 per cent of China's export and import globally (Pacific Trade and Investment 2017).

Conversely, China and Japan have become principal merchandise trading partners of 10 PICs. As Table 1 illustrates, in 2016 Japan was PNG's third largest export destination next to Singapore and Australia, accounting for 12.6 per cent of PNG's total export. China was PNG's fourth largest export market (11.4 per cent) and second largest import source (14.9 per cent).

It is important to note that RMI is China's largest export destination in the Pacific. The Pacific Islands Trade & Investment Office in China, an agency of the Pacific Islands Forum Secretariat, estimates that China's exports to RMI exceeded US\$3.97 billion in 2016, equivalent to 73.7 per cent of China's export to the 14 PICs combined (2017).<sup>7</sup> As the RMI ship registry is one of the world's largest,<sup>8</sup> its demand

**Table 1. China and Japan as principal trading partners of PICs**

PIC	Year	Principal export destinations			Principal import sources		
		Country	Rank	Percentage (%)	Country	Rank	Percentage (%)
Cook Islands	2015	Japan	1st	51.1	New Zealand	1st	61.4
		China	2nd	20.5	Australia	3rd	2.5
		Australia	3rd	7.6			
		New Zealand	4th	4.2			
Fiji	2016	Australia	2nd	15.0	New Zealand	1st	17.4
		New Zealand	3rd	7.0	Australia	2nd	17.4
		China	4th	5.1	China	4th	15.3
Kiribati	2015			NA	China	2nd	23.5
					Japan	3rd	16.0
					Australia	4th	10.6
Nauru	2016	Australia	2nd	13.6	Australia	1st	70.9
		Japan	3rd	12.9	Japan	3rd	4.3
					China	4th	3.4
Palau	2016			NA	Japan	2nd	13.0
					Australia	4th	1.1
PNG	2016	Australia	2nd	21.9	Australia	1st	35.9
		Japan	3rd	12.6	China	2nd	14.9
		China	4th	11.4			
Samoa	2016	Australia	1st	35.9	New Zealand	1st	23.9
		New Zealand	3rd	12.0	China	3rd	14.1
					Australia	5th	10.3
Solomon Islands	2016	China	1st	62.5	Australia	1st	20.4
					China	3rd	14.8
Tonga	2015	China	1st	16.0	New Zealand	2nd	21.2
		Australia	7th	7.5	China	3rd	14.2
					Australia	5th	4.5
Vanuatu	2016	Australia	1st	16.9	Australia	1st	28
		Japan	4th	10	New Zealand	2nd	17.7
					China	3rd	10.6

Note: To provide some context, Australia and New Zealand as main regional powers are included in the table.

Source: compiled by author using data from Australian Department of Foreign Affairs and Trade. [The Pacific](#).

for ships and boats has grown steadily. Since 2009, China's exports to RMI have increased substantially. The majority are related to ships, some of which are then exported to other countries including Germany, Poland, Thailand and Greece (Pang and Ye 2015). In 2016, China exported US\$3.66 billion worth of ships, boats and floating structures to RMI, which accounts for 92 per cent of China's export to the country (Pacific Trade and Investment 2017).<sup>9</sup> This matches the finding of the World Bank which recorded US\$3.95 billion in China's merchandise export to RMI in 2016, of which US\$3.64 billion or 92.2 per cent were transportation products.<sup>10</sup>

Figure 2 below summarises the trajectory of bilateral merchandise trade between China, Japan, India and the 14 PICs. China's trade with these Pacific states had grown steadily between 2007 and 2016 except for a slight decrease in 2012 and 2013. The bilateral trade in 2016 exceeded US\$7.3 billion, nearly five times that in 2007.<sup>11</sup> Compared with China, Japan's trade with the PICs experienced slower growth in this period though the volume in 2016 doubled on the base of 2007. Since 2009 (except for 2010), China has overtaken Japan as a more important trading partner of the region. India lags considerably behind China and Japan in terms of trade with the Pacific. Commodity trade between India and the 14 PICs was US\$274 million in 2016, equivalent to 3.7 per cent of China's trade with the region and 6.7 per cent of Japan–PICs

trade. Compared with China and Japan, India's trade with the region experienced more fluctuations in the decade of 2007–16. India–PICs trade in 2016 was almost of the same level of the trade in 2007.

### Aid

Aid plays a prominent role in the diplomacy of China, Japan and India in the Pacific. It is instrumental to their pursuit of national interests, including as a vehicle for demonstrating their responsibilities as global powers. Foreign aid also facilitates the penetration of private investment from these countries into the Pacific. Although the Pacific is not a priority in the aid strategies of China, India and Japan, the impact of changes to aid is readily felt by PICs. Before proceeding, it is important to note that access to data on the aid disbursements of China and India is difficult. Accordingly, some discussions below use aid commitments rather than actual disbursements.<sup>13</sup>

Japan has demonstrated more aid transparency than China and India. China does not publish yearly country-based data on its aid spending, which could largely be explained by its intention to reduce domestic discontent with China's aid program as, according to its own official estimates, 55 million Chinese citizens still live in poverty.<sup>14</sup> Similarly, data released by the Indian government on its aid program is limited. By contrast, Japan's annual Official Development

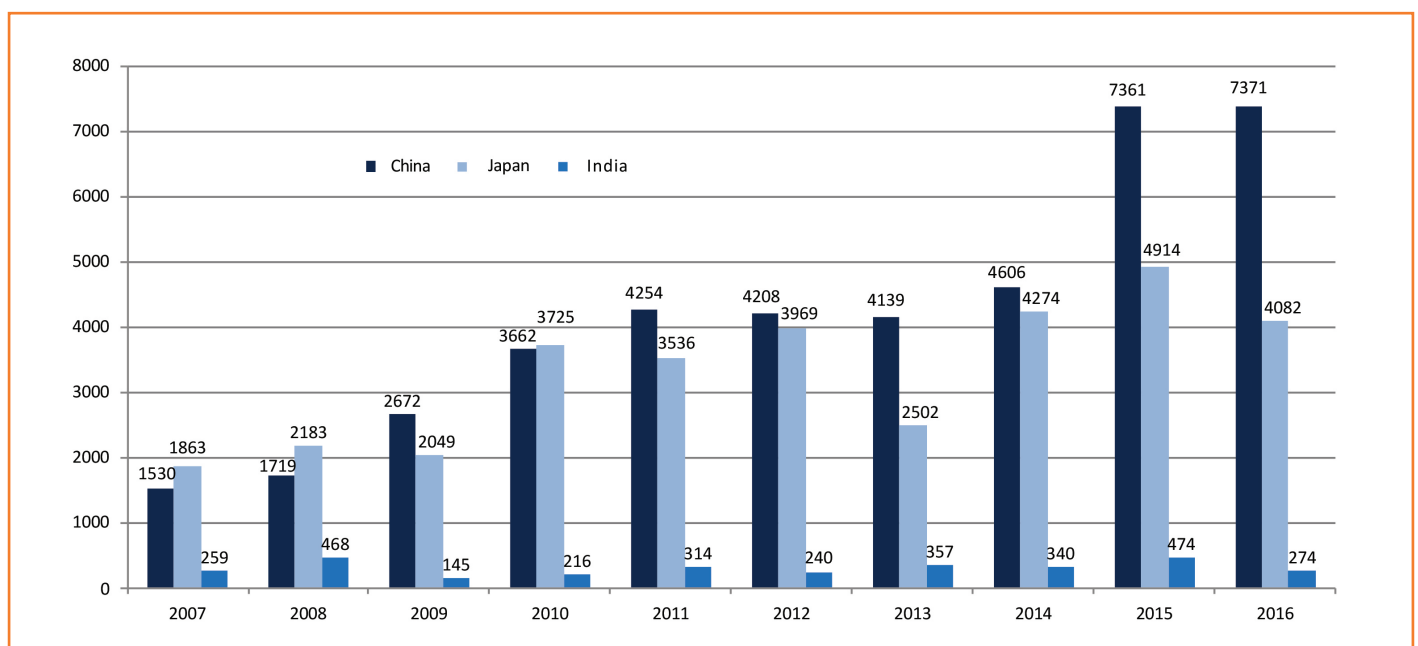


Figure 2: China/Japan/India–PICs bilateral trade in 2007–16, USD million.

Source: compiled by author based on World Bank data.<sup>12</sup>

Assistance (ODA) white paper provides a breakdown of its aid programs by country. In terms of aid volume, according to China's two white papers on its foreign aid, China provided US\$1.62 billion (RMB 10.25 billion) in aid to the Pacific region in the period 1950–2009 and US\$592.4 million (RMB 3.75 billion) between 2010 and 2012, which represents 4 per cent and 4.2 per cent of Chinese overall aid spending in the two periods respectively (China State Council 22/4/2011, 11/7/2014). Based on the foreign aid map in the Pacific region released by the Lowy Institute in August 2018, the cumulative Chinese aid spent in the region reached US\$1.26 billion from 2011 onwards, which ranks China the second largest donor behind Australia (US\$6.58 billion) and ahead of New Zealand (third largest, US\$1.21 billion), United States (fourth largest, US\$1.03 billion) and Japan (fifth largest, US\$861.8 billion) (Lowy Institute 2018b).

Chinese aid to the Pacific is given in the form of grants, interest free loans and concessional loans. Grants are allocated by China annually to the eight Pacific partner countries when they sign economic and technical cooperation agreements. Concessional loans are usually announced as outcomes of high-level visits. Japan delivers aid to the region in the forms of grants (grant aid and technical cooperation) and loan aid. Indian aid consists of grants, loan-based aid, lines of credit and training scholarships. The difference between India's second and the third form of aid is that loan-based aid is administered by its Ministry of External Affairs and disbursed to support large infrastructure projects attached with grant-based aid, while lines of credit are managed by the Indian Export-Import Bank for the purpose of supporting India's export of goods, services and equipment.

China has drastically increased its aid, especially concessional loans, to the Pacific. During Premier Wen Jiabao's visit in Fiji in 2006, the major commitment was US\$474 million (RMB 3 billion) in concessional loans to China's eight partner countries over the next three years (Zhang 2017:46). Consequently, a number of infrastructure projects were funded by this loan facility such as the rebuilding of central business district (US\$69.5 million, or RMB 440 million) in Nuku'alofa, capital city of Tonga, after the old area was burnt down during a riot on 16 November 2006, and the construction of the University of Goroka dormitory (phase 2–4, US\$46.4 million, or RMB 294 million)<sup>15</sup> in PNG. Other aid commitments include: China would

give zero-tariff treatment to the majority of exports to China from the least developed PICs<sup>16</sup> that recognise China; write off these countries' debts<sup>17</sup> that became mature by 2005 and extend the other PICs' debt payment by 10 years; donate anti-malaria medicine to the region; and provide 2000 opportunities of short-term technical training for PICs (ibid.).

China's Vice Premier Wang Yang announced a new aid package to the region at the second conference of the China–Pacific Economic Development and Cooperation Forum held in Guangzhou in November 2013. He revealed that the cumulative Chinese aid disbursements to the Pacific reached US\$1.48 billion (RMB 9.4 billion) between the 1970s and November 2013 (Zhang 2017:32). He pledged that the China Export-Import Bank would provide US\$1 billion in concessional loans to China's eight partner countries in the region in the next four years along with US\$1 billion in commercial loans from the China Development Bank to support infrastructure development; China would exempt tariffs on 95 per cent of imports from the least developed PICs and offer 2000 scholarships for students from all 14 PICs<sup>18</sup> to study at Chinese universities. To demonstrate China's support of PICs in the area of climate change, this conference coincided with the [China International Green Innovation Products and Technology Show](#) and China committed more climate assistance to the region. As an example, China donated 1500 solar-powered streetlights to Tonga in December 2015. In November 2014, Xi Jinping announced that China would reserve 2000 scholarships and 5000 training slots for the region and grant zero tariffs for 97 per cent of exports to China from the least developed PICs (Zhang and Lawson 2017:199).

Japan is an established traditional donor in the Pacific, though it has been overtaken by China in recent years. It fulfilled its aid commitments made at the triennial Pacific Leaders Meetings (PALM), including US\$469 million (50 billion yen), US\$500 million and US\$515.8 million (up to 55 billion yen) at the 2009, 2012 and 2015 summits respectively (Japan MOFA 2009, 2012, 2015a). As a token of its greater attention on the Pacific, at PALM 8 in May 2018, Japan promised to reach out to more than 5000 Pacific Islanders through human resources development and people-to-people exchanges over the next three years (Japan MOFA 2018). As Figure 3 illustrates, Japan provided a total of US\$1,419.8 million of aid to the 14 PICs between 2006

and 2015, of which 89.3 per cent, or US\$1,268 million, was distributed in grants and the remaining US\$151.8 million were concessional loans. PNG, Solomon Islands, Samoa and Fiji were the top four destinations of Japanese aid.

India is not a major donor in the Pacific and its aid is much less than that of China and Japan. As the Lowy Institute estimates, India committed a total of US\$134.07 million in aid to PICs from 2011 onwards and US\$32.25 million was disbursed (Lowy Institute 2018b). Nonetheless, Indian aid to PICs has experienced a notable increase in the past decade. At the 2006 Pacific Island Forum meeting, India unveiled the 'Pacific Island Country Assistance Initiative' and pledged to offer a grant of US\$100,000 annually to each of the 14 PICs, which was increased to US\$125,000 in 2009. At the first summit of [Forum for India Pacific Island Countries \(FIPIC\)](#) in November 2014, Prime Minister Modi further increased Indian grant aid to US\$200,000 for each PIC and pledged US\$75 million in lines of credit to support Fiji's sugar industry (India MEA 2014). India also increased its lines of credit to PNG. In April 2016, Indian President Mukherjee visited PNG and announced that India would provide a US\$100 million line of credit for infrastructure development in PNG (India MEA 29/4/2016).

To make use of India's expertise in areas such as IT, renewable energy and pharmaceutical manufacturing, India also announced a list of aid measures to support Pacific states in these areas (India MEA 2014, 2015a, 2015b, 2017; see Appendix 1 for details). It also increased its aid to the implementation of sustainable development goals in the Pacific through the setting up of a US\$100 million India-UN Development Partnership Fund and an additional US\$50 million fund for Commonwealth countries (Paul 2018).

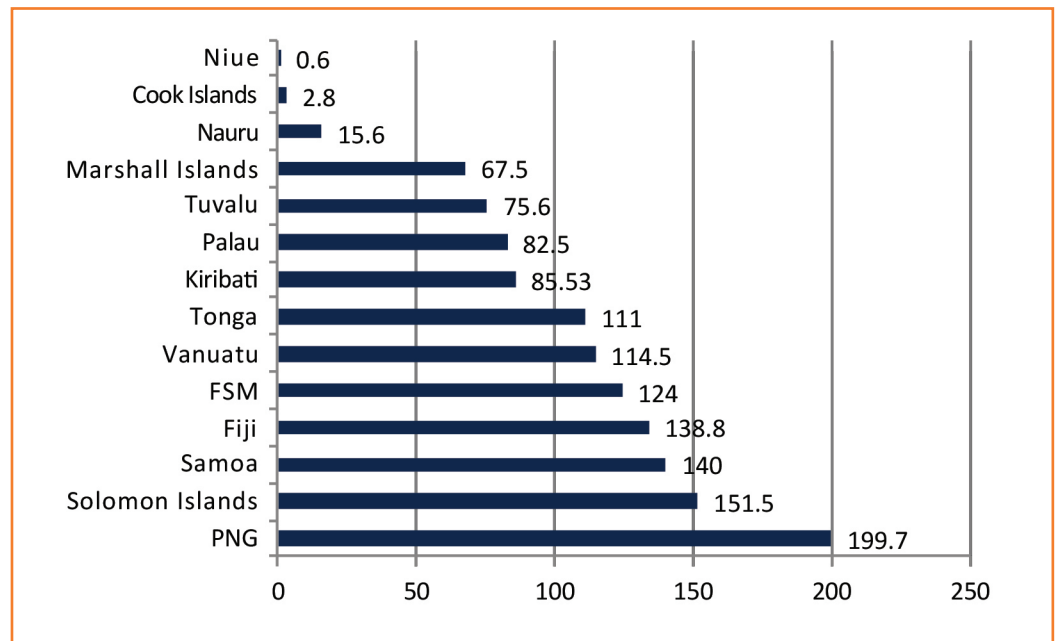


Figure 3. Japan's Official Development Assistance distribution to the Pacific, 2006-15, USD million.

Source: compiled by author using data from Japan's ODA white papers.<sup>19</sup>

## Part 2. Motives

The activities of China, Japan and India in the Pacific are guided by their foreign policies towards the region and further analysis reveals a range of differing perspectives, yet a common goal. In China's diplomatic jargon, the Pacific region is 'a great periphery' or extended neighbourhood in China's diplomatic mapping (Zhang 2017:45).<sup>20</sup> Beijing regards PICs as part of both China's neighbourhood and the developing world that China needs to attend to. On the other hand, Japan has highlighted its solidarity with PICs, highlighting the importance of sharing the ocean and their common identities as 'Islanders' (Japan MOFA 2015b:158). India's engagement with the Pacific is regarded by New Delhi as an extension of its 'Look East' policy, which was proposed in the 1990s to strengthen India's ties with South-East Asian countries. Similar to Japan, the Indian government highlights the Pacific bonding between India and PICs and their shared identity as maritime countries (India MEA 2015a). Although the national interests of China, Japan and India in the Pacific cover a wide array of areas and the focuses vary, overall their diplomatic motives are more prominent than other considerations.

Seeking PICs' support at multilateral forums, especially the United Nations, is a primary motive of China, Japan and India. Although most PICs are small in land area and population, each of them (except

Cook Islands and Niue who are not UN members) has an equal vote to other countries at the UN General Assembly.<sup>21</sup> This appeals to China, Japan and India, who pursue mutually rewarding relationships with them. For China, the issue of Taiwan's sovereignty is extremely important and relevant to the Pacific. Ever since the founding of the People's Republic of China (PRC) in 1949, it has been involved in a fierce diplomatic tug-of-war with Taiwan. In the past two years, Gambia (March 2016), Sao Tome and Principe (December 2016), Panama (June 2017), the Dominican Republic (May 2018), Burkina Faso (May 2018) and El Salvador (August 2018), former allies of Taiwan, established diplomatic relations with PRC, further squeezing Taiwan's diplomatic space. To date, only 16 states and the Holy See diplomatically recognise Taiwan. Six are from the Pacific: Kiribati, RMI, Nauru, Palau, Solomon Islands and Tuvalu, making the region extremely important for both China and Taiwan.

Japan and India have been persistent in seeking PICs' support for their bid for permanent membership of the UN Security Council while China has lobbied strongly against Japan.<sup>22</sup> At PALM 7 in May 2015, Japanese and Pacific leaders 'reaffirmed the need to further strengthen the effectiveness and enhance the credibility of the UN Security Council, including through its expansion of both the permanent and non-permanent categories' (Japan MOFA 2015a:12). As for India, Prime Minister Modi called for support from Pacific leaders at both the opening and closing ceremonies of the second summit of Forum for India Pacific Island Countries in August 2015, stating that 'We must press for reform in the United Nations Security Council ... We seek your support for the text of the President of the General Assembly as a basis for reforming the Security Council' (India MEA 2015a). All 14 PICs except Cook Islands and Niue pledged their support for India to be a permanent member of a reformed UN Security Council (Chandramohan 13/6/2018). In exchange, India voiced support for a dedicated seat for Small Islands Developing States in an expanded UN Security Council (India MEA 2015a). In April 2016, PNG Governor General Michael Ogio assured visiting Indian President Mukherjee that PNG would support India's bid.

Japan has also lobbied PICs for support of its scientific whaling program, which is decried by anti-whaling nations as a cover for commercial whaling. Among the 88 member states of the International

Whaling Commission (IWC), six are PICs, including Kiribati, RMI, Nauru, Palau,<sup>23</sup> Solomon Islands and Tuvalu. Some of these PICs have lent support to Japan's proposal to resume commercial whaling, such as at the 2005 IWC meeting in Ulsan, which invited heavy criticism from Australia and New Zealand (Stringer 2006:568–69).

Economic interest is the second most significant motive of China and Japan in the Pacific. The extractive industries are a main focus. With an investment of US\$1.4 billion, China Metallurgical Group Corporation is the largest stakeholder (61 per cent) of the Ramu Nickel mine in PNG. This is China's largest single investment project in the Pacific. Chinese companies are also tapping mineral resources in Fiji. In August 2013, Zhongrun International Mining Company Limited from China's Shandong province acquired a two-thirds stake in Vatukoula Gold Mines PLC in Fiji for US\$40 million (Hannan and Firth 2015:869). PNG's export of the bulk of its liquefied natural gas (LNG) to Japan and China, since May and December 2014 respectively, has resulted in a big boost to their economic relations. Under the sales and purchase agreements signed in December 2009, the PNG LNG project<sup>24</sup> will supply 2 million, 1.8 million and 1.5 million tonnes of LNG per annum for 20 years to China Petroleum and Chemical Corporation,<sup>25</sup> Tokyo Electric Power Company Limited and Osaka Gas respectively. In his interview with PNG's *Post-Courier* in July 2014, Japanese Prime Minister Shinzo Abe was straightforward about the issue of energy security in Japan–PNG relations, stating that 'the government of Japan regards the LNG development project as one of the priority areas of our bilateral cooperation' (Japan MOFA 2014).

State-owned enterprises (SOEs) are the main Chinese players that have made rapid inroads into the Pacific in the last decade to seek commercial opportunities. Based on official data from China's Ministry of Commerce (MOFCOM), as of 2016, 67 Chinese companies were operating in the eight PICs that recognise China.<sup>26</sup> About 47 are SOEs, accounting for 70 per cent of the total number of Chinese companies, and most of them focus on Fiji (24) and PNG (12), China's main economic partners in the region, though they are also exploring opportunities in the other PICs. For instance, China Civil Engineering Construction Group has dominated Chinese aid projects in Tonga, where its Pacific headquarters are



located, and Cook Islands. In addition, China's fishing fleet has been expanding in the Pacific Ocean. Among the 40 Chinese firms operating in Fiji, as reported by China MOFCOM, 15 are fishing companies. In particular, the China Overseas Fisheries Corporation has about 40 tuna longliners operating in the waters of Fiji, Vanuatu, Solomon Islands and Tuvalu.

Securing access to fishery resources in the Pacific is another major economic motive of Japan, which is the world's largest consumer of tuna (consuming about 70 per cent of global bluefin tuna). Despite their small land area (with PNG as an exception), PICs have huge exclusive economic zones which supply nearly 60 per cent of the global tuna catch (World Bank 2016:7). This complementarity makes PICs a crucial partner of Japan in this sector. Japan, along with the European Union and the United States, is one of the three main export destinations of tuna from the Pacific and also the main destination for PICs' export of sashimi-grade tuna products. In 2015, Japan imported US\$246 million of tuna from the region (FFA 2017:15). In addition, the Japanese government has made consistent efforts to secure the access of Japanese fishing fleets to the Pacific Ocean for decades. This dates back to the start of Japanese aid to the Pacific in the 1970s when PICs were a main recipient of Japan's fisheries grants (Tarte 2008:134–35).

Compared with China and Japan, India's economic presence in the Pacific is smaller, although India is starting to show more interest in the extractive industries in PNG. India has a stronger historical link with Fiji than China and Japan, which stands out as a significant motive for India to forge a closer partnership with Fiji. This dates back to 1879 when Indian labourers were brought in to work on sugarcane plantations. After successive coups, Indian-Fijians are a much smaller percentage of the overall Fijian population than they were at independence, a time they constituted a numerical majority. Nevertheless, based on the 2009 census,<sup>27</sup> the number of Indian-Fijians was 313,798, which still accounts for one third of Fiji's population. In April 2016, Indian President Mukherjee expressed his country's interest in exploring LNG and other resources in PNG. PNG hosts the second largest Indian community in the Pacific. As of January 2013, about 3000 Indian nationals resided in PNG. China's Ministry of Foreign Affairs estimates that the combined number of Chinese passport holders and Pacific Islanders of Chinese ethnicity is 20,911 in the

eight PICs that have diplomatic relations with China, and most reside in PNG (10,000), Fiji (8000) and Tonga (2000).<sup>28</sup> In total, 1526 Japanese nationals live in PICs, especially Fiji (464), Palau (370), PNG (205) and the FSM (122) (Japan MOFA 9/4/2018).

In addition to the diplomatic, economic and historical links, Chinese activity in the Pacific region is a notable element in Japan's and India's Pacific diplomacy. From a strategic perspective, China's fast-growing presence in the Pacific has forced Japan and India, who are China's competitors on many fronts, to put more diplomatic resources in the region to counter China's influence. Sandra Tarte, specialising in Japan–Pacific relations, suggests that Japan's growing aid commitments at triennial PALM summits are largely influenced by China's growing presence in the region (2008:143). Japan's Official Development Assistance (ODA) policy for PNG stated, 'Japanese presence in PNG seems to have been somewhat comparatively lower while newly emerging donors become more influential to PNG' (Japanese Embassy in PNG 2012:1), which implicitly refers to China's expanding aid program in PNG. In the context of escalating territorial disputes between China and neighbouring countries in the South and East China Seas, Japan has approached PICs for support of its position. At the sixth PALM summit in 2012, leaders from Japan and Pacific states underlined the importance of maintaining maritime order in the Pacific Ocean in line with the 1982 United Nations Convention on the Law of the Sea (Japan MOFA 2012).

At the seventh PALM summit in 2015, in addition to reaffirming the position that maritime order should be maintained in accordance with universally recognised principles of international law, Japan and Pacific leaders underscored the importance of exercising self-restraint and peacefully resolving maritime disputes without resorting to the threat or use of force (Japan MOFA 2015a), which carries implicit criticism of China's assertive activities in the South and East China Seas. At the eighth summit that ended in May in 2018, Japan and PICs also called for more transparency in China-funded large-scale infrastructure projects, stating that these projects should be developed 'in an open, transparent, non-exclusive and sustainable manner, in accordance with international standards, which also respect sovereignty and peaceful use of such infrastructure' (Hurst 24/5/2018).

China has attempted to secure diplomatic support from PICs for its position on its activities in the South China Sea, with PNG and Vanuatu expressing their (arguably, qualified) support (Zhang 2017:33). In May 2016, the Vanuatu government issued a statement extending support of China's position, for example that the disputes should be settled by those parties directly concerned and that historical and cultural facts should also be considered (*Vanuatu Daily Post* 26/5/2016). During PNG Prime Minister Peter O'Neill's visit to China in June 2016, the two governments issued a joint press release, in which it was stated that the PNG government 'respects China's principled position' on the maritime disputes (China MFA 2016). However, both Vanuatu and PNG also insist that maritime disputes should be resolved peacefully and in accordance with international laws (*Vanuatu Daily Post* 26/5/2016; China MFA 2016).

China's activity also affects India's engagement with the region. In November 2014, both Chinese President Xi and Indian Prime Minister Modi paid official visits to Fiji and met with Pacific island leaders. India also included anti-terrorism in the discussions with PNG during President Mukherjee's state visit in 2016. PNG extended support for India's position and called on 'all states to reject the use of terrorism as an instrument of state policy' (India MEA 29/4/2016). This is an implicit reference to the intrusion of Pakistan-based military groups into India, and India's criticism of China's diplomatic support for Pakistan. This Chinese support had blocked India's bids to add these military groups into the UN sanctions list (Panda 25/6/2015). In his interview with PNG's *Post-Courier*, President Mukherjee stated that 'all sea-lanes of communications should be free of tension and rivalry' (Kenneth 2/5/2016), which can be interpreted as India's concerns about the territorial tensions in the South China Sea.

China and India are also seeking PICs' support on domestic issues. For instance, President Xi Jinping, who regards anti-corruption as one of his main political tasks, lauded Fiji's efforts in chasing corrupt Chinese officials hiding in Fiji when he met with Prime Minister Bainimarama in November 2014 (Zhang and Lawson 2017:44). India has obtained support from Fiji in its space program. In November 2013, India stationed two ships in Fiji's territorial waters to monitor its Mars Orbiter mission, which was acknowledged by Prime Minister Modi during his visit in Fiji in November 2014. He also expressed India's willingness to assist

PICs in establishing a space technology applications centre in the region and providing training support (India MEA 2015a).

### Part 3: Implications

This section will analyse the impact of China, Japan and India on the Pacific in the three areas of political relations, trade and aid, which echoes earlier discussion in the paper. Overall, the involvement of China, Japan and India in Pacific local politics is limited compared to Australia, New Zealand and the United States. Australia has a strong presence in the Pacific region, especially in Melanesia countries such as PNG, Solomon Islands and Vanuatu. New Zealand enjoys close historical, cultural and economic relations with Polynesian countries and has constitutional obligations with Cook Islands, Niue and Tokelau. For the United States, it is in compacts of free association with three Micronesian states: RMI, FSM and Palau.<sup>29</sup> These traditional powers have also demonstrated their readiness to safeguard democracy and human rights<sup>30</sup> in the region, which is a testimony to their deep involvement in regional politics. After the military coup in Fiji in 2006, for instance, Australia, New Zealand and the United States led international sanctions on the interim government until a parliamentary election was held in September 2014. In contrast, China, Japan and India, China in particular, have tried to circumvent the issues of democracy and human rights when they deliver aid to the region, on the grounds of non-interference in PICs' internal affairs.

Despite this commonality, a comparison of remarks from the governments of China, Japan and India shows differences in their approaches to the 2006 coup in Fiji (see text box below). Japan and India called on Fiji to restore democracy at the earliest opportunity, which was in line with the positions of Australia, New Zealand, the United States and the other Pacific island states. China's statement is milder and ambiguous and avoids any wording of democracy. This can better be explained by Xi Jinping's remarks when he met with Fijian Foreign Minister Ratu Inoke Kubuabola and Prime Minister Bainimarama in Beijing in October 2010 (as China's vice president) and May 2013 (as president). He said, 'China respects the development path chosen by Fijian people ... and will continue to provide assistance to Fiji within China's capacity' (Hao 15/10/2010:1; Zhao 30/5/2013:1). The irony is, of course, the people's lack of choice when power has

### Official remarks on the military coup in Fiji

Japan is deeply concerned that on December 5, the situation in the Republic of the Fiji Islands came to the point that the national military forces headed by Commander Bainimarama took over the country's executive authority and announced that they would establish an interim administration. Japan strongly hopes to see the situation normalized and the democratic political system restored promptly. (Japan MOFA 2006)

Mr Taro Aso, Japanese Minister for Foreign Affairs,  
6 December 2006

We are saddened to learn about the turn of events in Fiji and hope that the rule of law will prevail and power will be returned to the people at the earliest. India greatly values its relations with Republic of Fiji Islands, a country with which we share cultural and historical links. (India MEA 2006)

Spokesperson of Indian Ministry of External Affairs,  
5 December 2006

We are concerned about the situation in Fiji. We hope that all parties in Fiji can work together and find a way to solve the issue. As a friend of Fiji, we sincerely hope that Fiji can maintain social stability, economic development and Fijian people can live in peace. This will be in the interest of Fiji and other countries in the region. (China MFA 2006)

Qin Gang, spokesperson of China's Ministry of Foreign Affairs, 7 December 2006

been obtained militarily — and that Beijing supports the Bainimarama regime despite this fact. In February 2009, Xi also ignored the diplomatic protests from Australia and New Zealand and paid a stopover visit to Fiji as vice president (Zhang 2017:47).

China and the eight Pacific partner countries established a 'strategic relationship' during Xi Jinping's visit to Fiji in November 2014. Although this term bears a strong strategic and military flavour in international relations, it has been loosely used by the Chinese government to demonstrate its greater attention on relations with partner countries and has less of a military connotation (Zhang 2017:32).

The key to understanding the strategy of China's People's Liberation Army Navy (PLAN) in dealing with PICs is understanding the 'three island chains' concept.

It was originally an American strategic concept, but adopted by PLAN in 1982 as follows:

In the first stage, from 2000 to 2010, China was to establish control of waters within the first island chain that links Okinawa Prefecture, Taiwan and the Philippines. In the second stage, from 2010 to 2020, China would seek to establish control of waters within the second island chain that links the Ogasawara island chain, Guam and Indonesia. The final stage, from 2020 until 2040, China would put an end to U.S. military dominance in the Pacific and Indian Oceans, using aircraft carriers as a key component of their military force. (Pedrozo 2010:2)

PLAN is concentrating on the South China Sea, but more routinely moving beyond the first island chain. In December 2016, PLAN deployed China's *Liaoning* aircraft carrier beyond the first island chain for the first time (Huang 19/5/2017). However, PLAN is still a long way from directly challenging the United States in the second island chain. As a result, to develop a deep military relationship with PICs is not seen as an urgent task for PLAN at present but in the future.<sup>31</sup> Currently China's military engagement with the Pacific is limited to providing scholarships, donating uniforms and non-combat equipment, and visits by PLAN medical ships. When PLAN becomes more confident in the future and seeks to break free of the second island chain, it is likely that China will substantially increase the scope and depth of its military engagement with PICs and give a more 'strategic' meaning to the China-PICs strategic relations.

The revitalisation of diplomatic competition between mainland China and Taiwan will have considerable impact on the region. The two sides have started to seek more diplomatic support from PICs. In May 2017, Fiji closed its trade and tourism representative office in Taipei, which served as Fiji's de facto embassy in Taiwan (Radio New Zealand 19/5/2017). This coincided with Prime Minister Bainimarama's participation in the Belt and Road Forum in Beijing. In his public address at the Australian National University in June 2018, the Solomon Islands Prime Minister Rick Houenipwela, who had just concluded his first official visit to Taiwan in May, revealed that Taiwan is doing its best to consolidate diplomatic relations with Pacific partner countries.

As Table 1 above shows, China has forged close economic ties with Solomon Islands, RMI, Kiribati and Nauru although they recognise Taiwan. What deserves special attention is the strong economic relationship between China and Solomon Islands. In 2016, China was Solomon Islands' largest export destination and third largest source of imports, representing 62.5 per cent and 14.8 per cent of the latter's export and import. Wood, articles of wood and charcoal accounted for 96.8 per cent of China's import from Solomon Islands in 2016 with a value of US\$364.5 million (Pacific Trade and Investment 2017). Strong economic linkage appears to pave the way for a probable diplomatic breakthrough, as Gordon Lilo, then prime minister of Solomon Islands and his successor Manasseh Sogavare stated publicly in May 2013 and December 2014 (Zhang 2017:38). They acknowledge that China's rise needs to be factored into Solomon Islands' trade and foreign relations (*ibid.*). In June 2018, a delegation of Solomon Islands government officials and lawyers visited China to seek assistance in exploring resources in Solomon Islands. Although Andrew Lee, spokesman of Taiwan's Ministry of Foreign Affairs, downplayed the visit as a private trip and a trip that was not authorised by the Solomon Islands cabinet, he admitted the visit sent out a negative sign and the Taiwan government needs to take it seriously (Hou and Huang 16/6/2018). It is expected that China will continue to play the economic card to consolidate diplomatic relations with its eight Pacific partner states and forge closer partnerships with some of the six Pacific states that recognise Taiwan. As China's diplomatic jargon puts it, this is *yi jing cu zheng*, or using economic benefits to promote better political relations between China and partner countries (Zhang and Smith 2017:2335).

While PICs now have more choices and their diplomatic stocks are rising as geostrategic competition intensifies in the region, they are also increasingly caught up in big power politics. For instance, they have been involved in the lobbies of China, Japan and India on issues of UN Security Council reform and the South China Sea disputes. As China has contradictory positions with that of Japan (and less so for India), this puts PICs in difficult situations as they cannot afford to offend any of the global powers and principal donors in the region.

In the economic arena, increasing engagement with China, Japan and India provides opportunities for PICs. The huge markets in the three Asian countries,

if used well, can absorb a large proportion of PICs' exports. However, turning the potential into realities is not an easy task. From PICs' perspective, the small size of their economies reduces the competitiveness of their exports. Processing capacity constraints also limit added value of their exports. China will host its first International Import Expo in Shanghai in November 2018 and has extended invitation to PICs, which could make use of this opportunity to promote their exports to China. Japan and PICs also need to tap into trade opportunities such as making use of the Japan-PNG bilateral investment agreement that entered into force in January 2014. Bilateral trade between India and PICs is still low and has potential for growth. In August 2015, the Indian government announced the establishment of the Forum of India Pacific Island Countries Trade Office in the Federation of Indian Chambers of Commerce and Industry in New Delhi. Supporting the operation of this office will promote trade and investment between India and the Pacific region.

China's Belt and Road Initiative deserves some elaboration. The initiative is regarded by the Xi Jinping administration as its future legacy and therefore it is devoting substantial efforts to its implementation. Back in November 2014, Xi extended invitations welcoming PICs to participate in the Belt and Road Initiative (Zhang 2017). However, China is mainly rolling out this program in Asian countries and focusing on large-scale infrastructure projects. For most PICs, the demand for and affordability of this type of project is small.<sup>32</sup> David Morris, Director of Pacific Trade and Investment in China, expressed a similar view, arguing that it is unlikely that China will be able to implement large-scale infrastructure projects in small PICs as part of the Belt and Road Initiative (Zhang 2018).

Given the economic vulnerability of most PICs and their reliance (though the degree varies) on foreign aid, the availability of financing resources from China, Japan and India provides new options for them. As traditional regional powers such as Australia and New Zealand provide grant aid and focus less on infrastructure projects, concessional loans from China, Japan and India have the potential to fill the gap. For instance, China's lavish aid programs, supported by its practice of attaching no political strings in areas of human rights, democracy and good governance in recipient countries, have won much support in the Pacific.<sup>33</sup> China, Japan and India have also increased their support to PICs in the battle against climate

change. In May 2015, Japan contributed US\$1.5 billion to the global Green Climate Fund, which will benefit developing countries, especially small island developing states and least developed countries. In September 2015, China pledged to establish a US\$3.16 billion (RMB 20 billion) South-South Cooperation Climate Change Fund to support developing countries in this regard. India has sought to maximise the impact of its relatively small aid budget to the Pacific by focusing on areas of its comparative advantages, including climate change, information technology, renewable energy and ocean research (India MEA 2014; 2015b). This could strengthen PICs' capacity in climate adaptation.

On the other hand, traditional regional powers have heightened concerns about China's growing impact in their backyard associated with its fast-growing aid spending. Some of China's aid practices have invited criticisms from regional powers and some officials in PICs. For example, China's aid increase to the military regime in Fiji between 2006 and 2014 compromised the effect of traditional donors' sanctions to press Fiji to return to democracy. Among the issues of major concern about Chinese aid in the Pacific are: the bulk of Chinese aid being concessional loans; tied aid (using a large proportion of building materials, equipment and workers from China in Chinese concessional loan projects); the scale of indebtedness of recipient countries, especially small PICs; weak environmental regulations; and lack of aid coordination.<sup>34</sup> Although Japan and India provide similar loans to the region, the magnitude and fast growth of Chinese loans have attracted most of the attention and criticism.

In a broader context, the growing presence of China, Japan and India accentuates the dynamics of geopolitical change in the Pacific region. Pacific island states have more choices but face the challenge of balancing their allegiances between traditional and new powers. External players — especially China and its growing influence in the Pacific — will further fuel policy debates in the United States, Australia and New Zealand. The Trump administration is adopting a hard-line policy towards China. As the US *National Security Strategy* concludes, the United States's engagement with rivals [China] in the past two decades, 'based on the assumption that engagement with rivals and their inclusion in international institutions and global commerce would turn them into benign actors and trustworthy partners', has failed (White House 2017:3). Two recent reports produced by the US Congress also

expressed concerns that China's rise in the Pacific could erode the US relations with Compact Micronesian countries and threaten US defence interests in the region (Lum and Vaughn 2017:13-16; Meick, Ker and Chan 2018:17-19). As the US government is implementing its Indo-Pacific policy to increase its presence in the region (Wong 2018) and viewing China as a main competitor, it is not surprising that the United States will make more efforts to counter China's influence in the Pacific. Similarly, in recent years, policymakers in Australia and New Zealand have been increasingly alerted to China's rise in the Pacific. The two regional powers have pledged to consolidate their influence in the Island countries. Therefore, competition between Australia, New Zealand and China in the region could also become more prominent in the future.

### Conclusion

The relevance of the Pacific Islands in the external relations of China, India and Japan is an under-researched theme in the literature. By focusing on the three areas of political engagement, trade and aid, this Discussion Paper has examined these Asian powers' latest engagement with PICs between 2006 and 2017, their motives and the impact on the region. The paper argues that all the three countries have substantially increased their activities in the region but that the extent is different. In terms of bilateral high-level visits, an important indicator of political relations, China has shown the most activity, followed by Japan and then India. Japan and China have set up more embassies in the Pacific than India. China's trade with the 14 PICs exceeds the combined trade volume of Japan and India with the region, and India is well behind China and Japan. China and Japan are among the top five donors in the Pacific. By contrast, India is not a main donor but it is increasing its aid budget for the region.

With respect to motives, China has invested much to win PICs' support for the 'One China' policy against Taiwan. China, Japan and India have lobbied PICs for voting support at multilateral organisations, especially the United Nations. Securing access to mineral, energy and fishery resources in the region is an important factor for China and Japan, both having a stake in these industries, while India is starting to show interest. Importantly, the activities of China in the Pacific region have had a noticeable impact on Japan and India's

diplomacy in the region. This paper reveals that the growing presence of all three Asian powers is having a mixed impact on the Pacific region, providing new options for PICs to benefit from stronger economic and aid relations. At the same time, PICs are increasingly caught up in big power politics. The rise of external players — especially China — is fuelling geostrategic competition in the region.

While enriching the debates on Asian presence in the Pacific, this paper reveals areas that need to be addressed in future studies. For instance, how have China, Japan and India engaged with PICs in other sectors such as public diplomacy and military cooperation? What are the attitudes of each PIC towards the growing presence of China, Japan and

India in the region? How have different stakeholders, including the government, business, academics, civil society groups and the media responded to the growing presence of these Asian powers in their countries? These questions demand more research in the future.

### Endnotes

1. Fijian media reported in June 2018 that Fiji and China will complete the negotiation on Fiji's membership of AIIB soon. Fiji Sun online, 11/6/2018, [Fiji, China MOU 'Sealed Soon.'](#)
2. One US dollar bought 106.63 Japanese yen and 6.33 Chinese yuan (RMB) in February 2018. These rates are used in this paper.
3. Some data such as trade are still unavailable for 2017.

### Appendix 1: Indian's recent aid pledges to the Pacific region

Meeting	Aid pledges
1st summit of Forum for India and Pacific Islands Countries, November 2014	<ol style="list-style-type: none"> <li>1. to increase Indian grant aid to US\$200,000 for each PIC</li> <li>2. US\$70 million in line of credit for a co-generation power plant at Rarawai Sugar Mills</li> <li>3. US\$5 million in line of credit to upgrade Fiji's sugar industry</li> <li>4. US\$5 million in grant to develop villages and small/medium industries in Fiji</li> <li>5. to set up a Special Adaptation Fund of US\$1 million in support of PICs' capacity building to address climate change</li> <li>6. to dispatch Indian technical experts to PICs in the fields of agriculture, health and information technology</li> <li>7. to set up a trade office in India and provide complimentary space to PICs during exhibitions organised by India</li> <li>8. to provide training to PIC diplomats at India's Foreign Services Institute</li> </ol>
2nd Forum summit, August 2015	<ol style="list-style-type: none"> <li>1. to establish an institute for sustainable coastal and ocean research and a network of marine biology research stations in the Pacific</li> <li>2. to allocate 110 Indian technical and economic cooperation training slots to Fiji and double the number of slots for other 13 PICs from 119 to 238</li> <li>3. to provide 33 college education scholarships to Fiji and a new offer of two similar scholarships to each of the other 13 PICs</li> <li>4. to expand training courses for PIC diplomats and offer a two-week business management course at the Indian Institute of Management in Bengaluru</li> <li>5. to establish at least one IT laboratory in each PIC</li> <li>6. to train 70 women solar engineers from the Pacific</li> <li>7. to provide 200 houses with solar electrification in each of the 14 PICs</li> <li>8. to offer a line of credit to set up a pharmaceutical manufacturing plant and distribution centre in the Pacific and supply generic drugs at low cost to the region</li> </ol>
1st India–Pacific Islands Sustainable Development Conference, May 2017	<ol style="list-style-type: none"> <li>1. to donate US\$1 million to support Fiji's presidency of the 23rd Conference of the Parties to the United Nations Framework Convention on Climate Change in November 2017</li> <li>2. to gift programmatic content on India for telecast to all the 14 PICs</li> </ol>

4. Raw data are drawn from the websites of China's [Ministry of Foreign Affairs](#), Japan's [Ministry of Foreign Affairs](#), India's [Ministry of External Affairs](#) and their diplomatic missions in the Pacific. The figures include official/working/private visits, visits of special envoys and attendance of conferences and events. Some outdated data from the websites have been manually checked and triangulated with other sources to maximise accuracy.
5. China–PNG relations deserve clarification. PNG newspaper *The National* reported that Prime Minister Peter O'Neill said, during his visit to China in June 2018, that the two countries agreed to established a comprehensive strategic partnership. This information is inaccurate as the Chinese official media and MFA release only stated that China is willing to work with PNG to push bilateral relations to a new level.
6. The source is the websites of Chinese embassies in the six Pacific states.
7. These figures are close to China MFA's records that China exported US\$3.974 billion in goods to RMI, accounting for 74.6 per cent of China's total export of US\$5.32 billion to the 14 PICs.
8. RMI overtook Liberia as the world's second largest ship registry in deadweight tonnage terms in March 2017, second only to Panama.
9. More on China–RMI trade can be found in the book chapter, 'Er shi yi shiji yilai zhongguo yu nantai daoguo maoyi bu pinghengxing yanjiu' [Trade imbalance between China and South Pacific Island Countries in the 21st Century]. (Pang and Ye 2015).
10. World Bank, [WITS: Product Exports by China to Marshall Islands 2016](#).
11. When comprehending these trading figures, it is worth bearing in mind the special feature of China–RMI trade as discussed in the text. However, even after excluding RMI, China's export to the other 13 PICs had grown steadily between 2007 and 2016 except for 2010.
12. World Bank, [WITS: Trade Statistics by Country/Region](#). The World Bank data is used here because data is unavailable from open resources in China, Japan and India.
13. For example, the Pacific aid map released by the Lowy Institute in August 2018 suggested there is an enormous gap between aid commitments and disbursements, particularly in the case of China.
14. According to World Bank data, based on China's official poverty line (net income of RMB 2300 per capita per year, equivalent to US\$1 dollar per day), in 2015 there were 55 million people living in poverty in China. The number would be much higher if the international poverty line (US\$1.9 per day per capita), lower middle income class poverty line (US\$3.2 per day per capita) or upper middle income class poverty line (US\$5.5 per day per capita) is applied. See World Bank, [The World Bank in China: Overview](#).
15. This is China's first concessional loan project in PNG.
16. Least developed PICs include Kiribati, Solomon Islands, Tuvalu and Vanuatu. Among them, Vanuatu has diplomatic relations with China.
17. This refers to interest-free loans.
18. There are two main types of Chinese government scholarships. The first is provided bilaterally to students from China's eight partner countries. The other is channelled through the Pacific Islands Forum Secretariat and open to all 14 PICs.
19. Japan MOFA, [White Paper on Development Cooperation / Japan's ODA White Paper](#).
20. The complete expressions are: 'big powers are the key (daguo shi guanjian); peripheral countries are the priority (zhoubian shi shouyao); developing countries are the foundation (fazhanzhong guojia shi jichu); multilateral platforms are the important stage (duobian shi zhongyao wutai)'.
21. Except for Cook Islands and Niue, both being associated states of New Zealand and recognised by the UN as non-UN member states.
22. In October 2016, Sun Yuxi, former Chinese ambassador to India, told the Indian media that China opposes Japan's rather than India's bid for permanent membership of the UN Security Council. [Phoenix New Media](#).
23. In June 2010, Palau announced it would end support for Japan's commercial whaling proposal. This decision is largely related to Palau's declaration as being the world's first shark sanctuary in September 2009.
24. A fourth main purchaser is Chinese Petroleum Corporation Taiwan, under contract to purchase 1.2 million tonnes of PNG LNG per annum for 20 years.
25. The imported LNG will supply Shandong, China's second most populous province with 100 million people<sup>27</sup>.
26. The source of this raw data is [China FMA](#).
27. Ethnicity was not reported in the 2017 census in Fiji as there was no reliable collection of data on ethnicity. See Fiji Bureau of Statistics, [Statement on Ethnicity](#), 5/3/2018.
28. [China FMA](#).
29. Under the compact, the United States provides guaranteed assistance and defence to these countries. In return, it is allowed to operate armed forces in these countries while other countries cannot without US permission.
30. There are notable exceptions, such as human rights abuses in West Papua and the rule of law in Nauru. Thank you to an anonymous reviewer for pointing this out.

31. For more on island chain theories, see works such as Kaplan 2010; Erickson and Wuthnow 2016.
32. Author's interviews with Chinese aid official and SOE representative, Canberra, July 2016.
33. Author's interviews with officials and scholars in PNG and Samoa, Port Moresby and Apia, November 2014–February 2015.
34. Japan has been involved in more aid coordination in the Pacific than China. For instance, Japan has supported the Cairns Compact on Strengthening Development Coordination in the Pacific while China has not.

## References

- ABC (Australian Broadcasting Corporation) 1/2/2017. [Australia Bankrolls Papua New Guinea APEC Summit Costs, Stymies China](#).
- ABC 11/7/2018. [Australia, Solomon Islands and PNG Sign Undersea Cable Deal Amid Criticism from China](#)
- Brady, A.M. 2010. *Looking North, Looking South: China, Taiwan and the South Pacific*. Singapore: World Scientific Publishing.
- Chandramohan, B. 13/06/2018. India's Strategic Expansion in the Pacific Islands. *The Diplomat*.
- China MFA (Ministry of Foreign Affairs) 2006. [Er ling ling liu nian shi er yue qi ri waijiaobu fayanren Qin Gang zai lixin jizhewu shang da jizhewu](#) [Briefings by Qin Gang, Spokesperson of China's Ministry of Foreign Affairs at the Routine Press Conference on 7 December 2006].
- China MFA 2016. [Joint Press Release Between the People's Republic of China and the Independent State of Papua New Guinea](#).
- China MFA 2018. [Xi Jinping Meets with Papua New Guinea's Prime Minister Peter O'Neill](#).
- China State Council 22/4/2011. Zhongguo de duiwai yuanzhu [China's Foreign Aid]. *People's Daily*.
- China State Council 11/7/2014. Zhongguo de duiwai yuanzhu (2014) [China's Foreign Aid (2014)]. *People's Daily*.
- Clinton, H. 2012. [Remarks at the Pacific Islands Forum Post-Forum Dialogue](#). US Department of State.
- Crocombe, R. 2001. *The South Pacific*. Suva: University of the South Pacific.
- Crocombe, R. 2007. *Asia in the Pacific Islands-Replacing the West*. Suva: University of the South Pacific.
- Erickson, A.S. and J. Wuthnow 2016. Barriers, Springboards and Benchmarks: China Conceptualizes the Pacific 'Island Chains'. *The China Quarterly* 255:1–22.
- FFA (Pacific Islands Forum Fisheries Agency) 2017. *Economic and Development Indicators and Statistics: Tuna Fisheries of the Western and Central Pacific Ocean 2016*. Honiara: FFA.
- Firth, S. 2013. New Developments in the International Relations of the Pacific Islands. *The Journal of Pacific History* 48(3):286–93.
- Hannan, K. and S. Firth 2015. Trading with the Dragon: Chinese Trade, Investment and Development Assistance in the Pacific Islands. *Journal of Contemporary China* 24(95):865–82.
- Hao, Y. 15/10/2010. Xi Jinping huijian feiji waizhang [Xi Jinping met with Fijian Minister of Foreign Affairs]. *People's Daily* (overseas edition).
- Hou, E and R. Huang 16/6/2018. [Taiwan Monitoring Visit by Solomon Islands Officials to Beijing](#). Focus Taiwan News Channel.
- Huang, A. 19/5/2017. China's Master PLAN: How Beijing Wants to Break Free of the 'Island Chains'. *The National Interest*.
- Hurst, D. 24/5/2018. [Japan's Pacific Island Push](#). *The Diplomat*.
- India MEA (Ministry of External Affairs) 2006. [Statement by Official Spokesperson on the Developments in Fiji](#).
- India MEA 2014. [Prime Minister's Remarks at Pacific Island Leaders Meeting \(November 19, 2014\)](#).
- India MEA 2015a. [Opening Remarks by Prime Minister at Summit of Forum for India Pacific Island Countries in Jaipur \(August 21, 2015\)](#).
- India MEA 2015b. [Closing Remarks by Prime Minister at Summit of Forum for India Pacific Island Countries in Jaipur \(August 21, 2015\)](#).
- India MEA 29/4/2016. [India-Papua New Guinea Joint Statement During the State Visit of President to Papua New Guinea](#).
- India MEA 2017. [Keynote Address by General V.K. Singh, \(Retd.\), Minister of State for External Affairs During India-Pacific Islands Sustainable Development Conference \(Suva 25 May 2017\)](#).
- Japanese Embassy in PNG 2012. *Japan's ODA Policy for the Independent State of Papua New Guinea (PNG)*. Port Moresby: Japanese Embassy in PNG.
- Japan MOFA (Ministry of Foreign Affairs) 2006. [Statement by Mr. Taro Aso, Minister for Foreign Affairs, on the Coup in Fiji](#).
- Japan MOFA 2009. *PALM 5: Islanders' Hokkaido Declaration*. Tokyo: Japan MOFA.
- Japan MOFA 2012. *The Sixth Pacific Islands Leaders Meeting (PALM 6) Okinawa Kizuna Declaration*. Tokyo: Japan MOFA.
- Japan MOFA 2014. [Prime Minister Shinzo Abe's Interview with Post Courier](#).
- Japan MOFA 2015a. *The Seventh Pacific Islands Leaders Meeting (PALM7) Leaders' Declaration–Fukushima Iwaki Declaration–'Building Prosperous Future Together*. Tokyo: Japan MOFA.
- Japan MOFA 2015b. *White Paper on Development Cooperation*. Tokyo: Japan MOFA.



- Japan MOFA 2018. *The Eighth Pacific Islands Leaders Meeting (PALM8) Leaders' Declaration*. Tokyo: Japan MOFA.
- Japan MOFA 9/4/2018. [Japan–Pacific Relations](#).
- Kaplan, D.R. 2010. 'The Geography of Chinese Power: How Far Can Beijing reach on Land and at Sea?' *Foreign Affairs* 89(3):22–41
- Kenneth, G. 2/5/2016. India Ready to Be Part of PNG and Pacific. *PNG Post-Courier*.
- Larsen, E. 2012. *Making Waves in Rarotonga: Clinton's Three Messages about U.S. Pacific Strategy*. Washington, DC: Centre for Strategic & International Studies.
- Lowy Institute 2018a. [Chinese Aid in the Pacific](#).
- Lowy Institute 2018b. [Pacific Aid Map](#).
- Lowy Institute 2018c. [Winston Peters on New Zealand in the Pacific](#).
- Lum, T and B. Vaughn 2017. *The Pacific Islands: Policy Issues*. Washington, DC: US Congressional Research Service.
- Meick, E., M. Ker and H.M. Chan. 2018. *China's Engagement in the Pacific Islands: Implications for the United States*. Washington DC: US Congress.
- Morris, D. 2017. Er shi yi shiji yilai yazhou de jueqi dui taipingyang daoguo de yingxiang [The Impact of Rising Asia in the 21st Century on Pacific Island Countries]. In C.Yu (ed.). *Blue Book of Oceania: Annual Report on Development of Oceania (2016-2017)*. Beijing: Social Sciences Academic Press (China), 138–43.
- Pacific Trade and Investment 2017. *Trade Statistical Handbook 2016 between China and Forum Island Countries*. Beijing: Pacific Trade and Investment Office.
- Panda, A. 25/06/2015. Why China Snubbed India on a Pakistan-based Terrorist at the UN. *The Diplomat*.
- Pang, Q. and J. Ye 2015. Er shi yi shiji yilai zhongguo yu nantai daoguo maoyi bu pinghengxing yanjiu [Trade Imbalance between China and South Pacific Island Countries in the 21st Century]. In C. Yu (ed.). *Annual Report on Development of Oceania (2014-2015)*. Beijing: Social Sciences Academic Press (China), 286–300.
- Paul, D. 2018. [India-UN Fund Supports 22 Projects for SDG Implementation in First Year](#). IISD.
- Pedrozo, S. 2010. *China's Active Defense Strategy and Its Regional Impact*. New York: Council on Foreign Relations.
- Pennington, M. 2/3/2011. [Clinton Says US in Direct Competition with China](#). *Washington Post*.
- Radio New Zealand 19/5/2017. [Fiji Closes Taiwan Office, Holds Talks with Beijing](#).
- Salil, S. 2014. The Far Flank of the Indo-Pacific: India and China in the South West Pacific. *Journal of the Australian Naval Institute* (152):40–43.
- Scott, D. 2007. Strategic Imperatives of India as an Emerging Player in Pacific Asia. *International Studies* 44(2):123–40.
- Smith, G. 2013. Beijing's Orphans? New Chinese Investors in Papua New Guinea. *Pacific Affairs* 86(2):327–49.
- Stringer, K. 2006. Pacific Island Microstates: Pawns or Players in Pacific Rim Diplomacy? *Diplomacy & Statecraft* 17(3):547–77.
- Tarte, S. 2008. Norms and Japan's Foreign Aid Policy in the South Pacific. In S. Yoichiro and K. Hirata (eds). *Norms, Interests and Power in Japanese Foreign Policy*. New York: Palgrave Macmillan, 129–50.
- Vari, M. 7/2/2018. Japan to Open Sewage Project. *PNG Post Courier*.
- Vanuatu Daily Post 26/5/2016. [Vanuatu Gov't Issues Position on South China Sea](#).
- Wesley-Smith, T. 2013. China's Rise in Oceania: Issues and Perspectives. *Pacific Affairs* 86(2): 351–72.
- White House. 2017. *National Security Strategy of the United States of America*. Washington DC: White House.
- Wong, A. 2018. [Briefing on the Indo-Pacific Strategy](#). US Department of State.
- World Bank. 2016. *Tuna Fisheries: Pacific Possible*. Port Vila: World Bank.
- Yang, J. 2011. *The Pacific Islands in China's Grand Strategy: Small States, Big Games*. New York: Palgrave Macmillan.
- Zhao, C. 30/5/2013. Xi Jinping huijian feiji zongli mu bai ni ma la ma [Xi Jinping Met with Fijian Prime Minister Bainimarama]. *People's Daily*.
- Zhang, D. 2017. China's Diplomacy in the Pacific: Interests, Means and Implications. *Security Challenges* 13(2): 32–53.
- Zhang, D. 2018. China's *Blue Book of Oceania (2016-2017)*: Perspectives from China. In-Brief 2018/8. Australian National University.
- Zhang, D. and S. Lawson. 2017. China in Pacific Regional Politics. *Round Table* 106(2): 197–206.
- Zhang, D. and G. Smith. 2017. China's Foreign Aid System: Structure, Agencies and Identities. *Third World Quarterly* 38(10): 2330–46.



- |  |  |
|--|--|
| <p>2014/6 Romitesh Kant and Eroni Rakuita, Public Participation &amp; Constitution-Making in Fiji: A Critique of the 2012 Constitution-Making Process</p> <p>2014/7 Jenny Munro, Papuan Perspectives on Family Planning, Fertility and Birth Control</p> <p>2014/8 Gordon Peake, Lia Kent, Andrey Damaledo &amp; Pyone Myat Thu, Influences and Echoes of Indonesia in Timor-Leste</p> <p>2014/9 Guy Powles, The Tongan Monarchy and the Constitution: Political Reform in a Traditional Context</p> <p>2014/10 Priya Chattier, Measuring Poverty as if Gender Matters: Perspectives from Fieldwork in Fiji</p> <p>2015/1 Lia Kent, Remembering the Past, Shaping the Future: Memory Frictions and Nation-Making in Timor-Leste</p> <p>2015/2 Tim Sharp, John Cox, Ceridwen Spark, Stephanie Lusby and Michelle Rooney, The Formal, the Informal, and the Precarious: Making a Living in Urban Papua New Guinea</p> <p>2015/3 Greg Fry, Recapturing the Spirit of 1971: Towards a New Regional Political Settlement in the Pacific</p> <p>2015/4 Julien Barbara, John Cox and Michael Leach, The Emergent Middle Classes in Timor-Leste and Melanesia: Conceptual Issues and Developmental Significance</p> <p>2015/5 Stephanie Lawson and Elizabeth Hagan Lawson, Chiefly Leadership in Fiji: Past, Present, and Future</p> <p>2015/6 Graham Baines, Solomon Islands Is Unprepared to Manage a Minerals-Based Economy</p> <p>2015/7 Richard Eves and Miranda Forsyth, Developing Insecurity: Sorcery, Witchcraft and Melanesian Economic Development</p> <p>2015/8 David Oakeshot and Matthew Allen, Schooling as a Stepping Stone in Solomon Islands</p> <p>2015/9 Miranda Forsyth, Understanding Judicial Independence in Vanuatu</p> <p>2015/10 Scott MacWilliam, Bonapartism in the South Pacific: The Bainimarama Government in Fiji</p> <p>2015/11 Joseph Suwamaru, Aspects of Mobile Phone Usage for Socioeconomic Development in Papua New Guinea</p> <p>2015/12 Doug Porter, The Political Economy of the Transition from Logging to Mining in Solomon Islands</p> <p>2015/13 Meabh Cryan, The Long Haul: Citizen Participation in Timor-Leste Land Policy</p> <p>2015/14 Kerryn Baker, Pawa Blong Meri: Women Candidates in the 2015 Bougainville Election</p> <p>2015/15 Meabh Cryan, Dispossession and Impoverishment in Timor-Leste: Potential Impacts of the Suai Supply Base</p> <p>2015/16 John Logan, A Year in the Life of an Australian Member of the PNG Judiciary</p> <p>2016/1 Scott MacWilliam, Indigenous Commercial Ambitions and Decentralisation in Papua New Guinea: The Missing Driver of Reform</p> | <p>2016/2 Rick Hou, A Day in the Life of a Member of Parliament in Solomon Islands</p> <p>2016/3 Rick Graça Feijó, A Long and Winding Road: A Brief History of the Idea of a 'Government of National Unity' in Timor-Leste and its Current Implications</p> <p>2016/4 Tony HiriAsia, Kin and Gifts: Understanding the Kin-based Politics of Solomon Islands — The Case of East AreAre</p> <p>2016/5 Amanda H. A. Watson and Colin Wiltshire, Reporting Corruption from within Papua New Guinea's Public Financial Management System</p> <p>2016/6 Tarryn Phillips and Meg Keen, Sharing the City: Urban Growth and Governance in Suva, Fiji</p> <p>2016/7 Daniel Evans, Hard Work: Youth Employment Programming in Honiara, Solomon Islands</p> <p>2016/8 Transform Aqorau, State of the Pacific — Slippery Slopes and Rough Rides in Regional Cooperative Endeavours in the Islands</p> <p>2017/1 Shailendra Singh, State of the Media Review in Four Melanesian Countries — Fiji, Papua New Guinea, Solomon Islands and Vanuatu — in 2015</p> <p>2017/2 Manasupe Zurenuoc and Felicity Herbert, The Creation of Two New Provinces in Papua New Guinea — A Story of False Starts and Near Fatal Collisions</p> <p>2017/3 Patrick Nisira, Leadership Challenges for the Autonomous Bougainville Government</p> <p>2017/4 Ciaran O'Faircheallaigh and Anthony Regan with Simon Kenema, Artisanal and Small Scale Mining in Bougainville: Risk, Reward and Regulation</p> <p>2017/5 Matthew Allen, Sinclair Dinnen, Meg Keen and Bryant Allen, New Pathways Across Old Terrain? SSGM Research on Resources, Conflict and Justice</p> <p>2017/6 R.J. May, Papua New Guinea under the O'Neill Government: Has There Been a Shift in Political Style?</p> <p>2017/7 Keali'i Kukahiko, Getting In: College Choice for Pacific Islander High School Football Players</p> <p>2017/8 Richard Eves, Gender Challenges to Financial Inclusion in Papua New Guinea</p> <p>2018/1 Nitze Pupu and Polly Wiessner, The Challenges of Village Courts and Operation Mekim Save among the Enga of Papua New Guinea Today: A View from the Inside</p> <p>2018/2 Felicity Gerry and Catarina Sjölin, Timor-Leste and the Empowerment of Women: Access to Justice and the Future for Domestic, Family and Sexual Violence Survivors</p> <p>2018/3 Nic Maclellan and Anthony Regan, New Caledonia and Bougainville: Towards a New Political Status?</p> <p>2018/4 Anthony Regan, The Bougainville Referendum Arrangements: Origins, Shaping and Implementation Part One: Origins and Shaping</p> <p>2018/5 Anthony Regan, The Bougainville Referendum Arrangements: Origins, Shaping and Implementation Part Two: Shaping and Implementation</p> |
|--|--|

*For a complete listing of DPA Discussion Papers, see the DPA website*



The Department of Pacific Affairs (DPA) is a leading centre for multidisciplinary research on the Pacific. DPA represents the most significant concentration of scholars conducting applied policy-relevant research and advancing analysis on social change, governance, development, politics, and state–society relations in the Pacific.

Department of Pacific Affairs  
Coral Bell School of Asia Pacific Affairs  
ANU College of Asia and the Pacific  
The Australian National University  
Acton ACT 2601

Telephone: +61 2 6125 3825  
Email: [dpa@anu.edu.au](mailto:dpa@anu.edu.au)  
URL: [dpa.bellschool.anu.edu.au](http://dpa.bellschool.anu.edu.au)  
Twitter: @anudpa



Submission of papers  
Authors should follow the Editorial Guidelines, available from the DPA website.

All papers are peer reviewed unless otherwise stated.

The Department of Pacific Affairs acknowledges the generous support from the Australian Government for the production of the Discussion Paper series.

*The views, findings, interpretations and conclusions expressed in this publication are those of the authors and not necessarily those of the Australian Government. The Australia Government, as represented by the Department of Foreign Affairs and Trade (DFAT), does not guarantee, and accepts no legal liability whatsoever arising from or connected to, the accuracy, reliability, currency or completeness of any information herein. This publication, which may include the views or recommendations of third parties, has been created independently of DFAT and is not intended to be nor should it be viewed as reflecting the views of DFAT, or indicative of its commitment to a particular course(s) of action.*