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Pacific Island States in between the power poles
of the People's Republic of China and
the United States of America

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I am aware of the gender-equitable formulations. All denominations, which refer to persons, these formulations mean both sexes equally, even if for the sake of readability only the masculine form is mentioned.

I. Introduction

One might say the Pacific has been a neglected region for some time, especially if it comes to interest from certain superpowers like the United States of America or the People's Republic of China. Although it is true, that small island nations in the South Pacific have not always been the number one priority of these nations, the geostrategic focus is shifting towards the Asia-Pacific.

The subject of my master thesis concerns the Pacific Island States in the tense atmosphere between the People's Republic of China and the United States of America. Therefore, this thesis focuses on the foreign policy of Pacific Island countries. My priority interest is how the implementation of foreign policy bilaterally with other countries – particularly the People's Republic of China and the United States of America – works. The main question arising is, what is important for the Pacific Island States and what kind of support they can find in regional powers such as the Commonwealth of Australia and New Zealand. Furthermore, this master thesis deals with the possibilities and limitations of Pacific Island States, questioning how these Island States can act truly independent and in which areas influence by other countries – in particular the People's Republic of China and the United States of America as well as the Commonwealth of Australia – exists.

It has been stated numerous times that “the direction that China and U.S.-China relations take will define the strategic future of the world for years to come”¹. This is all the more true for the Pacific region, as the Pacific Islands are vastly developing and depend on foreign support and aid. Therefore, the relationship between the United States of America and the People's Republic of China in the Pacific region is essential to this thesis.

The Commonwealth of Australia represents both an important regional power in the Pacific, as well as a ‘neutral’ pole between the People's Republic of China (PRC) and the United States of America (US or USA). Both the PRC and the United States claim the Pacific region for themselves. The Americans are accused of seeing the Pacific as an ‘American lake’ and the People's Republic of China demands more and more hegemony in the region. In this arising conflict for influence on the Pacific Island countries the Commonwealth of Australia acts as a kind of patron for these Island States.

The Pacific has been an ‘American lake’ “since the end of World War II, when the United States had defeated Japan and took control [...] over Micronesia and related territories of military self-interest”². But currently, China is expanding “its foreign policy interests and

¹ Bergsten/Gill/Lardy/Mitchell (2006), 1.

² Wilson (2000), 68.

strategic power further into the Pacific Ocean”³. The People’s Republic of China is trying to establish itself as an alternative aid donor in the region, specifically to its partners in Melanesia and Polynesia. This increased presence of China, in what was traditionally seen as an American dominated region, has therefore prompted Washington to re-balance the situation, as well as alerted the Commonwealth of Australia and New Zealand to keep an eye on China.⁴ All the mentioned implications arising from these various possible shifts of power are to be examined more closely in this thesis.

The consequences of global climate change, in particular rising sea levels, the lower regularity of rainfall and the increasing extreme weather pose imminent threats to the small islands of Oceania. The effects of climate change will be assessed in the exemplary case study of the Marshall Islands. These low-lying atolls are in danger, especially because of the constantly rising sea levels.

All states of Oceania are nowadays categorized as developing countries in political science. The colonial influence is still clearly noticeable, as western political models such as chambers and parliaments can be found. These structures are not grown from the inside but were specially imposed.⁵

I will first explain the research question and hypotheses in more detail and also examine the current state of research. Following this, I will define ‘Pacific Islands’ and other important terms for this thesis, before explaining in more detail the underlying theory and methodology.

The following chapters will look at selected Pacific Island States – Papua New Guinea, Fiji and the Marshall Islands – and their relations with the United States of America and the People’s Republic of China. Afterwards, I will analyze the influence by other states on certain Pacific Island States. The focus lies on the political sphere, the economic aspect and the issue of foreign aid.

Then I will discuss the role of the Commonwealth of Australia as a regional partner for the Pacific Island States and delineate a brief outlook into the future, before the final concluding chapter.

³ *Lanteigne* (2012), 21.

⁴ Cf *Lanteigne* (2012), 21.

⁵ Cf *Gieler* (2010), 17.

II. Research question

As already mentioned before, the main aim of this thesis is to discuss the possibilities and limitations of Pacific Island States.

Therefore, the leading research questions for this master thesis are:

- (i) What are the possibilities for foreign policy and foreign trade of Pacific Island States?
- (ii) What are the limitations for foreign policy and foreign trade of small Pacific Island States?
- (iii) To what extent is influence and/or tension by other powers such as the People's Republic of China, the United States of America or the Commonwealth of Australia present?

III. Hypotheses

I put forward some hypotheses, which on the basis of this thesis I will try to examine in more detail and possibly even falsify.

Firstly, the presence of the People's Republic of China in the Pacific region is not a threat to the United States of America or the Pacific Island States.

This statement I would like to concretize with a second hypothesis: the opportunities in terms of foreign policy and foreign trade for the small Pacific Island States will far outweigh the limitations.

Thirdly, China's main interest in the South Pacific Islands in question is not political and the People's Republic of China will not become the principle hegemonial state in the South Pacific region.

A few Pacific Island States – Papua New Guinea, Fiji and the Marshall Islands – have been chosen to be examined closer as exemplary cases.

IV. State of research

First of all, concerning the current state of research about this topic it might seem as there is a lot of material on this subject. However, when examining the literature on a closer look, one discovers that there certainly is a lack of research. To call it sufficient research, there is still some catching up to do in this field.

In general, to rework the state of research means to gather as much as possible of what has been published on the subject relevant to the study. Of course, a research question must describe a significant deficit in accumulated knowledge. Therefore, a research question cannot be formulated if the state of research is unknown. This means, the investigation can only be justified to the scientific community if one demonstrates that it closes an important gap in one's knowledge. The description of this knowledge gap includes the statement that something has not yet been investigated.⁶

Although, it is commonly proposed in qualitative social research to formulate hypotheses, these have a completely different function. They are examined in the mechanism-oriented explanatory strategy and only confirmed or refuted in exceptional cases. Nevertheless, they can guide the empirical survey and the evaluation, because they describe in detail the interest of knowledge in the research question. In addition, hypotheses expatiate the assumptions of the researcher, which can have a considerable influence on the investigation.⁷

⁶ Cf *Gläser/Laudel* (2009), 74ff.

⁷ Cf *ibid.*

V. Terminology

To begin with, let me remind you that definitions are merely manifestations of a language. However, considering that in the Pacific Ocean there are around 30,000 islands, some definitions and outlines are necessary.

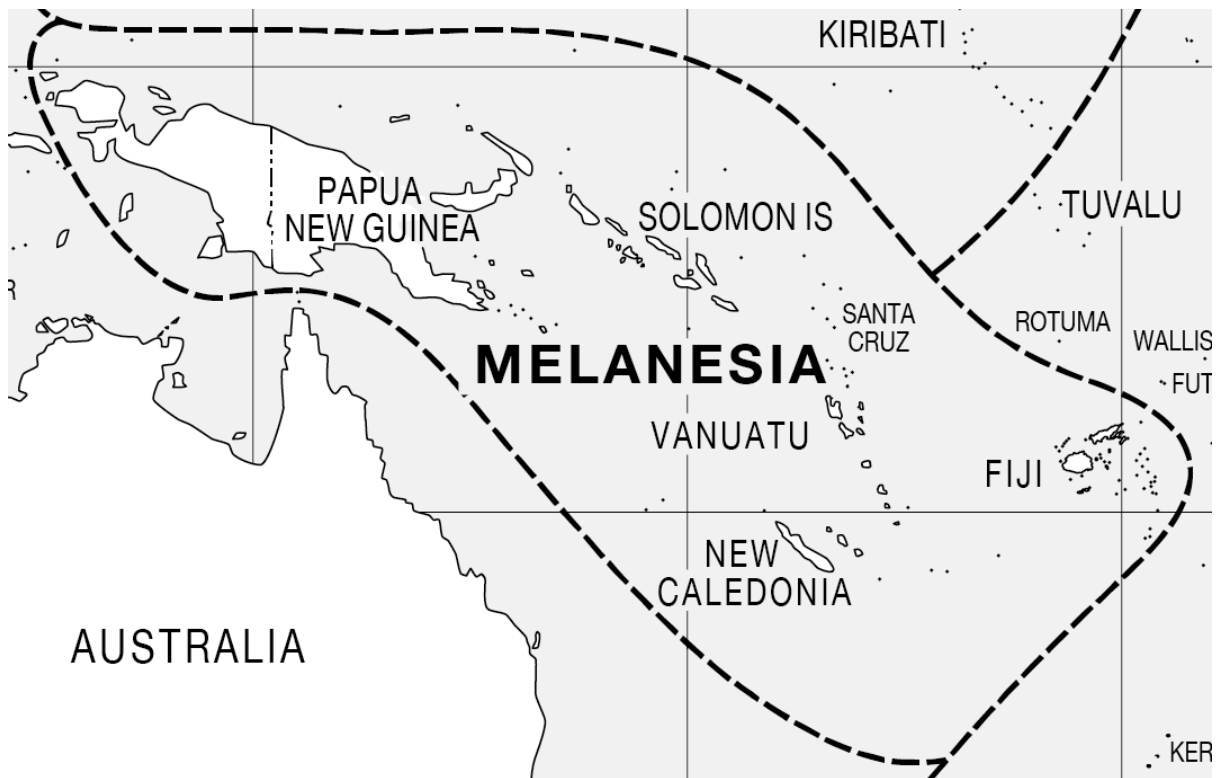
For the purpose of this thesis the term '*Pacific Islands*' or '*Pacific Island States*' refers to the tropical island nations and territories, precisely to the member states of the Pacific Islands Forum (PIF) namely: Australia, Cook Islands, Fiji, Kiribati, Marshall Islands, Micronesia, Nauru, New Zealand, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu.

The term '*Oceania*' as used in this thesis denotes the regions of Melanesia, Micronesia, Polynesia and Australia, as it is used in this sense by the United Nations and international documents, which deal with Oceania as a region. In this sense it includes New Zealand and most of the time Australia, but it does not include West Papua, Hawai'i or Easter Island, or any other island, which is fully incorporated into a metropolitan power.⁸

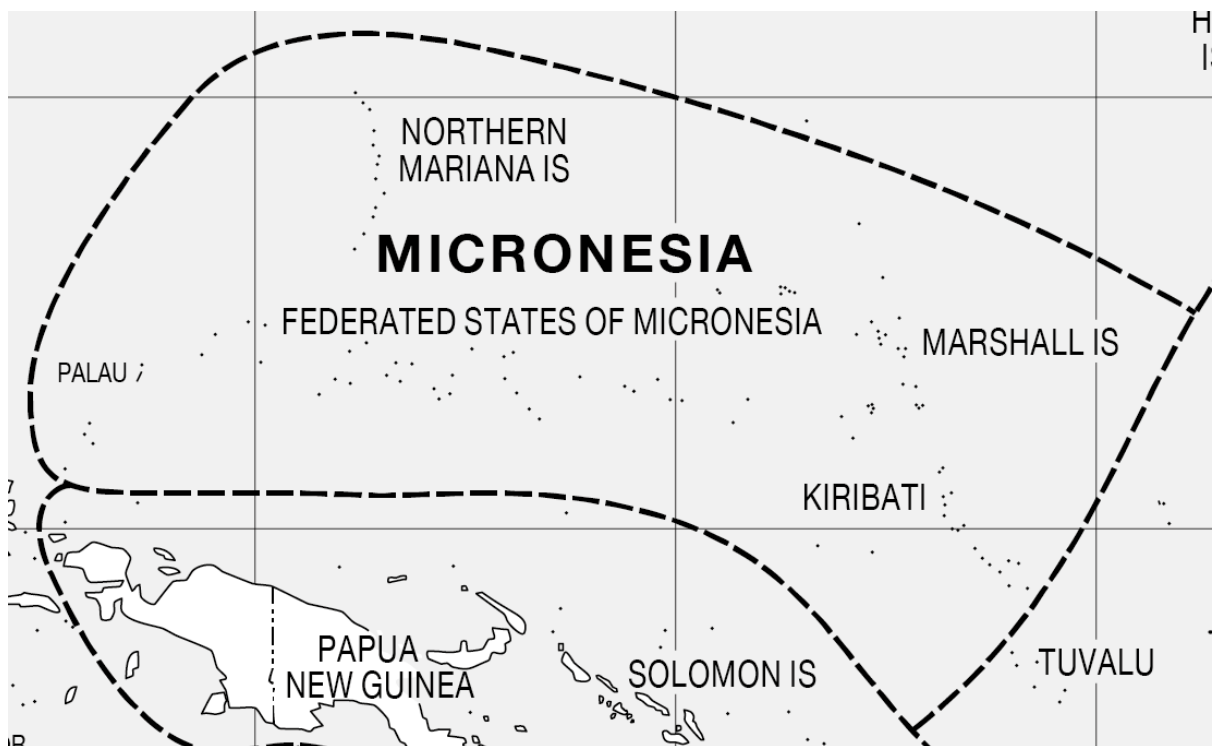
For a better illustration, following are maps of the three areas of the South Pacific, namely Melanesia, Micronesia and Polynesia.⁹ First Melanesia, which includes Irian Jaya (now a province of Indonesia), Papua New Guinea (PNG), Solomon Islands, Vanuatu, New Caledonia and Fiji.

⁸ Cf *Crocombe* (2001), 19.

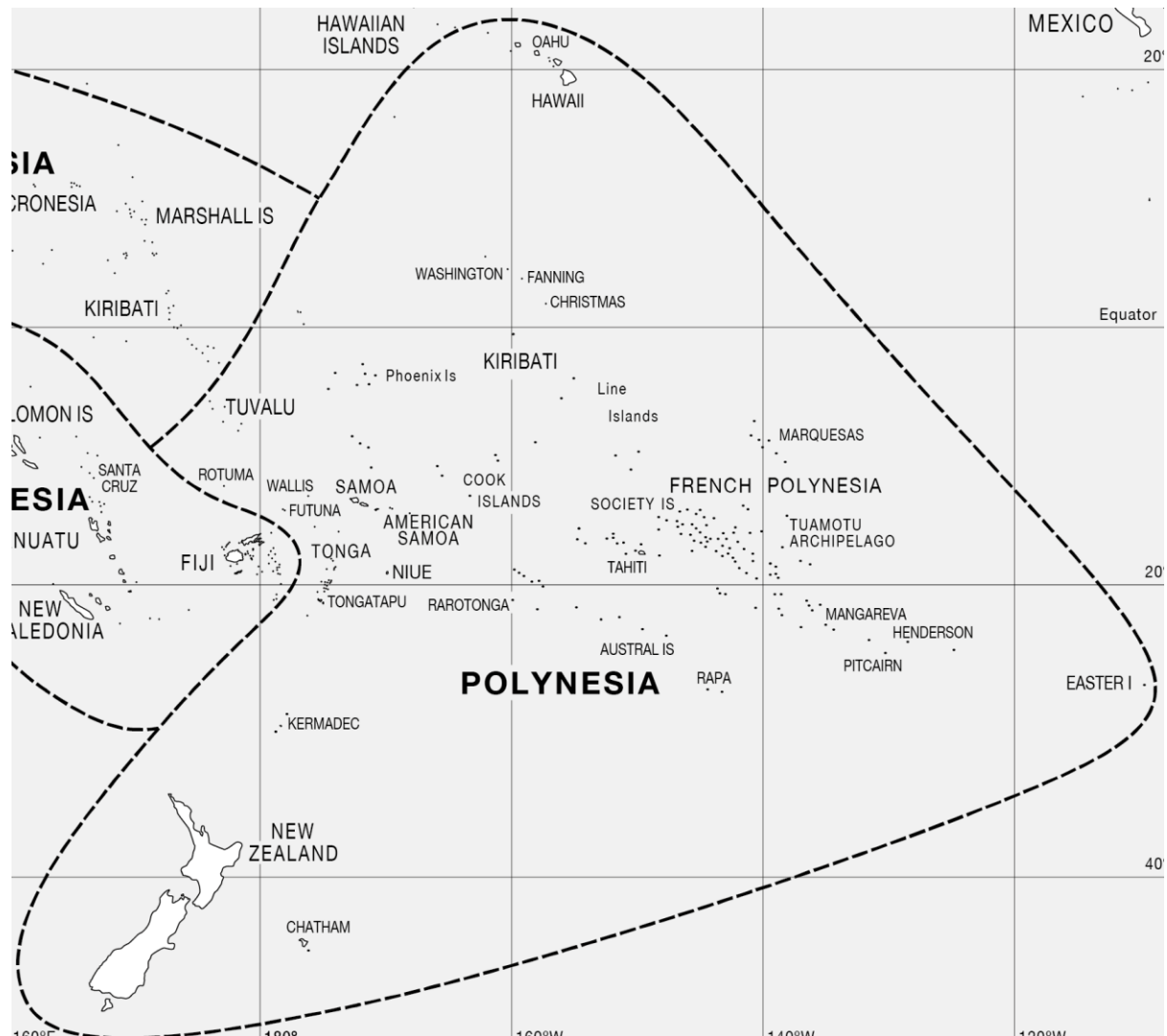
⁹ Source of the maps: CartoGIS, College of Asia and the Pacific, The Australian National University, 31.7.2017.



Second Micronesia, consisting of the Federated States of Micronesia, Palau, Kiribati, the Marshall Islands, Nauru, the Northern Mariana Islands, Guam and Wake Island:



And third Polynesia, which contains New Zealand, French Polynesia, the Cook Islands, Tuvalu, Kiribati, Samoa, Tonga and Niue.



Although the islands of Oceania do not constitute part of a real continent, Oceania is connected to the Australian continent. Thus, Oceania is the smallest continent in terms of land mass and the second smallest in terms of population numbers. A special feature of Oceania and consequently of particular foreign policy significance is that – with the exception of Papua New Guinea – no country has a solid land border with another country.¹⁰

Furthermore, the South Pacific is also not a precise term. However, in this thesis *‘the South Pacific’* or *‘the Pacific Islands’* refers mainly to the tropical island nations and territories. One might ask, south of what exactly? An obvious assumption is that south means south of the equator, although this does not always have to be the case, because often *‘the South Pacific’* includes islands north of the equator. Even the Pacific Islands Forum, originally called *‘the*

¹⁰ Cf Gieler (2010), 12f.

South Pacific Forum' changed its name, because it included three countries of the geographic North Pacific.¹¹ Moreover, "the South Pacific region includes Australia, New Zealand, and all the neighboring small island nations in the southern part of the Pacific Ocean. Australasia and Oceania are sometimes used to refer to this region."¹²

Then, there is the term '*associated states*', which means "Pacific Islands states with a special relationship to a larger state."¹³ The conditions usually include giving the smaller partner free access for people and goods to the larger state. Associated states in the South Pacific include the Federated States of Micronesia (FSM), the Marshall Islands (RMI) and Palau – which are all associated with the United States of America (USA). The Cook Islands and Niue are associated with New Zealand. However, the true nature of the relationship differs in each case. The USA uses the term '*Freely Associated States*', but this terminology is not used by other associated states, which are generally freer. Therefore, the general term '*associated states*' is used here.¹⁴

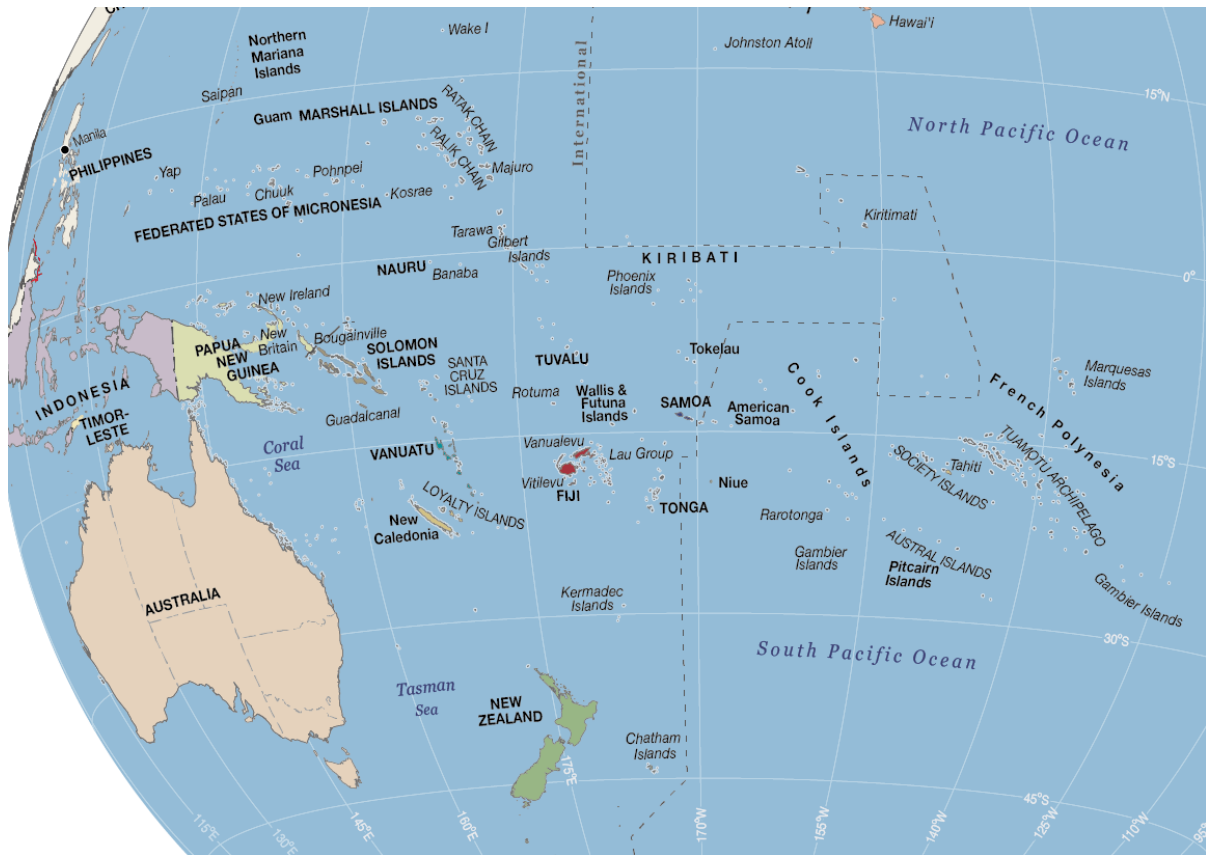
This thesis is based on the above-mentioned descriptions in order to give the reader a better framework of the region concerned.

¹¹ Cf *Crocombe* (2001), 16f.

¹² *Zhu* (2010), 139.

¹³ *Crocombe* (1995), xviii.

¹⁴ Cf *ibid.*



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¹⁵ Source of the map: CartoGIS, College of Asia and the Pacific, The Australian National University, 31.7.2017.

VI. Theory and Methodology

The analysis of foreign policy of individual states is a wide field and there is a variety of theoretical approaches for the analysis of foreign policy. Foreign policy analysis is one and a separate area of enquiry within international relations. To be precise, “foreign policy analysis (FPA) is the study of the conduct and practice of relations between different actors, primarily states, in the international system.”¹⁶ In accordance with David Singer’s schema of International Relations (IR), world politics can be studied on various levels, especially the international system level, the state or national level, or the individual level. As far as foreign policy analysis is concerned, the state or national level and the individual level are the main areas of interest.¹⁷ For the purpose of this thesis it can be stated at this point, that primarily the state or national level will be of concern.

In order to understand part of the background of foreign policy analysis, it should be mentioned that “the key question motivating foreign policy analysts, that is, how the process of foreign policy decision making affects the conduct of states in the international system and the relationship between agency, actors and foreign policy”¹⁸. This is exactly, what this thesis is trying to do, therefore – considering this definition – making the approach of foreign policy analysis to international relations an ideal theoretical basis for this thesis.

Methodically, the approach of this thesis will be a qualitative hermeneutic one. Selected issues and existing materials concerning Pacific Island States will be analyzed. Primarily literature research is used to answer the research questions. Furthermore, other methods will be used as well.

The combination of different methods in the empirical investigation is called triangulation. The idea behind this concept is that with this procedure the specific weaknesses of one method should be compensated by the strengths of the other methods. Therefore, the triangulation of the methods is a procedure with which the combination of independent procedures should increase the empirical assurance of the results.¹⁹

For this thesis literature research as well as a couple of expert interviews were chosen as the most appropriate methods. These methods are complementary, as literature research is very well suited, especially for the evaluation of expert interviews.

In the course of writing this thesis I conducted a research visit at the Australian National University, College of Asia and the Pacific, in Canberra, Australia. This visit was immanent in

¹⁶ Alden/Aran (2012), 1.

¹⁷ Cf ibid, 2.

¹⁸ Ibid, 3.

¹⁹ Cf ibid, 105.

laying the groundwork for this thesis, starting with the literature research as a solid basis, and continuing with meetings with several experts closer to the field. My research visit took place in February 2015, therefore the majority of the literature collected focuses on the time period before this date.

As already mentioned, a couple of expert interviews were conducted. Qualitative expert interviews can be defined as systematic and theory-guided procedures for data collection in the form of interviews with people, who have exclusive knowledge of political negotiation and decision-making processes or policies, instruments and operation of policy. Of particular importance is the intersubjective traceability of data collection and data analysis. In the case of expert interviews this means naming the method and criteria for the selection of experts, the disclosure of the interview guidelines, the description of the interview situation and the presentation of the evaluation method.²⁰

The so-called 'dilemma of incomplete information' in the analysis of policy cannot be completely dissolved by qualitative interviews with experts.²¹ Therefore, the author is fully aware of the fact, that expert interviews represent individual opinions and can never be used as the sole basis for any argument unless supported by sufficient data. Nevertheless, a few interviews can be an immense enrichment for any thesis.

The guideline-based expert interview was chosen as the best alternative, because it is a structured interview that pursues the goal to generate specific information about a subject and expert interviews are advantageously conducted as guided interviews, since usually different topics must be addressed, which would not necessarily be the case in a free or narrative interview.²² Furthermore, the use of interview guidelines offers the best guarantee to assess the quality of data collected through interviews with experts.²³

In order to describe the method of expert interviews comprehensibly, one must characterize the persons selected for interviewing as experts based on their position in the process to be reconstructed.²⁴ So what constitutes an 'expert'? Relevant literature lists primarily the following criteria for experts: the institutionalized expertise for construction of reality, the position and status as well as the knowledge attributed to them. However, it should be noted that the attribution of the expert role is always carried out by the researchers themselves during the concrete research process.²⁵

²⁰ Cf *Kaiser* (2014), 6ff.

²¹ Cf *ibid*, 23.

²² Cf *Gläser/Laudel* (2009), 105.

²³ Cf *Kaiser* (2014), 30ff.

²⁴ Cf *Gläser/Laudel* (2009), 271.

²⁵ Cf *Kaiser* (2014), 36ff.

If expert interviews are not the central tool of a survey, they usually open up the field and take on a complementary function. In research practice, the expert interview is often used with the aim of information retrieval. When it comes to acquisition of information though, other methods like for example literature research are the evaluation methods of choice.²⁶

Because the literature research focuses on the retrieval of information, the experts' knowledge is conceptualized as a collection of information. While this information may be selective on a case-by-case basis and sometimes contradictory – that is why one conducts multiple interviews – it is believed in principle that the expertise is capable of accurately representing the world.²⁷

As already mentioned, a definition of the notion of experts must ask whether there are peculiarities that distinguish the expert action and knowledge from other forms of social action and knowledge, especially from everyday action and knowledge. A person is approached as an expert in a research context because, whatever the reason, we assume that this person has knowledge which he or she does not necessarily possess alone, but that is not accessible to anyone in the field of interest. Therefore, the expert interview aims at this knowledge advantage²⁸ and somebody is an expert who is socialized as an expert, i.e. is considered an expert in social reality.²⁹

I had the pleasure of interviewing several experts during my research visit. The experts chosen for this thesis were Dr Peter Van Ness³⁰, Hugh White, a Professor of Strategic Studies at the Australian National University³¹ and Dr Merriden Varrall, at the time the Director of the East Asia Program at the Lowy Institute³², as well as a Chinese diplomat, who wishes to remain anonymous.

Dr Peter Van Ness was chosen due to his own research interests in Chinese foreign policy, Sino-American relations and Asia-Pacific security, as well as the fact that he is a specialist on China's foreign policy and the international relations of the Asia-Pacific region. His background as an American, who studied in the United States and conducted research in the US, Australia and several countries in Asia, is really fascinating.³³

Hugh White has a wide range of expertise in Asia-Pacific security issues and global strategic affairs. Through various roles from strategic adviser in government positions to journalist and

²⁶ Cf *ibid*, 22ff.

²⁷ Cf *ibid*, 72.

²⁸ Cf *Meuser/Nagel* (2009), 37.

²⁹ Cf *Bogner/Littig/Menz* (2009), 68.

³⁰ Cf *ANU* (2017).

³¹ Cf *ANU* (2017).

³² Cf *Lowy Institute* (2017).

³³ Cf *ANU* (2017).

university professor he has established himself as an expert in this area and the person to talk to about US and China relations in Australia. Moreover, he has published several books on this topic.³⁴

The third expert, Dr Merriden Varrall, has lived and worked in China for several years conducting fieldwork for her doctoral research on Chinese foreign policy and lecturing on this subject. Her main areas of expertise are Chinese foreign and domestic policy as well as Chinese development policy. She was the Director of the Lowy Institute's East Asia Program from 2014 until 2018.³⁵

The Chinese diplomat, who wishes to remain anonymous for personal reasons was chosen because of the exceptional insight and unparalleled knowledge about Chinese diplomacy only an insider could provide.

These experts were all selected based on their own research interests and areas of expertise, each uniquely contributing to this thesis with their different points of view and academic backgrounds. The author was glad to find each and every one of them and very grateful for their precious time. Of course, one selection criterion was also the accessibility to the experts in the field.

The general guideline for the expert interviews – as can be seen in the addendum – has been adjusted slightly for each individual interview. However, the structure for all interviews was based on the following catalogue of questions:

Introduction: Generally speaking, my interest is the China-US relationship in the Pacific and how it influences Pacific Island States (especially their foreign policy). Also, the role of Australia in this context and its position between the two great powers is of interest to me.

A. General Questions

- i. How would you describe the current US-China relationship in the Pacific?
- ii. The Pacific used to be an 'American Lake'. Is China becoming the most significant player in the South Pacific?
- iii. How do you see Australia's strategic role in the Pacific?
- iv. How would you describe the current Chinese foreign policy in the Pacific, in particular towards Pacific Islands?
- v. Has the Chinese policy significantly changed in the past few years?

³⁴ Cf ANU (2017).

³⁵ Cf Lowy Institute (2017).

B. Questions focusing on Australia

- i. Focusing on Australia, who is a key US ally on one side and has China as Australia's largest trading partner on the other side. How do you see Australia's strategic role in the Pacific?
- ii. How would you describe the China – Australia relationship in the Pacific?
- iii. How can Australia have both – the strategic relationship with the US on one side, and the economic relationship with China on the other side?
- iv. Can Australia act as a mediator between the two great powers?
- v. Will Australia ultimately have to choose between Asia and America?

C. Questions focusing on the relationship with China

- i. In your opinion is China – in its growing demand for resources – going to exercise more power by claiming influence on certain Pacific Islands?
- ii. Will China – depending on resources from those Pacific Islands – have territorial ambitions beyond its current borders anytime in the future?
- iii. Might this trigger a conflict with the US?

D. Questions focusing on the Pacific Islands

- i. In your expertise, how important is the Republic of China (Taiwan) in this context? Considering 6 of the 21³⁶ UN member states with official diplomatic relations are situated in Oceania. (Namely those are Kiribati, Marshall Islands, Nauru, Palau, Solomon Islands, Tuvalu.)
- ii. What are the specific implications for the Pacific Islands caused by this struggle for power between the US and China?
- iii. Is there a best solution?

E. Questions focusing on the UN

- i. When could the UN be a forum that would be of assistance in this dialogue?

F. Wrap-up Questions

- i. Are there any other issues that we have not discussed and that I should be aware of? Or anything you would like to add?

³⁶ At the time, when the interviews were conducted 21 UN member states had official diplomatic relations with Taiwan. This number has decreased since to 15 countries, but among these 4 are still situated in Oceania.

Some of the interviews were recorded with the permission of the interviewee, which made the transliteration afterwards very precise. Where a recording was not possible due to the specific circumstances of the interview in question the transliteration is based solely on my notes taken during the interview.

VII. Pacific Island States

Although the Pacific Island States are small in total population and relatively less developed economically, the Pacific island region is nevertheless strategically located at the gateway of the Pacific Ocean from east to west and from south to north.³⁷

Below I will first take a look at certain Pacific Island States from a general point of view. Considering the limitations of this thesis not all Pacific Islands can be analyzed, therefore, a selection has been made. Namely, these are the Independent State of Papua New Guinea (Papua New Guinea, PNG), the Republic of Fiji (Fiji) and the Republic of the Marshall Islands (Marshall Islands, RMI). Obviously, Papua New Guinea and Fiji were chosen, because they are among the larger islands in the region and thus more important for the regional economy and diplomatic activities. The Marshall Islands, on the other hand, are a very special case, due to their struggle with climate change – especially rising sea levels – and diplomatic relations with the Republic of China (Taiwan, ROC).

³⁷ Cf *Zhu* (2010), 139.

VIII. Independent State of Papua New Guinea (PNG)



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First, some historic facts: In 1885 the eastern half of the island of New Guinea, which is the second largest in the world, was divided between Germany (north) and the United Kingdom (south). Then in 1902 the latter area was transferred to Australia, which occupied the northern portion during World War I and continued to administer the combined areas until independence in 1975. In 1997 a nine-year secessionist revolt on the island of Bougainville ended after claiming around 20,000 lives. Since 2001, Bougainville has experienced autonomy. A referendum asking the population if they would like independence or greater self-rule occurred in November 2019 and almost 98% of the voters chose independence.³⁹

The Independent State of Papua New Guinea (PNG or Papua New Guinea) has a current population of around 8.6 million people and a total surface area of 462,800 square kilometers.⁴⁰ Therefore, Papua New Guinea is the largest island in the region. According to data from the World Bank (2017) the economic growth performance has been consistent with real GDP per capita of 3 percent. The International Monetary Fund (IMF) considers this “weak economic growth resulting from falls in major commodity export prices”⁴¹.

Papua New Guinea is a parliamentary democracy under a constitutional monarchy and a Commonwealth realm. Thus, Queen Elizabeth II is the chief of state, since 28 February 2017 represented by Governor General Grand Chief Sir Bob Dadae. The monarchy is hereditary, and the governor is nominated by the National Parliament and appointed by the chief of state. The head of government is Prime Minister James Marape since 30 May 2019.

³⁸ CIA World Factbook, Papua New Guinea.

³⁹ Cf CIA World Factbook, Papua New Guinea.

⁴⁰ Cf World Bank, PNG.

⁴¹ IMF, Country Report Papua New Guinea.

The economy consists mainly of agriculture, forestry, fishing, mineral and petroleum extraction. PNG is richly endowed with natural resources, but exploitation has been difficult due to rugged terrain and the high cost of developing infrastructure. A small formal sector exists, mainly focused on the export of natural resources. However, there is also an informal sector, which employs the majority of the population and agriculture provides a subsistence livelihood for about 85% of the population.⁴²

Australia (18.9%) and China (12.7%) are among the biggest export partners of Papua New Guinea. Export commodities include liquefied natural gas, oil, gold, copper ore, nickel, cobalt logs, palm oil, coffee, cocoa, copra, spice, crayfish, prawns, tuna and sea cucumber. However, mineral deposits account for around two-thirds of export earnings.⁴³

The island of Papua New Guinea has a huge energy find and “[...] its vast array of natural resources make it a natural trading partner for China,”⁴⁴ because “China has a particular interest in PNG’s vast energy and mineral resources”⁴⁵. Although, relations with Papua New Guinea have proved to be more volatile.⁴⁶

Until 1987 there was no formal security agreement or undertaking between the Commonwealth of Australia and the Independent State of Papua New Guinea, or any other Pacific Island country (PIC). Then the Joint Declaration of Principles (JDP) between Australia and PNG was signed.

The Joint Declaration of Principles is guided by the following principles. For one, both governments reaffirm their commitment to close and friendly relations between their two countries, mutual respect, peaceful settlement of international disputes and non-interference in the internal affairs of other countries. Furthermore, the development of co-operation on various levels such as diplomatic co-operation, security co-operation, trade, investment and private sector co-operation is intended to contribute to self-reliance and development in Papua New Guinea.⁴⁷

Varrall writes that “over the past few years, China’s aid has been increasing at an average of 20 per cent (%) per annum. While detailed statistics as to how this aid is divided among regions and countries are sparse, evidence from my fieldwork suggests that China’s presence in such Pacific Islands nations as Papua New Guinea is increasing fast.”⁴⁸

⁴² Cf *CIA World Factbook*, Papua New Guinea.

⁴³ Cf *ibid.*

⁴⁴ *Wesley-Smith* (2014), 146.

⁴⁵ *Zhu* (2010), 157.

⁴⁶ Cf *Wesley-Smith* (2014), 146.

⁴⁷ Cf *Australian Government*, Papua New Guinea.

⁴⁸ *Varrall* (2014), 122.

The increasing importance of the Chinese in the region, in numbers, wealth and political power, is recognized by various other scholars as well. Nevertheless, the Chinese have the ability to contribute to immediate and long-term change. As already mentioned, Papua New Guinea is different from other Pacific Island States in the region, differing in size, resources and its shared borders. Therefore, the relationship with the PRC is also different, but the extent of this relationship is very difficult to measure, as some transactions and movements of people are illegal and PNG's statistics are often unreliable.⁴⁹

There is a group of Chinese coming to Papua New Guinea from the People's Republic of China in accord with Chinese government policy. In 2005 an agreement was reached with the Chinese company Metallurgical Group Corporation (MCC – the Metallurgical Corporation of China) to develop the Ramu Nickel and Cobalt mine. This movement has increased in the meantime and has been under heavy scrutiny in the recent past.⁵⁰

MCC is a state-owned enterprise and one of the biggest construction companies in the world. Under the agreement China has the right to take the entire output of the Ramu mine. This is the biggest project that has been undertaken by the Chinese anywhere in the entire Australia islands region. Extensive infrastructure – including a long slurry-carrying pipeline and the development of a port on the Madang coast – is necessary for the mine. However, the subsidiary of MCC, which has started the preliminary work, has brought in imported workers from China, who are said to be partially unskilled and low-paid by Papua New Guinean standards.⁵¹

Moreover, the development of the mine has raised a couple of issues. For one, the Chinese government has agreed to provide the funds needed for the infrastructure of the mine. But it is difficult to distinguish between foreign aid and a commercial venture, because the Metallurgical Group Corporation is government-owned, and as such may want to set off infrastructure development costs against tax concessions. Considering MCC has negotiated a very generous ten-year tax holiday, this issue is of particular relevance. Furthermore, a lot of questions have been raised, if MCC is going to make disclosures generally required by public companies listed on Western stock exchanges and to what extent.⁵²

But China has not just shown interest in Papua New Guinea's resources. Although investing \$651 million in the Ramu nickel-cobalt mine in 2006 alone, "over 3,000 Chinese state and private entities have established themselves in South Pacific, with investment worth some

⁴⁹ Cf *Nelson* (2010), 104.

⁵⁰ Cf *ibid*, 111.

⁵¹ Cf *ibid*.

⁵² Cf *Nelson* (2010), 111.

\$800 million. [...] As in other regions, economic benefits will remain a key motivation behind China's new diplomacy in the South Pacific.”⁵³

Additionally, voices were raised addressing the issue of the environmental impact of the mine, especially the discharge of tailings into the sea near Madang. Also there have been complaints from PNG workers at the construction sites due to the poor housing conditions, pay rates below the legal minimum, crude toilets and separate compounds for Papua New Guinean and Chinese workers.⁵⁴ For example, “revelations about the conditions at work sites after a visit by Labour Secretary David Tibu brought an angry public response.”⁵⁵

Furthermore, there have been a few guarded suggestions – especially in local newspapers – that some politicians or officials have been rewarded for decisions in favor of the mining company. And these allegations of corruption were given an increased substance when Ombudsman Peter Masi said that he was investigating reports of Madang leaders awarding contracts relating to the mine and in a breach of the Leadership Code. Besides, according to the *Post-Courier* the National Housing Corporation had been pressured to sell Madang properties to developers.⁵⁶

Australia has not shown a real interest in the actions and policies of China in Papua New Guinea. Although, China and Australia have a close economic relationship and Australia has a history “of fearing Asian enemies seeping or rushing south.”⁵⁷ Even the fact that “Australia has been the biggest trading partner for many of those countries for a long time”⁵⁸ does not seem to raise any concern on the Australian side.

⁵³ *Zhu* (2010), 154.

⁵⁴ Cf *Nelson* (2010), 111.

⁵⁵ *Ibid.*

⁵⁶ Cf *ibid.*

⁵⁷ *Ibid.*, 104.

⁵⁸ *Interview White*, 229f.

IX. Republic of Fiji (Fiji)



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The Republic of Fiji (Fiji) became independent in 1970 after nearly a century as a colony of the British Empire. The following democratic rule of the parliamentary republic was interrupted twice by military coups in 1987. The subsequent years were marked by political turmoil, various coups and delayed elections. In September 2014 credible elections were finally held and Voreqe “Frank” Bainimarama was reelected in November 2018 in free and fair elections as the prime minister of the Republic of Fiji.⁶⁰

Fiji has a population of about 900,000 people and a surface area of 18,300 square kilometers. It includes 332 islands, of which approximately 110 are inhabited. Thus, Fiji is the second largest island in the region and endowed with forest, mineral and fish resources. Therefore, Fiji is one of the most developed and connected islands of the Pacific island economies. Most earnings come from the tourism industry and the export of bottled water to the US is Fiji’s largest domestic export. Furthermore, the sugar sector is another significant industry and major export contributor for Fiji.⁶¹

The People’s Republic of China has maintained an official presence in the South Pacific region since the mid-1970s. Back then it first established diplomatic relations with Fiji, Western Samoa and the newly independent island of Papua New Guinea. And since then, Beijing has established either formal relations or informal relations with all of the independent and self-governing states, as well as with regional organizations like the Pacific Islands Forum.⁶²

⁵⁹ CIA World Factbook, Fiji.

⁶⁰ Cf *ibid.*

⁶¹ Cf *ibid.*

⁶² Cf Wesley-Smith (2010), 31.

There has always been a particular emphasis on relations with Fiji due to “its pivotal role in regional commerce and diplomatic activity”⁶³. Although, Samoa is probably China’s oldest and most faithful ally in the region, despite the fact that the Chinese do not have a specific interest in this Island state.⁶⁴

Why does Fiji play a pivotal role in the region? Mainly because Fiji is considered to be a regional hub and therefore a relatively influential player in regional politics. Furthermore, Fiji was the first Pacific Island State to establish official diplomatic relations with China. And Fiji has an active and influential local Chinese population. For all these reasons Fiji is considered a “natural focal point” for both China and Taiwan’s involvement in the South Pacific. Even though, only 1 percent of the population of Fiji – around 5,000 – at the time when Fiji attained independence in 1970, was of Chinese origin.⁶⁵

Since 2000 the relations between Fiji and China have grown as a result of two factors. One, the efforts of the post-coup Fiji government to diversify its diplomatic and economic relations away from only the traditional partners – the so-called Look North policy –, and second the push of the Chinese government to enhance its position in the region. This was done due to potential escalating tensions with Taiwan.⁶⁶

This raises the issue of Fiji’s unofficial ties with Taiwan, because Taiwan established an official trade mission in Fiji in 1971. And as a matter of fact, Fiji joined the United Nations soon after its independence. At the time, the question of who should hold the seat for China, either the People’s Republic of China (PRC) or the Republic of China (Taiwan), was being debated. Although Fiji supported the seating of the PRC, it did not accept that Taiwan should simultaneously be expelled from the United Nations. Consequently, Fiji refrained from voting on the issue when it was put to the General Assembly in 1971. This early position of “neutralism” reflected Fiji’s approach to the complex China issue, which was to seed to maintain relations with both China and Taiwan.⁶⁷

The relations between Fiji and China developed in the 1990s. There were modest flows of both aid and trade. In 1997 a bilateral trade agreement was signed to provide a framework for expanding trade. As a result, the Fiji-China Business Council was launched. Furthermore, in 1995 the first of a series of aid packages – containing non-lethal military supplies – was sent to the Fiji Military Forces.⁶⁸

⁶³ Ibid, 146.

⁶⁴ Cf *ibid*.

⁶⁵ Cf *Tarte* (2010), 118f.

⁶⁶ Cf *ibid*.

⁶⁷ Cf *ibid*.

⁶⁸ Cf *Tarte* (2010), 120ff.

In the meantime, Fiji also maintained productive ties with Taiwan, signing a joint communiqué in 1996, detailing the mutual recognition of each other's system of government and other areas of cooperation.⁶⁹

However, by the year 2000, both China's and Taiwan's aid and diplomatic efforts in the Pacific region had intensified and therefore were beginning to attract widespread interest. This also coincided with growing tension in Taiwan – China relations. And these tensions were especially evident at the regional negotiations for the establishment of a tuna management and conservation regime for the Central and Western Pacific Ocean. In the process of these negotiations both China and Taiwan participated as equals. This reflected Taiwan's status as a major distant water fishing nation in the region, as in 1999, Taiwanese fishing vessels accounted for 164,107 tons of tuna taken from the Exclusive Economic Zones of Pacific Island States, whereas China accounted for just 2,026 tons of tuna.⁷⁰

In April 2006 the Republic of Fiji hosted the first visit of a Chinese premier to a Pacific Island country, when Wen Jiabao visited Fiji to open the first China-Pacific Island Economic Development and Cooperation Forum hosted in Nadi. During this summit, Wen announced that the PRC would provide around US\$383 million in preferential loans to Pacific Island countries over a period of three years. This measure should boost cooperation in resource development and set up a special fund to encourage Chinese companies to invest more in Pacific Island countries.⁷¹

The People's Republic of China's policy toward the South Pacific region basically embodied three principles. First, to respect the domestic and foreign policies of the Pacific Island States, second to respect the close relations between them, and third to respect their treaty arrangements with other powers.⁷²

Especially, after the relations between Fiji and its traditional partners – the Commonwealth of Australia and New Zealand – deteriorated after the military coup in 2006, the Look North policy was invoked again, primarily to compensate for what Fiji had lost.⁷³

However, it needs to be mentioned that while China professes to be sympathetic to the rights and interests of developing countries including Pacific Island countries, this is never at the expense of other pressing interests. For example, at the World Trade Organization the PRC

⁶⁹ Cf *ibid.*

⁷⁰ Cf *ibid.*

⁷¹ Cf *ibid.*

⁷² Cf *ibid.*

⁷³ Cf *ibid.*

has not always been a friend of Pacific Island States, when it blocked proposals to assist small countries, which have adversely been affected by the liberalization of global trade.⁷⁴

In the relationship between the People's Republic of China and the Republic of Fiji Taiwan continues to be a fundamental issue. Nevertheless, China has constantly protested and attempted to pressure Fiji. However, this has had little effect and the ties between Taiwan and Fiji have grown closer. Prime Minister Qarase has stated in 2004, that the position of the Fiji government is to remain committed to the One China policy and at the same time aims to strengthen the official ties and cooperation with the People's Republic of China. Likewise, they are glad to maintain trade, economic and cultural associations with Taiwan as well.⁷⁵

Furthermore, the PRC has also always been very sensitive to Fiji's aid connections with Taiwan, because Taiwan is very likely to remain an aid and trade partner and its interests are not only to keep a presence in Fiji, but similarly to seek to influence the Fiji government. This supposed influence is exercised in various ways. Direct influence is exerted through offers of aid and other gifts and indirect influence is applied through the local Chinese community.⁷⁶

The Look North policy of Fiji mainly attracted large aid commitments. However, the Chinese government has been reluctant to multi-year program aid, which Fiji would prefer, as opposed to ad hoc project aid. Also, aid announcements have been made without the proper groundwork in place to implement them. For example, the soft loan announced by Premier Wen in 2006 had not been distributed to Fiji a year later, because the modalities for delivering the aid were not yet agreed upon.⁷⁷

Another problem was corruption with the involvement of the Chinese in Fiji's tuna fishery. As the fishing sector is just one example of how the PRC has used Chinese commercial and political interests to promote political interests in Fiji. However, this created economic conflict with already established local interests. Subsequently, widespread corruption surfaced and many Chinese fishing operations in Fiji were only short-lived.⁷⁸

When the Qarase administration tried to promote indigenous Fijian participation in the tuna industry, a strategy was developed to encourage joint ventures with overseas partners, who could provide both the capital and the experience.⁷⁹

Therefore, Chinese fishing fleets were encouraged to enter joint venture partnerships with indigenous Fijians. As a result, 44 Chinese flagged vessels had been licensed to operate in

⁷⁴ Cf *Tarte* (2010), 129.

⁷⁵ Cf *ibid.*, 124ff.

⁷⁶ Cf *ibid.*

⁷⁷ Cf *ibid.*

⁷⁸ Cf *ibid.*

⁷⁹ Cf *ibid.*

Fiji's Exclusive Economic Zone (EEZ) by the end of 2002. But this development was met with strong opposition from local fishing operators arguing that the tuna industry could not sustain such an increase in vessels.⁸⁰

The number of vessels rose exponentially in the following years. When fishing operators declared that the industry was at a point of collapse, because they caught 60 percent less tuna than in previous years, allegations surfaced that officials had received bribes from Chinese vessel operators in exchange for fishing licenses.⁸¹

Furthermore, many of the supposed joint venture partnerships between indigenous Fijians and Chinese were in fact so-called '\$2-companies', where the local partner had very little to no shareholding. Moreover, a lot of licenses were issued to Chinese fishing companies, which did not even meet joint venture standards. Several local partners did not receive any benefits.⁸²

By the year 2004, investigations into the corruption allegations led to the suspension and conviction of several senior fishing officials. Additionally, the government's licensing committee rejected 60 out of 84 applications for fishing licenses, because they did not meet the various joint venture criteria.⁸³

⁸⁰ Cf *Tarte* (2010), 127f.

⁸¹ Cf *ibid.*

⁸² Cf *ibid.*

⁸³ Cf *ibid.*

X. Republic of the Marshall Islands (RMI)



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The Marshall Islands became independent in 1986 after nearly four decades under US administration. Under a so-called Compact of Free Association (COFA) the RMI maintain close ties to Washington. Furthermore, the Marshall Islands are the host of the US Army Kwajalein Atoll Reagan Missile Site, which is a key installation in the missile defense network of the United States. Moreover, Kwajalein is hosting one of four ground antennas which assist in the operation of the Global Positioning System (GPS) navigation system.⁸⁵

Located in Oceania halfway between Hawaii and Australia the Marshall Islands consist of 29 atolls and five isolated islands with the total number of islands being about 1,225. The islands have natural resources, primarily deep seabed minerals, marine products and coconut products. Approximately two-thirds of the population of around 75,000 people live either on the atoll of Majuro or on the atoll of Ebeye.⁸⁶

The Republic of the Marshall Islands got its name from the British Captain John Marshall, who charted many of the islands in 1788. The government type is a presidential republic in free association with the US. Since 28 January 2016 Hilda C. Heine is the president and as such both chief of state and head of government making her the first female elected head of state of any Pacific island nation. The Marshall Islands traditionally have not had formally organized political parties. However, factions or interest groups exist, but they do not have party

⁸⁴ CIA World Factbook, Marshall Islands.

⁸⁵ Cf ibid.

⁸⁶ Cf ibid.

headquarters, formal platforms or party structures. Two groups are competing: Aelon Kein Ad Party and United Democratic Party (UDP).⁸⁷

The economy of the Marshall Islands is dominated by agricultural production, mainly coconuts and breadfruit. The industry sector is limited to handicrafts, tuna processing and copra, while tourism holds some potential. The RMI is heavily profiting from the US military base on the Kwajalein atoll, receiving assistance and lease payments. While imports exceed exports on the islands, they have few natural resources to benefit from.⁸⁸

As already mentioned above, the Republic of the Marshall Islands (Marshall Islands) is a very special case. For one, only four Pacific Island nations formally recognize the Republic of China (ROC or Taiwan)⁸⁹. Namely, these are the Republic of the Marshall Islands, the Republic of Nauru (Nauru), the Republic of Palau (Palau) and Tuvalu. Furthermore, the Marshall Islands are one of only a few United Nations (UN) member states that recognize Taiwan. As a low-lying atoll, they experience the effects of climate change – especially rising sea levels – more rapidly. And “climate change may prove to be the most serious environmental challenge in the South Pacific in the next century.”⁹⁰

In the Pacific sea level rises four times faster than the global average. By 2100, sea levels are expected to rise by as much as 0.98 meters.⁹¹ Therefore, the consequences of global climate change, in particular rising sea levels, the lower regularity of rainfall and the increasing extreme weather pose imminent threats to the small islands of Oceania. Considering that 6 of the 10 nations most affected by extreme weather events are located in Asia and the Pacific.

The Republic of the Marshall Islands (RMI) is an isolated, sparsely populated, low-lying Pacific island country consisting of approximately 70 square miles of land spread out over 750,000 square miles of ocean just north of the equator. These characteristics make it extremely vulnerable to transnational threats, natural disasters, and especially the effects of climate change.⁹²

With a population of around 75,000 people today, the Marshall Islands became independent in 1986 after being administered by the United States of America (US). However, they still depend heavily on aid from foreign countries like the United States. This poses several questions: How will the Marshall Islands be affected, when sea levels rise significantly? What are the repercussions for the local economy relying profoundly on agriculture? Can the

⁸⁷ Cf *CIA World Factbook*, Marshall Islands.

⁸⁸ Cf *ibid.*

⁸⁹ Cf *Ministry of Foreign Affairs Republic of China (Taiwan)*, Diplomatic Allies.

⁹⁰ *Gillespie/Burns* (2000), 5.

⁹¹ Cf *Asian Development Bank (ADB)*, Pacific Economic Monitor.

⁹² Cf *ibid.*

Marshall Islands survive without US aid? Are there other countries or trade partners, which could contribute aid as well?

Under the Compact of Free Association with the United States (1983, amended 2003), the US provides the Marshall Islands with approximately \$70 million annually through FY2023. This includes contributions to a jointly managed trust fund and financial assistance from other US federal grants. The jointly funded trust fund is for the people of the Marshall Islands and supposed to provide a steady income stream beyond the year 2024, when aid from the COFA ends. The assistance from the United States mainly focuses on supporting health, education, and infrastructure in the Marshall Islands, but also supports the RMI's ability to perform maritime security functions and strengthen climate resilience through disaster preparedness.⁹³

The small island states in the Pacific are in the unenviable position of serving as climate change 'canaries', because they are manifesting some of the ramifications associated with global warming well in advance of other nations.⁹⁴ Especially, in terms of land loss, low-lying atoll nations in the South Pacific, including the Marshall Islands, are extremely vulnerable to even small rises in sea level. For example, a one-meter rise could already result in the loss of 80 percent of the Majuro atoll in the Marshall Islands, which is home to half of the nation's population.⁹⁵ And "increases in sea level may increase saline intrusion into coastal groundwater and estuaries, increase flood heights in low-lying coastal areas by reducing the discharge rates of rivers in flood, and contaminate the fresh water resources of small coral islands."⁹⁶ Furthermore, the recent projected increase in global mean surface temperatures of around 1.3° – 4.0°C by 2100 will constitute a gradual change that is unparalleled in recent millennia. This shows once again that small island states will face the direst and immediate consequences from climate change.⁹⁷

Research suggests that in the South Pacific sea levels have been increasing by as much as 25 millimeters per year, which is more than ten times the global trend this century.⁹⁸ A countermeasure could be the construction of sea walls to ameliorate these impacts for some time. However, this will prove very cost-prohibitive for most Pacific Island Developing Countries (PIDs).⁹⁹

An equally serious threat is posed to the coral reefs that ring many Pacific Island Developing Countries. These reefs have been termed the 'tropical rainforests of the ocean', because they

⁹³ Cf *U.S. Department of State*, U.S. Relations with Marshall Islands.

⁹⁴ Cf *Gillespie/Burns* (2000), 1.

⁹⁵ Cf *Burns* (2000), 235.

⁹⁶ *Jones/Pittock/Whetton* (2000), 127.

⁹⁷ Cf *Burns* (2000), 233.

⁹⁸ Cf *ibid*, 235.

⁹⁹ Cf *Burns* (2000), 236.

are serving as the home for up to one quarter of all marine species. Additionally, the reefs protect coastal areas from erosion and storms, and serve as a 'sink' or absorber of carbon dioxide, helping to reduce the level of this potent greenhouse gas in the atmosphere. Therefore, in the context of small island nations, coral reefs are an extensive and vital component of the entire ecosystem. Because coral reefs serve as a buffer against coastline erosion, a function which will become even more critical in the future if climate change intensifies storm surges and sea-level rise severely threaten coastal regions of PIDCs. Understandably the threat of sea-level rise to the water resources of Pacific Island Developing Countries is of great concern. This can be contributed to the fact that freshwater supplies are often extremely limited on islands, because very few of them have lakes or large permanent watercourses.¹⁰⁰ In the case of the Marshall Islands the supplies of potable water are inadequate.¹⁰¹

Therefore, the Marshall Islands need foreign aid to combat the environmental effects of rising sea levels on their local economy. Currently, they rely heavily on the annual payments of approximately \$70 million provided by the US government. Under the Compact of Free Association between the United States and the Marshall Islands this contribution practice should continue through FY2023. However, it is questionable if the Marshall Islands can survive on their own afterwards and how they are going to achieve any kind of financial self-sufficiency.

"Forest and agricultural resources are two of the most important economic resources in PIDCs."¹⁰² Besides agriculture, selling fishing licenses to the Republic of China and Japan is one of the major contributors to the local economy. Fish exports are substantial and a fast-growing business. The Marshall Islands are in a region, where there is a large supply of tuna, including skipjack, yellow fin, big eye and albacore. Though, the Marshall Islands do not operate their own boats anymore, so much of the catch is caught by Chinese and Japanese vessels. An unknown factor in this equation are the fluctuations in winds and sea surface temperatures, which affect the migratory patterns of the Pacific tuna species, that are mostly targeted by the fishing fleets.

Despite the uncertainties Taiwan and Japan both have an interest in protecting their fishing territories in the Pacific. As already mentioned above, the Marshall Islands are one of only a few UN member states that have diplomatic relations with Taiwan and the RMI is one of Taiwan's diplomatic allies in the Pacific region. They have maintained a long fisheries partnership. To list just one example, in August 2016 the Agreement between the Government

¹⁰⁰ Cf *ibid*, 237ff.

¹⁰¹ Cf *CIA World Factbook*, Marshall Islands.

¹⁰² *Burns* (2000), 242.

of the Republic of China and the Republic of the Marshall Islands on Fisheries Cooperation was signed. Similarly, under the South Pacific Tuna Treaty (SPTT), which first came into force in 1988 and has been renewed several times ever since, the United States can fish in waters under the jurisdiction of the Pacific Island parties to the treaty. However, the US had already briefly withdrawn from the SPTT, because they were unwilling to pay the \$67 million fee.

Nevertheless, the economy of the Marshall Islands is still closely linked to that of the United States and other aid donors. The GDP of the RMI is derived mainly from US payments under the terms of the Compact of Free Association. The United States provides significant financial support to the Republic of the Marshall Islands to help achieve the Compact goal of economic self-sufficiency. The United States is one of the Marshall Islands' top trading partners. However, as already mentioned, the Marshall Islands sell fishing rights to other nations as well generating an alternative source of income. Under the multilateral US-Pacific Islands tuna fisheries treaty the US provides an annual grant to Pacific Island parties, including the Marshall Islands, for access by licensed US fishing vessels.

China – like Japan – also has an interest in the Pacific islands due to its lack of own resources and ever-growing demand of certain substances. The rapid sustained growth in recent years has caused China to become increasingly dependent on imports of petroleum and other natural resources. “The question of how Chinese aid is delivered both in general and in the Pacific can be enriched by also asking why.”¹⁰³ According to *Varrall*, China's aid has been increasing at an average of 20 percent per annum over the past few years, with an increased presence in Pacific Island nations. China is trying to help them develop economically.¹⁰⁴ However, detailed statistics as to how this aid is divided among regions and countries are sparse. Japan, on the other hand, is contributing \$450 million in climate change and disaster aid over three years to Pacific Island nations, including the Marshall Islands.¹⁰⁵

Although, as described above, the Pacific is among those parts of the world, which is most vulnerable to weather related disasters and therefore at a high risk for potential economic losses, Pacific countries have a relatively low contribution to the actual causes of climate change. Nevertheless, they are vulnerable to the effects and are trying to adapt to the ever more extreme weather conditions and mitigate disaster risk by climate-proofing their infrastructure and building a financial resilience. However, small island states in the Pacific have a limited ability to cope with the effects of climate change and this could further strain their economies and ecosystems, as well as undermine their autonomy and in some cases, it

¹⁰³ *Varrall* (2014), 131.

¹⁰⁴ Cf *Zhu* (2010), 154.

¹⁰⁵ Cf *The Associated Press* (2018).

could even threaten their existence as nations.¹⁰⁶

Especially, fishing license revenues collected by the government of the Marshall Islands have increased since the implementation of the Nauru Agreement's vessel day scheme (VDS). The VDS allows the parties to collect license fees from foreign fishing fleets. Fishing license revenues for the RMI have grown from less than \$2 million a year, which is equivalent to around 1% of GDP, to an average of more than \$13 million – 7% of GDP – over the period from 2012 to 2016, achieving a record of \$26.3 million collected in FY2016 alone.¹⁰⁷

These revenues have helped the Marshall Islands to improve its budget performance despite the decline in grants from the United States under the Compact of Free Association. Higher revenues earned are already stored in trust funds for the uncertain future. Therefore, the Marshall Islands are on the path to achieve long-term fiscal self-sufficiency and are not solely dependent on aid from the United States, considering that the Compact of Free Association is currently scheduled to expire in 2023.

Global focus and awareness for the imminent consequences of climate change needs to be raised even further. Although several countries are already contributing aid to the Pacific Islands nations in need, developed countries still have a certain responsibility aiding small islands states – like the Marshall Islands – facing the consequences of an ever-changing environment severely induced by mankind and not solely caused by themselves.

¹⁰⁶ Cf *Gillespie/Burns* (2000), 1.

¹⁰⁷ Cf *Asian Development Bank (ADB)*, Pacific Economic Monitor.

XI. Influence by other states

The three islands – Papua New Guinea, Fiji and the Marshall Islands – described in detail above all depend on other countries for support and aid. Therefore, it is interesting to see how strong the influence of the helping countries is and how independent those Pacific islands really are. As we have witnessed several times in global international security, allegiances and patterns of security organization are frequently transforming. The same is true for the Asia-Pacific region.¹⁰⁸

When talking about influence, it is important to address the issues of independence and sovereignty first. Primarily, it can be problematic to determine what exactly constitutes independence, because sovereignty itself is getting more compromised through treaties, memberships of regional and world organizations, supplications for aid or special consideration to name only a few. As a consequence, real independence is diminishing further.¹⁰⁹

That being said, the influence this thesis is interested in looking into in the following chapters does not mean a general holistic influence, which most certainly cannot be grasped clearly, but influence in certain areas, explained in detail in the list below.

In the following chapters the influence of other states, namely the People's Republic of China and the United States of America will be assessed. Where deemed necessary, regional powers like the Commonwealth of Australia and New Zealand will also be taken into consideration.

The areas that are of most interest for this thesis are:

- the political sphere,
- the economic aspect,
- the issue of foreign aid.

It has been stated that, "it is unlikely that the US bilateral alliance system will unravel completely over the short term, but it could be substantially modified."¹¹⁰ Especially, since Australia has a close alliance with the United States and thus the US is not primarily perceived as an Asia-Pacific power.¹¹¹ Nevertheless, the Commonwealth of Australia is still considered America's second closest military ally in the world. And through this partnership Australia has had access to US sourced military equipment for a long time, which in turn has guaranteed

¹⁰⁸ Cf *Tow* (2007), 17.

¹⁰⁹ Cf *Crocombe* (2001), 680.

¹¹⁰ *Tow* (2007), 118.

¹¹¹ Cf *Dibb* (2007), 33.

technological superiority for Australia in the region where it itself has its primary strategic interest.¹¹²

The rise of China has been quite spectacular but been perceived differently by various actors in the region. For example, the economic boom in the People's Republic of China has actually helped Australia's own economic prosperity. Furthermore, Australia sees the relationship with the PRC more and more as a strategic economic one, as China is already Australia's largest trading partner in terms of both imports and exports. On the opposite side, Australia is China's sixth largest trading partner and its fifth biggest supplier of imports as well as its tenth biggest customer for exports.¹¹³ All of this clearly points in the direction that "Australia is increasingly dependent on China"¹¹⁴.

Nevertheless, "reconciling the 'global/regional nexus' in alliance politics has been a major challenge for Australian policymakers over the past two decades."¹¹⁵ And a lot of Australia's neighbors appear to be comfortable with China's growing power.¹¹⁶ It will be interesting to see how Australia will navigate its position in the future.

From another perspective, the United States view things differently, as the Pentagon has stated that "of the major powers, 'China has the greatest potential to compete militarily with the United States and field disruptive military technologies that could over time offset traditional US military advantages and absent US counter strategies'."¹¹⁷ However, it is questionable on what level the People's Republic of China can actually compete with the United States of America.

China – more than any other country – always symbolized the immanent evolution of the Asian regional order.¹¹⁸ Although, Australia itself always identified its own national security with American definitions and American defense of regional and global order. And as stated before, "Australia will remain a committed American ally for the foreseeable future."¹¹⁹ Nonetheless, Canberra – as an important regional power – needs both, influence in Washington and Beijing. Keeping good relations with the United States and China will become increasingly more complicated as China is getting more and more powerful and as a result poses a challenge or even a threat to the US.¹²⁰

¹¹² Cf *Dibb* (2007), 36.

¹¹³ Cf *Holmes* (2019).

¹¹⁴ *Interview Van Ness*, 101.

¹¹⁵ *Tow* (2007), 23.

¹¹⁶ Cf *Dibb* (2007), 43.

¹¹⁷ *Ibid.*

¹¹⁸ Cf *Wesley* (2007), 60.

¹¹⁹ *Dibb* (2007), 46.

¹²⁰ Cf *ibid.*

As can be seen from these interdependences and intertwining relationships, they all need each other in one way or another and are therefore dependent on other countries to be present in the region as well. However, the question arises, what this exactly means for the Pacific Island States? And how they are influenced by it?

XII. People's Republic of China (PRC)



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“China does not see itself as a rising, but a returning power [...] It does not view the prospect of a strong China exercising influence in economic, cultural, political, and military affairs as an unusual challenge to world order – but rather as a return to a normal state of affairs.”¹²²

First of all, let us take a closer look at the People's Republic of China, as China is indisputably the world's most important rising power. In an impressive manner China has moved from the periphery to the very center of the international system in only two decades. Nowadays, every day and everywhere, the PRC has global attention.¹²³ This is an accurate account of the presence the People's Republic of China has today in various spheres stretching from the economic to the political.

In terms of its foreign policy, China has dedicated it to several main elements. These are: maintaining independence, maintaining world peace, friendly relations and cooperation, good-neighborly and friendly relations, enhanced unity and cooperation with developing countries and opening policy.¹²⁴

“The basic objectives of the policy center on safeguarding national independence and state sovereignty, and creating an international environment favorable to its reform, opening and modernization efforts, as well as maintaining world peace and promoting common development.”¹²⁵

This is how the People's Republic of China views its own foreign policy. Outside observers state, that “they want to play a larger role”¹²⁶ and “China's foreign policy is about domestic concerns”¹²⁷, as well as “key principles are non-interference and sovereignty”¹²⁸ and “China wants to play a bigger role as its power grows”¹²⁹.

Furthermore, it is true that, “for the past three decades, observers have watched how the world has impacted China; now the tables are turning and it is necessary to understand how China

¹²¹ *CIA World Factbook*, China.

¹²² *Kissinger* (2012), 546.

¹²³ Cf *Shambaugh* (2013), 4.

¹²⁴ Cf *Embassy of the People's Republic of China in the United States of America*.

¹²⁵ *Ibid.*

¹²⁶ *Interview Van Ness*, 8.

¹²⁷ *Interview Varrall*, 15.

¹²⁸ *Ibid.*, 76.

¹²⁹ *Interview White*, 522f.

is impacting the world. China's emergence on the world stage is accelerating dramatically in pace and scope – and it is important to understand the different manifestations of its “going global”.¹³⁰

What exactly is meant by China going global? For one, China's global expansion did not happen by accident. Rather it was offset by the Communist Party and government policies, which were first presented at the Third Plenary Session of the Eleventh Central Committee in 1978. Then and there China vowed to reform and open the country, and that is exactly what the PRC has done ever since.¹³¹

To assess the influence the People's Republic of China has on the selected Pacific Island States, I will look at three specific areas. As already mentioned, these are:

- the political sphere,
- the economic aspect,
- the issue of foreign aid.

¹³⁰ Ibid, 5.

¹³¹ Cf ibid.

a. The political sphere & the economic aspect

First, a closer look at the political sphere and China's role in the region. It is often said that the People's Republic of China is an inexperienced leader and ambivalent about what a leadership should represent. This is due to a fundamental dilemma which China faces. On one side, Beijing must remain focused on its further internal development and nurture a stable regional environment to continue its own economic growth; because of this economic growth it is able to exercise regional influence. Furthermore, China is also learning by observing the United States of America that hegemony and unilateralism can lead to 'soft balancing' tendencies on the part of other countries. At the same time, the People's Republic of China has to appear strong as well.¹³²

Historically, "China has been such a successful capitalist country under a communist party"¹³³ and "now they want to play a larger role in the world"¹³⁴. However, the "current leadership in China has a huge stake in the status quo", meaning that the PRC wants to preserve their standing.

Although, as *Hugh White* suggests, that China's growing economy "is translating into growing strategic and political power"¹³⁵, he also admits "that China has little chance of becoming the sole leader of Asia, in either a hard or soft form."¹³⁶ This is mainly due to the fact, that China itself shows very little interest in actually asserting a leadership role beyond the East Asian and Western Pacific region.¹³⁷

One might ask, why this is the case, considering China is becoming stronger economically and therefore also politically. An obvious explanation is the fact, that "China will continue to accept the status quo in Asia because any challenge would be contrary to its economic interests."¹³⁸ Therefore, as much of Chinese politics is driven by economic interests, it is understandable, that China has no political ambition to become the only hegemon in the South Pacific.

Thus, it is foreseeable that "as China's economy grows as its demand for all kind of goods and services"¹³⁹ grows, "China's economic weight in the region will certainly increase"¹⁴⁰. And therefore, "China will become a much more significant economic player in the South Pacific"¹⁴¹.

¹³² Cf *Kerr/Tow* (2007), 172.

¹³³ *Interview Van Ness*, 5f.

¹³⁴ *Ibid*, 12f.

¹³⁵ *White* (2012), 48.

¹³⁶ *Ibid*, 63.

¹³⁷ Cf *ibid*, 48.

¹³⁸ *Ibid*, 49.

¹³⁹ *Interview White*, 81f.

¹⁴⁰ *Ibid*, 83f.

¹⁴¹ *Ibid*, 101f.

Or as *Hugh White* pointed out: “there is a chance that it is all becoming a Chinese lake economically”¹⁴².

However, this does not mean, that China has no ambitions to lead Asia. But, the People’s Republic of China can only lead Asia if the United States decide to vacate the field. Although, China has become strong enough to rob America of primacy in Asia, it is not strong enough to rob the US of primacy against American opposition. And it looks like China has very little chance of becoming so strong in the near future.¹⁴³

What exactly does this mean? For one, “the Pacific including the South Pacific has been an American lake for a long time”¹⁴⁴ and “American has been able to project power all around the South Pacific whenever it wanted to, it has not needed to, but the fact that it could have if it wanted to has been significant, a really primary feature of the regional security environment. And China by contrast has neither had the capacity to project power in the South Pacific nor has had the capacity to stop America projecting power in the South Pacific”¹⁴⁵. This has changed with the growing military capabilities of the People’s Republic of China, as the PRC is now more able to sink American ships.¹⁴⁶

Nevertheless, the People’s Republic of China and the United States of America have failed to develop any kind of trust in the intentions toward each other.¹⁴⁷ As *Lieberthal* and *Jisi* put it, “[...] U.S. – China relations have four essential characteristics at present: *Mature*. [...] *Dense*. [...] *Expanding*. [...] *Distrustful*.”¹⁴⁸ And “the four adjectives – mature, dense, expanding, and distrustful – [...] used to describe how the two countries are interacting with each other are very balanced and comprehensive.”¹⁴⁹ The strategic distrust between the U.S. and China is mainly due to a narrowing power gap.¹⁵⁰ But “China is in Oceania to stay.”¹⁵¹ Especially, since the People’s Republic of China “has a much brighter capacity of reasons in some ways to engage in the South Pacific. And [...] that will in turn go on to political effects”¹⁵². It will be interesting to see and explore further what exactly those various reasons could be and if there are actually political effects for the Pacific Islands.

¹⁴² Ibid, 102.

¹⁴³ Cf ibid, 63.

¹⁴⁴ Ibid, 55f.

¹⁴⁵ Ibid, 57f.

¹⁴⁶ Cf ibid, 62ff.

¹⁴⁷ Cf *Hachigian* (2014), xii.

¹⁴⁸ *Lieberthal/Jisi* (2014), 2ff.

¹⁴⁹ Ibid, 7.

¹⁵⁰ Cf ibid, 10.

¹⁵¹ *Wesley-Smith* (2014), 151.

¹⁵² *Interview White*, 98f.

An important factor has been China's wealth, as ultimately money is power.¹⁵³ And for China, opportunities and challenges coexist. But for now, China is only seeking to be a regional power and has no intention to challenge the dominance of the US whether globally or in the Asia-Pacific region. Still, in the view of the People's Republic of China, the ability of the United States to control the international system is already decreasing. Although, the US is expected to be the one and only superpower for at least the next 20 years, based on its own natural resources, military capacity, scientific, strategic, cyber, cultural, geopolitical, intelligence and alliance powers.¹⁵⁴

However, "the Chinese grasp the idea that power is comprehensive and integrative, not atomistic."¹⁵⁵ Moreover, power today is not the same as power in the nineteenth or twentieth century. Then mostly industrial and military power prevailed, whereas today power must reflect both a strong cultural and normative dimension, meaning soft power as well. Therefore, the contemporary effort of China to regain its status as a global power includes multiple dimensions.¹⁵⁶

There are some observers, which have already proclaimed that China will rule the world. But in *Shambaugh's* opinion, this perspective is both overstated and incorrect. He argues that the People's Republic of China has a long way ahead before it becomes a truly global power, if it ever does become one. And the PRC will never rule the world. The argument is supported by the fact that China does have an increasingly broad footprint across the globe, which is rather shallow; and having a varying presence depending on the sector and region. Furthermore, China still remains a very lonely power, as it is lacking close friends and possessing no allies.¹⁵⁷

An example of this is the fact that while the People's Republic of China is in the community of nations, it is in many ways not part of the community. Whilst being only formally involved, it is not normatively integrated. The PRC is a member of most international organizations (for example World Trade Organization), but it is not very active in many.¹⁵⁸ This has been observed by *Varrall* as well, "China really likes the UN and being involved in multilateral organizations like UNDP"¹⁵⁹.

Furthermore, *Shambaugh* describes Chinese "diplomacy to be hesitant, risk-averse, and narrowly self-interest. China often makes known what it is *against*, but rarely what it is *for*. It

¹⁵³ Cf *White* (2012), 3.

¹⁵⁴ Cf *Peng/Hachigian* (2014), 89ff.

¹⁵⁵ *Shambaugh* (2013), 6.

¹⁵⁶ Cf *ibid.*

¹⁵⁷ Cf *Shambaugh* (2013), 6f.

¹⁵⁸ Cf *ibid.*

¹⁵⁹ *Interview Varrall*, 99f.

often stands aside or remains passive in addressing international security challenges or global governance issues. The common denominator to most of China's global activities and foreign policy is China's *own economic development*, which leads to a mercantilist trade and investment posture."¹⁶⁰

Once again, the emphasis is put on the economic development, while assessing China's political dimension. The assumption that much of Chinese politics is driven by economic motives seems to be true.

Nevertheless, sometimes perceptions can belie reality. And "whether China will become a global power or not, or is already one, it is already *perceived* as such by many around the world. Global publics already view China as a global power and *expect* China to overtake the United States as the world's leading power sometime in the next quarter century."¹⁶¹ This argument is strengthened by the observation of *Hugh White* that "China will [...] succeed in expanding its political influence and role"¹⁶².

As already mentioned above, China's economic aspect is essential not just for the country itself, but also for the expansion and its growing power. Therefore, I will explore the Chinese economy next, as "many economists predict that China will replace the United States as the world's largest economy between 2020 and 2025."¹⁶³

How is this possible? Mainly because China's challenge to America's economic superiority could succeed, as China has something other countries lack, namely a workforce larger than the US's. And this makes a huge difference.¹⁶⁴

When asking, when exactly China became such an economic power, one needs to take a step back in time. Around the time when China re-opened its door to the Western world at the end of the 1970s and adopted economic reform policies, the Chinese economy has been growing at an average of 10 percent annually. Of course, this expansion required an enormous amount of resources, particularly energy and raw materials. Due to its own lack of resources the PRC had to look elsewhere and found oil and natural resources in the South Pacific, from where it has obtained it since the mid-1990s.¹⁶⁵

The People's Republic of China itself is poorly endowed with natural resources, except for coal. And given the fact that major oil exporting countries like Iran, Sudan and Libya are currently politically unstable, China has to find other sources for oil imports. The South Pacific

¹⁶⁰ Ibid.

¹⁶¹ Ibid.

¹⁶² *Interview White*, 114f.

¹⁶³ Ibid.

¹⁶⁴ Cf *White* (2012), 31.

¹⁶⁵ Cf *Zhu* (2010), 2.

has become a convenient new source.¹⁶⁶ As “there are economic opportunities for China and the Pacific Islands”¹⁶⁷.

Oil accounted for around 19 percent of China’s energy needs in 2010, but the oil demand is expected to at least double by 2030 to an amount of over 16 million barrels a day. This is mainly due to the fact that more Chinese buy cars, as they rise from poverty and move out of their villages. Therefore, China is adding cars at a predicted rate that by 2030 it could have 300 million vehicles.¹⁶⁸

As can be seen by this example, China’s interest in the Pacific Islands is primarily due to its lack of own resources and ever-growing demand for certain substances. And “this lack of resources, combined with rapid sustained growth, has caused China to become increasingly dependent on imports of petroleum and other natural resources.”¹⁶⁹ Although, China is striving to meet its energy needs through domestic supply, it is also trying to cooperate with other countries.¹⁷⁰

“This new ‘energy diplomacy’ (*nengyuan waijiao*) has become a key component of Chinese foreign policy in the new century since energy security has become essential for China to achieve its strategic goal of quadrupling its gross domestic product (GDP) from 2000 to 2020.”¹⁷¹ However, seeking and preserving energy is not the one and only objective of China’s so-called new diplomacy. The interests are multi-layered, and the purposes are manifold in all regions, where China has conducted active diplomacy.¹⁷²

Nevertheless, the new diplomacy of China has been largely motivated by the need for energy and commodity resources, as well as the search for new markets for Chinese exports and investment. Furthermore, another motivator for the PRC is the isolation of Taiwan in the international community and the projection of China’s image as a responsible and peaceful power.¹⁷³

“In the South Pacific China is engaging in bilateral foreign policy, so-called South-South Cooperation”¹⁷⁴, because most of the Pacific Islands in the South Pacific are poorly endowed with resources. Only Papua New Guinea and Fiji have oil and mineral resources.

¹⁶⁶ Cf *ibid.*, 3.

¹⁶⁷ *Interview IV*, 13f.

¹⁶⁸ Cf *ibid.*

¹⁶⁹ *Bergsten/Gill/Lardy/Mitchell* (2006), 42.

¹⁷⁰ Cf *Zhu* (2010), 2.

¹⁷¹ *Ibid.*

¹⁷² Cf *ibid.*, 4.

¹⁷³ Cf *Zhu* (2010), 6.

¹⁷⁴ *Interview IV*, 6f.

Consequently, the People's Republic of China and PNG have created a cooperation in terms of mineral resources.¹⁷⁵

Moreover, "since the mid-1990s new economic and strategic elements have emerged in the Sino-South Pacific relationship and tens of thousands of Chinese have moved to the South Pacific islands, running grocery stores, restaurants and other small businesses. The numbers may not seem significant in a global context, but the new wave of Chinese migration into these lightly populated Pacific states has upset traditional ethnic, social and economic patterns."¹⁷⁶ Especially, the shops and restaurants are visible signs of a growing Chinese presence in the South Pacific.¹⁷⁷

But the Chinese expansion is not always peaceful, as the case of violent riots in the Tongan capital in November 2006 shows. These erupted mainly due to the Chinese dominance of the Tongan economy and exemplify that China's presence in the South Pacific has previously created challenges as well as potential problems.¹⁷⁸

As China has an ever-growing business presence in the Pacific region and because of the rising political and economic influence that comes with it, China has managed to convince more countries to recognize China instead of Taiwan. But both – Chinese and Taiwanese – governments have allegedly been involved in local politics. Obviously, Taiwan does not want to be the odd one out and be left behind as such.¹⁷⁹

Nonetheless, it can be observed that generally "Taiwan has a declining importance"¹⁸⁰, as "the diplomatic game between Taiwan and China, where they are competing for recognition, I think is a kind of a leftover from an earlier era"¹⁸¹.

However, despite the expanded ties with the South Pacific islands, China's trade with the region is still small. For example, only 2.3 percent of Chinese exports goes to Oceania.¹⁸² Besides, all trade with the South Pacific is still only a fraction of China's trade globally. Altogether, the South Pacific region is not essential for China's economic security, because none of the small Pacific Island States in question lies anywhere near the sea lanes which service the majority of China's trade in energy and raw materials.¹⁸³

¹⁷⁵ Cf *ibid*, 13f.

¹⁷⁶ *Ibid*, 139.

¹⁷⁷ Cf *ibid*.

¹⁷⁸ Cf *ibid*, 161.

¹⁷⁹ Cf *ibid*, 152ff.

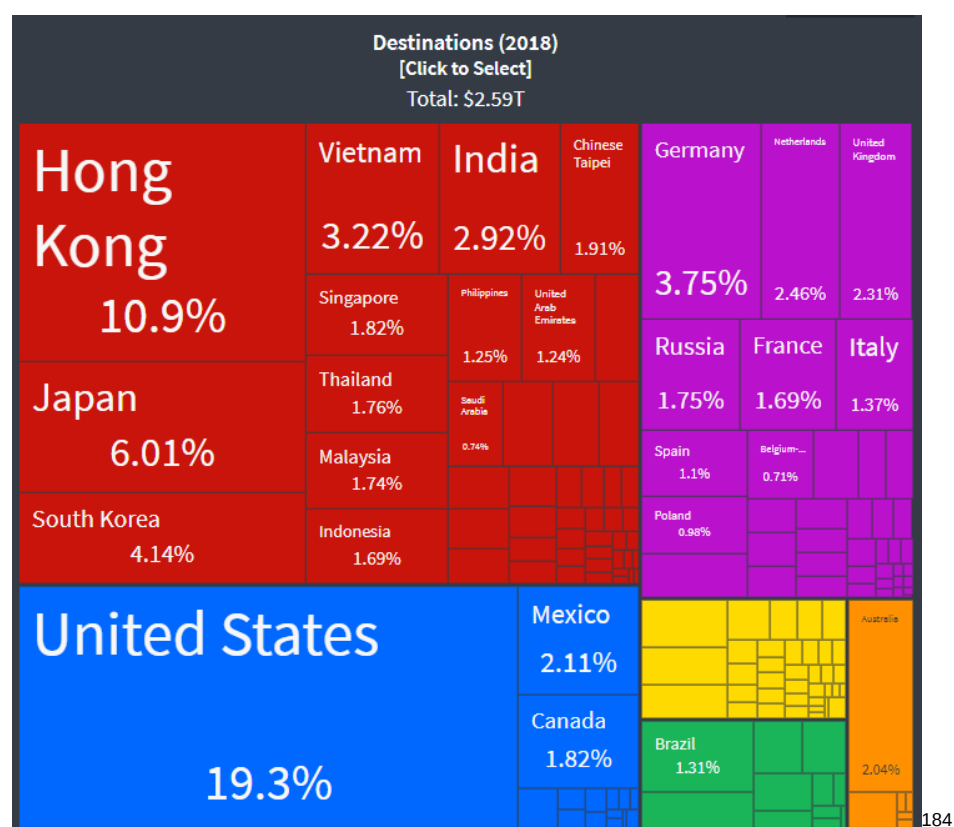
¹⁸⁰ *Interview Varrall*, 84.

¹⁸¹ *Interview White*, 403f.

¹⁸² Cf *OECD*, China.

¹⁸³ Cf *Zhu* (2010), 160.

The following table shows the trade value of yearly exports from China, which in 2018 were also around 2 percent; the orange sections represent Australia and the rest of Oceania. To be precise the total value was 2.4 percent (2.04% to Australia, 0.29% to New Zealand, 0.03% to Papua New Guinea, 0.022% to the Marshall Islands, 0.018% to Fiji and 0.021% to other Oceania).



The People's Republic of China's main interest is to obtain minerals, timber and fish from the South Pacific and in return provide investments in infrastructure and industries in the region. Overall, around "3,000 Chinese state-owned and private enterprises have been registered in the Pacific region with investments of about A\$800 million."¹⁸⁵

And beyond timber, fish and seabed minerals, the South Pacific is seen as a great destination for tourists, which could attract plenty of rich Chinese travelling the world. Because "due to its exotic scenery, gentle weather, and relative inexpensive cost,"¹⁸⁶ the South Pacific "has the potential to become a new spot for Chinese tourists."¹⁸⁷

¹⁸⁴ OEC, China.

¹⁸⁵ Zhu (2010), 156.

¹⁸⁶ Ibid, 154.

¹⁸⁷ Ibid.

To sum up, it looks like China is heavily invested in the South Pacific, pursuing mainly its own interests for securing certain materials. But in terms of strategic motives, “there is little strong evidence that China is doing much more than supporting its commercial interests and pursuing South-South cooperation in the region.”¹⁸⁸

¹⁸⁸ *Hayward-Jones (2013), 3.*

b. The issue of foreign aid

Due to its rise, China can offer “Pacific Island states opportunities not available under established structures of power and influence”¹⁸⁹. Furthermore, especially for small island states in the South Pacific – which are still developing – the constant growth of the People’s Republic of China since the late 1970s is not just something they admire, the PRC is also viewed as a role model to be studied and learned from.¹⁹⁰ But the question arises how and where China actually contributes foreign aid in the South Pacific.

Some say that the economies of the small Pacific Island States and the PRC are complementary, because China not just has funding, but also technical expertise and development experience. On the other hand, the island states are rich in natural resources, something China lacks. As the island countries are developing economies this cooperation is an example of so-called South cooperation, where common development and prosperity is promoted.¹⁹¹

“Obviously, a good relationship with China is becoming increasingly important too, as China becomes a more significant country in the region as a whole, more significant economically, more significant politically, more significant directly to them as a potential investor, as a potential source of aid, as a potential source of tourists and so on.”¹⁹²

However, the foreign aid China provides to Pacific Island States does not come with conditions. The People’s Republic of China does not expect the small Pacific Island States improve their standards of governance and human rights in return. This puts the sustainability of Chinese aid to Pacific islands in question, as it might not be in their own best interest, if there is no improvement.¹⁹³

It seems like there are no conditions or strings attached to the foreign aid China gives to Pacific Island States. But it is exactly this kind of checkbook diplomacy, which is believed to have fostered corruption within domestic politics in the South Pacific. Ever “since the end of the Cold War, Western aid programs have often attached political conditions such as good governance, policy transparency, government accountability, and human rights.”¹⁹⁴ Though China is only insisting on the following of the ‘One China’ policy and no further conditions, as it has been practicing this policy of no conditions attached and based on its long-standing noninterference tradition. Therefore, they are not getting involved in local politics or lecturing

¹⁸⁹ Zhu (2010), 159.

¹⁹⁰ Cf *ibid.*

¹⁹¹ Cf *ibid.*, 161.

¹⁹² *Interview White*, 10f.

¹⁹³ Cf *ibid.*

¹⁹⁴ Zhu (2010), 162.

these governments. Consequently, there is the possibility of conflict due to the different approaches when providing foreign aid in the South Pacific.¹⁹⁵

And the People's Republic of China is becoming a more significant player in the South Pacific region. It is using its economic clout to engage the small Pacific Island States. For example, China has been providing loans for infrastructure projects in Vanuatu (USD 87 million for a wharf project), Papua New Guinea (USD 85 million for a road development project) and in Fiji (USD 136 million for a road development project).¹⁹⁶

Consequently, China is becoming a substantial player in the South Pacific. In 2006 the PRC already pledged USD 375 million in development assistance and low interest loans. Both of which came without any political strings attached. The People's Republic of China is giving aid to the eight PIF developing countries which recognize it. Namely, these are the Cook Islands, the Federated States of Micronesia, Fiji, Niue, PNG, Samoa, Tonga and Vanuatu. Therefore, China has become the third largest donor in the South Pacific region after Australia and the United States.¹⁹⁷ For example, Australia donated USD 7703 million to the Pacific region from 2006 to 2016, while the US contributed USD 1890 million and China USD 1781 million.¹⁹⁸ Although it has to be mentioned that Chinese aid has been described as 'briefcase diplomacy' due to the fact that it comes without any strings attached and the PRC do not expect anything in return.

A lot of China's foreign aid has been used for projects, which are visible like for example the construction of a new parliamentary complex in Vanuatu, the newly built government office in Samoa, the new foreign ministry headquarters in Papua New Guinea and hotel developments in Tonga.¹⁹⁹ Making the efforts of the People's Republic of China contributing aid to the Pacific Islands more noticeable to the world and surrounding neighbors, as well as posing as a constant reminder of the generous donor. This is an interesting aspect of Chinese foreign aid in the South Pacific.

Moreover, as China has invested in Papua New Guinea's mining, forestry and fishing sectors, Chinese aid to Papua New Guinea is only second to Australia's \$300 million per year. Additionally, China has invested \$1 billion in the development of the Ramu Nickel mine in Madang province. Making Papua New Guinea the largest recipient of Chinese aid in the South

¹⁹⁵ Cf *ibid*, 161f.

¹⁹⁶ Cf *Horton* (2019).

¹⁹⁷ Cf *Zhu* (2010), 156.

¹⁹⁸ Cf *Lowy Institute* (2016).

¹⁹⁹ Cf *Zhu* (2010), 157.

Pacific.²⁰⁰ This is due to the fact that “the Ramu Nickel mine is the largest single project in terms of value”²⁰¹.

Taiwan is also providing foreign aid to Pacific Island States, but it is said to become more difficult for them to maintain their aid efforts, as the People’s Republic of China obviously has superior resources and is engaging in more active diplomacy.²⁰² And “China’s deepening involvement in South Pacific coincides with the waning influence of the United States and other Western powers.”²⁰³

Furthermore, China is a strong supporter of the Pacific Island Forum (PIF) and one of the major donors. Also, China has assisted the South Pacific region in the implementation of the Pacific Plan since it has been endorsed in 2005. Additionally, the PRC is “the highest paying subscriber to the South Pacific Tourism Organization (SPTO).”²⁰⁴ But China is engaging the South Pacific in many other ways besides trade and investment. These other areas include for example the broadcasting of Chinese television programs, the expansion of student exchanges and the increase of Chinese tourists visiting the region. Especially concentrating on the small Pacific Island States, which have diplomatic relations with the People’s Republic of China.²⁰⁵

Interestingly, “the involvement of China in the region is sometimes not based on local knowledge in development. China has a lot of interest but has limitations of knowledge”²⁰⁶. However, these limitations of knowledge do not seem to hinder the PRC from providing aid and development to the Pacific Island States.

Generally, it can be said, that Chinas FDI (Foreign Direct Investment) has grown substantially in the past decade, ever since the government opened up its former stringent capital controls through the implementation of the new ‘go global’ strategy and allowed state-owned enterprises to invest heavily abroad. This so-called ‘go global’ strategy was a result of a change in policy, which mainly aimed at strengthening the capacity of Chinese enterprises to build their competitiveness in areas like manufacturing through for example the acquisition of assets, which had technology, the necessary research capabilities and resource security. Furthermore, the Chinese pursued their ‘go global’ strategy through the acquisition of resource

²⁰⁰ Cf *Zhu* (2010), 157.

²⁰¹ *Interview IV*, 16f.

²⁰² Cf *ibid*, 152.

²⁰³ *Ibid*, 162.

²⁰⁴ *Ibid*, 153.

²⁰⁵ Cf *ibid*, 158.

²⁰⁶ *Interview Varrall*, 9f.

provinces meant to be used to increase international supplies, as China's appetite for industrial raw materials and energy is never-ending.²⁰⁷

The People's Republic of China – as a major source of international direct investment – had a total of CNY 242.28 billion (USD 34.16 billion) in FDI in the first quarter of 2019. This was an increase of 6.5 percent from the previous year, according to the Chinese Ministry of Commerce.²⁰⁸ However, this direct investment is not just concentrated on one specific region, but spread all over the world.²⁰⁹ In the South Pacific, as already mentioned, Papua New Guinea is by far the recipient of the largest amount of Chinese aid with an estimated USD 632.46 million between 2006 and 2016.²¹⁰

In addition to the foreign aid and investment programs that are already ongoing, the PRC has made promises to provide various enterprises of small Pacific Island States with loans and aid programs in the future as well. For example, China has given zero tariffs to the majority of exports from the least developed countries in the South Pacific region. And the PRC has expressed interest in a Free Trade Agreement with small Pacific Island States. Besides, China is a dialogue partner of the Pacific Island Forum and as such it has created the China-PIF Cooperation Fund to assist in the financing of the Pacific Plan, which aims at promoting regional cooperation.²¹¹

Overall, the “long-term relations between China and Pacific island nations depend on how China can help South Pacific island countries from being marginalized in an era of globalization and how China can work with them to deal with challenges such as environmental degradation, growing corruption, and the rise of sea level.”²¹² In a lot of areas “China's involvement is increasing”²¹³.

On one hand, the PRC was one of the forces, which promoted and delayed votes on membership to the United Nations for Kiribati, Nauru, Tonga and Tuvalu. Obviously, several of these small Pacific Islands had diplomatic relations with Taiwan and this could have been a motivator for China to advocate against UN membership. And on the other hand, the People's Republic of China has continued to expand trade relations with small Pacific Island States. Of course, like in other regions, China's diplomacy is the same, trade and loan agreements come with no political conditions attached and only the following of the ‘One China Policy’, as well as the insistence that Chinese firms should be selected as contractors for any

²⁰⁷ Cf *Nicoll/Brennan/Golley* (2013), ix.

²⁰⁸ Cf *Nan* (2019).

²⁰⁹ Cf *Nicoll/Brennan/Golley* (2013), ix.

²¹⁰ Cf *Lowy Institute* (2016), Chinese Aid in the Pacific.

²¹¹ Cf *Zhu* (2010), 156f.

²¹² *Ibid*, 163.

²¹³ *Interview Varrall*, 12.

future soft loan investments.²¹⁴ This all is contributing to “the growing connections that China has not just in trade and investment”²¹⁵.

All of this is in contrast to Australia’s emphasis on values like good governance, economic reform, measures against corruption and overall good environmental protection policies. Both the PRC, as well as Taiwan have been accused of practicing ‘checkbook diplomacy’, something that is disrupting the political process in the small Pacific Island States, only to gain favor with Pacific leaders.²¹⁶

“China could also enhance its influence or try to enhance its influence in more sinister ways. It could do it not militarily, of course, but it could also do it by corrupting local governments, by bribing officials, all that sort of thing, that sort of thing that the Chinese and the Taiwanese both did, when China and Taiwan were competing for diplomatic representation in the South Pacific.”²¹⁷ These very different approaches to both development and governance issues could cause frictions between China and Australia sometime in the future.²¹⁸

Apart from these accusations, it seems like there is no actual concrete evidence that the People’s Republic of China is doing something wrong. And the frequent misconception, that China is doing more than just providing aid and support to the small Pacific island countries in need, lacks hard evidence.

²¹⁴ Cf *ibid*, 151ff.

²¹⁵ *Interview Van Ness*, 62f.

²¹⁶ Cf *Zhu* (2010), 151ff.

²¹⁷ *Interview White*, 371ff

²¹⁸ Cf *Zhu* (2010), 151ff.

XIII. The United States of America



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The foreign policy of the United States of America has four main goals according to the State Department. These are: protect the United States and Americans, advance democracy, human rights and other global interests, promote understanding of American values and policies and support US diplomats, government officials and all other personnel at home and abroad who make these goals a reality.²²⁰

Of course, the main focus of US foreign policy changes a little with every president, but in general the principles stay the same. How this affects small Pacific Islands will be explored in the following section.

First of all, “the Pacific used to be an ‘American lake’. The United States downgraded its involvement in Oceania after the Cold War, paving way for other powers to move to the region.”²²¹ But from 1947 until 1994 the United States administered the so-called Trust Territory of the Pacific Islands and entered into a political relationship with the Northern Mariana Islands, the Republic of the Marshall Islands, the Federated States of Micronesia and Palau.²²²

Nevertheless, it is foremost the People’s Republic of China that has become the most significant new player in the South Pacific at the beginning of the new century.²²³ “It is not like it is their number one priority, the South Pacific is not anybody’s number one priority except theirs.”²²⁴ According to *White*²²⁵ the PRC understands that the small island states in the South Pacific are important and the Chinese have been putting in a significant effort over a long period of time to improve their position in the area.

As Hillary Clinton – at the time Secretary of State – already stated in early 2011 at the US Senate Foreign Relations Committee: “we are in a competition with China [...] if anybody thinks that our retreating on these issues is somehow going to be irrelevant to the maintenance of our leadership in a world where we are competing with China, that is a mistaken notion.”²²⁶

²¹⁹ *CIA World Factbook*, United States.

²²⁰ Cf *U.S. Department of State*, Diplomacy.

²²¹ *Zhu* (2010), 139.

²²² Cf *CIA World Factbook*, United States.

²²³ Cf *Zhu* (2010), 139.

²²⁴ *Interview White*, 108f.

²²⁵ Cf *ibid*, 122f.

²²⁶ *Hayward-Jones* (2013), 3.

This statement clearly identified that the United States was seeing itself in a competition with the People's Republic of China in the Pacific region for quite some time. However, how relevant is such a statement in the long run? And what else is meant by this statement? In which specific areas are the United States actually competing with the People's Republic of China? On the following pages the political, economic and foreign aid aspects will be explored in more detail.

Statements like "US global hegemony is in decline"²²⁷ and "US hegemony is no longer perceived by many countries as serving the interests of its subordinates"²²⁸ have become more frequent. Since "a major pillar of US global dominance is based on the perception of the country as the bearer of the world's general interest."²²⁹ But does the United States really serve the world's general interest? Or is it more focused on its own interest? What about the interests of the Pacific Island States?

For a long time one of the overwhelming factors in the relationship between the small Pacific Island States and the United States of America has been scale. As the US in 1995 already had a population that was nearly 50 times the population of the Pacific Islands and a Gross National Product (GNP) that was 800 times larger. Obviously, the economic and military power of the United States is greater than that of all the nations and territories of the South Pacific combined. Those are certainly impressive numbers that surely have only increased over time. And most of the relations are with individual countries and territories, or with even smaller units within them such as for example churches or businesses, where the average ratio is 1,000 times the population, 16,000 times the GNP, and so on. Considering, these are the largest asymmetries in international relations anywhere in the world, this is in itself neither good nor bad. However, it certainly is an essential parameter to bear in mind when considering any aspect of the relationship between the United States and small island nations in the South Pacific.²³⁰

Altogether this shows consequently, that on almost all criteria, the islands are a very minor issue for the US government. The United States on the other hand – quite in contrast – are a major factor for many Pacific Island nations, territories and institutions.²³¹ As, "obviously, the United States is going to continue to be a very important player as well"²³².

²²⁷ *Paul* (2012), 146.

²²⁸ *Ibid*, 122.

²²⁹ *Ibid*, 153.

²³⁰ *Cf Crocombe* (1995), 1.

²³¹ *Cf ibid*.

²³² *Interview White*, 14f.

a. The political sphere

Taking a closer look at the political connections between the United States and the Pacific Island States, one can observe that the – not just perceived from the outside – importance of the Pacific region has changed a lot over time. For example, the year 2007 was designated as the “Year of the Pacific” by the US State Department to reassert its influence in the strategically important region. At this time, the United States pledged to reserve what has been characterized as US neglect of the region since the end of the Cold War.

To emphasize its commitment then Secretary of State Condoleezza Rice hosted a meeting of Pacific governments in Washington in May of 2007. A number of new diplomatic initiatives – including pledging more aid to the region and opening a new regional office of the State Department’s public diplomacy bureau in Fiji – were announced.²³³

This May 2007 meeting in Washington was the eighth Pacific Island Conference of Leaders, short PICL. Normally, the triennial PICL is held in Hawaii and sparks little international interest except from the aid officials of various donor countries. However, since the 2007 conference was held for the very first time in Washington DC and under the auspices of the US State Department, things were quite different. For one, then Secretary of State Condoleezza Rice explained in her opening address, that the phrase ‘Year of the Pacific’ “encapsulates our efforts to expand our engagement with your countries and to reaffirm America’s historic role in the Pacific. Maintaining security and stability in the Pacific region is crucial to the interest of every country and every territory represented at the conference, including the United States.”²³⁴ Through this statement it is obvious, that the United States felt the need to maintain its hold on the region.²³⁵

Later on, this perception that there is a geo-strategic competition for influence in the Pacific Islands region between the United States of America and the People’s Republic of China was not solely Hillary Clinton’s opinion. Because this view was also affirmed in 2013 by Solo Mara, the Fiji High Commissioner to the United Kingdom, who said that Pacific Island countries “have for years been warned by metropolitan neighbours of China’s ‘questionable security intent’ in the region”²³⁶ and that China had filled a so-called ‘vacuum’ left when the US and the UK withdrew from the region and which Australia did not manage to fill adequately.²³⁷

Furthermore, in the same year, Winnie Kiap, the Papua New Guinea High Commissioner to the United Kingdom, said that the Pacific Islands region was “witnessing increased competition

²³³ Cf *Zhu* (2010), 162.

²³⁴ *Zhu* (2010), 162f.

²³⁵ Cf *ibid.*

²³⁶ *Hayward-Jones* (2013), 2.

²³⁷ Cf *Hayward-Jones* (2013), 2.

by major powers seeking strategic influence in the Asia-Pacific” and that Papua New Guinea was “beginning to like China”.²³⁸ Clearly the South Pacific has been an important region in terms of geostrategic competition in the past couple of years. The major powers referred to can only be the United States of America and the People’s Republic of China, because they are the ones actually seeking influence and especially presence in the region. Moreover, in the South Pacific “all of those countries need a good relationship with the United States, and they need a good relationship with China”²³⁹.

Therefore, Hillary Clinton was right, when she said that the Pacific Islands region was strategically and economically vital and predominantly noted the security partnerships the US Coastguard had with nine Pacific Island nations.²⁴⁰ “We too, of course, are a Pacific nation. [...] And now we look to the Pacific nations in a spirit of partnership for your leadership on some of the most urgent and complex issues of our times such as climate change. Our countries are bound by shared interest, and more importantly, shared values, a shared history, and shared goals for our future. The United States is already invested in the Pacific.”²⁴¹ Questionable is though, how invested the United States will stay in the South Pacific in the future.

Nevertheless, because the US has been focused more on affairs in Europe and the Middle East for some time now, this has resulted in a real failure to address the issues, which are affecting the US relationship with countries in the Asia-Pacific region.²⁴² Nonetheless, the US is still an experienced leader, even if they are also very complacent and usually rely on smaller countries to need the presence of the United States as an insurance policy against other powers like China and Japan. The neglecting interest of the South Pacific region has undermined US hegemony and the competition between the regional powers for leadership becomes evident not only in their relationships with each other, but also when they deal with other countries.²⁴³

Due to these developments the US-China relationship has been a widely discussed topic in recent years. However, as *Hugh White* points out “relatively little of it explores America’s choices in these terms.”²⁴⁴ And “America’s choices about China are among the most important and difficult it has ever faced.”²⁴⁵ China’s growing economic strength could change not only the dynamism of the US-China relationship, but also the Asian strategic order, which for over

²³⁸ Cf *Hayward-Jones* (2013), 3.

²³⁹ *Interview White*, 8f.

²⁴⁰ Cf *ibid.*

²⁴¹ Cf *ibid.*

²⁴² Cf *Faleomavaega* (1995), 120.

²⁴³ Cf *Kerr/Tow* (2007), 172.

²⁴⁴ *White* (2012), 7.

²⁴⁵ *Ibid.*, 2.

forty years has been built on the fact that the Chinese accepted the superior power of the United States.²⁴⁶

Though, for a couple of years now, according to *White*²⁴⁷ the People's Republic of China wants not just to move to a new order, but also aspires to play the leading role. And if this assumption is true the risk of America and China becoming bitter rivals in Asia is really high, as they have completely opposite ideas not just about their future relationship, but also about the future of Asia. America, definitely, wants to make sure that the US-led order, which has been established a long time ago and worked so well over forty years is preserved in the future as well.

Because it is not a matter of what kind of political regime China has and even if the PRC were to change into a more Western style political regime, the United States would still view China as an enemy that needs to be contained and continue to do so, particularly under President Trump. China's rising economic and military power poses a clear threat to the United States. Even if "the challenge is the US obviously"²⁴⁸ and "the US [...] sees itself as the most powerful country in the world"²⁴⁹. But "China is emerging and challenging that role"²⁵⁰. Due to the fact that "China wants to change the US and China relationship fundamentally"²⁵¹ "a growing relationship of rivalry between the US and China"²⁵² as well as "a new model of great power relation"²⁵³ is predicted by some.

And "China's rise to power in Eurasia is more than likely to be challenged by the US in an escalating strategic competition."²⁵⁴ *John Mearsheimer* argues that the United States will not merely contest China's rise to a regional hegemony, but will also encourage other countries, especially Australia to join in the containment of China's growing power.²⁵⁵ *White* agrees, as he states that the objective of the United States is exactly the opposite of the People's Republic of China and claims that the Americans want to preserve US primacy as the foundation of the Asian order.²⁵⁶

However, a confrontation between the United States and China is not entirely inevitable. The United States could still try to pursue a policy of adjustment and accommodation towards the People's Republic of China, as the contest China could eventually pose in the future is likely

²⁴⁶ Cf *ibid*, 3.

²⁴⁷ Cf *ibid*, 128.

²⁴⁸ *Interview Van Ness*, 15.

²⁴⁹ *Ibid*, 15f.

²⁵⁰ *Ibid*, 20.

²⁵¹ *Interview White*, 31f.

²⁵² *Ibid*, 24f.

²⁵³ *Ibid*, 31.

²⁵⁴ *Paul* (2012), 99.

²⁵⁵ Cf *ibid*.

²⁵⁶ *Interview White*, 34ff.

going to be political and economic, but not on a military level.²⁵⁷ Optimists predict that the differences between those two countries can be resolved, most likely through some sort of compromise.²⁵⁸

Nevertheless, the Asia-Pacific region and small Pacific Island States will continue to play a pivotal role in these economic, political, strategic and security concerns of the world.²⁵⁹ And because China's development and future path concerns many players in the international community, there is a common interest to ensure a peaceful development of the PRC, especially for the United States.²⁶⁰ And of course and obviously the choices America makes about China will also require some choices about Taiwan.²⁶¹ Overall, "it does depend all along on the politics of the countries themselves".²⁶²

²⁵⁷ Cf *ibid*, 157.

²⁵⁸ Cf *ibid*, 39ff.

²⁵⁹ Cf *Faleomavaega* (1995), 120.

²⁶⁰ Cf *Zhu* (2010), 17.

²⁶¹ Cf *White* (2012), 99.

²⁶² *Interview Hugh White*, 132.

b. The economic aspect

Moving on to the economic aspect. “China’s decisions affect America’s economic well-being, its sense of security, freedom of action, internal policy debates, foreign policy, and even its weather – and vice versa.”²⁶³ Because “China and 1.3 billion people are not going anywhere. Neither is America. The U.S. – China relationship is a showcase of globalization’s essential trust: what I do affects you. That deep, persistent interdependence partly explains why Sino-American ties are so difficult. The United States and China need each other, and each needs the other to change.”²⁶⁴ This realization, that the United States and China need each other is essential, but even more important is the insight, that they can also benefit from a close relationship.²⁶⁵

For one, the United States is the largest deficit and debtor country in the world.²⁶⁶ And “the United States has a substantial stake in the economy of the Asia-Pacific region.”²⁶⁷ In just over 10 years, “since 1981, U.S. trade with the Asia-Pacific region has expanded by 150%”.²⁶⁸ For example in 2016 the United States had a total of USD 2.4 trillion goods in trade with APEC economies. And US goods exports to APEC economies in the same year were USD 905 billion, this is 42 percent more than 2006.²⁶⁹ For the United States the trade with the South Pacific region might only be a very tiny fraction of its entire international trade. But on the other side, for the Pacific Island States the trade with the United States of America is all the more important.

However, in this significant zone of influence for the United States, the US is getting more and more competition from the People’s Republic of China. It is due to the economic boom in Asia and the Pacific, that the US can no longer claim unchallenged economic supremacy in the region. Besides, as the balance of trade deficit of the United States keeps growing, the relations with countries in the region have become gradually unstable.²⁷⁰ This already being true more than 20 years ago and the situation has only gotten worse since then. *Hugh White* even stated that the “United States [...] have never taken much economic interest in the South Pacific themselves”²⁷¹.

When looking at the South Pacific, it is not the United States of America anymore, but Japan and China, who are considered to be the most dynamic political and economic forces in the

²⁶³ *Hachigian* (2014), xv.

²⁶⁴ *Ibid.*

²⁶⁵ *Paul* (2012), 157.

²⁶⁶ *Bergsten/Gill/Lardy/Mitchell* (2006), 43.

²⁶⁷ *Faleomavaega* (1995), 120.

²⁶⁸ *Faleomavaega* (1995), 120.

²⁶⁹ Cf *Office of the United States Trade Representative*, Asia-Pacific Economic Cooperation.

²⁷⁰ Cf *Faleomavaega* (1995), 121.

²⁷¹ *Interview White*, 97f.

region. Because it “works to Chinas advance economically”²⁷². And “economic interdependence under a US-led neoliberal global order has increased the levels of inequality and instability within and between countries.”²⁷³

Still, “one of the things that has made the US role in the South Pacific easy, has been that it is to beat the two local representatives, that is Australia and New Zealand”²⁷⁴ and “there has never been any question that it has been an American lake”²⁷⁵.

Therefore, it can be summarized that the economic influence of the United States in the South Pacific region has declined and consequently US presence in this area faded. Nonetheless, the Americans are still represented through local partners like Australia and New Zealand, as will be explored in more detailed in a subsequent chapter.

²⁷² *Interview White*, 103f.

²⁷³ *Paul* (2012), 150.

²⁷⁴ *Interview White*, 106f.

²⁷⁵ *Ibid*, 167f.

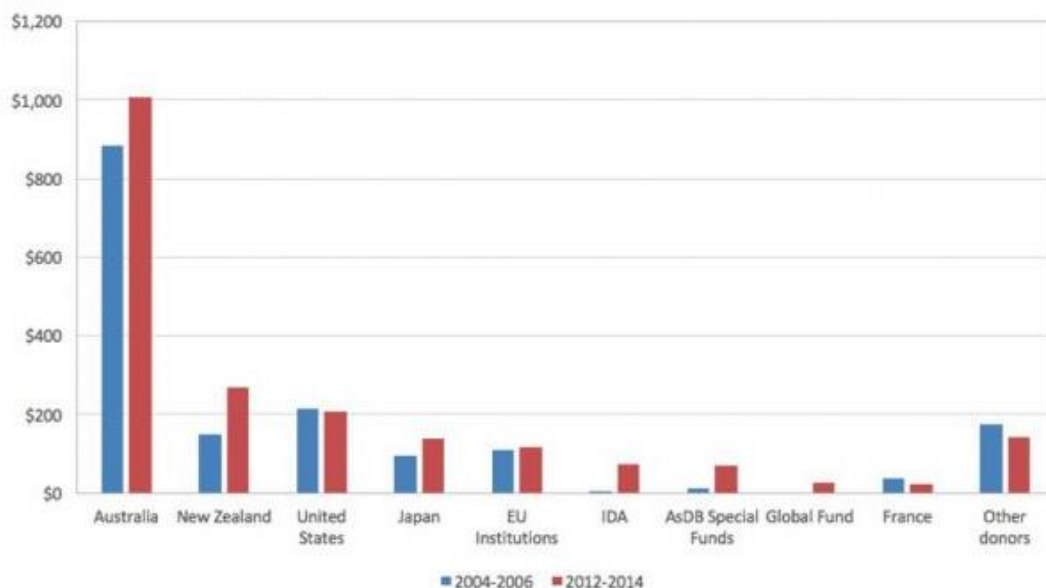
c. The issue of foreign aid

The contribution of foreign aid from the United States to islands in the South Pacific has already been partially addressed in the chapter focusing on the Republic of the Marshall Islands.

According to the United States Agency for International Development (USAID), they support twelve Pacific Island nations, which are “all U.S. allies in a strategically important region – to cope with the changing environmental conditions while improving lives and building a more sustainable, equitable future for all.”²⁷⁶ However, it can be observed that “US aid and investment in other Pacific countries is limited”²⁷⁷, as “the focus of the US is in the northern part, Palau and Micronesia”²⁷⁸.

For example, in the FY2017 USAID spent around \$2.5 million on foreign aid in the Marshall Islands and invested nearly \$22 million in the Federated States of Micronesia.²⁷⁹

As can be seen in the following graph, the United States does not even come second as an aid donor to Pacific Islands. Compared to other parts of the world, like for example the Middle East, the United States of America provide a relatively small share of the total foreign aid in the region.²⁸⁰



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²⁷⁶ USAID, Marshall Islands, 5.8.2018.

²⁷⁷ Interview IV, 30.

²⁷⁸ Ibid, 29f.

²⁷⁹ Cf USAID, Marshall Islands; USAID, Micronesia (Federated States).

²⁸⁰ Cf Devpolicy, Foreign aid to the Pacific.

²⁸¹ Devpolicy, Foreign aid to the Pacific.

Altogether “the Asia-Pacific region is immersed in a renaissance of economic prosperity and relative peace. But in the South Pacific, the role of the United States has been diminishing when it should have been expanding – or at least maintained. The percentage of trade, investment, aid and other interactions with the region have all shrunk.”²⁸² For example, according to data from the Lowy Institute the total aid spent by the United States to the South Pacific region was USD 2.36 billion in 2011 and has shrunk to only USD 84.33 million in 2018.²⁸³

²⁸² *Faleomavaega* (1995), 123.

²⁸³ Cf *Walsh* (2019).

XIV. Cooperation with the Commonwealth of Australia and New Zealand



Australia with 7.7 million km² in area, although the sixth largest country in the world, and with a population of over 23 million²⁸⁵, compared to the land mass its number of inhabitants is relatively low. The majority of the West as the center of the country is uninhabitable for climatic and environmental reasons. Main settlement areas are the populated coastal regions of the South and West. Geographically the island continent is part of the Asia-Pacific region, but the national interests of the country can be less derived from its geographical position as primarily from the permanent tension between geography and culture of the island continent.²⁸⁶

The Commonwealth of Australia due to the ethnic origin of the population, the national language and the character of the dominant social and political institutions is mainly affected by the western world. Until the 1970s ethnically and racially discriminatory policies of the White Australia (the so-called White Australia policy) ensured that immigration from the populous Asian neighboring countries was inhibited.²⁸⁷

Nevertheless, after diplomatic ties were established Sino-Australian relations quickly developed. This was mainly because Australia became a significant member for the foreign policy schema of the People's Republic of China. Due to the full diplomatic relations and close trading relations, as well as the fact that Australia was close to countries of non-communist Southeast Asia, with which China had not established diplomatic relations.²⁸⁸

And especially today, since "Australia and New Zealand like to consider themselves as part of Asia, as opposed to being a separate continent"²⁸⁹, it is interesting to see how Australia can have both, on one hand the strategic relationship with the United States and on the other hand the economic relations with the People's Republic of China. Because "diplomatic competition between China and the United States in the Pacific seemed likely to limit Australia's freedom to manoeuvre."²⁹⁰ And "conscious of China's rise, the United States rediscovered the South

²⁸⁴ *CIA World Factbook*, Australia.

²⁸⁵ Cf *ibid.*

²⁸⁶ Cf *Baringhorst* (2010), 26f.

²⁸⁷ Cf *ibid.*

²⁸⁸ Cf *Wesley* (2007), 65.

²⁸⁹ *Zhu* (2010), 140.

²⁹⁰ *Firth* (2012), 163.

Pacific in 2010”²⁹¹, which sometimes puts Australia “in a position to intervene actively in this third side of an Australian-American-Asian triangle.”²⁹²

It is said that the foreign policy of the Commonwealth of Australia has a global dimension and an intense regional focus.²⁹³ Especially, since during the first decade of the twenty-first century the strategic position of Australia has changed in terms of its dependence on the United States of America and the People’s Republic of China. The reliance is more perceptual than material.²⁹⁴

Furthermore, the location of Australia has always posed a challenge to the conception of its place in the world.²⁹⁵ But Australia is still a regional partner to which the Pacific Island countries look up to, because “the South Pacific islands have small, weak, dependent economies and they look to the larger foreign countries to deal with the serious climate change impacts that are expected to affect them.”²⁹⁶

Concerning the issue of climate change, it is interesting to look at New Zealand as well. Because New Zealand is literally between Australia and the Pacific Island States and therefore knows the position of standing in the middle. Having on one hand, Australia as the big and regionally dominant player that has large carbon-dioxide-producing coal and energy intensive industries, and on the other hand, the small and dependent Pacific Island States, which are acutely vulnerable, especially to issues regarding climate change as for example the rise of sea levels.²⁹⁷

Although “the socio-cultural contexts of the South Pacific islands are also very different than those of Australia and New Zealand, and may result in important differences in understanding and action on climate change.”²⁹⁸

Nevertheless, New Zealand still tries to provide some kind of bridge between the two incompatibilities of position and differing opinions of the small Pacific Island States and the Commonwealth of Australia. But one should not forget that as New Zealand is a mid-latitude country, this sets it apart from the tropical concerns, which Australia and the Pacific islands have.²⁹⁹

²⁹¹ *Firth* (2012), 163.

²⁹² *Goldsworthy* (2003), 327.

²⁹³ Cf *Keating* (2000), 241.

²⁹⁴ Cf *Wesley* (2007), 76.

²⁹⁵ Cf *Gyngell/Wesley* (2007)², 217.

²⁹⁶ *Basher* (2000), 137f.

²⁹⁷ Cf *ibid*, 136.

²⁹⁸ *Ibid*, 138.

²⁹⁹ Cf *ibid*, 137.

However, New Zealand and Australia work together closely in terms of climate change research, having numerous collaborations and connections. Primarily, the large scientific establishment and capabilities in modelling climate systems and the analysis of impacts, which Australia has, are of value to scientists in New Zealand. And both – Australia and New Zealand – are supporters of the South Pacific Regional Environment Program (SPREP), which has its focus mainly on regional environmental issues like biodiversity, climate change and marine pollution.³⁰⁰

In the South Pacific islands, the situation is a bit different, because most of these tiny islands do not have scientific establishments and the small amount of scientists in the region primarily focus on operational and policy responsibilities and therefore do not have the opportunity to engage in original research. But under the guidance and support of Australia and New Zealand climate monitoring and advisory services can be provided by the local meteorological services.³⁰¹

³⁰⁰ Cf *Basher* (2000), 137f.

³⁰¹ Cf *ibid.*

a. The political sphere

The Australians consider the United States as a savior and protector, since the American forces stopped the advance of the Japanese to the south in May 1942. Even if the US support was not selfless at the time, and mainly came from higher-level strategic calculi, the experiences of World War II laid the basis for the strong pro-American sentiments in the Australian population as well as within the Australian governments ever since.³⁰² “Australia is their closest ally in Asia”³⁰³.

For example, when President Barack Obama visited Canberra in 2011, he announced “a US military build-up in Australia and told Australians that every element of American power would be used ‘to establish security, prosperity and human dignity’ in the Asia-Pacific region”³⁰⁴. And “it is very telling to me that Barack Obama chose to come to Canberra to give the big speech which launched his pivot. And I think that was very significant.”³⁰⁵

As already mentioned, some³⁰⁶ argue that, because Australia is a key ally of the United States and China is Australia’s largest trading partner, this gives Canberra a unique role and the possibility to act as a bridge between the two powers. And although from a geopolitical point of view, the Commonwealth of Australia has always had close ties with Great Britain, the United States and other Western powers, nowadays it increasingly considers itself part of Asia as well.³⁰⁷

Contrary to this argument, there are several voices which state that “Australia should not get involved in the Pacific to make China and the US friends. Status quo is one of no communication”³⁰⁸ and that “Australia being a broker looks like they are interfering, and China thinks Australia is already too close to the US”³⁰⁹. Because ultimately, “Australia is no trilateral in the Pacific”³¹⁰ and similarly “Australia, does not, should not play the role of an intermediary or a mediator, what it should do and can do, but is not doing is to encourage both the US and China, just about having that conversation”³¹¹.

Therefore, the fate of Australia will to a large extent be defined by the way the US-China hegemonic conflict plays out.³¹² Even though some suggest that “Australia has clearly sided

³⁰² Cf *Baringhorst* (2010), 26.

³⁰³ *Interview White*, 333.

³⁰⁴ *Paul* (2012), 10.

³⁰⁵ *Interview White*, 331ff.

³⁰⁶ Cf *Zhu* (2010), 143.

³⁰⁷ Cf *ibid.*

³⁰⁸ *Interview Varrall*, 40f.

³⁰⁹ *Ibid.*, 43f.

³¹⁰ *Ibid.*, 45.

³¹¹ *Interview White*, 316f.

³¹² Cf *Paul* (2012), 14.

with the US in the hegemonic struggle between the two world powers.”³¹³ Some suggest that “Australia would do everything to avoid choosing. China does not want to push America out. The potential for conflict lies with America.”³¹⁴ Or similarly that “the way Australian politics have worked so far, Australia does not need to choose between the two. It is in the best interest of Australia to develop a good relationship with both countries.”³¹⁵

How does this political position of Australia affect the Pacific Island States? Since Australia is seen as a regional partner, this is an interesting question to ask. But the Australian Government has also been criticized by developed and developing countries. For example, the Cook Islands Prime Minister, Sir Geoffrey Henry, once pointed out that Australia’s protecting of its coal and energy intensive industries was a self-serving act.³¹⁶ And that Australia does devote way more diplomatic energy into the relation with South Pacific islands than their modest population could ever justify.³¹⁷

Nevertheless, open regionalism will be nowhere more important than in helping Asia deal with the environmental challenges ahead.³¹⁸ Australia’s relationship with the People’s Republic of China has always been very special and unlike any other relationship with a major power. Especially, since the closer and more important the relationship has become, the more magnified were the differences in values, political systems and security interests. Therefore, it has become more difficult and complicated for Canberra to manage its various national interests.³¹⁹ Because “Australia is providing a constructive way and they are worried and skeptical of China in the Pacific and not quite sure about what to do”³²⁰.

Although, “the relationship between China and Australia is very important for China. The engagement in every area is growing very fast”³²¹ and “a stable relationship with Australia is important for China”³²². *Varrall* reaffirms this by stating that “the economic relationship between Australia and China goes both ways”³²³, but “China has a general sense of caution towards Australia”³²⁴.

As has already been mentioned, an example of these differences is the practice of providing aid to Pacific Island States. Whereas the Chinese have a no strings attached policy, the

³¹³ *Ibid*, 15.

³¹⁴ *Interview Varrall*, 71f.

³¹⁵ *Interview IV*, 40f.

³¹⁶ *Cf Yu/Taplin* (2000), 113.

³¹⁷ *Cf Firth* (2012), 147.

³¹⁸ *Cf Keating* (2000), 289.

³¹⁹ *Cf Zhang* (2012), 72.

³²⁰ *Interview Varrall*, 49f.

³²¹ *Interview IV*, 34f.

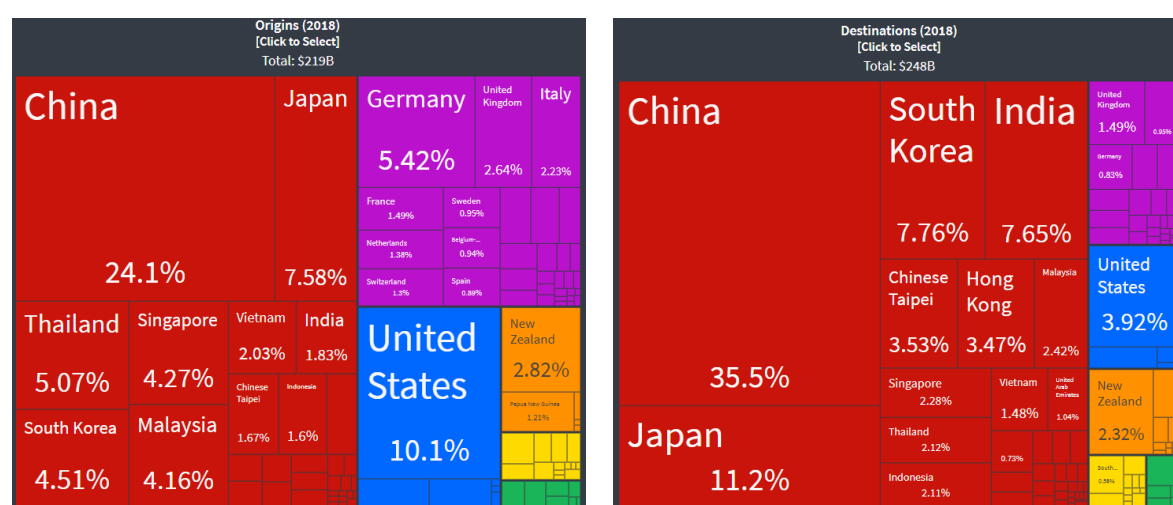
³²² *Ibid*, 37f.

³²³ *Interview Varrall*, 64f.

³²⁴ *Ibid*, 54f.

Australians try to interfere with local governments. And the traditional sphere of influence that Australia has extended in the South Pacific, covers many small islands, like Melanesia and there especially PNG, the Solomon Islands, Fiji and Vanuatu. And at a time when some Pacific Island countries like PNG and Fiji have become vary off the Australian politics in the region, China is starting to move in instead.³²⁵

The Australian foreign policy since 1983 predominantly consists of foreign trade policy. National interests are mainly determined by economic factors. The Australian economy is extremely export-oriented. The main trading partner of Australia in addition to the United States are primarily countries in East and Southeast Asia, as is visualized in the following charts.



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Noteworthy, is especially, the increasing importance of trade relations with the People's Republic of China. And the large and growing relevance of exports to Asia and the United States declared the special foreign policy interests of the Commonwealth of Australia in a successful regional integration in the Asia-Pacific region.³²⁷

Basic positions of the Australian foreign policy are on one hand to strengthen the economic relations with East Asia and on the other hand the dependence of national security on the alliance with the United States.³²⁸ One might see this as a controversy, but the Commonwealth of Australia has successfully managed to balance both agendas, the economic partnership with the People's Republic of China, as well as the strategic partnership with the United States

³²⁵ Cf *Zhu* (2010), 150.

³²⁶ *OECD*, Australia.

³²⁷ Cf *Baringhorst* (2010), 27ff.

³²⁸ Cf *ibid*, 29.

of America. However, “Australia is not going to serve as a bridge”³²⁹ and they also cannot “act as a mediator”³³⁰ between the US and China.

The US strategic presence is viewed as “the most significant and positive force for stability in Asia” as declared in the White Paper of 2003. And the “Australian-American relationship remains sacrosanct to Australia.”³³¹

The Australian foreign and security policy is affected by the tension between absolute loyalty to the United States and the intensification of relations with East and Southeast Asian countries since the Second World War. With the expansion mainly of trade and foreign policy relations with the People’s Republic of China and the progressive integration in the Southeast Asian region, Australia’s position has strengthened as a middle power between Asia and the US. From the peaceful development of relations between the two power poles, i.e. between US and China, the security policy future of the country Down Under will be significantly affected.³³²

There is consensus that the objective of Australia and the United States in the area should be to cooperate with China in capacities that support and aid the Pacific Islands. They should not put an emphasis on building new security or diplomatic arrangements that are designed to compete with the People’s Republic of China.³³³

Australia’s military involvement in the Iraq war reflected a shift of priorities and core values and was indicative of Australia’s increased tendency to take a unilateralist stance in international politics. Furthermore, it was a declaration of its allegiance to the foreign policy of the United States. As was the end of the Australian participation in the Kyoto agreements on climate control and other international undertakings.³³⁴

However, like many other countries, Australia has for some time had security concerns over the rapid modernization of the Chinese military. In 2007, a defense strategy report already pointed out that China’s growing military strength caused a destabilizing effect. Similarly, in 2009 the Lowy Institute released a report stating that Australia should increase its defense spending drastically in an effort to meet the strategic challenges that were presented by the rise of China. The PRC was not pictured as posing a direct threat to Australia, but the rise of

³²⁹ *Interview Van Ness*, 137.

³³⁰ *Interview White*, 289.

³³¹ *Firth* (1999), 38.

³³² Cf *Baringhorst* (2010), 38.

³³³ Cf *Hayward-Jones* (2013), 1.

³³⁴ Cf *West-Pavlov* (2005), 7.

the Chinese was viewed as creating uncertainty and possibly increasing the risk of a regional conflict.³³⁵

Nevertheless, the People's Republic of China, the Commonwealth of Australia and New Zealand "are setting an example in bilateral relations for countries of different social and political systems and cultural backgrounds. Cultural exchanges form a major dimension in China's relations with Australia and New Zealand"³³⁶. Furthermore, because both Australia and New Zealand want to be on good terms with the People's Republic of China and because China has an increasingly sophisticated diplomacy, the PRC enjoys a favorable image in both countries.³³⁷

Still, there are voices that Australia should create a more independent foreign policy.³³⁸ Because "it does bother China that Australia does certain things, because the US said so. This is not independent foreign policy"³³⁹. And when looking at Australia's regional policy more closely, it becomes obvious, that no aspect of it has changed as drastic as the approach to the small Pacific Island countries in the South Pacific. In this region Australia faces a tough challenge and a lonely test.³⁴⁰

³³⁵ Cf *Zhu* (2010), 149f.

³³⁶ *Ibid*, 145.

³³⁷ Cf *ibid*, 143f.

³³⁸ Cf *Paul* (2012), 184.

³³⁹ *Interview Varrall*, 60f.

³⁴⁰ Cf *White* (2007), 117.

b. The economic aspect

The Australian economy is closely entangled with the economies of other countries in East Asia, particularly with the People's Republic of China. Because the Chinese import cheap manufactured goods and generate income from the export of large quantities of minerals, energy and food.³⁴¹ And the Commonwealth of Australia and New Zealand consider China's fast economic growth as an opportunity. Therefore, they have both enjoyed dynamic interactions with the PRC.

Since the 1990s China has maintained very close relationships with both Australia and New Zealand. So, the PRC has very dynamic and constantly expanding trade relations with both countries. It already surpassed the US as Australia's biggest source of imports in 2006. And since 2007 China has been Australia's largest trading partner.³⁴² Therefore, China is now vitally important to the economy of Australia. After all, the PRC managed to become Australia's largest trading partner and biggest export market, which Japan has been for almost 40 years.³⁴³ Nowadays, "Australia is so deeply dependent on China that, it would be difficult for Australia to engage in confrontation with China"³⁴⁴.

On the contrary, the trade, especially between Australia and China is constantly growing, due to Australia's demand for Chinese manufactured imports and China's demand for Australia's mineral and other exports. Although, New Zealand was the first developed country, which in April 2008 signed a comprehensive trade agreement with the People's Republic of China. This agreement provided free trade in goods and services, as well as protections for bilateral investment flows.³⁴⁵

The commercial ties are mutually beneficial both to China and Australia, as well as to New Zealand. An example, that illustrates just how close the relationship between China and Australia has become, is the bilateral agreement, that allows China to import uranium from Australia. After all, enriched uranium can be used – among other things – in the nuclear weapons industry.³⁴⁶

The intensified trade between Australia and countries in Asia "has provoked a reappraisal of our cultural, economic and political identities. It has been argued that the dependence of

³⁴¹ Cf *Paul* (2012), 17.

³⁴² Cf *Zhu* (2010), 140.

³⁴³ Cf *Zhang* (2012), 71.

³⁴⁴ *Interview Van Ness*, 106f.

³⁴⁵ Cf *Zhu* (2010), 141.

³⁴⁶ *Ibid.*

Australia's economic security upon trade with Asian countries is a reason for shifting our cultural orientation more towards Asia."³⁴⁷

"Australia's security has long been intertwined with developments in the Asia-Pacific region. At differing points in time, Australian perceptions of the region have varied between that of threat and that of opportunity. Yet the enduring centrality of the region to Australia's security has induced it to become an adroit performer of a two-step dance – with its traditional security ally on the one hand, and its regional partners on the other."³⁴⁸

The traditional security ally is of course the United States of America. As the Commonwealth of Australia has been one of the pivot countries to advance economic interests of the United States in Asia, ever since the Asia-Pacific Economic Cooperation (APEC) was inaugurated in 1989.³⁴⁹ Australia is increasingly connecting to the United States "with regard to arms purchases with regard to the so-called joint facilities, which are essentially US facilities [...] and then the permitting troops in the Northern territory"³⁵⁰.

"See for a long time Australia has been Papua New Guineas dominant economic partner as well as dominant political and strategic partner. That is very unlikely to last. And China has real advantages over the United States in that respect."³⁵¹ As "PNG is a very mineral rich place. China has a huge demand for minerals, it is likely to be the dominant customer, and that will make a difference"³⁵². Nevertheless, "Australia and the islands of the South Pacific are kind of complimentary economies"³⁵³.

The economic aspect does not seem to play such a big role in the relationship of the Commonwealth of Australia – and New Zealand – with the Pacific Island States, as Australia does possess mineral resources itself. However, maybe the aspect of foreign aid shows a deeper connection.

³⁴⁷ Stokes (1997), 145.

³⁴⁸ Kerr/Tow (2007), 169.

³⁴⁹ Cf Paul (2012), 124.

³⁵⁰ Interview Van Ness, 108ff.

³⁵¹ Interview White, 94ff.

³⁵² Ibid, 93f.

³⁵³ Ibid, 234f.

c. The issue of foreign aid

For one, aid does dominate the relationship between Australia and small Pacific islands³⁵⁴, but a general view remains “that although Australia should be generous with aid, it should avoid becoming closely involved in its small neighbours’ internal affairs.”³⁵⁵ One might ask why.

When looking at the numbers, it becomes clear that Australia is the biggest aid donor in the South Pacific region with the annual Australian Overseas Development Assistance budget to the Pacific being over \$1,000 million.³⁵⁶ But why should Australia on one side be generous with aid and on the other not get involved in internal affairs? The answer is simple. Because Australian foreign aid – unlike Chinese foreign aid – does come with conditions and “a major part of the donation, in recent years, has been earmarked for “strengthening governance and reducing corruption” in recipient countries”³⁵⁷.

Accordingly, in combination with the aid allocated to small Pacific islands, Australia has also stationed bureaucrats, police officers and financial advisors in various strategic departments and even law enforcement agencies in the region. Especially, in Papua New Guinea and in Fiji this action has not just been resented, but correspondingly was seen as an attempt to undermine their sovereignty. For example, in May 2005 a Supreme Court decision in PNG sent around 800 Australian police officers home, which had been deployed under the Australian aid program.³⁵⁸

Several scholars have come to the conclusion, that if the Commonwealth of Australia wants to make a lasting difference in the security systems and stability of small Pacific Island States through the providing of foreign aid, it should develop ways of intervention which do not rely solely on the assistance of Australian uniformed forces. Such action, obviously, is viewed like a hostile takeover. Accordingly, Australia should find other methods to help the small Pacific Island States concerned to address their weaknesses in state institutions, political systems and social structures, which cause many of the problems the Pacific island nations have to tackle.³⁵⁹

Therefore, to create a lasting and foremost effective intervention, Australia needs to develop new forms and techniques of close interaction with its regional neighbors. This will be the only way to help them overcome their problems. Consequently, the Commonwealth of Australia

³⁵⁴ Cf *Firth* (2012), 157.

³⁵⁵ *White* (2007), 120.

³⁵⁶ Cf *DFAT*, Australian Aid Budget at a Glance 2019-20.

³⁵⁷ *Zhu* (2010), 150f.

³⁵⁸ Cf *ibid.*

³⁵⁹ Cf *White* (2007), 126.

has to find new ways to help build effective governments among its South Pacific neighbors. This is one of the pressing and important challenges which Australia's foreign policy faces today.³⁶⁰

As *Hugh White* put it, "the questions raised by the need to help nations build better and more effective government institutions and systems has received a lot of attention, but little in the way of clear answers have emerged. What has become clear is that traditional 'aid' approaches are unlikely to succeed."³⁶¹

Subsequently, the Commonwealth of Australia could be on the forefront of a new era in the creation of new ways and approaches to deliver foreign aid to small Pacific Island States in the region.

³⁶⁰ Cf *White* (2007), 126f.

³⁶¹ Ibid.

XV. Outlook into the Future

“Futures are plural. They differ for each country, each person, each time. Visions of the future depend a lot on how optimistic or pessimistic we feel. What happens, however, depends more on how we handle possibilities.”³⁶² This statement could not be more precisely describing the situation of Pacific Islands in between the power poles of the People’s Republic of China and the United States of America. As has been shown throughout this thesis is foremost that the small Pacific Island States need regional and international powers to help and assist them with foreign aid and to combat the issues of climate change.

The dependence on foreign aid and the assistance of other countries can be seen as an opportunity for the Pacific Island States, because as *Merriden Varrall* pointed out, it is a “positive potential for the Pacific Islands”³⁶³ and also it is “good for the islands to have options”³⁶⁴. Similarly *Hugh White* states that “they can develop the relationships they are going to need to prosper over the next few decades with both America and China, if America and China themselves are getting on well together”³⁶⁵. *Peter Van Ness* is also seeing potential benefits for the Pacific Island States observing that it is up to them “what use do the different island governments make of it”³⁶⁶.

Predictions of the future are only drawings in the sky, but nevertheless it can be said that concerning the Pacific region, as small Pacific Island States are repeatedly becoming the center of strategic competition between the United States and the People’s Republic of China, it will have an important role in the future as well and China will be taking on a larger role in some capacity. However, most importantly, “the Pacific island countries should not be the sphere of influence of any country”³⁶⁷. Although, “the big risk for them is that they will get caught up in the competition as pawns in the game”³⁶⁸ and therefore, “the potential implications for them are very great”³⁶⁹.

As already mentioned several times, the People’s Republic of China is mainly interested in its own domestic and economic matters and therefore only seeking resources in the Pacific Island States. This is exemplified by the statements that “China does not want responsibility in hegemony”³⁷⁰ and “China does not want American sovereignty in the region, a great power

³⁶² *Crocombe* (2001) 657.

³⁶³ *Interview Varrall*, 89.

³⁶⁴ *Ibid*, 90.

³⁶⁵ *Interview White*, 15f.

³⁶⁶ *Interview Van Ness*, 91.

³⁶⁷ *Horton* (2019).

³⁶⁸ *Interview White*, 434f.

³⁶⁹ *Ibid*, 467f.

³⁷⁰ *Interview Varrall*, 26.

relationship and not being hegemon, but supplier of aid and development”³⁷¹. Consequently, the Pacific Island countries do not need to fear a power struggle between the United States and China in their backyard, as China does not want to claim the role of hegemon in the South Pacific region.

This has been true in the past as well as the “broader Asia-Pacific strategic environment, which has been remarkably stable [...] because the US-China relationship has been so stable”³⁷². Although “if China keeps on growing as fast as we need it to grow to keep our economic fires burning, then it is going to grow so strong that the United States can no longer play the role we assume it is going to play”³⁷³. Nevertheless, the relationship between the US and China could be substantially strengthened for example through cooperation in certain areas like foreign aid.

Overall, “if the US and China are getting on well, if the relationship is reasonably harmonious, then China’s influence in the South Pacific will still grow just because of the economics”³⁷⁴. Still it is predicted that “there is no struggle for power, just more options and good things to come, if the governments in the Pacific make sensible choices, for which they are not always known for”³⁷⁵.

Nevertheless, it has been suggested that “China plays at least a significant leadership role and perhaps the primary leadership role”³⁷⁶ and that “China will seek and will gain big influence over there [...] the South Pacific”³⁷⁷. Yet there are also differing opinions here, with some arguing that “this is not a priority of Chinese diplomacy”³⁷⁸. While others state that “the Pacific has some implications for domestic issues. The Pacific is becoming a bit more of interest to foreign policy and the quest for resources has overcome for a peaceful region”³⁷⁹. And “everything is only benefitting their own interest and they use their influence, for example for fishing laws”³⁸⁰.

However, the future is always unsure and accordingly certain events like for example a diplomatic competition between China and Taiwan in the South Pacific could lead to more tension in the region, which could have serious implications for some Pacific Island States. Because “the small islands of the South Pacific nations are so small and fragile, their economy

³⁷¹ Ibid, 42f.

³⁷² *Interview White*, 5ff.

³⁷³ Ibid, 269f.

³⁷⁴ Ibid, 350f.

³⁷⁵ *Interview Varrall*, 90f.

³⁷⁶ Ibid, 33.

³⁷⁷ Ibid, 347f

³⁷⁸ *Interview IV*, 32.

³⁷⁹ *Interview Varrall*, 15ff.

³⁸⁰ Ibid, 79f.

is pretty odd [...] very vulnerable and very sensitive to outside influences”³⁸¹ and “it is a possibility that China could start to use less legitimate means to increase its influence in the South Pacific”³⁸². While the small Island States of the South Pacific are relying and are heavily dependent on imports from the People’s Republic of China.³⁸³

Although, as shown throughout this thesis, the People’s Republic of China is primarily using its economic clout and aid contributions to win over Pacific Islands. This was also the main takeaway from the interviews: “China’s main interest with the Pacific is aid”³⁸⁴; “China wants resources, trade, friendship and respect and to be seen as a leader among developing countries”³⁸⁵; “Chinese investment and aid have grown in the past few years”³⁸⁶; “Chinese foreign aid is growing very fast”³⁸⁷. There is no sufficient evidence that “China is still a rogue donor”³⁸⁸, although “there is concern among Australian officials that China is still a rogue donor”³⁸⁹. Military action from the PRC is highly unlikely and therefore need not to be feared by small Pacific Island States in the region.

³⁸¹ *Interview White*, 77ff.

³⁸² *Ibid*, 391f.

³⁸³ Cf *Interview White*, 463.

³⁸⁴ *Interview Varrall*, 7.

³⁸⁵ *Ibid*, 75f.

³⁸⁶ *Interview IV*, 10ff.

³⁸⁷ *Ibid*, 18f.

³⁸⁸ *Interview Varrall*, 49.

³⁸⁹ *Ibid*, 48f.

XVI. Conclusion

“The centre of global economic gravity has moved to the Asia-Pacific. [...] In particular, China’s profile in the Pacific Islands has grown and has spurred a resurgence of American interest in the region. These developments have led a number of analysts to speculate about a new great-power competition being played out in the Pacific Islands.”³⁹⁰ However, very little has happened until now and in this case much more has been interpreted into normal activities and actions.

The aim of this master thesis was to answer the research questions and to examine the hypotheses in detail as well as to possibly falsify them. The first hypothesis was that the presence of the People’s Republic of China in the South Pacific region is not a threat to the United States of America or the Pacific Island States.

Although “the second-most powerful country in the world will inevitably pose – or at least be perceived to pose – a challenge to the most powerful country in the world”³⁹¹, this does not necessarily mean that the presence of the PRC in the Pacific region poses a threat to anyone. On the contrary, as this thesis has proven, China is primarily interested in its own domestic matters and economic development. Therefore, any interests pursued in the South Pacific are due to economic growth and the eternal quest for natural resources.

Some examples are the cooperation between the People’s Republic of China and Papua New Guinea in terms of mineral resources, as PNG has a large energy find and therefore is a natural trading partner for the PRC, especially for energy and mineral resources. Or the purchasing of fishing licenses in Fiji, as well as the collaboration in the tuna industry and while operating fishing vessels. Furthermore, China’s main focus on economic interests is also exemplified by the energy diplomacy.

On closer inspection a pattern emerged, which even showed that – because China and the US have established a presence in the South Pacific region – there are in fact many possibilities for foreign policy and foreign trade for the small Pacific Island States. General consensus has been observed throughout this thesis that it is in fact up to the Pacific Island States to profit from these surrounding circumstances. To sum up the findings, it can be said that the small Pacific Island States hold all the cards to create their own best fortune in this area.

³⁹⁰ *Hayward-Jones (2013), 1f.*

³⁹¹ *Hachigian (2014), xiii.*

The second hypothesis was concretizing the first and stating that the opportunities in terms of foreign policy and foreign trade for the small Pacific Island States will far outweigh the limitations.

There are definitely opportunities and possibilities for the Pacific Island States. As this thesis has shown, these are mainly economic possibilities and increases in trade, as well as opportunities for receiving foreign aid and assistance in combating for example the effects of climate change like the rise in sea levels. Thus, the second hypothesis could not be falsified.

While there are no clear statistics how Chinese aid is divided among the Pacific Islands a substantial amount of this foreign aid has been used for highly visible projects, particularly government buildings, which is an interesting aspect of Chinese foreign aid in the South Pacific. Moreover, the People's Republic of China's FDI has grown considerably in the past decade.

Similarly, the United States of America are contributing significant amounts of aid to the small Pacific Island States, even though those islands are a minor issue for the US government. Large asymmetries can be observed here, as the US on the other side are still a major factor for the Pacific Island nations themselves, as has been shown in the case of the Marshall Islands.

Aid is also dominating the relationship between the Commonwealth of Australia and the small Pacific Island nations, as Australia is the biggest aid donor in the South Pacific region. This can become problematic, if Canberra becomes too involved in the internal affairs of the small Pacific Island States. However, this likewise poses an opportunity for the Commonwealth of Australia to create new ways and approaches to deliver foreign aid to these small Pacific Island States.

The third hypothesis was that China's main interest in the Pacific Islands in question is not political and the People's Republic of China will not become the principle hegemonial state in the South Pacific region.

As has already been mentioned above, China's main interest in the Pacific Islands is not political, but economical. Furthermore, China does not have any intention of becoming the principle hegemon in the South Pacific region or to challenge U.S. primacy. On the contrary, China's foreign policy and foreign aid provided to the Pacific Island countries does not come with any strings attached. The People's Republic of China does not interfere in local governments and asks little except for the acknowledgment of the One China policy. "As long as the US and China get on well, they will be fine."³⁹² Therefore, Beijing will not challenge US

³⁹² *Interview White*, 18f.

primacy and the Pacific Island States are not going to suffer due to a power struggle in their backyard.

“In the context of the transformation of the international system, the United States, the leader of the Western world, and China, a representative of the emerging powers, are undergoing great shifts with respect to the balance of power, their international roles, their own ideas, and their internal and external strategies.”³⁹³

Due to the fact, that much of Chinese politics is driven mainly by economic interests, it is understandable, that the PRC has no political ambition to become the only hegemon in the South Pacific. Nonetheless, it has to be pointed out that the small Pacific Islands continue to play a pivotal role in the economic, political, strategic and security concerns of the world.

Interestingly, the part the Commonwealth of Australia and New Zealand play in this context has been slightly unexpected and is very diverse, as by some it is perceived that “Australia is the most significant player in the Pacific. As the US subcontracted the American lake out to Australia”³⁹⁴. But also that “Australia thinks sort of paternalistic”³⁹⁵ and feels “a sense of responsibility most especially to PNG”³⁹⁶. The same is said about New Zealand as “New Zealand has still broadly worked in supporting Americas interests and presence and primacy in the South Pacific”³⁹⁷.

However, Australia is still a regional partner to which the small Pacific Island countries look up to and can reach out to for help with issues like climate change. The same is true for New Zealand. Overall, the small island nations of the South Pacific can find support in these regional partners – the Commonwealth of Australia and New Zealand – although they are not in a position to intervene or mediate if there ever would be a larger conflict in the area between the United States of America and the People’s Republic of China.

In conclusion, one can say that the majority of the hypotheses explained at the beginning could not be falsified despite my best efforts and although they were all assessed in great detail in the course of this thesis. Obviously, this thesis cannot claim to be a complete analysis of the entire South Pacific, considering the time frame and limitations of this work. Accordingly, there are some aspects that have not been addressed and only selected Pacific Island States were examined in-depth. Nevertheless, a comprehensive analysis of the research questions was made, and they were all answered satisfactorily within this thesis.

³⁹³ *Peng/Hachigian* (2014), 89.

³⁹⁴ *Interview Varrall*, 36f.

³⁹⁵ *Interview White*, 210f.

³⁹⁶ *Ibid*, 212.

³⁹⁷ *Ibid*, 108f.

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XVIII. Addendum

Transcript I – Interview with Dr Peter Van Ness on 13 February 2015 at 2 pm at his office, Hedley Bull Centre, room 2.05, ANU Canberra, Australia

Brief introduction of myself, the topic and purpose of the interview.

I = Interviewer, PVN = Peter Van Ness

1 *I: How would you describe the current US-China relationship in the Pacific?*

2 PVN: I am not a specialist in the Pacific. I mean, I know something about the US-China
3 relationship.

4 *I: In your expertise, how would you describe the Chinese foreign policy in general?*

5 PVN: Understandable. That is, China has been such a successful capitalist country under a
6 communist party. I mean, that is the great irony, that the most successful capitalism in the
7 world has been demonstrated by a Chinese communist party. Anyway, they have been so
8 successful. Of course, they want to play a larger role. And as you know, they have a sense of
9 history in which, for hundreds of years, they saw themselves as the center of world civilization,
10 then comes the West and dominates them. And the West at the same time saying, we are the
11 center of world civilization and nothing could have been more traumatic for the Chinese elite
12 you know, over 150 years to work their way out of that. And now they want to play a larger
13 role in the world. I mean, that is very over simplified.

14 *I: And how does this foreign policy differ from the US foreign policy?*

15 PVN: Well, the challenge is the US obviously, I mean, the US not only sees itself as the most
16 powerful country in the world, but again, as the sense that, this is justified by American values
17 and the United States is how do they, what do they call it, even forgotten light on the Hill or
18 whatever, and all this exceptionalism and US understandings of itself in the world. And after
19 the collapse of the Soviet Union, indeed, the United States was alone. The most powerful state
20 in mourning, and China is emerging and challenging that role. And, the possible cooperation
21 between China and Putin and Russia along those lines of courses is also understandable. I
22 mean, they both want to, they want to challenge the US, nobody wants to make a war. They
23 just want a bigger part of the action and more of their concerns being reflected. And in global
24 outcomes again, sorry, very simple.

25 *I: How would you describe the Chinese foreign policy in the Pacific and in particular towards*
26 *Pacific islands? Are there certain criteria that are applied there?*

27 PVN: It is pushing, especially within that first, what do they call it? Just within, in this, the Island
28 chain, the first Island chain. And so, in Southeast Asia, and similarly in East, differences with
29 Japan, it is obvious they are, you know, pushing out among other things. They want to push
30 the US at least away from its shores. I mean, if you study US policy towards China, what you
31 will find is that, ever since 1949, the US has been monitoring communications in China and
32 the best way that it could for a while, they ran regular aircraft monitoring planes up and down
33 the Chinese coast. And they continue to monitor them in the National Security Agency and so
34 forth, and every way that they possibly can. And again, understandably, the Chinese are
35 saying, fuck off, give us, you know, we want some space.

36 *I: So how would you characterize the US-China relationship in the Pacific? Considering the*
37 *US being the main power for so long and the Chinese evolving even more.*

38 PVN: A confrontation.

39 *I: But a confrontation that is not leading to war or on different levels?*

40 PVN: The most accomplished strategic analyst at the ANU is Desmond Ball, as you probably
41 know. And I hope while you are here, you have got a chance to talk to him if you can, he has
42 got cancer, but he is still publishing books left and right. And Des goes way back to his time
43 at RAND and so forth. And, he is, you know, as I say, I mean, my opinion, the most
44 accomplished strategic analyst probably in Australia, but he made a presentation a few months
45 ago with a colleague from New Zealand about the current confrontation between the US and
46 China, at least it included that. And it came out as one of these, is that it, somewhere I have a
47 copy. Anyway, and they were talking about the danger when you have, you know, two nuclear
48 weapons powers in confrontation with each other, of a war. And obviously we must be deeply,
49 deeply concerned about a problem like that. Because if there is ever, you know, a nuclear
50 exchange, it is the end of humanity. They will destroy the world. But in my opinion – and Des
51 is a good friend, as well as a colleague – I think he was using Cold War analogies in his
52 assessment of China. I mean, he was talking about China's, what, the probability that in a
53 conflict situation, that China may use nuclear weapons first to protect the much smaller
54 capability that the US has on land and things like that. And to my mind, both listening to him
55 and then reading the paper on it afterwards, I think he has got it wrong. I think that the current
56 leadership in China has a huge stake in the status quo. I mean, they have been immensely
57 successful and look with what they have achieved. And as they become more and more
58 successful, they have more and more a stake in the established order. And as a result, they
59 have, you know, much more to lose. I mean, back in the days of Mao Zedong, Mao Zedong
60 might have said, you know, oh, we will have a war and loose a hundred million people and
61 who cares? And I think a lot of that was rhetoric even then, but the stakes that China currently

62 has some of the status quo and the growing connections that China has not just in trade and
63 investment and so forth, but all the connections and the respect that they are getting. I think,
64 it is a barrier, I think, that they are even reaching a point at which they might be prepared to
65 engage in a suicidal war with the United States. I mean, they really have a huge stake. Sorry,
66 go ahead.

67 *I: The Pacific used to be an 'American Lake', like you already said. Is China now becoming*
68 *the most important or significant player in the South Pacific?*

69 PVN: I do not know.

70 *I: Still looking at the US-China relationship. How important is the Republic of China or Taiwan*
71 *in this context?*

72 PVN: Well, my study of China goes back to the fifties and I watched the situation in the Pacific,
73 but not just the Pacific, but throughout the Third World. Of China, of Beijing and Taipei
74 competing, especially when the issue was who is going to represent China in the UN. And of
75 course, that finally concluded in October of 71 when the PRC replaced the Republic of China.
76 But even after that, Taiwan was very active in trying to keep relations with countries in the
77 Pacific. But I get the sense and again, I have never researched it, but I get the sense that they
78 have really lost out to the PRC and that they are not terribly influential. However, when one
79 hears some analysis of Chinese communities and a given Pacific country, often you hear that
80 within the Chinese communities, there is some resistance to the PRC because these are old
81 now, people who have connections to Taiwan, people who also have their Chinese family
82 background, but they have a sense of their own independence and so forth. I mean, rather
83 like Hong Kong sort of thing. And, the extent to which today connects with that. I do not know,
84 but when I heard what work you were doing, I said to myself, look, I should certainly
85 recommend that you go to Taiwan and talk to people in Taiwan. And if you are like, I can, I
86 can recommend you to the guy at Taiwan National University, who heads their China program.
87 Who is a former PhD student in the field. But I think essentially, they lost out.

88 *I: Okay. Because 6 of the 21 UN Member States that have official diplomatic relations with*
89 *Taiwan are in Oceania. That is why I was asking.*

90 PVN: Oh, well, that is interesting though. Yeah. And what does Taiwan make of that and what
91 does the PRC make of that. And what use do the different island governments make of it and
92 kind of playing them against each other.

93 *I: For funds and donations and aid.*

94 PVN: Yeah.

95 *I: If we focus on the China-Australia relationship, considering that Australia is a key US ally,*
96 *but also China is Australia's largest trading partner. How do you see the China – Australia*
97 *relationship?*

98 PVN: Well, as you know, I mean, it is very much discussed these days. Have you talked to
99 Hugh White and read his book?

100 *I: I am talking to him next week.*

101 PVN: Yeah, so you know, about the debate. Australia is increasingly dependent on China.
102 Now that the mining boom is over, I think this year, and maybe in the short-term future, at
103 least, because the mining boom is over the economy in Australia is going to be, I do not know
104 how difficult, but more difficult. And when the mining boom was at its peak, the government
105 instead of putting money away and investing in infrastructure and so forth, they simply spent
106 it. And, so we have to live with that. I think Australia is so deeply dependent on China that, it
107 would be difficult for Australia to engage in confrontation with China. But at the same time,
108 especially for a liberal government like Abbott, they increasingly connect to the US, with regard
109 to arms purchases with regard to the so-called joint facilities, which are essentially US
110 facilities, which are very much a part of the US global monitoring. So, command and control
111 and so forth. And then the permitting troops in the Northern territory. And if, I do not know, I
112 have not followed the Cook Islands, but if they permit a drone base on the Cook Islands, a
113 step further, on the US base. I recommend you read the work of Richard Tranter, he is with
114 Nautilus, the NGO in Melbourne, and he just published a big piece in Financial Review maybe
115 on the base. But if you look him up on the email and look up Nautilus, you can find references,
116 but he is very good on the base. Desmond Ball himself works on the base and Richard and
117 Des work together. The relationship with Japan is the interesting one. And again, I think that
118 Abbott would like to buy his submarines from Japan. And as you probably know, until the Abe
119 government, there has been a prohibition on the export of weapons as a part of the pacifist
120 tradition and so forth in Japan, post World War II. But now they have, I think the legislation
121 has gone through to lift that prohibition. So, Japan is interested in exporting its weapons. I
122 mean, everybody who builds weapons is interested in exporting them to make the cost of
123 production less and have a bigger market and so forth, which has got awful for the world,
124 because it means there are more and more weapons everywhere, but Japan seems to be
125 about to be on the cusp of getting into that business. And the submarine that Japan produces
126 with some modifications would be perfect for Australia, but as you probably saw in recent days
127 when they had the spill and the liberal democratic party, sort of liberal national party here, and
128 then the challenge to Abbott to defeat the challenge. He told the people from South Australia,
129 where they built a previous submarine, the Collins class submarine, which was a disaster, that

130 they would still have a chance to build it in Australia. So, in any event, for Australia to have a
131 connection with Japan, both being close allies with the United States is something that this
132 Australian government wants to do. They are probably encouraged, at least given some
133 encouragement by the US although I cannot think of recent evidence. So is that and part of it
134 is, you know, to hedge against China. We will see.

135 *I: Can Australia having connections with China and the US act as a bridge between those two*
136 *powers, or is this not possible?*

137 PVN: Australia is not going to serve as a bridge, South Korea has these notions of being a
138 bridge as well. They are too big, they would fall into the water, there would not be any bridge.
139 No. And the thinking, I mean, I think there are a lot of problems with Hugh White's book. The
140 thinking in Australia, it is not creative enough. I mean, for example, to go back to Greg Fry, he
141 is something of a critic of the US alliance. And there is good reason to be critical of the US
142 alliance, in my opinion, from an Australian point of view. But there is no real debate – that I
143 can see anyway – here in Australia, I mean a critical debate, about why are we such a close
144 friend with the US? Why should we even consider having American troops in the Northern
145 territory? So, I mean, to be a bridge, I mean. No.

146 *I: Okay. Well, that is a clear answer. In this context, is the UN a forum for the Pacific Islands*
147 *to be heard?*

148 PVN: I do not know enough about it to have an opinion.

149 *I: Okay.*

150 PVN: So, you are asking who might, what be a mediator between the US and China globally?

151 *I: Do you have someone in mind?*

152 PVN: I really do not. I mean, they are so big. Not only are they so big materially, but they think
153 they are so big and so arrogant. I mean, you know, as you can tell from my accent, I mean, I
154 am originally an American and I know Americans are just horrifically arrogant. The Chinese
155 are as bad. I mean they really think they are something special and the Americans think they
156 are something special, and it would be very difficult to mediate, I think. They really have to
157 work things out themselves. Even the European Union, I mean, I would think that it would be
158 very difficult for the European Union to be a mediator of almost anything.

159 *I: Well, I am done with my questions.*

160 PVN: Can I ask you some questions?

161 *I: Yes, of course. (The rest of the conversation was off-topic.)*

Transcript II – Interview with Professor Hugh White on 17 February 2015 at 5 pm at his office, Hedley Bull Centre, room 4.48, ANU Canberra, Australia

Brief introduction of myself, the topic and purpose of the interview.

I = Interviewer, HW = Hugh White

1 *I: In your book the China Choice you write that Australia's future depends on America and*
2 *China. Is this also true for the Pacific region in general, the South Pacific?*

3 HW: Yes, it is. Almost, well for most of their lives as independent states post-colonial, they
4 have enjoyed a strategic environment, which has been broader Asia-Pacific. They have been
5 able to develop their own place in the world within a broader Asia-Pacific strategic
6 environment, which has been remarkably stable. And it has been remarkably stable because
7 the US-China relationship – primarily I would say – because the US-China relationship has
8 been so stable. Any of those countries – put it the other way around – all of those countries
9 need a good relationship with the United States, and they need a good relationship with China.
10 Obviously, a good relationship with China is becoming increasingly important too, as China
11 becomes a more significant country in the region as a whole, more significant economically,
12 more significant politically, more significant directly to them as a potential investor, as a
13 potential source of aid, as a potential source of tourists and so on. There is a market in other
14 words, so a very important relationship. Obviously, the United States is going to continue to
15 be a very important player as well. And they can only develop the relationships they are going
16 to need to prosper over the next few decades with both America and China, if America and
17 China themselves are getting on well together. So, they like everyone else have a really
18 primary interest in the way in which that plays out. And as long as the US and China get on
19 well, they will be fine. I mean, they might have all sorts of problems with climate change, but
20 in terms of the broader national setting, they will be fine. But if the US and China get on badly,
21 then the risks of them having to make choices between their relationships between the two
22 powers being pulled one way and another, it will be much higher.

23 *I: How would you describe the current US-China relationship in the Pacific?*

24 HW: I think what we are seeing more broadly in the wider region, what I read to be a growing
25 relationship of rivalry between the US and China, which is driven by very deep, it has got very
26 deep roots. The primary source of the rivalry between the US and China is that they have quite
27 different visions of the future of their relationship with one another and their future roles in the
28 region. That they see themselves, that China wants to change the US and China relationship
29 from what it has been since 1972, when Nixon went to China. China wants the relationship to

30 be more, to be at least a relationship in Asia. It is what Xi Jinping meant, when he talks about
31 a new model of great power relations. And so, China wants to change the US and China
32 relationship fundamentally. And in the process change China's role in the region
33 fundamentally. To one, where China plays at least a significant leadership role and perhaps
34 the primary leadership role. On the other hand, America's objective is precisely the opposite.
35 It wants to prevent any kind of fundamental change in the US and China relationship. It wants
36 to preserve US primacy as the foundation for the Asian order. And when you have a difference
37 in primary objectives like this is, as stark as those differences are, then it does not mean that
38 they are unmanageable, it does not mean that rivalry will end in conflict inevitably, but it does
39 mean that those differences have to be resolved. And if they are not resolved then you can
40 say escalating strategic rivalry is more or less inevitable. And so far, it seems to me, those
41 differences are not resolved. And the reason they are not resolved is that they can only be
42 resolved through compromise. China has to step back or America has to step back or they
43 both have to step back and for both of them they do not feel an incentive to step back and
44 make those compromises, because they think the other side will. So, China I think
45 underestimates the United States and believes the United States in the end is willing to step
46 back from its primary leadership role in Asia. And America thinks that China is not really
47 serious about mounting a challenge and could be persuaded to back off. I think they are both
48 wrong, they both think the chances of escalating rivalry are very high and the consequences
49 for everyone in Asia – if that happens – are very bad, including – I would even say especially
50 – in the South Pacific.

51 *I: The Pacific used to be an 'American Lake'. Is China – in your opinion – now becoming the*
52 *most significant player in the South Pacific?*

53 HW: Ah, that is a slightly more complicated question. It depends whether we mean militarily
54 or politically or economically. Let me start with the military part of that equation, because it is
55 quite important and quite complicated. Obviously, the Pacific including the South Pacific has
56 been an American Lake for a long time. You could say ever since they won the Battle of
57 Midway in June 4th of 1942. And that means that America has been able to project power all
58 around the South Pacific whenever it wanted to, it has not needed to, but the fact that it could
59 have if it wanted to has been very significant, a really primary feature of the regional security
60 environment. And China by contrast has neither had the capacity to project power in the South
61 Pacific nor has had the capacity to stop America projecting power in the South Pacific. Now
62 that has half changed as China's military capabilities grow, it is starting to acquire the capacity
63 to prevent the United States projecting power by sea in Asia or rather – prevent always makes
64 it look like it is black and white – it is more that it turns up the knob, it raises the cost of the

65 United States significantly to project power in places where China does not want to, because
66 China is more able – it is very simple really – it is more able to sink American ships and if it
67 can sink American ships it can stop America projecting power by sea. So, on the other hand,
68 China, has not got the capacity to project power by sea itself, because America can still stop
69 China doing it. And one of the key things here is that the military balance is not one of those
70 zero-sum things where you push me this way or I push you that way. And so, it is either
71 America can do it or China can do it. They are actually two different things. America can project
72 power by sea, America can prevent China from projecting power by sea and China can prevent
73 America projecting power by sea. But at the same time, so what you end up with is a lake in
74 which nobody can project power by sea at least not without paying significant costs and risks.
75 So, I think rather from an American lake to a Chinese lake, it has moved from an American
76 lake to nobody's lake, at least on the military front.

77 Economically, of course, the implications are very different. Partly, because the small islands
78 of the South Pacific nations are so small and fragile, their economy is pretty odd, as you
79 obviously know and very vulnerable in some ways very vulnerable and very sensitive to
80 outside influences. An outside country does not have to offer very much, you know to make a
81 big impact, build a big hotel in Kiribati and you will double the size of the economy. As China's
82 economy grows as its demand for all kind of goods and services, including – and I think very
83 interestingly – tourism and its capacity to provide aid increase then China's economic weight
84 in the region will certainly increase. And it is not like China starts from zero. China has always
85 taken some interest in the South Pacific, you know they built a huge embassy in Port Moresby
86 back in the early 1980s. It is not like they have never been interested before, but clearly
87 China's willingness to spend money and its ability to spend money, both you know the way
88 and ends of aid and in terms of investment in tourism increases and that will make China a
89 more significant economic player. And in the countries which have real exploitable resources
90 other than pictures and sunshine and fish, which is like PNG. China will become – most
91 probably – a very significant player. China at the moment absorbs 36% of Australia's exports.
92 There is no reason why it should not be absorbing 36% or for that matter 86% of PNG's exports.
93 PNG is a very mineral rich place. China has a huge demand for minerals, it is likely to be the
94 dominant customer, and that will make a difference. See for a long time Australia has been
95 Papua New Guinea's dominant economic partner as well as dominant political and strategic
96 partner. That is very unlikely to last. And China has real advantages over the United States in
97 that respect. The United States has been a huge economic power for a century, but they have
98 never taken much economic interest in the South Pacific themselves. China, I think has a
99 much brighter capacity of reasons in some ways to engage in the South Pacific. And I think
100 that will in turn go on to political effects. So, I think there is a chance, it is certainly true that

101 China will become a much more significant economic player in the South Pacific. I think maybe
102 there is a chance that it is all becoming a Chinese lake economically.

103 And politically? So, if it is sort of an even balance strategically, militarily and works to Chinas
104 advance economically, what does that mean politically? I think it does mean that China ends
105 up being much more influential, and exactly how that works is going to be hard to fathom.
106 Because one of the things that has made the US role in the South Pacific easy, has been that
107 it is to beat the two local representatives, that is Australia and New Zealand. Although the US
108 and New Zealand has had their problems, New Zealand has still broadly worked in supporting
109 Americas interests and presence and primacy in the South Pacific. Australia certainly has a
110 couple of minor exceptions like the South Pacific Nuclear Free Zone Treaty. But overall, if you
111 are American, if you are in Washington and you hear South Pacific and think what is going on
112 there, you say "Oh the Australians are looking after it, are they not? There is not anything more
113 to do." China well maybe, depends where we go. Another big question, we are another South
114 Pacific island, but if China, China will not have as automatic an expectation of Australian and
115 New Zealand support in attempting to build its political position in the South Pacific. But I do
116 think it will nonetheless succeed in expanding its political influence and role, leadership very
117 significantly over the next few decades. The combination of economics, the economic
118 advantages, the political and the strategic balance, the strategic draw, suggests to me that the
119 Chinese will be, it would be very surprising if the Chinese do not expand their overall political
120 role in the region a lot, and it would be very surprising if that is not what they want to do. It is
121 not like it is their number one priority, the South Pacific is not anybody's number one priority
122 except theirs. But they do understand that these islands can be quite important, they do
123 understand that they have over the decades been willing to put quite significant effort into
124 improving their position there. Not just Xi Jinping, but Hu Jintao has made substantial visits
125 there. I have not done the arithmetic, but I reckon you will find that Chinese heads of state and
126 government have visited the South Pacific more often than Australian heads of government
127 have over the last 10 years. I have just made that statistic up, but I bet that it is true; or rather
128 more often than Australian heads of government, if you exclude the annual meetings of the
129 South Pacific Forum. Australian prime ministers they go to the South Pacific Forum once a
130 year, most years, not every year, maybe 8 out of 10, but they do not do bilateral visits, whereas
131 the Chinese turn up for bilateral visits. And that of course, you know, I guess the additional
132 point is that it does depend all along on the politics of the countries themselves. For a very
133 long time, we in Australia and the United States, New Zealand and so on, more or less
134 assumed that these countries, because of their historical links with us and so on, were broadly
135 aligned with our view of the world. But the coups in Fiji, the long running political problem of
136 Fiji, the one that has damaged our relations with Fiji; if you are a Fijian political leader these

137 days you do not regard us, Australia or New Zealand or the US as the country that is your
138 most natural partner. And China has been I think, quite active in taking advantage of that. I do
139 not think it necessarily threatens us, but you know we would be unwise not to observe this as
140 a phenomenon. And of course, that problem is not going to go away. I am no expert on Fiji
141 politics, but if Bainimarama falls under a bus, well the issue of Fijis constitutional future is up
142 in the air again.

143 *I: How do you see Australia's strategic role in the Pacific?*

144 HW: Ah, good question. Well, to understand that, we need to go back to something very
145 fundamental and that is for Australia thinking about how to defend the country. We are a very
146 strange place, huge island, mostly empty, stuck in the middle of the ocean. All of our neighbors
147 are islands and they are all little and weak separate nations. So, we have always regarded the
148 number one, the way to keep Australia safe is to stop anybody operating from those islands.
149 So, call it strategic denial, deny potential adversaries access to those islands. And one of the
150 reasons why we have always been so secure is that the only time in our history when potential
151 adversaries have had a presence in those islands have been before the First and Second
152 World Wars. But before the First World War with the German colonies in New Guinea, and in
153 the Second World War with Japan's intrusion into the Pacific. You know, the reason why 1942
154 was the most dangerous year in our short and mostly rather plastic history, was, that was the
155 year, when the Japanese got a strategic position. So, you know, all countries have sort of
156 strategic instincts. You know, well it is a classic adversary, just like Austrian diplomats in 1914,
157 just thought 'We have got to keep control of the Balkans. You know, that is our backyard.' We
158 are starting to understand the following Austrians. We Australian political thinkers, strategic
159 thinkers, politicians, have always all the way back into the 19th century, we have always
160 thought whatever else happens. We have to keep those islands out of hostile hands. So, the
161 foundation of Australia's strategic thinking about the islands of the South Pacific, this is
162 primarily I will meet you in a ring of them. Basically, the Melanesian arc felt that we were not
163 interested in those out there, but this is where I grew up, where we really get interested. And
164 the foundation is, and the doctrine of strategic denial that is, we want to prevent any
165 developments that would facilitate the facing of forces by a potentially hostile power in that
166 ring of violence. Now, if you look back at Asia in the last 40 years, since 1972, roughly speaking
167 since the end of Vietnam War, you would say, what is your problem. Yeah, no, there has never
168 been any question that it has been an American lake. But if we are heading into an Asia, which
169 is more contested, if we are heading into an Asia in which China is playing a bigger role, and
170 if we are heading into an Asia in which the United States, an Asia-Pacific where the United
171 States is not as actively engaged as it has been, then the question for Australia, or whether

172 an Asian major power like China, or for that matter, Japan or India, I mean, any of it, there are
173 only three countries that are really big enough and strong enough in Asia to project power in
174 that kind of way. Malaysia is never going to do it, but Japan, China and India are all great
175 powers in that sense. They can project significant strategically significant amounts of force
176 anywhere in the region if they choose. And if that were to happen, then that would be very
177 serious for Australia's security. So, the starting point, and you can see that it is written in white
178 papers and ministerial speeches and things really quickly, going back a long way. It is this
179 principle of preventing the intrusion into our immediate neighbourhood of potentially hostile
180 powers. And that will remain a very important strategic objective. Now that is easy and that is
181 a bit of an issue actually. Because if, for example, well, as you know, we donated patrol boats
182 to the countries in the South Pacific, like the Pacific Patrol Boat Program. And with those patrol
183 boats go some Australian military personnel. Now if China were to come to the countries of
184 the South Pacific and say, we are going to donate you some maritime patrol aircraft, and we
185 are going to have some of our personnel on the ground to help you operate the maritime patrol
186 aircraft, and we are going to pay some of our maritime patrol aircraft, with your maritime patrol
187 aircraft, so we can cooperate, you know looking for fisheries. What could Australia say? It is
188 their countries, it is their decision. We could not say, could we? I do not know. But we would
189 be very worried, at one level, it would be very hard for us to argue that those countries were
190 not perfectly justified in accepting that kind of aid from China after accepting that kind of aid
191 from us, but we would be very worried about that. That would appear to be that, in the end of
192 which, at the beginning of a process of establishing and potentially hostile military presence
193 in Southwest Pacific. So, Australians are kind of, very sensitive about that. They are kind of,
194 would be very disturbed by that. Now, just to be clear, I do not think there is any sign that
195 China intends to take its positioning in the Southwest Pacific in that direction and take the
196 point a step further. The only reason why they do that, there is no reason for them to do that
197 unless they are doing it against Australia. You know, those islands are not on the way to
198 anywhere except us and New Zealand. But if they were finding a way to put pressure on
199 Australia, if the US-China relationship became more adversarial and Australia was strongly
200 supporting the United States and China wanted to find a way to just warn Australia, just do not
201 push it, like actually doing just what I have described. They are pretty smart, they are a
202 customer, they do not want any kind of war with anybody. It is just sort of, the question seems
203 kind of a bit theoretical because the strategic situation in Asia for the last 40 years has been
204 so stable and the thought of any major power intrusion in the South Pacific central or
205 something. If anything changes, it could become more contested. Then that possibility
206 becomes not very likely, I admit, but much less unthinkable than it has been. And I think that
207 idea will continue to be the sort of prime focus of Australian concerns. The second point is
208 there is a kind of a, that is the first foundational illustration. The second is there is a kind of a,

209 should we say a sense of responsibility, a kind of a big brother, small brother thing. Now this
210 gets a bit, this could be a bit, I have my doubts about that. You know what I mean, Australia
211 thinks sort of paternalistic or even a bit neo-colonialist, but it is true that Australians, Australian
212 governments have thought, have felt a kind of a sense of responsibility most especially to PNG
213 because it used to be our territory, but even to the others as well. So, there is a sense in which
214 Australia feels a sense of responsibility, but also as a sort of altruistic side of it, there is also a
215 kind of not so altruistic side of it. That is, we feel that, we have a kind of sphere of influence.
216 We feel it is, it is ours actually, in a sense. Now I know no one in politics would say that out
217 loud, but since this is our backyard, our sphere of influence. We do not want things happening
218 there, which we think are incompatible with our interests. And so, we feel our pride has been
219 a bit dented. So, for example, when the, back in 1997, I guess it was alright, when the New
220 Guinean government hired some mercenaries to deal with the insurgency on Bougainville, the
221 sandline crisis, as it was called, that was the name of the mercenary company. Australia
222 responded very, very viscerally, very negatively. And a few of us were sent up to read the right
223 act to the Papua New Guinea prime minister and say, you know, you must not do this and try
224 to help the prime minister. I was quite, quite involved in the management of that crisis. And it
225 seemed to me at the time that it was not, that we really had very strong strategic interests,
226 engaged. We were just kind of offended. It is a little bit like, you know, somebody parks their
227 car on your lawn. It is not doing you any harm and it is not damaging the lawn, but just thinking
228 on this might do that. So, the kind of status thing, and then the third level, there is the point
229 about, well think there is an economic interest. I mean, Australia has been the biggest trading
230 partner for many of those countries for a long time, to the extent that the money that has been
231 made there, the Australians have made the money. Sometimes we have threatened
232 policymakers. We will talk about, you know, trying to maximize Australia's economic
233 opportunities there. In fact, I do not think that is all that important. You know, we are so different
234 geographically, although we are all islands, Australia and the islands of the South Pacific are
235 kind of complimentary economies. If they export anything, it is resources of various sorts, and
236 tourism, you know, big, long palm free beaches. We have got them. There is not much they
237 have got that we need. You know what I mean? And, and so we are both actually selling to
238 the same market. We want Chinese tourists, Japanese tourists, and so on. They come and lie
239 on our beaches and to buy our idle, or gold or copper or whatever in their case. So, although
240 the economic one is often there, I do not think it is the most important from our point of view.

241 *I: How can Australia have both – on one side the strategic relationship with the US and on the*
242 *other side the economic relationship with China?*

243 HW: We do not know. I mean, it is a very good question. It is the question, it is the hollering,
244 that is the question for Australia today. And you know, I am sort of not joking in what I said,
245 we do not know the answer to that. We have never been in this position. We have never had,
246 you know Australia is a very young country, 220 something, seven years old. Since European
247 settlement, less than that, of course, since we were, since Federation. But just, you know,
248 since Europeans came here to this continent, we have always enjoyed the protection of a
249 dominant Anglo-Saxon power, Britain first, of course, then America after British power faded.
250 And they have not just been the dominant strategic power. They have also been the dominant
251 economic power, or at least have been in a dominant position with our economic founders.
252 So, you know, from 1788, when the first fleet of European settlers arrived through to, say the
253 mid-1950s, when Britain was our principal strategic partner within the empire. And it was also
254 a principle economic partner. And so that was that. And then you could say the following
255 decades, America became our principal strategic partner and Japan became our principal
256 economic partner, and Japan was a strategic client of the United States, so same thing. Now
257 very recently, less than 10 years ago, China overtook Japan to be our biggest trading partner.
258 It is now twice as big as Japan. I mean, it is not just, you know, Japan would like that and
259 China would like that and sort of just crept up like that. If Japan's like that and China's like that.
260 And China is, I would say a strategic and active strategic adversary of our biggest, of our main
261 ally and we have never, Australia has never been in a situation like this before. Diplomacy in
262 the past has always been very simple in a way scary sometimes, but quite simple. We have
263 not had to make those kinds of choices, and you know, sort of choices that European strategic
264 history is for. You know, they buy more and more of our stuff and making us richer and richer.
265 And we are very attracted to that model. That is what makes Australia a pretty rich and
266 comfortable place today. But when we think about politics and strategy, we see the United
267 States, leader of the free world, you know, everybody's friend, Australia's very close friend,
268 continuing to be the dominant power in Asia forever. We cannot imagine it will not be, but of
269 course, those two images are completely incompatible. If China keeps on growing as fast as
270 we need it to grow to keep our economic fires burning, then it is going to grow so strong that
271 the United States can no longer play the role we assume it is going to play. And yet, sometimes
272 countries just do not sort these things out sometimes there is, you know, you think, oh, well it
273 must be an answer to that, they must think of a way of resolving it. No, at the moment,
274 Australian politics try to politically, both side of politics. Most participants in the Australian
275 public debate just think, they say, you probably heard the slogan: We do not have to choose
276 between America and China. Well, we do not have to choose if they do not make us. But as
277 soon as they start trying to make us choose, as soon as they say, you know, as soon as
278 America says, we would rather you did not, have a well you are in the Asian infrastructure
279 investment bank. Or as soon as China said, we would rather you did not host US aircraft

280 carriers. Then we have to choose. And of course, they both started doing that sort of subtly
281 quietly, but very distinctly, we are already making choices all the time. And we do not have a
282 framework within which to make them, you know, if you are a medic, you are making choices
283 all the time, but you got a framework. You know, here is Austria's place in the European order.
284 You know, give the Russians a bit, give the Saxons a bit. We are just still learning how to do
285 this and we are not doing it very well. And it is pretty out of school, they are pretty tough
286 players, both America and China. So, we are like a little kid who is suddenly in a very big kids'
287 playground, bit scary.

288 *I: Can Australia with its strategic position act as a mediator between the US and China?*

289 HW: I do not think it can act as a mediator. I mean, it depends. It could be a bit precise about
290 what we mean here. A mediator is someone who actually gets between two people. You know,
291 you and me are having a fight and somebody comes in and says, Katrin what are you worried
292 about, what is Hugh doing that is irritating you? And then they turn to me and say, Hugh what
293 is your point. And we actually talk to the mediator, we do not talk to one another. Australia
294 cannot play that role. We cannot, I do not think, provide the channel of communication
295 between the US and China. In fact, the US and China do not need us to provide a channel of
296 communication. They can talk to one another fine. What matters? And so, the problem with
297 the US and China is not, they cannot talk to one another. I mean, you need a media like that.
298 If we get so mad with one another that we just, you know, but we do not actually talk effectively.
299 So, you need a mediator, I think that can work in some circumstances. But the problem with
300 the US and China is not that they cannot talk to one another. It is what they say to one another.
301 And they have got to sort that out and I do not think a mediator helps there. And you know, to
302 say, to look at the China Choice, you know, my answer, you know, I think the US and China
303 can build a perfectly good stable relationship, which keeps Asia peaceful and provides a
304 setting in which, countries in the South Pacific and for that matter, Australia can never find
305 time. The Asian century can be everything we all hope it will be, but only if they both agree to
306 step back, you know, China wants to fundamentally change the order and preferably to
307 become the leading power in Asia. America wants to remain the leading power in Asia. They
308 cannot both be the leading power of Asia. So, both have to accept that neither is going to be
309 the leading power in Asia. It is not very complicated. It is pretty simple, but it is simple, but it
310 is very hard. And you go to America and say, look, you guys, I kind of succeeded in dominating
311 Asia, you should share power with China. And they will look at you as if you are mad. You
312 know, I know, I have tried. And you go to Beijing and say, look, you guys are just going to
313 accept whatever happens the United States is going to continue to play a big and decisive role
314 in Asia, as big as it has played. It will have to treat you as an equal, but you will have to treat

315 them as an equal. And you will have to treat Japan as an equal too. Neither side wants to
316 make those compromises, just so that, so although Australia, does not, should not play the
317 role of an intermediary or a mediator, what it should do and can do, but is not doing is to
318 encourage both the US and China, just about having that conversation. Say that both the US
319 and China, we think you should both be willing to make compromises with one another, to
320 build a new order in Asia in which you share power. And neither of them is going to want to
321 hear that. And they will not do just because we say so, they will do it because they realize that
322 the costs and risks to them, of getting on badly with the other are too great. But sometimes
323 people need to be sometimes even very, very big countries run by very intelligent people need
324 to be told some pretty simple things. I think actually America and China are in that category at
325 the moment. So, my argument is we should not be an intermediary. We should not try and get
326 between them, but we should say to both of them, you guys get on. And of course, separate
327 point in a way, but when I make that argument here in Australia, people say, oh, but that is
328 stupid. You know, little old Australia, what influence could we have? Actually, I think that
329 underestimates our potential influence in two ways. The first is, well that we are not obviously
330 as important as Japan, for example, we do obviously have some kind of weight in the debate,
331 particularly with the United States. It is very telling to me that Barack Obama chose to come
332 to Canberra to give the big speech which launched his pivot. And I think that was very
333 significant. Australia is their closest ally in Asia. If they cannot make it work with us, they cannot
334 make it work anywhere. And they do pay attention to what Australians say and think about
335 this, or at least they should. But also, I think the Chinese have a bit of tension. The other thing
336 is, of course it does not need to be Australia alone because if you go around the rest of the
337 region, including the South Pacific, everybody wants to put Australia watching, nobody wants
338 to live under China's shadow. So, everyone wants the US to stay engaged so that China
339 cannot dominate, but nobody wants to get on badly with China. So, everyone wants the US to
340 stay engaged in Asia in a way that China's prepared to accept. And that means some kind of
341 power share. And so, I think you do not have to deliver this message to the US and China
342 alone if you are Australia. You can get everyone in Asia possibly except Japan, which falls
343 into a special category. You can get everyone in Asia, they are encouraging the US and China,
344 to push in that direction. It probably will not work, but it is worth a try.

345 *I: In your opinion, is China going to exercise more power by claiming influence on certain*
346 *Pacific Islands needing resources?*

347 HW: Yes, I think they will. I do not know how they will do it. I am sure they will do it. I am sure
348 China will seek and will gain big influence over there, honestly, the South Pacific. But there
349 are two questions really. Why do they do it? And how do they do it? I do not think they will

necessarily do it primarily against Australia. If the US and China are getting on well, if the relationship is reasonably harmonious, then China's influence in the South Pacific will still grow just because of the economics. But I do not think that need necessarily be directed at Australia. I do not think we need to necessarily be worried about it. That would be perfectly natural for China to want to do that. Even if the US-China relationship is quite harmonious, some think the Australia-China relationship is quite harmonious, but if the US-China relationship becomes more adversarial, and if Australia supports the United States, it is creating a rivalry with China. Then I think China would have a different, additional reason to build up their influence in the South Pacific, as I said before, to build it, not just in the kind of benign way, but to build it in a way that would really set to undermine Australia's security. The second point is how would it do it? If it, you know, there are broadly two models like yes, one model is what you might call the legitimate model. China, as China can build up its influence in the South Pacific without doing anything at all wrong contrary to norm sort of contrary to our expectations fit national conduct. It could provide lots of aid, provide lots of investment opportunities, make itself popular by inviting students to go and study in Peking University, all the usual stuff that we do and that the Americans do. And if it just does that, its influence will grow. You know, there will be lots of bright, young, Pacific Islanders studying Chinese and fluent in Chinese who earn their MBA from Fudan University instead of from Harvard and that will make a difference, and they will do that, that will happen. Well, I expect, I think we should expect that it will happen. And that might actually be contrary to our interests, if the US-China relationship is going bad or if Australia-China relationship is going bad, but there is nothing we can do about that. We cannot say China is not allowed to do what we do. On the other hand, China could also enhance its influence or try to enhance its influence in more sinister ways. It could do it not militarily, of course, but it could also do it by corrupting local governments, by bribing officials, all that sort of thing, that sort of thing that the Chinese and the Taiwanese both did, when China and Taiwan were competing for diplomatic representation in the South Pacific. And we, I do not think it is at all necessary or inevitable if China does not seek to build its influence in the South Pacific, we will do it in ways that are legitimate, but it is certainly possible that it will. Of course, it is possible that we might too. I mean, if we see China's influence growing and we are very desperate to stop it, we might start doing the same sorts of things we might, you know, I mean, I am just hypothetical, but the sort of things that countries do, sort of things that both sides did in the Cold War, for example, or those sort of things that European Imperial rivals did during the scramble for Africa in the 19th century, for example, is that, you know, Britain and Germany were both trying to establish positions in East Africa and the British backed one group and the Germans backed another, you know, we could easily find ourselves in a situation where, you know, in Fiji, for example, the Chinese are backing one group and the Australians are backing another, and we are starting to try and intervene in domestic

387 politics to make sure that our guys get into power. That is what happens. It would not
388 necessarily be very nice, but that is what countries do when strategic rivalries escalate. So, if
389 China starts doing that, or for that matter, if we start doing that, then that starts to bring in a
390 whole different set of possibilities. Now, I do not predict that that will happen. I just
391 acknowledge that it is a possibility that China could start to use less legitimate means to
392 increase its influence in the South Pacific. If the strategic context in which it is doing that
393 becomes more intense and we might then have to start responding in kind, that will be the
394 kind of way in which they are less stable. And that would be very bad balance in the South
395 Pacific, undermine the stability of the governance, all that sort of thing. That is one of the ways
396 in which their interests in welfare would be affected if strategic rivalry and Asia more broadly
397 escalates.

398 *I: In your expertise, how important is the Republic of China (Taiwan) in this context?*
399 *Considering 6 of the 21 UN member states with official diplomatic relations are situated in*
400 *Oceania (Kiribati, Marshall Islands, Nauru, Palau, Solomon Islands, Tuvalu).*

401 HW: Look, I am going to say not very important. I think, I might be wrong about this. So, you
402 know, I might look back on what I am about to say five years from now and say, boy, was I not
403 stupid. I am pretty sure about this. I think the diplomatic game between Taiwan and China,
404 where they are competing for recognition, I think is a kind of a leftover from an earlier era. It
405 was left over from an era in which the Republic of China, Taiwan really was still thinking of
406 itself as an alternative to the PRC. And you might say that really died with the democratic
407 reform in Taiwan, but it has particularly died over the last eight or ten years I guess as the
408 Chinese-Taiwanese economic relationship has sort of taken off like that. And I think it is now
409 the case that Taiwan would be very reluctant. Even it should say the future of Taiwanese
410 attitudes towards China, towards the mainland are very uncertain. With Mas political problems
411 and the results of the elections, late last year where they, whether we end up with a democratic
412 party back in power and a more provocative approach to China or not, I do not know. But I,
413 my guess is this is the bit that might be wrong. My guess is that even, a new political orientation
414 in Taipei, which is less accommodating to China, would nonetheless not be willing to enter
415 into that kind of overt diplomatic competition. And one of the reasons is it cannot win anymore.
416 You know, if you have got to compete with how big a check you can sign, do not enter into
417 that competition with the Chinese. They are too big for that anymore. So, I have a feeling that
418 the presence in the South Pacific of those residual state's recognizing Taiwan as a kind of a
419 leftover from history if you know what I mean, and that I would expect it to pass. And I do not
420 think Taiwan will be in a position to successfully challenge China's position. I put it in a sense,
421 I have put it almost the other way that if Taiwanese domestic politics become less

422 accommodating towards China, if Taiwan starts slipping back towards the kind of approach
423 that Chen Shui-bian took when he was president there. If China then looks for ways to punish
424 Taiwan, pull it back into line, in China to bribe one of those votes in the UN would be one of
425 the ways that could do it. So, you might well find that the, is it six still? Is that the number?
426 Yeah. The six would finally be getting visits from Beijing and what it seems to me, the Chinese
427 have been fairly, Beijing guys have been fairly restrained, they have said to some of those
428 countries: No okay, that is just a stupid idea. We disagree, but you know, it does not mean we
429 will not deal with you at all. But I think that they could turn really nasty against those people.
430 And that would be unpleasant. I mean, it would only be unpleasant for as long as it lasts. And
431 if they are sensible, like personally, I think recognizing Taiwan, it is just a dumb thing to do.
432 You might not like China, but it has recognition. It is just an absurdity.

433 *I: What are the implications for the Pacific Islands caused by this struggle for power between*
434 *the US and China?*

435 HW: Well, I think, the big risk for them is that they will get caught up in the competition as
436 pawns in the game. And that can happen, diplomatically in sorts of issues like the recognition
437 question, it can happen, strategically, in terms of, well, not going to happen politically, I should
438 say first that is the kinds of tendency that I talked about a minute ago, whereby if the US-China
439 become more intense, strategic rivals, one of the things they will compete over is their
440 respective positions in the South Pacific. It will not be the main theatre, but those two countries,
441 they are not immune from this sort of thing. And you know, when you look back, for example,
442 and history is a very imperfect guide, but it is the best guide we have when the Soviets and
443 the Americans were competing for influence, they can be in all sorts of parts of the world and
444 all sorts of places you know, I mean, including in the South Pacific and all that stuff about
445 Russian and Soviet fishing fleets and Libyan in Kiribati and Libya and Vanuatu and all the rest
446 of it. I think this is a significant risk that as you, if, and as the US-China rivalry escalates that
447 rivalry will be reflected amongst other places in the South Pacific. And that will be difficult for
448 the countries in the South Pacific to handle, these countries will come into a lot of money and
449 a lot of power. They will use that money and power to distort local politics and decision making.
450 Politics will start to be split up between people who wanted to defer over real significant issues
451 over these countries development, but over what is inherently at an issue, which is irrelevant
452 to the countries, but terribly important to the individuals involved that is the, am I going to help
453 the Americans achieve the dominant position, or my opponent is going to help the Chinese
454 gain the dominant position. So, I think that would be very bad for them politically. And then
455 strategically, of course, there is always the risk. It seems very remote, but one should never
456 discount this, there is always the risk that they could get caught up in actual strategic conflict.

457 And, you know, because it always seems so unlikely when it does not happen. People are
458 inclined to dismiss this, but it is not impossible. The US-China conflict in the Western Pacific
459 is not important. Well, it is not very likely, but it is a possibility and it is becoming less unlikely
460 as time passes, I think. And if it occurred, it would have very serious impacts for everyone in
461 Asia and the Pacific, including the South Pacific apart from anything else, even if they are
462 actually out of the firing line, so to speak, that would completely disrupt trade in the Pacific.
463 These countries are terribly dependent on imports from China, they will not get them. They
464 are terribly dependent on oil imports from Singapore, they will not get them, you know, there
465 will be no diesel for the generators and we do not have any. And that is what you always want
466 to think those down to concrete things. You know, it is a real chance that maritime trade in
467 Asia would stop for a while in the event of a US-China conflict. And because both sides would
468 be protecting other shipments and that is very scary. So, I think the potential implications for
469 them are very great.

470 *I: Are there examples of specific islands that would be more important?*

471 HW: Well, it depends a bit where you draw the line. Obviously, when you get North of the
472 equator, being, you know, the Marianas, and so on become very significant straight off.
473 Obviously. We will be right in the middle of it from minute one. I think it is Hawaii. Of course.
474 Interesting question. You know, will the islands down here get sucked in? Well, we do not
475 have much data on this. You know, when you ask strategic questions in Europe, you possibly
476 have no idea about the answer, but you have got tons of history to draw on, because going
477 backwards always backwards. We have only done this once in 1942 and the only reason, well,
478 why did we not end up fighting here? Well, it is because the Japanese were trying to do one
479 of two things. Either try to invade and occupy Australia, or they were trying to prevent America
480 getting to Australia by establishing a sort of defensive position around those islands in the
481 South Pacific, to stop America using Australia as a base. Otherwise they were not actually
482 interested in Australia and they were not actually interested in the South Pacific, they just
483 wanted to stop the Americans from using Australia as a base. And they were right to, by the
484 way. If they could not stop America using the Pacific, Australia as a base, then they could not
485 be sure the Americans would not get back to Tokyo and they did. So, the only reason that the
486 only circumstance in which they become directly threatened in a conflict, is one in which
487 Australia becomes a target. Would Australia be a target in that conflict? I think that is quite
488 unlikely. I do not rule it out completely, but whereas if there is a US-China conflict of, you know,
489 Taiwan or a similar crisis, it is easy to say that Guam gets involved very directly. It is easy to
490 say that the Japanese base is getting involved very directly. It is easier to say that if the extent
491 of the Philippines aligns itself with the United States, the Philippines gets involved because

492 they are all right here in the theatre. We are actually a pretty, pretty long way away. And we
493 keep on telling ourselves and telling everybody else, we are very much part of the Asia-Pacific.
494 Quite a long way. You probably flew here by Singapore, did you?

495 *I: No, Dubai.*

496 HW: Okay, even further. You know, Australia is thinking of Singapore as next door, even
497 though they are quite a flight away. Further than London Dubai probably. Anyway, it is a long
498 way. So, and that makes real operational difference. You said that the countries itself in the
499 South Pacific only get drawn into a conflict, I think if it becomes really region-wide in the South
500 Pacific and Australia, and I do not think that is very likely, but you cannot completely rule it
501 out. And, it is still, it is not for me the primary respective place, but it would be at risk. The
502 primary risk is the disruption of the wider regional economy and trading strategies. Would
503 devastate their economies really, I mean, really devastate. It would be, you know, it would not
504 be like the potato window. It would be much worse than that. It would be back to coconuts and
505 fish.

506 *I: Is there a best solution for the US-China relationship?*

507 HW: There is. There is a best solution or at least a least bad solution. Well, in some ways you
508 could say the best solution from an Australian point of view. If somebody asked me, in a secret
509 envelope, write down what I want to, I would say for China, just to decide to be happy to accept
510 American primacy forever. From Australia's point of view, US primacy is terrific. And if China
511 could somehow just decide for itself, but even I challenge the economy has grown bigger than
512 Americas. It is still willing to accept America as the primary power in Asia. That would be the
513 best outcome for Australia. And I suspect also the best outcome for the South Pacific. It is just
514 not going to happen. It is just, and it is not only should we not expect it to happen in the
515 analytical sense, neither should we not predict that it will happen. We should not even expect
516 it should not happen normatively. There is no reason for us to believe that China should be
517 willing to accept a subordinate position to the United States and its power overtakes Americas.
518 In the end China's desire for a leadership role in Asia is just doing what the British did when
519 they rose to world power and what the Americans did when they rose to world power and what
520 the Soviets did when they rose to world power and what the French did, you know what
521 everybody did, it is just what countries do. I do not think there is anything. So, I do not think
522 there is anything inherently illegitimate about the fact that China wants to play a bigger role as
523 its power grows. That is what everybody does. There might be some things that are illegitimate
524 about the way it goes about doing, but the objective itself, it is not illegitimate. So, given that,
525 I do not think we have got any reason to expect at what demand China will accept US primacy.

526 The next best outcome is for the US and China to find a way to share power. I think Asia is
527 always going to be better off if the United States continues to play a big role. But that big role
528 needs to be defined in such a way, that the Chinese avoid US-China strategic rivalry and
529 which therefore China is prepared to accept. You only avoid the rivalry, if China ends up
530 saying, oh, well, right. Now China does not have to like it. Or at least does not have to love it.
531 Does not have to say, oh great, here is really what we want. What it needs to do is say, okay,
532 on balance, we will accept that. It is a little bit like, you know, I want to sell you my car for
533 \$20,000. You want to buy it for \$10,000. We finally agree on \$15,000. I am not thrilled. I hoped
534 for more. You are not thrilled. You hoped to get it for less. But we both think, alright. So, you
535 want them to do that kind of deal and you want them to do a deal like that. You know, I give a
536 bit, you give a bit. I get 5,000 less than I wanted, you pay 5,000 more than you wanted, but
537 we both feel that we have been dealt with properly. It is a fair deal. And we stick to it. I think it
538 is perfectly possible for the United States and China to do that kind of deal. I think it is very
539 unlikely that they actually will. I think it is much more likely that they will both walk away from
540 the deal, because they do not realize what is at stake. I think China, as I said right in the
541 beginning, I think China expects America to back off, to leave Asia. And they never say that
542 out loud of course, it would be silly to say it and I do not think they are silly. But the way China
543 conducts itself, to me strongly suggest that they expect America to back off. And the
544 Americans certainly expect China to back off. The whole rationale of the pivot. The whole
545 rationale of American policy in Asia is to keep asserting America's determination to lead and
546 keep expecting that China will accept that. But they will not. So, although there is a good
547 outcome, well I am optimistic.

548 *I: When could the UN be a forum that would be of any assistance in this dialogue?*

549 HW: I do not like to be gloomy, but not at all, not going to happen. It is not that kind of
550 conversation. When you have a really important, serious conversation that deals with your
551 innermost concerns, you do not want to have it in a big forum. You know, if you want to go to
552 your teacher and ask him or her to improve your marks, you know, appeal your marks, you
553 know, you did not give me enough. You do not want to do that in front of the whole class. If
554 you are going to ask your boss for a raise, you do not want to do that in front of all your
555 colleagues, you want to do that privately. This is a very deep, sensitive conversation for both
556 America and China. And so there is only, you need the smallest number of people in the room
557 you possibly can. You know, I use the model of the Concept of Europe and the Congress of
558 Vienna is the forum in which that was negotiated. And you know, what happened in the
559 Congress of Vienna? What was that all 327 different sovereign entities represented? I just
560 made that number up. Yeah, there are lots and lots of including all these little German

561 principalities with, you know, population of 17, but the decisions were made by the four. And
562 of course, all the others got mad, but Alexander and Castlereagh and Metternich and whoever
563 was representing the Prussians got together in a room and they sorted it out between them.
564 So eventually they have a lot of tail end as well, it is that kind of deal. And in this case, I think
565 initially it is just the two of them, US and China. Eventually, I think they have to bring Japan
566 and India into the picture, but the UN is too big. And really, you know, there is of course concert
567 at the heart of the UN, that group of five great powers. It is the permanent five in the security
568 council. And the trouble is it has got statutes written in Russia. I do not care. They do not have,
569 I mean, Russia, Russia is in a funny kind of way, is a big and complex dropping of its own.
570 But, you know, Russia is a great power in Europe, but not a great power in Asia. Compared
571 with, you know Holland or Belarus, Ukraine even Germany, Russia is a great power.
572 Compared with China? No. A lot of rockets, nothing else. Do not tell the Russians I said that.

573 *I: Are there any other issues that we have not discussed and that I should be aware of? Or*
574 *anything you would like to add?*

575 HW: No, I do not think so. It was a very good, very tidy set of questions.

Transcript III – Interview with Dr Merriden Varrall on 20 February 2015 at 11 am in Sydney, Australia

Brief introduction of myself, the topic and purpose of the interview.

I = Interviewer, MV = Merriden Varrall

1 *I: Generally speaking, my interest is the China – US relationship in the Pacific and how it*
2 *influences individual Pacific Island States, especially their foreign policy. Also, the role of*
3 *Australia in this context and its position between the two great powers. This is for my master*
4 *thesis in Political Science.*

5 MV: There is an UNDP research paper on Chinese aid and its development, and also
6 interesting in this context is CAITEC the Chinese Academy of International Trade and
7 Economic Cooperation. China's main interest with the Pacific is aid. They never had country
8 strategies. So, they would send out people from CAITEC for 2 weeks to develop a country
9 strategy in commercial and economic councils. The involvement of China in the region is
10 sometimes not based on local knowledge in development. China has a lot of interest but has
11 limitations of knowledge. Therefore, the Chinese do not know how to go about finding out
12 about problems. Nevertheless, China's involvement is increasing.

13 *I: So, how would you describe the current Chinese foreign policy in the Pacific, in particular*
14 *towards Pacific Islands?*

15 MV: China's foreign policy is about domestic concerns and the Pacific has some implications
16 for domestic issues. The Pacific is becoming a bit more of interest to foreign policy and the
17 quest for resources has overcome for a peaceful region with focus on Africa, which is a mutual
18 benefit.

19 *I: Has the Chinese policy significantly changed in the past few years?*

20 MV: Yes, Hu Jintao had a vision, but no strategy understanding. Xi Jinping is more articular
21 with things, for example very clearly about one belt one road. Xi has centralized foreign policy
22 and made it more actual. One theory is, that he is so confident, that it does not matter what
23 happens overseas, because he can fix it, as China is more powerful and has a more reactive
24 approach now.

25 *I: How would you characterize the present US-China relationship in the Pacific?*

26 MV: China does not want responsibility in hegemony and is aware of one power seeding
27 another power and how to avoid it. Therefore, should be flexible. However, there is a lack of

28 communication and trust building is not exactly genuine. It is not that important as in the South
29 China Sea in the Pacific, but not as a strategy. The relationship could be strengthened through
30 aid cooperation. An example is Timor Leste, but that is small scale. China is very skeptical
31 about working with the US and prefers UNDP. Currently, there is no overlap or trust building
32 and very profound mutual skepticism. There is a shift from the US is evil to maybe just dumb.
33 Official interaction is very formal and not genuine. In the future there is a lot of potential.

34 *I: The Pacific used to be an 'American Lake'. Is China becoming the most significant player in*
35 *the South Pacific?*

36 MV: Australia is the most significant player in the Pacific. As the US subcontracted the
37 American lake out to Australia, the unreliable colonial bastard, that has potential for soft power.

38 *I: Focusing on Australia, who is a key US ally on one side and has China as Australia's largest*
39 *trading partner on the other side. How do you see Australia's strategic role in the Pacific?*

40 MV: Australia should not get involved in the Pacific to make China and the US friends. Status
41 quo is one of no communication, the US are trying, and the Chinese could if they wanted to.
42 China does not want American sovereignty in the region, a great power relationship and not
43 being hegemon, but supplier of aid and development. When China wants to it can. Australia
44 being a broker looks like they are interfering, and China thinks Australia is already too close
45 to the US. Australia is no trilateral in the Pacific, where they are doing things that include them
46 both.

47 *I: How would you describe the China-Australia relationship in the Pacific?*

48 MV: Australia is a trilateral aid with the UN in PNG regarding health and malaria. There is
49 concern among Australian officials that China is still a rogue donor. Australia is providing a
50 constructive way and they are worried and skeptical of China in the Pacific and not quite sure
51 about what to do. It is not a bad relationship, not competition, more skepticism and mild
52 distrust. Plenty of interest for cooperation exists from Australia, not so much from the Chinese.
53 The new minister of commerce is very cautious of projects UNDP is conducting in Africa
54 (Cambodia). Then they pursue other conservatives. China has a general sense of caution
55 towards Australia.

56 *I: How can Australia have both – the strategic relationship with the US, and the economic*
57 *relationship with China?*

58 MV: Australia and Japan can be as cozy as they want to be, because of the FTA with China.
59 If China gets an alliance like Australia has with the US, it does not like it and it does not like

60 alliances in general but got it to protect certain interest. It does bother China that Australia
61 does certain things, because the US said so. This is not independent foreign policy. The
62 building of a network of trust and relationship in China comes at some cost. Australia needs
63 to be very clear about national interest and is doing that with Japan, because that is how they
64 are going to pursue and China respects that. The economic relationship between Australia
65 and China goes both ways. The challenges are how things work in Australia and China does
66 not understand the economy and strategy. They should not become each other's problem.
67 And Australia will not cause a problem unless it does something outrageous (eg Taiwan, Dalai
68 Lama), then the Chinese will impose economic sanctions (eg Norway). One needs to see them
69 as separate areas of cooperation and see how far to push in strategy to keep economic apart.

70 *I: Will Australia ultimately have to choose between Asia and America?*

71 MV: Australia would do everything to avoid choosing. China does not want to push America
72 out. The potential for conflict lies with America.

73 *I: In your opinion is China – in its growing demand for resources – going to exercise more
74 power by claiming influence on certain Pacific islands? Are there any examples?*

75 MV: It is not impossible. China wants resources, trade, friendship and respect and to be seen
76 as a leader among developing countries. Key principles are non-interference and sovereignty.
77 In China's view, if somebody is pro- or anti-China, they would try to get everybody to become
78 friends with China. There were a lot of promises made in the case of the PNG aid project.
79 Everything is only benefitting their own interest and they use their influence, for example for
80 fishing laws.

81 *I: In your expertise, how important is the Republic of China (Taiwan) in this context?
82 Considering 6 of the 21 UN member states with official diplomatic relations are situated in
83 Oceania (Kiribati, Marshall Islands, Nauru, Palau, Solomon Islands, Tuvalu).*

84 MV: Taiwan has a declining importance. If Taiwan's opposition gets elected in the next
85 election, then there could be a competition or turning, maybe because China is less inclined
86 in checking diplomacy.

87 *I: What are the specific implications for the Pacific Islands caused by this struggle for power
88 between the US and China?*

89 MV: Overall, this has a positive potential for the Pacific Islands. The US thinks of it as a
90 benefactor and Australia as a sub-contractor. It is good for the islands to have options. Really,
91 there is no struggle for power, just more options and good things to come, if the governments

92 in the Pacific make sensible choices, for which they are not always known for. For Australia
93 the environmental sustainability could be a risk. And if China responds to local government,
94 that is an important role for them.

95 *I: Is there a best solution?*

96 MV: Yes, there must be. However, that is not for an outsider to say, but for the Pacific Islands
97 to decide.

98 *I: When could the UN be a forum that would be of assistance in this dialogue?*

99 MV: China really likes the UN and being involved in multilateral organizations like UNDP and
100 for the US the UN is a useful forum for discussion. But it is only one player and China is only
101 interested if it was led by the country.

102 *I: Are there any other issues that we have not discussed and that I should be aware of? Or*
103 *anything you would like to add?*

104 MV: I think we covered everything.

Transcript IV – Interview with a Chinese diplomat on 23 February 2015 at 10 am, Canberra, Australia

Brief introduction of myself, the topic and purpose of the interview.

I = Interviewer, C = Chinese Diplomat

1 *I: Generally speaking, my interest is the China – US relationship in the Pacific and how it*
2 *influences individual Pacific Island States, especially their foreign policy. Also, the role of*
3 *Australia in this context and its position between the two great powers. This is for my master*
4 *thesis in Political Science. From your experience what can you tell me about this relationship?*

5 C: The relationship is not a priority of foreign policy and aid. For the US, Africa and Asia it is a
6 priority. In the South Pacific China is engaging in bilateral foreign policy, so-called South-South
7 Cooperation. There is a diplomatic competition between China and Taiwan in the South
8 Pacific. The South Pacific is important to Taiwan because of the diplomatic competition. Before
9 2010 it was intense, after 2008 there was a diplomatic truce. After that Taiwanese are less
10 significant. PNG, Fiji and Samoa have close relationships with Taiwan. Chinese investment
11 and aid have grown in the past few years.

12 *I: Why is the focus on foreign aid?*

13 C: There will be a Taiwanese election next year and the official party could change. Also, there
14 are economic opportunities for China and the Pacific Islands. Most are poor in resources. PNG
15 and Fiji have oil and mineral resources. China and PNG will be the largest export partners
16 next year, because of a cooperation in terms of mineral resources. The Ramu Nickel mine is
17 the largest single project in terms of value. For other countries in the area fishing is more
18 important and fish inflate. In the private sector there are small Chinese businesses. Chinese
19 foreign aid is growing very fast. In 2006 there was the first meeting between China and the
20 Pacific Islands at the China Pacific Economic Development Cooperation in Fiji. A 3 million
21 Yuan soft loan to the Pacific Islands was promised. In November 2013 there was the second
22 China and Pacific meeting in Guangzhou. There a 1 billion Yuan soft loan in the next 3 to 4
23 years and a 1 billion Yuan infrastructure fund were promised. People to people exchange is
24 also growing. Pacific officials and technicians are going to China for training and scholarships.
25 Fiji and Tonga are receiving assistance in medical treatments. Concerning the competition
26 between the US and China: Hillary Clinton visited the Cook Islands during the PIF (Pacific
27 Island Forum) and it was the first time a US Secretary of State did that.

28 *I: What do you think about China's rise in the region?*

29 C: To some extent this is true. The focus of the US is in the northern part, Palau and
30 Micronesia. US aid and investment in other Pacific countries is limited.

31 *I: And China's strategic ambition in the region?*

32 C: This is not a priority of Chinese diplomacy.

33 *I: What are your thoughts on the relationship between China and Australia?*

34 C: The relationship between China and Australia is very important for China. The engagement
35 in every area is growing very fast (economic, military). China, Australia and New Zealand had
36 their first military action in the region last year. Australia has reliable resources, which is
37 important for China. The FTA agreement is a milestone in bilateral relations. And a stable
38 relationship with Australia is important for China.

39 *I: In the event of a conflict between the US and China, what will Australia do?*

40 C: This would be a dilemma for everyone. The way Australian politics have worked so far,
41 Australia does not need to choose between the two. It is in the best interest of Australia to
42 develop a good relationship with both countries.

XIX. List of Abbreviations

ANU	Australian National University
APEC	Asia-Pacific Economic Cooperation
CAITEC	Chinese Academy of International Trade and Economic Cooperation.
CIA	Central Intelligence Agency
CNY	Chinese Yuan
COFA	Compact of Free Association
DC	District of Columbia
DFAT	Department of Foreign Affairs and Trade
EEZ	Exclusive Economic Zone
FDI	Foreign Direct Investment
FPA	Foreign Policy Analysis
FSM	Federated States of Micronesia
FTA	Free Trade Agreement
FY	Financial Year
GDP	Gross Domestic Product
GNP	Gross National Product
GPS	Global Positioning System
IMF	International Monetary Fund
IR	International Relations
JDP	Joint Declaration of Principles
MCC	Metallurgical Corporation of China
NGO	Non-Governmental Organization
OEC	Observatory of Economic Complexity
PIC	Pacific Island Country
PICL	Pacific Island Conference of Leaders
PIDC	Pacific Island Developing Countries
PIF	Pacific Island Forum
PNG	Papua New Guinea
PRC	People's Republic of China
RAND	Research and Development
RMI	Republic of the Marshall Islands

ROC	Republic of China
SPTO	South Pacific Tourism Organization
SPTT	South Pacific Tuna Treaty
SPREP	South Pacific Regional Environment Program
UDP	United Democratic Party
UN	United Nations
UNDP	United Nations Development Program
UK	United Kingdom
US	United States
USA	United States of America
USAID	United States Agency for International Development
USD	United States Dollar
VDS	Vessel Day Scheme

XX. Abstract (English)

The subject of this master thesis is Pacific Island States in the tense atmosphere between the People's Republic of China and the United States of America. Therefore, this thesis focuses on the foreign policy of Pacific Island countries. The priority interest is how the implementation of foreign policy bilaterally with other countries – especially the People's Republic of China and the United States of America – works. The main question arising is, what is important for the Pacific Island States and what kind of support they can find in regional powers such as the Commonwealth of Australia and New Zealand. Selected Pacific Island States – Papua New Guinea, Fiji and the Marshall Islands – will be analyzed. The focus lies on the political sphere, the economic aspect and the issue of foreign aid. Furthermore, this master thesis deals with the possibilities for foreign policy and the limitations for foreign trade of Pacific Island States, questioning how these Island States can act truly independent and in which areas influence by other countries – in particular the People's Republic of China and the United States of America as well as the Commonwealth of Australia – exists.

XXI. Abstract (German)

Das Thema dieser Masterarbeit sind Pazifische Inselstaaten im Spannungsfeld zwischen der Volksrepublik China und den Vereinigten Staaten von Amerika. Daher konzentriert sich diese Arbeit auf die Außenpolitik der Pazifischen Inselstaaten. Das vorrangige Interesse dabei ist, wie die bilaterale Umsetzung der Außenpolitik mit anderen Ländern – insbesondere der Volksrepublik China und den Vereinigten Staaten von Amerika – funktioniert. Die Hauptfrage, welche sich stellt, ist, was für die Pazifischen Inselstaaten wichtig ist und welche Unterstützung sie von regionalen Mächten wie Australien und Neuseeland bekommen. Ausgewählte Pazifische Inselstaaten – Papua-Neuguinea, Fidschi und die Marshallinseln – werden näher analysiert. Der Schwerpunkt liegt hierbei auf der politischen Sphäre, dem wirtschaftlichen Aspekt und der Entwicklungshilfe. Darüber hinaus befasst sich diese Masterarbeit mit den außenpolitischen Möglichkeiten und den außenwirtschaftlichen Grenzen Pazifischer Inselstaaten und behandelt die Frage, wie diese Inselstaaten tatsächlich unabhängig agieren können und in welchen Bereichen andere Länder – insbesondere die Volksrepublik China und die Vereinigten Staaten von Amerika, sowie Australien – Einfluss ausüben.