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## CHINA IN THE PACIFIC: SOME POLICY CONSIDERATIONS FOR AUSTRALIA AND NEW ZEALAND

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### INTRODUCTION

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The Peoples Republic of China (PRC), Taiwan, and peoples of Chinese ancestry resident in the Pacific Islands have figured prominently in news items concerning the Pacific in recent years.<sup>2</sup> In April 2006, post-election violence erupted in the Solomon Islands' capital, Honiara, following the declaration of the Deputy Prime Minister of the unpopular out-going government, Snyder Rini, as the new Prime Minister. Much of Honiara's Chinatown was burned and looted. The purchase of votes through use of Chinese money was seen by many as a major reason for the government's retention of power (Kabutaulaka 2006: 424; Dobell 2007: 10, 18-19). In November 2006, most of Nuku'alofa's commercial heart was destroyed by rioters angered at the Legislative Assembly going into recess for the year without voting on proposals for major democratic reforms to Tonga's parliamentary system, which effectively excludes the majority commoner population from a say in government. Again, Chinese businesses were among the targets,

and strong anti-Chinese sentiment was apparent among the perpetrators (*People's Daily Online*, November 17, 2006). While longer-term Chinese residents in both countries have long been prominent in local business activities and built constructive relationships with local peoples, these two incidents fuelled mounting concern within the region about the impact of recent Chinese arrivals. Recently arrived Chinese business people are often involved in short-term extractive industries such as logging and are seen to be less sensitive than longterm Chinese residents to local community needs. A number of recent arrivals have been linked to criminal activities.

These disturbances were also linked by many commentators to rivalry between Taiwan and the PRC for influence among Pacific Island nations, and particularly to how 'cheque-book' diplomacy was destabilizing domestic and regional politics. Order was only restored in both the Solomon Islands and Tonga by troops and police from Australia and New Zealand, and smaller numbers from several other Pacific Island nations in the case of the Solomon Islands. There is

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now increasing consensus in Canberra and Wellington that such interventions must be accompanied by much longer-term, deeper engagements to tackle the root causes of problems and dissatisfaction in Pacific Island nations. This intermeshing of local, regional and global interests has complicated the search for solutions.

As the PRC has become increasingly central to the global economy, the number of states recognising Taiwan has diminished. Taiwan's financial efforts to retain diplomatic relations with those states recognizing it have intensified as the PRC's economic means and efforts to exert political influence to win over Taiwan's adherents have also increased. PRC pressure has been effective worldwide, with seven of the nations that recognized Taiwan worldwide having withdrawn that recognition since Chen Shui-bian became Taiwan's President in 2000. Six of the remaining twenty-four countries that recognise Taiwan are Pacific Islands nations (*The China Post*, 10 August 2006), namely Kiribati, Marshall Islands, Palau, Solomon Islands, Tuvalu and Nauru. The remaining eight Pacific Islands nations - Cook Islands, Federated States of Micronesia, Fiji, Niue, Papua New Guinea, Samoa, Tonga and Vanuatu all recognize the PRC. Both Taiwan and the PRC organized forums in the Pacific Islands region in 2006 attended for the first time by their respective heads of state, at which generous increases in aid and loan programmes were announced. The PRC's Premier Wen Jiabao attended the first China-Pacific Islands Countries Economic Development and Cooperation Forum in Fiji in April, while the Taiwanese President Chen Shui-bian flew to Palau in September for the first Taiwan Pacific Allies Summit (*Shanghai Daily*, 6 April 2006; Hwang 2006).

Opinion remains divided on the consequences of this increased presence and the influence of PRC and Taiwanese interests in the Pacific Islands. Chinese diaspora business elements from Southeast Asia have also become more prominent in the Pacific Islands region in recent years. There is division on whether this recent rise in overall Chinese activity will be sustained. This paper investigates these key

issues, highlights areas where information is uncertain or unavailable, then outlines the schools of thought concerned with these matters in the Pacific and elsewhere, before suggesting a variety of regional and national responses that might be appropriate given the evidence available.

## THE CURRENT CHINESE PRESENCE IN THE PACIFIC ISLANDS

Ethnic Chinese populations in the Pacific Islands generally make up less than 1 percent of the total population, but invariably figure prominently in business. Emeritus Professor Ron Crocombe estimated the total Chinese population in the Pacific Islands at around 80,000 as of October 2006. The main concentrations are around 20,000 each in Papua New Guinea and Fiji, 15,000 in the Commonwealth of the Northern Marianas, 14,000 in French Polynesia, and 4,000 in Guam (Crocombe cited in Dobell 2007: 14).

The leading authority on Chinese communities in the Pacific Islands, Emeritus Professor Bill Willmott, emphasizes that each local community is distinct and also internally differentiated by factors such as class, time of arrival, and place of origin. While long-term Pacific Island Chinese develop a local identity, local loyalties, and local connections over time, most still marry other Chinese and family remains their prime social focus. Rates of inter-marriage between resident Pacific Island Chinese communities and local indigenous populations vary between localities. Chinese Pacific Islanders are invariably prominent in business, although the most recent generation are also well represented in professions such as doctors and lawyers. Many members of the long-term Chinese communities express concern about recent Chinese arrivals' lack of sensitivity to local ways, and are just as likely to view them as disruptive competitors than as potential business and marriage partners. These latter arrivals are known as *huayi*, a Mandarin term meaning ethnic Chinese that is particularly applied to ethnic Chinese with passports other than from the PRC. *Huayi* are distinguished from previous migrants by their weak ties to the PRC, and their high

degree of mobility in search of opportunities in the global economy that has emerged over the last three decades. While the businesses of more established Chinese are perceived as benefiting locals, those of *huayi* tend towards get rich quick enterprises that bring little evident benefit to locals. Willmott notes that some of the former were warned by locals of the impending burning and looting of Honiara's Chinatown (Willmott 2007).

There have been several distinct phases of Chinese migration to and influence in the Pacific Islands region. With the exception of occasional Chinese crew members on Western vessels sailing into the Pacific from the 1500s onwards, Chinese initially came to the Pacific Islands from the mid nineteenth century in limited numbers as traders or labourers. This pattern persisted until the 1980s. Chinese migration into the Pacific has increased markedly since the opening up of the PRC and the economic reform programme initiated by Deng Xiaoping in the late 1970s. This period also saw the rise of activities in Island states to extract relatively untapped natural resources such as timber and fisheries. These activities are largely controlled by *huayi* businessmen from Chinese Diaspora communities in Southeast and East Asia who invest their profits overseas. They have allies within the ranks of local politicians, but are generally disliked by the local population as a whole. The mining sector does not follow this pattern however, with Chinese participation consisting mainly of PRC government involvement in Papua New Guinea (Crocombe 2007: 26). The post-1980 wave of Chinese initially consisted largely of low-skilled factory and extractive industry workers. Subsequent arrivals have gradually expanded into other sectors.

Chinese criminal activities in the Islands are also associated with Chinese who have moved to the islands since 1990. Setting up in island nations has advantages for criminal elements. As Crocombe notes, 'Smuggling of drugs, weapons and illegal immigrants, money laundering, fraud, extortion, forced prostitution and other activities are easy in Islands countries that cannot afford extensive police and other protective services.' (Crocombe 2007: 28) The presence of

such activities on Australia's doorstep has significant implications for security and border control. Investigations by the South Pacific desk of the Australian Federal Police revealed criminal elements were using the islands as an entry point to Australia, particularly for people-smuggling operations. In contrast, Chinese residents with roots in the islands prior to 1990 remain one of the most law-abiding communities in the region (Commonwealth of Australia 2006: 165, 175; Murray 2006: 15).

The main focus of Australian government concern about Chinese influence in the Pacific has been directed towards the disbursement of funds by the governments of the PRC and Taiwan rather than Chinese criminal elements. The PRC's new increased aid package announced by Premier Wen Jiabao at the opening of the first China-Pacific Island Countries Economic Development and Cooperation Forum in Fiji in April 2006 is valued at 3 billion yuan or \$US398 million at current exchange rates. Most will be dispensed in the form of low interest preferential loans favouring primary industries such as fishing and agriculture. These loans will be typically set at interest rates of around 2% for terms of up to 20 years. Generous grace periods are also provided for, with the additional possibility that loans extended in this way could also be turned into grants on a case by case basis. Other measures announced then included the cancellation of debts maturing at the end of 2005 and removal of tariffs on exports to the PRC from the least developed Pacific nations. Arrangements to provide free anti-malarial medicines and training for 2000 government officials and technicians were also put in place. Additional bilateral arrangements were signed with the eight Pacific Island nations that support the PRC rather than Taiwan (Wen 2006).

None of these provisions is tied to adherence to accountability and transparency criteria as Australian aid is. Thus PRC aid has the potential to undermine Australia's leverage with Pacific Island governments by providing an alternative source of aid not dependent on implementing the reforms sought by Australia. Aid from the PRC places New

Zealand in a similar dilemma in its attempts to apply leverage to Fiji's current government to persuade it to restore democracy.

Taiwan has significantly increased its total foreign aid budget over the last decade from around NT\$ 1.4 billion (US\$ 42 million) per year in the 1990s to NT\$ 14 billion (US\$ 421 million) per year by 2006 (Hwang 2006; Chan 1997: 5). A large, but unmeasurable proportion of this aid goes to Pacific Island nations. Only 15% of Taiwanese aid is traceable in the public record as part of its International Cooperation and Development Fund (ICDF). The remainder is disbursed through the Ministry of Foreign Affairs without transparency, to ensure this politically sensitive information is not able to be used by its rival the PRC to persuade recipients to switch allegiance. A number of researchers have attempted to estimate the total amount of Taiwanese money disbursed to Pacific nations, but all remain at best speculative (Vltchek 2007; Dobell 2007). Crocombe confirms the increasing influence of the PRC and Taiwanese governments, noting that the PRC has more diplomats in the Pacific Islands than any other nation, and that PRC business and government activity has become blurred in some instances, most noticeably in the PRC's involvement with the Ramu nickel mine in Papua New Guinea (Crocombe 2007: 26).

Japan responded to rising PRC influence by increasing aid at the Fourth Japan-Pacific Islands Forum (PIF) Summit Meeting in Okinawa in May 2006 where it announced \$US410 million in new aid to Pacific Island nations (Ministry of Foreign Affairs of Japan 2006). This represents a dramatic rise in aid and was prompted by Japanese concerns about maintaining influence in Pacific Island nations to secure favourable access rights to rich fisheries within those nations' Exclusive Economic Zones (EEZs) and, to a lesser extent, securing their support in the International Whaling Commission. Japan has a history of using its aid to secure these two objectives (Tarte 1998: 83, 96; Lobban & Schefter 1997: 274-277; Nero 1997: 368, 377-378).<sup>3</sup> The possibility of a three-way bidding war between the PRC, Taiwan and Japan for Pacific Island loyalties now

looms, something which also threatens to drag Australia, New Zealand and the US into the race if it continues and intensifies. Earlier this year, the Bush Administration declared 2007 the 'Year of the Pacific' as part of a move to re-engage with a region it perceives it has neglected since the fall of the Berlin Wall. In July 2007 the public research unit of the US Congress, the Congressional Research Service (CRS), produced a thirty-page report entitled 'The Southwest Pacific: US Interests and China's Growing Influence' which warned of rising PRC influence in the southwest Pacific (Congressional Research Service 2007; O'Connor 2007).

Pacific Islanders have reacted to the increasing Chinese presence in a variety of ways. The divide between unpopular political incumbents supported by Chinese private and government money and the majority of alienated voters denied government services in part because of corrupt practices has already caused violence in Solomon Islands and Tonga. There has been an escalation of crimes by Islanders against ethnic Chinese and other Asians. A host of reasons lie behind these trends. In particular, Chinese are seen by some as an easy and profitable target, and they are resented for dominating local business opportunities, or for corrupting politicians and officials, and for extracting wealth and investing profits overseas rather than contributing to the community (Crocombe 2007: 31). In addition to the targeting of individual Chinese by Islanders with criminal intent, Pacific Island governments have not been passive victims of PRC and Taiwanese dollar diplomacy. A number have sought to play one off against the other or have switched allegiance for financial inducements. They have been able to do so because the financial costs involved are miniscule for the PRC and Taiwan so that the potential political benefits of recognition far outweigh the financial costs.<sup>4</sup>

## SCHOOLS OF INTERPRETATION

A clear division has emerged in the outlook of Western commentators on Chinese influence in the Pacific Islands. This division

mirrors others among Western government and academic international relations' commentators about the implications of the PRC's increasing influence in global politics and the world economy, and its aid priorities and policies in the developing world. Choosing between these divergent perspectives has major implications for policy makers in South Pacific nations.<sup>5</sup> It is therefore important for commentators on Chinese influence in the South Pacific to position their arguments within this wider debate, so as to acknowledge the existence of alternative views to their own, and to distinguish interpretation from reality when seeking amicable solutions to existing and potential clashes of interest between stakeholders in the region.

Commentators such as Graeme Dobell note mounting concern in the Pacific Islands, Canberra, and to a lesser extent Wellington, about the implications for Island state stability of two main developments. One involves the negative impacts of aspects of the recent influx of Chinese, particularly crime syndicates and corrupt businessmen. The second involves the rivalry between the PRC and Taiwan fostering corruption in domestic politics because of their failure to adhere to the normal rules of the 'aid game' and to recent Organization for Economic Co-operation and Development (OECD) guidelines (Dobell 2007; OECD 2007). Dobell notes that these concerns have only gathered momentum in the last five years with the PRC's economic take-off and the perceived diminishing of US influence in the Asia Pacific region. Former New Zealand diplomat Michael Powles is less concerned. Having headed posts in both Beijing and the Pacific Islands, he believes the PRC's record and statements consistently demonstrate a willingness to abide by international conventions, while obviously still pursuing its own national interest (Powles 2007).<sup>6</sup>

A division of opinion between optimistic and more cautious conclusions is also apparent in a second, related debate about the capacity of Pacific Island states to rectify their own problems. Many of those that express serious concerns about Chinese influence in the Pacific also publish gloomy prognoses about the ability of states within the so-called

'Arc of Instability' to Australia's immediate north to make significant economic advances and secure political stability without external assistance. Their concern about Chinese influence in Pacific nations reflects the assumption that some of these nations are failed states. This group includes commentators such as Susan Windybank from the Centre for Independent Studies and Ben Reilly from the Australian National University. While many policy makers subscribe to this analysis, the majority of academic specialists on the Pacific have rejected or called for serious modification of the Arc of Instability paradigm.<sup>7</sup> The most recent and most comprehensive publication arguing along these lines is Hank Nelson's 'Governments, States and Labels' (Nelson 2006). Those questioning the Arc of Instability paradigm urge more acknowledgement of the highly inadequate preparation for independence that these nations inherited from colonial powers like Australia and are therefore less willing to blame flawed government practices and corruption since independence for today's problems. They are also more cautious about the efficacy of applying foreign models to Pacific problems.

As noted above, similar concerns and debates about the rise of Chinese influence are occurring beyond the Pacific. It is therefore worthwhile briefly reviewing these to gain a sense of perspective over debates within the Pacific. While many arguments used in the Pacific are also found in the context of Africa, the diplomatic bidding war between Taiwan and the PRC that occupies such a prominent place in Pacific discourse is much less pronounced elsewhere. The main concerns there relate to the PRC's relations with dictatorial regimes as part of efforts to gain access to the energy resources seen as crucial to the PRC's sustained growth. Its increasing reliance on imports is a potential Achilles' heel for the PRC that some observers believe will either push it into aggressive and potentially destabilizing foreign policy positions or necessitate a restrained and cooperative policy to ensure the free flow of energy resources it cannot control. Competition for resources is rarely claimed to be important in the PRC-Taiwan rivalry in the Pacific Islands. The

PRC's recent interest in Papua New Guinea's mineral resources may signal a possible change in this regard.

Many analysts, particularly in the US, suggest that the PRC's booming economic growth and the resultant political influence this confers will be short-lived. They cite the gap between rich and poor in the PRC, serious environmental problems there, the lack of sufficient domestic energy sources, a legal system that does not encourage efficient business activities, corruption and a lack of political freedom as factors that may block economic advancement (Chang 2001; Segal 1999; Pei 2006). Others, perhaps the majority, believe the PRC is here to stay as a world power. The massive flow of foreign direct investment into the PRC demonstrates that businessmen around the world also believe that the PRC's current boom is sustainable and holds the prospect of a good return on their investment (Gosset 2006; Shobert 2006; Fallows 2006; Feffer 2006; Zhang 2003).

The PRC's economic rise is also linked to its military potential. The PRC is either seen as a threat to the Pacific status quo of US domination (Henderson and Reilly 2003), and potentially to the influence of Japan in the region, or as a benign power seeking conciliation and non-confrontation so as not to divert it from its prime aim of ensuring internal stability and development through economic growth. For some, the PRC is merely filling the void in the region left by the decline of US global power (Kaplan 2005, Zhang 2007). However, talk of a power vacuum in the Pacific Islands because of US disengagement is somewhat overstated and misleading. Such claims overestimate the previous influence of the US on independent Pacific Island nations' decision-making, conflate military, political and economic influence, and blur the distinction between those Pacific Islands closely linked to the US in Micronesia and those with historical ties to Australia, New Zealand and France in the South Pacific that receive little US assistance. The only exception to this geographical division is American Samoa in the heart of the South Pacific.

US force deployment in the Pacific Islands has had little bearing on recent relations

between independent Pacific Island nations and the PRC other than the bonds created between Pacific Island nations and the US through the significant 'rent' the US pays to its former trust territories in Micronesia for the use of bases in their sovereign territory. While the US recently announced a substantial and imminent increase in its forces based in Guam in the western Pacific (Pacific Daily News 2006), its intention to progressively cut back its payments to its former trust territories ending in 2023 may undermine its influence in the region around Guam and needs to be reassessed in light of the lack of viable alternative sources of income that have been proposed (United States 2006, D'Arcy 2006). Without such alternatives, Micronesian states may be tempted to seek aid from nations such as the PRC that do not necessarily share US foreign policy preferences for the region. Guam's neighbour, Federated States of Micronesia, has already recognised the PRC, for example.

There is little argument that the PRC's phenomenal economic growth, which has consistently averaged 11 percent per annum recently, is dependent on access to foreign energy sources, particularly from the Middle East and Africa. Most of the nations that the PRC receives the majority of its oil from have non-democratic systems and poor human rights' records in common with the PRC. Western and particularly American commentators note the lack of political and economic preconditions attached to PRC aid to these nations, and international criticisms of a number of these nations for oppressive actions against their own people. They contrast this experience with the so-called Washington consensus applied by the World Bank and International Monetary Fund which ties assistance to progress in human rights, economic transparency, good governance and democracy. The existence of this alternative 'value-free' funding is seen to undermine the efficacy of the Washington consensus (Berkofsky 2007).

A number of commentators point to the PRC's increased defence spending in recent years as evidence that it is preparing to challenge the longstanding US military dominance of the Pacific (Gracie 2006;

Griffiths 2007). It is also claimed that the PRC is discouraging support for Japan to be given a permanent seat on the UN Security Council (Lancaster 2007). While the PRC's Pacific profile is certainly on the rise, more cautious voices note that much of the extra expenditure is needed to update the PRC's military technology which is well behind that of the US. An estimated 30 percent of the PRC's military budget is spent on salary increases to recruit and retain staff tempted to join the booming private sector, particularly skilled technicians so needed for modern high technology warfare (Berkofsky 2007).

Furthermore, while the PRC is currently running a huge trade surplus of around US\$150 billion per year, this only equates to an annual trade surplus per capita of US\$120 for this nation of 1.3 billion. It will be a decade at least before domestic purchasing power and consumption can rise to levels that make the PRC's growth self-sustaining. Until then, the PRC will remain heavily dependent on foreign investment and foreign customers. It is not in the PRC's interests to alienate its customers through aggressive diplomacy, while military action to secure energy resources is not really an option because of the PRC's limited capacity to deploy significant military forces beyond its immediate neighbourhood.<sup>8</sup> Of the six main suppliers who collectively provide almost two-thirds of the PRC's oil, four are in the Middle East and two in Africa (Lee 2005).<sup>9</sup> The deficit in the PRC's domestically-generated energy is calculated to increase over time. This will be a serious problem for future economic growth that has prompted some to speculate that the PRC's attempts to secure oil in closer, neighbouring areas may destabilize Central Asia (Lee 2005; Xu 2006).

These wider divisions of opinion within the international relations community are set out and reconciled in William Tow's *Asia Pacific Strategic Relations*. Tow distinguishes two broad approaches to international relations which he labels liberal and realist. The former have a more optimistic view of state's intentions and seek to resolve regional tensions through building institutions for regional cooperation that produce mutual benefits for participants, while the latter are

more pessimistic and cautious about states' intentions and therefore seek to keep the peace through maintaining a balance of power and adequate deterrents to aggressive behaviour.

Both liberals and realists have legitimate viewpoints, as few if any states are wholly aggressive or wholly altruistic. The tensions between the PRC and Taiwan that are central to this debate on the Chinese in the Pacific for example are characterized by both the intensification of informal social, cultural and especially economic exchanges across the Straits of Taiwan and continued tensions, arguments and threats from the PRC to reassimilate Taiwan by force. Tow argues that only policies that carefully integrate both realist and liberal approaches can avoid confrontation in this dispute and others in the Asia Pacific region (Tow 2001:2-4). This new 'Convergent Security' approach requires 'a managed transition from a regional security system based predominantly on realist-orientated bilateral security arrangements to one based increasingly upon regional multilateral arrangements' (Tow 2001: 9). According to Tow, Australia under the Howard Government initially adopted a realist position in the Asia Pacific region, which was subsequently tempered by a more liberal position based on the limits of its military capacity and diplomatic influence, and realization of the benefits to be derived from active participation in regional organizations in light of these limitations (Tow 2001: 154-155).

## IMPLICATIONS FOR AUSTRALIA

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The lack of preconditions accompanying expanding PRC and Taiwanese aid is particularly problematic for Australia because it has increased financial commitments to its Pacific neighbours in an effort to restore its preferred forms of government, but has also imposed significant conditions on this support in an effort to counter corruption and other problems. For example, PRC aid has complicated attempts by Australia and New Zealand to tie aid to democratic reforms by the military government in Fiji by providing it with generous and abundant

alternative funding (*fijivillage* 4 July 2007; Matau 2007). The Australian Senate Foreign Affairs, Defence and Trade Committee's March 2006 report on the implications of the PRC's rising prominence urged adherence to the OECD principles on official development assistance by all parties in the Pacific, and recommended that Australia should cooperate with the PRC on development assistance in the Pacific (Commonwealth of Australia 2006). Cooperation with the PRC in Pacific aid programmes was also recommended in an AusAID White paper the following month (AusAID 2006). AusAID and DFAT officials have been conducting ongoing dialogue with PRC officials since then.

Australia faces a major decision about its Pacific policy in regard to the increasing Chinese influence in the region. In 2002, the year before the Regional Assistance Mission to Solomon Islands (RAMSI), Australia's aid commitment to Solomon Islands was \$33 million. In 2003-4, aid to Solomon Islands jumped to \$140 million, then \$180 million in 2004-05, \$234 million in 2005-06, and the budget for financial year 2006-2007 is \$223 million (Dobell 2007: 11). Broadly speaking, Australia has two options: it can either increase its aid in an attempt to counter Chinese influence in the Pacific and persuade or otherwise influence Pacific Island governments to adopt policies it sees as best for the region, or it can seek to work cooperatively with the PRC and Taiwan and Pacific Island governments to deliver development that benefits Islanders and preserves all parties' national interests through a degree of compromise. The cost and difficulties involved in operations in Solomon Islands, Bougainville, and East Timor alone suggest Australia cannot go it alone. The feasibility of various avenues for such cooperation with either the PRC or Taiwan, or with both, is discussed in the following section. Diminishing Australian influence and increased Chinese influence are the new Pacific regional realities for which Australia must now plan.

## FUTURE POSSIBILITIES

Powles believes that Australia, New Zealand, and Pacific Island nations can influence PRC actions in ways that preserve and even enhance their own interests while still meeting the PRC's needs (Powles 2007). Powles cites historical examples of the PRC Government's behaviour and statements of intent to support his contention. While his discussion concerns the PRC, many of his suggestions also have the potential to work with Taiwan.

A recent study of PRC international relations in its maritime sphere offers support for Powles' contention. Noting a great deal of apprehension about the PRC's regional intentions now and into the future, Australian international relations and international law expert Greg Austin argues that the PRC has consistently sought to resolve its ocean frontier disputes through regional cooperation and adherence to international norms (Austin 1998). The PRC's behaviour over disputes in the South China Sea is particularly important for Pacific Island specialists as this is closer to home for the PRC and involves resource and strategic interests that are far more important to the PRC than those in the South Pacific. Austin concludes that despite occasional confrontations with its neighbours over this area of multiple overlapping maritime claims, the PRC has essentially acted as a responsible international citizen. According to Austin, 'The behaviour of the PRC in respect of jurisdiction of maritime resources has been consistent with international law or with the practice of other states. Judged by the standards of other states in the region, PRC actions have been relatively reasonable or accommodating' (Austin 1998: 4; Tow 2001:42).

Commentators from across the spectrum of analysis propose a variety of solutions to end or reduce tensions arising from recent Chinese actions in the Pacific Islands. Those more critical of current PRC and Taiwanese intentions and methods still see room for solutions by playing on both parties' desire for international credibility. Dobell suggests that the PRC's behaviour in the South Pacific may



be increasingly conditioned by rivals such as the United States questioning whether the PRC's rising global influence will be matched by its willingness to behave as a responsible global stakeholder. He also notes that Taiwan has countered recent Australian criticism of its buying support in the region by noting that they have been driven to do so by being denied an 'international space' (ie legitimacy) in the international community whose rules they are being asked to comply with (Dobell 2007: 16, 21). A desperate Taiwan is in no one's interests, but that prospect looms as more and more states court PRC favour for access to its domestic market, and non-transparent Taiwanese aid is increasingly lumped together with destructive Chinese business activities and illegal operations. A key issue is whether the international community or the South Pacific regional community can make a space for Taiwan to ease the pressure on it to defy international aid norms while still being mindful of the PRC's sensitivity to this issue. There is some room for hope in the increasing economic interaction across the Straits of Taiwan that is occurring irrespective of the public political rhetoric emanating from Beijing and Taipei.

Willmott's analysis of Chinese residents in the Pacific Islands provides other potential possibilities for solutions. His analysis of distinctions within communities suggests that more established Chinese can act as intermediaries sensitive to both local needs and the attitudes of recently arrived Chinese. They also offer a potential bridge between Taiwanese and PRC Governments in view of the fact that for the most part their old regional and political loyalties have faded over time to be replaced by more local associations. Their interests lie in stable and prosperous Island communities who form their customer and client base. However, the extent to which the PRC or Taiwanese governments are amenable to using local Pacific Island Chinese as intermediaries or advisors remains to be seen.

Powles proposes three possible projects where South Pacific nations can cooperate with the PRC Government. All are tangible, longer-term projects that offer potential benefits to all parties. The first is promoting

coordinated action against Chinese criminals as a key area where South Pacific nations could influence PRC policy and promote constructive dialogue and cooperation. Crocombe notes that closer coordination and information sharing between PRC and South Pacific law enforcement agencies and improving the resources and capabilities of Pacific Island police would benefit all parties by helping to rein in the common problem of Chinese criminals. It could also act as a confidence-building measure from which other forms of dialogue and coordination could easily evolve (Powles 2007: 53-54; Crocombe 2007: 30).

The second area of potential cooperation is jurisdiction over marine and seabed resources. The PRC has consistently and unequivocally committed itself to respecting Island nations' rights to control their resources. Powles notes that the PRC has been a responsible and early participant in regional forums seeking to establish sustainable tuna regimes (Powles 2007: 50). The PRC's actions elsewhere also give cause for optimism. As already noted, the PRC has consistently adhered to observing the Law of the Sea concerning disputed resources in the South China Sea that have far greater national and strategic relevance to it than any interests it might have in the Pacific Islands region (Austin 1998: 4, 71ff). While Taiwanese fishing fleets have been less cooperative, it is unrealistic to believe Taiwan is not sensitive to regional criticism when set against its chief rival's official support of international maritime conventions, particularly in the wake of severe criticism from both Australia and New Zealand over the destabilizing effect of Taiwanese aid in the Solomon Islands in 2006. Praising the PRC for its adherence to international maritime conventions opens the way for all party cooperation on maritime issues.

The last area Powles highlights for greater potential South Pacific cooperation with, and influence on, the PRC is good governance and foreign aid (Powles 2007: 52-53). The PRC's aid to the Pacific Islands serves purposes beyond competing with Taiwan for recognition. As the PRC increasingly seeks to be taken seriously as a world and

Pacific power, its consistent claim to be a friend of small and under-developed nations takes on new found importance, and can potentially be used to encourage more PRC support for goals pursued by conditionalities imposed by other donors. Taiwan can also potentially be embraced within such a scheme. Taipei's sensitivity to criticism of its role in destabilizing the Solomon Islands should not be underestimated. The turmoil in the Solomon Islands in 2006 was, in part, an unintended and embarrassing consequence of Taiwan's attempt to retain international recognition rather than a deliberate policy aim. It may therefore be in the interests of both the PRC and Taiwan to pursue similar goals to those espoused by Australia and New Zealand in pursuit of their national interests in the region, even perhaps in collaboration and consultation with the latter two. In time, the PRC and Taiwan might also use aid to Pacific Island nations to explore tentative steps towards informal cooperation as is already taking place unofficially across the Straits of Taiwan. This prospect remains a distant hope at present, but is by no means impossible. The Islands are distant enough and small enough to be candidates for such collaboration, especially if first conducted using South Pacific nations as intermediaries and collaborators.

While national policy makers must err on the side of caution, overly alarmist public warnings and analyses about potential threats run the risk of creating tensions that did not exist beforehand. Crocombe urges interested parties to apply criteria of assessment consistently across the board. He wryly notes that 'Chinese and Taiwanese diplomats interfere in Island politics more than those of any other country except Australia in the South Pacific and the USA in the North' (Crocombe 2007: 27). Taiwan could argue that it is being held to different standards than others. Singling Taiwan out for particular criticism over events in Honiara, for example, overlooks the fact that Solomon Island politicians received significant payments from a variety of East and Southeast Asian private sector sources. Austin also bemoans the fact that '...few writers compare PRC actions on its maritime frontier in any systematic way

with what other countries do...The PRC is being judged by different standards' (Austin 1998: 2-3). He goes on to note that 'Even in their internal studies, most governments do not give much credit to the possibility that the government in Beijing may be making every effort to conform to international law, even as it seeks to maximize the outcome - just as other states do' (Austin 1998: 3).

There are signs that the PRC has been persuaded to rethink its decoupling of aid and accountability, due to hostile reactions from other international donors and within recipient countries. In July 2007, PRC citizens working on development projects in Pakistan were targeted by local insurgents because they were linked to a Pakistan military government perceived to be unsympathetic to local aspirations in the impoverished west of the country and also because the projects use of PRC labour denied Pakistanis employment and disempowered locals. This action was all the more shocking for the PRC as Pakistan is one of its closest allies (Hussain & Macartney 2007). In Sudan, there has been mounting resentment towards the PRC's aid programme which is seen to favour developing infrastructure for the oil industry rather than meeting the most pressing needs of locals (Harman 2007a). International pressure is also beginning to tell. Observers note that the PRC has apparently modified its stance that troubles in Darfur are an internal problem for Sudan to resolve, largely as a result of pressure from the international community that threatens to undermine the appeal of the 2008 Beijing Olympics. The PRC has announced it will contribute non-combat units to the peace-keeping force for Darfur, and Sudan has been seen to be more accommodating over Darfur under pressure from PRC quiet diplomacy (Berkofsky 2007; Harman 2007b). Strong criticisms of the poor treatment of workers at the Chinese managed Ramu mine by Papua New Guinea Labour Secretary David Tibu in February 2007 prompted Chinese construction manager at the mine, Hu Zhiliang, to respond that the Minister's demands for better conditions would be met, as '[w]e cannot afford to make this project a failure for both China and PNG' (Callick 2007).

There is potential for Australian collaboration with China and Taiwan in aid delivery if recent trends are any indication. All three have developed distinct approaches and areas of expertise. The PRC's aid typically comes in the form of concessionary loans focused on infrastructure, something Western aid donors are reluctant to fund but which many developing countries consider to be of high priority. The PRC also provides many technical education opportunities. Faced with competition from the PRC in Africa, officials from Taiwan's International Cooperation and Development Fund announced a new focus in 2007 on areas where they believe that Taiwan has a competitive advantage in expertise over the PRC. Areas suggested include agricultural science, internet technology and hospital resources. All three are important and/or neglected areas in Pacific Island states as well as Africa (Jennings 2007). Australia's emphasis on good governance complements the focal points of the PRC and Taiwanese programmes.

There are also potential benefits for both the PRC and Taiwan in collaborating with Australia. Taiwan fears it will be shut out of the international community and increasingly sees aid, and particularly humanitarian aid, as a means of its being accepted to work with the international community. The PRC's main aid administering body, the Ministry of Commerce (MOFCOM) is hopelessly understaffed in terms of capacity required to manage the dramatic expansion of China's aid programme in recent years. Aid to Africa for example is set to double by 2009, yet there are only seventy professional staff within MOFCOM to deal with all aid, recently estimated to be somewhere between US\$1.5 and 2 billion per annum (Lancaster 2007:2-3, 5). Resulting pressures have prompted the PRC to begin to reach out to other aid donors to learn from them and to tentatively explore potential collaboration. The PRC now collaborates with Canada on aid programmes in the developing world and is engaged in close dialogue with the British Department for International Development (Lancaster 2007: 6). In late 2006, the PRC indicated a willingness to collaborate with New Zealand on South Pacific aid programmes at a meeting

of regional aid donors in Auckland (*The Christchurch Press*, 8 November 2006).

Australia has to prepare itself for a Pacific region over which it has less, not more, influence, given the increasing problems that beset many of Australia's Pacific neighbours, the costs of recent Australian interventions and aid programmes in the Pacific, and significant increases in East Asian aid to the Pacific Islands. Most commentators agree that Chinese influence in the South Pacific will increase. A host of factors will influence this increase. These include freedom of exit from the PRC for its citizens, freedom of entry into individual Pacific Island nations for PRC nationals, population and environmental pressures within the PRC that might persuade people to leave, the general receptivity of Pacific Island populations to Chinese migration, the levels of Chinese migration and investment Pacific Islanders consider acceptable, the skills and investment funds sought by Pacific Island nations and possessed by PRC citizens willing to relocate to Pacific Island nations, other, more attractive investment or settlement options than the Pacific Islands for Chinese migrants, and relations between the PRC, Taiwan and individual Pacific Island governments (Crocombe 2007: 33-34). Recent promises of increased access to the PRC domestic market for Pacific Island nations' exports may create significant internally-generated income for the latter if the experience of African nations granted such access is any indication (Zhang 2007: 377). With so many factors at play, the scale, rapidity, and impact of future Chinese migration and PRC or Taiwanese government influence in the Pacific Islands is by no means certain.

The education sector is another key area of potential growth in Chinese influence. Crocombe notes that PRC scholarship offers to Islanders are increasing and that Australia and New Zealand can no longer take their own influence in Pacific Island education systems for granted. Language difficulties have limited the uptake of PRC scholarships for now, but the earlier experience of Pacific Islander responses to Japanese scholarships and African responses to PRC aid suggest that this reticence will soon erode (Harman 2007c:

2). Unless they commit more resources to Pacific Island education, the two former South Pacific colonial powers can no longer assume that they will deal with a political and bureaucratic elite broadly understanding of and to some degree sharing their vision and priorities. Even then, the retention of such influence is uncertain. Cheap access to PRC TV, radio and print media will only intensify Pacific Islanders' exposure to differing outlooks and perspectives (Crocombe 2007: 30, 31). The retention of a dominant Australasian educational influence is perhaps not even desirable if the ultimate goal is stable, robust nations that do not require interventions to resolve internal problems and engage effectively with the dominant external influences facing them.

In an increasingly global world, policy makers in Canberra and Wellington concerned with the best interests of their Pacific Island neighbours are perhaps better directed towards encouraging diversity in information and educational sources and adjusting their own education and media to suit the new reality in the Pacific discussed in this paper. The trends noted above raise the question of how long academic and government experts on the region can retain their value without at least being familiar with PRC, Taiwanese, and other Asian influences, outlooks and priorities, as well as those of Pacific Islanders. Enhanced preparedness through research into neglected trends in the region and adopting flexible postures to suit changing circumstances would seem essential.

Australia faces major challenges in developing the wide-ranging and flexible research agenda needed to understand and react to events in the increasingly interconnected Asian and Pacific regions. The Australian tertiary sector faces the prospect of up to one third of its senior academics retiring in the next five to ten years. Cuts in university funding since the early 1990s mean that few in the next generation have either the depth or breadth of the former generation's expertise in Pacific or to a lesser extent Asian Studies. Collaboration rather than extending individual expertise to encompass both the Pacific and Chinese worlds would seem the most sensible solution to fill this

impending knowledge gap in South Pacific institutions, as both are large, diverse and distinct areas of study in their own right. Outreach to, and two-way dialogue with, colleagues in governments and universities across Australia, New Zealand, the Pacific Islands and Asian Pacific Rim nations is still relatively superficial and intermittent at present. South Pacific expertise needs to be developed, but so also does the increased fostering of links with East and Southeast Asian government and academic experts on relations with the South Pacific and access to their publications. The main gap in the literature and in South Pacific-based expertise is a Taiwanese perspective. Leaving aside the touchy issue of Taiwan's international status, it would seem highly desirable to have such a major player's opinion known, understood, and disseminated.

## CONCLUSION

The next few years offer a major opportunity to turn potential concerns about changing roles of Chinese in the Pacific into positive outcomes. Events in Honiara and Nuku'alofa in 2006 served as a wake-up call, and have made regional players re-evaluate their policies and altered their dialogue with each other. As suggested above, a variety of responses to the increased Chinese presence in the Pacific Islands are available to policy makers in the South Pacific. Carefully considered action and ongoing, informed dialogue may pre-empt many, if not most, of the concerns currently being expressed about the consequences of the increased Chinese presence in the Pacific. Both require an understanding of all players' concerns from their own perspectives, and a willingness to critically assess where perceptions of threat do not match reality, and how threats should be ranked in terms of their implications and degree of certainty. Incorrect assessments and false assumptions may create new problems and inflame old ones.

## AUTHOR NOTE

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## ENDNOTES

- <sup>1</sup> This paper has benefited greatly from editorial comments made by Tony Regan, David Hegarty and Cameron Crouch, research conducted by Warren Mayes of SSGM on PRC and Taiwanese activities in the Pacific Islands, and information on Chinese matters from Tao Kong of the Economics Department of RSPAS. The paper was inspired by a workshop on Chinese in the Pacific in February 2007 which I helped to organize with Drs. Li Tana and Nola Cooke of the Centre for the Study of the Chinese Southern Diaspora and Professor Brij Lal of the Division of Pacific and Asian History in the ANU's Research School of Pacific and Asian Studies. The published conference papers are listed below (D'Arcy 2007). The other major influences were two wide-ranging and perceptive papers on China in the South Pacific, and Australia and New Zealand's relations with South Pacific nations respectively by David Hegarty of SSGM which the author generously gave me copies of and which are also listed below (Hegarty 2007a and 2007b).
- <sup>2</sup> The term PRC is used here for the Peoples Republic of China, Taiwan for the Republic of China, and Chinese as a collective term for all ethnic Chinese.
- <sup>3</sup> For the IWC see <http://www.iwcoffice.org/>.
- <sup>4</sup> For example, Palau, see Harwit 2000: 473-475; for Papua New Guinea, see Henderson 2001: 148-149; and for Vanuatu, see Zamiska and Dean, 2006.
- <sup>5</sup> The phrase South Pacific nations is used here as a collective term for Australia, New Zealand and the Pacific Islands.
- <sup>6</sup> Powles 2007. For a contrasting view, see Henderson and Reilly, 2003.
- <sup>7</sup> For debate over political stability, see, for example, Reilly 2000 versus Fraenkel 2004. For debate on ways to resolve Island nations' economic problems see, for example, Hughes 2003, and Windybank and Manning 2003, versus Fingleton 2005.
- <sup>8</sup> Compare Dyer 2006 to Lee 2005.
- <sup>9</sup> The six are Saudi Arabia, Iran, Angola, Oman, Yemen, and Sudan.

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