



## ANALYSIS

# Stronger together: Safeguarding Australia's security interests through closer Pacific ties

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LOWY INSTITUTE

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## EXECUTIVE SUMMARY

Australia views stability in the Pacific Islands region as a critical aspect of its own national security. The 2016 Defence White Paper and 2017 Foreign Policy White Paper each place significant importance on the region. Both white papers also hint at increasing geostrategic competition in the region and a general sense of unease with growing Chinese influence in the Pacific. Yet why the Pacific Islands region is so important to Australia, and the extent to which China may be challenging Australia's influence with its neighbours, is often poorly articulated.

This Analysis examines the aims and actions of external actors in the Pacific Islands region. It explores the extent to which the traditional powers of Australia, France, the United States and New Zealand all consider stability in the region as a geostrategic aim, before examining what China is actually doing in the Pacific Islands region, and whether that poses a risk to regional stability. It concludes that if the Pacific Islands region really is critical to Australia's national security, then Canberra must pursue a deliberate strategy to forge stronger links with its traditional partners in the region, and more equitable partnerships with its Pacific Island neighbours.

The Pacific Islands region to the north-east of Australia's eastern seaboard is a vast territory covering approximately 40 million square kilometres of ocean.<sup>1</sup> Thousands of islands, many uninhabitable, make up around 500 000 square kilometres of land.<sup>2</sup> Together these islands comprise 22 countries and territories, 12 of which are sovereign nations recognised by the United Nations. While many Pacific Island countries are small island states, their exclusive economic zones (EEZs) can be immense. Kiribati, for example, has a population of about 100 000, but has the world's 12th largest EEZ.<sup>3</sup>

The total population of the region is just over ten million people, while the combined gross domestic product (GDP) amounts to around US\$32 billion.<sup>4</sup> This places the region's combined GDP between that of Bahrain and Bolivia, behind countries such as the Democratic Republic of the Congo, Lithuania, and Belarus.<sup>5</sup> Given that Papua New Guinea comprises about three-quarters of the region's land mass and population, and over half of its GDP, the tiny scale of some of these Pacific Island nation states becomes even more apparent.

Despite its remoteness, small population, and limited economic resources the Pacific Islands region has been a theatre for geostrategic competition in the past and may well be again in the future.<sup>6</sup> During the Second World War, the region played host to some of the bloodiest battles of the Pacific War. From the 1990s to the late 2000s, China and Taiwan fought vigorous political campaigns for the diplomatic recognition of regional states, often using economic incentives in what became known as 'chequebook diplomacy'. More recently, external donors such as the United Arab Emirates have become more active in the region in a bid to secure votes in the United Nations and other international forums. This is partly because Pacific Island states account for around 6 per cent of the vote in the UN General Assembly despite only containing 0.12 per cent of the world's population.<sup>7</sup>

This Analysis examines whether the Pacific Islands region is once again becoming a theatre for geostrategic competition and what this will mean for the region's traditional powers — the United States, Australia, New Zealand, and France. It looks at China's growing role in the region, and the way in which the traditional regional powers view, and might respond to, Chinese activities. It also proposes policy recommendations on how Australia should counter growing geostrategic competition in the Pacific.

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## THE STRATEGIC IMPORTANCE OF THE PACIFIC ISLANDS REGION

Since the end of the Second World War, the United States, Australia, France, and New Zealand have played the biggest roles in the Pacific Islands region. Sometimes referred to as the metropole countries, for the purposes of this Analysis they are referred to as the traditional powers to distinguish them from non-traditional powers that are increasingly becoming more involved in the region. The post-war activities of the traditional powers have largely focused on providing development assistance to Pacific Island nations. Yet to differing degrees, they also see the region, or particular parts of it, as having geostrategic importance.

### THE UNITED STATES

Since 1945, successive US administrations have largely neglected the Pacific Islands region as global events demanded Washington's attention. Nevertheless, there are a number of reasons why the region has not completely disappeared from the US strategic agenda.

After the capitulation of Japan in 1945, the United States stationed forces throughout the Pacific in bases that stretched south from Japan to Taiwan and the Philippines, and from Japan to Guam to Papua New Guinea in what became known as the first and second island chains. Basing its air, maritime and land forces within the region was designed to allow the United States to project force into Asia. It was also intended to "prevent any potential adversary from gaining a strategic posture in the South Pacific" that could pose a challenge to US hegemony.<sup>8</sup> While the wars in Iraq and Afghanistan over the past two decades saw many of those forces used for 'out of area' operations, their permanent base locations remained and, as a result, the United States continues to have a significant footprint in the region.

President Obama's 'pivot' to the Asia-Pacific, announced in a speech to the Australian parliament in 2011, was designed to position the region at the centre of US strategic policy.<sup>9</sup> Key to the pivot was strengthening US military capabilities in the Asia-Pacific, a significant proportion of which are based in the Pacific Islands region. Of particular importance is the US territory of Guam, which is home to American long-range bombers and tankers and provides a permanent base for US nuclear attack submarines.<sup>10</sup>

The pivot was not just about a military rebalancing. It was also to involve greater diplomatic and economic ties within the wider Indo-Pacific region, including the signing of the Trans-Pacific Partnership (TPP). This allowed Washington to counter Beijing's concerns that the pivot was primarily a military move aimed at containing a rising China. However,

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the decision by the Trump administration to abandon the TPP has given US strategy in the Indo-Pacific more of a military character.

The Trump administration has been clearer about the challenge posed to the United States by China, including in the Pacific. The US National Security Strategy, released in December 2017, states that “China is using its economic penalties, influence operations, and implied military threats to persuade other states to heed its political and security agenda”. It also notes that as a result, “Chinese dominance risks diminishing the sovereignty of many states in the Indo-Pacific region”.<sup>11</sup> The 2018 US National Defense Strategy names China as a “revisionist power” that is “undermining the international order from within the system by exploiting its benefits while simultaneously undercutting its principles”. It also states China is building a modernised military “that seeks Indo-Pacific regional hegemony in the near-term and displacement of the United States to achieve global pre-eminence in the future”.<sup>12</sup> In this environment, the United States is likely to see any increase in China’s influence in the region, including in the Pacific Islands region, as a challenge to its power in the Pacific.

US strategic attention in the Indo-Pacific is focused mainly on East and Southeast Asia. To the extent that the United States is focused on the Pacific Islands region at all, it is largely limited to the Western Pacific including the US territories of Guam, the Northern Mariana Islands and American Samoa, and the three free compact states of Palau, Republic of the Marshall Islands, and the Federated States of Micronesia. The United States has major military bases in Guam and the Marshall Islands. Under the terms it has with the three free compact states, the United States can also reject the strategic use of, or military access to, those states by third countries.<sup>13</sup> Taken together, these military bases and arrangements create a strategic buffer zone across the second island chain, which the United States seeks to use to deny potential adversaries access to the wider Pacific Islands region.<sup>14</sup>

As a result, the United States looks to its allies to take the lead in other parts of the region. This is reflected in the US National Security Strategy, which states: “Working with Australia and New Zealand, [the United States] will shore up fragile partner states in the Pacific Islands region to reduce their vulnerability to economic fluctuations and natural disasters.”<sup>15</sup> Privately, US government officials in Washington and Hawaii say that there is an assumption that Australia takes the lead in engagement with the Melanesian states of the Pacific Islands region, while the United States and New Zealand share the responsibility for engagement with Polynesian states. This not only shapes how US policymakers view the Pacific but also gives context to the expectations placed on Australia. This is acknowledged in the US National Defense Strategy, which recognises that American “allies and partners provide complementary capabilities and forces along with unique perspectives, regional relationships and information that improve our understanding of

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the environment and expand our options".<sup>16</sup> The result of this reliance on partners is that the United States has enjoyed limited influence in the region in the past few decades.

The Trump administration's position on climate change has also undermined US credibility in the Pacific. Climate change is an existential issue for Pacific Island states. Pacific leaders repeatedly cite the withdrawal of the United States from the Paris Agreement as a major source of disappointment. Anote Tong, the former President of Kiribati who was prominent during the negotiations in the lead-up to the Paris accord, lamented that the decision was "pretty selfish". The Prime Minister of Tuvalu has gone further, saying: "I think this is a very destructive, obstructive statement from a leader of perhaps the biggest polluter on earth and we are very disappointed as a small island country already suffering the effects of climate change."<sup>17</sup>

## AUSTRALIA

Australia has long been the dominant regional power in Melanesia and influential throughout the broader Pacific. Historically, its engagement in the region has been characterised by periods of apathy interspersed with spikes of intense engagement, usually when some regional crisis threatened Australia's national interests. However, in recent years, government policy has focused more consistently on the region.

In August 2017, the Minister for Foreign Affairs, Julie Bishop, addressed a Pacific Islands Forum Foreign Ministers meeting and reinforced Prime Minister Malcolm Turnbull's 2016 announcement that Australia would "step-up" engagement in the Pacific.<sup>18</sup> Bishop outlined three key goals to strengthen Australia's engagement with the Pacific: stronger partnerships for economic growth; stronger partnerships for security; and supportive relationships between the people of Australia and the region.<sup>19</sup>

Australia's 2016 Defence White Paper argues that a "secure nearer region, encompassing maritime South East Asia and the South Pacific" is a strategic interest second only to that of "a secure, resilient Australia".<sup>20</sup> It also states that Australia needs to work to "limit the influence of any actor from outside the region with interests inimical to our own".<sup>21</sup> Similarly, the Australian Foreign Policy White Paper of 2017 describes the region as "of fundamental importance to Australia".<sup>22</sup>

What makes the Pacific Islands region of fundamental importance to Australia is not always clearly articulated. The region's geographic proximity to the east coast and the sense of it being in Australia's immediate 'neighbourhood' appears central to the region's perceived strategic significance. Much flows from this. It is in Australia's interests that the countries of the region are internally stable and do not fall victim to periods of unrest or lawlessness that result in refugee flows or humanitarian crises. Australia also has an interest in seeing the

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countries of the region develop economically. This is in part why Australia is the largest donor in the region and why the Pacific Islands region consumes the largest proportion of Australia's aid budget. Moreover, because Australia is seen as the region's leading power, instability or underdevelopment in the region reflects on Australia's global reputation.

It is also worth noting that three of Australia's five main maritime trade routes pass through the Pacific. Imports and exports to and from the United States pass south of New Caledonia and head east via Fiji. Maritime trade routes heading north from Australia's eastern seaboard either pass between New Britain and mainland Papua New Guinea or follow the east coast of Solomon Islands and then north through the channel separating Bougainville and New Britain.<sup>23</sup> These three trade routes account for around 45 per cent of Australia's maritime exports.<sup>24</sup> In 2016/17 this totalled approximately A\$103 billion, around 6 per cent of Australia's GDP.<sup>25</sup> Any instability in the region that affects maritime security would require these two trade routes either to divert through the Torres Strait and west of Papua, or pass between Vanuatu and Solomon Islands before heading north towards Nauru. Both options would add significant time and costs to Australia's maritime transport industry and the economy more generally.

For these reasons, Australia already has a sizeable program of security engagement within the Pacific region delivered by the Australian Defence Force (ADF) and the Australian Federal Police (AFP). Both the ADF and AFP have traditionally relied heavily on the secondment of personnel to bolster existing security force institutions. However, this approach is changing. For example, the AFP now focuses on building upon existing strengths within Pacific Island police forces rather than filling gaps in capability.<sup>26</sup> The ADF has also adapted how it works with local forces such as the Papua New Guinean Defence Force. Greater emphasis is now placed on supporting training through the deployment of small, short-duration training teams to enhance training and to support courses, rather than conducting large bilateral exercises. In 2016/17, for example, the Defence Cooperation Program provided approximately 300 courses to defence personnel from Papua New Guinea.<sup>27</sup>

By far the largest security investment in the region is Australia's Pacific Maritime Security Program (PMSP), which has been described by Prime Minister Malcolm Turnbull as "the centrepiece of Australia's defence engagement in the South Pacific".<sup>28</sup> The PMSP builds on the Pacific Patrol Boats program, and aims to deliver and sustain 19 new offshore patrol vessels to 12 Pacific Island nations. This will cost around A\$2 billion over 30 years, with the program due to commence in 2018. While the replacement patrol boats will assist Pacific Island nations to combat a wider range of maritime security threats in their EEZs, more importantly the PMSP will coordinate support from a range of Australian government agencies and integrate aerial surveillance by RAAF and

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contracted civilian assets. This approach will allow Pacific Island nations to conduct intelligence-enabled operations that place scarce resources in the right place at the right time to combat activities such as illegal fishing.

The PMSP is supported by political agreements between Australia and Pacific Island nations. In 2017, Australia signed bilateral security partnership memorandums of understanding with Tuvalu and Nauru and is working on a similar agreement with Kiribati. Additionally, Australia has signed a bilateral security treaty with Solomon Islands.<sup>29</sup> More broadly, Australia is a signatory to the multilateral Biketawa Declaration, which provides an overarching architecture for regional intervention at the request of a Pacific Island nation. As well as these bilateral agreements, Australia has also committed to supporting the drafting of a 'Biketawa Plus' multilateral security declaration to "guide future regional responses to emerging security issues".<sup>30</sup>

#### NEW ZEALAND

New Zealand's national interests in the Pacific Islands region are influenced by three factors: its historical role as a colonial power in the Pacific and its resulting relationships with Pacific nations; its relationship with Australia; and its relationship with the United States. New Zealand is the most culturally 'Pacific' of the traditional regional powers and is seen as such by many of the Pacific Island nations. However, it often has a different viewpoint from Australia and the United States and lacks the economic and military power to influence the region in the same way as these two larger traditional powers.

New Zealand's 2016 Defence White Paper highlights its "enduring interest in regional stability" and notes that it is likely it will "have to deploy to the region over the next ten years, for a response beyond humanitarian assistance and disaster relief".<sup>31</sup> New Zealand's new government has built on this with an announcement that it will "undergo a Pacific reset" in which it will increase both diplomatic engagement in the Pacific and increase its aid to the region.<sup>32</sup> This supports New Zealand's geostrategic objectives in the region, which are not limited to improving the governance and living conditions in Pacific Island countries. It aims to ensure that the positions and actions of Pacific Island countries "support New Zealand's strategic interests, with New Zealand's position as a partner of first choice for Pacific Island countries enhanced".<sup>33</sup> Of the four traditional powers, New Zealand is the only one to publicly articulate such a *realpolitik* objective in the region.

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Despite the modest size of its armed forces, New Zealand has played an important role in providing stability within the region. New Zealand played a key role in negotiations during the Bougainville crisis because, unlike Australia, it was not viewed by either party as having a vested interest in the outcome. In 2003, New Zealand provided forces to the

Pacific Island Forum sanctioned intervention in Solomon Islands, and in 2006 deployed forces to Tonga to help restore order following days of destructive riots. New Zealand troops involved in these operations have been praised not only for their professionalism but also their cultural sensitivity, a reflection of the country's increasing self-identification as a Pacific Island nation.

## FRANCE

The maritime border that Australia shares with the French territory of New Caledonia means that France is geographically the closest permanent member of the UN Security Council to Australia. Indeed, due to its many overseas territories, France has the second-largest EEZ in the world after the United States. French Polynesia alone covers a maritime zone as wide as western Europe and French possessions in the Pacific stretch almost 10 000 kilometres, from New Caledonia in Melanesia to Clipperton Island, an uninhabited French territory 1000 kilometres south-west of Mexico. France is therefore a significant actor in the Pacific.

For most of the nineteenth and twentieth centuries, France's engagement in the Pacific was regarded by the other traditional powers, especially Australia and New Zealand, as a source of instability in the region. New Zealand's Sir George Grey was a particularly vocal opponent of the French colonisation of New Caledonia in 1849.<sup>34</sup> During the Second World War, fear of the French colonies siding with Vichy France led to the Australian fleet conducting a show of force off Noumea to persuade New Caledonia to remain loyal to the allies. More recently, French opposition to the independence of Vanuatu, and France's bloody and on occasion duplicitous response to the Kanak independence struggle in New Caledonia, led to much international scrutiny.<sup>35</sup> However, perhaps the biggest driver of instability in the region was France's decision to continue conducting nuclear testing in French Polynesia up until 1996. This, along with the sinking of the *Rainbow Warrior* by French Special Forces in New Zealand, had a significant impact on French relations in the region.

Over the past 20 years, France has sought to re-engage in the Pacific. It has done this through international agreements aimed at strengthening its geostrategic ties within the region as well as the deployment of military and gendarmerie forces for disaster relief and maritime security operations. In the 1990s, France signed the FRANZ agreement with Australia and New Zealand, which aims to better coordinate regional responses to disaster relief operations. Since then, French military forces based in the region have contributed to more than 30 humanitarian relief operations.<sup>36</sup> More significant is the 2012 Joint Statement of Enhanced Strategic Partnership between France and Australia, which commits the two countries to closer cooperation across a range of areas, including intelligence sharing, support for regional institutions, defence

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cooperation, and commitment to environmental programs. This is underpinned by the Quadrilateral Defence Coordination Group, comprised of France, the United States, Australia and New Zealand, which has a broad security focus, demonstrated by the US Pacific Command delegation being headed by a US Coast Guard Admiral. Most recently, in October 2016 France joined the United States, Canada, Australia and New Zealand to form the Pacific Maritime Investigation Coordination Forum aimed at countering transnational crime and the flow of narcotics in the region.

### CHINA'S CHALLENGE?

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Challenges to the influence of traditional powers in the region are not always from external actors. Often, key challenges can come from within the region. However, to the extent that there is rising geostrategic competition in the Pacific, it is mainly prompted by concerns among the traditional powers of growing Chinese activities and influence in the region.

The extent to which China has strategic aims in the Pacific Islands region is still a matter of contention. As markets slowly open and non-traditional donors invest development dollars in the region, economic competition should not be mistaken for geostrategic competition.<sup>37</sup> As Joanne Wallis from the Australian National University argues, “China’s influence in the Pacific Islands seems to have grown more by accident than by design”.<sup>38</sup> However, whether by accident or through deliberately increasing economic leverage on Pacific Island nations, there is little doubt China is playing a larger role in the region.

In January 2018 the Minister for International Development and the Pacific, Senator Concetta Fierravanti-Wells, provoked a strong public debate about China’s activities in the Pacific. The Minister claimed that China’s influence was “clearly growing” in the region and questioned the value of Chinese aid projects, referring to some of them as “White Elephants”.<sup>39</sup> While the Minister’s comments were widely portrayed as an exaggeration or oversimplification both in Australia and the Pacific Islands region, they also reflected some long-standing concerns about the aim and impact of Chinese development activities in the Pacific.

China’s economic activities in the Pacific Islands region are wide-ranging. Foremost are development activities, which China carries out in the context of what it describes as South-South cooperation. Chinese aid in the Pacific is largely directed towards infrastructure projects. This is partly because these projects fit with China’s view on the hierarchy of aid, where “fundamental physical and material needs must be met before anything else can be considered”.<sup>40</sup>

China’s emphasis on infrastructure development has become even more focused in recent years through its so-called Belt and Road Initiative — a

series of economic measures designed to strengthen Beijing's economic leadership in the wider Indo-Pacific region. While it has been argued that China is using the Initiative "to assert its regional leadership through a vast program of economic integration", China is also using it as a mechanism to transform its domestic economy.<sup>41</sup>

The Prime Minister of Fiji and senior representatives from Tonga, Samoa, and Vanuatu were in Beijing for the launch of the Belt and Road Initiative in May 2017. Pacific Island countries will, in theory, be able to access part of the US\$38.5 and US\$15.4 billion in lending funds from the China Development Bank and the Export-Import Bank of China, respectively, as well as the US\$9 billion in aid to developing countries participating in the Initiative.<sup>42</sup> Whether Pacific Island nations can afford to increase their debt burden to China, as well as the increased influence that gives China over them, remains a concern.

According to the United Nations Development Program, Chinese development assistance comes in two broad categories: grants, interest-free loans, and aid-in-kind; and concessional loans.<sup>43</sup> In general, China seems to be shifting towards a greater use of concessional loans. According to China's latest Foreign Aid White Paper, published in 2014, there was a significant increase from 2010 to 2012 in concessional loans (which comprised over half of all Chinese aid over that period) and a drop in interest-free loans (which accounted for less than 10 per cent of aid over the same period).<sup>44</sup> This not only allows China to recoup money that it gives as foreign aid, but, by retaining the privilege of converting concessional loans into grants and forgiving the debt, it also gives China a significant amount of leverage over recipient nations.

One consequence of China's growing use of concessional loans in the Pacific is rising levels of national indebtedness. While figures for Chinese aid in the region are hard to obtain due to a lack of transparency by both the Chinese and recipient governments, the Lowy Institute has assessed that between 2006 and 2016 China provided US\$1.7 billion to fund 218 projects in the Pacific.<sup>45</sup> While significantly less than Australia's US\$7.7 billion, this still makes China a major provider of capital to the region.

Over 75 per cent of this funding has been provided through concessional loans rather than grants. As a result, many Pacific countries have found themselves heavily indebted to China. For example, in 2013 Chinese loans accounted for 64 per cent of Tonga's external debt, which totalled 43 per cent of its GDP.<sup>46</sup> Such indebtedness gives China significant leverage over Pacific Island countries and may see China place pressure on Pacific nations to convert loans into equity in infrastructure. This approach has already been evidenced in Sri Lanka, which has given a Chinese company a 70 per cent stake in the southern port of Hambantota, in part to reduce its \$6 billion debt to China.<sup>47</sup> In 2003, Tonga's Prime Minister 'Akilisi Pohiva, who was then leader of the

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opposition, told an audience in New Zealand that China might agree to write off Tonga's loan, but only at the cost of having a naval base in Tonga.<sup>48</sup>

Another negative consequence of Chinese development activities relates to China's practice of sending workers to the region to undertake development projects. In these cases, not only does the money granted to the project flow back to China, it also means that few, if any, local Pacific Islanders are employed on projects. In some countries such as Fiji, this is leading to growing resentment among indigenous locals, especially as the influx of Chinese workers is pushing up the prices of goods and commodities.

China's development activities also undermine efforts to improve governance in the region as projects often come without the same stringent requirements imposed by OECD donors. This makes Chinese projects more attractive for some Pacific Island governments. This is especially true in cases where regional governments have been estranged from traditional donors. The classic example of this is Fiji. After the 2006 coup by the commander of Fiji's military, Commodore Frank Bainimarama, Australia and other traditional partners of Fiji sought to isolate the country internationally until it returned to democracy. But this also offered China an opportunity to fill the void. Chinese influence in Fiji came at the expense of Australia's influence as the Fijian Government convinced itself it did not need Australia while it had a friend in China.<sup>49</sup>

#### PROTECTING CHINESE CITIZENS ABROAD

Chinese activities in the Pacific Islands region are not just limited to the development and commercial fields. The Chinese diaspora is growing across the region. In recent years China has demonstrated an increasing willingness and ability to protect that diaspora in the Pacific Islands region in the same way it has globally.

There are few, if any, Pacific Islands nations in which the ethnic Chinese population does not play a significant role in local economies. The number of ethnic Chinese in the Pacific Islands region is estimated to be between 80 000 and 100 000.<sup>50</sup> In Samoa, for example, over 15 per cent of the population is believed to be of mixed Samoan and Chinese descent with a large number of Chinese nationals also living in the country.<sup>51</sup> Some feel little if any connection to the People's Republic of China. Others are more recent arrivals from China and are tied to China's growing economic activities in the region — for example, Chinese workers moving to Pacific Island nations as part of Chinese infrastructure projects.

The proliferation of Chinese family-run village shops throughout Pacific Island nations, even in some of the more remote areas such as the Weather Coast of Solomon Islands, has resulted in Pacific Islanders

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having far more regular contact with Chinese nationals than they do with Australians, Americans or New Zealanders.<sup>52</sup> As the number of Pacific Islanders who remember US and Australian involvement in the Pacific during the Second World War diminishes, these everyday people-to-people links with Chinese nationals may well result in feelings of familiarity with China among Pacific Islanders not seen to date.

However, the growth of the Chinese diaspora has also increased resentment against Chinese nationals in some cases. The most serious of these were the riots in Solomon Islands in 2006 that saw much of Honiara's Chinatown burnt down following the appointment of the former finance minister, Snyder Rini, as Prime Minister. Rini was notoriously corrupt and the targeting of Chinatown was due to his perceived close links with Chinese businesses.<sup>53</sup> Despite the fact that the Chinese community were the primary victims of the violence, the official Commission of Inquiry into the riots stated that: "The Chinese community needs to take a hard look at itself. It needs to self-regulate its behaviour, clean up its image, the facades of its business houses, become more public-minded, and less rent-seeking."<sup>54</sup> Violence against ethnic Chinese in the region has not been limited to Solomon Islands. In May 2009, serious rioting targeting Chinese nationals broke out in Papua New Guinea, with at least one person killed. Chinese-owned businesses were attacked and looted in towns across the country, including in the capital, Port Moresby.<sup>55</sup>

In the past, Chinese authorities have largely used civilian assets to evacuate or support diaspora communities in distress in the Pacific Islands region. In 2006, for example, Chinese authorities chartered civilian aircraft to evacuate its nationals from Solomon Islands during the riots in Honiara. In future, however, the use of military assets to assist Chinese civilians in the region cannot be ruled out. The protection of overseas Chinese nationals has been included as a formal People's Liberation Army (PLA) mission in China's defence white papers since 2012.<sup>56</sup> PLA Navy ships were used to evacuate Chinese citizens, as well as other foreign nationals, from Yemen in 2015.<sup>57</sup>

If limited to evacuations, Chinese military operations in the Pacific Islands region are unlikely to be controversial. Australia, the United States, France and other nations have a long history of conducting non-combatant evacuation operations globally. At the tactical level there may be some friction points if the ADF or New Zealand Defence Force find themselves in the same area of operations as the PLA Navy, mainly due to an unfamiliarity of working together. More serious would be a scenario under which Chinese forces were 'invited' by a host government to remain after evacuations were completed in order to stabilise the country. The growing level of influence China has with governments in the region, and China's lack of 'colonial baggage', means this is not an implausible scenario and one that Australia would struggle to oppose given its similar interventions in East Timor and Solomon Islands.

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#### SINO-US RIVALRY IN THE PACIFIC ISLANDS REGION?

As the two global economic and military heavyweights, the evolving relationship between the United States and China will have the biggest impact on the strategic situation in the Pacific Islands region over the next 20 years. To the extent that their relationship has developed into strategic rivalry, so far it has mainly played out in the Western Pacific. In particular, China's confidence on the international stage has been bolstered by its perceived successes in the South China Sea where it has occupied, and physically enhanced, a series of uninhabited reefs.

The question is whether this rivalry in the Western Pacific will also leak into the Pacific Islands region. To date the evidence is mixed. In 2006, Chinese Premier Wen Jiabao described fostering better relations with Pacific Island nations as "a strategic decision", although China often uses the phrase to describe relationships around the world that are not military in nature.<sup>58</sup> Some Chinese academics have also speculated on the utility of developing naval bases in the region. For example, Jiarui Liang argues that China should develop a port in the Pacific region, not just to help control strategic sea lanes, but also to break containment of China and expand the capability of the PLA Navy.<sup>59</sup>

Meanwhile, as the capability of the Chinese military has improved over the past few years, China has become more confident in openly expressing its potential. In 2013, President Xi Jinping made the concept of *jinglue haiyang*, or strategic management of the sea, a key concept for the PLA Navy stating: "We need to do more to ... strategically manage the sea, and continually do more to promote China's efforts to become a maritime power."<sup>60</sup>

As a result, China has rapidly expanded the size of its maritime force in recent years. Since 2000, the number of modern attack submarines in the PLA Navy fleet has risen from 5 to 43. Over that same time, China has commissioned 24 new destroyers and 31 new frigates.<sup>61</sup> Meanwhile, there are reports that China plans to increase the size of its marine corps fivefold, from 20 000 to 100 000 personnel.<sup>62</sup> While unlikely to rival the US Navy directly, experts predict that China will soon be able to conduct expeditionary operations on "at least the scale that France and the United Kingdom practised during the Cold War".<sup>63</sup>

The PLA Navy is making more regular port visits to the region. In 2014, the medical ship *Peace Ark* visited Tonga, Fiji, Vanuatu, and Papua New Guinea.<sup>64</sup> In 2016, the training ship *Zhenghe* visited Fiji on the way back to China from visits to Australia and New Zealand.<sup>65</sup> A year later, the 25th Chinese naval escort taskforce, consisting of two guided-missile frigates and a supply ship, visited Australia, New Zealand, and Vanuatu.<sup>66</sup> There have also been reports that the Chinese have placed deep sea acoustic sensors in the Western Pacific which may be able to detect US nuclear submarines leaving their base at Guam. This would give early warnings of US nuclear attack submarines heading towards

the contested South China Sea.<sup>67</sup> China is increasing the numbers of Pacific Islanders attending academic courses in China. Military officers from countries such as Papua New Guinea are now attending career courses in China, including Staff College for those officers selected for promotion and higher command.<sup>68</sup>

China is quick to point out, with some justification, that it is only seeking to assist the Pacific Islands improve their capabilities in much the same way Australia and New Zealand has done in the past. It is possible, however, following the pattern of Chinese activities in other parts of the world, that there will be a gradual increase in military activities in the Pacific Islands region, especially as China's maritime capabilities grow. China may become more actively involved in the construction of dual use port facilities in the Pacific similar to those constructed in the Indian Ocean. These will likely be established through Chinese economic diplomacy. But it is still far from clear what strategic objectives China would seek to secure in the region, and therefore what the basis for any expanded Sino-US rivalry in the region would be.

## OTHER NEW PLAYERS

China is not the only external, non-traditional power that is becoming more active in the Pacific Islands region. Indonesia remains engaged in the region, particularly with the member states of the Melanesian Spearhead Group in an attempt to shape their policies and statements regarding West Papua. The United Arab Emirates, which has established a multimillion dollar fund to finance projects in the Pacific, and Israel, which also provides generous aid to several South Pacific nations, both appear to receive reciprocal support during votes in the United Nations. Outside the corridors of the UN Headquarters, the involvement of smaller, non-traditional players appears of little geostrategic significance in the region, at least in the short to medium term.

The activities of Russia and Japan, however, could be more consequential. There has been much speculation in recent years about Russia's renewed interest in the Pacific. In October 2017, Russia sent two anti-submarine destroyers and a tanker through the Western Pacific and South China Sea, claiming the goal was to develop maritime cooperation with Asia-Pacific countries.<sup>69</sup> The arrival in 2016 of 20 containers of Russian small arms in Suva led some to speculate that Russia's desire for greater influence also extended to the Pacific Islands region.<sup>70</sup> In 2017, the flight of two Tu-95 strategic bombers over the South Pacific from an airbase in Indonesia also raised eyebrows.<sup>71</sup> Yet, Moscow's aims in the Pacific remain opaque and do not seem to be part of any coherent strategy. It is more likely that Russia is playing its traditional role of conducting small, disruptive actions on the peripheries of its sphere of influence to act as a distraction, and annoyance, to the

*China is not the only external, non-traditional power that is becoming more active in the Pacific Islands region.*



United States while it concentrates on consolidating geostrategic influence in the Middle East and Ukraine.

Japan by contrast has long been a more substantial player in the Pacific Islands region. It has a number of interests in the region, not least as the world's largest consumer of Bluefin tuna. It consumes some 80 per cent of the world's annual catch.<sup>72</sup> Geopolitically, Japan is also interested in the votes of South Pacific nations in the United Nations as it seeks to gain a permanent seat on the Security Council.<sup>73</sup> As a result, Japan actively engages in the Pacific through the Pacific Islands Leaders Meeting (PALM), which brings together members of the Pacific Islands Forum and Japan. At the 2015 PALM, Japan pledged ¥55 billion to the Pacific nations in the face of increased Chinese aid to the region.<sup>74</sup> However, unlike China's focus on large infrastructure projects, Japan has concentrated on climate change adaptation strategies and building resilience to natural disasters. Japan also has a strong history of treating Pacific Island nations as equal partners. Despite its large appetite for access to Pacific fisheries, Japan sided with the Pacific Island states against China and the United States in the last round of Tuna Treaty talks in late 2017, in an effort to preserve both fish stocks and the long-term economies of the Pacific Island countries.<sup>75</sup> As a result of its approach, Japan is seen by many Pacific Islands nations as a steadying influence in the region, and a country that engages with them on the basis of mutual respect.

## WHAT DOES THIS MEAN FOR AUSTRALIA?

The announcements by the Prime Minister and Foreign Minister over the past two years that Australia will “step up” engagement in the region is an acknowledgement that Australia needs to do more in the Pacific. Precisely how it might do this, especially in the context of any increase in geostrategic competition, is still evolving. Ideally, Australia's step up in engagement should lead to the creation of a comprehensive Pacific Security Strategy based on two pillars: closer coordination with the traditional powers of the United States, France and New Zealand; and enhanced engagement with Pacific Island states. To set the foundations for this Pacific Security Strategy, this Analysis proposes three key policy recommendations: stronger security ties with Pacific partners; the establishment of a Pacific maritime coordination centre; and the creation of a Pacific regional intelligence officers' course.

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## STRONGER SECURITY TIES WITH PACIFIC PARTNERS

The Australian Government can safeguard its security interests in the region through stronger ties with the other traditional powers and Pacific Island partners. Concluding the proposed Biketawa Plus Declaration should be Australia's primary strategic objective in the region. The Biketawa Plus Declaration should seek to strengthen the security arrangements between signatories, and expand them to include those

states and territories with Pacific Islands Forum Observer Status, namely Wallis and Fortuna, American Samoa, Guam, the Northern Mariana Islands, and Timor Leste. This would better connect the United States and France with the security interests of the region. Additionally, the new declaration should seek to limit the military involvement in the region of those external actors not signatories to the agreement, and therefore not part of the larger 'Pacific Family'. This would at least make it more difficult for nations from outside the region, such as China or Russia, to use military means in the region.

Australia should also seek to enhance the bilateral security memoranda of understanding it has signed with Tuvalu and Nauru, and is negotiating with Kiribati, into compacts of free association similar to those the United States has with Palau, the Republic of the Marshall Islands, and the Federated States of Micronesia. Under these compacts, Australia would provide these countries with a host of government services, greater access to labour markets, and take on the responsibility for their defence, in return for an undertaking that foreign military forces or installations would not be allowed in these countries.<sup>76</sup> This would mitigate the risk of China gaining access to dual use facilities in these nations in return for debt reduction, while safeguarding the sovereignty of these independent nations. It would also provide these Pacific Island governments with certainty in budget planning and government service delivery that they do not currently enjoy. Importantly, the requirement to negotiate mutually agreed treaties would also help break the donor–recipient relationship between Australia and these Pacific Island states, instead promoting equivalency as security partners in the region.

#### PACIFIC MARITIME COORDINATION CENTRE

While programs such as the PMSP will enhance the ability for Pacific Island nations to patrol their own EEZs, only the four traditional powers of the Quadrilateral Defence Coordination Group (QDCG) have the resources, or capability, to combat transnational crime, disrupt illegal fishing or expand at short notice to provide collective security to the region in times of heightened tensions. To that end, a Pacific Maritime Coordination Centre (PMCC) should be established as a permanent headquarters from which to coordinate all maritime operations in the Pacific Islands region. The PMCC would complement both the Regional Fisheries Surveillance Centre and the Pacific Transnational Crime Coordination Centre through the coordination of military assets from across the region. The PMCC should be staffed by personnel seconded from relevant government agencies within the QDCG countries and officers from the Pacific Island nations, with the latter assuming key positions on a rotational basis to ensure it is an inclusive, regional organisation.

The PMCC would provide the operational architecture required to strengthen maritime security within the region, including along maritime

*...only the four traditional powers...have the resources...to combat transnational crime, disrupt illegal fishing or expand at short notice...*

trade routes, transnational crime routes, and regional fisheries. It would provide greater awareness of events across the entire Pacific Islands region, rather than just the traditional 'areas of interest' of the Quadrilateral countries. Australia should take the lead in establishing the PMCC and incorporate it within an expanded PMSP. This could either be co-located with the Pacific Islands Forum Fisheries Agency in Honiara, the Pacific Transnational Crime Co-ordination Centre in Apia, or positioned more centrally in the Pacific region, for example in Vanuatu.

#### PACIFIC REGIONAL INTELLIGENCE OFFICERS' COURSE

The Australian Defence Force School of Intelligence should establish an annual multi-agency Intelligence Officers' course for members of Pacific Island nations, specifically tailored to collecting and analysing information pertinent to the region, such as illegal fishing, transnational crime, and humanitarian relief environmental assessments. This would provide a broader base of capabilities than currently exists. Not only would this improve Pacific Island resilience, as envisaged in the Foreign Policy White Paper, but it will also create a human network of intelligence officers across the region trained in multi-agency and multinational intelligence collection and analysis.<sup>77</sup> The course should train both defence and police personnel from the Pacific Islands and should seek to create efficiencies as well as human networks through incorporating instructors from the Australian Federal Police, as well as from the United States, New Zealand, and France.

*The absence of significant geostrategic competition in the Pacific Islands region over the past 20 years does not mean that the region will be so lucky in the future.*

#### CONCLUSION

The absence of significant geostrategic competition in the Pacific Islands region over the past 20 years does not mean that the region will be so lucky in the future. China's growing reach into the region is one key reason why geostrategic competition will probably increase. The United States will expect Australia, which it sees as the region's dominant power, to do more to counter rising Chinese influence and in many cases, it will be in Australia's interest to do so.

Yet Australia's position in the region is also a delicate one. Being the dominant traditional power has not always made Canberra popular in Pacific Island nations, despite being the region's largest provider of aid. Against that background, the policy recommendations outlined in this Analysis aim to increase Australian influence in ways that are collaborative and consultative. Successfully implemented, they will better position Australia to respond to the security consequences of increased geostrategic competition in the region. It is true that the full extent of that competition has yet to emerge. However, failing to forge stronger regional partnerships now, in the hope that the current geostrategic dynamics will not change, contains significant risk. History shows that hope is usually a poor substitute for a coherent strategy.

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The views expressed in this Analysis are entirely the author's own and not those of the Lowy Institute, the Australian Army, the Department of Defence or the Australian Government.

## NOTES

<sup>1</sup> The Pacific Islands region is made up of 22 countries and territories grouped into three sub-regions (the affiliation of non-sovereign states and territories is indicated in parentheses): Melanesia is comprised of Papua New Guinea, Solomon Islands, Fiji, Vanuatu, and New Caledonia (France). Micronesia is comprised of Palau, Federated States of Micronesia, Republic of the Marshall Islands, Guam (US), Nauru, Kiribati, and Northern Mariana Islands (US). Polynesia is comprised of Tuvalu, Nauru, Tonga, Samoa, American Samoa (US), Wallis and Futuna (France), Pitcairn Islands (UK), Niue (NZ), Tokelau (NZ), and French Polynesia (France). Hawaii, a state of the United States, is also in Polynesia. Although Australia and New Zealand are in Oceania, and are full members of the Pacific Islands forum, they are not traditionally thought of as being within the Pacific Islands region.

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<sup>4</sup> Pacific Community, "Population Statistics: Pacific Island Populations", SPC – Statistics for Development Division, June 2016, <https://prism.spc.int/regional-data-and-tools/population-statistics>.

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<sup>6</sup> Geostrategic competition is defined in this Analysis as competition for political influence between states in a geographically defined region. It can involve the use of the full range of a state's tools, from its military power to the provision of economic and development assistance. The aim of geostrategic competition is to gain political leverage and is distinct from purely economic competition between the commercial entities of states.

<sup>7</sup> There are currently 193 member states of the United Nations. Statistically, the 12 sovereign Pacific Island nations comprise 6.22 per cent of the vote in the UN General Assembly.

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