



New flags, upward forces and sheltered harbours: The new 'Great Game' in the Pacific Islands region

Matthias Kowasch¹, Peter Lindenmann²

UMR GRED, Institut de Recherche pour le Développement (IRD), Nouvelle-Calédonie¹
Chercheur associé, UMR 7236, Université de Strasbourg²

Abstract: The centre of the global economy and the US-geostrategic focus seem to be shifting to the Asia-Pacific region. The present paper deals with the role of Pacific Island states in this new 'Great Game' between China and Western powers. Pacific Island states have a long tradition in building non-confrontational and open ties with rival powers. While only four countries in the Pacific have known mineral resources, others depend mainly on tourism, fisheries and remittances. China is interested in the vast mineral resources in the Pacific Island region, visible in increasing investment. Nevertheless, Australia remains the principal economic and key security partner for most of the Island states. Besides a painful colonial history, unequal distribution of mining benefits and social disparities are reasons for independence movements. Besides a painful colonial history, unequal distribution of mining benefits and social disparities are reasons for independence movements that are another issue in Pacific Island politics.

Keywords: new Great Game, Pacific Island states, China, development aid, EEZ, mining industry, independence movements

[Submitted as Scientific Paper: 26 September 2013, Acceptance of the revised manuscript: 17 October 2013]

Lately there has been a lot of attention to perceived strategic changes in the Pacific region. Hayward-Jones (2013: 1) from the Lowy Institute for International Policy in Sydney starts her paper with the analysis that "the centre of global economic gravity has moved to the Asia-Pacific". In early 2011, US Secretary of State Hilary Clinton declared in a statement to the US Senate Foreign Relations Committee that China and the United States are vying for supremacy in the Pacific: "Let's put aside the moral, humanitarian, do-good side of what we believe in and let's just talk straight, realpolitik. We are in a competition with China" (<http://www.reuters.com>). Since Clinton's statement Washington has become more cautious in public statements about China's role in the Pacific Islands. But the new 'Great Game' in the Pacific Islands region recently supplied material for many studies. Most of them deal with the interactions of the two 'big players', China and the United States, but do not analyse the perspective of Pacific Island countries. So, the present article seeks to elucidate the priorities and interests of the Pacific Island states in this 'Great Game'. How do they manage competing interests? Pacific Islands have "a long tradition of playing rival suitors to get the cargo" (Christian 2012: 2). The authors refer to Chinese and Taiwanese or American-Russian rivalries and those of different European powers. Can Pacific leaders follow a 'Pacific Way' (Haas 1991), building a non-confrontational and open consensus? What of the region's independence movements?

Methods

The authors draw upon their experience from several years of fieldwork in New Caledonia and a visiting fellowship in Australia. The arguments are based on an extensive review of recent articles published in both the international press and social science journals, and on a great number of interviews and discussions with local actors from civil society and government. Empirical studies with qualitative and quantitative surveys were undertaken in the districts of Voh, Koné and Pouémbout in Northern Province, as well as Noumea, Bourail and Yaté in Southern Province. The surveys focussed on the participation of indigenous Kanak people in the mining sector, on integration of traditional authorities into the state and on independence movements in New Caledonia. Collaboration with Graeme Smith (University of Sydney Business School) led to fieldwork investigating Chinese investment in this French overseas territory. Discussions with researchers and doctoral students at the University of Melbourne and the Australian National University about general interests in the Pacific Islands region were analysed and integrated into the present article.

The first section of the paper gives an overview of the economic interests of Pacific actors, including trade, fisheries and mining extraction. The mineral resources in Pacific Island countries attract foreign investors. The authors – while working on state building, local development and mining benefits in New Caledonia – were directly concerned by external interests in the former French colony. The second section continues with actual independence struggles that are often linked to socio-ethnic disparities and economic interests. Finally, the third section of the paper deals with increasing Chinese presence in the region and the new ‘Great Game’.

Economic interests in the Pacific?

The Pacific Islands region comprises 22 states and dependent territories dispersed over an area of 48 million square kilometres with a total population of over 9 million people, approx. 7 million of whom live in Papua New Guinea. All 14 independent states of the region are developing or least developed countries. Only Papua New

Guinea, Solomon Islands, Fiji and the French overseas territory, New Caledonia, have substantial natural resources, while other countries depend mainly on tourism, fisheries and remittances (MIRAB economies).

Investment, trade and development aid

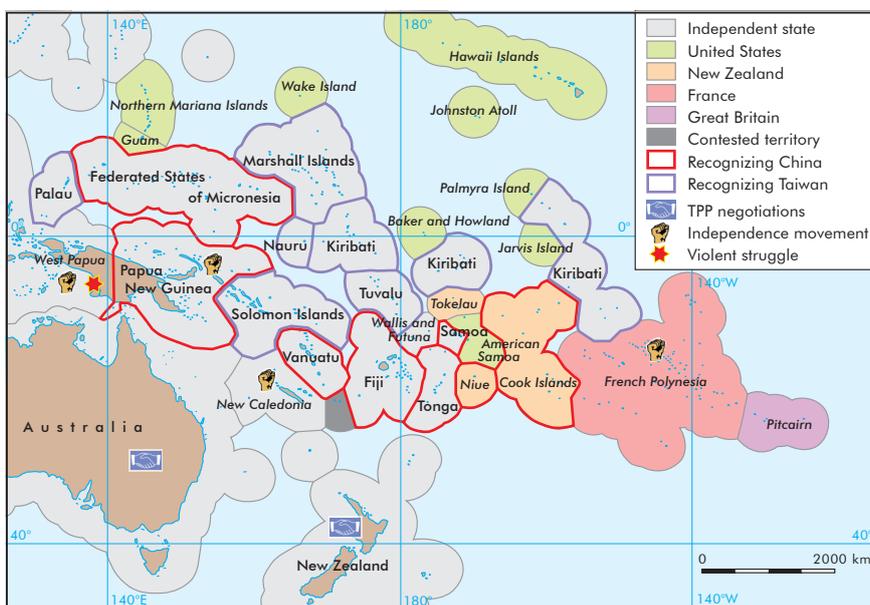
All of the smaller countries in the region rely heavily on financial transfers. The biggest, Papua New Guinea, receives the most international development aid with US\$612 million in 2011 (28% of development aid to the region; Figure 2), followed by the Solomon Islands (15%).

China’s trade in the South Pacific has increased sevenfold over the last decade (Hayward-Jones 2013: 7). Impressive through this is, China’s trade with other parts in of the world, such as sub-Saharan Africa, has grown by more over the same period. Trade is most visible in Papua New Guinea where China is interested in that nation’s vast mineral resources. Chinese companies often work in cooperation with other foreign investors and multinational partners so that it remains difficult to quantify their share. China’s Metallurgical Group Corporation has invested in the Ramu Nickel Project. Smith highlights (2013: 178) the Ramu Nickel mine, situated in northern Papua New Guinea, as China’s largest investment in the Pacific to date, at US\$1.4 billion. Some Chinese aid is highly visible as roads, bridges and government buildings. Aid spending often ends up supporting China’s own economic de-

velopment by awarding contracts to Chinese companies and employing Chinese citizens. By contrast, Samoan Prime Minister Tuilaepa Sailele mentioned during celebrations of the 50th anniversary of independence that he welcomed Chinese assistance to provide the buildings and other infrastructure that Australia, New Zealand and the US do not offer (Christian 2013: 2). He also accused the US of showing a lack of interest in the South Pacific.

Chinese investment and development aid in the Pacific Island states can be overestimated. Figure 3 shows the Top 10 contributors of official development assistance (ODA). With 1.2 USD billion (55% of total ODA), Australia is the largest donor in the Pacific Islands region, followed by the United States and New Zealand (both 9% of total ODA). The diagram shows not only state donors, but also international funding organisations, such as the Asian Development Bank and the Global Fund. China is far from challenging Australia’s dominant position in the region (Hayward-Jones 2013: 11).

Another form of development aid, which is often overlooked, are financial transfers from France to its overseas territories. The French government recently announced that this was one of the only budget items to increase in 2013 (<http://www.outre-mer.gouv.fr>). In 2010, the French Public Treasury accounted for about US\$1.4 billion of fiscal transfers in New Caledonia (US\$5815 per capita, ISEE 2009). Even though New Caledonia



Map 1: The Pacific Islands region (states and territories with their EEZ)

Pacific Geographies Cartography: © Claus Carstens 2013

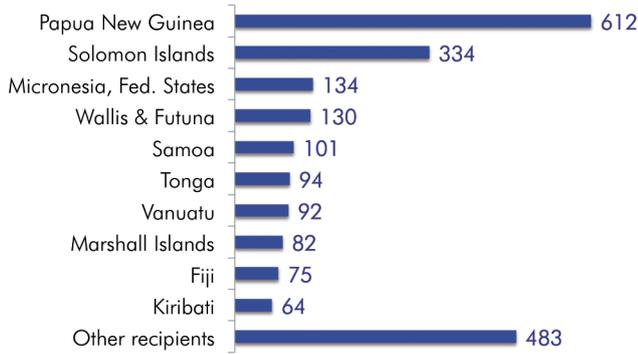


Figure 2: Top 10 receipts by recipient (USD million, net disbursements in 2011)



Figure 3: Top 10 ODA donors (USD million, net disbursements in 2011) to the Pacific Island states

is rich in mining resources and nickel products, which provides about 95% of export value (Kowasch 2012: 205), the country depends heavily on remittances from France. This “remittance economy” is not directed towards the creation of marketable surplus, but to maximize financial transfers.

Fishing

The fishery resources of Pacific Island states and territories are among the largest in the world. Despite the efforts of the various agencies established to control the sector, it is difficult for Pacific Island states to exploit the full commercial value of this resource. The tropical Pacific Ocean shelters the largest tuna resources in the world, but their exploitation is only lucrative near the equator. Further north or south swarms are seasonal (David 2013: 86). Nevertheless, the tuna processing industry has attracted investment from companies in the Philippines, South Korea, Malaysia, Thailand and China (Hayward-Jones 2013: 9). The Pacific Islands Forum Fisheries Agency (FFA) estimates the value of the fisheries catch from the region (including national and international waters) at approximately US\$5 billion (in 2010). The objective of the 1979 FFA was to defend fisheries interests in the vast EEZ’s. Most of its 17 members are small Island states, with the excep-

tion of Australia and New Zealand. New Caledonia has recently bought a multi purpose vessel called “Ambo-rella” to patrol its fisheries. According to the New Caledonian President Harold Martin, this boat could become the embryo of a future New Caledonian coast guard. The control of the vast EEZs is an important issue, because Pacific Island states are often victims of ‘illegal, unreported and unregulated fishing’.

The mining industry

Enormous mineral resources are closely linked to the return of the Pacific Islands region to the geopolitical stage. In a world where mineral resources are being depleted, the supply of raw materials is an important strategic issue. China and South-East Asian states seek security of raw materials supply for their growing economies (in particular ores, timber and phosphate). The proximity of the Pacific Islands to these resource-hungry countries will be advantageous for the region over the long term.

In New Caledonia, the mining industry has a 150-year history. Until recently, a single metallurgical plant run by French SLN (Société Le Nickel) produced nickel ingots. Thanks to the latest “mining boom”, two new projects including mining extraction and building of a smelter were born: Goro

Nickel and Koniambo (Kowasch 2009, 2012).

The world’s mining sector is controlled by a handful of giant companies such as Xstrata/Glencore, Rio Tinto, Barrick Gold and BHP Billiton. Recently, companies from BRIC countries have made their appearance, for example the Brazilian Vale and the Chinese Jinchuan. The mining sector has become more open to local stakeholders who take part in mining projects. Seeking mining ownership promises large financial profits for local people, and power in decision-making. For example, the Koniambo project in northern New Caledonia includes the local “Société Minière du Sud Pacifique” (SMSP, 51% of the shares) and Xstrata (49%) (Kowasch 2012). Xstrata financed the exploitation of nickel deposits and provided the technical expertise. SMSP has the mining titles to the Koniambo massif and the support from local Kanak peoples, even if nickel mining has caused widespread environmental pollution. For the Kanak independence party PALIKA (Kanak Liberation Party), which governs Northern Province, and who are the majority shareholder in SMSP, the nickel industry is an ‘instrument’ for economic and political emancipation from France. Moreover, SMSP has begun applying the 51/49% shareholding split with other multina-

Nickel smelter at Koniambo

tional companies from South Korea and China. SMSP and Xstrata, Posco and Jinchuan formed a joint venture for the extraction of nickel ores as well as for building a processing plant. A nickel smelter in Gwangyang (South Korea) has produced ferronickel since 2008, and another smelter in southern China is planned. SMSP has several mines in New Caledonia that can supply the smelters. Mining benefits are reinvested in broader economic development, particularly in real estate, tourism and aquaculture. On the other hand, SMSP and the Northern Provincial government has accumulated a great debt (source: personal communication, 29 August 2013) – to banks and their industrial partner Xstrata in order to participate in the investment of the Koniambo project.

In the future, the extraction of seabed mineral resources will become a fundamental challenge for the mining industry, but also for local governments. The company Nautilus Minerals, headquartered in Canada, is trying to start a project in Papua New Guinea and is seeking exploration licenses in half a dozen countries in the South Pacific, from Vanuatu to Samoa. Seabed mineral extraction is controversial. Many scientists expect significant degradation of water quality and damage to coral reefs. In addition, these highly technical and mechanised projects will have a negligible impact on local employment.

Independence movements

France is the last European colonial power maintaining a territorial presence in the South Pacific, the UK's Pitcairn Island, with a population of fewer than 60 people notwithstan-

ding. New Caledonia, French Polynesia and Wallis & Futuna comprise a land area of 23,373 square kilometres and an EEZ of more than 7.6 million square kilometres. Two of these territories, New Caledonia and French Polynesia are on the United Nations List of Non-Self-Governing Territories. In both countries are home to active indigenous independence movements.

In New Caledonia, named 'Kanaky' by the independence movement, violent anti-colonial struggles in the 1980s by the indigenous Kanak people and some white settlers led to the Matignon Accords (1988) and ten years later to the Noumea Accord signed between the FLNKS, the loyalist parties, and the French state. The French government agreed to transfer all competences to New Caledonia except sovereign powers (defence, foreign policy, police, courts and currency) (Kowasch 2012, 2009). Many loyalists have welcomed the transfer of authority from Paris to Noumea, but they are fiercely opposed to a final breach with the French Republic (MacLellan 2013: 17). A referendum on the transfer of the remaining sovereign powers will be organised between 2014 and 2018. The Noumea Accord provides new identity symbols: a new flag, new banknotes, an anthem, a slogan and a new country name. The flag and the name are highly controversial at present. After an initiative by the loyalist party RUMP (Rally for Caledonia in the Republic), the Caledonian Congress passed a law in July 2010 allowing both the French flag and the Kanaky flag to fly together outside public buildings. This gesture was welcomed by Kanaks, but rejected by some loyalists.

French Polynesia, named 'Tahiti Nui' by the independence movement, was reinstated on UN List of Non-Self-Governing Territories during the 16th summit of the Non-Aligned Movement in Teheran in 2012. In a speech to the Non-Aligned Movement in New York in January 2013, former President Oscar Temaru rejected autonomy: "It smells like freedom, tastes like freedom, but make no mistake: French version of 'autonomy' is not freedom." (<http://overseasreview.blogspot.com.au>). Temaru believes that after the end of nuclear tests on Mururoa and Fangataufa the interests of France are mainly economic: "France is now lurking to exploit our ocean. From the fishes to the newly found phosphates of our country, and the huge rare earth mineral reserves found on our seabed." Both French Polynesia and New Caledonia have vast EEZ's with fish and probable seabed mineral resources. In addition, New Caledonia possesses more than 25% of world's nickel resources (Kowasch 2012, 2009). A territorial presence in a region with increasing strategic importance can be advantageous for France. Australia, which over the last few decades played the role of 'sheriff' in the region, supports the French presence in the Pacific as it strengthens the Western powers in the region.

On the other hand, the mood in the Pacific region for decolonisation should not be underestimated. The new chair of the Melanesian Spearhead Group (MSG) is the FLNKS, which received support from the independent Melanesian states (Vanuatu, Fiji, Solomon Islands and PNG) for its independence campaign. In Bougainville, another resource rich Island (with



large copper resources), the peace process is nearing completion, and the decision on the final status of the Island (autonomy status within PNG or creation of an independent state) will be made soon. And in West Papua, with the world's largest gold mine, indigenous Papuan people continue to fight for political independence from Indonesia.

The China challenge?

On November 27, 2011, U.S. President Barack Obama addressed the Australian Parliament in Canberra to announce a rebalancing in US foreign politics: the political interest of the United States is now focused more on the Pacific Ocean than on the Middle East. To maintain its hegemony in the Pacific Ocean is one of its priorities. Apart from military initiatives, economics and diplomacy will play an important role. Obama's speech was followed by a paper published by the White House entitled "Sustaining U.S. Global Leadership: Priorities for 21st Century Defence". The document, released in January 2012, mentions the general scarcity of natural resources in the world. Then it elaborates on the apparent need to focus U.S. strategy on the Asia-Pacific region. After ten years of war against non-state actors, mainly in Afghanistan and the Middle East, the objective of American foreign policy should now be focused on 'containing' China's growing power. The United States abandoned the ban on New Zealand ships docking in U.S. navy ports,

after reaching a deal with NZ ending that country's ban on US nuclear powered vessels. Obama announced that military aid to Indonesia will be strengthened, a new military base in Darwin opened, and the U.S. Navy would increase its presence. Washington is working to extend its diplomatic relations with Indonesia, Vietnam and the Philippines. Since 2010, negotiations have taken place between 12 states (including the US, Canada, Australia, New Zealand and Pacific Rim states from Latin America and Asia) for a Trans-Pacific Partnership, a proposal for a new multilateral free trade agreement. China is excluded from the negotiations. In summary, US strategy seems to be focussed on South-East Asia and the northern rim of the Pacific Islands region.

China for its part has embassies in most of the Pacific Island states which recognise the People's Republic. Diplomats leverage Chinese contributions to development in the region and expect support from Pacific Island governments for China's international positions in return. In Tonga, government officials rate outstanding debt to China as nearly 30% of GDP (IMF/World Bank Debt Sustainability Analysis 2010). From Micronesia comes calls to relax visa requirements for Chinese and Russians entering these once US dominated territories (Christian 2013: 1). Solo Mara, the Fiji High Commissioner to the United Kingdom, said on 6 March 2013 that "China had filled a vacuum left when

the US and the UK withdrew and which Australia did not adequately fill" (<http://pacificislandsociety.com>). China supports the Bainimarama regime in Fiji which is accused by Australia and the Pacific Islands Forum of restoring democracy too slowly. It is certain that China's influence is rising. Crocombe (2007) suggests that Pacific Island countries could shift allegiances from the Western Alliance to Northeast Asia or ASEAN. On the other hand, China has not yet sought to project hard power into the Pacific Islands region (Hayward-Jones 2013: 12). Rumours about China setting up military bases in states have proven unfounded. Its diplomatic and military ties lag behind those of the other powers. Australia remains the key security partner for most of the countries in the region.

Prior to 2008, China's interests in the Pacific Islands were driven by its competition with Taiwan for diplomatic recognition. Taiwan is recognized by six states in the region: Kiribati, Marshall Islands, Nauru, Palau, Solomon Islands and Tuvalu (see figure 1). So-called "chequebook diplomacy" ended when Taiwanese President Ma Ying-jeou proposed a diplomatic truce in 2008. Both Taiwan and China promised they would no longer seek to persuade states that already recognised the other to switch their recognition (Hayward-Jones 2013: 6).

China's increasing presence in the Pacific has involved expanding trade, investment and aid. China is an eco-



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economic actor, but the Chinese government has always been careful to say that it is in competition. Chinese Vice-Minister for Foreign Affairs, Cui Tinkai, tells journalists at the Pacific Islands Forum in Rorotonga in 2012: “We are here in this region not to seek any particular influence, still less dominance. (...) China’s assistance to other developing countries is in the framework of south-south cooperation so our origin, our policy approach and our practice are very different from those of the traditional donor countries” (<http://news.xinhuanet.com>). According to research conducted by Brant (2012), between 2006 and 2011 China disbursed approx. US\$850 million in bilateral aid to the eight Pacific Island states that recognise the People’s Republic (not including scholarships or technical assistance, which are delivered by separate government agencies in China).

Conclusion

Australia remains the principal economic partner for the Pacific Island states. Nonetheless China’s increasing influence in the Pacific Islands region is driven by economic interests; the country looks for security of supply of minerals and timber for its growing economy. Chinese investment in the Pacific Islands region – where it is mostly welcomed – is most visible in resource-rich Papua New Guinea. The Chinese government does not aim for supremacy in the region, and defines

its investment more as cooperation. The proximity of the region to the resource-hungry Asian countries will be advantageous over the long term for the Pacific Island states. Besides mineral resources, the great powers are gearing up to exploit the vast EEZs that shelter fish stocks and probable deep sea resources. These may be the subject of frontier conflicts.

The question remains open whether the independent Pacific Island states may pursue a typical ‘Pacific Way’ in the new ‘Great Game’, which is based on consensus and open to all. In a period of budget austerity, shifting alliances and partial commitments, Pacific Island states want to play a bigger role on the international scene and determine their own economic partnerships and political alliances. Pacific Island states are no longer automatically in the backyard of the former colonial states and several are still seeking political emancipation. Independence movements, that are often forged by painful colonial histories, socio-economic disparities, and heteronymous resource exploitation, harness this drive for emancipation. The desire for political sovereignty is alive, and is likely to be made by referendums rather than violent struggles.

Acknowledgement

The authors are deeply grateful to Simon Batterbury, John Burton and Graeme Smith for advice, assistance and comments.

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Corresponding author: Dr. Matthias Kowasch [matthias.kowasch@ird.fr] is currently a postdoctoral researcher at the French Institute of Research for Development (IRD), based in Northern Province of New Caledonia.



Poro Nickel Mine (New Caledonia)

Source: M. Kowasch 2013