



The Changing Geopolitics in Oceania A View Towards ASEAN's Neighbours

Dr. Anne-Marie Schleich

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Abstract

This paper focuses on the geopolitical changes in Oceania, a region that includes Australia, New Zealand and the 15 island countries of the South Pacific. This region is not much in the political and journalistic foreground. However, it is of great strategic, political and economic interest to the two big powers, the United States and China, as well as to Russia, Taiwan and Japan. Oceania has historically been a microcosm of the balance of power in the larger Pacific region. Like their South East Asian counterparts, countries in the South Pacific are also caught up in the rivalry between the various powers. At the same time the Pacific island countries are facing unprecedented challenges from the effects of climate change and exploitation of natural resources by outside powers.

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Analysis

The complex geopolitical situation in Asia has in the last year become even more difficult to decipher. Since the Trump Administration took office we have witnessed intense discussions about maritime security and the geopolitical situation in Asia as a whole. Asian Governments presently are very much aware of the importance of treading the political waters carefully. The future direction of the political winds in the South East Asia and the wider Asia region seems still unclear.

The focus of this paper is on a less talked about maritime region, Oceania, a neighbour of ASEAN. Oceania includes the two regional powers Australia and New Zealand and 15 South Pacific island countries.

Oceania has historically been a microcosm of the balance of power in the larger Pacific region. Like their South East Asian counterparts, countries in the South Pacific region are also caught up in the rivalry between the dominant and aspiring global powers. Oceania is of great strategic, political and economic interest to the Pacific superpower, the USA, and the budding Pacific power, China, and to a much lesser extent to Russia, Japan, Taiwan and the EU.

Australia and New Zealand have been the regional powers in the South Pacific for almost a century with both countries trying in more recent times to counterbalance the growing power of China in the South Pacific islands.

This paper will analyze who is gaining and who is losing influence in Oceania with a focus on (1) security and defence trends, (2) economic developments and (3) the South Pacific islands which are on the frontline of climate change and other challenges.

1. Two World Powers and Two Regional Powers: A look at security and economic trends in Australia and New Zealand

1.1. Security and Defense relations with the US

Australia and New Zealand are both politically aligned with the US in two areas, defence and intelligence.

The two countries cooperate closely with the USA under the 5 Eyes Intelligence Sharing Agreement (as well as with Canada and the UK). The origins of this Alliance date back to the post WW II and cold war era. Australia is hosting a big intelligence facility in Central Australia, so is New Zealand on the South Island. There is a division of labour: New Zealand is gathering intelligence throughout the Pacific Island countries and Australia focuses mainly on its neighbours in South Asia and East Asia.

In the defence area the 1951 ANZUS treaty between the US, Australia and New Zealand is the bedrock for the US military presence in the Pacific Ocean. The three countries fought side by side in the various wars since WW I in Europe, the Pacific, Afghanistan and in the Middle East.

Australia has always had very close strategic and military ties to the US and has long been the vital ally US in the Pacific. In 2014 the two countries signed a Force Posture Agreement, which paved the way for 1.200 US Marines to be deployed in Darwin and for increased US aircraft rotations. In 2015 a Joint Statement on Defence Cooperation was issued outlining their future cooperation. Since 2005 they have held joint biennial military exercises. The last one in June this year in Australia, involved over 33 000 US and Australian military personnel.



The special ties have been reaffirmed in a recent meeting between President Trump and Australian Prime Minister Turnbull. The American side, in return, stuck to a previous deal brokered by President Obama to resettle refugees, who are detained by the Australian government in the Pacific island country Nauru, into the US.

New Zealand, however, was a more distant ally of the US for a long time. After New Zealand's ban on US nuclear warships in its waters in 1985, the military relationship between New Zealand and the US was frozen for almost 30 years. The relations improved as New Zealand played a supportive role in various international conflicts and assisted the US in the fight against terrorism after September 11 and in Afghanistan. Later, this rapprochement continued during the Obama administration with Obama's so called "Rebalancing towards Asia" or "Tilt towards Asia". The 2012 Washington Declaration signed by the two defence ministers was the official icebreaker. In the same year New Zealand ground troops took part for the first time since 1984 in the biannual US led Rim of the Pacific exercises. The reopening of their strategic cooperation culminated in the visit by a US nuclear naval vessel to New Zealand a year ago.

Being two maritime countries in the Pacific, one would have thought that it was in the interests of New Zealand and Australia to cooperate more closely in the defence area. However, the maritime strategies of both countries always have had a slightly different geographic focus. Both are interested in stability at their doorsteps in the South Pacific. New Zealand's maritime strategy is, however, primarily focused on the protection of its vast Exclusive Economic Zone (EEZ) and as a second priority on the South Pacific Ocean and the Antarctic. As a result, New Zealand's investments in maritime defense capabilities are more focused on surveillance ships for its EEZ as well as ships or aid and disaster-related intervention for the South Pacific. Australia however, has its eyes on the Indian Ocean with its Northern neighbours and more "combat oriented capabilities driven by needs in its northern maritime approaches" (Robert Ayson) Both countries have been collaborating in the South Pacific on humanitarian missions with their navies and armies, most recently in Fiji in 2016 after the cyclone Winston.

1.2. Security relations with China

Australia and New Zealand both have a Strategic Defence Dialogue with China. But this cooperation is limited to senior level dialogue, hosting visits of Chinese naval vessels and to humanitarian relief drills in the South Pacific. Both Australia and New Zealand respectively, have regular exchanges and exercises with the People's Liberation Army (PLA). However, Australia has been among the most fervent opponents of China's territorial claims to the South China Sea. New Zealand, being a small state with a strong trade dependence on China, has been much more cautious in its response. Australia recently identified China's Liberation Army as a threat to Australia's sovereignty. The massive modernization of the PLA could at some future stage challenge the US regional defence hegemony.

There have also been strong rebukes by the present Australian government against alleged recent Chinese interference in Australia's internal politics. Australia's reservation about China is highlighted by the Australian PM Turnbull's remark calling China a "frenemy". He also warned about the threat of a "coercive China". At his Shangri-la speech in Singapore in June, PM Turnbull pointed out that his government is investing in the largest naval expansion in peacetime. Defence spending is to rise to 2 % of the Australian GDP.



Security relations: Conclusion

The US-Australia Defence Alliance and the ANZUS triangular alliance continue to be the anchor for security in that part of the Pacific region. The US remains the dominant defence and intelligence power in the Pacific. China has not seriously challenged that position, yet.

2. US and China: Trade and Investment ties with Australia and New Zealand... ... A less clear trend

2.1 Australia

Strong trade bonds characterize China-Australia relations. Australian exports are mainly driven by China's massive demand for coal, iron ore, minerals such as rare earths and LNG. The Australian mining boom, however, has cooled off due to reduced demand from China and falling international commodity prices. China is Australia's biggest trading partner. In 2016, almost 32 % of Australia's exports went to China (A\$ 82 billion). The conclusion of a Foreign Trade Agreement in 2015 was useful for both sides, resulting in an 8% increase in 2016.

In terms of investment China ranks only in 7th place with 1/10th of the US investment (A\$ 87 billion) contrary to public opinion.

The US is only the 4th largest export partner of Australia (exports to US: A\$ 12 billion) with a drop in exports to the US of almost 13% in 2016. But the US has been the number one investor in Australia for a long time (A\$ 860 billion in accumulated investment = 27 % of all investments, mainly in finance and insurance).

2.2 New Zealand

New Zealand was the first country with which China had an FTA in 2008. Since then, trade has tripled to NZ\$ 19.7 billion. China became New Zealand's second biggest trading partner (dairy products, esp. baby milk formula), untreated logs, beef, lamb). Australia is Nr 1 trading partner. Chinese investment is only about 2 % of overall investment (2016: NZ\$ 6 billion).

The US and New Zealand have a trade volume of NZ\$ 16 billion, The US is 3rd largest trading partner. There is no FTA with the US in place. The US has much higher overall investments in New Zealand than China. (NZ\$ 37 billion)

Economic Ties: Conclusion

The US continues to have a very strong investment presence in Australia and New Zealand but is lagging behind China in the area of trade.

We see a similar pattern in both countries: China had identified Australia and New Zealand as valuable sources of raw materials for its industrial production and for feeding its population. It had therefore strengthened its trade position in Oceania by concluding Foreign Trade Agreements. It has been less interested in investing in these two countries. The dependence on China of main sectors of the Australian and New Zealand economies has increased (dairy, coal and iron exports). They are highly dependent on trends in the Chinese economy and risk being subjected to Chinese import restrictions (as in the recent case of New Zealand milk powder).



Australia and New Zealand see the withdrawal of the Trump Administration from the Transpacific Partnership negotiations (TPP) as a major setback to regional economic integration. Both countries have continued successful negotiations with the rest of the 11 countries without the US. The Regional Comprehensive Economic Partnership (RCEP), the Chinese counterproposal to the TPP, is being negotiated with China with a number of countries including Australia and New Zealand.

Australia seems to be reluctant to join the “One Belt One Road Initiative” (BRI or OBOR) by the Chinese Government. There is some reservation within the present Australian Government as there seems to be some concerns about the security implications of China’s involvement in large scale infrastructure projects.

New Zealand, on the other hand, has signed in 2017 a bilateral BRI Memorandum with China and has already identified infrastructure projects in the north of New Zealand. It was also the first country to become a member of the China led “Infrastructure Investment Bank (AIIB).

The political and economic void of the US economic disengagement is quickly being filled by China.

3. Challenges for the South Pacific Island countries

South Pacific Island Countries – some facts:

- 15 independent countries: Cook Islands, Federated States of Micronesia, Fiji, Kiribati, Marshall Islands, Nauru, Niue, Palau, Samoa, Solomon Islands, Tokelau, Tonga, Tuvalu, Vanuatu, Papua New Guinea
- Altogether 22 small island countries and territories
- Population in total appr. 10.2 million, 8 million of which are in Papua New Guinea
- Three major geographic island groups: Polynesia, Micronesia, Melanesia with very diverse cultural, historical and language backgrounds
Combined land area: 528,000 sq km
- EEZ of appr. 20 million sq km (!)
- Developing small nations (four of them Least Developed Countries: Solomon Islands, Vanuatu, Kiribati, Tuvalu)
- Rich in sea bed mineral and marine resources
- Intergovernmental Body: Pacific Island Forum (PIF), secretariat seat in Fiji. Australia, New Zealand founding members in 1971

The Pacific island countries share similar challenges such as small populations, limited natural resources, vulnerability to rising sea levels, lengthening droughts and increasing cyclone intensity. People in the Pacific Islands depend on agriculture, forestry, fisheries and tourism for their livelihood. All these activities are threatened by (1) climate change, (2) exploitation of their natural resources and (3) overdependence on fossil fuels.

3.1 Climate change

Climate change has badly affected these countries because most of the islands are low lying atolls and exposed to rising sea levels, increased temperatures, frequent tidal surges, coral reef damage and an increase in the frequency and intensity of hurricanes.



Take, for example, Kiribati (in Micronesia) with 107 000 inhabitants and a per capita income of only US\$ 1,650. It is one of the most remote and geographically dispersed countries in the world. It is a good example of the challenges that Pacific atoll countries face. It consists of 33 atolls spread over 3.5 million square kilometers of ocean, an area larger than India. Most of the country lies no higher than 1.8 m above sea level. With the latest climate predictions of a rise in sea levels by 1.5 to 1.8. m by 2100, the future for Kiribati and other Pacific atoll countries looks bleak. The former Kiribati President, Anote Tong, who had become a climate change celebrity at many international climate meetings told the UN: "It threatens the existence and livelihood of the population". Rising sea levels and freak tidal waves have eroded coastal strips and damaged harbour fortifications. Clean water wells have been inundated by seawater and vegetable plantations have been destroyed.

In response to the climate change challenge, President Tong has promoted the idea of "migration with dignity" urging citizens with employable skills to consider moving abroad.

It is essential to strengthen the capacities of the Pacific member countries and regional organisations such as the Pacific Island Forum so that the Island countries can adapt to the impact of climate change and become better prepared for climate disasters.

During the UN climate meeting (COP 23) in Bonn, Germany in November 2017, the Pacific countries were very effective in drawing worldwide attention to climate challenge. It was Fiji, the new regional Pacific middle power, which chaired this important conference.

3.2. Exploitation of Natural Resources

The Pacific countries face the problem of unregulated seabed mining as well as illegal and unreported exploitation of their fishing resources (IUU) by foreign fishing fleets from Japan, China, some European countries and Russia. This reduces their fishing resources and food security and damages their economies. IUU has become a major threat to marine biodiversity and the security of the Pacific Islands.

It is essential that the international community works closer together to restore the health, conservation and resilience of the Pacific marine ecosystems. It is important to strengthen the capacity of the Pacific island countries to effectively police, monitor and survey their marine resources. The Western Central Pacific Fisheries Commission and the UN Office on Drugs and Crime through its Maritime Crime programme need to further increase their monitoring activities.

We have seen other steps in the right direction: The Cook Islands has declared its entire EEZ a Marine Park providing a framework to promote sustainable development. They try to balance tourism, deep sea mining and fishing with the conservation of biodiversity. Another example: two years ago a landmark agreement between 24 countries and the EU (after five years of negotiations, against political pressure from Russia) created the world's largest Marine Park in the Ross Sea in the Southern Ocean around Antarctica. The aim was to protect fishery stock in an area of 1,5 million square km. Both of these landmark developments demonstrate that sustainable development can be achieved.



3.3. Energy dependency

The Pacific is heavily dependant on diesel for electricity generation and transport. In most of the Pacific countries one third of the total cost for all imports is for diesel oil. Donor countries, especially the EU have concentrated their efforts on moving the Pacific countries away from fossil fuel to renewable energy. Since 2013 the EU and New Zealand have a Renewable Energy partnership that has delivered renewable energy to seven Pacific countries.

Pacific Island challenges: Conclusion

These three challenges present security, development and economic dangers for the Pacific Islands but also for the regional powers Australia and New Zealand. Sustainable development will require intensified cooperation between the Pacific countries as well as coordination with their international partners so that the South Pacific voices will be heard.

4. The geopolitical power game in the South Pacific

There has been an increased interest in the South Pacific region by the old players such as Australia and New Zealand, the USA and EU but also newer ones like China, Russia, Taiwan, Japan, UAE and India.

China has become the second most important trading partner for the South Pacific island countries. China's real estate investment in a number of these countries has increased noticeably. China has also become the second biggest donor country in this region replacing the traditional donors Australia, New Zealand, the EU, Japan and, to a lesser degree, the US. The Chinese assistance comes mainly in the form of large infrastructure projects with few or no strings attached. It is estimated that as of 2013, China's projects in the region amounted to over US\$ 5 billion. China's so called concessional loans offer an interest-free period followed by low interest rates for up to 20 years.

IMF and other institutions have increasingly raised concern over the sustainability of these projects and the very high level of debt to China. The Chinese government's policy of migrating Chinese workers to the Pacific countries has led to local unrest and considerable unease among the island communities. It has recently been suggested that Chinese aid projects could destabilize the South Pacific. With reference to the China initiative BRI the Secretary of the Australian Foreign Ministry Adamson said recently: "...because we know from our neighbours in the South Pacific that infrastructure projects can come with very heavy price tags and the repayment of those loans can be crippling."

What are the strategic aims of China in the South Pacific?

- Access to Pacific ports for its fishing fleets as well as access to maritime territories
- Access to seabed mining
- Increase in political influence on these countries (the countries exercise their votes in the UN and other international bodies)



Other players

Australia and New Zealand have both strong economic, historic and cultural ties with their Pacific “hinterland”. They have long been the biggest donors but have lost political influence during their sanctions against the then Fiji military regime, which lasted until 2015. China and other external players stepped into that vacuum.

The **USA** has far less aid commitment to the Pacific, which is spread over numerous programmes and development areas as well as a relatively low trade relationship. It considers the South Pacific, however, as an important strategic area to safeguard its sea lanes in the whole of the Pacific. Its long established Missile Defense base in the Marshall Islands in Micronesia is a vital link in its strategic Pacific defence strategy. It has become even more important since the North Korean threat of launching missiles towards the US mainland.

The Pacific is also a stage for diplomatic competition between **Taiwan** and China. Of the 20 countries that recognize Taiwan diplomatically, 6 are in the South Pacific. Predictions are that China will do everything to reduce that number. However, the lack of transparency of Taiwan’s aid gives cause for concern.

Russia has been trying to make up for lost ground and gain access to new fishing ports. Like China, it is interested in the rich fishing grounds as well as the seabed minerals. Two years ago Russia sent substantial arms shipment to Fiji. A somewhat closer relationship with Russia is a welcome possibility for Fiji to counterbalance its present dependence on China (“Look North policy”).

5. Geopolitics in Oceania: A Final Conclusion

The US maintains a strong investment and intelligence presence in Australia and New Zealand. It has very close security and military ties with Australia and the Marshall Islands, and as of lately, New Zealand. The so-called “pivot to Asia” announced by former US Secretary of State, Hillary Clinton, in 2012 during the PIF Forum in the Cook Islands, was more focused on South East Asia, Australia, New Zealand, Japan and South Korea, than on the South Pacific.

In terms of development assistance to the South Pacific islands, the support of the US has been much lower than the input of China, Australia, New Zealand, Japan and the EU.

The withdrawal of the new US government from the TPP negotiations leaves a vacuum, which has been quickly filled by the other 11 TPP partners and opens the door for China’s initiatives (RCEP, AIIB and BRI). China already is or is predicted to become the dominant trading partner in Oceania.

Australia and New Zealand are in danger of losing their traditional political and strategic influence in the South Pacific due to the growing presence of China and other players like Russia, their previous sanctions towards Fiji where they lost political ground as well as their ambivalent or reluctant positions on climate change, which has been noted in the South Pacific. Fiji and a few other Pacific Countries have become more assertive towards Australia and New Zealand.

There is a positive trend towards stronger cooperation among South Pacific island countries within the framework of the Pacific Island Forum and other Pacific institutions. They have also become more vocal on the international scene at the UN (Pacific Small Island Developing States Group), voicing their concerns about the disruptive effects of climate change.



South Pacific leaders basically welcome the massive growth in Chinese aid and investment. But the increasing Chinese aid poses a risk of political dependence and unsustainable debt for these small countries. It might enable China to exert significant political leverage over Pacific countries, especially on international issues affecting China's core national interests.

Oceania remains a region where geopolitical power is redistributed. The winner of this ongoing power game is not yet clear but the scales seem to tip in favour of China, at least for the time being.

Remarks: Opinions expressed in this contribution are those of the author.

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About the Author of this Issue

Dr. Anne-Marie Schleich has been a German diplomat since 1979. Most recently, she was the German Ambassador to New Zealand and seven Pacific Island States from 2012 to 2016. She was the German Consul-General in Melbourne, Australia from 2008 to 2012.

Dr. Schleich has also served in Singapore, Bangkok, Islamabad and London. From 1998 to 2001 she was the Deputy Head of the Asia Pacific, Africa and Latin America Department, Foreign Affairs Directorate, Office of the German Chancellor, Berlin. In 2001 she was appointed Head of the Department for International Environmental Policies at the German Foreign Office.

She studied Political Science under a Fulbright scholarship from 1972 to 1973 at Mount Holyoke College, Massachusetts. She was later a Research Fellow in Political Science at Harvard University and the University of North Carolina. Dr. Schleich holds a Ph.D. in Political Science from the University of Mannheim.

She retired in July 2016 and now lives in Singapore.



Dr. Anne-Marie Schleich