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Ashley J. Tellis, Alison Szalwinski, and Michael Wills

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Strategic Competition in Oceania

Rebecca Strating and Joanne Wallis

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EXECUTIVE SUMMARY

This chapter examines the effects of strategic competition, primarily between the U.S. and China, on the national trajectories and economic and security policies of states in Oceania.

MAIN ARGUMENT

States in Oceania are facing increasingly acute questions about how to balance their security and economic relationships. U.S.-China strategic competition is shaping to varying degrees how these states recalibrate their relationships with great powers while maintaining relative autonomy in their economic, foreign, and security policies. Strategic competition also forms the backdrop for Oceania's complex intraregional politics. While Australia, New Zealand, and the Pacific Island states are all members of the Pacific Islands Forum, an increasing tendency toward subregionalism, exacerbated by the continued presence of colonial powers and diplomatic competition between China and Taiwan, threatens the forum's solidarity. However, the effects of and responses to broader strategic dynamics are not uniform across this diverse region.

POLICY IMPLICATIONS

- China's statecraft has been inconsistent across Oceania, as have regional responses. While Australia views China as a security competitor, other states have engaged with it through projects such as the Belt and Road Initiative.
- Australia previously avoided explicitly choosing sides, but China's coercive tactics and the announcement of the AUKUS security partnership indicate that it has chosen the U.S. While New Zealand is keen to maintain autonomy, it is now, albeit reluctantly, more closely aligning with the U.S. Most Pacific Island states will likely continue using structural dynamics for leverage. Yet how long they can balance their complex relationships remains unclear.
- The U.S. must rebuild trust in its role as a preferred regional partner. The Biden administration's commitment to tackle climate change is a start but should be augmented by wider commitments to regional priorities.

Strategic Competition in Oceania

Rebecca Strating and Joanne Wallis

The strategic context in Oceania can be summed up by paraphrasing a famous idiom: much of Oceania is not interested in strategic competition, but strategic competitors are interested in Oceania. During the Trump administration, strategic and economic competition between the United States and China became more explicit, and Oceania became viewed as a stage on which these new security and economic rivalries would be played out. Great-power competition has exacerbated tensions in the economic and security policies of Australia and New Zealand, given the combination of their strong security ties with the United States and trade reliance on China. Trump's "America first" policies generated uncertainty about Washington's leadership and presence in the region, as well as its commitments to partners and allies. Particularly among the Pacific Island states, the United States' withdrawal from the 2015 Paris Agreement undermined their confidence in U.S. leadership to address climate change and issues of sustainability, perceived by the region as an existential security challenge. China began to fill the regional strategic vacuum left by the Trump administration through increased trade with these states and the implementation of its Belt and Road Initiative (BRI). Yet, despite concerns about individual Trump-era policies—including its subversion of the World Trade Organization (WTO)—there appears to be no lasting damage in U.S. bilateral relations with Australia and New Zealand, which remain principally concerned with China's rise and its implications for global and regional order.

Rebecca Strating is the Executive Director of La Trobe Asia and an Associate Professor in Politics and International Relations in the Department of Politics, Media and Philosophy at La Trobe University. She can be reached at <b.strating@latrobe.edu.au>.

Joanne Wallis is Professor of International Security in the Department of Politics and International Relations at the University of Adelaide. She can be reached at <joanne.wallis@adelaide.edu.au>.

Strategic and economic competition, however, is complicated by the multifaceted and interrelated security challenges facing Oceania. Adding even more complexity is the diversity of the region, which ranges from Australia, with a population of 25,787,000 and a GDP of US\$1.3 trillion, to Tokelau, with a population of 1,499 and a GDP of US\$14 million. While a range of challenges confront this diverse region, including deglobalization, trade decoupling, climate change, and the Covid-19 pandemic, this chapter is primarily concerned with assessing how strategic competition is affecting the security and economic trajectories of Oceania's states. More than any other factor, strategic competition—primarily, although not exclusively—between the United States and China is nudging states in Oceania to reconsider their long-held policy positions.

In this chapter, we find that strategic competition is shaping the security and economic outlooks of Oceanic states across three vectors. First, they are facing increasingly acute questions about how to balance their security and economic relationships, with most being dependent on the United States or its allies for security and China for prosperity. Second, Oceanic states are recalibrating to varying degrees how they manage their relationships with great powers, particularly their preference for maintaining relatively autonomous foreign and security policies. Third, strategic competition is forcing them to reconsider their intraregional policies and relations with each other.

This chapter argues that while Oceania's states would prefer not to make a strategic choice, as competition in the broader Indo-Pacific intensifies, they are being increasingly pushed to choose. This has strategic implications for their relationships both with the United States and with each other. While Oceanic states have many shared interests, such as in the domain of maritime security, they hold differing perspectives on key issues such as BRI and climate change. Australia has made its intent to side with the United States clear, and New Zealand is likely to reluctantly follow, but it is less clear on which side, if any, the different Pacific Island states may fall. This reflects that Australia's defense is deeply embedded with the United States, particularly following the September 2021 announcement of the AUKUS defense partnership between Australia, the United Kingdom, and the United States. While New Zealand has slightly more room to take a semi-independent approach because it formally falls outside the U.S. security guarantee, it will likely support the United States in practice so long as it relies on the U.S.-maintained regional order. In contrast, many Pacific Island states, even though they are much smaller, perceive that they can play the United States and China against each other. Whether they can continue to exercise this agency if strategic competition escalates is an open question.

This chapter is divided into four sections. The first section explains why Oceania matters for the United States, examining the importance of Australia, New Zealand, and the Pacific Island states, and then outlines how Washington is working with these states to advance collective interests. The second section then analyzes the national trajectories of Oceania's states, focusing on their attempts to balance their security and economic interests with their preference for autonomy in foreign and security policies. In the final two sections, we consider how these trajectories are playing out for the states' security and economic policies, respectively.

Why Does Oceania Matter for the United States?

Oceania is a geographic region consisting of Australia, New Zealand, and Pacific Island countries located primarily in the southern, central, and western Pacific Ocean (see **Figure 1** for a map of the region). Pacific Island countries are conventionally divided into subregions: Melanesia (Papua New Guinea, or PNG; Solomon Islands; Fiji; Vanuatu; and New Caledonia), Micronesia (Federated States of Micronesia, Palau, Marshall Islands, Kiribati, and Nauru), and Polynesia (American Samoa, Cook Islands, French Polynesia, Hawaii, Niue, Samoa, Tokelau, Tonga, Tuvalu, and Wallis and Futuna). While the term is commonly used in the United States, and occasionally in the Pacific Islands, "Oceania" is rarely used in Australia or New Zealand.

In U.S. analyses, Oceania implies that island states of the Pacific Ocean, Australia, and New Zealand are part of a single region. In contrast, the Australian government presents itself as an Indo-Pacific nation and since 2013 has officially framed its zone of strategic interest as the region "connecting the Indian and Pacific Oceans through Southeast Asia."¹ However, its core national interests remain in its "inner ring" (i.e., the Pacific Islands and maritime Southeast Asia) and, to a lesser extent, its "outer ring" (i.e., the Indo-Pacific and the wider world). Australia's "nearer region," which includes PNG, other Pacific Island countries, and Timor-Leste, is of fundamental importance and characterized as Australia's "part of the world."² New Zealand focuses on the "Asia-Pacific" but describes itself as "a Pacific nation" that is "both in and of the Pacific," with its "security and well-being...intrinsicly bound to the peace and stability of the region."³ Pacific Island states often emphasize regional solidarity as represented by membership in the Pacific Islands Forum (PIF).

¹ Department of Defence (Australia), *2013 Defence White Paper* (Canberra, May 2013), 7.

² Scott Morrison, "Australia and the Pacific: A New Chapter," Prime Minister of Australia, November 8, 2018, <https://www.pm.gov.au/media/address-australia-and-pacific-new-chapter>.

³ Ministry of Defence (New Zealand), *Advancing Pacific Partnerships 2019* (Wellington, October 2019).

FIGURE 1 Oceania



Yet, even though Australia and New Zealand are members of the PIF, the island states seldom characterize them as sharing similar strategic concerns.

Australia

After the Cold War, the United States largely treated Australia (an ally) and New Zealand (a partner) as its proxies in Oceania. But as strategic competition in the broader Indo-Pacific has sharpened over the last five years, U.S. attention to the region has increased. Australia, in particular, is viewed as a “canary in the coal mine” concerning China’s efforts to use economic statecraft to influence middle-power states and create a wedge between the United States and its allies. Of the 27 countries affected by China’s economic trade coercion between 2010 and 2020, Australia had the highest number of recorded cases (17).⁴ Pacific Island states and territories are also seen as potential strategic footholds, with concerns that China’s militarization of the South China Sea may migrate to the western and southern Pacific. From a U.S. perspective, the security dynamics playing out in Oceania may reflect broader concerns about China’s influence on small and middle powers, the intention and efficacy of BRI, and the effects that changing balance-of-power dynamics have on the international rules-based order.

By virtue of its geography, Australia is an increasingly important ally for the United States that links the Indian and Pacific Oceans and serves as a sanctuary from China’s anti-access/area-denial capabilities. Australia is also relatively close to Southeast Asia and key strategic waterways such as the South China Sea. Indeed, its geography was significant during World War II, when it acted as an “unsinkable aircraft carrier” by hosting 250,000 U.S. troops.⁵ As competition in the maritime domain grows, Australia’s liminality between the Pacific, Southern, and Indian Oceans means that it provides a good location for U.S. security activities. Along with New Zealand, Australia is also a gateway to Antarctica, a region in which strategic competition is intensifying.

Canberra is deeply committed to relations with the United States. It views the alliance as essential for its security, and both public and political opinion are almost uniformly in favor. The defense relationship was reaffirmed in the 1996 Joint Security Declaration (i.e., the Sydney Statement), and its importance is emphasized in every Australian defense white paper. The relationship was further strengthened by the 2021 AUKUS trilateral security partnership to

⁴ Fergus Hanson, Emilia Currey, and Tracy Beattie, “The Chinese Communist Party’s Coercive Diplomacy,” Australian Strategic Policy Institute, September 1, 2020, <https://www.aspi.org.au/report/chinese-communist-partys-coercive-diplomacy>.

⁵ “Americans in Australia,” State Library Victoria, <http://ergo.slv.vic.gov.au/explore-history/australia-wii/home-wii/americans-australia>.

“deepen cooperation on a range of security and defense capabilities” between Australia, the UK, and the United States.⁶ Indeed, Australia has often been characterized as a “dependent” ally, and the alliance has allowed Australia to spend much less than it would otherwise need to on defense.

The two countries also have significant military interoperability. Australia’s 2016 *Defence White Paper* emphasizes acquisition of military capabilities that will enable its forces to cooperate closely with their U.S. counterparts.⁷ To that end, Australia has ordered 12 Boeing EA-18G Growlers, 72 Lockheed Martin F-35 joint strike fighters, and 15 Boeing P-8 Poseidon maritime surveillance and patrol aircraft. In 2020 the government’s military spending package of AU\$270 billion outlined AU\$800 million for AGM-158C long-range anti-ship missiles from the United States.⁸ This spending, coupled with the AUKUS announcement that Australia would acquire nuclear-powered submarines, has helped Canberra demonstrate that it is sharing the strategic burden and answer criticisms of alliance “free-riding” pronounced during the Trump administration.

Today, Australia hosts several joint facilities that form the basis of a close intelligence relationship with the United States. The Australian Signals Directorate station at Joint Defence Facility Pine Gap is one of the United States’ most important covert surveillance bases outside its own territory. With the Northwest Cape facilities, Pine Gap aids U.S. surveillance of East Asia, including China. Since 2011, Australia has also hosted U.S. Marines for training and operations as part of the United States Force Posture Initiatives, with the aim of enhancing military cooperation and regional security through capacity building, interoperability, and warfighting for combined and joint operations.⁹ This was expanded in 2014 to include the rotation of the U.S. Air Force, and in February 2020 a \$1.1 billion upgrade to the Tindal air force base in northern Australia was announced in order to provide access for U.S. war planes. At the 2021 Australia-U.S. Ministerial Consultations, the allies agreed to “significantly enhance” force posture cooperation, including greater logistics, sustainment, and maintenance of U.S. vessels

⁶ Scott Morrison, “Joint Leaders Statement on AUKUS,” Prime Minister of Australia, September 16, 2021, <https://www.pm.gov.au/media/joint-leaders-statement-aukus>.

⁷ Department of Defence (Australia), *2016 Defence White Paper* (Canberra, February 2016).

⁸ Department of Defence (Australia), “\$270 Billion Boost to Defence Capability,” July 2, 2020, <https://news.defence.gov.au/capability/270-billion-boost-defence-capability>.

⁹ Department of Defence (Australia), “Marine Rotational Force—Darwin,” <https://www.defence.gov.au/initiatives/usfpi/Home/MRF-D.asp>.

in Australia, highlighting Australia's increasing geopolitical importance to the United States.¹⁰

New Zealand

As with Australia, New Zealand's geographic isolation has been largely a strategic advantage. Yet, despite alignment under the 1951 Australia, New Zealand, United States (ANZUS) Treaty, New Zealand has had a cooler relationship with the United States, partly owing to Wellington's pursuit of an "independent foreign policy." This distance was enhanced in 1986 when the United States suspended its alliance obligations to assist New Zealand if it is attacked after Wellington refused to allow a U.S. vessel to visit. This refusal arose because no assurance was made that the vessel was not carrying nuclear weapons, which contradicted New Zealand's anti-nuclear policy. Following this, New Zealand was no longer given access to U.S. military intelligence and hardware, exchange visits and military exercises stopped, and the U.S. Congress threatened economic sanctions.

Relations began improving in 2001 after New Zealand sent special forces to assist military operations in Afghanistan, and over the last decade the United States and New Zealand have made a concerted attempt to rebuild their diplomatic and defense ties. The 2010 Wellington Declaration declared the countries "strategic partners" and recognized that they share an interest in "maintaining peace, prosperity, and stability" advanced through "practical cooperation in the Pacific region."¹¹ Two years later, the Washington Declaration focused on high-level dialogue and "deployable capabilities" in areas such as maritime security, humanitarian assistance and disaster relief (HADR), and multilateral cooperation.¹² Subsequently, the United States reinstated almost all military cooperation, including resuming military

¹⁰ "The Australia-U.S. Ministerial Consultations Joint Statement: An Unbreakable Alliance for Peace and Prosperity," September 17, 2021, <https://www.foreignminister.gov.au/minister/marise-payne/media-release/australia-us-ministerial-consultations-joint-statement-unbreakable-alliance-peace-and-prosperity>.

¹¹ "Wellington Declaration on a New Strategic Partnership between New Zealand and the United States," U.S. State Department, Press Release, November 4, 2010, <https://2009-2017.state.gov/r/pa/prs/ps/2010/11/150401.htm>.

¹² "Washington Declaration on Defense Cooperation between the Department of Defense of the United States of America and the Ministry of Defence of New Zealand and the New Zealand Defence Force," U.S. Department of Defense and Ministry of Defence (New Zealand), June 2012, <http://media.nzherald.co.nz/webcontent/document/pdf/201225/washington%20declaration%20on%20defense%20cooperation.pdf>.

exercises in 2010. In 2021, the Biden and Ardern administrations referred to the relationship as a “close partnership.”¹³

The Biden administration has signaled its intent to build a coalition of maritime democracies in the broader region. As reflected in the AUKUS security partnership, the United States sees Australia as central to its plan to bring its alliances and partnerships together in a “networked security architecture” in the Indo-Pacific.¹⁴ Australia is also a member of the Quad, along with the United States, Japan, and India, while New Zealand is a key partner and member of the Quad Plus grouping. Furthermore, as parties to the multilateral UKUSA Agreement, New Zealand and Australia belong to the Five Eyes intelligence partnership that cooperates on signal intelligence along with the United States, Canada, and the UK.

Pacific Island States

The United States perceives that Pacific Island states and territories play a critical role in helping to “preserve a free and open Indo-Pacific region.”¹⁵ This is particularly the case with respect to the Freely Associated States (Federated States of Micronesia, Marshall Islands, and Palau) and U.S. territories (Guam and the Northern Mariana Islands). The U.S. arrangements with these entities give the United States unfettered military access to their territory, territorial waters, and exclusive economic zones (EEZs). In fact, the Freely Associated States have been described as a “power-projection superhighway running through the heart of the North Pacific into Asia, connecting U.S. military forces in Hawaii to those in theater, particularly to forward-operating positions on the U.S. territory of Guam.”¹⁶ This highlights how the Pacific Islands region is vital to maintaining sea lines of communication with Southeast Asia, Australia, and New Zealand and providing a strategic buffer and route for U.S. power projection. The region is likewise critical to potential U.S. adversaries’ capacity to project naval power in the Pacific Ocean, as demonstrated by Japan’s advance during World War II.

Kwajalein Atoll in the Marshall Islands hosts the Ronald Reagan Ballistic Missile Defense Test Site and the U.S. Space Force’s Space Fence program.

¹³ “Minister of Foreign Affairs Nanaia Mahuta’s Call with U.S. Secretary of State Antony J. Blinken,” Ministry of Foreign Affairs and Trade (New Zealand), January 30, 2021, <https://www.mfat.govt.nz/en/media-and-resources/news/minister-foreign-affairs-nanaia-mahuta-call-us-secretary-state-blinken-readout-30-jan-2021>.

¹⁴ U.S. Department of Defense, *Indo-Pacific Strategy Report: Preparedness, Partnerships, and Promoting a Networked Region* (Washington, D.C., June 2019), 44, <https://media.defense.gov/2019/Jul/01/2002152311/-1/-1/1/department-of-defense-indo-pacific-strategy-report-2019.pdf>.

¹⁵ *Ibid.*, 40.

¹⁶ Derek Grossman et al., *America’s Pacific Island Allies: The Freely Associated States and Chinese Influence* (Santa Monica: RAND Corporation, 2019), 1.

Along with U.S. military presence in Hawaii and Guam, these bases are supplemented by fixed or rotational forces in Australia, PNG, and Palau. This may expand further under the Pacific Deterrence Initiative outlined in the 2021 U.S. defense budget, which could include a tactical multi-mission over-the-horizon radar in Palau and a revamped Guam Defense System.

The U.S.-China Economic and Security Review Commission has cautioned that China's influence "could threaten the U.S. Compact of Free Association agreements with Palau, the Marshall Islands, and the Federated States of Micronesia over the long term."¹⁷ Accordingly, in 2019 the United States articulated a Pacific Pledge of the Indo-Pacific Strategy to enhance its relationships in the region.¹⁸ Senior U.S. officials have visited the region more regularly—e.g., Vice President Mike Pence attended the 2018 Asia-Pacific Economic Cooperation (APEC) Summit in PNG and Defense Secretary Mark Esper visited Palau and Guam in 2020—and the United States has more actively engaged in multilateral diplomacy, including high-level representation at the PIF in 2019. The United States has also increased its military deployments, such as by expanding its base in Guam and its Shiprider fisheries-monitoring program.¹⁹ In October 2020, the then president of Palau, Tommy Remengesau, invited the United States to establish a permanent military presence facilitated by the Compact of Free Association (though Washington has not yet responded at the time of writing). The United States has also increased its aid, trade, and investment ties.

While Australia and New Zealand differ in their policies—particularly with respect to climate change—as natural allies they tend to work together in Oceania. Both have been keen to re-anchor the United States to the region. At the 2019 Australia-U.S. Ministerial Consultations, U.S. and Australian leaders pledged to "strengthen their cooperation with Pacific Island partners," which they reaffirmed in 2021.²⁰ Cognizant that the United States and others perceive that Australia has a "special responsibility" in the Pacific Islands, and reflecting concerns that its influence in the region was declining, then prime minister Malcolm Turnbull in 2017 committed Australia to stepping

¹⁷ Ethan Meick, Michelle Ker, and Han May Chan, "China's Engagement in the Pacific Islands: Implications for the United States," U.S.-China Economic and Security Review Commission, June 14, 2018, 1, <https://www.uscc.gov/sites/default/files/Research/China-Pacific%20Islands%20Staff%20Report.pdf>.

¹⁸ U.S. Department of State, "U.S. Engagement in the Pacific Islands: UN General Assembly Update," October 3, 2019, <https://au.usembassy.gov/u-s-engagement-in-the-pacific-islands-un-general-assembly-update>.

¹⁹ The Shiprider program involves bilateral agreements that allow the defense and law-enforcement officials of partner Pacific Island states to embark on U.S. Coast Guard and U.S. Navy vessels to observe, board, and search vessels suspected of violating laws or regulations within their EEZs or on the high seas.

²⁰ "The Australia-U.S. Ministerial Consultations Joint Statement."

up its engagement in the Pacific.²¹ This was also driven by concerns about BRI lending and the presence of the Chinese company Huawei in the region. In 2018, Prime Minister Scott Morrison said this “Pacific step-up” would include initiatives focused on enhancing development, security, and diplomatic and people-to-people links.²² A dedicated cross-agency Office of the Pacific has overseen implementation of the step-up, which has increased infrastructure funding, including AU\$2 billion to an Australian Infrastructure Financing Facility for the Pacific and an extra AU\$1 billion to the Export Finance and Insurance Corporation. Major infrastructure projects such as the Coral Sea Cable System connecting PNG and Solomon Islands to Australia have sought to prevent Huawei from gaining a foothold in the region, though PNG has contracted the Chinese company to construct its domestic internet cable.²³

Australia’s step-up has a strong security dimension, partly driven by a desire to increase U.S. engagement in the region but also focused on countering China’s growing presence. Australia has committed to maintaining a larger military presence, including through partnering with the United States to redevelop Lombrum naval base on Manus Island in PNG. It has also created the Australia Pacific Security College at Australian National University in Canberra to strengthen the capacity of Pacific Island security officials. Furthermore, in October 2020 the government announced that the Pacific Fusion Centre, which had been installed in Canberra on an interim basis to promote regional domain awareness, would be permanently established in Vanuatu.²⁴ Australia has agreed to redevelop Fiji’s Blackrock Peacekeeping and Humanitarian Assistance and Disaster Relief Camp. There has been a palpable shift in Canberra to emphasize Pacific Island states’ security priorities, particularly those identified in the PIF’s 2018 Boe Declaration on Regional Security, to which Australia is a signatory. Australia is the main provider of HADR and is the top provider of official development assistance

²¹ Malcolm Turnbull, “Pacific Islands Forum in Samoa,” Prime Minister of Australia, September 6, 2017, <https://pmtranscripts.pmc.gov.au/release/transcript-41165>; and Malcolm Turnbull, “Remarks at Pacific Island Forum—Micronesia,” Prime Minister of Australia, September 9, 2016, <https://www.malcolmturnbull.com.au/media/remarks-at-pacific-island-forum-micronesia>.

²² Scott Morrison, “Australia and the Pacific: A New Chapter,” Prime Minister of Australia, November 8, 2018, <https://www.pm.gov.au/media/address-australia-and-pacific-new-chapter>.

²³ Department of Foreign Affairs and Trade (Australia), “Strengthening Our Pacific Partnerships,” <https://www.dfat.gov.au/geo/pacific/engagement/Pages/strengthening-our-pacific-partnerships>.

²⁴ Marisa Payne and Marc Ati, “Pacific Fusion Centre to Be Established in Vanuatu,” Minister of Foreign Affairs (Australia), October 19, 2020, <https://www.foreignminister.gov.au/minister/marise-payne/media-release/pacific-fusion-centre-be-established-vanuatu>.

to Pacific Island states.²⁵ It also has conducted interventions to respond to political instability, including in Bougainville (1997–2003), Solomon Islands (2003–13), and Nauru (2005–10).

As the other regional power perceived to have a special role in the Pacific Islands, New Zealand in 2018 announced a “Pacific reset” to deepen its regional involvement. This reset has included an enhanced aid program, increased diplomatic posts, significant defense policy shifts, and a continuation of labor mobility programs.²⁶ New Zealand identifies as part of the same geographic region and cultural sphere as Pacific Island states, and the fact that one in five New Zealanders has Māori or Pasifika heritage has reinforced the country’s “identity as a Pacific nation at all levels of social, cultural, and political involvement.”²⁷ New Zealand also has constitutional arrangements with several Polynesian states, some level of control over the foreign affairs of Cook Islands and Niue, and even greater control over Tokelau. Notably, three referendums have been held in Tokelau in which voters have overwhelmingly opted to remain linked to New Zealand.

In 2018, an annual Pacific security trilateral dialogue between Australia, New Zealand, and the United States was established to identify issues of shared concern and complementary capability. In the same year, New Zealand asked the United States to engage more in the region,²⁸ as “foundational democratic values” were “increasingly being challenged in the Pacific.”²⁹ The United States is collaborating with Australia, New Zealand, and Japan in the PNG Electrification Partnership to increase the proportion of PNG’s population connected to the electrical grid from 13% to 70% by 2030.³⁰ The Better Utilization of Investments Leading to Development (BUILD) Act passed in late 2018 by the U.S. Congress may also allow the United States to use infrastructure financing as a tool of influence. This capability may be

²⁵ Joanne Wallis et al., “Mapping Security Cooperation in the Pacific Islands,” Australian National University, Department of Pacific Affairs, June 10, 2021; and “ODA to Oceania—Summary,” Organisation for Economic Co-operation and Development (OECD), <https://www.oecd.org/dac/financing-sustainable-development/development-finance-topics/Oceania-Development-Aid-at-a-Glance-2021.pdf>.

²⁶ Winston Peters, “‘Shifting the Dial,’ Eyes Wide Open, Pacific Reset” (address delivered at the Lowy Institute, Sydney, March 1, 2018), <https://www.lowyinstitute.org/publications/winston-peters-new-zealand-pacific>.

²⁷ Parliament of Australia, “A Pacific Engaged: Australia’s Relations with Papua New Guinea and the Island States of the South-West Pacific,” 2003, 231.

²⁸ Winston Peters, “Pacific Partnerships” (address at Georgetown University, Washington D.C., December 15, 2018), <https://www.beehive.govt.nz/speech/pacific-partnerships-georgetown-address-washington-dc>.

²⁹ Winston Peters (speech to U.S.-NZ Council, Washington, D.C., October 25, 2019), <https://www.beehive.govt.nz/speech/us-nz-council-speech>.

³⁰ “The Papua New Guinea Electrification Partnership,” November 18, 2018, <https://www.mofa.go.jp/mofaj/files/000420447.pdf>.

enhanced by the Build Back Better World partnership that the United States announced with other G-7 leaders at their 2021 summit, at which Australia was an observer. Congress is also considering the Boosting Long-term U.S. Engagement in the Pacific Act (BLUE Pacific Act) and the Honoring Our Commitment to Elevate America’s Neighbor Islands and Allies Act (Honoring OCEANIA Act), both of which seek to enhance the United States’ diplomatic, development, and security role in the region. Australia reportedly assisted in writing these bills.³¹

National Trajectories

Strategic competition is an important causal factor affecting the national trajectories and security outlooks of the Oceanic states. One of the biggest challenges for regional states is the frequent misalignment of their security and economic interests, with most looking to the United States and its partners for security (or at least for the stability of the rules-based order) and China for economic prosperity. Trade dependence on China has rendered many Oceanic states vulnerable to Beijing’s geoeconomic statecraft, including the strategic implications of BRI, ongoing dependence on the Chinese market in key industries, gray-zone tactics in the maritime domain, and the swath of economic sanctions applied to Australia starting in 2020.

The Oceanic states are responding differently to these pressures. Australia has emphasized the importance of the rules-based order in the Indo-Pacific. While New Zealand has historically tended toward strategic ambiguity, this approach is changing. Pacific Island leaders, such as former PIF secretary general Dame Meg Taylor, have attempted to neutralize narratives of strategic competition by rejecting “the terms of the dilemma which presents the Pacific with a choice between a China alternative and our traditional partners.”³² Regionally, Pacific Island states have emphasized their nontraditional security interests and the Blue Pacific narrative of strategic autonomy vis-à-vis not just China but also the United States, Australia, New Zealand, and other countries. While rumors of potential defense alignments frequently follow announcements that Pacific Island states have signed on for BRI, nothing substantive has materialized. In fact, several Micronesian states have sought to expand their defense relationships with the United States, with Palau and the

³¹ Alan Tidwell, “U.S. Congress Moves to Prioritise the Pacific,” Australian Strategic Policy Institute, Strategist, June 10, 2021, <https://www.aspistrategist.org.au/us-congress-moves-to-prioritise-the-pacific>.

³² Dame Meg Taylor, “The China Alternative: Changing Regional Order in the Pacific Islands” (address to the Pacific Islands Forum, Port Vila, February 8, 2019), <https://www.forumsec.org/2019/02/12/keynote-address-by-dame-meg-taylor-secretary-general-the-china-alternative-changing-regional-order-in-the-pacific-islands>.

Federated States of Micronesia agreeing to host new U.S. bases. Furthermore, several Melanesian states have sought to enhance their security relationships with Australia. Australia signed a security treaty with Solomon Islands in 2017, a *vuvale* (friendship) partnership with Fiji in 2019, and a comprehensive strategic and economic partnership with PNG in 2020.³³ In January 2019, Australia and Vanuatu announced that they would begin negotiations on a bilateral security treaty.³⁴

Australia

While the U.S. alliance remains at the core of Australia's defense and security planning, China has been its biggest trading partner since 2007, mainly due to strong Chinese demand for Australian resources such as iron ore and coal. Given this trend, Australia agreed to a comprehensive strategic partnership and a free trade agreement with China in 2014. Until 2020, Australian leaders adopted a pragmatic approach, arguing that Australia does not have to choose because "it is in no one's interest in the Indo-Pacific to see an inevitably more competitive U.S.-China relationship become adversarial."³⁵ Australia's relationship with China, however, has deteriorated significantly in recent years. One important cause is Beijing's attempts to influence Australian domestic policy through foreign interference campaigns and economic coercion. But the worsening relationship is also partly due to China's strategic assertiveness in Taiwan and the South China Sea, mounting evidence of ethnic cleansing and cultural genocide in Xinjiang, and the rollback of freedoms in Hong Kong. As a result, pragmatism has replaced sovereign resilience as the central tenet of Australian foreign and strategic policy, with a view to the gray-zone security threats presented by China, particularly interference in domestic political, economic, and cyber arenas. Australia has been increasingly willing to publicly push back against China and seek to bandwagon more explicitly with the United States. In 2018, Australia adopted legislation aimed at countering foreign interference

³³ "Solomon Islands: Bilateral Security Treaty," Department of Foreign Affairs and Trade (Australia), August 14, 2017, <https://www.dfat.gov.au/geo/solomon-islands/Pages/Bilateral-security-treaty>; "Fiji-Australia Vuvale Partnership," Department of Foreign Affairs and Trade (Australia), September 16, 2019, <https://www.dfat.gov.au/sites/default/files/fiji-australia-vuvale-partnership.pdf>; and "Papua New Guinea–Australia Comprehensive Strategic and Economic Partnership," Prime Minister of Australia, August 5, 2020, <https://www.pm.gov.au/media/papua-new-guinea-australia-comprehensive-strategic-and-economic-partnership>.

³⁴ "Joint Statement with the Prime Minister of Vanuatu," Prime Minister of Australia, January 16, 2019, <https://www.pm.gov.au/media/joint-statement-prime-minister-vanuatu>.

³⁵ Scott Morrison, "Where We Live" (Asialink Bloomberg Address, Sydney, June 26, 2019), <https://www.pm.gov.au/media/where-we-live-asialink-bloomberg-address>.

and was the first state to ban Huawei from its 5G network.³⁶ In 2020, it called for an inquiry into the origins of the virus that causes Covid-19, revoked the visas of certain Chinese nationals accused of foreign interference on national security grounds, and canceled the state of Victoria's memorandum of understanding with China under BRI as part of the sweeping 2020 Foreign Arrangements Scheme. Australia has since joined the United States (and the UK and Canada) in condemning China's actions in Hong Kong, emerged as one of most vocal critics of China's human rights abuses toward the ethnic minority Uighur population, and improved its nonofficial ties to Taiwan. Australia's 2020 *Defence Strategic Update* was consequently explicit about "China's active pursuit of greater influence in the Indo-Pacific" and the "potential for actions, such as the establishment of military bases, which could undermine stability."³⁷

Chinese officials responded to this activism with a list of fourteen grievances against Australia. Australian prime minister Scott Morrison allegedly used this list at the 2021 G-7 summit to convince leaders of the need to take a tougher stance toward China. Yet, despite Australia's stronger stance, there are concerns that Australia has no real strategy beyond continued reliance on the U.S. alliance, and doubts linger about the United States' commitment as the predominant security provider in the Indo-Pacific. During the Trump administration, anxiety that the America-first policy could result in the erosion of the U.S.-led alliance system in Asia was particularly potent. These doubts played on a "fear of abandonment" by "great and powerful friends" that has long haunted Australia's strategic imagination.³⁸ Yet, by committing to the AUKUS strategic partnership, including the joint development of nuclear-powered submarines, Australia appears to have banished its doubts, at least for the time being.

Australia's emphasis on the importance of the rules-based order had been partly aimed at avoiding taking sides in a strategic competition. Yet the country's use of the term has evolved to be more sharply critical of perceived revisionism by China and more explicitly in favor of an order based on U.S. leadership. Accordingly, Australia increasingly frames its preferred rules-based order in terms of political values such as liberalism and democracy. The 2017 *Foreign Policy White Paper* prioritized Australia's relationships with other

³⁶ Australian Government, *National Security Legislation Amendment (Espionage and Foreign Interference) Act 2018*, no. 67, June 29, 2018; Australian Government, *Foreign Influence Transparency Scheme Act 2018*, no. 63, June 29, 2018; and Australian Government, *Security of Critical Infrastructure Act 2018*, no. 29, April 11, 2018.

³⁷ Department of Defence (Australia), *2020 Defence Strategic Update* (Canberra, July 2020), 11, https://www1.defence.gov.au/sites/default/files/2020-11/2020_Defence_Strategic_Update.pdf.

³⁸ Allan Gyngell, *Fear of Abandonment: Australia in the World since 1942* (Melbourne: La Trobe University Press, 2017).

Indo-Pacific democracies, and in a June 2021 speech Morrison emphasized that Australia “must continue to demonstrate that liberal democracies work.”³⁹ Australian leaders also explicitly refer to “shared democratic values” when discussing partners such as the United States, India, Japan, and New Zealand. The pillars of Australia’s Indo-Pacific concept are peaceful resolution of disputes in accordance with international law, free and open markets and inclusive economic integration, freedom of navigation and overflight, and support for a rules-based order led by the United States.⁴⁰ Declaratory policy leaves little doubt that Australia’s vision of the U.S.-led rules-based order is also liberal in character, which is echoed in Australia’s use of the “Indo-Pacific” regional nomenclature.

Australia has also turned to minilateral groupings to pursue its strategic interests. These include the Quad and trilateral partnerships (Australia-U.S.-Japan, Australia-India-Japan, and Australia-India-Indonesia). In March 2021, the Quad held its first summit. While these groupings are dialogues rather than formal institutions, they are increasingly important forums for strategic coordination. However, they are not without risk. Quad members have differing strategic geographies, threat perceptions, and relationships with China and therefore cannot necessarily be relied on to perceive or respond to a threat in the same, or even a coordinated, way. If the Quad and other strategic partnerships become increasingly focused on defense and security issues, including joint military exercises, they may be misperceived as quasi-military alliances. This poses the risk that partners could find themselves making ambiguous political and military commitments that unintentionally draw them into future conflict. Of more concern, China could interpret their actions as threatening, thereby exacerbating its strategic vulnerability.⁴¹

New Zealand

In a similar effort to avoid taking sides in developing strategic competition, New Zealand also emphasizes the rules-based order as a foreign and defense policy priority. New Zealand has long gravitated toward multilateralism, primarily due to its status as a “small” and “principled” state rather than a great or middle power with more latitude to act bilaterally.

³⁹ Scott Morrison, “Like-Minded Countries Must Build Our Own Sovereign Capability and Resilience,” *Australian*, August 28, 2021.

⁴⁰ See, for example, Frances Adamson, “The Indo-Pacific: Australia’s Perspective,” Secretary of the Department of Foreign Affairs and Trade (Australia), April 29, 2019, <https://www.dfat.gov.au/news/speeches/Pages/the-indo-pacific-australias-perspective>.

⁴¹ Joanne Wallis, “Is It Time for Australia to Adopt a ‘Free and Open’ Middle-Power Foreign Policy?” *Asia Policy* 15, no. 4 (2020): 7–20.

Indeed, in her first foreign policy speech as prime minister, Jacinda Ardern pledged that New Zealand's approach would be characterized by "speaking up for what we believe in, standing up when our values are challenged, and working tirelessly to draw in partners with shared views."⁴² Ardern has specifically emphasized the role of multilateralism in combating climate change, arguing in 2018 that "not since the inception of the United Nations has there been a greater example of the importance of collective action and multilateralism, than climate change."⁴³

New Zealand also has a long-standing emphasis on an independent foreign policy that is grounded in "doubts that the great powers can be relied on to protect and advance this multilateral order ahead of their own selfish interests."⁴⁴ This means that while New Zealand aligns closely with the United States on some issues, it does not on others and thus has been reluctant to take positions that are explicitly oppositional to China. For example, the Five Eyes intelligence-sharing partnership is increasingly being presented as a broader strategic, and potentially economic, partnership. While New Zealand's declaratory policy highlights the importance of close engagement with its Five Eyes partners, in 2021, Foreign Minister Nanaia Mahuta warned against using the partnership to pressure China, stating that New Zealand is "uncomfortable with expanding the remit of the Five Eyes Relationship."⁴⁵ After China unilaterally declared an air defense identification zone in the East China Sea in 2013, New Zealand declined to join Australia, the United States, Japan, and other regional states in protesting the declaration.

New Zealand's rhetoric on China has emerged as a source of tension with Australia, which intensified when Mahuta suggested in December 2020 that New Zealand could be a mediator between Australia and China.⁴⁶ New Zealand's trade minister Damien O'Connor also suggested that Australia

⁴² Jacinda Ardern (speech to New Zealand Institute of International Affairs, Wellington, February 27, 2018), <https://www.beehive.govt.nz/speech/speech-new-zealand-institute-international-affairs-2>.

⁴³ Jacinda Ardern, "New Zealand National Statement to United Nations General Assembly" (New York, September 28, 2018), <https://www.beehive.govt.nz/speech/new-zealand-national-statement-united-nations-general-assembly>.

⁴⁴ Robert Ayson, "New Zealand and the Great Irresponsibles: Coping with Russia, China and the U.S.," *Australian Journal of International Affairs* 74, no. 4 (2020): 456; and Malcolm McKinnon, *Independence and Foreign Policy: New Zealand in the World since 1935* (Auckland: Auckland University Press, 1993).

⁴⁵ Stephen Dziedzic, "New Zealand 'Uncomfortable with Expanding the Remit' of Five Eyes, Says Foreign Minister," ABC News (Australia), April 19, 2021, <https://www.abc.net.au/news/2021-04-19/new-zealand-five-eyes-intelligence-sharing-china-australia/100078834>.

⁴⁶ Praveen Menon, "New Zealand Says Willing to Be Arbitrator in Australia-China Spat," Reuters, December 15, 2020, <https://www.reuters.com/article/newzealand-politics-mahuta-idUSKBN28P0GC>.

should speak with “more diplomacy” and “respect” toward China,⁴⁷ generating condemnation within Australian foreign policy circles. In May 2021, Prime Minister Ardern’s government refrained from using “genocide” to describe China’s abuses against its Uighur population.⁴⁸ Yet, while the *Strategic Defence Policy Statement 2018* remained hopeful that China would contribute to the rules-based order, it also suggested that New Zealand was willing to take a harder line on Chinese activism, particularly in the East and South China Seas.⁴⁹

While New Zealand at times may appear soft on China, Ardern has promised that her government will stand up for New Zealand’s values internationally, and it has been more willing to call out Beijing’s irresponsibility than previous governments. Ardern’s tougher stance has been aided by the willingness of her cabinet officials to challenge China, supported by elements of the public service and broader public opinion. As China’s behavior in Xinjiang and the South and East China Seas has become more problematic, the Ardern government has gained more room to be critical. In 2018, the Government Communications Security Bureau rejected a proposal from a local company, Spark, to use Huawei equipment in its bid for the statewide 5G internet upgrade due to security risks, although it was reluctant to implement an outright ban on the Chinese telecom company.⁵⁰ New Zealand has also taken steps to regulate foreign investment, including banning foreign buyers from acquiring existing homes.⁵¹ In addition, it signed a joint letter to the UN Human Rights Council expressing concern about China’s detention practices in 2019, signed a separate letter about China’s practices in Xinjiang in 2020, and condemned China for hacking Microsoft in 2021.⁵²

Over the past decade, New Zealand–U.S. security relations have moved beyond historical disagreements on nuclear policy. New Zealand’s

⁴⁷ Anthony Galloway, “NZ Trade Minister Suggests Australia Should Speak with ‘More Diplomacy’ in Dealings with China,” *Sydney Morning Herald*, January 28, 2021, <https://www.smh.com.au/politics/federal/nz-trade-minister-suggests-australia-should-speak-with-more-diplomacy-in-dealings-with-china-20210128-p56xex.html>.

⁴⁸ Tess McClure, “New Zealand Draws Back from Calling Chinese Abuses of Uyghurs Genocide,” *Guardian*, May 4, 2021, <https://www.theguardian.com/world/2021/may/04/new-zealand-draws-back-from-calling-chinese-abuses-of-uyghurs-genocide>.

⁴⁹ Ministry of Defence (New Zealand), *Strategic Defence Policy Statement 2018* (Wellington, July 2018), 20, <https://defence.govt.nz/assets/Uploads/8958486b29/Strategic-Defence-Policy-Statement-2018.pdf>.

⁵⁰ “Minister: GCSB Decision about Risk Assessment, Not China,” Radio New Zealand, November 29, 2018, <https://www.rnz.co.nz/news/political/377048/minister-gcsb-decision-about-risk-assessment-not-china>.

⁵¹ Parliament of New Zealand, *Overseas Investment Amendment Act 2018*, no. 25, August 22, 2018, <https://www.legislation.govt.nz/act/public/2018/0025/latest/DLM7512906.html>.

⁵² Max Walden, “Australia Joins UK, Japan in Expressing Concern over China’s Treatment of Uyghurs, Hong Kong,” ABC News (Australia), June 30, 2020, <https://www.abc.net.au/news/2020-07-01/australia-statement-condemn-china-over-hong-kong-uyghur-abuses/12409268>.

Defence White Paper 2016 described its engagement with the United States as having “reached a depth and breadth not seen in 30 years.”⁵³ Bilateral and multilateral military-to-military exercises have increased since the Wellington Declaration. In 2016, the USS *Sampson* visited New Zealand to provide HADR to communities affected by the Kaikoura earthquake in the first bilateral ship visit in more than 30 years. The visit was viewed as a confirmation of a de facto alliance.⁵⁴ New Zealand now participates in the U.S.-led Rim of the Pacific (RIMPAC) exercise that promotes interoperability among participating navies. The recent procurement of the Boeing P-8A aircraft was partly justified as a means for New Zealand to carry out operations independently and in concert with partners such as the United States.⁵⁵ The two countries coordinate capacity-building efforts to prevent illegal, unreported, and unregulated fishing in Pacific Island states’ EEZs; participate in joint HADR exercises in the region; and partner on Antarctic scientific operations (driven by concerns about China’s rising influence in the area). There are also two U.S. military bases in New Zealand. Moreover, the Biden and Ardern administrations share interests in pressing for greater climate action on the international stage, in contrast with Australia’s Morrison government.

While New Zealand has moved closer to the United States on security, its rhetoric continues to express a preference for independence. Foreign Minister Mahuta’s first two major foreign policy speeches in 2021 suggested a cautious approach to strategic competition.⁵⁶ Reflecting this, until recently New Zealand resisted using the term “Indo-Pacific,” given its connotation of a U.S.-led rules-based order. In 2018, New Zealand began to refer to the region as the Indo-Pacific, but only in some circumstances and with the caveat that it would only participate in Indo-Pacific initiatives when “principles of inclusivity and openness applied.”⁵⁷ This has been characterized as New

⁵³ Ministry of Defence (New Zealand), *Defence White Paper 2016* (Wellington, June 2016), <https://www.defence.govt.nz/publications/publication/defence-white-paper-2016>.

⁵⁴ Benjamin Schaare, Christopher Doyle, and Murray Hiebert, “In from the Cold: U.S.-New Zealand Ties Returning to Normal,” National Bureau of Asian Research, Special Report, no. 49, December 10, 2014, <https://www.nbr.org/publication/in-from-the-cold-u-s-new-zealand-ties-returning-to-normal>.

⁵⁵ Ministry of Defence (New Zealand), *Defence Capability Plan 2019* (Wellington, June 2019), <https://www.defence.govt.nz/publications/publication/defence-capability-plan-2019>.

⁵⁶ Nanaia Mahuta, “Inaugural Foreign Policy Speech to Diplomatic Corps,” Ministry of Foreign Affairs (New Zealand), February 4, 2021, <https://www.beehive.govt.nz/speech/inaugural-foreign-policy-speech-diplomatic-corps>; and Nanaia Mahuta, “He Taniwha he tipua, he tipua he Taniwha—The Dragon and the Taniwha,” Ministry of Foreign Affairs (New Zealand), April 19, 2021, <https://www.beehive.govt.nz/speech/%E2%80%9CHe-taniwha-he-tipua-he-tipua-he-taniwha-dragon-and-taniwha%E2%80%9D>.

⁵⁷ Robert Ayson, “New Zealand: A Re-elected Government with Less Appetite for Geopolitics,” in *CSCAP Regional Security Outlook 2021*, ed. Ron Huiskens (Canberra: Council for Security Cooperation in the Asia Pacific, 2020), 3.

Zealand “avoiding new groupings that were established deliberately to exclude others in the Asia-Pacific region, especially China.”⁵⁸ However, in 2020, in the context of responding to the Covid-19 pandemic, New Zealand began to participate in talks with “coalitions of the trusted” such as Australia, the United States, India, Japan, and Vietnam, which have been described as looking “remarkably like a Quad Plus affair.”⁵⁹

Pacific Island States

The national trajectories of the Pacific Island states have been shaped by U.S.-China strategic competition within the region and the broader Indo-Pacific, but this competition has generated differing responses. For example, in the 2018 Boe Declaration, PIF member states recognized the “dynamic geopolitical environment leading to an increasingly crowded and complex region” and committed their governments to “pursue our collective security interests.”⁶⁰ However, island state leaders do not necessarily share the same perspectives on the geopolitical environment. Palau, the Marshall Islands, and the Federated States of Micronesia have the Compacts of Free Association with the United States, providing them considerable economic support and immigration access in exchange for U.S. defense access and protection. The Cook Islands and Niue have similar relationships with New Zealand. Furthermore, the region still includes several colonies. American Samoa, the Northern Mariana Islands, and Guam are U.S. territories; New Caledonia, French Polynesia, and Wallis and Futuna are French overseas collectivities; Tokelau is held by New Zealand; and the Pitcairn Islands is a British overseas territory.

In their Blue Pacific narratives, Pacific Island states have emphasized their strategic autonomy in coping with increased competition. Due to its already apparent impact on sea-level rise and the frequency and destructiveness of natural disasters, climate change is instead framed as the most significant challenge shaping their national trajectories and “the single greatest threat to the livelihoods, security and wellbeing of the peoples of the Pacific.”⁶¹

China has gradually developed its diplomatic and economic presence in the Pacific Islands over the last 40 years, primarily in the context of its

⁵⁸ Ayson, “New Zealand,” 3.

⁵⁹ *Ibid.*, 3.

⁶⁰ Pacific Islands Forum, “Boe Declaration on Regional Security,” September 5, 2018, <https://www.forumsec.org/2018/09/05/boe-declaration-on-regional-security>.

⁶¹ “Pacific Islands Forum Statement for the High-Level Open Debate of the UN Security Council on ‘Climate and Security,’” Permanent Mission of Tuvalu to the United Nations, July 24, 2020, https://www.un.int/tuvalu/statements_speeches/pacific-islands-forum-statement-high-level-open-debate-un-security-council-

competition with Taiwan for diplomatic recognition. In 2019, Beijing persuaded Solomon Islands and Kiribati to switch their diplomatic recognition to China, reducing the number of Pacific Island states that have diplomatic relations with Taiwan to four (Nauru, Palau, Marshall Islands, and Tuvalu). This competition for diplomatic recognition and the related alleged corruption of local politicians have political ramifications. Although there is no evidence that either Chinese or Taiwanese actors actively incited post-election riots in Solomon Islands and Tonga in 2006, their perceived corruption of local politicians and officials exacerbated existing grievances.⁶² There are signs that the competition is again heating up, with reports of a physical altercation between Chinese and Taiwanese diplomats in Fiji in October 2020.⁶³

The United States, Australia, and New Zealand are concerned that the upsurge in Chinese diplomacy—President Xi Jinping, for example, visited Fiji in November 2014 and attended the APEC summit in PNG in 2018, where he held a side meeting with the Pacific Island states with which China has relationships—may give China a strategic edge. In April 2018, China was reportedly in talks to build a military base in Vanuatu, though both governments denied these reports. In September 2019 a Chinese company had sought to lease the small island of Tulagi in Solomon Islands, home to a former Japanese naval base, though Solomon Islands vetoed the lease.⁶⁴ China has also offered to develop Kiribati's transshipment hubs and fish processing plants in the strategically useful Line and Phoenix group and integrate BRI into its twenty-year vision development plan. China's 2014–15 *Blue Book of Oceania* specifically notes that the Pacific Ocean is the only sea route between China, on the one hand, and South America, Antarctica, Australia, and New Zealand, on the other, as well as its “second and third island chains of defense.”⁶⁵ Although there is no precise definition of these chains, most include the Micronesian subregion in the second island chain and Melanesia

⁶² Jon Fraenkel, *The Manipulation of Custom: From Uprising to Intervention in the Solomon Islands* (Wellington: Victoria University Press, 2004); and Matthew G. Allen, *Greed and Grievance: Ex-Militants' Perspectives on the Conflict in Solomon Islands, 1998–2003* (Honolulu: University of Hawaii Press, 2013).

⁶³ Ben Doherty et al., “Taiwan Official in Hospital after Alleged ‘Violent Attack’ by Chinese Diplomats in Fiji,” *Guardian*, October 19, 2020, <https://www.theguardian.com/world/2020/oct/19/taiwan-official-in-hospital-after-alleged-violent-attack-by-chinese-diplomats-in-fiji>.

⁶⁴ “Solomons’ Government Vetoes Chinese Attempt to Lease an Island,” *Guardian*, October 25, 2019, <https://www.theguardian.com/world/2019/oct/25/solomons-government-vetoes-chinese-attempt-to-lease-an-island>.

⁶⁵ Chang Sen Yu, “The Pacific Islands in China’s Strategy for the 21st Century,” in *2014–2015 Dayangzhou lanpi shu* [2014–2015 Blue Book of Oceania], ed. Chang Sen Yu, 2nd ed. (Beijing: Social Sciences Academic Press, 2015). See also Graeme Smith and Denghua Zhang, “China’s Blue Book of Oceania,” Australian National University, Department of Pacific Affairs, 2015, http://dpa.bellschool.anu.edu.au/sites/default/files/publications/attachments/2016-07/ib2015.70_smith_and_zhang.pdf.

and part of Polynesia in the third.⁶⁶ Kiribati's reversal to recognize China is likely to result in the satellite-tracking station that China built there in 1997 being updated and returned to operation. Beijing had mothballed the station when Kiribati recognized Taiwan in 2003.⁶⁷

According to former PIF secretary general Dame Meg Taylor, “if there is one word that might resonate amongst all Forum members when it comes to China, that word is access. Access to markets, technology, financing, infrastructure. Access to a viable future.”⁶⁸ Several Pacific Island leaders have expressed disquiet about the increased focus of Australia, the United States, and other partners on strategic competition in Oceania. In 2018, Samoan prime minister Tuilaepa Sailele Malielegaoi described it as a “form of strategic manipulation” because the “big powers are doggedly pursuing strategies to widen and extend their reach and inculcating a far reaching sense of insecurity.”⁶⁹ Pacific Island leaders are particularly concerned about the implication that their states will inevitably have to make a strategic choice.⁷⁰

Nonetheless, some Pacific Island states have shrewdly exploited strategic competition to pursue their own priorities, including greater aid, concessional loans, military assistance, and international influence. Even Taylor has suggested that “perhaps the time is now right to leverage the geopolitical interests and opportunities that are available to us to advocate for and secure our maritime interests into perpetuity.”⁷¹ There have been efforts by Pacific Island states to use regional groupings to respond to strategic competition. PIF leaders, for example, adopted the Framework for Pacific Regionalism in 2015 to strengthen the forum's ability to act as a platform for regional dialogue. Since 2017, they have adopted the Blue Pacific concept to describe “a long-term Forum foreign policy commitment to act as one ‘Blue Continent.’”⁷²

⁶⁶ Andrew S. Erickson and Joel Wuthnow, “Barriers, Springboards and Benchmarks: China Conceptualizes the Pacific ‘Island Chains,’” *China Quarterly* 225 (2016): 1–22.

⁶⁷ Michelle Nichols, “China Restores Ties with Kiribati, Site of Space Tracking Station,” Reuters, September 27, 2019, <https://www.reuters.com/article/us-china-kiribati-idUSKBN1WC2KB>.

⁶⁸ Taylor, “The China Alternative.”

⁶⁹ Tuilaepa Sailele Malielegaoi (address delivered at the Lowy Institute, Sydney, August 30, 2018), <https://www.loyyinstitute.org/publications/speech-hon-prime-minister-tuilaepa-sailele-malielegaoi-pacific-perspectives-new>.

⁷⁰ Taylor, “The China Alternative.”

⁷¹ Dame Meg Taylor, “Introductory Statement by the Secretary General to the Pacific Islands Forum at the Regional Conference on Securing the Limits of the Blue Pacific: Legal Options and Institutional Responses to the Impacts of Sea Level Rise on Maritime Zones, in the Context of International Law,” Pacific Islands Forum, September 9, 2020, <https://www.forumsec.org/2020/09/09/introductory-statement-by-the-secretary-general-to-the-pacific-islands-forum-at-the-regional-conference-on-securing-the-limits-of-the-blue-pacific-legal-options-and-institutional-responses-to-the-imp>.

⁷² Pacific Islands Forum, “Forty-Eighth Pacific Islands Forum: Forum Communiqué,” September 8, 2017, https://www.forumsec.org/wp-content/uploads/2018/02/Final_48-PIF-Communique_2017_14Sep17.pdf.

The 2019 PIF communiqué set out “Blue Pacific principles” that emphasize among other things “regional priorities,” a “partnership approach,” and “collective outcomes and impact.”⁷³ Taylor has argued that the Blue Pacific concept should encourage Pacific Island states to exercise “stronger strategic autonomy,” understand “the strategic value of our region,” and “maintain our solidarity in the face of those who seek to divide us.”⁷⁴

The three subregions have also created the Melanesian Spearhead Group (formed in 1988, institutionalized in 2007), the Polynesian Leaders Group (formed in 2011), and the Micronesian Presidents’ Summit (formed in 1994). As the oldest, the Melanesian Spearhead Group is the most formal of the three. It has a secretariat building in Port Vila, Vanuatu, that was funded by China, and its members have agreed to create a free trade area and a scheme for the movement of skilled labor, though neither has yet borne fruit. Almost every independent head of state in the Pacific Islands attends the annual PIF leaders’ meetings, which suggests that the forum remains the region’s preeminent political and security organization. Still, the subregional groupings are changing the PIF’s dynamics. In October 2020, Micronesian Presidents’ Summit leaders agreed to suspend their participation in the PIF if their preferred candidate, Gerald Zackios, the Marshall Islands’ ambassador to the United States, was not appointed the next PIF secretary general. They also agreed to establish a secretariat in Nauru.⁷⁵ At the special PIF leaders’ meeting in February 2021, Zackios was narrowly defeated by former Cook Islands prime minister Henry Puna, motivating Micronesian leaders to express a collective intent to withdraw from the PIF. As the PIF agreement provides a twelve-month waiting period between when an intention to withdraw is announced and when it takes effect, there is a significant diplomatic effort across the region to encourage Micronesian states to remain in the forum.

Pacific Island states historically used the PIF as the basis for the Pacific Group at the United Nations. Since post-coup Fiji was suspended from the PIF in 2009 (a suspension that was lifted in 2014), they have consolidated into the Pacific Small Island Developing States grouping without Australia and New Zealand. A more active “new Pacific diplomacy” has boosted the Pacific Island states’ international influence and contributed to the passage of the first UN climate change resolution in 2009, the insertion of stand-alone Sustainable

⁷³ Pacific Islands Forum, “Fiftieth Pacific Islands Forum: Forum Communiqué,” August 16, 2019, <https://www.forumsec.org/wp-content/uploads/2019/08/50th-Pacific-Islands-Forum-Communique.pdf>.

⁷⁴ Dame Meg Taylor (keynote address to the Pacific Islands Forum, Canberra, September 8, 2018), <https://www.forumsec.org/2018/09/10/keynote-address-by-secretary-general-meg-taylor-to-the-2018-state-of-the-pacific-conference>.

⁷⁵ Bernadette Carreon, “Micronesian Nations to Withdraw from Forum If Concerns Not Heeded,” Radio New Zealand, October 4, 2020, <https://www.rnz.co.nz/international/pacific-news/427562/micronesian-nations-to-withdraw-from-forum-if-concerns-not-heeded>.

Development Goals on oceans and climate change in 2015, the renaming of the Asia Group to the Group of Asia and the Pacific Small Island Developing States (or Asia-Pacific Group for short), and the election of Pacific Islanders to key positions.⁷⁶ For example, Fijian diplomat Peter Thomson was elected as president of the UN General Assembly in 2016, and Fiji's ambassador to the United Nations, Nazhat Shameem Khan, was elected as president of the UN Human Rights Council in January 2021.

National Security

Australia

The consequences of strategic competition for national security have been most significant in Australia. Since the release of the *2016 Defence White Paper*, the security outlook for Australia has deteriorated considerably. Its *2020 Strategic Defence Update* references gray-zone tactics, military bases, and new weapons that challenge Australia's capabilities, suggesting that its security posture is driven by threat perception shaped primarily by China's rising influence.⁷⁷ Australia's Indo-Pacific concept views the maritime domain as a theater of increasing strategic competition and norm contestation, which has had implications for defense planning and procurement. The 2020 Force Structure Plan promises a capability investment of AU\$75 billion to maritime security, although the AUKUS announcement has complicated these projections because the cost of acquiring nuclear-powered submarines is not yet clear.⁷⁸ Massive shipbuilding plans to acquire or upgrade up to 23 different classes of maritime vessels had been projected to cost AU\$50 billion over the next decade.⁷⁹ Indeed, Australia's defense budget grew by 9% in 2020 to AU\$42.7 billion during the first year of the pandemic.⁸⁰

Australia has also sought to augment its defense capabilities by emphasizing its alliance with the United States, but there is concern that hosting joint military facilities could make Australia a target during a U.S.-China conflict, even if it is not an active party. This highlights Australia's

⁷⁶ For further discussion, see Greg Fry and Sandra Tarte, eds., *The New Pacific Diplomacy* (Canberra: Australia National University Press, 2015).

⁷⁷ Department of Defence (Australia), *2020 Defence Strategic Update*.

⁷⁸ *Ibid.*, 37.

⁷⁹ Department of Defence (Australia), "Growing Our Shipbuilding Enterprise and Creating More Opportunities for Australian Industry," July 1, 2020, <https://www.minister.defence.gov.au/minister/melissa-price/media-releases/growing-our-shipbuilding-enterprise-and-creating-more>.

⁸⁰ Marcus Hellyer, "The Cost of Defence 2020–2021. Part 2: ASPI 2020–2021 Defence Budget Brief," Australian Strategic Policy Initiative, October 22, 2020, <https://www.aspi.org.au/report/cost-defence-2020-2021-part-2-aspi-defence-budget-brief>.

apprehension that the geographic scope of the ANZUS Treaty—the “Pacific area”—could see the country entrapped and its military resolve tested if U.S. forces in Japan, South Korea, around Taiwan, or in the South China Sea are attacked. Canberra has consistently resisted engaging in alliance activities that will potentially provoke Beijing or make it a target in an increasingly competitive region. This is despite pressure applied by U.S. officials for Canberra to conduct freedom of navigation operations in the maritime domain.

Australia has therefore sought support beyond the alliance from like-minded partners in the region. The *2017 Foreign Policy White Paper* singles out Japan, Indonesia, India, and South Korea as “central to this agenda.”⁸¹ Japan-Australia relations have become increasingly institutionalized, and efforts at security cooperation have advanced under the umbrella of their 2014 special strategic partnership. For example, the previously thorny issue of a visiting forces agreement appears on the road to resolution. In November 2020, the two countries agreed in principle to their troops conducting training and joint operations in each other’s territories.⁸² Earlier, in June 2020, the India-Australia relationship was also enhanced by a comprehensive strategic partnership, augmented with bilateral and trilateral dialogues and joint exercises. Both bilateral relationships are viewed as key pillars of Australia’s Indo-Pacific concept to deepen security and economic engagement and counterbalance China.

New Zealand

While it prefers to characterize itself as independent and autonomous, New Zealand unequivocally states that it “has no better friend than Australia.”⁸³ This reflects the fact that Australia is New Zealand’s only formal ally. Much like the Australia-U.S. arm of ANZUS, their alliance is not without problems, with Australia concerned that New Zealand lacks both sufficient resolve to contain China and a commitment to carry its share of the strategic burden. As a small state, New Zealand has less to spend on defense: Australia has 59,000 permanent defense force personnel, whereas New Zealand has only 9,000.⁸⁴ Likewise, New Zealand devotes approximately 1% of its GDP

⁸¹ Department of Foreign Affairs and Trade (Australia), *2017 Foreign Policy White Paper* (Canberra, November 2017), 4.

⁸² Kiyoshi Takenaka and Ju-min Park, “Japan, Australia Reach Security Pact amid Fears over Disputed South China Sea,” Reuters, November 17, 2020, <https://www.reuters.com/article/us-japan-australia-idUSKBN27X131>.

⁸³ Ministry of Defence (New Zealand), *Strategic Defence Policy Statement 2018*, 14, 24.

⁸⁴ Joanne Wallis and Anna Powles, “Australia and New Zealand in the Pacific: Ambiguous Allies?” *Centre of Gravity* 43 (2018): 4.

to defense, less than Australia's 2%.⁸⁵ The sophistication of New Zealand's defense technologies and capabilities has also been left behind, and Australia is able to conduct more air and maritime operations in the Pacific Islands than its neighbor. This situation has been partially corrected over the last few years. New Zealand has invested in P-8 Poseidon aircraft to replace its aging P-3 Orion maritime surveillance capability and in C-130Js to replace C-130 Hercules transport aircraft.⁸⁶ However, with New Zealand incurring significant debt during the Covid-19 pandemic, further defense acquisitions are unlikely, at least in the short term. The total defense budget for 2021–22 will be \$3.7 billion, an increase of nearly 11% over the 2020–21 budget, which had decreased by about 7% from 2019–20 due to budget cuts caused by the pandemic.⁸⁷

Pacific Island States

Maritime security is a shared interest in Oceania. The United States, France, and Australia possess the world's three largest EEZs, assisted in all cases by international legal entitlements generated in the Pacific Ocean. The United Nations Convention on the Law of the Sea (UNCLOS) also provides territorially small Pacific Island states with vast maritime zones: they have rights to over 30,569,000 square kilometers (km²) of EEZ area,⁸⁸ far exceeding their combined landmass of 552,789 km² (84% of which is PNG).⁸⁹ New Zealand's EEZ is over 4 million km², but its territorial landmass is only 268,021 km², with an extended continental shelf claim adding 1.7 million km² more area.⁹⁰ Oceanic states of course depend significantly on maritime trade: over 99% of New Zealand's and Australia's trade by volume is seaborne. Maritime resources are also vital to the economies of Pacific Island states, many of which depend on fisheries to provide revenue from licenses and access agreements, employment, and an important source of food.

The United States, Australia, New Zealand, and France coordinate via the Quadrilateral Defense Coordination Group to provide maritime surveillance

⁸⁵ Wallis and Powles, "Australia and New Zealand in the Pacific."

⁸⁶ Ayson, "New Zealand," 2.

⁸⁷ Jon Grevatt, "New Zealand's Defence Budget Returns to Growth," *Janes*, May 21, 2021, <https://www.janes.com/defence-news/news-detail/new-zealands-defence-budget-returns-to-growth>.

⁸⁸ Quentin Hanich, Clive Schofield, and Peter Cozens, "Oceans of Opportunity? The Limits of Maritime Claims in the Western and Central Pacific Region," in *Navigating Pacific Fisheries: Legal and Policy Trends in the Implementation of International Fisheries Instruments in the Western and Central Pacific Region*, ed. Quentin Hanich and Martin Tsamenyi (Wollongong: Oceans Publications, 2009), 21.

⁸⁹ Quentin Hanich and Martin Tsamenyi, "Managing Fisheries and Corruption in the Pacific Islands Region," *Marine Policy* 33, no. 2 (2009): 386–92.

⁹⁰ Ministry of Foreign Affairs and Trade (New Zealand), "Our Maritime Zones and Boundaries," <https://www.mfat.govt.nz/en/environment/oceans-and-fisheries/our-maritime-zones-and-boundaries>.

support to Pacific Island states. The key pillar of Australian maritime security in Oceania is the Pacific Maritime Security Program,⁹¹ which exists within its Defence Cooperation Program. The Pacific Maritime Security Program aims to enhance the Pacific Islands' sovereign capabilities to combat transnational maritime crimes such as illegal, unreported, and unregulated fishing and the trafficking of drugs, humans, and illegal weapons. The program commits Australia to spending US\$2 billion in the region over the next 30 years to replace Pacific patrol boats, support integrated regional aerial surveillance, and strengthen regional coordination efforts.⁹² From 2018 to 2023, Canberra will give 21 Guardian-class patrol boats to twelve Pacific Island states to replace vessels gifted between 1987 and 1997. New Zealand's *Maritime Strategic Update 2020* also aims to support initiatives under the Pacific Maritime Security Program.⁹³ The 2019 New Zealand Defence Capability Plan seeks to enhance maritime awareness capability by adding, among other capabilities, new P-8A maritime patrol aircraft, satellite surveillance, and unmanned aerial vehicles, budgeted to cost NZ\$300–NZ\$600 million.⁹⁴ In 2020, New Zealand released its new maritime security strategy, setting out a multi-agency approach to establish a whole-of-nation system that enables “comprehensive and sustainable *kaitiakitanga* (guardianship) of our maritime domain.”⁹⁵ While not explicitly naming China, the strategy document emphasizes the presence of “malicious and negligent actors” undermining international maritime rules.⁹⁶

The preoccupation of Australia and New Zealand with strategic competition has consequences for Pacific Island states. For example, part of the United States' response to the perception that China is gaining strategic influence in the Pacific Islands has been to encourage Taiwan's role in the region. Taiwan has historically had the most significant presence in the Micronesian subregion, where the United States' closest relationships and greatest geostrategic interests in the Pacific Islands are found. In October 2019, Taiwan and the United States organized the first Pacific Islands Dialogue in Taipei, which included representatives of Pacific Island states that recognize Taiwan with the aim of shoring up their support. At that meeting, Taiwanese officials warned that taking diplomatic recognition

⁹¹ Department of Defence (Australia), “Pacific Maritime Security Program,” in *Defence Annual Report 2017–2018* (Canberra, 2017), <https://www.defence.gov.au/annualreports/17-18/features/maritime.asp>.

⁹² *Ibid.*

⁹³ Ministry of Transport (New Zealand), *Maritime Security Strategy 2020* (Wellington, December 2020), <https://www.transport.govt.nz/assets/Uploads/Report/MaritimeSecurityStrategy.pdf>.

⁹⁴ Department of Defence (New Zealand), *Defence Capability Plan 2019*, 29.

⁹⁵ Ministry of Transport (New Zealand), *Maritime Security Strategy 2020*.

⁹⁶ *Ibid.*, 4.

away from Taipei risked encouraging Chinese aggression, with Minister of Foreign Affairs Joseph Wu warning that Taiwan does not “want to see the Pacific turned into another South China Sea.”⁹⁷ Sandra Oudkirk, the U.S. deputy assistant secretary of state for Australia, New Zealand, and the Pacific Islands, spoke in support of Taiwan’s regional role, which she described as a “force for good in the Pacific.”⁹⁸

However, U.S. activism on Taiwan’s diplomatic relationships in the Pacific Islands could exacerbate domestic political instability. This is most notable in Solomon Islands, where a secessionist movement in Malaita intersected with strategic competition and access to commercial opportunities. After the decision by Solomon Islands to switch recognition to China, there were protests in Malaita, the most populous province, accompanied by allegations of government corruption. The Malaita provincial government had reportedly received aid directly from Taiwan. Fueling an already combustible situation between Malaita and the central government, the United States directed US\$25 million (of a total US\$200 million) of regional aid directly to Malaita but denied that it was connected to geostrategic competition.⁹⁹

Events in Malaita show that escalating strategic competition risks exacerbating security and developmental challenges in the Pacific Islands. Pressing security challenges include the unresolved political future of Bougainville (after the November 2019 referendum overwhelmingly favored independence from PNG), secessionist movements in Rongelap (Marshall Islands), and an independence referendum in Chuuk (Federated States of Micronesia). Moreover, historical patterns of uneven development, disrupted land tenure, destructive resource extraction, corruption, climate change (including increasing HADR demands), transnational crime, and incomplete decolonization (e.g., the Indonesian claim over West Papua or the French territories of New Caledonia and French Polynesia) must also be dealt with.

Indeed, while Pacific Island states are cognizant of the implications of strategic competition, they are primarily focused on nontraditional security challenges. The most significant existential threat facing many of these countries is climate change, which is reflected in the discourses of leaders and regional institutions, including in the 50th Pacific Islands Forum communiqué in 2019, which declared that “escalating climate change related impacts, coupled with the intensification of geostrategic competition, is

⁹⁷ Lawrence Chung, “U.S. and Taiwan Hold Forum to Shore Up Support for Taipei in Pacific,” *South China Morning Post*, October 7, 2019, <https://www.scmp.com/news/china/diplomacy/article/3031891/us-and-taiwan-hold-forum-shore-support-taipei-pacific>.

⁹⁸ *Ibid.*

⁹⁹ Evan Wasuka, “U.S. Pumps \$25M into Solomon Islands’ Rebel Province,” ABC Radio (Australia), October 15, 2020, [https://www.abc.net.au/radio-australia/programs/pacificbeat/us-pumps-us\\$25m-into-solomon-islands-rebel-province/12769230](https://www.abc.net.au/radio-australia/programs/pacificbeat/us-pumps-us$25m-into-solomon-islands-rebel-province/12769230).

exacerbating the region's vulnerabilities."¹⁰⁰ The effects of climate change are already evident: Cyclone Pam devastated Vanuatu in 2015, Cyclone Winston caused significant damage in Fiji in 2016, and Cyclone Harold caused death and destruction across Vanuatu, Solomon Islands, Fiji, and Tonga in April 2020. Cyclone Harold compounded the challenges already posed by the Covid-19 pandemic, with government services being stretched to respond to two simultaneous crises. The challenges posed by closed internal and external borders were particularly acute, making it difficult for both domestic and international assistance to reach affected communities.

Kiribati, Marshall Islands, Tokelau, and Tuvalu are either wholly or almost entirely made up of low-elevation atolls and reef features. These features are at risk of inundation due to sea-level rise, with implications for their habitability and the maritime entitlements these states may claim under UNCLOS. Under the current principles of ambulatory baselines, if the territory used to determine the normal baseline of a state disappears, so does its maritime jurisdiction. Pacific Island states, in partnership with Australia and the Pacific Community, have been working since the early 2000s to clarify, declare, and potentially fix the extent of their maritime jurisdictions through the Pacific Islands Regional Maritime Boundaries Project. They have also been negotiating the delimitation of the estimated 48 maritime boundaries between them, with 13 remaining to be confirmed.¹⁰¹

New Zealand has likewise taken a strong stance on climate change, which Prime Minister Ardern has described as “my generation’s nuclear-free moment.”¹⁰² By contrast, Australia has been reluctant to take serious policy action and is perceived to have stymied stronger collective action within the PIF. At the 2019 PIF leaders’ meeting, Australia reportedly refused to support the Tuvalu Declaration made by small Pacific Island states that called for an end to the use of coal in electricity generation. The Australian government’s emphasis on spending, rather than domestic action, to address climate change disappointed Pacific leaders. Tuvaluan prime minister Enele Sopoaga commented that “no matter how much money you put on the table, it doesn’t give you the excuse...not to do the right thing.”¹⁰³

¹⁰⁰ Pacific Islands Forum, “Fiftieth Pacific Islands Forum: Forum Communiqué.”

¹⁰¹ “The Status of Pacific Regional Maritime Boundaries as of July 2020,” Pacific Community, September 9, 2020, <https://www.spc.int/updates/blog/2020/09/the-status-of-pacific-regional-maritime-boundaries-as-of-july-2020>.

¹⁰² Jacinda Ardern, “Labour’s Next Steps to Reduce Climate Emissions,” New Zealand Labour Party, October 7, 2020, <https://www.labour.org.nz/release-labours-next-steps-to-reduce-climate-emissions>.

¹⁰³ Quoted in Melissa Clarke, “Tuvalu’s PM Says +Australia’s Climate Funding for Pacific ‘Not an Excuse’ to Avoid Emissions Cuts,” ABC News (Australia), August 13, 2019, <https://www.abc.net.au/news/2019-08-13/australias-climate-funding-pacific-islands-forum-tuvalu/11408930>.

Australia's climate change inaction not only threatens its credibility as a regional partner but also has re-emerged as an issue in its relationships with the Biden administration and other like-minded governments. Ahead of the April 2021 Leaders' Summit on Climate, a senior U.S. official told reporters that Australia's existing policies are "insufficient" for achieving net-zero emissions by 2050. Similarly, the UK denied Australian leaders a speaking role at the Climate Ambition Summit 2020. While Canberra's perceived domestic political imperatives have upstaged vital environmental and international interests for decades, climate advocates hope that international pressure led by the United States may ultimately force a shift in priorities.

Economic Considerations

As previously described, strategic competition is putting pressure on states in Oceania to reconcile the emerging contradictions between their security and economic relationships. This pressure has been exacerbated by the impact of the Covid-19 pandemic. During 2020, Oceania was a relative Covid-19 success story, with less than one thousand deaths reported in Australia (out of 25.5 million), 26 in New Zealand (out of 4.8 million), 173 in PNG (out of 9 million), and 7 in Fiji (out of 900,000).¹⁰⁴ However, the economic costs of the pandemic have been devastating, even before the Delta variant increased infection rates across Australia, Fiji, PNG, and French Polynesia in 2021. Closed international borders have largely protected populations from the virus but have decimated the tourism industries on which most Oceanic states rely.

These effects have been most pronounced in the Pacific Islands, where tourism contributes over 40% of GDP and up to 50% of employment opportunities.¹⁰⁵ The collapse of the private tourism sector has in turn caused a fall in government revenue, foreign reserves, and cash balances and led to the loss of incomes and livelihoods. Other significant sources of revenue, such as remittances, have also declined significantly, as many temporary visa holders and permanent residents from the Pacific Islands in Australia, New Zealand, and the United States have lost their jobs. Remittances were predicted to drop by at least 20% during the pandemic, likely having a higher impact on rural villages that rely on overseas workers for money.¹⁰⁶ Australia committed an

¹⁰⁴ "WHO Coronavirus (COVID-19) Dashboard," World Health Organization, <https://covid19.who.int>. Data as of June 25, 2021.

¹⁰⁵ "Pacific Islands Threatened by Covid-19," International Monetary Fund, May 27, 2020, <https://www.imf.org/en/News/Articles/2020/05/27/na-05272020-pacific-islands-threatened-by-covid-19>

¹⁰⁶ *Ibid.*

additional AU\$500 million to help ensure that Pacific Island states are able to achieve full immunization coverage, shared vaccines, supported health security initiatives, invested AU\$130 million in the COVAX initiative, and is working through the Quad on a vaccine partnership program.¹⁰⁷

Australia

Australia's economy faces two major pressures of its own: Covid-19 and the trade war with China. In 2020, Australia exported US\$100.1 billion to China, compared to US\$30.3 billion to its next largest export destination, Japan. A similar pattern was evident with imports, with US\$61.1 billion coming from China in 2020. The next largest source was the United States at US\$25.1 billion.¹⁰⁸ Consequently, debates in Australia about trade diversification have intensified, particularly as the impact of the pandemic has laid bare the country's vulnerabilities to supply chain disruption and generated a belief that its economic reliance on China adversely affects sovereign decision-making capabilities.¹⁰⁹ This concern was exacerbated by worsening Australia-China relations during 2020. In response to Australia's unilateral call for an inquiry into Covid-19's origins, China announced an 80% tariff on Australian barley and throughout the year placed additional tariffs on meat, seafood, wine, and cotton.¹¹⁰ In 2021, Australia lodged a complaint with the WTO in response to antidumping and countervailing measures on barley and wine.¹¹¹

While it is difficult to separate the impact of sanctions from the pandemic, Chinese sanctions are estimated to have cost Australia US\$3 billion in lost exports.¹¹² Nevertheless, it appears that the net effect on Australian exports to China has so far been minimal. In 2020, goods exported totaled AU\$145 billion, only 2% less than exports in 2019. There are several reasons for this outcome. First, China's sanctions have not yet targeted the most

¹⁰⁷ "Vaccine Access and Health Security Initiative," Indo-Pacific Centre for Health Security, <https://indopacifichealthsecurity.dfat.gov.au/vaccine-access>.

¹⁰⁸ "International Trade in Goods and Services Based on UN Comtrade Data," Department for International Trade and Department for Business, Energy and Industrial Strategy (United Kingdom), <https://dit-trade-vis.azurewebsites.net/?reporter=36&type=C&year=2019&flow=2>.

¹⁰⁹ Scott Morrison, "A World Order That Favours Freedom" (address to the Perth USAsia Centre, Perth, June 9, 2021), <https://www.pm.gov.au/media/address-perth-usasia-centre-perth-wa>.

¹¹⁰ Kath Sullivan, "China's List of Sanctions and Tariffs on Australian Trade Is Growing. Here's What Has Been Hit So Far," ABC News (Australia), December 16, 2020, <https://www.abc.net.au/news/2020-12-17/australian-trade-tension-sanctions-china-growing-commodities/12984218>.

¹¹¹ *Ibid.*

¹¹² "China Trade Row Has Cost Australia \$3 Billion in Lost Exports," Bloomberg, January 21, 2021, <https://www.bloomberg.com/news/articles/2021-01-21/china-trade-row-has-cost-australia-3-billion-in-lost-exports>.

significant industry in the economic relationship: iron ore. Iron ore remains the largest source of Australia's export revenue, and over 80% still goes to China (constituting 60% of its total iron ore imports).¹¹³ The value of these exports offsets losses in other industries. Second, restrictions only began in May 2020, which may also distort the overall effect of China's trade sanctions on the Australian economy. For example, in the targeted industries, Australian exports to China in 2019 totaled AU\$25 billion; yet from November 2020 to January 2021, the annualized value of these exports was around AU\$5.5 billion.¹¹⁴ Third, Australian exports to the rest of the world increased by more than exports to China declined. This is due to the highly competitive nature of Australian exporters and challenges in ramping up global supply to capture Australia's market share. Australia was able to diversify trade away from China in the targeted industries, although this has not been evident in key export industries. Iron ore trade remains mutually beneficial to both countries. There is some evidence, however, that China is seeking to diversify its sources of iron ore.¹¹⁵

New Zealand

A major reason that New Zealand has attempted to maintain a more neutral position in the emerging strategic competition is its economic reliance on China. Indeed, New Zealand once proudly celebrated achieving "five firsts" with China: (1) the first Western state to conclude a bilateral agreement with China in 1997 that assisted China's accession to the WTO, (2) the first Western state to recognize China as a market economy in 2004, (3) the first Western state to enter into free trade agreement negotiations with China in 2004, (4) the first to conclude that agreement in 2008, and (5) the first to negotiate an upgrade to that agreement in 2017 (concluded in 2021).¹¹⁶ New Zealand also

¹¹³ Ian Verrender, "Why Iron Ore Has Been Out of Bounds in China's Trade War with Australia—for Now," ABC News (Australia), August 30, 2020, <https://www.abc.net.au/news/2020-08-31/why-iron-ore-has-been-out-of-bounds-in-the-china-trade-war/12611498>; and Weizhen Tan, "China Should Consider Alternatives for Australian Iron Ore as Trade Tensions Simmer, Analyst Says," CNBC, December 15, 2020, <https://www.cnbc.com/2020/12/16/as-china-australia-trade-tensions-rise-beijing-needs-iron-ore-alternative.html>.

¹¹⁴ Roland Rajah, "The Big Bark but Small Bite of China's Trade Coercion," Lowy Institute, Interpreter, April 8, 2021, <https://www.lowyinstitute.org/the-interpreter/big-bark-small-bite-china-s-trade-coercion>.

¹¹⁵ "China Puts Australia on Notice with Push to Diversify Iron Ore," Bloomberg, May 18, 2021, <https://www.bloomberg.com/news/articles/2021-05-18/china-puts-australia-on-notice-with-push-to-diversify-iron-ore>.

¹¹⁶ Reuben Steff and Francesca Dodd-Parr, "Examining the Immanent Dilemma of Small States in the Asia-Pacific: The Strategic Triangle between New Zealand, the U.S. and China," *Pacific Review* 32, no. 1 (2019): 90–112.

signed a nonbinding memorandum of understanding on BRI in 2017 and was the first developed country to join the Asian Infrastructure Investment Bank.

New Zealand's trade portfolio is highly tilted toward China and has become more so over the last five years. While China was New Zealand's largest destination for exports in 2015 at US\$6 billion, US\$5.9 billion went to Australia and US\$4 billion to the United States. By 2020, the situation had changed, with US\$10.8 billion of New Zealand's exports going to China, US\$5.3 billion to Australia, and US\$4.2 billion to the United States. The situation is repeated with imports. In 2015, the largest source was China (US\$7.1 billion), followed by Australia (US\$4.3 billion) and the United States (US\$4.3 billion). The gap grew by 2020, with China providing US\$8.4 billion of imports, Australia US\$4.5 billion, and the United States US\$3.6 billion.¹¹⁷ During the Covid-19 pandemic, export demand fell among all of New Zealand's top trading partners except China. Exports to China amounted to 30.2% of total exports from April 2020 to April 2021, an increase from 23% in 2019.¹¹⁸ Foreign Affairs Minister Mahuta publicly urged exporters to consider trade diversification, pointing to Australia's experience with Chinese economic coercion: "If they are close to an eye of the storm or in the eye of the storm, we've got to legitimately ask ourselves—it may only be a matter of time before the storm gets closer to us."¹¹⁹

Cognizant of the risks of economic reliance on China, both Australia and New Zealand have attempted to diversify trade through multilateral trade liberalization. Both have taken a leading role in the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) that was agreed to in 2017 as a replacement for the Trans-Pacific Partnership (TPP). New Zealand was a member of its precursor, the Trans-Pacific Strategic Economic Partnership, alongside Singapore, Brunei, and Chile. Australia and New Zealand are also part of the Regional Comprehensive Economic Partnership comprising fifteen Indo-Pacific states (several of which are also signatories to the CPTPP).

Pacific Island States

Many Pacific Island states face a similar challenge of economic dependence on China. Chinese state-owned corporations have commenced major logging projects and developed fisheries across the region, as well as

¹¹⁷ "International Trade in Goods and Services Based on UN Comtrade Data."

¹¹⁸ "China Top Trade Partner in 2019," Stats NZ, March 2, 2020, <https://www.stats.govt.nz/news/china-top-trade-partner-for-2019>.

¹¹⁹ Tracey Withers, "New Zealand Eyes Risks in China's Warm Trade Embrace," Bloomberg, May 26, 2021, <https://www.bloomberg.com/news/newsletters/2021-05-26/supply-chains-latest-new-zealand-rethinks-close-china-trade-ties>

run the massive Ramu nickel and cobalt mine and the Frieda River copper mine in PNG. China has also emerged as a major export partner for many Pacific Island states. For example, US\$2.82 billion of PNG's exports went to China in 2019, whereas only US\$2.85 billion went to Australia.¹²⁰ Solomon Islands sent US\$415 million of exports to China in 2019, while sending only US\$57.4 million to its next biggest export destination, Italy.¹²¹

Reflecting its increasing reliance on geoeconomics to support its geostrategy, China has also emerged as a major donor to the Pacific Islands. However, its aid program to these states is still significantly smaller than that of Australia (and to a lesser extent New Zealand), and now appears to be declining in real terms. After committing US\$290 million in 2018 and US\$1 billion in 2019, Beijing committed only US\$4.2 million in 2020.¹²² China has made greater inroads in financing infrastructure and holds approximately 12% of all regional debt.¹²³ Nine Pacific Island states—Cook Islands, Federated States of Micronesia, Fiji, Niue, PNG, Samoa, Solomon Islands, Tonga, and Vanuatu—have signed on to BRI, raising concerns that China will use debt as leverage to gain a strategic foothold in the Pacific. However, while almost half the Pacific Island states are classified by the International Monetary Fund and Asian Development Bank as being at high risk of debt distress, this is not due to Chinese lending, which amounts to less than half the total debt of any state in the region except Tonga.¹²⁴ Although this undermines the “debt-trap diplomacy” argument, the significant scale of Chinese lending does raise questions about debt sustainability. The United States and Australia have expressed concern that the obligations that Pacific Island states assume under BRI may impinge their sovereignty, and New Zealand has warned China that “there is a substantial difference between financing loans and contributing to greater ODA investment.”¹²⁵ But aid and loans under BRI may be as much about creating economic opportunities for Chinese companies amid oversupply and economic stagnation at home as increasing China's influence.

¹²⁰ Observatory of Economic Complexity (OEC), “Papua New Guinea,” <https://oec.world/en/profile/country/png>.

¹²¹ OEC, “Solomon Islands,” <https://oec.world/en/profile/country/slb>.

¹²² Lowy Institute, Pacific Aid Map, <https://pacificaidmap.lowyinstitute.org/graphingtool>. Note that not all donors have reported data for 2019 and 2020.

¹²³ Rohan Fox and Matthew Dornan, “China in the Pacific: Is China Engaged in ‘Debt-trap Diplomacy?’” Australian National University, Development Policy Centre, November 8, 2018, <https://devpolicy.org/is-china-engaged-in-debt-trap-diplomacy-20181108>.

¹²⁴ *Ibid.*

¹²⁵ Mahuta, “He Taniwha He Tipua, He Tipua He Taniwha.”

Conclusion

The explicit strategic competition between the United States and China that emerged during the Trump administration is one of Oceania's biggest challenges, as it is causing the security and economic interests of Oceanic states to diverge. While Trump's America-first policies provoked uncertainty about the United States' intentions in the region and concerns about moves such as the withdrawal from the TPP, there appears to be no lasting damage in U.S. bilateral relations with Australia or New Zealand, and the Biden administration has reassured allies and partners that U.S. diplomacy is "back to normal." In response to the deep structural changes in the international system, Canberra has adopted an alliance-centered approach, while Wellington has attempted strategic ambiguity while moving further into Washington's orbit. Several Micronesian states have also sought to expand their defense relationships with the United States, with Palau and the Federated States of Micronesia agreeing to host new U.S. bases. Except for Australia, Oceanic states have mostly signed on to BRI, albeit with varying levels of enthusiasm. While there are concerns that Pacific Island states' participation in BRI is a sign they are tilting toward Beijing, as well as rumors of defense alignments with China, nothing substantial has materialized. In reality, the Pacific Islands continue to emphasize agency and autonomy and have sought to leverage the strategic competition to their advantage.

Australia's security outlook is shaped by concerns about China's rising military power and assertiveness and its potential to disrupt the U.S.-led rules-based order that has served Australian security and economic interests so well. While claims about the effects of foreign interference and coercion on Australia's democracy and economy tend to be overstated in public discussions, Beijing's actions have compelled Canberra to move away from the pragmatic approach that has defined its China policy since the early 1970s and toward a strategy that prioritizes both sovereign resilience and a U.S. alliance. This was most clearly highlighted by the September 2021 announcement of the AUKUS security partnership with the United States and the UK. The debates about Australia choosing a side now appear redundant. What remains are the challenges of developing a workable China policy, delineating parameters for engagement if great-power conflict emerges in East Asia, and negotiating the increasingly fraught issue of climate change.

In line with a small-state conception of foreign policy, New Zealand uses strategic ambiguity to maximize maneuverability and continues to avoid explicitly choosing sides. But while New Zealand is known to advance an independent foreign policy, it relies on its alliance with Australia for security and remains a close friend and de facto ally of the United States. Its attitude

toward China is mixed. Wellington recognizes a need to engage Beijing economically but is growing increasingly wary of the challenges it poses to the rules-based order.

For Pacific Island states, climate change threatens the habitability and livability of all islands and thus is viewed as the biggest existential security challenge. While New Zealand has taken a strong stance on climate change, domestic politics in Australia have constrained substantive policy action. This has implications for diplomatic relations with the Biden administration, which has increased public pressure on Australia to set more ambitious targets, as well as with other Oceanic states. Oceania is a maritime region, and along with nonconventional security challenges such as illegal, unreported, and unregulated fishing, climate change is threatening the sea-based entitlements and jurisdictions of Pacific Island states. Many of these states have economies that rely heavily on maritime resources. Maritime security has been a strong basis for intraregional cooperation, including with the United States and France, and this is likely to continue. However, Australia's climate inaction continues to make it an outlier in Oceania and undermine its credibility as a regional leader.¹²⁶

The United States and Australia, and to a lesser extent New Zealand, should acknowledge that their perception that strategic competition will inevitably require strategic choices is not necessarily shared by all Pacific Island states (although several Micronesian states arguably support this view). Regardless of how realistic it is for many Pacific Island states to indefinitely avoid strategic choices, the United States, Australia, and New Zealand will have the most success advancing their regional relationships—and consequently their strategic priorities—if they are perceived to be committed partners that genuinely support the interests of Pacific Island states. The United States' and New Zealand's commitments to addressing climate change, a priority for most Pacific Island states, go some way to achieving this. While Australia has now committed to a net-zero target by 2050—at least partly a consequence of international pressure, including from the United States—its recalcitrance on climate change has undermined the credibility of its claimed commitment to the region. The development and articulation of a clear pathway to achieving the new target will be necessary for reducing this credibility gap. The United States also needs to do more to rebuild trust with Pacific Island states after the damage done both during the Trump administration and, before that, by a tendency to announce but not follow-through on initiatives in the region. Large-scale military investments will be important in the event of open conflict (although any submarines developed under AUKUS will not be

¹²⁶ Wesley Morgan, "Oceans Apart: Considering the Indo-Pacific and the Blue Pacific," *Security Challenges* 16, no. 1 (2020): 44–64.

available for several decades), but in a region that faces multifaceted human security challenges and where relationships are vital, strategic competition in Oceania is more likely to be decided by the lower-key, but equally important, everyday work of development and diplomacy.