

# Topic Overview: China's Relationships in Oceania

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## CX Resolution 2016-2017

China's identity crisis and fear of recognition of Taiwan as a legitimate state has led it to seek to increase its influence and standing among the nations of the Pacific. These countries have been some of the few to consistently switch their support between the government in Beijing and the one in Taipei. China wishes to reduce the influence and legitimacy of the Taiwanese government and so is involved in the economic and political affairs of the Pacific region. Furthermore, the Pacific is near China's geopolitical neighborhood, so the expansion of China's sphere of influence to the Pacific nations is a logical continuation of China's goals. Former Premier Wen Jiabao began the policy of investment and strengthening ties in the Pacific region in 2006, specifically through the Pacific Islands Forum.

### Australia

Australia recognized the government in Beijing around the same time as the United States, in 1972. Since then, China has become Australia's largest trading partner and China is particularly interested in mining sector of the Australian economy. China invests significantly in Australian companies, so much so that Australia managed to avoid the global financial crisis of 2007/2008.

#### **Domestic perception issues**

*(Baogang He is a professor of public policy at Nanyang Technological University, "Politics of accommodation of the Rise of China: the case of Australia," Journal of Contemporary China, <http://dro.deakin.edu.au/eserv/DU:30045382/he-politicsofaccommodation-2012.pdf>, May 2012)*

Third, domestic politics plays an important role in facilitating or constraining accommodation policy. Ross downplays domestic politics in international relations of power. In contrast, Kuik argues that the hedging behaviour of Singapore and Malaysia in response to China's rise is not driven by the power dynamics of the international system, but rather the need for domestic regime legitimation at home. In Australia, domestic factors such as the opposition party, Green Party, and NGOs such as Amnesty International and the Australia Tibet Council, all substantively constrained [Prime Minister] Rudd's move toward accommodation [of China]. It was difficult for Rudd to adopt an accommodation policy publicly so he returned to an engagement language that treats China more cautiously. Rudd was portrayed in the media as being pro-China. Greg Sheridan [and was] lambasted Rudd for being too soft in his approach, repeatedly referring to Rudd's [and] 'appeasement' of Beijing. To counter the pro-China image, Rudd had to distance himself from policies that might be perceived as being too favourable to China

#### **Strengthening economic ties**

*(Mark Beeson is a professor of international politics at Murdoch University, "The new resource politics: can Australia and South Africa accommodate China?" Royal Institute of International Affairs,*

[https://www.researchgate.net/profile/Mills\\_Soko/publication/227828152\\_The\\_new\\_resource\\_politics\\_can\\_Australia\\_and\\_South\\_Africa\\_accommodate\\_China/links/55ed3efc08ae65b6389f450a.pdf](https://www.researchgate.net/profile/Mills_Soko/publication/227828152_The_new_resource_politics_can_Australia_and_South_Africa_accommodate_China/links/55ed3efc08ae65b6389f450a.pdf), 2011)

It is important to spell out just how significant demand from China actually is, as this issue is looming large in domestic political debate. China is now both Australia's largest trade partner and—even more strikingly, perhaps—one of the largest sources of politically sensitive foreign direct investment. China's share of Australian exports has grown from 6 per cent in 1990 to 30 per cent in 2009— driven primarily by demand for coal and iron ore, which grew by 39 per cent in 2009 alone. Important as these material indicators of increased engagement are, however, even they do not capture the full impact of the growing ties between the two countries. According to the Melbourne Institute's Asialink Index, which provides a measure of regional engagement that includes a broader range of factors such as tourism, education links, migration and humanitarian assistance, engagement with China has increased by a factor of 16 in the period from 1990 to 2010. In other words, relations with China are both increasingly important and experienced in a number of domains.

### **Oil Investment**

*(Leonard Cheng is the Dean Professor of economics and business at Hong Kong University of Science and Technology, "China's Outward Foreign Direct Investment," University of Chicago Press, <http://www.nber.org/chapters/c10475.pdf>, March 2010)*

In 2002, CNOOC [China] acquired three oil/gas fields in Australia and Indonesia at the cost of US\$1.2 billion, including offshore oil fields in Indonesia that were acquired from Spain's Repsol- YPE; the latter oil fields yielded 5.4 million tons of oil for the company. In 2006, it expanded its operations in Africa by acquiring a Nigerian tract at a cost of US\$2.068 billion and signed an agreement with Kenya for the largest area ever obtained from its overseas agreements. In that year, it also reached an agreement with Vietnam to jointly develop oil in the South China Sea, received permission to participate in the second largest gas field in Iran, and acquired a 25 percent stake in four offshore exploration tracts in Australia.

### **Reactions to Chinese military power**

*(Adam Liff is the assistant professor of East Asian international relations at Indiana University, a fellow at the Princeton-Harvard China and the World Program, and a research associate at Harvard University, "Racing toward Tragedy? China's Rise, Military Competition in the Asia Pacific, and the Security Dilemma," MIT Press Journals: International Security, [http://www.mitpressjournals.org/doi/full/10.1162/ISEC\\_a\\_00176#.V31fLfNzUpE](http://www.mitpressjournals.org/doi/full/10.1162/ISEC_a_00176#.V31fLfNzUpE), November 2014)*

Australia's recent security policy changes appear[s] to be a direct reaction to China's increasing military capabilities, as well as doubts about Beijing's intentions because of an absence of strategic trust. Recent statements by Australia's prime ministers as well as official government publications and intelligence assessments suggest a clear—and growing—concern about the PLA [People's Liberation Army] and provide grounds for concluding that Australia's policy response flows in large part from a security dilemma—type dynamic. China appears to be similarly affected. For example, during a spring 2012 trip to Beijing, Foreign Minister Bob Carr reported that his Chin[a]ese interlocutors expressed concerns about Australia's pursuit of stronger military ties with the United States. Analysts also point to China as the major driver of Canberra's enhanced defense cooperation with Tokyo.

## **Antarctic cooperation**

*(Nengye Liu is a senior lecturer in Law at the University of New England, "Why Antarctica depends on Australia and China's alliance," The Conversation AU, <http://theconversation.com/why-antarctica-depends-on-australia-and-chinas-alliance-59522>, July 2016)*

China began its first scientific expedition to Antarctica in 1984. It now has four Antarctic bases, two on Australian-claimed territory. Australia and China's Antarctic ties have thus been evolving for more than three decades, with a focus on science, logistics and operations. Bilateral relations seem to have strengthened in recent years. In 2014, President Xi Jinping visited Hobart and signed a memorandum of understanding with Australia to collaborate in Antarctica and the Southern Ocean. Last year, Australia's Antarctic Climate and Ecosystems Cooperative Research Centre signed an agreement with its Chinese counterpart, the National Marine Environmental Forecasting Centre, to develop new forecasting methods to aid the challenging task of navigating Antarctic sea ice. February 2016 saw the inaugural meeting of the China-Australia Joint Committee on Antarctic and Southern Ocean Collaboration, which arose from the 2014 agreement.

## **Major change in foreign policy**

*(Michael Norris has a bachelors in Asian Studies from the University of Adelaide, "The Politics of Cooperation: Analyzing the Relationship Between China, Australia, and the U.S.," Inquiries Journal, <http://www.inquiriesjournal.com/articles/342/the-politics-of-cooperation-analyzing-the-relationship-between-china-australia-and-the-us>, 2010)*

Downer's comments suggest that Australia's strategic calculus, between 1996 and 2004, has altered. It can be inferred that increasing economic interdependence between Australia and China is at the forefront of this change (Pan 2006: 433; Manicom and O'Neil 2010: 35). In terms of economic interdependence, it is critical to note that (1) Australia's trade with China constitutes 17 per cent of its total trade (Crean 2010) and (2) the People's Republic [China] has regularly been portrayed as the 'locomotive to keep Australia's economy growing' (Zhang 2008). The alteration in Australia's strategic calculus has manifested itself in other ways. In 2008, then-Prime Minister Kevin Rudd terminated Australia's involvement in the Quadrilateral Dialogue initiative, which included America's other security partners, Japan and India. Such regional alignments are construed by Beijing as an attempt to contain it and prolong Cold War security architectures (Tow 2004: 53). Clearly, Canberra is looking to dispel such connotations, reinforcing the impression that in light of Australia's increasing economic ties with China; some of the latter's foreign policy interests are being accommodated through an adaption of Australian foreign policy.

## **China is still wary of possible policy changes**

*(Stephen Sherlock is an associate professor at the School of Humanities and Social Sciences at the University of New South Wales Canberra, "Australia's Relations with China: What's the Problem?" Parliament of Australia, [http://www.aph.gov.au/sitecore/content/Home/About\\_Parliament/Parliamentary\\_Department\\_s/Parliamentary\\_Library/Publications\\_Archive/CIB/CIB9697/97cib23](http://www.aph.gov.au/sitecore/content/Home/About_Parliament/Parliamentary_Department_s/Parliamentary_Library/Publications_Archive/CIB/CIB9697/97cib23), 1997)*

Given the key role of the US alliance in Australia's foreign policy, especially in Chinese perceptions, Australian actions are often interpreted in Beijing in the context of wider

US policy objectives. Australia is seen as a faithful long-term ally of the US which supported the US during the Vietnam War and the Cold War and emulated the US policy of recognising the Taiwan regime as the legitimate government of China. At the same time, Australia is appreciated for its capacity to act independently of the US, including trading with China during the 1950s and 1960s and recognising the PRC in 1972, six years before the US. During the 1980s, Australia's close relationship with China also played a small role in facilitating China's economic and political opening to the world in the post-Maoist era. Australia also expressed its disagreement with US efforts, in 1993 and 1994, to link China's MFN status with the issue of human rights. Nevertheless, the Chinese authorities remain highly sensitive to any perceived changes in Australia's strategic and economic outlook and are especially wary of any moves to return to what could be seen as a slavish emulation of the US. While Australia and China have, since the 1980s, developed a strong bilateral relationship based on shared interests, China still handles its affairs with individual countries in the context of global strategic relationships. As Australia's bilateral and regional involvement with China grows in the future, a key challenge for Australia's policy-makers will be to balance the demands of the relationship with China while maintaining close strategic and economic ties with the US.

## Fiji

Fiji was the first Pacific Island country to recognize the government in Beijing and renounce Taipei, in 1975. Since then, Fiji has grown closer to China due to significant investment and aid from the Chinese government. Fiji and China have signed agreements on trade, technical, and economic cooperation in 1997 and 2001. However, there was some strain in their relationship when the Fijian government officially welcomed the President of Taiwan in 2005.

### **China defends Fiji on the international level**

*(Balaji Chandramohan, is a consultant at the National Human Rights Commission of India, "Political Crisis in Fiji and India's Concerns", Institute for Defence Studies and Analyses, [http://www.idsa.in/idsacomments/PoliticalCrisisinFijiandIndiasConcerns\\_bchandramohan\\_190810](http://www.idsa.in/idsacomments/PoliticalCrisisinFijiandIndiasConcerns_bchandramohan_190810), August 2010)*

The tiny island nation of Fiji located in the South Pacific Ocean is back in the news again. Fiji, frequently referred to as a 'land of coups', is coming out of its international isolation thanks to the help it receives from China.

Fiji's and China's mutual attractions are understandable. Fiji was expelled from the Commonwealth and the Pacific Islands Forum for its failure to establish liberal democratic rule. Politically isolated in the international community both at the regional and multi-lateral levels, it has found an apt ally in China to ward off any further pressure including in the form of United Nations Security Council resolutions. As a permanent member of the UNSC, China can veto any resolution against Fiji brought by the United States and Great Britain.

### **Chinese economic hegemony in Fiji**

*(Lucy Craymer is the Agriculture reporter for the Wall Street Journal, "Fiji Attracts Old Friends as China's Clout Grows," Wall Street Journal, <http://www.wsj.com/articles/fiji-attracts-old-friends-as-chinas-clout-grows-1414678386>, October 2014)*

Of Fiji's foreign debt, \$158.5 million, or roughly a quarter of the total, is now denominated in Chinese yuan, according to an analysis by the U.K. ODI, up from just 2.6%, or \$7.6 million in 2008.

Chinese companies have bought stakes in Fiji's largest gold mine and invested in the bauxite industry. Foreign direct investment by Chinese companies in Fiji accounted for around 37% of the value of projects registered this year, compared with just 2.9% in 2009.

## **New Zealand**

New Zealand became the first country to sign a free trade agreement with China. However, due to New Zealand's small population, high development, and small economy, China's focus is primarily elsewhere. Furthermore, there exist tensions in terms of investment.

### **Highly restrictive foreign investment**

*(John Larkindale is the president of the Institute of Public Administration New Zealand, and a former New Zealand High Commissioner in Canberra, "New Zealand's China Policy: Building a Comprehensive Strategic Partnership," New Zealand Contemporary China Research Centre at Victoria University of Wellington, <http://www.victoria.ac.nz/chinaresearchcentre/publications/china-papers/ACRI-NZCCRC-New-Zealands-China-Policy-Building-a-comprehensive-strategic-partnership-July-2015.pdf>, July 2015)*

Chinese investment in New Zealand has become somewhat controversial, particularly in respect of farmland. New Zealand's non-discriminatory overseas investment regime has seen Chinese investment grow steadily to reach little more than five percent of all overseas investment. New Zealand's legislation does not treat State Owned Enterprises (SOEs) differently from other potential overseas investors. The Overseas Investment Office (OIO) screens investments in 'sensitive land' and all those above NZ\$100 million. Overseas investment in residential property, when not triggered by the overseas investment regulations, is subject to the same regulations as investment by New Zealanders. The Shanghai Pengxin purchase of New Zealand farmland was challenged twice in court. The High Court overturned the approval given by ministers on the basis of advice received from the OIO, citing the legal provision that the benefit to New Zealand from overseas investment must be 'substantive and identifiable'. In so doing, the court ruled that the comparison should not be between the current state of the asset and what might be done by a new overseas owner to improve that asset, but rather that the test should be whether the benefit from an overseas owner would outstrip that which a domestic owner might be expected to achieve. As a major source of capital for capital-poor New Zealand, the trend of increasing Chinese investment is likely to continue. New Zealand investment in China is unduly low given the strength of the overall trade and economic relationship but this is not unique to New Zealand's China relationship.

### **Generally positive relations**

*(John Larkindale is the president of the Institute of Public Administration New Zealand, and a former New Zealand High Commissioner in Canberra, "New Zealand's China Policy: Building a Comprehensive Strategic Partnership," New Zealand Contemporary China Research Centre at Victoria University of Wellington, <http://www.victoria.ac.nz/chinaresearchcentre/publications/china-papers/ACRI-NZCCRC-New-Zealands-China-Policy-Building-a-comprehensive-strategic-partnership-July-2015.pdf>, July 2015)*

In 1997 New Zealand became the first Western country to conclude a bilateral agreement on China's accession to the World Trade Organization (WTO), the first of several 'firsts', all of which have emanated from calculations about the relative weight to be given to assessments of national interest as against the comfort of 'likeminded' positions. New Zealand's ability to

respond quickly and to act independently gave it the leverage to conclude an agreement with China that was more favourable than would otherwise have been the case. Three more 'firsts' followed: recognition of China as a market economy, the first developed country to enter into negotiations for an FTA and the first to sign a high-quality, comprehensive and balanced FTA with China. Chinese leaders have taken to endorsing the relationship in very positive terms – 'the best it has ever been', a 'model for a relationship between a developed and a developing country' and so on. The importance of the relationship to China was recognised by President Xi Jinping who, with Prime Minister John Key in November 2014, characterised it as a 'comprehensive strategic partnership'.

### **China is economically important to New Zealand, but not vice versa**

*(John Larkindale is the president of the Institute of Public Administration New Zealand, and a former New Zealand High Commissioner in Canberra, "New Zealand's China Policy: Building a Comprehensive Strategic Partnership," New Zealand Contemporary China Research Centre at Victoria University of Wellington, <http://www.victoria.ac.nz/chinaresearchcentre/publications/china-papers/ACRI-NZCCRC-New-Zealands-China-Policy-Building-a-comprehensive-strategic-partnership-July-2015.pdf>, July 2015)*

New Zealand's exports to China have grown from less than three percent of total exports in 2000 to around 20 percent in 2014. Yet as a share of China's total imports there has been scarcely any change over the past 40 years. Similarly, New Zealand's relative importance as a destination for China's exports is largely unchanged. New Zealand remains heavily dependent on the primary sector for its exports and although it is not unduly exposed to overdependence on China, the fact that so many other of its major trading partners count China as their most important (or close to it) partner does suggest an indirect vulnerability to economic developments in China.

### **New Zealand wants to utilize China's high growth**

*(Government of New Zealand, "Opening Doors to China: New Zealand's 2015 Vision," Government of New Zealand, [https://www.tpk.govt.nz/\\_documents/nz-inc-china-strategy.pdf](https://www.tpk.govt.nz/_documents/nz-inc-china-strategy.pdf), February 2012)*

A substantial group of New Zealand Trade and Enterprise's (NZTE) customers have China as a priority market in the short and medium term. NZTE has assessed the needs of these companies and will implement a project to help them realise their full growth potential in China. Through this project NZTE is targeting 50 or more successful, profitable and fast growing companies in China by 2015. The project will help exporters to analyse and understand the market; develop products and services for China; and identify appropriate partners and business models. Expert advisors will also be assigned to assist these companies and, where appropriate, raise capital to support their growth. These services will be tailored to customers and will be additional to the suite of advisory services already offered by NZTE.

## **Samoa**

While Samoa does recognize the PRC, relations are mildly friendly. China provides economic aid and investment but Samoa is wary of China's intentions in the region.

## **Samoa is wary of Chinese investment**

*(Claire Farrell, "Samoa: Will the island be 'exploited' by the Chinese Firms?" The Foreign Report, <http://www.theforeignreport.com/2013/06/13/samoa-will-the-island-be-exploited-by-chinese-firms/>, June 2013)*

The latest controversy in Samoan-Chinese relations centres on [an] the Beijing Investment Zhao Yi Li Management Company and their intention to build hotels and casinos in Apia, Samoa. This [the] company is expecting a lot from Samoa in return for coming to the island, namely a land lease for 160 years and tax exemptions [from Samoa]. Crucially, anyone wondering if the arrival of hotels and casinos would at least provide significant employment opportunities for residents of Apia can think again. The Beijing Investment Zhao Yi Li Management Company is also demanding the right to bring across 30,000 of its own workers. These workers must be allowed over for at least three years and will also get to live in Samoa tax-free.

"Ridiculous" was how the Samoan leader of the opposition, Palusalua Faapo II, described such demands, when he spoke to Radio Australia's Pacific Beat. Faapo went on to claim that such businesses assume Samoa is so "desperate for investors" it can be "easily exploited".

## **Total amount of investment**

*(Yu Changsen is a researcher at the National Center for Oceania Studies at Sun Yatsen University, "China's Economic Relations with Pacific Island Countries," Victoria University of Wellington, <http://www.victoria.ac.nz/chinaresearchcentre/publications/papers/YU-Changsen-Chinas-Economic-Relations-with-Pacific-Island-Countries.pdf>, August 2014)*

The vast majority of such investments took place in the early 21st century. For the ten years from 2003 to 2012, Chinese foreign direct investment (FDI) in Oceania accumulated to about US\$689.2 million. The main FDI destination[s] include is Papua New Guinea (US\$313 million), followed by Samoa (US\$252 million) and Fiji (US\$111 million). Investments are mainly in resource developments, fisheries, real estate and the service industry. Investors are mainly large and medium-sized central-level state-owned enterprises and local-level state-owned enterprises. Significant private enterprise investment remains small. In addition to investment, Chinese enterprises have also won a lot of project contracts in the Oceania region. Up to September 2013, Chinese enterprises had signed various project contracts with a net value of US\$5.12 billion.