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China's Engagement in the Pacific Islands: Implications for the United States

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Executive Summary

As Beijing steps up its global engagement under General Secretary of the Chinese Communist Party (CCP) and President Xi Jinping, China is also increasing its involvement in the Pacific Islands region. Beijing's heightened engagement in the region in recent years is driven by its broader diplomatic and strategic interests, reducing Taiwan's international space, and gaining access to raw materials and natural resources. Although the Pacific Islands receive less of China's attention and resources compared to other areas of the world, Beijing includes the region in its key diplomatic and economic development policy—the Belt and Road Initiative (BRI)—which suggests China has geostrategic interests in the region. An April 2018 news report on purported discussions over a potential Chinese military base on Vanuatu, though denied by both countries, raises concerns that a Chinese base could be established in the Pacific Islands. Such a development could pose challenges to U.S. defense interests and those of Australia and New Zealand, key U.S. partners in the region.

Over the last five years, Beijing has significantly bolstered its economic ties with the Pacific Islands. An examination of trade, investment, development assistance, and tourism data shows China has become one of the major players in the region, well ahead of the United States in most areas. Beijing concentrates much of its economic engagement, especially aid and tourism, among its eight diplomatic partners in the region,^{*} but recently it has also made inroads with other Pacific Island countries, including Taiwan's diplomatic partners.

In terms of diplomatic and security engagement, China has increased its footprint through participation in regional organizations, high-level visits, and public diplomacy efforts. At the multilateral level, China is deeply involved in Pacific Island regional organizations and often provides funding and other support, even if it is not a member or observer. China's public diplomacy efforts in the region are designed to expand its soft power, including cultural, educational, and humanitarian assistance and disaster relief activities. While China's security involvement in the region is limited compared to its diplomatic and economic engagement efforts—only three Pacific Island countries possess militaries[†]—it is also on the rise.

Beijing's growing engagement in the Pacific Islands pose a number of implications for U.S. interests in the region. China's inroads in Micronesia, where most of the United States' engagement in the Pacific Islands is concentrated, could threaten U.S. Compact of Free Association agreements with Palau, the Marshall Islands, and the Federated States of Micronesia over the long term.[‡] Some analysts are concerned China is trying to erode U.S. influence in the region to weaken the U.S. military presence and create an opening for Chinese military access. In the Commonwealth of the Northern Mariana Islands (CNMI), a U.S. territory near Guam in Micronesia, Chinese investors' casino resort developments could complicate U.S. Department of Defense plans in CNMI for extensive training and exercises resulting from the recent relocation of Marines from Okinawa, Japan. In addition, as China increases its economic engagement, Pacific Island countries may feel more beholden to Beijing and side with it at international fora. Finally, Beijing's efforts to weaken Taiwan's international space in the Pacific Islands—a region that is home to 6 of Taiwan's 18 diplomatic partners[§]—negatively impacts a key U.S. partner in the Indo-Pacific.

^{*} The People's Republic of China has official diplomatic relations with the Cook Islands, the Federated States of Micronesia, Fiji, Niue, Papua New Guinea, Samoa, Tonga, and Vanuatu.

[†] These include Papua New Guinea, Fiji, and Tonga. Vanuatu has a police force and paramilitary wing with an internal security mission.

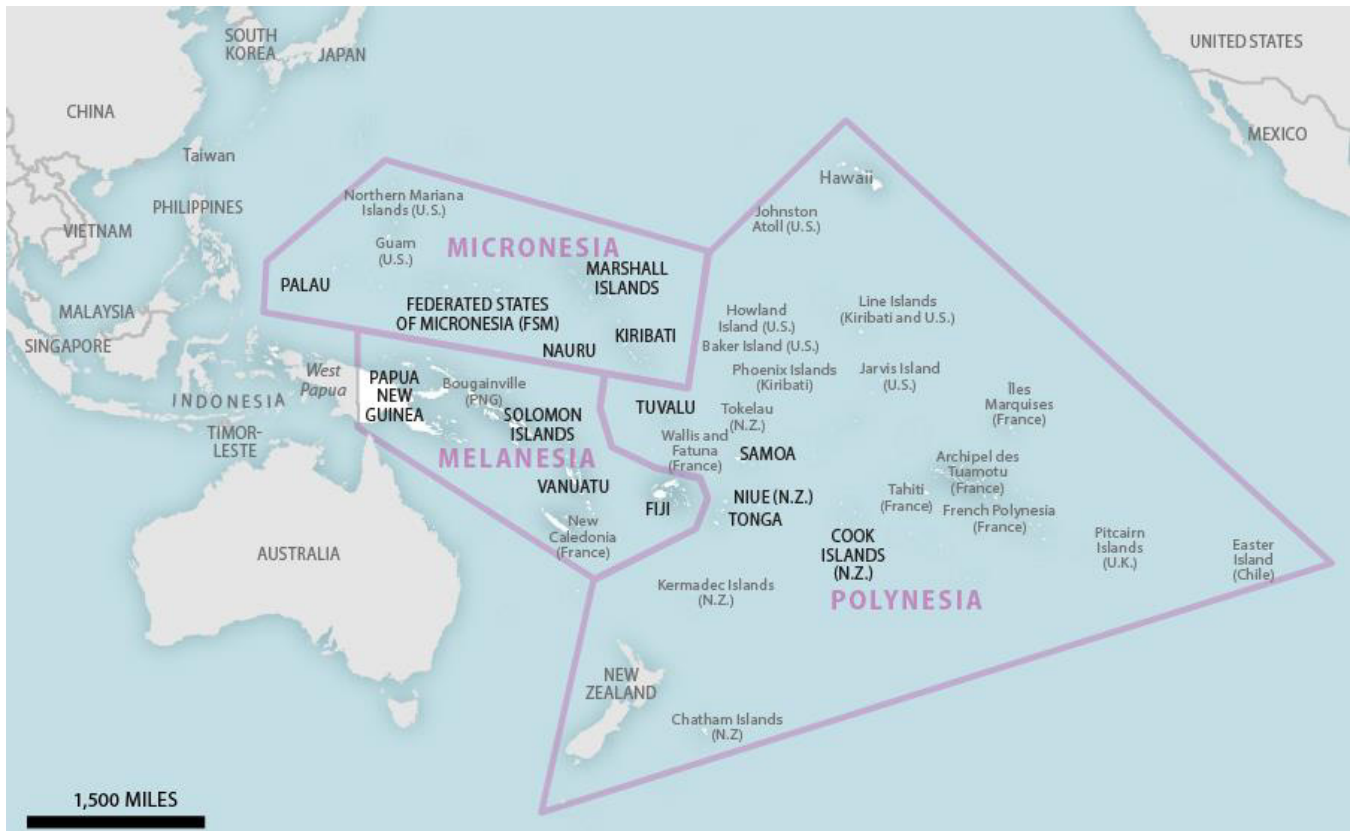
[‡] The Compact of Free Association agreements the United States has signed with the Marshall Islands, the Federated States of Micronesia, and Palau grant each country full independence; reciprocal permission to freely travel, work, or study in the United States; financial assistance; and U.S. commitment to provide for their defense in a conflict. In exchange, the agreements allow the U.S. military to station troops in the countries, use their land for bases, and bar other militaries from operating within the countries' territory. U.S. Department of State, *Marshall Islands Compact of Free Association*, May 1, 2004. <https://www.state.gov/documents/organization/173999.pdf>; U.S. Department of State, *Republic of Palau Compact of Free Association*, January 10, 1986. https://pw.usembassy.gov/wp-content/uploads/sites/282/2017/05/rop_cofa.pdf; United States Department of the Interior, *Joint Communiqué on the Signing of Documents Amending Certain Provisions of the Compact of Free Association between the Federated States of Micronesia and the United States of America*, May 13, 2003. <http://www.uscompact.org/files/FSM%20Publications/Compact%20Documents/Negotiating%20Documents/Communiques/8th%20Joint%20Communique%20-%20Final.pdf>.

[§] Taiwan's six diplomatic partners include Kiribati, the Marshall Islands, Nauru, Palau, the Solomon Islands, and Tuvalu.

Introduction

The Pacific Islands comprise 14 independent and freely associated countries, the U.S. territories (American Samoa, the Commonwealth of the Northern Mariana Islands [CNMI], and Guam), and other countries' territories (see Figure 1).^{*} Commonly divided into the geographic and cultural subregions of Micronesia, Melanesia, and Polynesia, the Pacific Island countries occupy a land mass about the size of Spain, but their total exclusive economic zones (EEZs)[†] extend across nearly 7.7 million square miles of ocean.¹ Given their extensive EEZs and control over important fisheries, the Pacific Islands are more consequential than their land mass might indicate. Daniel R. Russel, who served as assistant secretary for East Asian and Pacific Affairs at the U.S. Department of State from 2013 to 2017, said, "Let's not look at [Pacific Island countries] as small island countries. They are large ocean nations."² The region is also particularly diverse, with a broad array of languages, cultures, and political and economic situations, in addition to unique historical and colonial legacies (see Appendix 1, "Pacific Islands Data").³

Figure 1: The Pacific Islands Region



Note: Names in bold indicate the independent and freely associated countries in the region. American Samoa is not pictured in the map but is located approximately 62 miles (100 kilometers) east of Samoa.

Source: Thomas Lum and Bruce Vaughn, "The Pacific Islands: Policy Issues," *Congressional Research Service*, February 2, 2017. <https://fas.org/sgp/crs/row/R44753.pdf>.

^{*} Varying names and groupings of countries and territories are used to identify the region, including the Pacific Islands, South Pacific, and Southwest Pacific. For the purposes of this report, the term Pacific Islands is defined as including the 14 countries (excluding Australia and New Zealand), two U.S. territories, and several observers of the Pacific Islands Forum, the dominant regional organization: American Samoa (U.S. territory and observer), Cook Islands (freely associated with New Zealand), the Federated States of Micronesia, Fiji, French Polynesia (territory of France), Kiribati, Nauru, New Caledonia (territory of France), Niue (freely associated with New Zealand), Commonwealth of the Northern Mariana Islands (U.S. territory and observer), Palau (freely associated with the United States), Papua New Guinea, the Republic of the Marshall Islands (freely associated with the United States), Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu.

[†] An EEZ is a 200-nautical-mile zone extending from a country's coastline, within which that country can exercise exclusive sovereign rights to explore for and exploit natural resources, but over which it does not have full sovereignty. UN Convention of the Law of the Sea, "Part 5: Exclusive Economic Zone," 43–53. http://www.un.org/depts/los/convention_agreements/texts/unclos/unclos_e.pdf.

U.S. engagement with the region is concentrated upon its diplomatic and security dimensions, with a particular focus on three countries with which the United States has Compact of Free Association agreements—Palau, the Marshall Islands, and the Federated States of Micronesia—supporting clear U.S. security and political interests there.* The United States participates in a number of regional organizations and supports a range of academic, cultural, and professional programs.⁴ Having served as a vital logistical hub for the U.S. military during World War II, the region continues to be of geostrategic importance for the United States.

- **U.S. Defense Interests:** Micronesia is home to several U.S. territories—Guam and the CNMI—and the three U.S. Compact countries that include a U.S. defense commitment. Several major U.S. naval and air force bases are located in Guam, and Micronesia in particular is an area where the U.S. military regularly operates and trains.⁵ The United States also has geopolitical interests in Polynesia, where it possesses the territory of American Samoa and provides for its defense.
- **Outsized International Influence:** The Pacific Island countries have the same voting power as the world’s largest economies in the United Nations (UN) General Assembly. They also wield a disproportionate amount of influence relative to their size on matters related to fisheries and climate change, given the importance of fisheries in their economies and their vulnerability to the effects of climate change.^{† 6}
- **Support for Taiwan:** Taiwan, a key U.S. partner in the Indo-Pacific, has formal diplomatic relations with 6 out of 14 countries in the Pacific Islands region—Kiribati, the Marshall Islands, Nauru, Palau, the Solomon Islands, and Tuvalu. These diplomatic partners bolster Taiwan’s international space and support Taiwan’s participation in major international organizations.⁷

Beijing’s involvement in the region has been accelerating since the late 1990s–early 2000s, particularly on the economic front. By the mid-2000s, China emerged as one of the leading trade and investment partners and aid contributors for much of the Pacific Islands, especially with its diplomatic partners.⁸ Then Premier Wen Jiabao’s 2006 visit to the Pacific Islands included China’s first major development assistance package to the region, agreements mostly concerning trade and investment, and a commitment to Pacific Island leaders recognizing their rights to develop marine resources under international law.⁹ China also expanded its participation in regional organizations, including engagement with the main regional organization—the Pacific Islands Forum (PIF)—through financial assistance and diplomatic gestures. It also was the first nonregional member to join the regional tourism organization, the South Pacific Tourism Organization (China remains the only member outside the Pacific Islands).¹⁰ Since President Xi took office in 2013, China’s presence in the region has only increased.

China’s Interests in the Pacific Islands

Most Chinese scholars and other commentators on the Pacific Islands agree the region is rising among Beijing’s priorities, though it remains less important than most other regions.¹¹ Yu Changsen, executive director of China’s National Center for Oceania Studies at Sun Yat-sen University, asserts the region is part of the “greater periphery” of China’s diplomatic strategy and of growing importance as a contributor to China’s future development and peaceful rise, but also notes the islands are a “considerable distance from China and do not include any great powers.”¹²

Nonetheless, official Chinese government statements and policy documents include the Pacific Islands as part of the 21st Century Maritime Silk Road Initiative—one component of BRI, unveiled by President Xi in 2013.¹³ The

* For more information on U.S. engagement in the Pacific Islands, see U.S. Department of State, *U.S. Engagement in the Pacific*, September 6, 2017. <https://www.state.gov/r/pa/prs/ps/2017/09/273839.htm>; Thomas Lum and Bruce Vaughn, “The Pacific Islands: Policy Issues,” *Congressional Research Service*, February 2, 2017. <https://fas.org/sgp/crs/row/R44753.pdf>.

† For example, Pacific Island countries were influential in negotiations for the Paris Agreement on climate change and among the first to ratify it. Megan Rowling, “Three Pacific Island Nations Are First to Ratify Paris Climate Deal,” Reuters, March 21, 2016. <https://af.reuters.com/article/commoditiesNews/idAFL5N16T2FX>; Secretariat of the Pacific Regional Environment Program, *The Voice of the Pacific and the Paris Agreement*, December 16, 2015. <http://www.sprep.org/climate-change/the-voice-of-the-pacific-and-the-paris-agreement>.

region's inclusion in BRI, along with increased attention from Chinese experts concerning the Pacific Islands' role within the initiative, suggests Chinese geostrategic interests are at play in the Pacific Islands.*¹⁴

Beijing's heightened engagement in the region in recent years is largely driven by its interests in the following three areas: (1) promoting its diplomatic and strategic priorities; (2) reducing Taiwan's international space; and (3) gaining access to raw materials and natural resources.

Promoting China's Diplomatic and Strategic Priorities

Among other diplomatic and strategic aims, Beijing pursues greater influence in regional organizations to promote its political and economic interests, support Chinese firms' access to the Pacific Islands, and protect its sea lines of communication. Although the region is not nearly as busy of a waterway for trade as the South China Sea, for example, Beijing nonetheless seeks to maintain access for transporting raw materials.¹⁵ China also supports its space missions by regularly deploying tracking ships in the region; uses transfer and supply stations in the region for Antarctic scientific expedition ships; and uses friendly ports in Pacific Island countries for rest and replenishment while its navy transits the Pacific Islands region.¹⁶

Some analysts believe that Beijing's geostrategic interests play a role in China's pursuit of increased influence in the Pacific Islands, particularly in Micronesia, which forms part of the second island chain.[†] Dr. Yu asserts "The [Pacific Island] countries play a significant role in China's offshore defense strategy in the Pacific along with the further development of a blue water navy.... China's maritime great power dream will not be realized if the second island chain remains intact."¹⁷ Chinese writings on the strategic significance of the island chains reflect similar views on the importance of the island chains to China's security needs (see Figure 2).¹⁸

* According to Ma Feng, an engineer in the Strategic Studies Institute at China's National Defense University, "Realizing the strategic integration of [BRI] and the South Pacific region is to fulfill the country's grand strategy and regional strategy and the inevitable choice to safeguard China's national maritime rights and interests." Chen Xulong, director of the Department for International and Strategic Studies at the China Institute of International Studies (the official think tank of China's Ministry of Foreign Affairs), assesses the region's importance among China's national security interests has gone from being largely irrelevant over the last century to "a new historical height, creating considerable prospects for security cooperation [between China and the region]." Ma Feng, "The South Pacific and China's 21st Century Maritime Silk Road," *Chinese Academy of Social Sciences*, May 23, 2017. Translation. http://www.cssn.cn/jjx/jjx_gzsf/201705/t20170523_3528652.shtml; Chen Xulong, "The Importance and Function of the Pacific Island Countries toward Chinese National Security," *Pacific Studies*, 1, 2015. Translation. http://www.ciis.org.cn/chinese/2015-02/06/content_7674145.htm.

† The first island chain refers to a line of islands running through the Kuril Islands (Russia), Japan and the Ryukyu Islands, Taiwan, the Philippines, Borneo, and Natuna Besar (Indonesia). The second island chain is farther east, running from Japan, the Bonin Islands (Japan), the Mariana Islands, Guam, and Palau. PLA strategists and academics have long asserted the United States relies primarily on the first island chain and the second island chain to "encircle" or "contain" China and prevent the PLA Navy from operating freely in the Western Pacific. Bernard D. Cole, *The Great Wall at Sea* (2nd ed.), Naval Institute Press, 2010, 174–176.

Figure 2: The First and Second Island Chains



Source: U.S. Department of Defense, *Annual Report to Congress: Military and Security Developments Involving the People's Republic of China 2012*, May 2012, 40.

Beijing's geostrategic interests in the Pacific Islands also include monitoring and surveilling regional maritime activity.

- Media reports revealed that in 2017, Chinese scientists placed acoustic sensors in the Mariana Trench near Guam and the island of Yap in the Federated States of Micronesia. Although the Chinese government claims the sensors are for studying the ocean and undersea geologic activity, they have clear surveillance applications.¹⁹ Analysts and some of the scientists involved in the projects assess China could use the sensors to monitor U.S. submarine activity in the region, enabling the People's Liberation Army (PLA) Navy greater flexibility and expanding its ability to transit freely into the Pacific Islands region.²⁰
- Joanne Wallis, senior lecturer at the Strategic and Defense Studies Center at Australian National University, notes that in addition to seeking naval access to the Pacific Islands region, China's strategic interests have centered on signals intelligence monitoring, including reportedly through its fishing fleets in the region.²¹

Potential for a Chinese Military Base in the Pacific Islands

In April 2018, the *Sydney Morning Herald*, an Australian newspaper, cited “senior security officials” within the Australian government that said Chinese and Vanuatu officials held preliminary talks concerning a potential Chinese military base in Vanuatu (they reportedly did not discuss any concrete framework).²² According to the report, the base was planned at Luganville Wharf, which was funded by a \$54 million Chinese government loan and completed in August 2017 by Chinese state-owned enterprise (SOE) Shanghai Construction Group.²³ In response to the article, the Chinese and Vanuatu governments denied the talks occurred.²⁴ Vanuatu also reassured Australia that the discussions did not happen and dismissed the notion of any future plans. Vanuatu Foreign Minister Ralph Reganvanu said, “No one in the Vanuatu government has ever talked about a Chinese military base in Vanuatu of any sort. We are just not interested in any sort of military base in our country.”²⁵

Beijing has provided robust development assistance to Vanuatu (second to Australia, according to Lowy Institute data) with much of the aid focused on high-profile infrastructure projects.²⁶ China has built the Vanuatu prime minister’s office complex, other government buildings, and a stadium and convention center, among other infrastructure. It also plans to upgrade Vanuatu’s international airport which will help expand Chinese tourism to the country.²⁷

The reported discussions about a potential Chinese base in Vanuatu follow rumors and regional observers’ concerns in recent years about such a Chinese military facility in the Pacific Islands.*²⁸ Although the size or scope of a potential base in the Pacific Islands is unclear, it would serve several of China’s security interests. It would provide the PLA with a strategic outpost beyond the Second Island Chain, expanding its force projection capabilities in the Western Pacific.²⁹ A base in the region could also serve as a rest and replenishment point for PLA Navy ships transiting the region, help the PLA conduct noncombatant evacuation operations,[†] support space missions, and help it move closer toward the goal of becoming a blue water navy.[‡]³⁰ Nevertheless, China would likely face a number of challenges establishing a base in the region, including its lack of logistical capacity to deliver and replenish supplies and equipment as well as strong opposition from the United States, Australia, and New Zealand (see “Implications for the United States” for a discussion of the implications of this potential development).³¹

Reducing Taiwan’s International Space

The Pacific Island countries comprise an important voting bloc in international organizations, and six of the countries have official ties with Taiwan. In the past, particularly in the 1990s through the mid-2000s, Beijing and Taipei used “checkbook diplomacy” in the region, providing financial incentives to compete for recognition from each other’s diplomatic partners.³² In 2008, then Taiwan President Ma Ying-jeou (2008–2016) and Beijing reached a “diplomatic truce,” resulting in a pause in this type of competition.³³ However, since the 2016 election of Taiwan

* In 2014, China purportedly sent a request to the Tonganese authorities to establish a Chinese naval base in Tonga. Salman Rafi Sheikh, “Regional Powers Take Steps as China’s Military Eyes Global Reach,” *Asia Times*, May 29, 2016. <http://www.atimes.com/article/regional-powers-take-steps-as-chinas-military-eyes-global-reach/>; Sofia Pale, “Where Will First Chinese Overseas Military Bases Spring Up?” *New Eastern Outlook*, May 24, 2016. <https://journal-neo.org/2016/05/24/where-will-first-chinese-overseas-military-bases-spring-up/>.

† Regional observers note that the number of overseas Chinese in the Pacific Islands continue to grow with many running small businesses and impacting local economies. In 2006, New Zealand scholar Ron Crocombe estimated that 80,000 Chinese were living in the region. Over the last several decades, anti-Chinese sentiment has resulted in several riots (the Solomon Islands and Tonga in 2006; Papua New Guinea in 2009) and Beijing needed to evacuate its citizens following the Solomon Islands incident. Given the region’s susceptibility to extreme weather and natural disasters, there may be increasing needs for evacuations in the future. Greg Colton, “Stronger Together: Safeguarding Australia’s Security Interests through Closer Pacific Ties,” *Lowy Institute for International Policy*, April 2018, 11–12. <https://www.lowyinstitute.org/publications/stronger-together-safeguarding-australia-s-security-interests-through-closer-pacific-0/>; *Economist*, “Big Fish in a Big Pond,” March 25, 2015. <https://www.economist.com/news/asia/21647169-chinese-aid-region-expanding-as-immigrant-community-big-fish-big-pond>; Ron Crocombe, *Asia in the Pacific Islands*, University of the South Pacific, 2007, 97.

‡ For more information on China’s aspirations to build a blue water navy, see Michael McDevitt, “Chapter 3: China’s Far Sea’s Navy: The Implications of the ‘Open Seas Protection’ Mission,” in Michael McDevitt, “Becoming a Great ‘Maritime Power’: A Chinese Dream,” *CNA*, June 2016, 33–52; Andrew Erickson, “China’s Blueprint for Sea Power,” *China Brief*, July 6, 2016. <https://jamestown.org/program/chinas-blueprint-for-sea-power/>.

President Tsai Ing-wen,* five of Taiwan’s former diplomatic partners—The Gambia, São Tomé and Príncipe, Panama, the Dominican Republic, and Burkina Faso—have established official ties with Beijing.³⁴ In November 2017, Beijing reportedly cut off all state-run tour groups to Palau in an attempt to pressure the Palau authorities to switch diplomatic recognition to Beijing, but they have been unsuccessful.³⁵ These recent moves suggest a return to heightened cross-Strait competition in the Pacific Islands.

Gaining Access to Resources

Despite its small collective land mass, the Pacific Islands is home to sizable quantities of natural resources and raw materials, including timber, minerals, and fish. Beijing’s trade and investment in the region is focused mostly on Papua New Guinea, the region’s largest economy and home to rich gold and nickel mines, liquefied natural gas, and timber forests. Chinese SOE China Metallurgical Group Construction manages development of the \$1.4 billion Ramu NiCo project (a nickel and cobalt mine) in Papua New Guinea with funding from the Export-Import Bank of China (China EximBank)—China’s largest single investment in the region and its biggest foreign greenfield mining project.³⁶ Other Chinese firms and SOEs have large-scale operations in the region, concentrated in the mining, logging, and fishing industries.³⁷

Chinese Engagement in the Pacific Islands

Since President Xi took office in 2013, China’s engagement in the region has been comprehensive and has noticeably accelerated. It has been focused in the economic and diplomatic realms with a comparatively smaller security component.

Economic Engagement

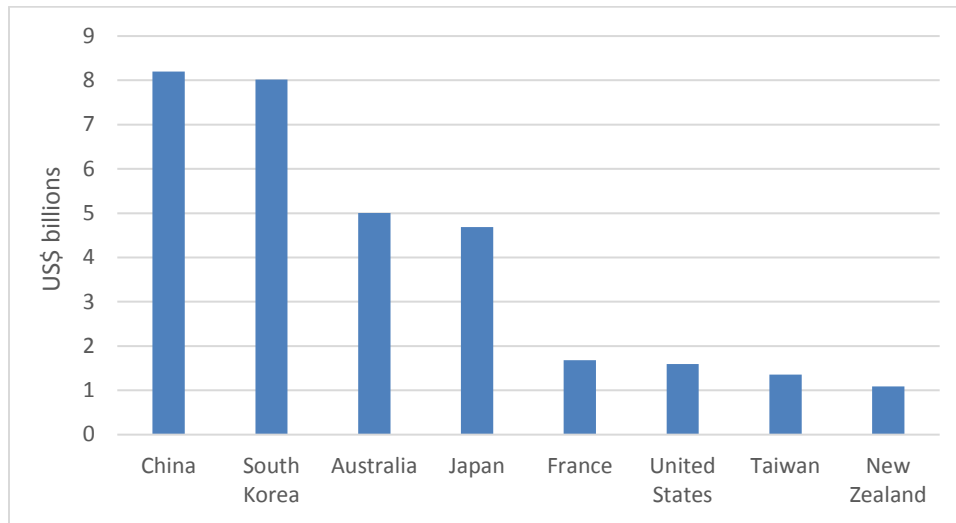
In recent years, China has significantly bolstered its economic engagement with Pacific Island countries. An examination of trade, investment, aid, and tourism data shows that China is becoming one of the dominant economic players in the region, well ahead of the United States. Given the rapid growth in Chinese activity in all four categories of economic engagement over the past decade, this trend is likely to continue in the years ahead, bringing economic and security implications for the United States and its allies and partners in the region (see “Implications for the United States”).

Trade

China is the largest trading partner of PIF member countries (excluding Australia and New Zealand) (see Figure 3). In 2017, China’s total goods trade with these countries reached \$8.2 billion, slightly ahead of South Korea (\$8 billion) and far surpassing Australia (\$5 billion) and the United States (\$1.6 billion).³⁸ China’s trade with the Marshall Islands and Papua New Guinea comprised 72 percent of its total trade with PIF members.³⁹ China is the top trading partner of the Solomon Islands (\$657 million), and is the second-largest trading partner of the Marshall Islands (\$3 billion) and Tuvalu (\$18 million)—three of Taiwan’s diplomatic partners (see Appendix I, Table 1 for a summary of China’s trade with all PIF members).⁴⁰ Notably, China’s total trade with Pacific Island countries that have diplomatic ties with Taiwan (\$3.8 billion) exceeds that of the countries that recognize the People’s Republic of China (\$3.5 billion).⁴¹

* President Tsai is also the chairperson of the Democratic Progressive Party (DPP). In 1991, the DPP adopted a clause to its charter that called for formal independence and the establishment of the Republic of Taiwan, but this clause was obviated by the DPP’s 1999 “Resolution on Taiwan’s Future” that states that Taiwan is already a “sovereign and independent country.” Dafydd J. Fell, “Parties and Party Systems,” in Gunter Schubert, ed., *Routledge Handbook of Contemporary Taiwan*, Routledge, 2017; J. Michael Cole, “To Freeze or Not to Freeze: The DPP’s ‘Independence Clause,’” *Diplomat*, July 23, 2014. <https://thediplomat.com/2014/07/to-freeze-or-not-to-freeze-the-dpps-independence-clause-2/>.

Figure 3: Total Trade with PIF Members (2017)

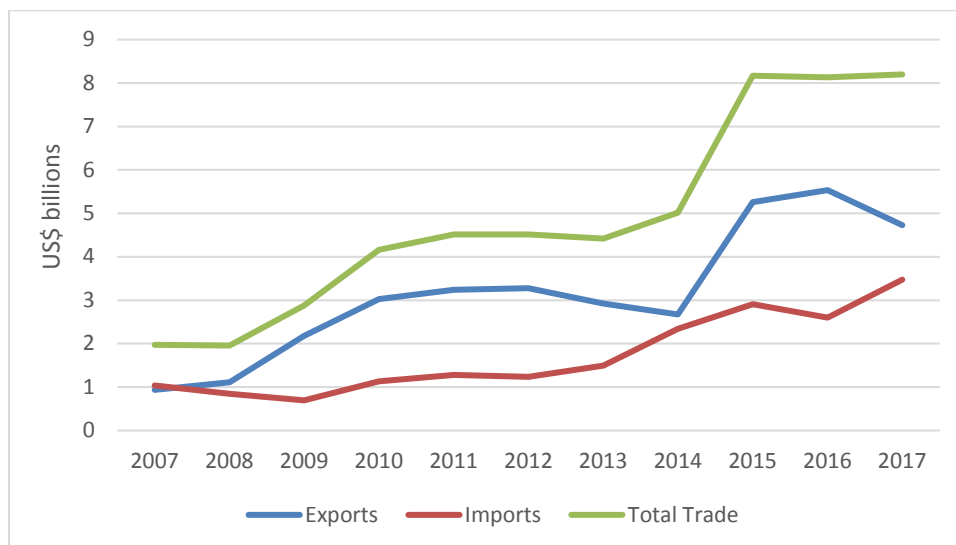


Note: This graph excludes trade with Australia and New Zealand, which are both PIF members.

Source: IHS Markit Global Trade Atlas.

Over the last decade, China’s total trade with Pacific Island countries has grown by a factor of four (see Figure 4). The year after President Xi’s 2014 visit to the region saw the largest year-on-year increase in total trade over this period, growing 63 percent largely due to a sharp boost in Chinese exports (for more information on President Xi’s visit, see “High-Level Visits”).⁴² In 2017, China’s exports to Pacific Islands Forum countries reached \$4.7 billion, up from \$2.7 billion in 2014.⁴³ Chinese imports from Pacific Islands Forum countries totaled \$3.5 billion, up from \$2.3 billion in 2014.⁴⁴ China’s top export destinations in the Pacific Islands are: (1) the Marshall Islands (mostly passenger and cargo ships), (2) Papua New Guinea (broadcasting equipment, iron, rubber, and prefabricated buildings), and (3) Fiji (seafood, delivery trucks, and rubber).⁴⁵ China’s imports from the region consist mostly of raw materials and minerals. Beijing’s top sources of imports in the region are Papua New Guinea (petroleum, rough wood, and nickel mattes), New Caledonia (ferroalloys and nickel mattes), and the Solomon Islands (rough wood).⁴⁶

Figure 4: China’s Trade with Pacific Island Countries (2007–2017)



Note: This graph excludes trade with Australia and New Zealand and includes all PIF members; data for Niue were unavailable.

Source: General Administration of Customs via CEIC database.

China, the United States, and Pacific Island Fisheries

Tuna is a vital source of food and employment for Pacific Islanders.⁴⁷ For some South Pacific countries, the tuna resources within their 200-nautical-mile EEZs are their only major renewable resource.⁴⁸ Fisheries access fees paid by foreign fishing vessels are significant sources of government revenue in several Pacific Island countries.⁴⁹ However, in recent years, increasing competition with subsidized Chinese vessels, declining catches, and depressed tuna prices are pushing many local tuna fishing fleets to exit the industry.⁵⁰

Over the past five years, Chinese fleets have rapidly expanded into offshore fisheries, including in the Western Central Pacific Ocean.⁵¹ China has the world's largest distant water fishing fleet—vessels operating outside Chinese waters.⁵² According to Greenpeace, the size of China's distant water fishing fleet expanded from 1,830 to 2,460 vessels from 2012 to 2014.* The industry's growth has been fueled by tax exemptions and a network of central and local government subsidies.⁵³ According to the Western and Central Pacific Fisheries Commission, 418 Chinese tuna fishing vessels operated in the West Central Pacific Ocean in 2016, up from 244 such vessels in 2010.⁵⁴

China is a major contributor to global illegal, unreported, and unregulated (IUU) fishing.† A 2012 European Parliament study found that China massively underreports the catch of its distant water fleets and estimated the catch of China's distant water fleet was 4.6 million metric tons per year between 2000 and 2011, about 12 times more than the amount it reported; in Oceania, that amount was 198,000 metric tons per year.⁵⁵ According to the report, "Activities and catches of the Chinese distant water fleets are almost completely undocumented and unreported, and often, may be illegal, thus spanning the entire gamut of IUU fishing."⁵⁶ A 2016 report prepared for the Pacific Islands Forum Fisheries Agency (FFA) highlights the prevalence of all IUU fishing in the region, estimating the total value of illegally harvested or transshipped tuna at about \$616 million a year.⁵⁷ This amounts to more than 12 percent of the \$5 billion in dock value Pacific tuna generated in 2014, a significant loss for Pacific Island countries.⁵⁸ The Chinese government has been sensitive to criticism of its distant water fleets and has taken some steps to deter illegal fishing activity in the Western Central Pacific Ocean, such as fining and terminating the licenses of Chinese companies found to have fished without authorization.⁵⁹

The United States has significant commercial interests in Pacific Island fisheries, where the majority of the world's tuna is caught.⁶⁰ The United States negotiates access to Pacific Island fisheries through the South Pacific Tuna Treaty, which allows 40 U.S. purse seine fishing vessels to fish in the waters of the Pacific Island countries along with Australia and New Zealand.‡ ⁶¹ The United States plays an active role in regional fisheries management through its involvement in the Western and Central Pacific Fisheries Commission, the region's largest fisheries organization. The U.S. government also maintains a number of programs to help Pacific Island countries combat illegal fishing, including bilateral "Shiprider" agreements with ten Pacific Island countries§ that host partner nation law enforcement officers on U.S. Coast Guard ships and aircraft to patrol national EEZs.⁶²

* In comparison, as of 2015, the United States had only 225 fishing vessels of comparable size and capabilities. Greenpeace, "Give a Man a Fish—Five Facts on China's Distant Water Fishing Subsidies," July 2016, 1–3. http://www.greenpeace.org/eastasia/PageFiles/299371/FINAL_The%20problem%20with%20China's%20distant%20water%20fishing%20industry%20subsidies_.pdf.

† For more on IUU fishing and the threat it poses to U.S. national security, see Gregory B. Poling and Conor Cronin, "Illegal, Unreported, and Unregulated Fishing as a National Security Threat," *Center for Strategic and International Studies*, November 2017. https://csis-prod.s3.amazonaws.com/s3fs-public/publication/171102_Poling_IUUFishing_Web.pdf?fx_ZS98YbFth8SnVM242pH0VutBYw2v.

‡ In comparison, Chinese purse seine vessels operating in the Western Central Pacific Ocean numbered 69 in 2015, up from 16 vessels in 2009; about half of all purse seine vessels built since 2010 operating in the region are Chinese. World Bank, "Tuna Fisheries," *Pacific Possible Background Paper No. 3*, 2016, 31. <http://documents.worldbank.org/curated/en/966441503678446432/pdf/119107-WP-PUBLIC-P154324-133p-PPTunafisheriesbackgroundfinal.pdf>.

§ The ten partners include the Federated States of Micronesia, Kiribati, Nauru, Republic of Marshall Islands, Samoa, Tonga, Tuvalu, Vanuatu, Palau, and the Cook Islands. The United States is negotiating a new agreement with Fiji and considering others with Papua New Guinea and the Solomon Islands. U.S. official, interview with Commission staff, February 23, 2018; House Foreign Affairs Committee Subcommittee on Asia and the Pacific, *Hearing on U.S. Policy in the Pacific: The Struggle to Maintain Influence*, written testimony of Matthew Matthews, June 23, 2016. <http://docs.house.gov/meetings/FA/FA05/20160623/105115/HHRG-114-FA05-Wstate-MatthewsM-20160623.pdf>.

Investment

As with trade, China's cumulative foreign direct investment (FDI) in Pacific Island countries has grown rapidly since President Xi's 2014 visit to the region, reaching \$2.8 billion in 2016,* up 173 percent from 2014.† 63 Nearly 70 percent of that FDI was concentrated in Papua New Guinea.64 Despite its rapid growth, Chinese FDI in Pacific Island countries was just 0.21 percent of its global outward FDI in 2016.65 The China Global Investment Tracker, published by the American Enterprise Institute and the Heritage Foundation, shows that since 2005, Chinese firms have invested in two mining projects in Papua New Guinea worth \$970 million.66 Aside from these projects, Chinese FDI throughout the region has been mostly in the transport, real estate, and energy sectors.67

Most recently, Chinese firms have reached major deals with Pacific Island countries on a range of infrastructure and real estate projects, reflecting continued momentum for Chinese investment in the region. In November 2017, the Papua New Guinea leadership approved a reported \$4.4 billion worth of projects to be carried out by China Railway Group for roads, agricultural industrial parks, and a water supply upgrade.68 In terms of real estate investment, Chinese firm Guangdong Silkroad Ark Investment is building a \$500 million resort on the Fijian coast—one of the largest such projects ever carried out in Fiji—due for completion by the end of 2018.69

Chinese companies have also been active in information and communications technology projects. In October 2016, Chinese telecommunications giant Huawei announced it was awarded a contract to build a national broadband transmission network for Papua New Guinea, with international connectivity via Indonesia.70 In July 2017, Huawei announced it received a contract to construct an undersea cable to connect the Solomon Islands' main islands, with onward connectivity to Australia.71 The Solomon Islands originally selected a British-American company, Xtera, to install the cable, and had secured funding assistance from the Asian Development Bank (ADB).72 However, the government under then Prime Minister Manasseh Sogavare switched to Huawei, prompting the ADB to withdraw support for the project in May 2016, noting in a statement that the "Huawei contract was developed outside of ADB procurement processes."‡ 73 A report by the Solomon Islands parliament's public accounts committee called for a police inquiry into allegations that Huawei "had promised the Prime Minister a political donation of [Solomon Islands Dollars] 40 million [\$5 million] for the award of the contract."74

The projects have drawn concern from the Australian government over the security implications of Huawei's involvement in constructing cables connecting to Australia's telecommunications network, and more broadly over Chinese involvement in critical infrastructure in the Pacific Islands.§ 75 According to Peter Jennings, executive director of the Australian Strategic Policy Institute, "Chinese telecoms companies have connections to the Chinese state. This raises the risk of infiltration, intellectual property theft and could give Beijing the capacity to shut down Australian networks in the event of a crisis."76 In response, Australia announced in November 2017 it would deliver and provide the majority of the funding for a new undersea telecommunications cable between Papua New Guinea and Australia, and was in discussions with the Solomon Islands to lay a similar cable from Australia to the Solomon Islands.** 77 The cable projects would provide significant improvements in internet reliability and quality for both

* Statistics from China's Ministry of Commerce underestimate Chinese investment flows to Pacific Island countries because much of the country's FDI is routed via Hong Kong and other tax havens. Alicia Garcia-Herrero, Le Xia, and Carlos Casanova, "Chinese Outbound Foreign Direct Investment: How Much Goes Where after Round-Tripping and Offshoring?" *BBVA Research Working Paper*, June 2015. https://www.bbva.com/wp-content/uploads/2015/06/15_17_Working-Paper_ODI.pdf.

† In comparison, Australia's FDI in Pacific Island countries reached \$12.7 billion in 2016, while U.S. FDI was \$2.4 billion. Australian Bureau of Statistics, *Table 5: Australian Investment Abroad: Level of Investment by Country and Country Groups by Type of Investment and Year (\$million)*, May 10, 2017. <http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/5352.02016?OpenDocument>; U.S. Department of Commerce, Bureau of Economic Analysis, *U.S. Direct Investment Abroad on a Historical-Cost Basis*, April 24, 2018. <https://www.bea.gov/iTable/iTable.cfm?ReqID=2&step=1#reqid=2&step=1&isuri=1>.

‡ In November 2017, Mr. Sogavare was replaced as prime minister by Rick Hou, who has been highly critical of the Sogavare government's deal with Huawei. David Wroe, "Australia Takes over Solomon Islands Internet Cable amid Spies' Concerns about China," *Sydney Morning Herald*, January 26, 2018. <https://www.smh.com.au/world/oceania/australia-takes-over-solomon-islands-internet-cable-amid-spies-concerns-about-china-20180125-h0o7yq.html>.

§ In 2012, Huawei was banned from tendering for Australia's national broadband network in 2012 due to cybersecurity concerns. *ABC News*, "Undersea Cable Deal with PNG Inked Amid Concerns over Chinese Influence in the Pacific," November 13, 2017. <http://www.abc.net.au/news/2017-11-14/png-to-get-new-australia-funded-undersea-internet-cable/9146570>.

** Australia's Department of Foreign Affairs and Trade said in January 2018 it would also help finance the undersea internet cable to the Solomon Islands, noting it would pay for the bulk of the project through Australia's international development assistance program. As of March 2018, the Solomon Islands remain in discussions with Australia about the proposed undersea cable from Honiara to Sydney.

countries; the Solomon Islands currently uses satellite for its telecommunications needs while Papua New Guinea relies on a low-capacity cable that is insufficient for the country's growing internet traffic.⁷⁸

Chinese Investment in the Commonwealth of the Northern Mariana Islands

Over the past four years, Chinese companies have ramped up their investments into the CNMI, a U.S. territory just north of Guam and a strategic asset for the U.S. military. Following CNMI's legalization of gambling in 2014 to help meet a public pension shortfall, Hong Kong-based investment firm Imperial Pacific International Holdings announced plans to invest \$7 billion in a casino resort in Saipan—the largest of CNMI's islands—after being granted a 25-year casino license by the CNMI government.⁷⁹ The company's subsidiary, Best Sunshine Live, opened a temporary casino (while it builds a larger casino and hotel resort) in July 2015, which reported unaudited VIP rolling chip turnover* of \$49.2 billion for 2017, far exceeding the VIP transaction volumes of most major casinos in Macau.⁸⁰ Best Sunshine Live and other Chinese casinos in CNMI have come under scrutiny, facing lawsuits and investigations related to illegal labor practices and violations of anti-money-laundering regulations.⁸¹

On CNMI's island of Tinian, Chinese investors have plans for two multimillion-dollar resorts located close to land leased by the U.S. Department of Defense (DOD) as it plans to redeploy 4,100 Marines from Okinawa, Japan, to Guam, a move that will require greater use of CNMI land for training and exercise purposes.⁸² DOD has a long-term lease for two-thirds of Tinian.⁸³ In 2015, Macau-based investment firm Alter City Group secured a 25-year land lease for a \$1.2 billion integrated casino resort that would border DOD-leased land.⁸⁴ Bridge Investment Group, a U.S.-based real estate investment and property management firm, secured a 40-year property lease in 2014 to build a \$150 million integrated casino resort on Tinian Harbor.[†] Although the resort does not encroach on DOD-leased land, the U.S. Navy has expressed concerns that it could hinder “[DOD's] various military uses at the Tinian port.”⁸⁵ The project is financed through the U.S. EB-5 visa program[‡] and the company primarily targets Chinese investors.⁸⁶ However, the project has stalled due to regulatory hurdles.⁸⁷

The influx in Chinese investment, along with increased Chinese tourism to CNMI, has turned around the stagnant CNMI economy. According to a 2017 U.S. Department of Commerce report, CNMI's gross domestic product (GDP) increased 28.6 percent year-on-year in 2016 due to “significant growth in visitor spending, particularly on casino gambling.”⁸⁸ In addition, the establishment of direct airline connections between China and CNMI and increased marketing by Chinese tourism agencies have helped encourage increases in Chinese visitors to the territory. The number of Chinese visitors to CNMI grew from 29,528 in 2009 to 170,121 in 2014, an increase of 476 percent, and CNMI is the top recipient of Chinese visitors in the Pacific Islands.⁸⁹ According to a report prepared for the Marianas Visitors Authority, China accounted for 40 percent of total tourists in CNMI in 2016, second to South Korea.⁹⁰

As Chinese investment and tourism in the territory appears set to increase, tensions have grown surrounding DOD's plans to use the islands for training purposes. Some in the CNMI business community have expressed concerns about plans for U.S. military training on Tinian, suggesting the U.S. military's presence would negatively impact Chinese casino resorts on the island and limit the economic potential of the area.⁹¹ Representatives from Alter City Group have fueled this narrative, hinting that the company might abandon the investment. In response to DOD's announced plans for Tinian, the company stated, “The [U.S. military] has suggested activities which adversely impact the island of Tinian, its residents and adjacent operators like [Alter City Group]. The benefits from the military with the [proposal] are minimal, but the burdens are significant and unsustainable.”⁹²

* Rolling chip turnover represents the aggregate amount of bets VIP players make and is used by casinos to measure the volume of VIP business transacted.

† The resort is planned for development in two phases. The first phase includes the main hotel and casino and the second phase includes an adjoining replica of the Titanic, housing a casino and luxury resort accommodations on Tinian Harbor. *Saipan Tribune*, “International Firm to Create Master Plan for \$150M Tinian Resort,” September 1, 2015. <https://www.saipantribune.com/index.php/intl-firm-to-create-master-plan-for-150m-tinian-resort/>.

‡ The EB-5 visa program allows foreign nationals that invest at least \$1 million (or \$500,000 if the investment is in a rural or high unemployment area) in qualified projects in the United States to apply for permanent resident status. U.S. Department of Homeland Security, *About the EB-5 Visa Classification*. <https://www.uscis.gov/working-united-states/permanent-workers/employment-based-immigration-fifth-preference-eb-5/about-eb-5-visa-classification>.

Development Assistance

The Pacific Islands remain one of the most aid-dependent regions in the world.* China is becoming a larger player in development assistance in the region, although the exact scope of the country's development finance activities is difficult to ascertain as the Chinese government does not release detailed information about its aid program.†⁹³ According to estimates from the Lowy Institute, China provided \$1.7 billion in cumulative aid to its Pacific Island diplomatic partners from 2006 to 2014, second behind Australia (\$6.9 billion) and just ahead of the United States (\$1.6 billion) (see Appendix II, Table 2).‡ Despite directing just 4 percent of its global aid to the Pacific Islands, China is a key source of development assistance for its eight diplomatic partners in the region.⁹⁴ For example, between 2006 and 2013, China provided almost half of total overseas development assistance to Fiji and close to 30 percent of total overseas development assistance to Samoa and Tonga.⁹⁵ More than 80 percent of Chinese aid has been in the form of concessional loans—which have long-term repayment periods and typically are used to fund infrastructure projects—while the rest are grants.§⁹⁶ According to AidData, a research lab based at William & Mary University that tracked China's aid to the Pacific Islands from 2000 to 2014, most of China's development assistance went to projects in the transport and storage sector (23.4 percent or \$717 million) and projects promoting government efficiency (15.6 percent or \$480 million).**⁹⁷

Beijing also provides humanitarian assistance and disaster relief to countries in the region, which are susceptible to extreme weather events due to their geography and climate. Most of China's assistance has been limited to its diplomatic partners in the region.†† For example, after Fiji was hit by Tropical Cyclone Winston in 2016, the most severe cyclone in the island's history, China provided \$7.3 million of disaster relief supplies, including 6,000 tents and other materials.‡‡⁹⁸

Unlike the United States and other Organization for Economic Cooperation and Development (OECD) Development Assistance Committee donors, China does not attach explicit governance conditions—such as meeting democracy, transparency, and human rights standards—to aid, leading some Pacific Island leaders to view Chinese aid as preferable to aid from traditional donors.⁹⁹ However, Chinese foreign aid does not come without conditions. To qualify for concessional loans provided by the China EximBank, the contractor must be a Chinese

* On a per capita basis, official development assistance is higher in the Pacific Islands than in any other region in the world. Matthew Dornan and Jonathan Pryke, "Foreign Aid to the Pacific: Trends and Developments in the Twenty-First Century," *Asia and The Pacific Policy Studies*, 4:3 (September 2017), 386–404. <http://onlinelibrary.wiley.com/doi/10.1002/app5.185/full>.

† Most of China's officially supported finance falls in the OECD Development Assistance Committee's (DAC) "other official flows" category, which includes export credits, nonconcessional loans, and overseas investment support. China also provides the equivalent of official development assistance (ODA) as defined by the OECD DAC: grants, zero-interest loans, and concessional loans. The OECD DAC defines official development assistance as government-backed financing that is "concessional in character" and has a grant element of at least 25 percent, calculated at a discount rate of 10 percent. For more on China's development finance regime, see Sabrina Snell, "China's Development Finance: Outbound, Inbound, and Future Trends in Financial Statecraft," *U.S.-China Economic and Security Review Commission*, December 16, 2015. <https://www.uscc.gov/sites/default/files/Research/China%E2%80%99s%20Development%20Finance.pdf>.

‡ The Lowy Institute's data on Chinese development assistance includes only projects that are being implemented or are completed; projects that have been announced but not implemented are not included. The database does not include military aid, support for regional organizations, scholarships and human resources training, or donations through the China Red Cross. Lowy Institute, "Chinese Aid in the Pacific," 2016. <https://www.lowyinstitute.org/chinese-aid-map/>.

§ China's concessional loans have a 2 to 3 percent annual interest rate and a 15 to 20-year repayment period. Grants are largely provided on an in-kind basis and are used for small- to medium-sized projects that improve social welfare, like humanitarian aid. Matthew Dornan and Philippa Brant, "Chinese Assistance in the Pacific: Agency, Effectiveness and the Role of Pacific Island Governments," *Asia and The Pacific Policy Studies*, 1:2 (May 2014), 349–363. <http://onlinelibrary.wiley.com/doi/10.1002/app5.35/full>.

** According to AidData, "government and civil society" is a category that includes projects targeting economic and development policy and planning, public sector financial management, legal and judicial development, government administration, community participation and development, and grassroots organizations. AidData, "AidData's Sector Coding Scheme." http://docs.aiddata.org/ad4/files/aiddata_coding_scheme_0.pdf.

†† However, the Red Cross Society of China, a Chinese government-backed organization, provided an unspecified amount of emergency assistance to the Solomon Islands (which recognizes Taiwan) following the 2007 earthquake. *Xinhua*, "China Provides Emergency Aid to Solomon Islands," April 4, 2007. <http://au.china-embassy.org/eng/xw/t308676.htm>.

‡‡ In comparison, Australia provided \$26.4 million (AUD 35 million) in assistance, while the United States provided \$800,000 in assistance. Minister for International Development and the Pacific, *Visit to Fiji*, February 19, 2017. http://ministers.dfat.gov.au/fierravanti-wells/releases/Pages/2017/cf_mr_170219.aspx?w=p2wUlmE1t7kK11%2BiOm3ggq%3D%3D; U.S. Agency for International Development, *Disaster Assistance: Fiji*, June 3, 2016. <https://www.usaid.gov/crisis/fiji>.

company and at least 50 percent of project materials have to be sourced from China.¹⁰⁰ Moreover, in a recent interview with the *Vanuatu Daily Post*, China’s ambassador to Vanuatu Liu Quan said that China expects its Pacific Island diplomatic partners to support Chinese positions at the UN in return for its assistance, noting, “There is no free lunch.”¹⁰¹

Observers have expressed concerns that aggressive Chinese lending in the region is increasing the debt burden of Pacific Island countries to unsustainable levels. Several Pacific Island governments are struggling with high debt levels and have established “no new loans policies” as a result.¹⁰² According to the International Monetary Fund, Samoa and Tonga are at high risk of external debt distress—52 percent of GDP and 42 percent of GDP, respectively—and both countries have significant debt to China.¹⁰³ The Tonga government asked Beijing to convert its loans to grants during its 2013–2014 debt crisis, but was only offered a deferral on repayment until 2018.¹⁰⁴ During a May 2018 visit to Papua New Guinea to attend the Asia-Pacific Economic Cooperation (APEC) forum, Matthew J. Matthews, Deputy Assistant Secretary for Australia, New Zealand, and the Pacific Islands and Ambassador for APEC at the U.S. Department of State, said the United States urged China to follow the World Bank and ADB approach to development assistance in the Pacific Islands. He said that all aid projects “should be transparent ... have high standards and high impact, and follow international rules and norms that are designed to ensure that [they] provide economic sustainability and the ability of borrowers to repay loans in a timely fashion and generate greater economic potential for the countries in question.”¹⁰⁵

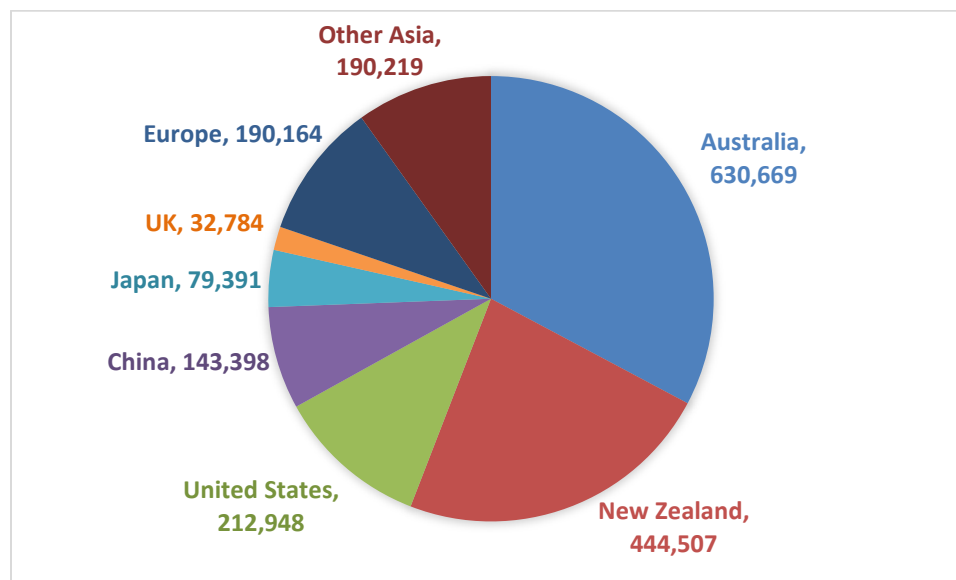
In January 2018, Australia’s Minister for International Development and the Pacific, Concetta Fierravanti-Wells, criticized China for funding “useless buildings” in the Pacific, in reference to how Chinese concessional loans to Pacific Island countries have largely focused on financing infrastructure projects and public facilities.¹⁰⁶ “We just don’t want to build a road that doesn’t go anywhere. We want to ensure that the infrastructure that you build is actually productive and is actually going to give some economic benefit or some sort of health benefit,” she said.¹⁰⁷ Her comments sparked a backlash from Pacific Island leaders and Beijing, with the government of Vanuatu releasing a statement noting that Chinese projects were “not white elephants” but rather “based on requests provided by the Vanuatu Government because of its development needs which may not fall within the aid policies of other donor partners.”¹⁰⁸ A Chinese Foreign Ministry spokesperson said the comments “show scant regard for the facts and are nothing but irresponsible,” adding that China had lodged an official complaint with the Australian government.¹⁰⁹

Tourism

As is the case globally, Chinese tourists are traveling in increasing numbers to the Pacific Islands, a region for which tourism is the dominant services export sector.¹¹⁰ China has been among the fastest-growing countries in terms of the number of tourists visiting the region. Among Beijing’s eight diplomatic partners and Palau*—to which Chinese tourist groups are allowed to visit—Chinese visitors grew by an average of 27 percent per year between 2009 and 2014.¹¹¹ Despite this rapid growth, the number of Chinese tourists traveling to the Pacific Islands remains modest compared with foreign visitors from Australia and New Zealand (see Figure 6; see Appendix II, Table 3 for a breakdown of visitors per country). In the long term, China is likely to continue expanding its tourism footprint in the region. The World Bank estimates Chinese visitors to the 11 World Bank members in the Pacific Islands could continue to grow at 20 percent per year to reach 965,000 visitors by 2040.¹¹²

* Generally, Chinese tour groups can only travel to countries granted Approved Destination Status (ADS) through a bilateral tourism arrangement. Having ADS also allows countries to advertise their destination in China. In the Pacific Islands, only China’s eight diplomatic allies have been granted ADS. However, although Palau has diplomatic relations with Taiwan and does not have ADS, the Chinese government allowed its citizens to travel in groups to Palau until November 2017, when China issued a notice banning its travel agencies from arranging group tours to Palau in a renewed bid to pressure Palau to cut its diplomatic links with Taiwan. Edward White and Nicolle Liu, “Palau Holds out as China Squeezes Taiwan’s Allies,” *Financial Times*, December 29, 2017. <https://www.ft.com/content/d153df12-df02-11e7-8f9f-de1c2175f5ce>; World Bank, “Tourism,” *Pacific Possible Background Paper No. 4*, 2016, 34, 75. <http://www.worldbank.org/en/who-we-are/news/campaigns/2017/pacificpossible>.

Figure 6: Total Number of Tourists to the Pacific Island Countries by Country of Origin (2017)



Source: South Pacific Tourism Organization, “Annual Review of Visitor Arrivals in Pacific Island Countries,” June 2018, 5. <https://corporate.southpacificislands.travel/wp-content/uploads/2017/02/2017-AnnualTourist-Arrivals-Review-F.pdf>.

Chinese tourism in the region is concentrated in Palau and Fiji, which together make up 80 percent of all Chinese inbound arrivals.¹¹³ In 2017, Chinese tourism fell by about 5 percent across the region, due in large part to the reduction in Chinese tourism to Palau where it dropped by 11 percent.¹¹⁴ According to the South Pacific Tourism Organization, the decline in Chinese tourists to Palau was largely caused by reduced flights from mainland China and Hong Kong.¹¹⁵ The Palauan government has expressed concerns about the limited economic benefits and negative environmental impacts from rising Chinese mass tourism.¹¹⁶ In response, Palau cut the number of charter flights from China to Palau in half in April 2015 and implemented a \$100 environmental impact fee per tourist in January 2018.*¹¹⁷ Palau President Tommy Remengesau noted in a 2017 interview, “While [tourist] numbers went down, the actual tourist spending went up. It confirms our direction [to attract] less tourists who spend more which equates to more tax dollars.”¹¹⁸

Diplomatic Engagement

China’s diplomatic efforts directed at the Pacific Island countries are concentrated on its eight diplomatic partners. Beijing seeks to expand its influence in the region, encourage closer economic ties, and broaden cultural and educational linkages.

Under President Xi and his BRI policy China’s diplomatic efforts in the region have accelerated and become more professional. According to Dr. Smith, Chinese government presence before President Xi took office was “negligible.”¹¹⁹ Now under BRI, according to Dr. Smith, experienced diplomats are being assigned to embassies in the region; however, personnel levels remain inadequate to coordinate the high volume of aid projects, often leaving Chinese companies and their local partners in control.¹²⁰

At the multilateral level, China has increased its diplomatic presence and is deeply involved in regional organizations. For a number of these organizations, Beijing provides funding and other support even if it is not a member or observer (see Table 1). Since 2007, China has had a senior Chinese diplomat serving as its special envoy to the Pacific Islands Forum Post Forum Dialogue, the only annual multilateral organization that includes all Pacific

* Palau President Tommy Remengesau has also proposed legislation that would limit expansion of the tourism sector to high-end resorts with strict environmental conditions as part of the government’s “quality over quantity” approach to tourism. World Bank, “Pacific Possible: Long-Term Economic Opportunities and Challenges for Pacific Island Countries,” 2017, 27. <http://documents.worldbank.org/curated/en/168951503668157320/pdf/ACS22308-PUBLIC-P154324-ADD-SERIES-PPFullReportFINALscreen.pdf>; *New Zealand Herald*, “Palau Wants to Limit Tourists to the Very Wealthy,” January 17, 2017. http://www.nzherald.co.nz/travel/news/article.cfm?c_id=7&objectid=11783540.

Island countries and allows outside countries' participation.¹²¹ The special envoy has represented China at each of the Post Forum Dialogues held since 2007 and regularly attends bilateral meetings and other events in the region.¹²²

Table 1: China's Involvement in Select Pacific Island Regional Organizations

Regional Organization (Year Established)	Organization Level (Frequency)	Other Participants (headquarters bolded)	China's Involvement and Support
Pacific Islands Forum Post Forum Dialogue (1989)	Ministerial-level (annual)	All PIF members (Fiji hosts the dialogue), Canada, Cuba, the European Union, France, India, Indonesia, Italy, Japan, Malaysia, Philippines, South Korea, Spain, Thailand, Turkey, United Kingdom, and the United States	Official partner; since establishing the China-Pacific Islands Forum Cooperation Fund in 1999, Beijing has donated funds to the secretariat (over \$1 million in 2016 and 2017)
Pacific Islands Development Forum (2013)	Senior-level and Ministerial-level (annual)	Fiji , Kiribati, Marshall Islands, Federated States of Micronesia, Nauru, Solomon Islands, Tonga, Vanuatu, Tuvalu, Tokelau, and Timor Leste Observers include New Caledonia, Papua New Guinea, Wallis and Futuna, Indonesia, Israel, Japan, Kuwait, Pakistan, United Kingdom, and the United States	Observer; provided financial support for inaugural meeting in 2013
Melanesian Spearhead Group (1988)	Senior-level and ministerial-level (N/A)	Vanuatu , Solomon Islands, Papua New Guinea, Fiji and the Front de Liberation Nationale Kanak et Socialiste of New Caledonia Observers include Indonesia and Timor Leste	Funded construction of secretariat building in Port Vila, Vanuatu; provided funding for meetings and officials' salaries
China-Pacific Island Countries Economic Development and Cooperation Forum (2006)	Senior-level (meetings held in 2006 and 2013)	China , Cook Islands, Federated States of Micronesia, Fiji, Niue, Papua New Guinea, Samoa, Tonga, and Vanuatu	Established organization focused on developing economic engagement with China's eight Pacific Island diplomatic partners; two meetings held to date have resulted in nearly \$1.5 billion total in aid packages

Source: Various.¹²³

Although Taiwan is not an observer or participant in these regional organizations, it holds an annual Republic of China (ROC)/Taiwan-Forum Countries Dialogue on the sidelines of the PIF meetings with its six diplomatic partners in the region. The meeting helps strengthen support for Taiwan among member countries and allows it to coordinate development assistance to the Pacific Islands.¹²⁴ Taiwan also provides regular financial assistance to the PIF secretariat and annual scholarships for PIF members.¹²⁵ In the fisheries sector, Taiwan is a full member of several organizations that overlap with Pacific Island countries, such as the South Pacific Regional Fisheries Management Organization and the Western and Central Pacific Fisheries Commission, under the name "Chinese Taipei."¹²⁶

High-Level Visits

Senior Chinese official visits to the Pacific Islands have signaled China's willingness to deepen its engagement with the region, often focusing on expanding economic cooperation and development assistance.¹²⁷ In 2014, President Xi traveled to the region for the PIF—the first such visit by a Chinese head of state. During the visit, China and all eight of its diplomatic partners agreed to upgrade their relations to a “strategic partnership.”¹²⁸ President Xi also outlined five key diplomatic priorities in a speech to regional leaders, reflecting China's intentions for furthering ties: (1) building a strategic partnership based on mutual respect and development; (2) enhancing high-level exchanges; (3) deepening economic cooperation, including through the 21st Century Maritime Silk Road Initiative and a zero-tariff preference for 97 percent of taxable items imported from the least-developed countries; (4) expanding people-to-people and cultural exchanges; and (5) increasing multilateral coordination through the PIF and Pacific Islands Development Forum as part of “South-South” cooperation.[†]¹²⁹

Leaders, other high-level officials, and representatives from China's diplomatic partners in the Pacific Islands also regularly conduct official visits to Beijing to discuss various areas of cooperation and help strengthen bilateral relations.¹³⁰ Beijing provides the same red carpet treatment—such as a full military review—for visiting Pacific Island leaders as it does for leaders of large, industrialized countries.¹³¹ Such treatment appears designed to bolster its influence in these countries and show respect to Pacific Island leaders.¹³² Since President Xi took office in 2013, Pacific Island leaders have visited China nine times,[‡] the same number of visits over the decade-long tenure of President Xi's predecessor, Hu Jintao.¹³³

Public Diplomacy

China's public diplomacy efforts in the region are designed to expand its soft power, centering on cultural and educational engagement. Beijing promotes Chinese culture through visiting performers and disseminates its worldview by expanding state-run Chinese television programming[§] to markets throughout the Pacific Islands.¹³⁴ China has also gradually increased the number of Chinese language teachers in the region, including through a Confucius Institute in Fiji and two other Confucius Institute-affiliated programs.^{**}¹³⁵ Further, Beijing has expanded its training workshops offered to regional diplomats and increased the number of scholarships for students in the region to study and conduct research in China.^{††}¹³⁶ During his visit to Fiji in 2014, President Xi promised Pacific Island leaders that China would offer 2,000 scholarships and 5,000 training opportunities to travel to China over the next five years, which would mark a significant increase from around 1,000 students from the region who studied in China from 2005 to 2009.¹³⁷

* China often signals its expanding interests with a country or region by elevating relations to a “strategic partnership” or a “comprehensive strategic partnership” for more important partners.

† Beijing largely defines its cooperation with the Pacific Islands through a South-South cooperation lens, meaning cooperation between developing countries.

‡ This includes Fiji (three times), Vanuatu (twice), Papua New Guinea (once), Micronesia (once), and Tonga (once).

§ Central Chinese Television International was rebranded as China Global Television Network at the end of 2016 and now oversees all new foreign language channels and digital content. In March 2018, Beijing announced a new plan to merge most state-run television and radio broadcasters into a new conglomerate, “Voice of China,” under the CCP's propaganda bureau. Chris Buckley, “China Gives Communist Party More Control over Poly and Media,” *New York Times*, March 21, 2018. <https://www.nytimes.com/2018/03/21/world/asia/china-communist-party-xi-jinping.html>; U.S.-China Economic and Security Review Commission, *2017 Annual Report to Congress*, November 2017, 475.

** China has a Confucius Institute in Fiji and Confucius Classrooms in Vanuatu and the Cook Islands. One former CCP senior official in 2009 called Confucius Institutes “an important part of China's overseas propaganda set-up.” Ningbo Government, *Confucius Institute Provides Platform between China, Fiji*, October 14, 2017. http://english.ningbo.gov.cn/art/2017/10/14/art_927_847238.html. Rachele Peterson, “Outsourced to China: Confucius Institutes and Soft Power in American Higher Education,” *National Association of Scholars*, April 2017, 15; Hanban, “Confucius Institute/Classroom,” 2014. http://english.hanban.org/node_10971.htm.

†† For example, the Chinese Government Scholarship-Pacific Islands Forum Program offered through China's Ministry of Education covers airfare, tuition, and living expenses for scholars and undergraduate, graduate, and doctoral students from the Pacific Island countries. China Scholarship Council, “Chinese Government Scholarship-PIF Program,” February 15, 2017. <http://www.csc.edu.cn/studyinchina/scholarshipdetailen.aspx?cid=97&id=2046>.

Security Engagement

Only three Pacific Island countries—Papua New Guinea, Fiji, and Tonga—have militaries,* limiting Chinese military-to-military engagement with the region. Nonetheless, in recent years, the PLA has raised its regional profile. The PLA provides training for Pacific Island military officers in China and has recently facilitated meetings between counterparts more regularly than in the past.¹³⁸ Joining Fiji, which sent its first defense attaché to Beijing in 2007, Papua New Guinea opened a China defense attaché office in 2016 to help coordinate military activities between the two countries.¹³⁹ Under President Xi, senior PLA officers have held bilateral meetings with their counterparts from the three Pacific Island countries with militaries.¹⁴⁰ Since 2013, the PLA has also hosted a biannual forum for senior defense officials from Caribbean and Pacific Island countries. The PLA uses the forum to bolster its diplomacy efforts and share its own practices and experiences.¹⁴¹

Beijing has recently ramped up its military assistance to the Pacific Islands region, though it is relatively minor compared with other regions. Much of China's assistance comes in the form of military aid and is provided as a gift. For example, in November 2017, China gave 62 military vehicles worth \$5.5 million to the Papua New Guinea Defense Force, including 44 troop carriers, 10 armored vehicles, four buses, four mobile kitchen vans, and spare parts. This followed a donation of 44 vehicles in 2016.¹⁴² One of the most prominent PLA assistance missions in recent years was the PLA hospital ship *Peace Ark's* 2014 visit to Papua New Guinea, Fiji, Tonga, and Vanuatu. The four-week visit provided free medical care to citizens of each respective country and was used to deepen relations.¹⁴³

Port calls are among the more recent additions to China's security engagement with the Pacific Islands. Following *Peace Ark's* 2014 tour through the region, Chinese naval ships have conducted two port calls, one in Fiji in December 2016 and another in Vanuatu in June 2017.¹⁴⁴ Port calls help promote a positive image of the PLA and provide replenishment and recuperation benefits. The most recent Chinese port call in the region involved a PLA Navy taskforce: two missile frigates and a supply ship. During its stay in Vanuatu, the PLA met with local officials and military officers and allowed local citizens to visit the ships.¹⁴⁵ Given China's aspirations to field a blue water navy, port calls in the Pacific Islands are likely to become more frequent in the future.

Implications for the United States

Since the end of the Cold War, the United States—as a Pacific nation with longstanding ties to the Pacific Islands region—has worked closely with Australia, the region's traditional power, to promote common strategic interests and regional stability and prosperity.¹⁴⁶ U.S. objectives in the region today include promoting sustainable economic development and regional stability; administering its Compacts of Free Association; supporting regional organizations; and addressing environmental, transnational crime, and fisheries challenges.¹⁴⁷ During his May 2018 visit to Papua New Guinea for APEC, Deputy Assistant Secretary Matthews said, “[The United States is] in the process of enhancing our security, economic, and people-to-people ties with the Pacific Islands and we’re working to ensure that the Pacific remains a free and open architecture that allows for a rapid and effective development for all peoples in the region.”¹⁴⁸

As Beijing increases its comprehensive engagement in the region, the United States and its allies and partners involved in the region—notably Australia, New Zealand, and Taiwan—face increasing challenges in ensuring a free and open environment and preserving their interests. Australia and New Zealand view the region as vital to their security and economic interests and are boosting their level of engagement in the Pacific Islands.¹⁴⁹ In a March 2018 speech that referred implicitly to China's rising influence in the region, New Zealand Foreign Minister Winston Peters said, “[The region has] become an increasingly contested strategic space ... creating a degree of strategic anxiety.”¹⁵⁰ For Taiwan, the Pacific Islands are important in promoting its international space through its six diplomatic partners that advocate and vote on Taiwan's behalf in the UN and other international fora. In addition, Taiwan is a major actor in the region's fisheries, and its catch from the region is an important part of its economy.¹⁵¹

* Vanuatu has a police force and paramilitary wing with an internal security mission.

Concerns over U.S. Compact Agreements and Increased Competition with China in the Region

In recent years, several observers have expressed concern that the U.S. Compact countries could decide to end their agreements with the United States, in part due to China's increased influence with these countries.¹⁵² These fears were largely prompted by the long-delayed U.S. Compact funding to Palau since 2010, a proposed 2015 legislative resolution in the Federated States of Micronesia to terminate the Compact (which was subsequently not adopted), and perceived U.S. inattention to the countries.¹⁵³ While these concerns appear largely overblown in the near term, due to the respective countries' reliance on U.S. services and employment opportunities,^{*} China likely will pose an increasing challenge to U.S. access to the Compact countries over the long term.

In December 2017, Congress passed the 2018 National Defense Authorization Act containing the authorization for the Palau Compact—which remains in effect until 2044—with funding through 2024, after being agreed to by the U.S. and Palau governments in 2010.¹⁵⁴ This long delay in passing the amended agreement and providing Palau its promised funding risks conveying a message of neglect to a key Pacific Islands partner and creating an impediment to U.S. objectives in the region.¹⁵⁵ In March 2018, Congress appropriated the funding for Palau.¹⁵⁶ Meanwhile, the Marshall Islands and Federated States of Micronesia Compacts are set to lapse in 2023 unless extended, though the United States and these countries would have to mutually agree to disband the relationship. If an agreement is not reached to extend these two Compacts beyond 2023, only financial assistance provisions would expire;[†] importantly, defense provisions would remain in place, including U.S. basing rights.[‡]¹⁵⁷ In addition, Compact countries have among the highest rates of voting consistency with the United States at the UN and serve as important partners in international organizations for which they are members, such as the International Monetary Fund, World Health Organization, and ADB.¹⁵⁸

Given China's growing influence in the three Compact countries, U.S. long-term dominant presence there is not guaranteed. According to Mohan Malik, professor at DOD's Daniel K. Inouye Asia-Pacific Center for Security Studies in Honolulu, "The United States faces intense competition from China in the region.... The U.S. needs to identify countries and areas where it has comparative advantage over China and play to its advantage. The downsides of overdependence on China for economic development—poor governance, corruption (bribing of leaders), unsustainable project development, the debt burden, environmentally disastrous policies—need to be highlighted."¹⁵⁹ David W. Hamon, an independent analyst and nonresident fellow at the Center for Strategic and International Studies, highlights the need for a broad U.S. strategy in the region to counter Chinese inroads in the Pacific. He argues, "At a minimum, the [Compact countries], U.S. territories of Guam, American Samoa, and CNMI should be the target of key investment initiatives in health education, nontraditional security, and economic development in order to strengthen island societies as a whole or part of a wider, foundational, and sustained U.S. strategic approach."¹⁶⁰ According to Mr. Hamon, the strategy should include close coordination with U.S. allies, partners, and the private sector, along with the creation of an organization to coordinate U.S. whole-of-government engagement efforts.¹⁶¹

Concerns for U.S. Defense Interests

Along with U.S. defense commitments to the Compact countries, Admiral Harry Harris, then Commander of the Pacific Command, noted in April 2017 congressional testimony, "[The] agreements provide assured access to the

^{*} Compact funding provides the backbone for critical services in the three countries, such as education and health care. In addition to the significant component of U.S. assistance in the respective economies, U.S. presence also serves as a major job provider. For example, the U.S. Army garrison on Kwajalein Atoll is the second-largest employer in the Marshall Islands. U.S. Department of State, *U.S. Engagement in the Pacific*, September 6, 2017. <https://www.state.gov/r/pa/prs/ps/2017/09/273839.htm>; U.S. Department of State, *U.S. Relations with the Marshall Islands*, December 27, 2016. <https://www.state.gov/r/pa/ei/bgn/26551.htm>.

[†] Moreover, certain U.S. funds already appropriated for the Compact countries may still be available to use after any potential termination of the arrangement. U.S. officials, meeting with Commission staff, January 31, 2018.

[‡] In some cases, specific defense sites in the U.S. Compact countries are secured well beyond 2023. For example, the amended Marshall Islands compact includes an agreement providing U.S. military access to Kwajalein Atoll through 2086. U.S. Senate Committee on Energy and Natural Resources, *Hearing to Conduct Oversight on Issues Facing U.S.-Affiliated Islands and to Consider Two Measures Related to U.S.-Affiliated Islands*, written testimony of David Gootnik, April 5, 2016, 6. https://www.energy.senate.gov/public/index.cfm/files/serve?File_id=16A41488-4098-4251-90C5-B5FA8D47F41B.

[countries] in a contingency situation. They also give the U.S. authority to grant or deny access to another nation's military forces which allows the U.S. to maintain a clear strategic line of communication across the Pacific."¹⁶² DOD also has important military installations based in these countries that are critical for U.S. national security. For example, the United States regularly conducts intercontinental ballistic missile testing and space surveillance operations from the Ronald Reagan Ballistic Missile Defense Test Site in the Marshall Islands.¹⁶³ In August 2017, the United States announced plans to install two radar systems on Palau to monitor North Korean missile launches.¹⁶⁴ Compact countries also have high rates of volunteers serving in the U.S. military.¹⁶⁵

Beijing's increasing influence in the Pacific Islands region has led some analysts to raise concerns that China could erode U.S. influence in the Compact countries and CNMI, which would have implications for U.S. military access in the region. According to Dean Cheng, a senior research fellow at the Heritage Foundation, "If Beijing established a political foothold [in the region over the long term] it could persuade these states not to extend access to the U.S., as well as arrange for Chinese access."¹⁶⁶ Dr. Cheng notes this Chinese access may not be bases but rather surveillance and reconnaissance sites to monitor nearby U.S. military facilities and testing sites.¹⁶⁷

Over the near term, Chinese economic development in and around CNMI could have significant implications for DOD, particularly as it seeks to redeploy 4,100 troops from Okinawa to Guam and use the U.S. territory for training and military exercises. U.S. forces based in Guam would likely be called upon in any contingency in Asia. The rapid growth in Chinese investment and influx of Chinese tourists—bringing record economic growth to CNMI—is also fueling opposition to DOD plans by business executives, local politicians, and residents.¹⁶⁸ If Chinese activities deter the United States from carrying out its plans for CNMI, it will contribute to China's goal of weakening U.S. military presence in the Indo-Pacific.¹⁶⁹ According to Lieutenant General Wallace "Chip" Gregson (Ret.), former commander of U.S. Marine Corps Forces, Pacific, "The Commonwealth of the Northern Marianas and Guam are critical to our position in the Pacific. China seeks to control our access and limit our military presence through influence operations based on suspect casino operations. Energetic involvement by our law enforcement and financial agencies is needed to ensure these U.S. territories are not ripped away."¹⁷⁰

A potential Chinese military base or facility in the Pacific Islands could have implications for U.S. military presence and training in the Indo-Pacific and could pose obstacles to U.S. strategic access in the Pacific Islands.¹⁷¹ Such a development could expand China's monitoring and surveillance capabilities in the region, helping Beijing mitigate U.S. military presence in the region. It could also present access challenges for Australia and New Zealand, key U.S. partners in the Pacific Islands region.¹⁷²

Increasing China's Influence in Regional and International Organizations

As China increases its influence in the region through robust engagement efforts, particularly in the economic realm, Pacific Island countries and territories may feel more beholden to Beijing* and side with China at international fora such as the UN General Assembly and in UN organizations. Beijing's diplomatic partners in the Pacific Islands serve as votes in the UN, equal to other more powerful countries, which help China advance its interests. China's development assistance, often provided in the form of concessionary loans to its diplomatic partners, leave some of these countries saddled with debt owed to China, which serves to increase dependency.¹⁷³ In addition, China uses the promise of additional aid and the large number of major Chinese infrastructure projects in the region (including ports, government offices, and prime minister's residences) as leverage for greater cooperation on areas of interest.¹⁷⁴ According to Dr. Smith, such cooperation "[at the moment] is limited to support for China's position in the South China Sea and, in some cases, support for Beijing's One China Policy."¹⁷⁵ Moreover, China's increasing influence in regional fora allows Beijing more opportunities to promote its views and facilitate access for Chinese businesses and other interests. Looking forward, BRI appears set to further boost Chinese economic engagement in the region and could accelerate these trends, given the region's initial warm reception to the initiative.¹⁷⁶

* China's extradition of 77 Chinese nationals from Fiji in August 2017 demonstrates how China's increasing influence could result in the ceding of sovereignty to Beijing. The Fiji authorities granted Chinese law enforcement access to extradite the suspects back to China with hoods over their heads to disguise their identity. China's Ministry of Public Security said the suspects were involved in telecommunications fraud but observers assert they were sex workers. The lack of transparency in the case and Beijing's sidelining of the Fijian media and legal system portend troubling implications. Graeme Smith, "Chinese Policing on Show," *Inside Story*, October 5, 2017. <http://insidestory.org.au/chinese-policing-on-show/>.

China's Diplomatic Competition with Taiwan

The United States has clear interests in supporting Taiwan's participation in the international community, which is under increasing pressure from Beijing. Taiwan's robust democracy, civil society, technology expertise, and advanced capabilities and experience in areas such as humanitarian assistance and disaster relief make it a strong partner for the United States in international organizations. Taiwan is also a valuable contributor to aviation safety, combating the spread of infectious diseases, and fighting transnational crime.¹⁷⁷

With the end of the diplomatic truce between Beijing and Taipei in 2016, there is an increasing potential of reigniting cross-Strait diplomatic competition in the Pacific Islands. Growing economic incentives offered by China to Taiwan's diplomatic partners could cause these countries to switch diplomatic recognition to Beijing, shrinking Taiwan's international space and expanding China's presence in the region. Such a development would negatively affect U.S. interests in the Indo-Pacific.

Beijing's recent actions against Palau, Taiwan's diplomatic partner, reflect its increased willingness to aggressively pursue Taiwan's partners. In November 2017, following President Tsai's visit to the region,* China reportedly banned tour groups to Palau in an attempt to pressure Palau to abandon Taiwan.¹⁷⁸ Tourism plays a key role in the Palauan economy, and Chinese tourists comprise nearly half of all tourists in the country.¹⁷⁹ According to J. Michael Cole, senior nonresident fellow at the University of Nottingham, "If economic pressure on Palau compelled the island-nation to abandon Taiwan and switch relations to Beijing, the ability of the U.S. military to use Palau to project its presence in the Asia Pacific, especially amid uncertainty over U.S. ties with the Philippines, would most assuredly be compromised."¹⁸⁰

China has also recently increased pressure on Taiwan's unofficial partners in the Pacific Islands in an attempt to further reduce Taiwan's international space.¹⁸¹

- In February 2018, the Papua New Guinea government downgraded its unofficial relationship with Taiwan under pressure from Beijing, according to Taiwan's Ministry of Foreign Affairs.¹⁸² Papua New Guinea compelled Taiwan to change its formal name on all office signage. Taiwan's representative office in the country—formerly called "the Trade Mission of the Republic of China (on Taiwan)"—was changed to the "Taipei Economic and Cultural Office."¹⁸³ Taiwan's Foreign Ministry lodged a formal protest with the Papua New Guinea government in response to the move.¹⁸⁴
- In May 2017, in the wake of the Fiji prime minister's trip to Beijing, Fiji closed its representative office in Taiwan, which had been operating since 1997.¹⁸⁵ The Fijian authorities made the decision mostly for financial reasons, according to Taiwan's Foreign Ministry. However, some in Taiwan saw interference from Beijing playing a role in the decision.¹⁸⁶

* On November 4, 2017, President Tsai concluded an eight-day trip to the Pacific Islands region, visiting the Marshall Islands, Solomon Islands, and Tuvalu. *Taiwan Today*, "President Tsai Touts Success of Pacific Tour," November 6, 2017. <http://taiwantoday.tw/news.php?unit=2,6,10,15,18&post=124430>.

Appendix I: Pacific Islands Data

Table 1: Social, Geographic, and Economic Data for Selected Pacific Island Countries and Territories

Country/Territory	Population (July 2017 est.)	Land (sq km)	GDP per capita US\$ (PPP) (2017)	Life Expectancy (2017)
Federated States of Micronesia	104,196	702	3,400	73
Fiji	920,938	18,274	9,900	73
Kiribati	108,145	811	1,900	67
Marshall Islands	74,539	181	3,400	73
Nauru	11,359	21	12,200	67
Palau	21,431	459	16,700	73
Papua New Guinea	6,909,701	452,860	3,800	67
Samoa	200,108	2,821	5,700	74
Solomon Islands	647,581	27,986	2,100	76
Tonga	106,479	717	5,600	76
Tuvalu	11,052	26	3,800	67
Vanuatu	282,814	12,189	2,800	74
Cook Islands	9,290	236	12,300 (2010 est.)	76
Niue	1,618	260	5,800 (2003 est.)	N/A
American Samoa (USA)	51,504	199	13,000 (2013 est.)	73
CNMI (USA)	52,263	264	13,300 (2013 est.)	75
French Polynesia (FR)	287,881	3,827	17,000 (2015 est.)	77
New Caledonia (FR)	279,070	18,275	31,100 (2015 est.)	78

Note: The first 14 countries and two territories listed in the table are members of the PIF. The rest of the territories listed are observers to the organization. GDP per capita is measured by purchasing power parity (PPP).

Source: CIA World Factbook. <https://www.cia.gov/library/publications/the-world-factbook/>.

Appendix II: China's Economic Engagement in the Pacific Islands

Table 1: Trade with Pacific Islands Forum Members (2017) (US\$ millions)

	China	South Korea	Australia	Japan	France	United States	Taiwan	New Zealand
Cook Islands	13	2	7	21	2	9	0	82
Fiji	386	217	460	115	13	288	57	394
French Polynesia	65	118	41	113	669	169	8	126
Kiribati	17	15	19	22	0	9	3	12
Marshall Islands	3,103	6,894	3	1,337	4	610	131	4
Federated States of Micronesia	38	52	3	34	1	46	31	3
Nauru	1	5	38	7	0	2	0	4
New Caledonia	866	379	326	199	902	124	149	103
Niue	0	0	0	8	0	0	0	13
Palau	18	10	2	50	0	20	22	1
Papua New Guinea	2,839	237	3,888	2,617	73	227	923	140
Samoa	66	32	39	14	3	43	2	83
Solomon Islands	657	31	101	21	1	13	20	33
Tonga	29	4	13	9	3	20	5	52
Tuvalu	18	5	3	21	0	1	0	3
Vanuatu	81	16	59	101	8	13	3	33
Total Trade	8,197	8,017	5,002	4,689	1,679	1,594	1,354	1,086

Source: IHS Markit Global Trade Atlas.

Table 2: Donor Countries' Cumulative Aid in Pacific Island Countries (2006–2014) (US\$ millions)

	China	Australia	United States	New Zealand	Japan	EU Institutions	France
Cook Islands	49.86	29.54	0.07	86.6	1.55	6.01	0
Fiji	359.8	303.14	15.09	44	113.91	81.78	6.96
Federated States of Micronesia	40.6	23.72	873.81	1.06	110.68	10.36	0.02
Niue	0.7	21.76	0	106.62	0.56	6.61	0
Papua New Guinea	632.46	3435.64	29.39	173.98	0	203.13	1.12
Samoa	230.12	242.61	9.53	122.02	128.45	76.13	0.27
Tonga	172.06	180.75	9.49	105.31	101.82	19.68	0.01
Vanuatu	243.48	402.93	84.24	122.29	95.82	31.39	48.75
Total Aid	1729.08	4640.09	1021.62	761.88	552.79	435.09	57.13

Source: Lowy Institute, "Chinese Aid in the Pacific," 2016. <https://www.lowyinstitute.org/chinese-aid-map/>.

Table 3: Source Market Number of Tourists by Destination (2017)

	Australia	New Zealand	United States	Europe	China	Japan	UK	Other Asia
American Samoa	775	3,005	4,736	390	254	61	119	633
Cook Islands	25,912	107,585	8,372	8,656	804	559	2,954	767
Federated States of Micronesia	942	321	6,906	1,952	2,817	2,788	-	10,985
Fiji	365,689	184,595	81,198	34,638	48,796	6,350	16,925	33,822
French Polynesia	1,097	9,392	68,204	64,961	5,430	12,808	3,768	3,653
Kiribati	1,097	491	1,319	266	98	175	173	359
Marshall Islands	234	132	1,546	144	118	420	51	1,034
Nauru	2,171	303	0	25	-	-	-	176
New Caledonia	23,705	10,254	639	42,709	280	21,839	708	2,484
Niue	951	7,760	239	349	1	160	146	-
Palau	661	156	7,546	4,176	57,866	26,031	545	23,959
Papua New Guinea	70,112	7,322	5,974	5,924	9,611	2,985	3,062	28,999
Samoa	32,431	70,496	10,177	2,934	2,718	700	1,422	3,456
Solomon Islands	10,161	1,694	1,622	925	1,215	715	496	3,197
Tonga	12,924	28,175	8,761	3,161	2,021	1,085	1,102	1,154
Tuvalu	320	215	138	187	61	134	59	322
Vanuatu	57,384	11,554	3,016	6,801	3,612	1,076	-	-
Total	606,566	443,450	210,393	178,198	135,702	77,886	31,530	115,000

Note: 2017 data are provisional. Data for recipient countries or territories not listed here are unavailable. “Other Asia” includes India, South Korea, the Philippines, Taiwan, Malaysia, Indonesia, and Singapore.

Source: South Pacific Tourism Organization, “Annual Review of Visitor Arrivals in Pacific Island Countries,” June 2018, 7–18. <https://corporate.southpacificislands.travel/wp-content/uploads/2017/02/2017-AnnualTourist-Arrivals-Review-F.pdf>.

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