

# MP-IDSA

## Issue Brief

# The Pacific Islands and Geopolitical Jostling: Can India Play a Stabilising Role?

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## Summary

China has made forays into the Pacific Islands through economic incentives, and has sought to boost its security relationship with the island states. The United States and its allies have also increased their engagement to strengthen their existing bonds. India can become a key player in the Blue Pacific 2050 strategy along with its partners like Australia to boost sustainable growth in the region. It can also carve a niche as a capacity-builder in helping the southern Pacific countries meet developmental goals and tackle issues like climate change.

Pacific island countries are no strangers to geopolitical jostling. The region’s current geopolitics bears the baggage of its historical legacy, created as they were by the whims of a French explorer in the 1800s.<sup>1</sup> Chinese and American plays for influence are compounding the friction of existing internal fault-lines in this small but strategic geography. The 51<sup>st</sup> Pacific Islands Forum (PIF) leaders' summit held amidst escalating regional tensions on 11 July 2022, in Suva, Fiji, saw the launch of the 2050 strategy of the Blue Pacific Continent. This strategy was deliberated over three years across the islands.<sup>2</sup> Seventeen Pacific Island leaders committed to deepening regionalism as part of the strategy. Given existing internal divisions, this outcome was significant.<sup>3</sup> Adding to this complex regional dynamic is the battle for influence by extra-regional powers.

## China’s Expanding Footprint

South Pacific is becoming another hotbed for China’s rivalry with the US and its allies. China has made forays into the Pacific Islands through economic incentives, and has sought to boost its security relationship with the island states. China’s increasing presence in the region has unnerved the US and has caused alarm in Australia and New Zealand—both countries closely involved in the politics and development of Pacific islands.<sup>4</sup>

High-level delegations from the US, Australia, and New Zealand have visited the region amid growing concerns of eroding influence. Following Australia's efforts to "step up"<sup>5</sup> its participation, traditional allies like New Zealand, the UK, have attempted to strengthen their involvement with the Pacific Islands through "resets",<sup>6</sup> "uplifts",<sup>7</sup> and "pledges".<sup>8</sup>

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<sup>1</sup> Jules Dumont d’Urville named the Pacific islands Micronesia, Polynesia and Melanesia, after the smallness of the landmass, the multiplicity of islands and the inhabitants’ supposed higher levels of the pigment, melanin, respectively. See **“The Pacific Islands Forum is Derailed by a High-profile Withdrawal”**, *The Economist*, 14 July 2022.

<sup>2</sup> **“51st Pacific Leaders Islands Forum Meeting Concludes on a High Note”**, Ministry of Foreign Affairs of Fiji, 14 July 2022.

<sup>3</sup> Patricia O’Brien, **“The Politics Behind Who is Attending the Pacific Islands Forum Leaders’ Meeting”**, *The Diplomat*, 13 July 2022.

<sup>4</sup> Graeme Dobell, **“Geopolitics Looms Larger Than Ever at Pacific Islands Forum Summit”**, *The Strategist*, 18 July 2022.

<sup>5</sup> **“Pacific Step-up Stepping Up Australia's Engagement with our Pacific Family”**, Department of Foreign Affairs and Trade, Australian Government.

<sup>6</sup> Winstons Peters, **“Shifting the Dial’, Eyes Wide Open, Pacific Reset”**, Lowy Institute, 2 March 2018.

<sup>7</sup> Laura Clarke, **“UK-Pacific Partnerships and Shared Values”**, Government of the United Kingdom, 3 July 2019.

<sup>8</sup> **“U.S. Engagement in the Pacific Islands: 2020 Pacific Pledge”**, U.S. Department of State, 1 October 2020.

While China's development support peaked in 2016, its loans and grants amounted to 8 per cent of all foreign aid to the area between 2011 and 2017, surpassing the US's 0.3 per cent over the same time period, as per the Sydney-based Lowy Institute.<sup>9</sup> Between 2006 and 2017, China donated almost US\$ 1.5 billion in foreign aid to the Pacific Islands area through grants and loans. During the same period, the US gave US\$ 1.5 billion in economic assistance to the Republic of the Marshall Islands alone.<sup>10</sup>

Notably, China's trade volume with the 10 Pacific Island Countries (PICs)—Cook Islands, Fiji, Kiribati, Tonga, Papua and New Guinea, Samoa, Solomon Islands, Vanuatu, Niue and Federation States of Micronesia—increased more than 30 times from 1992 to 2021. China is the PIF's biggest trading partner, after Australia and New Zealand. Its goods trade with these nations reached US\$ 8.2 billion in 2017, exceeding Australia's US\$5 billion and New Zealand's US\$1.6 billion. China is also the Solomon Islands' most important commercial partner. China is one of the top three lenders to the Pacific Islands, after the Asian Development Bank.

In recent years, China has aided in accelerating PICs' connectivity by completing several significant infrastructure projects, such as the Independence Boulevard in PNG,<sup>11</sup> the Malakula island highway in Vanuatu, and the reconstruction of the Tonga national road, and the Pohnpei highway in Micronesia. For the Solomon Islands, logging has been the dominant focus of its economic and trade ties with China, which accounts for more than 90 per cent of its timber exports.<sup>12</sup> China also runs extensive training programmes for human resource development, including in such areas as public administration, agriculture, forestry, animal husbandry, fishing, and education.<sup>13</sup>

PICs have until recently been among the few countries that recognised Taiwan and maintained a strong diplomatic relationship. The region has for decades been the playground for China-Taiwan influence battles, and countries have leveraged briefcase diplomacy between the two.<sup>14</sup> Until September 2019, six PICs—Palau, Tuvalu, Nauru, Kiribati, Marshall Islands, and the Solomon Islands—recognised

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<sup>9</sup> Herve Lemahieu and Alyssa Leng, “**Asia Power Index Key Findings 2021**”, Lowy Institute, 2021.

<sup>10</sup> Ibid.

<sup>11</sup> Hu Yifeng and Gorethy Kenneth, “**A Bright Shared Future**”, Ministry of Commerce of the People's Republic of China.

<sup>12</sup> Josh Nicholas, “**The \$3bn Bargain: How China Dominates Pacific Mining, Logging and Fishing**”, *The Guardian*, 30 May 2021.

<sup>13</sup> “**Fact Sheet: Cooperation between China and Pacific Island Countries**”, Ministry of the Foreign Affairs of the People's Republic of China, 24 May 2022.

<sup>14</sup> Jonathan, Pryke, “**The Risks of China's Ambitions in the South Pacific**”, *The Brookings*, 20 July 2020.

Taiwan, which soon dropped to four after the Solomon Islands and Kiribati severed their ties with Taipei.<sup>15</sup>

China, during the visit of Foreign Minister Wang Yi to eight island states in May 2022, proposed a wide-ranging economic and security deal. The PIF rejected the proposal as many member states with connections to Taiwan were excluded, and the grouping’s most prominent member Australia, also a significant aid provider, was left out.<sup>16</sup>

## US Economic Engagement

In the PIF meeting at Suva on 12 July 2022, US Vice President, Kamala Harris, participated virtually. The US made additional pledges to strengthen its engagement with the region. The US has been a longstanding development partner of the PICs, having established the ‘South Pacific Tuna Treaty’, which has been a pillar of political and economic cooperation between the US and the Pacific Islands for the past 33 years. Harris noted that the US is preparing to request US\$ 60 million of economic assistance over the next 10 years from the US Congress, substantially tripling current figures, following a new Economic Assistance Agreement with the Forum Fisheries Agency.<sup>17</sup>

The US and its allies and partners—Australia, Japan, New Zealand, and the United Kingdom—established the Partners in the Blue Pacific (PBP) on 24 June 2022. This new ‘informal mechanism’ emphasises ‘prosperity, resilience, and security’ through close regional cooperation. With the introduction of PBP, the partner countries will be able to drive new climate change measures, and individually and together, counter China’s outreach in the region.<sup>18</sup>

Goods exports from the US reached US\$ 548 million, while imports totaled US\$ 420 million in 2020. The US and Fiji signed a Trade and Investment Framework Agreement (TIFA) on 15 October 2020. Suva was granted about US\$ 247,000 micro-grants to improve economic stability and enhance women’s financial empowerment, including establishing the Academy for Women Entrepreneurs (AWE) to encourage skill development and networking.<sup>19</sup> Washington is also supporting Suva’s local

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<sup>15</sup> Alexandre Dayant, **“How Pacific Islands Leverage the China-Taiwan Tug of War”**, *The Diplomat*, 1 August 2019.

<sup>16</sup> Henry Ivarature, **“The Rejection of China’s Deal Shows the Pacific will not be Used as a Geopolitical Pawn”**, *The Guardian*, 1 June 2022.

<sup>17</sup> **“Background Press Call by a Senior Administration Official Previewing Vice President Harris’s Engagement With the Pacific Islands Forum”**, The White House, 12 July 2022.

<sup>18</sup> **“Statement by Australia, Japan, New Zealand, the United Kingdom, and the United States on the Establishment of the Partners in the Blue Pacific (PBP)”**, The White House, 24 June 2022.

<sup>19</sup> **“The United States All-of-Government Response to COVID-19 in Pacific Island Countries”**, U.S. Department of State, 18 September 2020.

organisations to find innovative industrial solutions with a new US\$ 20,000 grant for the Pacific Tourism Association (SPTO) to engage with small tourism enterprises in Fiji, Kiribati, Nauru, Tuvalu, and Tonga.

## India and the Pacific Islands

The South Pacific has occupied an important place in India’s foreign policy.<sup>20</sup> Former President Pranab Mukherjee visited the PNG and New Zealand in 2016. The 14 PIC leaders’ visited India in August 2015 for the second summit of the Forum for India-Pacific Island Cooperation (FIPIC) (The first Summit was held in 2014 in Suva, Fiji). At the meeting, Prime Minister Narendra Modi termed India–Pacific Islands relations as a “partnership of equals”.<sup>21</sup> The FIPIC foundation has significantly facilitated India’s relationship both at the G2G and B2B levels.<sup>22</sup>

The Pacific Islands are grappling to address internal and external issues while at the same time battling threats like climate change.<sup>23</sup> India in multilateral fora like the UN and COP26 has been leading the conversation on climate change and its repercussions on low-income countries. There are many areas where India’s potential role as a stabiliser and capacity-builder for the PIC can be leveraged.

### **Climate Change**

India has been building its presence incrementally as an important development partner in times of need. India has committed to achieving Net Zero Emissions by 2070. Its ambitious new five-fold strategy *Panchamitra*, or the ‘five ambrosia’ to combat climate crisis, offers a critical meeting ground for collaboration with the PICs.<sup>24</sup> As part of the strategy, India has committed to increase non-fossil energy capacity to 500 gigawatt by 2030; meet 50 per cent of its energy requirements by 2030 with renewable energy; reduce its projected carbon emission by one billion tonnes by 2030; reduce the carbon intensity of its economy by 45 per cent by 2030; and achieve net zero emissions by 2070. The PICs can work with India on enhancing cooperation in multilateral fora.<sup>25</sup>

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<sup>20</sup> Biman Chand Prasad, “[Opportunities from India-Pacific Islands Cooperation](#)”, Focus, December 2012.

<sup>21</sup> “[PM’s Closing Remarks at Forum for India Pacific Island Countries \(FIPIC\) Summit, Jaipur](#)”, Narendra Modi, 21 August 2015.

<sup>22</sup> See [Forum of India–Pacific Islands Cooperation](#).

<sup>23</sup> “[Climate Change and Migration Issues in the Pacific](#)”, International Labor Organization, 2014.

<sup>24</sup> “[PM Modi Delivers India 'Panchamrit' Gift at COP26 to Fight Climate Change: Five Commitments in detail here](#)”, *Hindustan Times*, 1 November 2021.

<sup>25</sup> “[India Helping Pacific Islands Fight Climate Change](#)”, South Pacific Tourism Organization.

### **Maritime Security and Conservation**

India can become a key player in the Blue Pacific 2050 strategy<sup>26</sup> along with its partners like Australia to boost sustainable growth in the region.<sup>27</sup> The fifth annual ‘Our Ocean Conference’ in Bali redefined the Pacific Islands’ commitment to safeguard and protect the ocean and its natural resources. India’s Indo-Pacific Oceans Initiatives (IPOI), launched in 2019, draws on the cooperation mechanisms to focus on seven pillars, which include maritime security, marine ecology, and marine resources. This aligns well with the Pacific Islanders’ goal to create a sustainable blue economy in the region.<sup>28</sup>

### **Capacity Building**

While China’s investments focus mainly on infrastructure and military aid,<sup>29</sup> India can look at capacity-building as its key focus in the region. India has already made strides in building capacity in the South Pacific and has helped these countries become self-sufficient in fulfilling their energy requirements. The Energy Research Institute (TERI), New Delhi hosted a training session on environmental sustainability in Suva, Fiji, in March 2017.<sup>30</sup> A significant example of India's attempts to promote the availability of inexpensive renewable energy in the PICs is a training programme held at the Barefoot College in Rajasthan for women from Fiji, the Solomon Islands, and Tuvalu, Samoa, Kiribati, and Nauru.<sup>31</sup>

### **Resilience Building**

The PICs are small island countries and are among the most vulnerable to natural hazards like cyclones, earthquakes, and volcanic eruptions whilst not having the adequate means to prepare and respond to them appropriately.<sup>32</sup> Considering its “commitment to advancing development priorities of the PICs”,<sup>33</sup> India can help strengthen disaster risk resilience capacities to guarantee long-term growth. It can take steps to strengthen their skills on early warning systems and space-based

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<sup>26</sup> **“The 2050 Strategy for the Blue Pacific Continent”**, Pacific Islands Forum.

<sup>27</sup> **“Australia-India Indo-Pacific Oceans Initiative Partnership”**, Australian High Commission, New Delhi.

<sup>28</sup> Vice Admiral MP Mulidharan, **“Indo-Pacific Oceans Initiative”**, *Indian Defence Review*, 6 January 2022.

<sup>29</sup> Xiao Liang, **“What can we Learn from China’s Military Aid to the Pacific?”**, SIPRI, 20 June 2022.

<sup>30</sup> **“India-Pacific Islands Sustainable Development Conference' to Enhance Co-operation between India and Pacific Island Countries”**, The Energy and Research Institute, 12 May 2017.

<sup>31</sup> **“From Guatemala, to India, to the Sun and Back: Indigenous Women are Securing a Brighter Future with Solar Power”**, International Fund for Agricultural Development, 8 March 2022.

<sup>32</sup> **“Disaster Risk Reduction and Emergencies”**, UNICEF Pacific Islands.

<sup>33</sup> Pragya Pandey, **“India’s Outreach to Pacific Island Countries”**, *The Diplomatist*, 7 March 2020.

disaster management systems. India pledged to provide Climate Early Warning Systems to seven PICs in September 2017.<sup>34</sup> Training programmes for Pacific hydrologists were also held in India in 2018.<sup>35</sup> There is scope for enhanced collaboration and implementation of such kinds of projects.

### ***Economic Development***

Around 13 per cent of the PIC population was unskilled or under-employed in 2016, forcing people to seek employment in neighbouring countries.<sup>36</sup> India can be of great assistance to the PICs in building their niche markets and businesses, given its own experience and success.<sup>37</sup> FIPIC with its present mandate could play a bigger role in connecting and facilitating this exchange. A focus on the micro, medium and small enterprises (MSMEs) can help in the creation of niche market segments and expedite the pace of economic growth in the Pacific Islands. India has offered financial aid to these nations' SME sectors, assisting numerous small-scale entrepreneurs in developing their own businesses.<sup>38</sup>

### ***Skill-based Development***

There is an opportunity for India to become a key skills partner in the region. Ambassador to Palau, Shambhu S. Kumaran reiterated that “India sees itself as a skills partner of choice for Palau in the future”. With its renewed outreach to Palau, India is set to carve new areas of cooperation with the PICs on areas such as digital economy and information technology. Other sectors in focus include health, capacity building, education, and renewable energy. In recent years, India has financed grassroots initiatives like reconstruction of remote medical facilities and cultural site revival projects. India was one of the countries that contributed to the funding of the 7<sup>th</sup> ‘Our Ocean Conference’.<sup>39</sup>

### ***Trade Relations***

India must focus on increasing its engagement with the PICs economically. Most PICs' ties with larger nations have been shaped primarily by the assistance/development aid narrative. Pacific Islands are the hub of natural and

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<sup>34</sup> **“Climate Early Warning Systems Project for Pacific Island States Receives India-UN Development Partnership Fund Support”**, United Nations Office for South-South Cooperation, 16 June 2017.

<sup>35</sup> **“The Climate Early Warning Systems in Pacific Island Countries Project”**, South-South Galaxy.

<sup>36</sup> **“Economic Growth and Sustainable Development in the Pacific Island Countries”**, Asian Development Bank Institute, December 2016.

<sup>37</sup> Vidhi Choudhary, **“Even the Niche in India is Bigger than Most Countries”**, *Mint*, 26 February 2018.

<sup>38</sup> **“Annual Report 2020-2021”**, Ministry of Micro, Small, and Medium Enterprises, Government of India.

<sup>39</sup> Leilani Reiklai, **“India and Palau hold Consultations Post COVID”**, *The Island Times*, 26 July 2022.

mineral resources. Exports from these countries have increased by almost 169 per cent in the past 20 years.<sup>40</sup> While New Delhi has diversified its investments and aid which was previously only limited to PNG and Fiji, it is yet to identify the full potential of its trade relations with the PIF countries. In 2018–19 for instance, India’s total trade with FIPIC countries was around US\$275 million, with half of it accounted for by PNG (See Table 1).

<b>Table 1. India’s Trade with FIPIC Islands</b>			
<b>Country</b>	<b>Exports</b>	<b>Imports</b>	<b>Total Trade</b>
Cook Islands	0.27	0.02	0.29
Fiji	60.80	0.71	61.51
Kiribati	0.37	0.22	0.59
Marshall Islands	0.32	0.22	0.83
Micronesia	0.34	-	0.34
Niue	-	-	-
Papua New Guinea	49.72	88.96	138.68
Republic of Nauru	0.43	0.16	0.69
Republic of Palau	0.09	3.22	3.30
Samoa	2.59	2.75	5.33
Solomon Islands	2.57	58.81	61.38
Tonga	0.35	0.05	0.39
Tuvalu	-	-	-
Vanuatu	1.97	-	1.97
<b>Total</b>	<b>119.82</b>	<b>155.12</b>	<b>275.3</b>

*Source: Department of Commerce, Government of India. (Figures in US\$ million for 2018–19)*

<sup>40</sup> “**Economic Growth and Sustainable Development in the Pacific Island Countries**”, Asian Development Bank, December 2016.



## Conclusion

India needs to use its longstanding presence in the southern Pacific to carve a niche as a capacity-builder and meet their developmental needs. Mitigating climate change and development of renewable energy are two critical areas where India can play a substantial role. India’s ambitious COP26 energy and climate change commitments, together with the Blue Pacific Strategy, can drive a major climate conscious and sustainably driven economy in the Indo-Pacific. Moreover, India’s initiatives like the IPOI and its leadership in the International Solar Alliance (ISA) can help add value to the Pacific countries' fight on issues like climate change and renewable energy. The time is ripe for India to become a stabilising force for the good of the countries in the Southern Pacific.

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