



YOUNG AUSTRALIANS in
INTERNATIONAL AFFAIRS



PROTECTING AUSTRALIAN INTERESTS IN THE PACIFIC

POLICY BRIEF - RACHEL VAN DER VEEN

EXECUTIVE SUMMARY

Recently, the expansion of foreign influence in the Pacific has been of increasing strategic concern to Australia. While Prime Minister Morrison's Pacific Step-Up program is a positive move toward increasing Australian engagement in the Pacific, and correspondingly protects Australian strategic interests in the region, a targeted and extensive policy approach would be more effective at countering foreign influence in the region. However, Australian Pacific policy must walk the line between protecting Australian interests, assisting our Pacific neighbours and maintaining stable relations with other countries which similarly seek influence in the Pacific, such as China.

To best support the protection of Australian interests in the Pacific, this policy brief recommends that Australian policy facilitate the provision of legal, auditing and accounting expertise to Pacific nations to equip and empower these countries with a greater understanding of high-risk loan agreements. Additionally, this policy brief recommends an increased soft power push in the Pacific, with an emphasis on joint Australian-Pacific productions, as well as a heightened bilateral partnership with India to jointly protect common interests in the Pacific region.

BACKGROUND

The expansion of foreign influence in the Pacific is a strategic concern for Australia because it threatens Australia's position as a regional power. The economic vulnerability of Australia's Pacific neighbours such as Papua New Guinea also presents a risk to Australian interests in the region. Australia has attempted to counter foreign influence in the Pacific by expanding its engagement with the region via educational, health and sporting programs, [1] working visa arrangements[2] and monetary loans. [3] An example is Prime Minister Morrison's Pacific Step-Up program, which was highlighted in Australia's 2017 Foreign Policy White Paper [4] and 2016 Defence White Paper [5] as being of "fundamental importance" to Australia. [6] Australia continues to actively equip neighbouring Pacific countries with donations, serving both to enhance bilateral relations and to strengthen Pacific defence capabilities. For example, Australia donated a Guardian-class patrol boat to Tuvalu in April 2019 as part of the Pacific Patrol Boat Replacement project. [7] However, the risk remains that Australia's existing programs and appeals to "our Pacific family" [8] will not be sufficient to counter the appeal of foreign investors' deep pockets as Pacific countries look to improve existing facilities and undertake construction of new infrastructure.

THE PROBLEM

Foreign loans for building infrastructure such as conference halls and ports often lack oversight and transparency. Pacific countries are exposed to significant economic risk by agreeing to multimillion-dollar loans when there is a high possibility they will be unable to repay such debts. Signing onto large-scale loans also risks Pacific countries' strategic stability in so far as the loans enable lenders to encroach on the recipient's independent governance and territorial integrity. For example, countries frequently commit to projects where the foreign investor owns a large percentage of the venture or is a majority shareholder, such as the Benkulu power plant in Indonesia. PowerChina Resources, a subsidiary of state-owned PowerChina, is the majority shareholder of the venture. [9]

Chinese ownership and operation of infrastructure and ports in the Pacific, as well as its significant economic influence, have the potential to destabilise established balance of power in the region. Australian policy should reflect an aim to protect Australian interests such as Indian Ocean shipping lanes and guard against uncertainty caused by strategic competition in the region.

However, Australia faces challenges in countering China's wealth and the appeal of its easy availability compared to the red tape and multi-step processes required to gain Australian funding. Further, while Australia may help Pacific countries by providing funding and loans, this does not help these countries handle their debts.

The following recommendations address Australia's policy response to foreign expansion in the Pacific.

POLICY RECOMMENDATIONS

1 Address imbalance with lawyers and accountants, not chequebooks

Australia should confront the power imbalance between Pacific nations and large-scale lenders by empowering Pacific nations with greater access to legal, auditing and accounting expertise. Greater access to this professional knowledge and experience will enable Pacific nations to better screen loans to ensure that foreign ventures do not threaten their security or economic stability. While engaging in foreign-funded ventures holds great potential for the growth of Pacific nations, Australia should assist Pacific countries to engage in ventures and loans which uphold territorial integrity and sovereignty as well as offering fiscal stability and commercial viability. These ventures should also commit to using local labour rather than labourers of the lending country, thereby further stimulating the local economy as a source of employment. Finally, contractual terms should require dispute resolution of foreign loans to undergo arbitration via neutral bodies such as the international arbitration tribunal and settled by international courts.

The United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards, known as the New York Convention, as well as the Model Law on International Commercial Arbitration, are established legal frameworks used to facilitate international arbitration. [10] Becoming a signatory to the New York Convention and implementing the Convention's obligations into local law will better equip Pacific countries to engage with foreign lenders. Notably, only eight Pacific nations have a legal framework that uses international arbitration mechanisms such as the New York Convention to resolve cross-border commercial disputes, though Pacific trading partners such as Australia, the US and China are all parties to the New York Convention. Australian policy should assist Pacific nations by enabling them with legal and policy expertise to facilitate the local establishment of international arbitration frameworks. This reflects the additional ease of implementing contractual benefits and protections afforded by such legal frameworks.

2

Soft power push

Australia should enhance its efforts to engage with Pacific nations via use of soft power such as radio and television broadcasts. The Australian government has made significant soft power pushes in the Pacific recently, and announced the PacificAus TV initiative on 25 May 2020. [11] This initiative will beam popular Australian television shows such as Neighbours and MasterChef initially to Papua New Guinea, Solomon Islands and Fiji, and in the following months, programs will also reach Vanuatu, Kiribati, Tuvalu and Nauru. International public broadcasting is considered to be an efficient and effective soft power tool and an important element of public diplomacy. [12] Active engagement in local pop culture supports Australia's partnership with Pacific countries and is particularly important because without Australian transmissions filling the airwaves, the void can easily be filled by other foreign actors. For example, in January 2017, the ABC's Radio Australia ceased shortwave transmissions across the Pacific and soon after, in June 2018, China's state-owned broadcaster China Radio International took over the radio frequencies. [13]

While the PacificAus TV initiative is a positive step toward protecting Australian interests in the Pacific, Australia should implement a more targeted and thorough program. Rather than beaming-in predominantly white Australian reality programs, Australia should engage with Pacific nations to jointly develop more relatable and local quality viewing content. Additionally, as the Pacific is generally an environment which is underserved by mainstream media and faces significant challenges in journalistic integrity and credibility, [14] Australia should broadcast reliable news services to the Pacific, as well as the planned leisure-viewing programs. To leave the provision of those services to other countries presents a clear risk to Australian interests that can be relatively easily countered with the use of soft power.

3

Partner with India

Australia should explore the benefits of closer bilateral engagement with India as both countries have complementary interests in the Pacific region. Both Australia and India share security concerns about the growth of Chinese military capability and regional ambition. [15] Australia should leverage its existing Comprehensive Strategic Partnership with India to facilitate bilateral engagement in the Indo-Pacific and protect Australian strategic interests in the region.

For example, Australia and India could assist each other with experience and expertise to win bids in Pacific countries and undertake building and construction works, thereby fulfilling Pacific countries' aspirations for industrial development while simultaneously promoting Australian and Indian interests to protect access to shipping lanes and maintaining close partnership with these nations. Where Australia cannot counter the multi-million-dollar loans available from China or other state actors, a partnership with India could jointly make comparable loans available by drawing on available resources from Australia and India to co-finance projects. India has the potential to wield increasing amounts of power in the Indian Ocean region and a bilateral partnership to protect security in the region would be mutually beneficial.

CONCLUSION

To sustain its place as a regional power in the Pacific, Australia should maintain an active presence in the region. Actively assisting Pacific countries by providing legal, auditing and accounting expertise is an achievable method of both supporting Pacific countries to protect themselves from risky loans as well as defending Australian interests by limiting the expansion of foreign power in the region. Similarly, instigating a more focused and collaborative soft power push in the region as well as offering financing alternatives to Pacific nations in partnership with other regional countries such as India will keep Australia in a mutually-beneficial and close relationship with its neighbours.

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