

CHAPTER 6 : ECONOMIC DEVELOPMENT AND DIPLOMATIC RELATIONS WITH TAIWAN AND CHINA IN OCEANIA

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Over the past two decades, China has significantly increased its political and economic influence in the Pacific through loans, aid and other aspects of economic engagement. Its activities have drawn much attention from researchers and officials who promote the narrative of “China as an alternative” to the traditional powers in the region. Taiwan’s engagement, on the other hand, has received relatively little attention. This chapter examines the implications of diplomatic relations with either Taiwan or China and how they affect economic development in the island countries in Oceania. We assess economic and trade data over the past two decades and compare economic performances. Analysis using the Difference-in-Differences method shows that siding with Taiwan is an economically reasonable choice for small island states that rely heavily on fisheries. Larger countries whose revenue relies on resource extraction depend on China as an export destination and are thus more vulnerable to political pressure from Beijing. We argue that diversified import and export markets are a key requirement for countries attempting to resist pressure and preserve their independence of action. Taiwan and its partners should adopt a diplomatic approach with an Oceania-centered perspective, taking account of the region’s vision of sustainable development and its focus on the impact of climate change.

6.1 Introduction

Of the remaining states that officially recognize Taiwan (14 as of 2022), four of them are Pacific islands countries: the Marshall Islands, Nauru, Palau and Tuvalu. Two others, the Solomon Islands and Kiribati, switched to Beijing in 2019. During tussles over diplomatic recognition in the Pacific, arguments are frequently made that establishing diplomatic ties with China enhances economic development because of the country’s vast economic clout. However, there has been no systematic research on the real-world impact of such changes.

This chapter examines the impact of the diplomatic choice between Beijing and Taipei on economic development across Oceania. The countries are far from homogeneous. They vary in size, natural resources and sub-region. Some scholars have used the MIRAB model to assess these economies, focusing on migration (MI), remittances (R), foreign aid (A) and public bureaucracy (B) (Bertram, 1999). However, such a system cannot be applied to the region as a whole. We decided to study twelve countries from the three sub-regions to allow for geographical variations. Economic engagement by Taiwan and China follows very different paths. Taiwan’s has limited trade and investment, except in fisheries and some

tourism, while China has mass volume in exports and imports, and pursues its Belt and Road Initiative. The BRI includes the involvement of state-owned companies in the mining industry and infrastructure. The initiative has been accused of causing huge debt burdens and exposing countries to financial risk. We have chosen to focus on developments in fisheries, resource extraction and tourism.

6.2 The Changing Geopolitical Context and Related Studies in Oceania

Over the past fifteen years, much attention has been paid to China's expanding presence in the Pacific. The Pacific islands form part of China's ambitions global agenda, as unveiled in the Belt and Road Initiative launched by President Xi Jinping in 2013. China had already made clear its intent with the first China-Pacific Island Countries Economic Development and Cooperation Forum in 2006. Follow-ups were held in 2013 and 2019. Beijing adopted an approach to the region distinct from the US-led framework which is based on security. By positioning itself as a developing country, China presented a South-to-South discourse, and differentiated itself from OECD aid donors by stressing its adherence to the concept 'non-interference'. Many leaders of Oceanian countries welcomed China's deeper participation. Diplomatic competition with Taiwan is seen as one motivating factor for China's greater involvement. It has taken a more aggressive approach to the region since President Tsai Ing-wen took office in 2016 and had some success when the Solomon Islands and Kiribati switched ties to Beijing in 2019.

Facing the challenge, the United States, Australia, and New Zealand announced new foreign policy initiatives explicitly or implicitly designed to counter China's growing presence. The US adopted the framework of the Indo-Pacific during the Trump administration in November 2017. Australia asserted its interests through the Pacific Step-Up initiative in 2017 and New Zealand announced a "Pacific Reset" in March 2018¹. These initiatives are supported by financial commitments to deepen strategic cooperation with island countries. As tensions grew, Australia, the United Kingdom, and the US announced the 'AUKUS' pact to counter Chinese influence in the Indo-Pacific in September 2021.

Most of the existing literature addresses two distinct perspectives: "China as a threat" and "China as an alternative". The threat discourse, mainly framed by the US and Australian researchers, is based on geopolitical, economic and military concerns, and warns that China's rise will undermine well-established international norms and practices. For example, in 2018, the US-China Economic and Security Review Commission said Beijing's growing influence in the region "could threaten the Compact of Free Association agreements...over the long term."² The US think tank, the Rand Corporation, published a policy paper, entitled '*America's Pacific Island Allies: The Freely Associated States and Chinese Influence*' (Grossman et al, 2019). The report illustrates that Chinese influence has a security impact on US national interests and its relations with allied countries. The issue was discussed much earlier in Australia. In 2003 an article titled "Dragon in Paradise:

China's Rising Star in Oceania" appeared in *The National Interest* in which authors John Henderson and Benjamin Reilly (2003, p. 98) warned of the "important long-term consequences" of China's growing role in Oceania, and many commentators followed it up.

These researchers (Windybank, 2005; Dobell, 2007; Shie, 2007, Brady & Henderson, 2010) raise concerns about three major aspects: the Chinese military and security issues, Chinese loans and the potential for debt traps, and the threat of corruption and environmental hazards. There has been much discussion of China's possible plans to build military infrastructure³ in the region as well as worries over surveillance.⁴ Chinese aid and especially concession loans have been criticized for destabilizing Pacific countries, making Pacific politics more corrupt and violent, and leaving some countries in a debt trap. Chinese investments in extracting the rich natural resources of the region⁵ have also been linked to issues of domestic corruption and environmental hazards.

The "China as an alternative" discourse has mainly been framed by academics, including indigenous scholars, as well as some leaders of island countries (Wesley-Smith, 2007; Wesley-Smith, 2013; Iati, 2016; Fry & Tarte, 2015; Aqorau, 2021; Tarcisius, 2021). It contends that China's rise offers Pacific island states an alternative not available in the past and increases their leverage with the traditional powers in the region. The discourse focuses on Oceanic-centered perspectives and agency. As Greg Fry (2019, p. 323) suggests, while the West sees a threat to its interests in the Pacific at a time of global rivalry, the Pacific island states have acquired greater bargaining power.⁶ China-Taiwan competition, which was once seen as a risk factor that could destabilize regional politics,⁷ is now presented as an area where island states can have agency and assert their sovereignty. For example, Sandra Tarte (2008, 2021) says the Fijian government has been proactive in forging a strategic partnership with China through its Look North policy. Island politicians increasingly prefer to frame China as a partner rather than simply as an alternative. Dame Meg Taylor (2016), the former Secretary-General of the Pacific Islands Forum, stated that the region sought genuine partnerships with all actors 'who shared the same vision with us', and 'rejects the terms of the dilemma that presents the Pacific with a choice between a China alternative and our traditional partners'.

'China as an alternative' has challenged the perception of 'China as a threat' and become the dominating narrative in regional academic circles. While many scholars highlight the potential benefits for states that align themselves with China, others have cautioned that weak institutions in some Oceanian countries might make them vulnerable while 'dancing with the dragon' (Kabutaulaka, 2019, Foukona, 2019, Aqorau, 2021). Moreover, the idea of China as an alternative often lacks critical examination of Chinese rhetoric. For example, as the world's second largest economic entity and a growing military and economic presence in the region, China is hardly in the same category of 'developing country' as the Pacific island countries. Some caution that its grand ambitions at home and

abroad make the concept of South-South cooperation nothing but an illusion. China's 'non-interference' mantra in the Pacific requires careful examination. For example, during the 2018 Pacific Islands Forum meeting in Nauru, the president of the host country, Baron Waqa, had a heated argument with the head of the Chinese delegation, who demanded that he address the forum before the Prime Minister of Tuvalu, which recognizes Taiwan. During the 2019 APEC meeting at Port Moresby, China appeared to override the host country in many ways: It lined the main roads of the city with Chinese flags before the meeting, banned international media from the meeting of eight Pacific leaders with President Xi, and Chinese officials forced their way into the PNG foreign ministry office demanding to see the minister (Rogin, 2018). Chinese officials also engaged in obtrusive surveillance of Fijian guests who attended Taiwan's national day celebration at the Grand Pacific Hotel in Suva and assaulted a Taiwanese diplomat (BBC, 2020).

In addition to the above cases reported by the media, the growing Chinese presence in the Pacific islands has been perceived by many islanders as something other than 'non-interference'. While one could argue that the policy mainly refers to the fact that China's aid is less conditional than that from OECD countries, China cannot be said to have adopted a policy of non-interference in the domestic and international affairs of island countries. Most significant of all is the unnegotiable imposition of the 'One China Principle' on Beijing's diplomatic partners and the obstruction of any attempt to build relationships with Taiwan. For example, Prime Minister Sogavare of the Solomon Islands made a U-turn after his country's switch to Beijing in 2019 and started to emphasize the One China Principle.⁸ Though the country's foreign policy since independence has always stressed 'friends to all, enemies to none', some Solomon Island politicians have since made negative comments about Taiwan in accord with China's ideology. This has upset many citizens who adhere to the country's original principles. Taiwan has only two representative offices in Pacific countries where it has no formal diplomatic ties - in Fiji and Papua New Guinea - for the purpose of maintaining economic links and working on collaborative projects. However, both were forced to change and downgrade their names in recent years;⁹ moreover, Fiji withdrew its Trade and Tourism Representative Office in Taipei directly after a meeting between the prime minister and China's President Xi in 2017. It's notable that supporters of China in the region stress the importance of sovereignty but seldom criticize China for interfering in foreign policy decisions and blocking links with Taiwan. When island countries attempt to partner with China as a strategy against Western hegemony and interference, they must deal with the ambitions of a new hegemon which have become even more explicit under President Xi and the initiation of "wolf warrior diplomacy".

Taiwan has been an important participant in the development of Oceania. However, there has been relatively little research into Taiwan's role and perspectives in the Pacific (Atkinson 2010, D'Arcy 2015, and Dayant and Pryke 2018). Both the 'China as a threat' and 'China as an alternative' narratives center on China and divert attention from Taiwan's interaction with Pacific island countries. But Taiwan's role in Oceania stands by itself as

an important topic. In this chapter, we will assess Taiwan’ economic presence and the interplay with other regional powers including China, the United States, Australia, New Zealand and Japan.

6.3 Preliminary Findings & Analysis

Before the Solomon Islands switched relations to China in September 2019, some argued that it made sense in economic terms because China was its largest trading partner. However, this assumption requires more examination. A few months after the switch, the world was hit by COVID-19 and it is unreasonable to attribute the country’s economic decline in 2020 and 2021 to the switch in relations. Nevertheless, we can still ask to what extent diplomatic relations with China or Taiwan have contributed to economic development in the island states.

In this chapter, we study the economic development of Oceanian countries and examine their correlation with diplomatic recognition of Taiwan or China. We first consider the general economic and trade data of the region over the past two decades and compare economic performances. We first apply the Difference-in-Differences method as a way to look into the economic growth of island countries that side with either Taiwan or China. We then give more detailed analysis of three cases: Nauru, Kiribati and Papua New Guinea. Nauru and Kiribati both switched diplomatic recognition from Taiwan to China. We will then discuss the different impact on the sectors of fisheries, mining and tourism.

6.3.1 General picture of economic development in Oceania

The countries of Oceania vary greatly in size and natural resources and have many regional differences. They are also presented with different ways of engaging with China and Taiwan. We have chosen twelve countries from the three sub-regions to cover the range of variations. (See Table 6.1).

TABLE 6.1 GENERAL INFORMATION ON PACIFIC COUNTRIES IN 2019

Country	Popula- tion ¹⁰	GDP Per Capita ¹¹ (USD)	Total Aid ¹²		Main Type of Aid	Industrial Sectors	Diplomatic Relations with Taiwan
			Committed	Spent			
Nauru	10,764	12,351	28.58	2.11	Grant	Agriculture Financial Service	<ul style="list-style-type: none"> ● First establishment: 1980 ● Breaking off: 2002 ● Re-establishment: 2005

Tuvalu	11,655	4,036	59.63	17.49	Grant	Public Sector Fishing Agriculture	● 1979-Present
Palau	18,001	15,572	9.45	5.98	Grant Loan	Tourism Agriculture Fishing	● 1999-Present
Marshall Islands	58,791	4,038	52.92	7.8	Grant	Shipping Agriculture Fishing	● 1998-Present
Tonga	104,497	4,865	82.45	17.03	Grant Loan	Tourism Construction Fishing	● Establishment: 1972 ● Breaking off: 1998
Federated States of Micronesia	113,811	3,640	87.94	25.89	Grant Loan	Fishing Tourism Agriculture	● No Diplomatic Relations
Kiribati	117,608	1,657	28.5	9.48	Grant Loan	Agriculture Fishing Tourism	● Establishment: 2003 ● Breaking off: 2019
Samoa	197,093	4,285	101.10	55.42	Grant Loan	Agriculture Fishing Tourism	● Establishment: 1972 ● Breaking off: 1975
Vanuatu	299,882	3,023	14.63	66.57	Loan Grant	Agriculture Fishing Tourism	● No Diplomatic Relations
Solomon Islands	669,821	1,945	200.19	32.12	Grant Loan	Agriculture Fishing Forestry	● Establishment: 1983 ● Breaking off: 2019
Fiji	889,955	6,185	42.69	58.55	Grant Loan	Tourism Fishing Manufacturing	● No Diplomatic Relations
Papua New Guinea	8,776,119	2,845	990.01	317.22	Loan Grant	Agriculture Forestry Fishing	● No Diplomatic Relations

Source: World Bank, UN data, and Lowy Institute Pacific Aid Map.

Note: In the “Main Aid Type” column, a cell where “Grant” is located above and “Loan” is below indicates that the country received a larger proportion of grants than loans from donors in 2019, and vice versa.

The economic involvement of Taiwan and China in the region follows very different paths. Taiwan’s trade and investment is limited, except in fisheries, while China has mass volume

in exports and imports, pursues the Belt and Road Initiative, and involves state-owned companies in the mining industry and infrastructure projects.

Taiwan's overall trade with Oceania, though smaller than that of China, South Korea, Australia and Japan, amounted to US\$1.2 billion in 2017 (see Table 6.2), at a similar level with the United States. However, Taiwan's trade concentrates mainly on fisheries (esp. Marshall Islands) and LNG (Papua New Guinea). The small size of the market and the cost of transportation have held back further engagement despite efforts by the Taiwanese government to encourage more business activity. By contrast, China's economic engagement with the region has grown manyfold in the past two decades, overtaking Australia to be the largest trading partner of most island countries. During the debates in the Solomon Islands over the switch in diplomatic ties from Taiwan to China in 2019, the disparity of trade volumes was raised as an important argument to support the decision. China imports large amounts of natural resources (logs, fish, minerals and gas) from the Pacific; at the same time, Chinese (state-owned or related) companies have invested in extractive industries (see 6.4.2). In addition, Chinese merchants have dominated the retail business for decades and have especially benefited from their access to supply chains of cheaper Chinese-made consumer products. They also tend to have better capital levels and profit management. This has resulted in some local resentment and has sometimes developed into tension and riots, as shown in the recent disturbances in Honiara (Nov. 2021) and previous trouble in the Solomon Islands as well as Tonga and Papua New Guinea.

TABLE 6.2 TRADE WITH PACIFIC ISLAND COUNTRIES (2017) (US\$ MILLIONS)

	Taiwan	China	United States	Australia	New Zealand	Japan	South Korea	France
Nauru	0	1	2	38	4	7	5	0
Tuvalu	3	81	1	3	3	21	5	0
Palau	22	18	20	2	1	2	10	0
Marshall Islands	131	3,103	610	3	4	1,337	6,894	4
Tonga	5	29	20	13	52	9	4	3
Federated States of Micronesia	31	38	46	3	3	3	52	1

Kiribati	3	17	9	19	12	22	15	0
Samoa	2	66	43	39	83	14	32	3
Vanuatu	3	81	13	59	33	101	16	8
Solomon Islands	20	657	13	101	33	21	31	1
Fiji	57	386	288	460	394	115	217	13
Papua New Guinea	923	2,839	227	3,888	140	2,617	237	73
Total	1,200	7,278	1,292	4,628	762	4,269	7,518	106

Source: IHS Markit Global Trade Atlas, as cited in Ethan Meick, Michelle Ker, and Chan Han May, “China’s Engagement in the Pacific Islands: Implications for the United States,” U.S.-China Economic and Security Review Commission, June 14, 2018.

A significant portion of financial resources for island economies comes from aid and loans from international donors and organizations. According to a database compiled by the Lowy Institute, the most significant donor countries in order of size are the United States, Australia, China, Japan, New Zealand and Taiwan (see Table 6.3). A significant portion of China’s pledged assistance is in the form of concessional loans for infrastructure, which have been criticized for carrying a potential debt risk (especially in the case of Tonga, PNG and Samoa). Facing up to China’s greater involvement in the region, the United States, Australia, New Zealand and Japan have started to increase their input, and the aid landscape may change in the next few years. Taiwan has also been an important aid donor in the Pacific. It has set up representative offices in PNG and Fiji which have been become involved in cooperation projects. In addition to the Ministry of Foreign Affairs, Taiwanese aid is mainly distributed by its International Cooperation and Development Fund (TaiwanICDF).¹⁰ Taiwan’s long-term projects in Oceania focus on healthcare, agriculture (including horticulture, poultry and livestock, and aquaculture) and education. It has also provided solar panels and assistance in energy efficiency.¹¹

TABLE 6.3 DONOR COUNTRIES' CUMULATIVE AID IN SELECTED PACIFIC COUNTRIES (1980– PRESENT) (US\$ MILLIONS)

	Taiwan	China	United States	Australia	New Zealand	Japan	South Korea	France
Nauru	40	0	0	172	24	24	0.818	0
Tuvalu	19	0	0.11	127	66	69	2.94	0.01
Palau	26	0	265	38	2.91	142	1.67	0
Marshall Islands	51	0	772	40	4.2	93	3	0.004478
Tonga	0	219	15	355	192	169	1.83	0.449
Federated States of Micronesia	0	143	1000	53	3.77	112	2.76	0.00994
Kiribati	162	44	0.105	310	157	113	7.28	0.012
Samoa	0	239	14	402	197	168	3.34	0.339
Vanuatu	0	210	35	813	233	197	2.75	37
Solomon Islands	122	51	31	2000	301	222	53	0.665
Fiji	18	405	25	758	138	136	38	8.18
Papua New Guinea	7.6	7,000	79	7,000	276	674	13	1.18
Total	445.60	8,311	2,236.22	12,068	1,594.88	2,119	130.53	47.85

Source: Lowy Institute Pacific Aid Map.

6.3.2 *Key findings using Difference-in-Difference analysis*

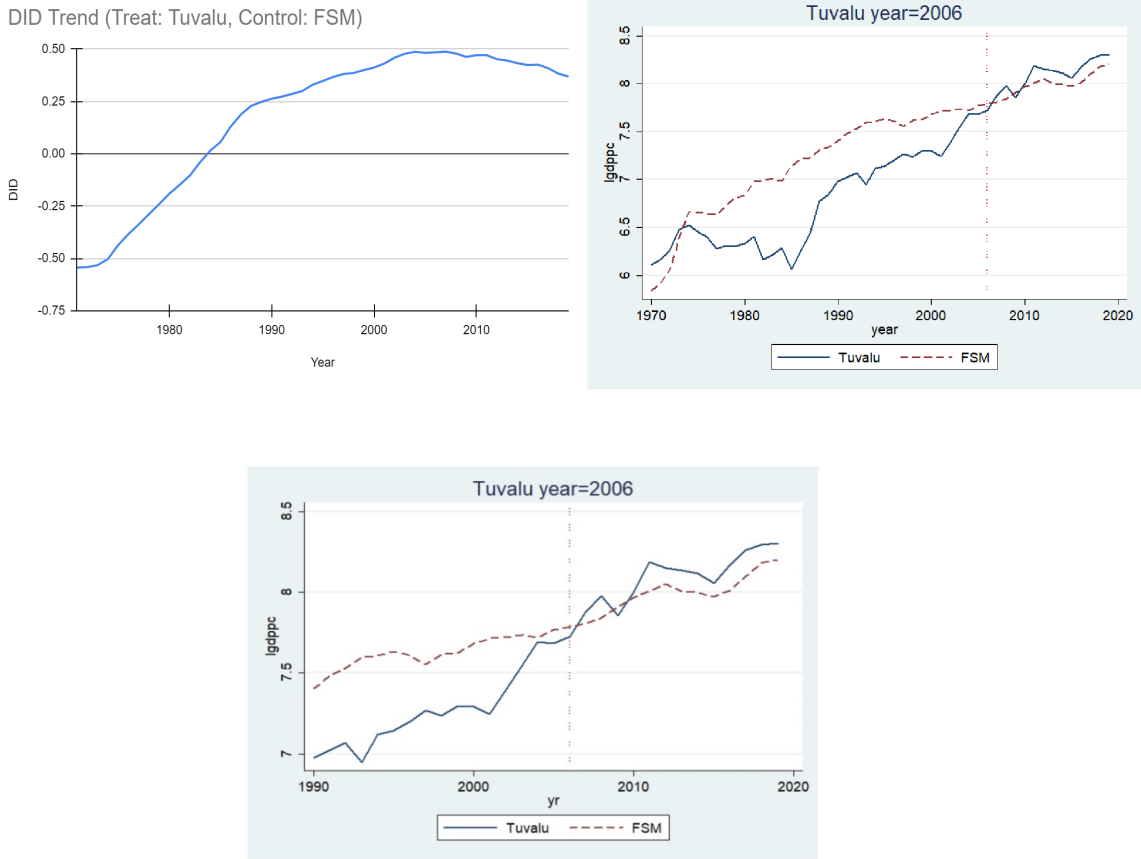
Difference-in-Differences (DID) is used to study the change in economic performance by comparing two countries over a period of time (see Chapter 3 for detail). We pair countries for comparison based on their similarities in three criteria: levels of GDP per capita, size of population and key economic sectors (see Table 6.1). Through preliminary DID analysis, we find that the method works better for countries that are economically stable through a longer period of time (Tuvalu, Marshall Islands, FSM, Tonga, Samoa and partly Kiribati). Countries that suffer from traumatic events and GDP ruptures present too much noise in the data and are excluded from our DID analysis.^{12 13 14}

Of the six countries on which we conducted DID analysis, all except Samoa are small island states that rely heavily on fisheries. We made the following findings:

1) Comparing two long term diplomatic partners of Taiwan and China—that is, Tuvalu and FSM respectively. Both of them are Micronesian countries that rely heavily on fisheries and fishing license fees. FSM has a greater EEZ and received significant funding from the US under the Compact of Free Association (COFA) agreement; it appears to be in a more advantageous position than Tuvalu. However, the GDP per capita of Tuvalu has out-performed FSM over the past twenty years.

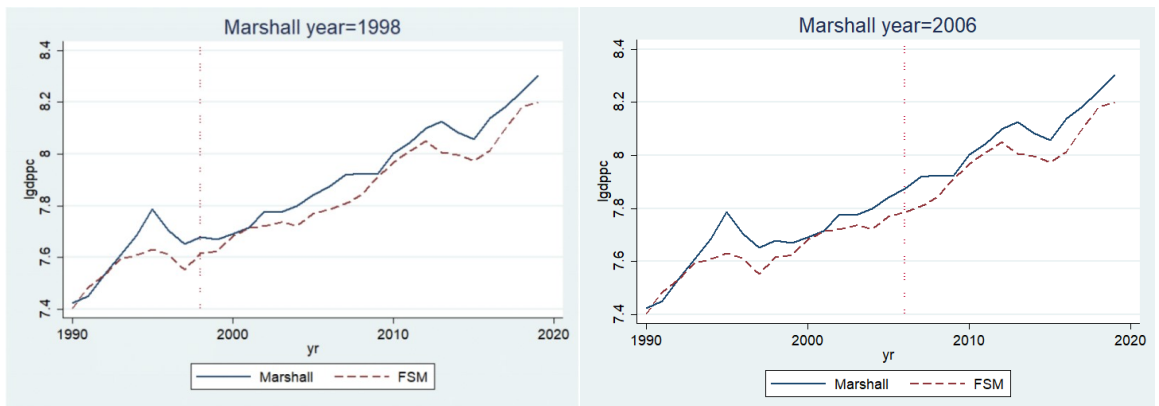
The DID trend indicates that Tuvalu’s growth slowed (though still performing better than FSM) after 2007. There are two possible explanations. After the global financial crisis in 2007, demands for cargo dropped and many Tuvaluans lost their jobs in the global shipping business, which hit the value of remittances.¹⁵ China’s aid to FSM might also have contributed to its economy. However, when using 2006 as the break year — the generally agreed moment when China significantly increased its economic presence and aid engagement in the Pacific (following the 1st China-Pacific Islands Economic Cooperation Forum and the visit of Wen Jiabao) — DID data shows that Tuvalu performed much better than FSM.

FIGURE 6.1 DID ANALYSIS : TUVALU VS. FSM



2) DID analysis between two COFA countries in Micronesia (which adhere to the Compact of Free Association agreement with the United States)—the Marshall Islands (which switched relations to Taiwan in 1998) and FSM—shows no significant difference using either 1998 or 2006 as the break year.

FIGURE 6.2 DID ANALYSIS: MARSHALL ISLANDS VS. FSM



3) Samoa is a long-term and strong partner of China in the region, with Beijing funding a lot of its infrastructure. The country also has large migrant communities (especially in New Zealand) and a good level of remittances. Its population is much larger than that of Tuvalu or the Marshall Islands (20K, 6K and 1K respectively) and all three countries have similar GDPs per capita, ranging between \$4000 and \$5000 (nearly \$5000 for Samoa, and nearly \$4000 for the other two).

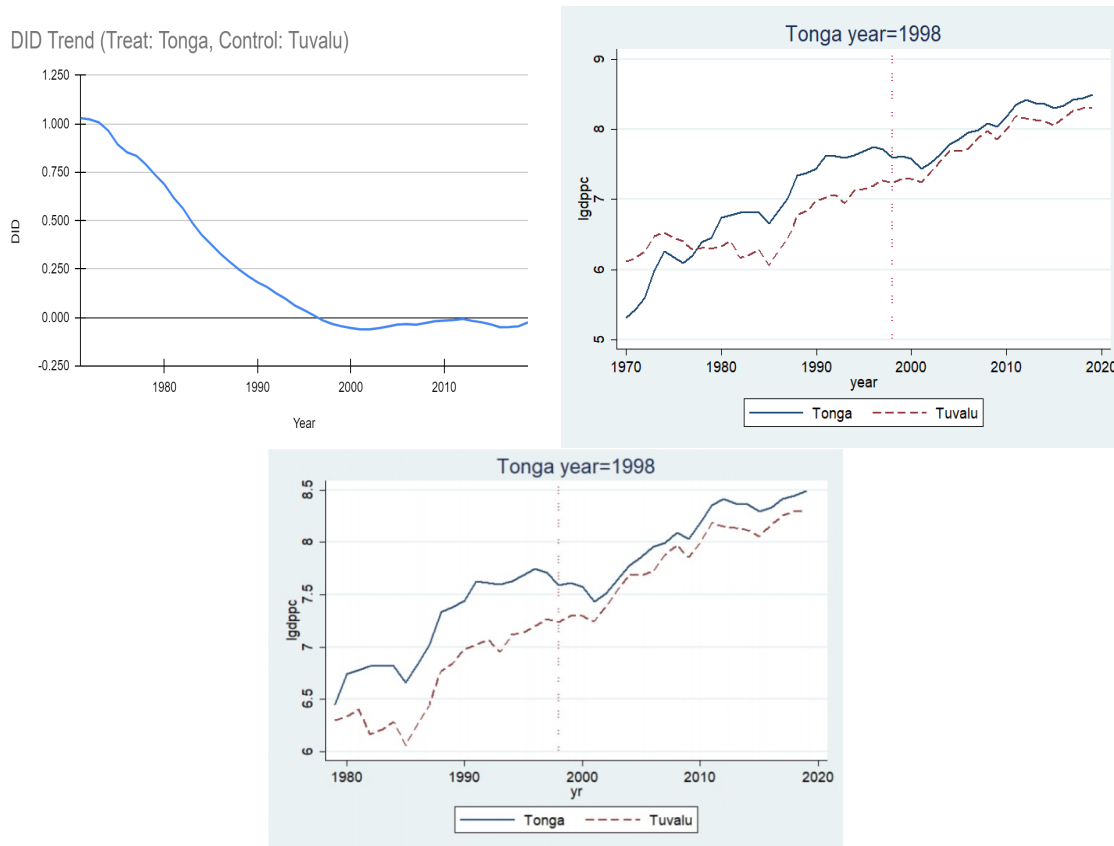
The GDP per capita of Samoa grew rapidly after 2000 and overtook the other two in 2004-2006. It is likely that aid from China in the period contributed to this development. However, after the peak in 2006, Samoa's economy slowed down and stagnated for ten years. While China continues to pour resources into the country, the effect on the economy has been weak in recent years. The new Samoan prime minister canceled a wharf project proposed by China in 2021 because of concerns about its economic viability.¹⁶

FIGURE 6.3 DID ANALYSIS: SAMOA VS. TUVALU; SAMOA VS. MARSHALL ISLANDS



- 4) Tonga broke with Taiwan and established diplomatic relations with China in 1998. Its economy was stronger than Tuvalu’s in the 1980s and 1990s, however, the gap between the two narrowed after the turn of the century. Using 1998 as the break year, DID analysis shows that Tonga did not perform as well as Tuvalu after the switch. Two factors other than the switch might have contributed to the setback: Tonga was hit hard by several cyclones (especially cyclone Gita in 2018) and suffered from the 2006 riot in the capital, Nuku‘alofa. After a few years of decline after 1998, its economic growth is now approaching that of Tuvalu. However, Tonga has high levels of debt while Tuvalu has maintained healthier national finances.

FIGURE 6.4 DID ANALYSIS: TONGA VS. TUVALU



6.3.3 Summary

Given that there are many factors that can influence a change in economic performance, we cannot conclude that maintaining diplomatic relations with Taiwan or China has a decisive impact. However, the above four pairs of comparison have clearly shown that in the case of small island economies, siding with Taiwan is an economically reasonable choice—it might help the economy to some extent or does not put it in a disadvantaged position with neighbors that remain with China. On the other hand, China’s aid and loans might boost the economy for a period (such as in the example of Samoa and maybe for Tonga) but the gains might not last for long; or it might not help as much as expected (e.g. FSM). However, Tonga and Samoa are now heavily in debt to China while Taiwan’s partners have no such burden.

6.4 Important Economic Activities in Relation to Diplomatic Relations

6.4.1 Fisheries

As Oceanian countries became independent in the 1970s the pursuit of economic interests in their Exclusive Economic Zones (EEZ) and the exercise of their maritime jurisdiction

became linked with the idea of self-determination (Aqorau, 2015). In order to effectively manage fishery resources and reduce illegal fishing, Oceanian countries signed agreements with various countries and established regional and sub-regional fishery agreements and organizations to optimize the fair and sustainable use of sea creatures. The 1982 Nauru Agreement became a highly influential model in the region.¹⁷

In 2007, the parties to the Nauru Agreement (PNA) adopted a vessel day scheme (VDS) for the management of purse seine fishing, open water fishing in the Western and Central Pacific Ocean (WCPO) and implemented it in 2012 under the Palau Agreement (Aqorau, 2009)¹⁸. Under the scheme, vessels must purchase days on which to fish in the waters of the PNA states, thus strengthening the group's position as a regional fisheries organization and building its geopolitical influence.

Taiwan has been an important player in the Oceanian fisheries sector since the 1970s. Its role in the industry has helped stimulate economic development while at the same time extending Taiwan's diplomatic outreach. For example, According to Marinaccio (2019), Tuvalu decided to establish diplomatic ties with Taiwan in order to manage its fishing industry. In 2004, Taiwan not only participated in the WCPFC as a founding member but some Taiwanese companies also cooperated with Pacific countries to establish fishing facilities, increasing employment as well as other benefits. FCF Co, Ltd., for instance, established fishery bases in Guam and Fiji in the 1980s. In addition, in 2000, Taiwan worked with the government of Papua New Guinea to establish the South Seas Tuna Corporation (SSTC). The Taiwanese enterprise, Koo's Fishing Co., Ltd. also initiated a localization company project in the Marshall Islands in 2000. According to 2020 statistics from the Western and Central Pacific Fisheries Commission (WCPFC), Taiwan's take ranked third, with 216,000 metric tons of albacore, bigeye, skipjack and yellowfin in the Western and Central Pacific area, behind only Japan and South Korea.

China by contrast is a new player in the fisheries sector in Oceania. Starting from 1988, Chinese fishing boats started to establish oceanic tuna fisheries and expanded to account for a quarter of the tuna catch in the region. It now has the largest fishing fleet in the region with many of its vessels subsidized by the government. Some politicians in the FSM have argued that 'the small size of the FSM economy, the Chinese demand for its fish and the proximity of FSM to the huge Chinese market' mean that China can have a powerful impact on 'transforming the economic fortunes of FSM overnight for very little cost to itself' (Puas & D'Arcy, 2021, p. 291-292).

Changes in the geopolitical situation might impact on the functioning of regional fisheries management organizations and agreements. In 2021, for instance, the government of Kiribati announced that it would open up the Phoenix Islands Protected Area (PIPA) to commercial fishing, a move purportedly instigated by China (Herr, 2021). In this way, it has been claimed, China could gain preferred access to abundant tuna resources as well as a militarily strategic location in Kiribati. Climate change is another factor affecting marine

ecology; for example, more and more fish are moving into the open sea. According to research (Bell, 2021), the total biomass of skipjack, yellowfin, and bigeye tuna in the waters of the ten Pacific island states could decline by an average of 13 percent by 2050.

Over the past two decades Taiwan has implemented cooperation projects with its Pacific partners to assist in enhancing the capabilities of fisheries and towards the goal of more sustainable management of marine resources. For instance, since 2010, Taiwan has launched the “Regional Fishery Observer Training Program” to train Pacific representatives to become observers and contribute to sustainable fisheries that comply with the regulations of regional organizations. The project could also increase employment opportunities and the growth of remittances. In addition, Taiwan has helped some Pacific countries set up sustainable fish farming operations. The Taiwan Technical Mission has cooperated with Kiribati since 2004 to revitalize fish farming (artificial breeding of milkfish). Taiwan could still do more, with help needed for the onshore construction of fishing facilities. It could also hire more workers from the Pacific islands and improve their labor conditions and regulate Taiwanese vessels toward sustainable fishing.

6.4.2 Logging and Mining

Natural resource extraction has played an important role in the economic development of some Oceanic countries. Forestry resources, including timber exports and agro-forestry (e.g. oil palm, sugar, bio-ethanol.) contribute significantly to GDP, especially in the Melanesian countries. In both the Solomon Islands and Papua New Guinea, ethnic Chinese, especially Malaysians of Chinese descent (Filer, 2013a, 2013b), have dominated the industry¹⁹. There is no evidence that they are supported monetarily by the Chinese state or state-owned enterprises; however, they may have contributed to the fact that China is the monopoly export market (Filer 2013a, p. 322). Many islanders have pointed out that they are very influential in domestic politics (e.g. D’Arcy et al., 2014) and some have speculated about the role they play in the diplomatic field. Chinese investment in mining has attracted more attention and we will focus on mining in this section.

In discussing how exploration projects shape national economies, the most dramatic example is Nauru, where the ups and downs of phosphate production dominate its economic performance and the people’s well-being (Connell, 2006; Pollock, 2014). Phosphate mining was Nauru’s main source of income in the 1970s and 80s, in the early years after independence, and it had one of the highest GDPs per capita in the world. The Nauru government utilized the revenue to make international investments, but many ended in failure. As Nauru’s phosphate revenue declined in the 1990s, government expenditure began to exceed revenue. Mining almost ended in the first few years of the 21st century and the country switched diplomatic relations to China in 2002. However, the economy does not seem to have benefitted from the change and Nauru switched ties back to Taiwan in 2005. In 2007, with investment from New Zealand and Australia, Nauru recommenced secondary phosphate mining. However, as the output and scale of the operations were not as

large as before, aid (especially from Australia and Taiwan), fisheries and revenue from an Australian detention center now account for a significant portion of national income.

Papua New Guinea has the richest resources in the region. Its economic development depends on extraction industries, such as agriculture, forestry and mining. Its largest exports are minerals, which then facilitate the development of other industries such as construction. Gold remains the most important metal export accounting for more than three-quarters of revenue. In addition, the Ramu Nickel mine and, in recent years, liquefied natural gas (LNG) have also become major pillars of the PNG economy. In 2017, for instance, LNG production accounted for 16% of GDP.

The huge revenues of PNG's mining industry also attract investment from other countries and transnational corporations. According to the USGS 2016 Minerals Yearbook, with the notable exception of the government owned OK Tedi Mining Ltd., most are owned and operated by international companies, including from Australia, the United Kingdom, South Africa, Japan, Singapore and China. In March 2005, the Chinese Metallurgical Construction (Group) Corporation, a large state-owned construction and operating company, purchased a majority stake in the Ramu Nickel & cobalt mine. In 2006, the PNG government signed an agreement that allowed the China Exploration and Engineering Bureau to further prospect for gold, copper, chromite and magnesium. The Chinese group, Zijin Mining Group, owns a large share in the Pogera gold mine in the Enga region. Some projects are still at the planning stage; for example, the Frieda River Copper project which is owned mainly by PanAust, a subsidiary of Guandong Rising Asset Management (Gessler, 2017). In terms of LNG cooperation, in 2009, China Petroleum & Chemical Corporation agreed to purchase 2 million tons of LNG annually from the country. Taiwan started to buy LNG in 2013; in 2017 Taiwan was the fifth largest importer of LNG from the country at about 17%, and LNG from there will account for 9% of Taiwan's LNG imports in 2022²⁰. PNG has a long history of resource extraction and China is a late comer. The situation is different in the Solomon Islands and Fiji.

Gold Ridge gold mine in the Solomon Islands started operation in 1998 and once accounted for more than 20% of the country's GDP. Initially owned by the Australian company, St Barbara, it ceased operation in 2014 after security threats and flooding. It was then sold to the landowner group, Gold Ridge Community Ltd, which sought investment from an Australia based Chinese company, AXF Resources, and additional investment from the Chinese company, Wanguo International Mining in 2017.²¹ Soon after the switch of diplomatic recognition from Taiwan to China in September 2019, it was revealed that the state-owned China Railway Group Ltd. had signed a deal with Gold Ridge Mining Ltd (GRML) to construct and lease a railway and a mining service station.²² The government of the Solomon Islands hopes to reopen the gold mines and develop other resources such as bauxite and nickel to diversify its economy and become less dependent on the logging industry.²³ However, there have been many controversies. Ships carrying bauxite from the

Bintan Mining Company (Hong Kong-based, owned by Indonesian Chinese) spilled heavy fuel around the island of Rennell, the location of a UNESCO World Heritage site, in 2019.²⁴ The Australian-owned company, Axiom Mining, encountered licensing and regulation problems after it started operations in Isabel Province in the same year. It accused the government of accepting bribes and favoring its replacement by Bintan, which happened shortly after the country switched diplomatic recognition to China.²⁵ Some of the companies involved in mining were initially logging companies, such as the Asia Pacific Investment Development Ltd (APID), which is involved in bauxite mining on Rennell,²⁶ and the proposal for a nickel mine at Choiseul comes from the Solomon Islands Mining Company Ltd (SIMCL), which is owned by the Filipino Chinese logger, Johnny Sy. Another logger, Garry Cheah, used to operate the Solomon Islands Resources Company Limited (SIRCL), which carried out nickel prospecting in Isabel. The owners of SIRCL, the Hong Kong-based investor, New Origin Resource Company Ltd., later sold it to another Chinese enterprise, Hangzhou Gowin Mineral Product Ltd.²⁷

The mineral extraction industry has had a slow start in Fiji and is dominated by investment from China.²⁸ The major mineral commodity export has been gold. Vatukoula Gold Mines was initially owned and operated by a UK registered company (Banks 2013), but Zhongrun Internal of China increased its holding to some 66% in 2014. (USGS Mineral 2015 Yearbook). Both bauxite and cement mining operations are run and majority owned by the Chinese companies, Xinfa, Tengy and PCL.

Logging and mining companies have played important roles in these countries (Bainton & Skrzypek, 2021; Allen, 2018). Peter Kenilorea Jr., a Solomon Islands MP, pointed out that an underlying cause of the recent riots in Honiara was long-term discontent with the corrupt relationship between the government and the foreign logging and mining companies.²⁹ Chinese engagement with the mining industry in Melanesia has been growing and Chinese companies have sometimes replaced earlier Australian investors. While some Chinese companies are run by ethnic Chinese loggers, we have seen a deeper involvement by companies (private or state-owned) from mainland China and they now dominate the newly developed mineral industries in the Solomon Islands and Fiji. Their investments coincided with the islands' development of closer relations with Beijing. Capital in PNG is more diversified. It is worth noting that, though still in the planning stage, China has approached several Pacific countries about participation in future projects to explore deep-sea mining (Zhang, 2018).

TABLE 6.4 CHINESE MINING INVESTMENTS IN THE PACIFIC

Country	Metals	Operating Company/ Project	Notes
PNG	Gold & Silver	The Porgera Gold mine	Jointly owned by the Chinese Zijin Mining Group and the Barrick Gold Corp
	Nickel & Cobalt:	The MCC Ramu Nickel Cobalt project	Majority owned and operated by China Metallurgical Corporation
Solomon Islands	Gold & Silver	The Gold Ridge gold mine	Wanguo International Mining Group, China Railway Group Ltd.
	Bauxite	Asia Pacific Investment and Development Ltd. (APID)	Registered in Hong Kong
	Nickel	Axiom Mining	Australian mining and exploration company (incorporated in Hong Kong)
Fiji	Gold & Silver	Vatukoula Gold Mines plc.	Majority owned by Zhongrun Resources Investment Corporation
	Bauxite	Xinfa Aurum Explorations Ltd.	Shandong Xinfa Aluminum and Electricity group. 1st Chinese company to obtain mining license, 2011
	Cement	Pacific Cement Ltd. (PCL)	Majority owned by Fijian Holding Ltd. Corp

		Tengy Cement Company Ltd.	A China investment company
New Caledonia	Nickle	The Chinese Caledonian Mining Company	Joint venture of the Chinese Jinchuan Group and the Société Minière du Sud Pacifique.

Source: USGS Mineral Yearbook, Gessler (2017)

6.4.3 Tourism

Oceania received 2.9 million visitors in 2019, contributing USD \$4 billion in visitor spending to regional economies. As a percentage of GDP, tourism receipts accounted for a large share in many Pacific countries and territories. According to the 2018 Annual South Pacific Tourism Organization (SPTO) tourism overview, tourism in the Cook Islands reached 66% of GDP, and Fiji’s tourism sector generated over 35%. For Vanuatu, tourism’s contribution to GDP was 48.2%. For the Cook Islands, Fiji, and Vanuatu, more than 70% of air arrivals are for the purpose of leisure travel. In addition, direct employment in the sector totaled 90,821, not including those working in support services and related businesses³⁰. Across the region, the tourism industry has become an essential ingredient in islands’ culture, cuisine, traditional artifacts and environment. Tourism is the central industry, part of life and the major economic driver in Oceania.

In recent years, Chinese tourists, investment and tourism development projects have brought new challenges to the Pacific. In Vanuatu, The Chinese have ventured into real estate, including investment in tourist enterprises. As an example, when the Evergreen Co., the original owner of the famous Cascades waterfall, defaulted on its repayments, the asset was sold off to Blue Spring, a Chinese company, which also runs tour packages. Chinese investment in casinos and resorts in the Commonwealth of the Northern Marianas Islands (CNMI) has brought in many Chinese tourists as well as controversies, including concern over money laundering and the close proximity of some developments to land leased to the US Department of Defense. CNMI entered an agreement with a Hong Kong based Chinese company, Imperial Pacific, to build a large casino in Saipan (Meick et al., 2018).³¹ On the island of Yap in the Federated States of Micronesia (FSM), Chinese investors from the company, ETG, proposed the construction of a 10,000-room mega-resort and casino complex, which was supported by Yap’s Governor, Tony Ganngiyan (Bohane, 2016). Local politicians and islanders were divided over the proposal (Huang 2017). In addition, the mayor of Rongelap in the Republic of the Marshall Islands, James Matayoshi, proposed plans for the atoll to become a special administrative province in 2018 (RNZ, 2018). The plan is to offer loose visa and tax requirements, open the island up to foreign investors, and

promote the construction of casinos and direct flights from China. The proposal has caused turbulence in domestic politics; the then president, Hilda Heine, believed that it was her criticism of the project that led to votes of no confidence against her in parliament (The Marshalls Islands Journal, 2020).

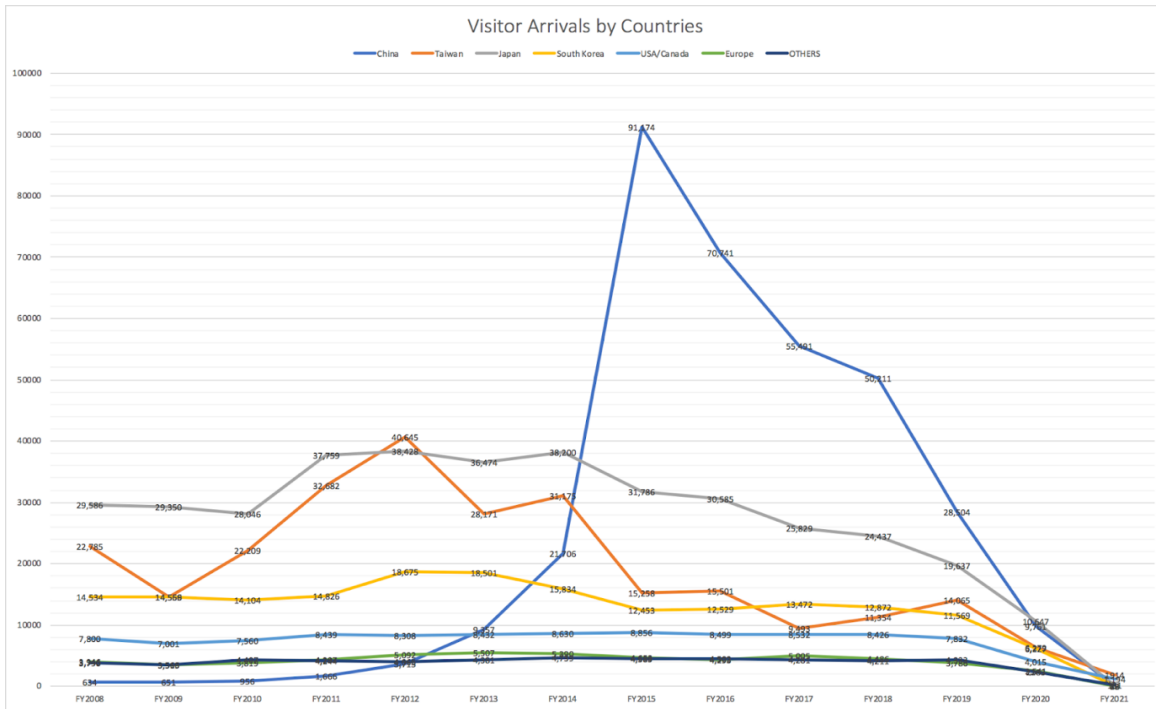
6.4.3.1 Tourism in Palau

From 1947-1994, Palau was under the US-administered UN Trust Territory of the Pacific Islands (TTPI).³² Palau became a self-governing republic in 1994 and is a signatory to the Compact of Free Association (COFA) agreement with the United States. Palau established diplomatic relations with Taiwan in 1999. According to the Lowy Institute, Taiwan was ranked as its second largest aid donor after Japan in 2021.³³

The economy of Palau is dominated by tourism, fishing, and subsistence agriculture. The government is a major employer and relies on financial assistance from the US. World Bank data for 2019 shows an estimated GDP per capita of \$14,907, the highest in Oceania.³⁴ Palau's economy is centered on tourism, which accounted for 43% of GDP in 2018. Before 2010, Palau's tourism industry was driven largely by scuba divers from Japan, Korea and Taiwan. Visitors from Taiwan and Japan constituted some 70 percent of the total from 2000 to 2010 (Yamashita, 2000). However, an estimated 85 percent of revenues go to foreign operators from Japan and Taiwan.

In 2010, Palau opened up tourism to China. The number of Chinese tourists spiked dramatically to a historic high of 91,174 in 2015, a 10-fold increase over 2010 (Lyons, 2018). Tourist arrivals from China in 2010 made up less than two percent of all visitors rising to more than 54% in 2016.³⁵ Chinese tourists to Palau shared some characteristics: (1) they travelled to Palau in package tour groups; (2) the groups prepaid for their full itinerary resulting in lower in-country spending; (3) Palau became heavily dependent on one market; (4) hotels came under pressure to offer high-quality service. In November 2017, the Chinese government took steps to block Palau as a tourist destination. It removed Palau from its list of countries with Approved Destination Status (ADS), which allows state-run agents to operate group package tours to approved nations.³⁶ The result was very dramatic, with a precipitate fall in the number of tourists from China. Media reports said Palau had been targeted because it maintained diplomatic relations with Taiwan, and China was hoping to turn up the pressure. (Master, 2018).

FIGURE 6.5 TOURISTS TO PALAU (FROM 2008-2021)



Source: Bureau of Immigration, Republic of Palau.

6.4.3.2 Palau's Path

Palau has a strong determination to safeguard its culture and physical environment. In 1979, 75% of Palauan people voted for a nuclear-free constitution, the first in the world. In terms of marine management, Palau passed the Palau National Marine Sanctuary Act in October 2015. The sanctuary is the world's sixth largest fully protected area. In 2017, Palau became the first nation to make an eco-promise, known as the Palau Pledge, aiming to tackle tourism related damage to the environment (Medel, 2020). The Palau Pledge has both old and modern roots that include the cultural concept of 'BUL', a traditional requirement to respect the ecosystem. As the former President of Palau, Tommy Remengesau, said in an interview, Palau adapted to the Chinese embargo by focusing on higher spending visitors rather than mass tourism, which had taken a toll on the environment (Master, 2018). His message was clear: The Chinese ban would not hurt the economy but rather offer Palau a chance to diversify its tourism industry. The government released a framework for a new responsible tourism policy, clearly stating Palau's vision for the industry. Palau aims for a diverse, high-value and low-impact tourism. Tourism has become an area through which it can assert its voice and sovereignty in the face of challenges from global powers. Lastly, in March 2021, Palau and Taiwan opened a travel corridor, meaning Taiwanese tourists do not have to undergo quarantine upon arrival. As Palau and Taiwan continue their economic partnership, the country's experience offers many ideas about how Taiwan can deepen relations with Oceanian countries through their own visions of development.

6.5 Policy Implications

Based on the above analysis, and in reference to our interviews, there are several policy implications for the government of Taiwan and its partners.

Creating a friendlier diplomatic environment for Taiwan

Taiwan needs assistance for deeper participation and an upgraded position in multilateral regional organizations. Taiwan now has diplomatic relations with only four countries in the region and has only been able to set up representative offices in two other countries, both of which were recently forced to downgrade their names. Through multilateral aid projects and a more active presence in regional organizations, the international community could help Taiwan engage with more countries and build more relationships.

For small islands that rely on the fishing sector, aligning with Taiwan rather than China can be a good choice if the aim is a stable and expanding economy. However, there is scope for better quality investment in the sector, as well as for more training and the provision of better employment opportunities for island seafarers. Countries that export large quantities of raw materials to China are more likely to be dependent on the Chinese market and be vulnerable to Chinese sanctions. They, therefore, find it harder to build closer relations with Taiwan. Taiwan is of course unable to match China in its demand for raw materials, so additional outside help is needed for island states to diversify their export markets and build economic resilience. Taiwan could work with international partners to encourage investment in fisheries, mining and tourism as an alternative for islands unwilling to accept Chinese domination of trade and aid.

Taiwan could take a diplomatic approach that takes more account of an Oceania centered perspective and is more culturally sensitive

Taiwan should understand and respect Oceanian countries' strong sense of agency and sovereignty in forming their foreign policies and development priorities. Taiwan's aid projects should address more directly the issue of climate change (including mitigation, green energy, carbon remission, and the threat of extreme weather and water shortages).³⁷ As Marshall Sahlins (1993) points out, development also needs individuals who are embedded in the social structures of Oceania. Taiwan should back projects that aim to boost local employment, for example by upgrading fisheries and cargo facilities and focusing on employment instead of the payment of license fees alone. It could also assist local retailers and other small businesses. Doing business in Oceania is all about building relationships. These relationships should be rooted in inclusivity, reciprocity, mutual care and shared island values.³⁸ Oceania is deeply committed to the concept of sustainability. This is not only about development but also about collaboration, partnerships and

relationships. Business activities should not be based on a single, short-term event but on sustainable cooperation and exchange.

Transforming Taiwanese aid to contribute more directly to economic development

Taiwan's International Cooperation Development Fund (ICDF) agricultural team could be relaunched as a business instead of just a channel for aid. Agricultural teams could collaborate with local businesses to open local stores and food processing factories. This would not only deepen Taiwan's presence but also create job opportunities for locals. Cultural industries are another potential field of investment. Taiwan could create business activities and offer employment through text, music, television and film production, as well as crafts and design. Taiwan could also support the development of cultural and eco-friendly tourism by promoting distinctive architecture and preserving cultural heritage.

Taiwan as part of Oceania

In recent years, Taiwan has highlighted its Austronesian heritage to make a stronger cultural connection with Oceanian countries, including an attempt to establish an Austronesian Forum as a new regional platform for Taiwan and its partners. While the term Austronesian is rather academic and needs more time to become familiar to the general public (Marinaccio, 2021), there is a growing understanding and acceptance of it in the region. However, there are limitations in its application—for example, the vast majority of the population in inland PNG are non-Austronesian. On the other hand, the term indigenous does not mean much to many islanders either. Lessons could be learned from the developing area of 'Oceanian diplomacy' (Carter et al., 2021), which makes more use of Oceanian concepts and terminology. Tuvalu presents a good example in this area. Taiwan should consider working with its diplomatic partners to come up with an appropriate Austronesian term as part of a diplomatic narrative or theme that would resonate across the region. The Taiwanese government could also consider setting up a trade office to offer a platform and information center for local populations.³⁹

NOTE

¹ The UK has also pledged a new approach entitled ‘Pacific Uplift’. Indonesia talked about ‘Pacific Elevation’ in 2019.

² Ethan Meick, Michelle Ker, and Chan Han May, “China’s Engagement in the Pacific Islands: Implications for the United States,” U.S.-China Economic and Security Review Commission, 2018.

³ There are news reports that China has an interest in establishing military bases in Fiji, Vanuatu and Kiribati; however, there is no confirmation of any activity or firm plans yet.

⁴ The huge investment of Chinese casinos in CNMI has raised concerns in the US because of the proximity of the casino to a US military base. The other example concerns the undersea cable network in the Pacific. For example, the Solomon Islands originally selected a British-American company, Xtera, to install the cable to connect the country to Sydney and had secured funding assistance from the Asian Development Bank (ADB). However, the government under then prime minister, Manasseh Sogavare, switched to Huawei, a Chinese telecommunications giant. The projects drew concern from the Australian government over their security implications. Australia replaced Huawei, agreeing to fund the construction of a new undersea telecommunications cable that would link Papua New Guinea, the Solomon Islands and Australia. Recently, the US, Australia and Japan took over the cable project in Micronesia, probably for similar security concerns.

⁵ With an investment of US\$ 1.4 billion, China Metallurgical Group Corporation is the largest stakeholder (61 percent) of the Ramu Nickel mine in PNG. This is China’s largest single investment project in the Pacific. Chinese companies are also tapping mineral resources in Fiji. In August 2013, Zhongrun International Mining Company Limited from China’s Shandong province acquired a two-thirds stake in Vatukoula Gold Mines PLC in Fiji for US\$40 million. Denghua Zhang, *China, India and Japan in the Pacific: Latest Developments, Motivations and Impact* Acton, ACT: Department of Pacific Affairs, Coral Bell School of Asia Pacific Affairs, ANU College of Asia and the Pacific, The Australian National University, 2018.

⁶ In terms of international trade negotiations, Pacific countries have strong agency, in the context of regional geopolitics (Morgan 2015).

⁷ Taiwan’s aid is also criticized as less transparent and less-regulated.

⁸ See Sogavare reiterates commitment to “one China policy” <https://solomons.gov.sb/sogavare-reiterates-commitment-to-one-china-policy/>

⁹ Taiwan’s representative office in Fiji was also forced to change the name from ‘Trade Mission of the Republic of China to the Republic of Fiji’ to ‘Taipei Trade Office in Fiji’ in the July of 2019. A year earlier, Taiwan’s representative office in PNG was also forced to change from ‘Trade Mission of the Republic of China (Taiwan) in Papua New Guinea’ to ‘Taipei Economic and Cultural Office in Papua New Guinea’ before APEC 2018 took place in Port Moresby.

¹⁰ <https://www.icdf.org.tw/>

¹¹ E.g. ‘Home Energy Efficiency and Renewable Energy Project in the Marshall Islands’ <https://www.icdf.org.tw/ct.asp?xItem=41455&ctNode=30040&mp=2>

¹² e.g. civil strife or coups in Fiji, the Solomon Islands and PNG; closing and opening of phosphate mine in Nauru.

¹³ There is no suitable pair in the region for the comparison with Palau and Vanuatu.

¹⁴ All DID results and graphs come from work by Dr. Ling-yu Chen and Dr. Jinji Chen)

¹⁵ Tuvalu’s ambassador to Taiwan also gave similar accounts and the government is still trying to work with Taiwanese cargo companies to get employment for experienced sailors.

¹⁶ See New Samoa PM cancels China-funded port <https://islandtimes.org/new-samoa-pm-cancels-china-funded-port/>

¹⁷ Members include the Federated States of Micronesia, Kiribati, the Marshall Islands, Nauru, Palau, Papua New Guinea, the Solomon Islands and Tuvalu. These countries collectively control 25-30% of the world’s tuna supply, and control around 50% of the global supply of skipjack tuna See PNA (n.d.)

¹⁸ The VDS is a rights-based management mechanism that aims to limit fishing by purse seine vessels by setting benchmark prices and allocating tradable fishing days (Yeeting, 2018).

¹⁹ Some are logging illegally. For example, a recent case in the Solomon Islands. See Isabel landowners fight for ownership over Tubi logs, The Islandsun, <https://theislandsun.com.sb/isabel-landowners-fight-for-ownership-over-tubi-logs> (Last visited Jan. 10, 2022)

²⁰ Chinese demand spurs LNG investment in Papua New Guinea, Nikkei Asia, <https://asia.nikkei.com/Economy/Chinese-demand-spurs-LNG-investment-in-Papua-New-Guinea> (Last visited Jan. 11, 2022).

²¹ See USGS Mineral Yearbook. Chinese redevelopment of Solomon Islands’ Gold Ridge mine dubbed ‘way over the top’, ABC News, <https://www.abc.net.au/news/2019-10-30/china-cites-early-harvest-benefits-in-guadalcanal-deal/11654596> (Last visited Jan. 7, 2022).

²² Debt-trap diplomacy: China secures Gold Ridge Mine in Solomon Islands, Taiwan Times, <https://www.taiwannews.com.tw/en/news/3780779> (Last visited Jan. 6 2022)

²³ Mixed prospects for the mining sector, The Economist Intelligence, <http://country.eiu.com/article.aspx?articleid=1697603353> (Last visited Dec. 27, 2021).

²⁴ Concern for oil spill near East Rennell, Solomon Islands, in central Pacific, UNESCO, <http://www.unesco-hist.org/index.php?r=en/article/info&id=1478> (Last visited Jan. 3, 2022)

²⁵ Axiom mining claims Solomon PM’s Chief of Staff sought \$700,000, Papua New Guinea Mine Watch, <https://ramumine.wordpress.com/2019/12/05/axiom-mining-claims-solomon-pms-chief-of-staff-sought-700000/> (Last visited Jan. 4, 2022)

- ²⁶ Logging company "reinvented" itself as bauxite miner in Solomon Islands, says researcher, ABC News, <https://www.abc.net.au/radio-australia/programs/pacificbeat/logging-company-reinvented-itself-as-miner/10899386> (Last visited Jan. 2, 2022). Warning from Isabel, The Islandsun, <https://theislandsun.com.sb/warning-from-isabel/> (Last visited Jan. 2, 2022).
- ²⁷ Isabel landowners refused to sign access agreement, The Islandsun, <https://theislandsun.com.sb/isabel-landowners-refused-to-sign-access-agreement/> (Last visited Jan. 2, 2022)
- ²⁸ According to the USGS 2017-18 Mineral Yearbook, only Chinese companies had produced mineral exports. The 2015 Year Book listed other investments in gold mines by Canada, Australia and Japan, but it seems they are still in the planning stage.
- ²⁹ See Analysts point to logging and mining to explain Solomon Islands unrest https://news.mongabay.com/2022/01/analysts-point-to-logging-and-mining-to-explain-solomon-islands-unrest/?fbclid=IwAR01c6C--fk7rKJRXXqmNNCS_t7vHxEb1Dv0rJE33ECaGOI2JAju2t6L7gc
- ³⁰ SPTO Annual Visitor Arrivals Report, 2019 <https://pic.or.jp/ja/wp-content/uploads/2019/07/2018-Annual-Visitor-Arrivals-ReportF.pdf>
- ³¹ The New York Times contends that the Imperial Pacific project has been linked to China's BRI, which even incorporates American territory for economic development.
- ³² United Nations trust territory administered by the United States in parts of Micronesia after World War II. Areas administered as part of the TTPI included the modern-day Marshall Islands, Federated States of Micronesia, Palau, and the Commonwealth of the Northern Mariana Islands.
- ³³ Data collected from Lowy Institute Pacific Aid Map <https://pacificaidmap.lowyinstitute.org/dashboard> (Last visited Jan. 10, 2022).
- ³⁴ Data collected from *The World FactBook*. <https://www.cia.gov/the-world-factbook/countries/palau/#economy> (Last visited Jan. 10, 2022).
- ³⁵ The data is collected from the official statistics database maintained by the Palauan government: <https://www.palau.gov.pw/executive-branch/ministries/finance/budgetandplanning/immigration-tourism-statistics/>
- ³⁶ The China Approved Destination Status (ADS) scheme is an arrangement between various countries and Chinese governments. The scheme allows Chinese tourists to travel to certain countries in guided groups.
- ³⁷ For climate change diplomacy and China's response, please see Goulding 2015, Zhang 2021.
- ³⁸ As a successful Taiwanese indigenous businessman points out, 'once we have sustainable business relations, we know the market and we know our opportunity and position in the market'.

³⁹ Tuvalu's foreign policy and values. <https://devpolicy.org/tuvalu-foreign-policy-and-values-20200609-2/>

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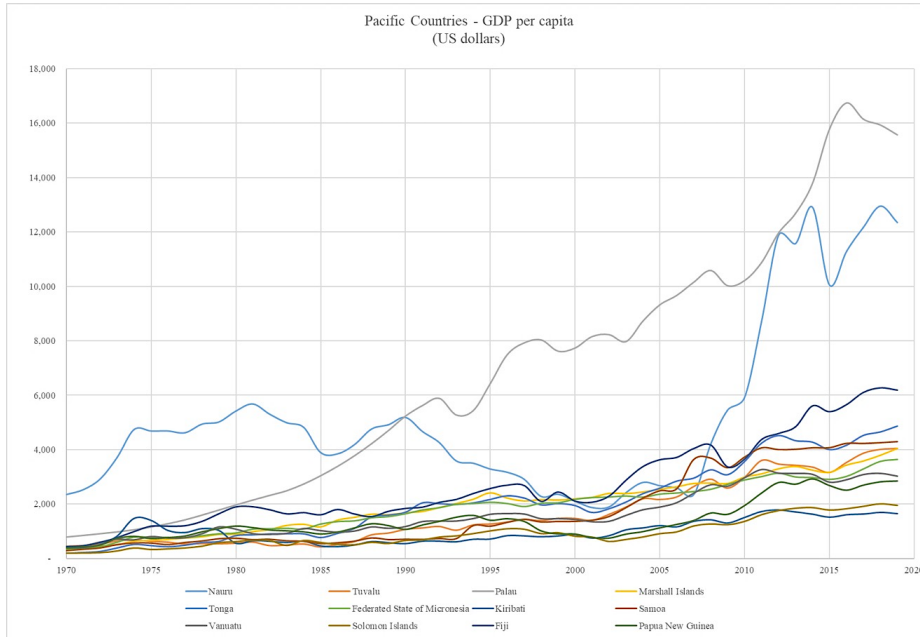
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ANNEX 6.1 GDP per capita of Pacific Countries



Source: UNdata.

ANNEX 6.2 DID Analysis: Tuvalu VS. FSM



DIFFERENCE-IN-DIFFERENCES ESTIMATION RESULTS

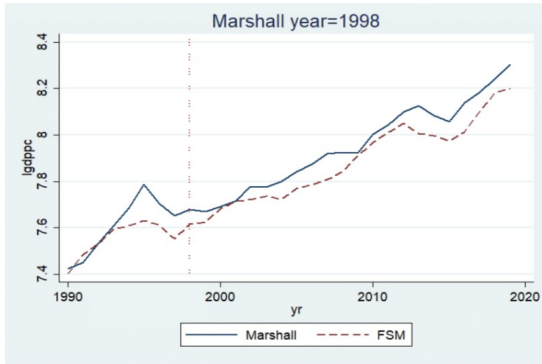
Number of observations in the DIFF-IN-DIFF: 60

	Before	After	
Control:	16	14	30
Treated:	16	14	30
	32	28	

Outcome var.	lgdppc	S. Err.	t	P> t
Before				
Control	7.625			
Treated	7.258			
Diff (T-C)	-0.367	0.062	-5.91	0.000***
After				
Control	7.988			
Treated	8.079			
Diff (T-C)	0.091	0.057	1.60	0.115
Diff-in-Diff	0.458	0.084	5.44	0.000***

R-square: 0.81

ANNEX 6.3 DID Analysis: Marshall Islands VS. FSM



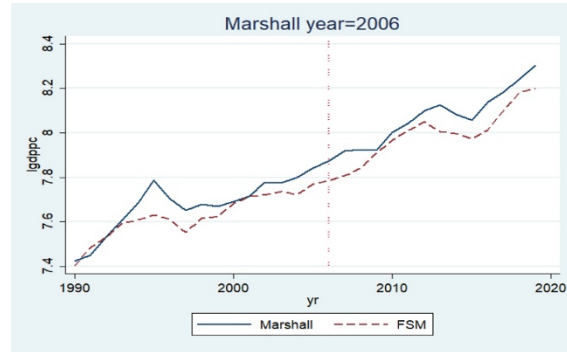
DIFFERENCE-IN-DIFFERENCES ESTIMATION RESULTS

Number of observations in the DIFF-IN-DIFF: 60

	Before	After		
Control:	8	22	30	
Treated:	8	22	30	
	16	44		

Outcome var.	lgdppc	S. Err.	t	P> t
Before				
Control	7.552			
Treated	7.605			
Diff (T-C)	0.053	0.051	1.04	0.305
After				
Control	7.883			
Treated	7.948			
Diff (T-C)	0.065	0.056	1.16	0.249
Diff-in-Diff	0.013	0.076	0.17	0.869

R-square: 0.47



DIFFERENCE-IN-DIFFERENCES ESTIMATION RESULTS

Number of observations in the DIFF-IN-DIFF: 60

	Before	After		
Control:	16	14	30	
Treated:	16	14	30	
	32	28		

Outcome var.	lgdppc	S. Err.	t	P> t
Before				
Control	7.625			
Treated	7.674			
Diff (T-C)	0.049	0.039	1.25	0.216
After				
Control	7.988			
Treated	8.065			
Diff (T-C)	0.077	0.048	1.61	0.112
Diff-in-Diff	0.028	0.062	0.46	0.651

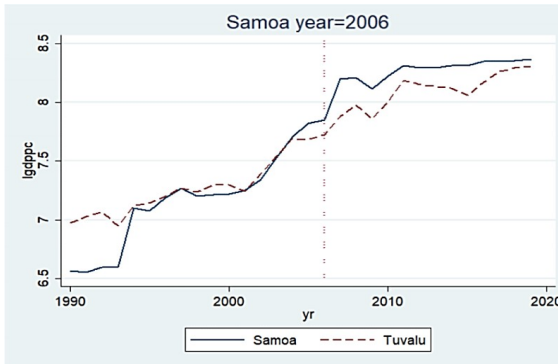
R-square: 0.74

* Means and Standard Errors are estimated by linear regression

**Robust Std. Errors

***Inference: *** p<0.01; ** p<0.05; * p<0.1

ANNEX 6.4 DID Analysis: Samoa VS. Tuvalu; Samoa VS. Marshall Islands



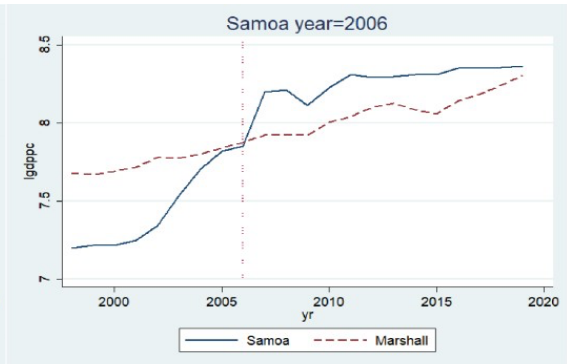
DIFFERENCE-IN-DIFFERENCES ESTIMATION RESULTS

Number of observations in the DIFF-IN-DIFF: 60

	Before	After		
Control:	16	14	30	
Treated:	16	14	30	
	32	28		

Outcome var.	lgdppc	S. Err.	t	P> t
Before				
Control	7.258			
Treated	7.138			
Diff (T-C)	-0.120	0.113	-1.06	0.293
After				
Control	8.079			
Treated	8.252			
Diff (T-C)	0.172	0.059	2.93	0.005***
Diff-in-Diff	0.293	0.128	2.29	0.026**

R-square: 0.79



DIFFERENCE-IN-DIFFERENCES ESTIMATION RESULTS

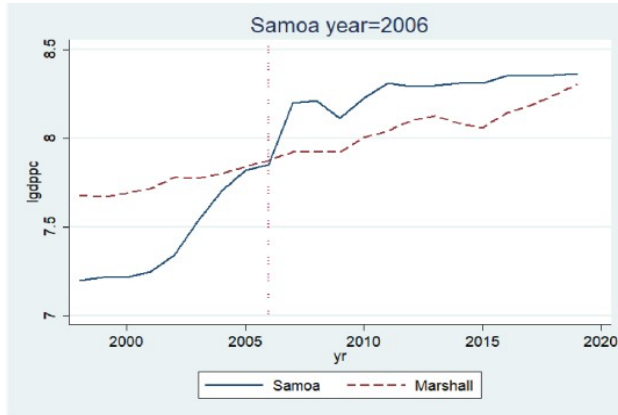
Number of observations in the DIFF-IN-DIFF: 44

	Before	After		
Control:	8	14	22	
Treated:	8	14	22	
	16	28		

Outcome var.	lgdppc	S. Err.	t	P> t
Before				
Control	7.743			
Treated	7.409			
Diff (T-C)	-0.334	0.088	-3.81	0.000***
After				
Control	8.065			
Treated	8.252			
Diff (T-C)	0.187	0.051	3.68	0.001***
Diff-in-Diff	0.520	0.101	5.14	0.000***

R-square: 0.82

ANNEX 6.5 DID Analysis: Tonga VS. Tuvalu



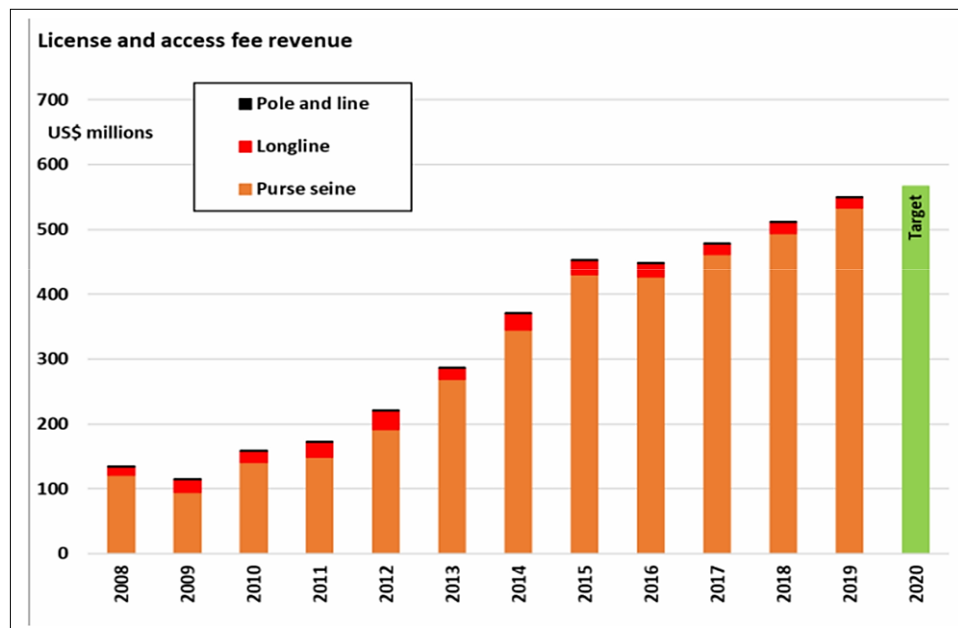
DIFFERENCE-IN-DIFFERENCES ESTIMATION RESULTS
 Number of observations in the DIFF-IN-DIFF: 44

	Before	After	
Control:	8	14	22
Treated:	8	14	22
	16	28	

Outcome var.	logdppc	S. Err.	t	P> t
Before				
Control	7.743			
Treated	7.409			
Diff (T-C)	-0.334	0.088	-3.81	0.000***
After				
Control	8.065			
Treated	8.252			
Diff (T-C)	0.187	0.051	3.68	0.001***
Diff-in-Diff	0.520	0.101	5.14	0.000***

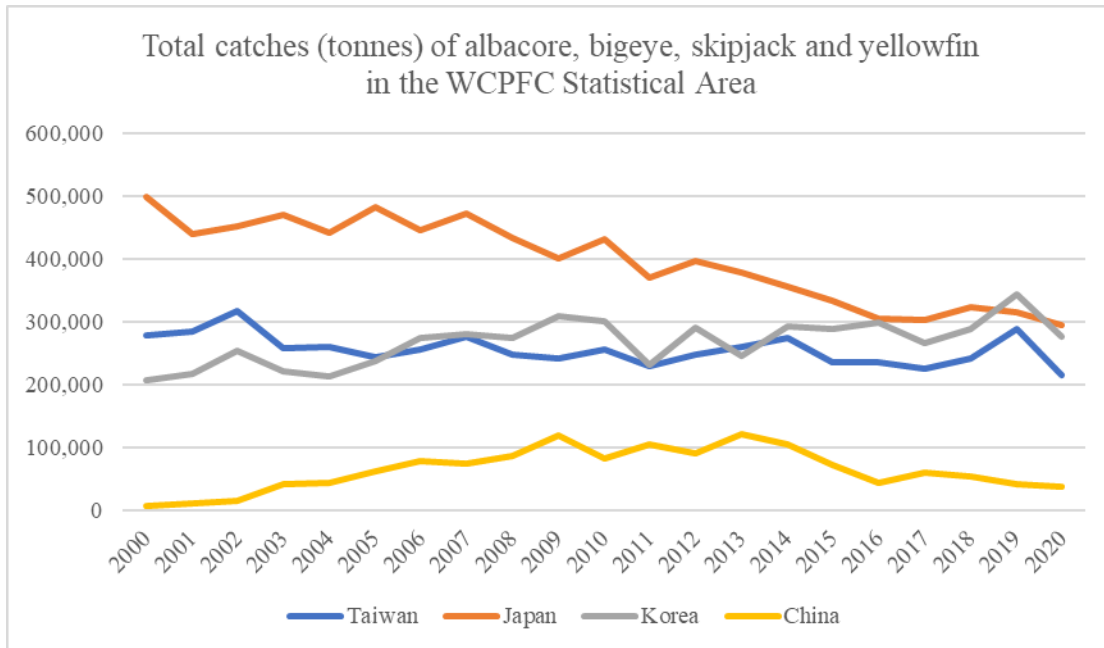
R-square: 0.82

ANNEX 6.6 Revenues of Pacific Countries from Fishing Licenses and Access Fees from 2008 to 2019



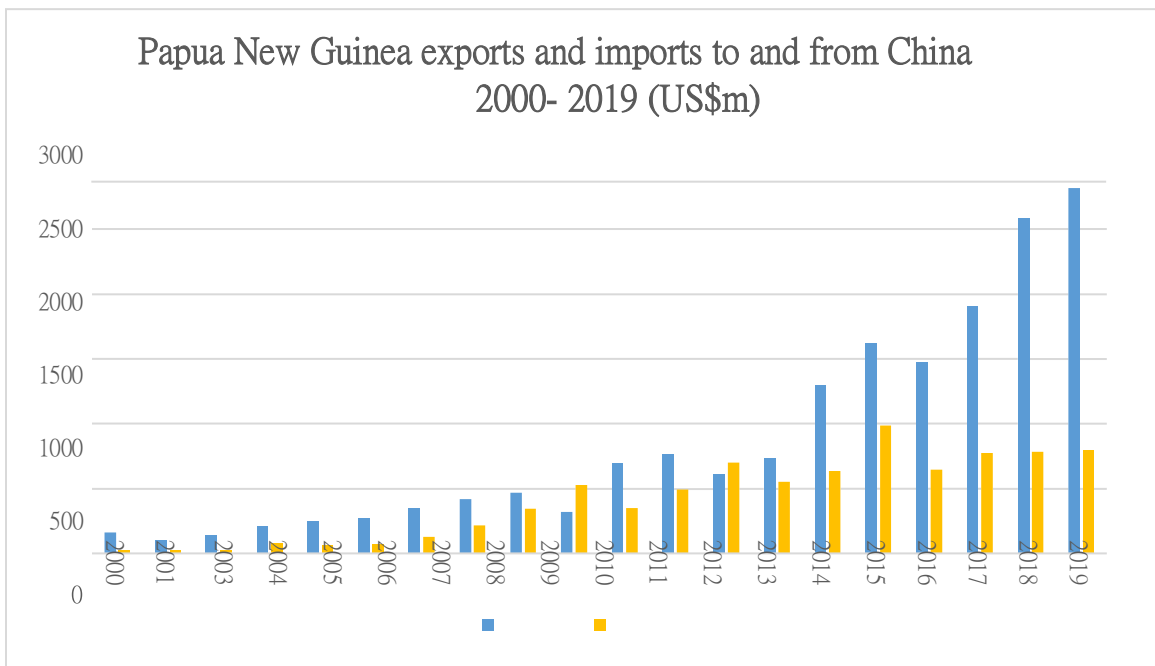
Source: Forum Fisheries Agency 2020.

ANNEX 6.7 Total Catch (Tonnes) by Taiwan of albacore, bigeye, skipjack and yellowfin in the WCPFC Statistical Area



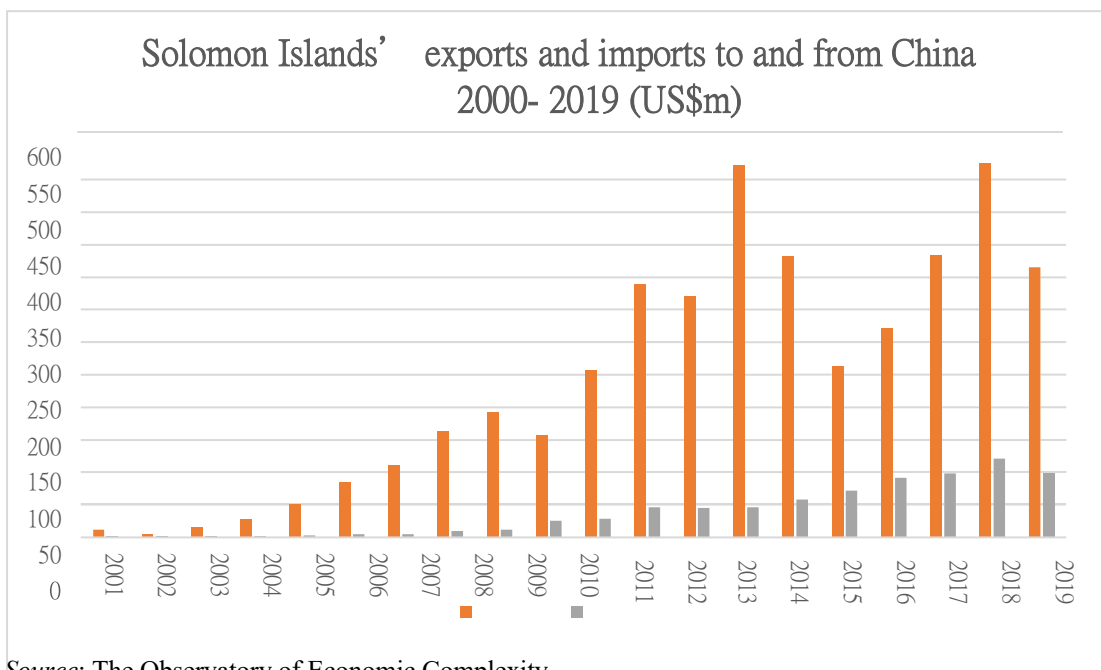
Source: WCPFC 2021

ANNEX 6.8 Papua New Guinea’s Exports and Imports to and from China 2000-2019 (US\$m)



Source: The Observatory of Economic Complexity.

ANNEX 6.9 Solomon Islands' Exports and Imports to and from China 2000-2009 (US\$m)



ANNEX 6.10 Fiji's Exports and Imports to and from China 2000-2009 (US\$m)

