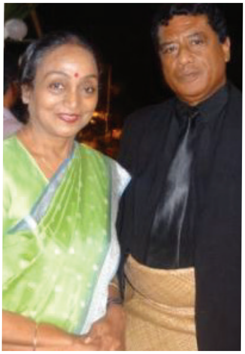

India's Strategic Imperative in the South Pacific

Tevita Motulalo
Senior Researcher
Maritime Studies

Gateway House Report, October 2013

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Tevita Motulalo is a researcher at Gateway House. He specialises in geostrategy, especially as it relates to the Indo-Pacific. Motulalo is from the Kingdom of Tonga and was Editor of the *Tonga Chronicle*, the Kingdom of Tonga's oldest English language newspaper, and Deputy Editor of the *Talaki*, one of the Kingdom's main Tongan-language newspapers. He contributes widely to the news media in Tonga (in English and in Tongan), as well as abroad. He has a Diploma in Journalism from the Tonga Institute of Higher Education and an MSc in Geopolitics and International Relations from Manipal University, India.

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India's Strategic Imperative in the South Pacific

Summary

As the global centre of gravity shifts to the Indo-Pacific, triggered in part by Chinese expansion and the U.S.'s Pacific "rebalancing," an expanding Indian engagement with the South Pacific becomes a geoeconomic and geostrategic imperative.

The South Pacific sits at the "pivot" of the Pacific rebalancing. It is a largely stable region with a relatively small population; it has abundant resources (the Exclusive Economic Zone of the country of Kiribati alone is 3.5 million square kilometres, greater than the total land and maritime EEZ area of India); it is at the crossroads of vibrant and growing maritime trade routes; and it is increasingly strategically located.

Under the "one country, one vote" rule of most international fora, the 14 Pacific Island Countries (PICs) play a significant role in deciding international institutional legitimacy, which is increasingly important for India as it seeks a greater role in global affairs.

There is enormous scope for closer economic, political, and strategic ties between India and the South Pacific. Ties between the two are already friendly and age-old, with myriad cultural compatibilities. But if India continues to neglect the region, it will become increasingly difficult for India to maintain, or to regain, a toehold, while other powers like China manoeuvre for, and establish, entrenched positions.

Just one example of India's low-key engagement in the region: it has only two High Commissions in the 14 PICs. One is in Fiji, because of its sizable Indian diaspora, the other is in Papua New Guinea, because of trade and minerals. India routinely goes unrepresented at regional meetings held in the other 12 PICs. In contrast, China has a major diplomatic mission in almost every PIC.

India and the PICs are natural partners which only need to

build the right bridges to come together to make the South Pacific and thereby the greater Indo-Pacific more economically, politically, and strategically secure. Others have already realised the region's potential and are moving fast. The question is: Will India catch the South Pacific wave, or be washed over by it?

Dimensions

1. Changing geopolitics: The South Pacific was, until recently, a western backwater "managed" by Australia and New Zealand (NZ). However, the growing economic and strategic importance of the area, combined with regional dissatisfaction with Australia and NZ, have opened up the PICs to other direct bilateral partnerships that bypass Australia and NZ. New (or renewed) players include China, Russia, and the United Arab Emirates.

2. China's role in the PICs: China's involvement in the PICs is widespread. This includes visits by the navy of the People's Liberation Army; exchanges of high-level delegations; abundant soft loans; copious Chinese scholarships for PIC students; and ethnic Chinese controlling about 80% of the retail sector in countries like the Kingdom of Tonga. However, in many PICs, there is a deep suspicion of the recent surge in Chinese immigration and of the role China is playing in the region.

3. Duelling trade deals: After long years of neglect of the region, in 2011, U.S. President Barack Obama announced a "pivot" to Asia. Part of that plan is moving 60% of the U.S. Navy into the Pacific. Another element of U.S. re-engagement is the Trans-Pacific Partnership Agreement (TPPA), a proposed free trade initiative currently consisting of 11 countries (and excluding China), with a collective GDP of around \$25 trillion. In part to counter this, China is involved in another proposed regional deal, the Regional Comprehensive Economic Partnership (RCEP). The RCEP will cover a population of over 3 billion people, around 27% of global trade, and around \$21 trillion, but it does not include the U.S. India is taking a balanced approach, hoping to capitalise on both.

4. India and Fiji: India's ethnic-Indian Fiji-focused policy for the South Pacific has been limiting – even counter-productive – for India, both in Fiji and in the wider region. It has given the other PICs the impression that India is mostly focused on ethnic Indians in the region, rather than on true nation-to-nation engagement. China, conversely, has engaged broadly in Fiji, and now is more influential in Fijian policy-making than India. Broad partnerships with the PICs will not only give India more leverage when lobbying on behalf of the diaspora, it will also create wider economic and political benefits for India and the region.

5. Trade not aid: The region is naturally rich and getting comparatively richer. However, both Australia and NZ play up the "aid" narrative in the PICs. The two countries use aid for leverage, for example by gaining preferential access to resources in the PICs like fisheries and minerals, while at the same time flooding the PICs with Australian and NZ goods and services, and protecting their own markets from competitive PIC products. The PICs are presented as net aid recipients. However, they contribute far more to the economies of Australia and NZ than they receive in aid. The PICs don't want aid, they want trade: access to competitively priced, reliable products (such as products from India) and market access for their products.

6. Scope for economic engagement: The small-scale economies and societies in the Pacific are compatible with the Indian models of village-scale economies and societies. The scope for Indian businesses in the domestic and industrial markets in the PICs is significant. For example, most of the consumer goods in the PICs are either low-cost and low-quality Chinese goods or high-cost Australian and NZ products. In Tonga, a used 14-year-old Toyota costs US $7000. A brand new Tato Nano from India costs half that amount. Across the board, there is a wide opening for reasonably priced, rugged, Indian goods and services, including transportation, information technology and communication hardware and software, agricultural equipment, medical equipment, pharmaceuticals, tele-medicine, and tele-education.

The way forward

1. The South Pacific is ripe for "long-tail" economic engagement, in which profits are made by selling a small amount of a large number of unique products. It will benefit India and the PICs to create a "long-tail" consortium of Indian goods and services providers. The consortium could have one or more agents in each

PIC, representing the products locally, giving microfinance services for the purchase, and providing after-purchase care. The shipping and handling costs would be minimised by the consortium sharing shipping space and the services of the local agent to handle customs and other formalities. Increased political engagement will follow increased economic engagement.

2. A good testing site for this model is the Kingdom of Tonga, a stable, well-educated, English-speaking parliamentary monarchy. Tonga was never colonised and, as the last Kingdom in Polynesia, has informal, but deep, sway in the region. The royal family also provides Tonga with unusual access to key decision-makers outside the region, as it has long-standing, and often personal, ties with other royal families, for example in Japan, Thailand, and Britain. Tonga's role as a regional leader is increasingly being recognised. In May 2013, for example, Tonga hosted the inaugural South Pacific Defence Meeting, which included New Zealand, Australia, and Chile. In doing this, Tonga led the region in working towards greater security cooperation. Each in their own spheres, India and Tonga have both successfully been at the forefront in drawing the model for emerging sustainable economies and democracies.

3. Once tested in Tonga, the long-tail economic model, dovetailing with long-tail Indian diplomacy (such as appointing more representatives to the region), can be rolled out throughout the South Pacific. Eventually, the model can be expanded to other previously overlooked, but increasingly important, long-tail environments such as the Caribbean and parts of Africa.

India's Strategic Imperative in the South Pacific

1. Introduction

As the second decade of the 'Asian century' unfolds, tectonic shifts are shaking the international system – powerful new players are emerging and new alliances are being formed. This poses challenges and opportunities for India.

One area of opportunity is the South Pacific, a largely stable region with a relatively small population, abundant resources, and increasing strategic positioning.

Ties between India and the region are friendly and age-old, with migration from India to Australia recorded as long as 5,000 years ago. But modern engagement is limited. In recent times, the region, with the exception of Fiji, has been seen as beyond Indian operational and economic necessity.

However, as the global centre of gravity shifts to the 'Indo-Pacific', triggered in part by Chinese expansion and the U.S.' Pacific "rebalancing," India will be compelled to extend diplomatic engagement into the South Pacific for geoeconomic and geostrategic purposes.

Not only is the South Pacific sitting at the geopolitical "pivot" of the Pacific rebalancing, it also has the world's greatest concentration of microstates, giving it disproportionate power in international fora, where "one country, one vote" is the rule. Often, the support of these nations is key for securing global institutional legitimacy, which is increasingly important for India as it seeks a greater role in global affairs.

There is enormous scope for closer ties between India and the South Pacific; a sustained engagement would benefit both in the economic, political, and strategic domains.

Conversely, if India continues to neglect the region, it will become difficult for it to maintain, or to regain, a toehold, as other powers like China manoeuvre for, and establish, positions in the region – potentially dislodging India from its current advantageous strategic perch.

In Fiji in 2011, India's former Ambassador to Myanmar, Rajiv Bhatia, conducted a workshop on diplomacy for government officials from 12 Pacific Island Countries, as part of a technical assistance programme of the Indian government. At that time, Bhatia said that the time was right for India to develop a "comprehensive" policy towards the countries of the South Pacific, to harness opportunities that will ensure Indian security, growth, and the interests of its citizens in the area. [1]

2. Pacific Island Countries

The term Pacific Island Countries (PICs) commonly refers to the 14 countries peppered along, and south of, the equator in the South-West Pacific Ocean. Five of the 14 countries are dependencies of larger nations, though all have individual votes in international fora.

Of the 14 PICs, nine are sovereign – the Kingdom of Tonga, Fiji, Kiribati, Nauru, Papua New Guinea, Samoa, Solomon Islands, Tuvalu, and Vanuatu. Others are in Free Association – that is, their foreign and defence policies are managed by larger nations. Cook Islands and Niue are in Free Association with New Zealand; the Federated States of Micronesia, Marshall Islands, and Palau, with the U.S.

Under this arrangement, the U.S. is able to establish and develop ideal missile-testing sites near the heart of the Equatorial Pacific in the Marshall Islands. The region also consists of several colonial possessions, such as French Polynesia (Tahiti) and New Caledonia, which gives Paris control and bases in those archipelagos.

While small in population (the largest PIC, Papua New Guinea, has an estimated population of 6.7 million), they control enormous maritime exclusive economic zones (EEZ) in the resource-rich Pacific. [2] Rather than being "small island states," these countries are "large ocean states," as defined at the meeting of the Pacific Islands Leaders' Forum in 2012. [3]

2.1 South Pacific geopolitics

Geopolitically, the PICs are part of – and affect, and are affected by – the larger Indo-Pacific region. The Indo-Pacific spans from the east coast of Africa to Hawaii. The aggregate GDP (by purchasing power parity) of just the biggest of the Indo-Pacific economies (India, China, ASEAN, Japan, Australia, New Zealand, Singapore, Hong Kong, Taiwan, and South Korea) now amounts to around 25% of global GDP. It is projected to grow to just under 40% by 2017 *(see Graph 1)*. [4, 5] Alongside, is a parallel growth in military spending and disputes over territorial and political control.

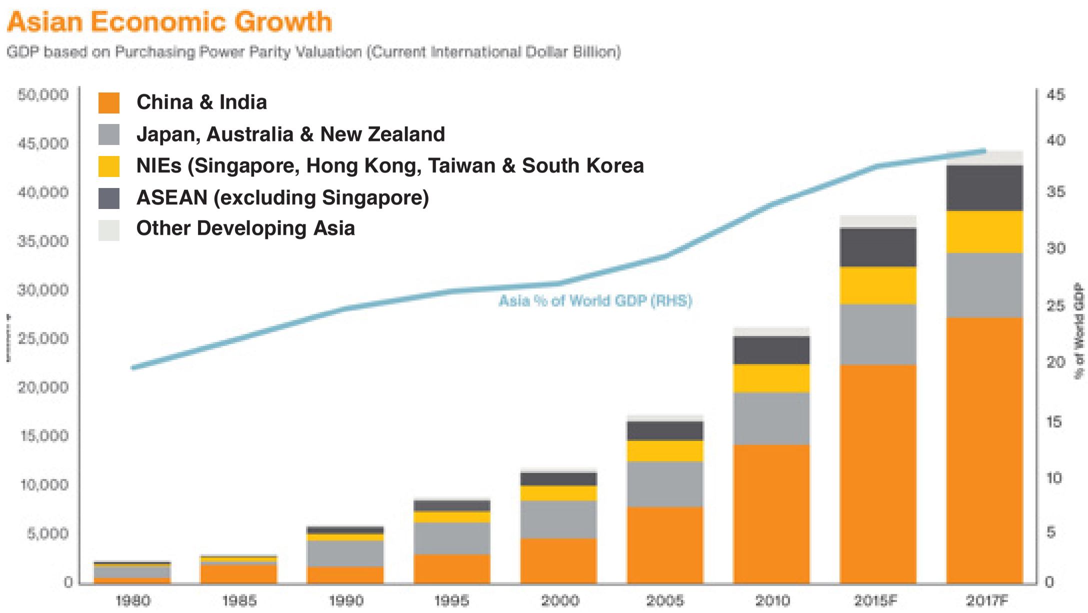
The 21st century can be the Indo-Pacific century. But Indo-Pacific growth is contingent on access to vital resources, energy supplies, and open trade routes. Over 90% of global trade, worth more than $14 trillion in 2008, travels by sea, and more than 90% of that transits the Indo-Pacific region [6, 7, 8]. (*see Map 1*) [9] The Indo-Pacific century is a maritime century, and Indo-Pacific stability, security, and prosperity depend on free maritime access.

This coincides with an increasingly assertive China. A resurgent China is leading the rise of the Indo-Pacific, and challenging the status quo. China is projected to overtake U.S. GDP as early as 2020. [10] As it grows, it is expanding. For the first time in modern history, the 18th Party Congress Work Report in 2012 declared China as a "maritime power." This followed the 12th Five-Year Plan (2011-2015), unveiled in 2010, which dealt extensively with China's core interests of resource security and defence in the maritime domain, signalling that the Western Pacific and the Indian Ocean are firmly in the crosshairs of Chinese national security considerations.

This underpins the modernisation of the People's Liberation Army (PLA) Navy, enabling China to be a true "blue-water" naval power. Chinese military spending for 2012 rose by 11.2%, to an estimated $160 billion, and some analysts believe the actual amount may be twice that. [11] A third of that spending will be used for naval modernisation, allowing China to acquire, for example, asymmetric capabilities like anti-ship ballistic missiles. [12]

This directly affects the Indo-Pacific balance. Already, China's increasing assertiveness and unilateral maritime claims in the South

Graph 1: Asia's GDP growth, 1980-2017



* An international dollar has the same purchasing power over GDP as the US dollar has in the United States

Source: Investvine (2013). [5]

China Sea are challenging international norms and rules. China's exploits in the South China Sea are mirrored by its development of port facilities along the key energy and trade routes throughout the Indo-Pacific. It has funded and/or assisted the construction of port facilities from the Western Pacific through the Indian Ocean, including in Myanmar (Kyaukphyu), Sri Lanka (Hambantota), Pakistan (Gwadar), and now, potentially, in the Maldives. Although presented as purely civilian-commercial investments, China's imperative will be to employ them to protect its economic interests. China's navy is following its trade routes.

A glimpse into Chinese grand-strategy was offered to the previous chief of the U.S. Pacific Command, Admiral Timothy Keating. In 2008, a PLA Navy General reportedly "humorously" said to Keating: "You, the U.S., take Hawaii East and we, China, will take Hawaii West and the Indian Ocean." [13]

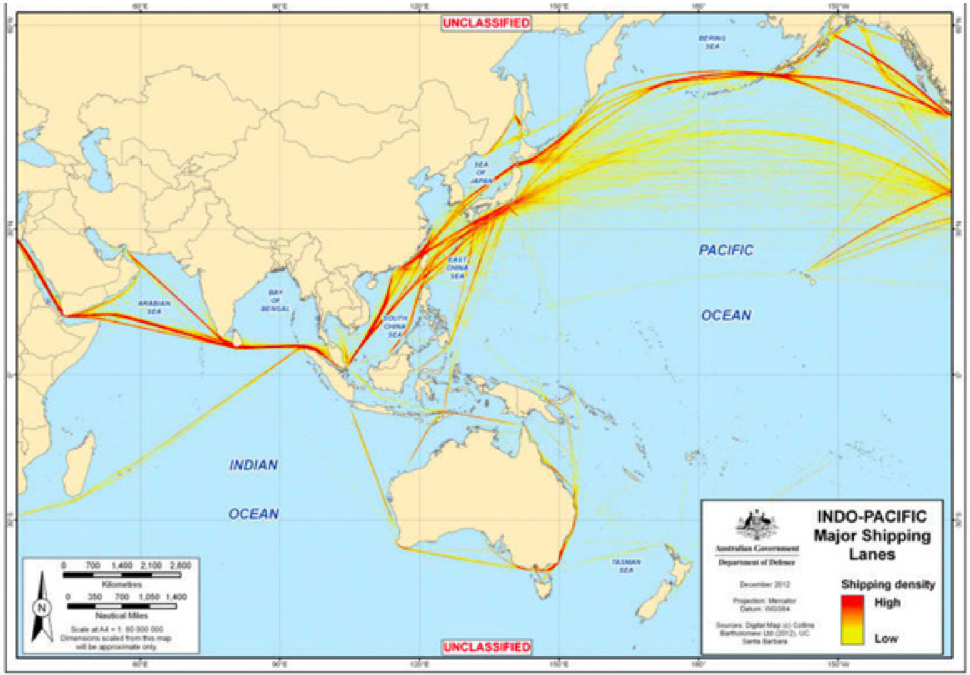
The same proposition was made to (now former) U.S. Secretary of State Hillary Clinton in one of her discussions with China, when she pushed for a systematised multilateral process for settling maritime territorial disputes. In response, one of her Chinese interlocutors said, "Well, we could take Hawaii." [14]

The United States, however, shows no sign of giving up its Asian regional presence. In November 2011, President Barack Obama announced the U.S. "pivot" to Asia. Part of that plan is moving 60% of the U.S. Navy into the Pacific, as declared by then Defence Secretary Leon Panetta; rotating thousands of Marines through Australia; and even setting up "training" bases in places like American Samoa. [15]

From a U.S. perspective, the fundamental goal is to encourage an Indo-Pacific where "the rights and responsibilities of nations are upheld," and in which nations "must play by the same rules." Maintaining order is ensuring "that commerce and freedom of navigation are not impeded, that emerging powers build trust with their neighbours, and that disagreements are resolved peacefully without threats or coercion." [16]

Another element of growing U.S. engagement with the region is the Trans-Pacific Partnership Agreement (TPPA), which it joined in 2009. The TPPA is a proposed free trade initiative that the U.S.

Map 1: Sea-borne trade in the Indo-Pacific



Source: Australian Defence White Paper 2013. [9]

government describes as "an ambitious, next-generation, Asia-Pacific trade agreement that reflects U.S. economic priorities and values." [17] Eleven countries, with a collective GDP of around $25 trillion, are involved in the negotiations: the United States, Australia, Brunei Darussalam, Canada, Chile, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam. South Korea, Japan, Taiwan, and the Philippines have expressed interest. [18] China is excluded.

In 2012, the official newspaper of the Chinese Communist Party, the *People's Daily,* stated: "The US does not want to be squeezed out of the Asia-Pacific region by China... (the) TPPA is superficially an economic agreement but contains an obvious political purpose to constrain China's rise." [19]

In part to counter this, China remains deeply involved in another proposed regional deal, the Regional Comprehensive Economic Partnership (RCEP). The RCEP is being negotiated among 16 countries: 10 members of ASEAN (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam); and six countries with which ASEAN has existing Free Trade Agreements (India, China, Australia, Japan, Korea, and New Zealand). The RCEP will cover a population of over 3 billion people, around 27% of global trade (or around $21 trillion), but it does not include the U.S. [20] India is taking a balanced approach to these two formations, hoping to capitalise on both, and has started initial engagements with the RCEP.

The PICs must be viewed against this background of intense regional competition. As global attention shifts to the Indo-Pacific, the South Pacific sub-region is becoming increasingly important economically, politically, and strategically. It contains vast seabed mineral resources (the country of Kiribati alone has an EEZ of 3.5 million square kilometres, greater than the total land and maritime EEZ area of India), vast fisheries, votes in international fora, strategic positioning, and it is at the crossroads of vibrant and growing maritime trade routes.

As the current chief of the United States Pacific Command, Admiral Samuel Locklear, said to PIC leaders at the 2012 Pacific Islands Forum in the Cook Islands regarding the future of U.S. engagement in the region: "Five trillion dollars of commerce rides on the [Asia Pacific] sea lanes each year, and you people are sitting right in the middle of it." [21] This may be one reason why more PICs are receiving friendly visits from Chinese PLA Navy ships and others. The PLA Navy training vessel PLANS *Zheng He* has visited Tonga twice since 2010, the guided missile frigate PLANS *Mianyang*, once. It is the first time PLA vessels have ventured out on diplomatic missions to the small countries in the region.

Meanwhile, annually, the 'Pacific Partnership' humanitarian relief exercise brings together several navies into the region, led by the U.S. Additionally, the Australian and the New Zealand navies help maritime law enforcement patrols, including surveillance for illegal fishing, trafficking, and disaster relief in the region, now rejoined by the U.S. Coast Guard. Annual region-wide naval exercises engage the island countries. After years of absence from the region, India sent the INS *Tabar* on a goodwill visit to Nuku'alofa, the capital of Tonga, in July 2006.

The South Pacific was, until recently, considered a U.S. backwater "managed" under the Australia-New Zealand-United States (ANZUS) trilateral military alliance, with Australia and New Zealand supposedly doing the "heavy lifting" for the greater West.

According to publicly available data, Australia remains the PICs' biggest aid and development partner. Over the next four years, Australia plans to increase aid to the Pacific region by around 37%, from $1.13 billion in 2012-13, to $1.55 billion by 2015-16. [22] New Zealand is officially the next largest aid donor, with about 56% of its aid budget, or $237.6 million for 2011-12 (financial year), going to the region. [23] *(See Graph 2)*. [24]

It is difficult to estimate China's transfers to the region, as the degree of Chinese engagement is opaque. However, a look at China's soft loans to the region from 2005-2009 is instructive *(see Table 1)*. [25]

Australian and New Zealand "aid" serves hard strategic and economic purposes. The regional and global standing of the two countries comes directly from their proposed position as the West's vanguard in the region; both countries are members of the 'Five Eyes' defence and intelligence exclusive arrangement with the U.S., UK, and Canada. Australia's and New Zealand's professed capacity to maintain peace and stability in the region gives them bargaining clout and relevance in global discussions, including at the UN Security Council, along with bigger powers such as India, China, and Russia.

Both countries use aid for political leverage and, while the PICs are often presented as net aid recipients, in fact PICs contribute far more to the economies of Australia and New Zealand than they receive in aid. This is a result of leveraging for preferential access to the raw resources of the PICs (like fishery, minerals, and labour), while at the same time flooding the region with Australian and New Zealand goods and services, and protecting their own markets from competitive PIC products.

For example, New Zealand merchandise exports to the Pacific countries were around \$690 million in 2009, while imports from the same region were around \$94 million. While New Zealand's exports to the region are increasing at an average rate of 5.3%, in 2009, imports to New Zealand fell by 46.4%. [26]

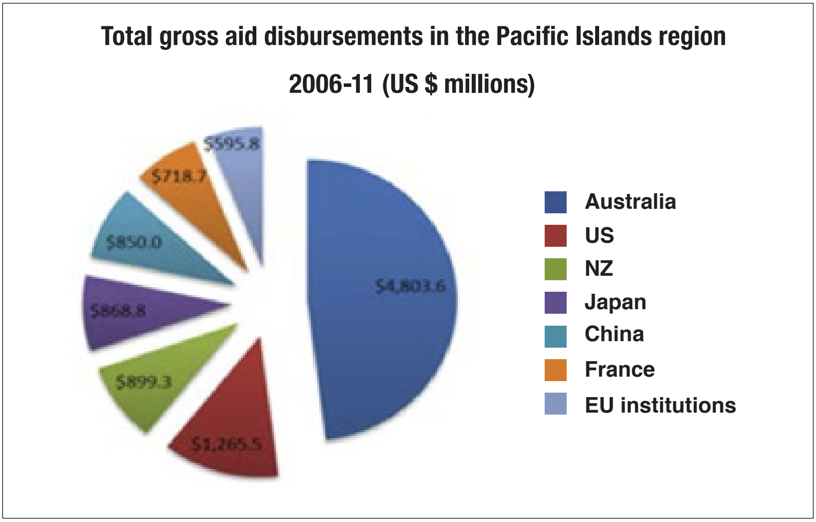
Tonga provides a specific example of the aid dynamic. In 2011/2012, New Zealand provided \$16.8 in direct bilateral aid. A substantial portion of that went in paying a New Zealand government-owned company to install a solar plant. [27] Meanwhile, Tonga also imported \$55.25 million worth of just merchandise from New Zealand in 2011. [28]

However, the long-standing fiction of Australia and New Zealand beneficently keeping the economies of the Pacific afloat is wearing thin, as others, in particular China (but also, for example, the United Arab Emirates), engage more deeply. Chinese loans are preferred, as elsewhere, because of the generous explicit conditions of interests and terms (commonly 2% interest at 20-year terms).

Ironically, it was Canberra's fear of the former Soviet Union that spurred Australia in 1975 to assist Beijing in opening China's first embassy in the region. Canberra's goal seemed to be to "…use the PRC as a foil against suspected Soviet aspirations in the South Pacific." [29]

Initially, China was thought to be pursuing primarily domestic policies (such as the 'One-China policy' – pushing countries for de-recognition of Taiwan as a sovereign nation). Now, the "fox is

Graph 2: Total aid to PICs, 2006-2011



Source: Lowy Institute for International Policy (2013). [24]

in the hen house." In its 2012 Defence White Paper, Australia initially identified that it will have to be more active in the South Pacific to contain Chinese influence. The paper was later amended, but the anxiety is clear – China will lever its support in the PICs to stave off western influence. [30]

For China, it is useful especially for geopolitical leverage to break out of the confinement of the First and Second island chains – the two consecutive chains of major archipelagos off the continental East Asian littoral controlled by the U.S. to stabilise the region. The First includes the Aleutians, Japan, Philippines, and Indonesia. The centrepiece is the U.S. military base in Okinawa. The Second chain is centred on the U.S. base in Guam.

The Chinese objective is being accomplished in part through China taking advantage of Australia's and New Zealand's mismanagement to make relatively inexpensive gains through timely loans to the PICs. For example, in 2006, Premier Wen Jiabao visited Fiji and pledged a $490 million preferential loan package to friendly PICs.

China's soft loans have had a clear political impact: for example, Tonga's Deputy Prime Minister pledging to back China in any international fora. [31] This pledge is mostly the result of the $72 million soft loan for major infrastructure rebuilding in the capital Nuku'alofa. This is also part of a global trend, as more countries including the majority of the Pacific become indebted to China, and since the loans are in Reminbi, it serves China's interests of promoting the Reminbi as a global currency.

2.2 Fiji: A microcosm of South Pacific geopolitics

An even clearer example of how China's loans, grants, and political support are changing regional geopolitics can be seen in Fiji. By PIC standards, Fiji is relatively large, with a population of around 900,000. Just fewer than 40% are of Indian descent. Fiji's size, location, and transportation links have given it a central role in the South Pacific. It hosts the headquarters of many regional organisations and businesses. However, its political troubles have greatly hampered its positioning.

The coup in 2006 in Fiji, a few months after Wen Jiabao's visit, was supposed to alleviate the ethnic divide and ensure that the rights of Indian-Fijians were respected. However, due to the coup, Australia and New Zealand exerted pressure on the PICs to join them in expelling Fiji from the Pacific Islands Forum, a regional grouping. Tonga, a regionally important PIC, was vocal in maintaining that Fiji not be suspended to protect the cohesion of the PICs, and, by extension, to protect regional stability. However, Australia's and New Zealand's pressure persisted, and then went further – the two countries imposed economic and military sanctions on Fiji, and pressured India not to get involved.

Facing a lack of options, including from India, Fiji opened up to China, which immediately offered increased support and trade, and overtly showed its political support. Vice-President Xi Jinping transited Fiji in 2009, despite being asked not to by Prime Ministers Kevin Rudd of Australia and John Key of New Zealand.

In 2012, China went further when its chief legislator, Wu Bangguo, landed in Fiji and said, in a clear message to Australia and New Zealand: "China has always opposed those big, rich or

Table 1: Estimated cumulative soft loans from China to PICs, 2005-2009

	2005	2006	2007	2008	2009	Total loan amount ($US million)	GDP 2009 ($US million)	% of GDP
Cook Islands	0	0	0	9,6	23,44	33,04	203	16
Federated States of Micronesia	0	0	0	0	0	0	274	0
Fiji	0	20	150,3	83,1	0	253,4	2,825	9
Niue	0	0	0	0	0	0	13	0
Papua New Guinea	10,3	0	0	0	117,11	127,41	7,893	2
Samoa	12,9	6	21	40	0	79,9	496	16
Tonga	0	0	57,8	0	42,6	100,4	311	32
Vanuatu	0	0	14,6	28,8	-	43,4	648	7
Totals	23,2	26	243,7	161,5	183,15	637,55		

Source: Lowy Institute for International Policy (2009). [25]

strong countries bullying the small, poor or weak ones." [32] Fiji's interim Prime Minister Frank Bainimarama is on the record as saying Fiji should align itself with "visionary" China rather than with Australia and New Zealand. [33]

In the end, the main result of Australia's and New Zealand's pressure on Fiji and other PICs has been to weaken and fragment the region economically, leaving it more open to China and others, who then use their economic leverage for political and geopolitical gain. In this context, a trade-focused engagement by India would be extremely welcome in the region.

3. India and the Pacific

India does not have a consolidated South Pacific strategy. Instead, it approaches the region as an extension of its 'Look East' policy, originally conceptualised in the early 1990s to boost engagement with Southeast Asia. The lack of attention to the area is reflected in India's inconsistent diplomatic representation in the region. While China has a major diplomatic mission in almost every PIC that recognises it, India has only two High Commissions in the 14 PICs: Fiji, because of its sizable Indian diaspora, and Papua New Guinea, because of trade and minerals.

India is represented in the rest of the 12 PICs though a "sub-regional" approach. The Indian mission in Fiji is accredited to Tonga, Tuvalu, Nauru, and Cook Islands; the Indian mission in Wellington is accredited to Kiribati, Samoa, and Niue; the mission in Papua New Guinea is accredited to Vanuatu and Solomon Islands; and the mission in the Philippines is accredited to Palau, Marshall Islands, and the Federated States of Micronesia. The mission in Paris covers French Polynesia and other French possessions in the region.

Given this patchy and difficult-to-coordinate diplomatic coverage, it is not surprising that India has been slow to capitalise on its natural affinities with the region.

At the same time, there is an increasing policy emphasis on the need to expand India's geostrategic sphere, and "break out of the claustrophobic confines of South Asia." [34] The Annual Report

(2006-07) of the Government of India's Ministry of Defence asserts that due to the country's size and role in the comity of nations, "India's area of security interest clearly extends beyond the confines of the conventional geographical definition of South Asia," and that South Asia is too small an economic space for India. [35]

This perspective is further articulated in the Maritime Military Strategy of 2007 and the Maritime Doctrine of 2009, both issued by the ministry's Integrated Headquarters, emphasising that Indian spatial interests span beyond South Asia and the Indian Ocean.

Thus far, though, India's has had little success in engaging with the South Pacific, in large part because India tends to rely on and view the region only through the lens of its relations with Fiji or Australia/New Zealand.

3.1 India and Fiji

The Fiji lens has been limiting for India. Former prime ministers Indira Gandhi and Rajiv Gandhi both visited Fiji during the 1980s and urged the Indian-Fijian community to uphold and abide by the Constitution of their country. However, as one former Indian diplomat in Fiji noted, because the Constitution itself enshrined racial segregation, crisis was inevitable.

The travails of the Indian-Fijian population, combined with India's desire to play a leadership role for the diaspora, have resulted in India's non-aid based South Pacific policy, such as it is, appearing to be largely ethnically-focused. This has, at times, given the PICs the impression that India is mostly only focused on the ethnic Indians in their nations, rather than on becoming a true, multifaceted bilateral partner with the nations as a whole.

This policy has been limiting, even counter-productive, as becoming a true partner will enable India to develop deeper economic, strategic, and political relationships with the nations as a whole. Other benefits aside, it would give India more leverage when lobbying on behalf of the diaspora.

3.2 India and Australia-New Zealand (A/NZ)

Trade between Australia and India reached $19.44 billion in 2010. Approximately 80% of India's imports from Australia were of four commodities: coal, non-monetary gold, copper ore, and petroleum. [36] There are huge investments from a plethora of Indian companies in Australia.

However, relations between India and Australia have not been ideal. Australia was famously opposed to India's nuclear programme; it has deep economic ties (and growing political ties) with China; and there are periodic outbreaks of violence targeting Indians in Australia.

In spite of India's own problems with Australia and New Zealand, India seems to let A/NZ narratives about the PICs shape its own views of the region. A/NZ have created a large degree of economic dependency with many of the PICs, appearing to be aid donors, but in reality extracting more money from the PICs through trade imbalances than they give in aid. India seems to have overlooked the trade aspect. So, Indian engagement is largely through very small-scale development projects, such as offering scholarships, sending deputations of Indian experts, or offering five positions for technical training for each of the PICs under the Indian Technical and Economic Cooperation (ITEC) programme.

However, the trade potential is enormous. Trade is now largely monopolised either by high priced A/NZ goods, or low quality Chinese products, leaving wide open the middle ground of reasonably priced, reliable products – ranging from solar panels to cars to school books.

Australia has benefited greatly from its position as the "regional power" in the South Pacific, and is not keen to share that space with India. This is short-sighted, as more Indian engagement can boost PIC economies. This will help with regional stability, lower the need for Chinese loans, and much of that new wealth can find its way back to Australia as investments from the PICs – all things that benefit Australia. This can benefit India even more, if it takes the same approach keeping in mind its strategic interests.

However, until now, Australia has been practicing a "strategic denial" towards India; for example, by limiting India's constructive and stabilising engagements with Fiji. [37] There is reason to believe that had direct engagement been enabled, frank and comprehensive understanding would already have been established, thus averting the ongoing coups that still hold down Fiji.

But because of territoriality and Australian regional power pretensions exacerbating the failure of reconciliation, the ethnic divide in Fiji and the region has only become worse – especially with the establishment of the Melanesian Spearhead Group, a sub-regional organisation exclusive to the four Melanesian countries of Papua New Guinea, Fiji, Solomon Islands, and Vanuatu, which is now generously backed by China.

Unlike China, India has seemingly accepted Australia's assertion of a sphere of influence. This is in spite of the fact that regional political shifts, including the long-standing boycott of Fiji by Australia and New Zealand, have undermined Australia's ability to effectively engage with all players, and has left the door open for others, including China, to step in as active participants and successfully engage with the PIC economies. No one – including Australia – except for China, has benefited from denying India a role in bringing Fiji back into the comity of nations. Due to Australia's and New Zealand's mismanagement, and Indian neglect, China has become a visible defender of Fiji and the PICs against perceived injustice.

Unless India takes a more progressive initiative towards the Pacific and develops the underlying potential in economic, social, and political cooperation, the prospects for positive engagement with the Pacific will remain dim. It is clear that India can no longer act on the advice of countries that have historically proven counterproductive to Indian interests. It is necessary, therefore, for India to institute fresh thinking on the region.

3.3 India's Pacific future: the Kingdom of Tonga

India's reliance on regional powers like Australia or Fiji for the management of its relations with the PICs is no longer necessary or prudent. In the PICs, India is not entirely competing for the same space as Australia, China, or even the U.S. The realities of the small-scale economies and societies in the Pacific are compatible with the village-scale economies and societies of India.

This was evident when two Tongan grandmothers went to the Barefoot College in Rajasthan for technical training in solar panels technology in 2012. The degree of synergy was remarkable. The technology – affordable, tough, and designed for the hot, wet climate of India – was a perfect match for Tonga. Culturally, the two grandmothers were at ease in India, where they found myriad echoes of their own home. [38] There was the common, valued emphasis on family, faith, community, sustainable development, and education. The demands and peculiar economics of large extended families in developing economies were familiar. They liked the food, the films, and the music.

These are all features that India has in common with small countries, which allow for a unique depth of engagement. And these are not facets that China's economic model, built around a monolithic state model and complicated by the societal dynamics of the one-child policy, can offer. Nor are Australia and New Zealand, with their western individualist-style developed economies, a natural fit. Socially, economically, and developmentally, India and the PICs have a lot in common.

The utility of state-owned enterprises in Tonga, a legacy of Indian-Soviet diplomacy that matched the scarce economic nature and context of the region, also fits perfectly. But now another era of innovation, econimic or otherwise, is necessary to tackle and address issues of concern for both India and Tonga, and to build cooperation with the region to work towards a global outcome.

As we enter the era of the Indo-Pacific, India's engagement with the PICs is also a strategic necessity for New Delhi. Apart from mutually-beneficial trade relations and votes in international fora, enhanced engagement will discourage Chinese brinkmanship lest China, militarily or politically, feels overconfident out of a perceived asymmetric advantage due to the absence of Indian power in the vicinity.

It will also balance China's moves in the Indian Ocean, and broaden, deepen, and strengthen India-Pacific engagement beyond designated Pacific pivots like Vietnam and/or Indonesia.

During a visit to Australia in August 2009, the then Indian External Affairs Minister S. M. Krishna acknowledged the need to deepen ties when he said: "We are confident that the 'Look North' policy of the Pacific countries and the 'Look East' policy of India will dovetail to create new synergies, as Pacific Island Countries are rich in natural resources and there is vast potential for cooperation in diverse spheres…Cooperation between India and these countries is a necessary prerequisite for the 21st century to become the century of the Asia Pacific." [39]

However, there is still minimal to no trade or investment directly between India and the PICs, other than India's commercial relations in Australia, New Zealand, Papua New Guinea, and Fiji. For the rest, most of the cooperation is based on the annual development aid of $125,000 and five training slots under the Indian Technical and Economic Cooperation Programme (ITEC). [40]

Right now, the Pacific is India's to lose or win. However, as the Pacific increasingly becomes a zone of competition, the PICs' natural friendliness towards India may be overwhelmed by other concerns.

4. How to engage: Diplomacy and long-tail economics

How can India effectively engage with the South Pacific? One answer lies in the economic concept of the "long-tail" as described in Chris Anderson's 2006 book *The Long Tail: Why the Future of Business Is Selling Less of More.* [41] Anderson's theory is that there is a growing and profitable trend towards selling a small amount of a large number of unique products. For example, Amazon.com can make more from selling small quantities of rare books to many customers than it can make from selling a large number of one popular book to fewer customers.

Microfinance, a proven successful commercial model, sells small product packages to a large client base, thus assuring significant volume. It too can be considered long-tail economics. Japan has recently rolled out a microfinance scheme in Tonga. [42] India is replete with stories of successful micro-finance initiatives; lessons from these can be tapped into for working with the PICs.

The South Pacific is ripe for long-tail economic engagement. For example, right now, most PICs are buying cheap, low quality Chinese consumer products, end-of-line western products, or expensive western consumer and industrial technology, and machinery. (*See Graph 3*). [43] Most of the Pacific economies formally survive on a mixed agriculture-fisheries-tourism remittance base, with a diaspora largely based in the U.S., Australia, and New Zealand.

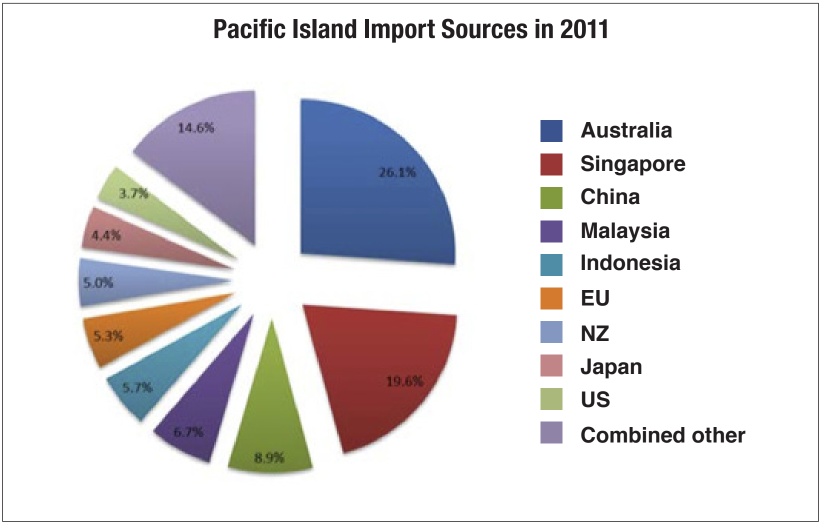
The economies of a few countries, such as Papua New Guinea, Solomon Islands, and Fiji, are also commodity-based (minerals and/or hydrocarbons). Domestically, however, the vast majority of the population lives at a subsistence level through barter, farming, and fishing. These activities are hardly included in most economic analyses due to the difficulty of monetarily substantiating the transactions, but their existence provides social, economic, and political stability. Food and fuel are the two largest imports of these countries.

Some PICs are capitalising on increased connectivity to transform themselves into service-based and knowledge-based economies. In Tonga, for example, the recent connection to the Southern Cross fibreoptic cable (linking the U.S. and Australia) has prompted the country to consider restructuring its financial sector to be a top-of-the-line offshore banking centre. However, like its neighbours, the challenges of human resource development, and the flow of skills and labour to more lucrative markets like Australia and New Zealand, threaten to stifle achievements.

The PICs lack the depth in developing these resources for their own benefit. In terms of energy security, all the countries are dependent on imported oil and rely on diesel transits via Singapore and/or Southeast Asia. However, the Tongan government's Tonga Energy Road Map (TERM) has led the region to secure more affordable, reliable, and cleaner energy sources. TERM has given the country a goal of 50% power generation from renewable sources by 2020, relieving the pressure from global price volatility and fluctuation. [44] This has spurred investor interest and confidence, with promising prospects for growth.

In March 2013, Tonga hosted the Pacific Leaders Energy Summit, where leaders from the small island countries hailed

Graph 3: Sources of imports for PICs



Source: Lowy Institute for International Policy (2013). [43]

TERM as a beacon for success in the long term; many are moving to duplicate the programme in their own countries. These nations can be a potential market for Indian renewable energy technologies and expertise.

In many PICs, businesses are operating as near-monopolies compared to India's competitive landscape. For example, in Tonga, most of the cars sold are used Japanese or New Zealand imports. A typical price is $7000 for a 14-year-old Toyota. For less than half of that price, a Tongan consumer could get a brand new Tata Nano from India.

The same relative value for money is true for various Indian products that would sell well in the PICs, including hardware and software for information-communication technology; agricultural technologies; medical technologies; pharmaceuticals; and renewable energy technologies. A range of services, including e-learning and e-medicine, would also be extremely welcome. The citizens of the PICs are spending money; they just have restricted, poor options from restricted access. Indian engagement could change that.

Conversely, many PICs have unique products that can be attractive to large sections of the Indian population. *(See Graph 4)*. [45] For example, Tongans have used the root of the *kava* plants for centuries as a safe and effective relaxant, and the fruits of the renowned *noni* tree, which has high vitalising capabilities. That knowledge, combined with Indian pharmaceutical expertise, can be a profitable and beneficial joint enterprise not only bilaterally but also on a global market scale.

The challenge is designing a distribution bridge that can link producers and consumers. Given the unusual nature of the engagement, it might make sense to create a sort of "long-tail" consortium of Indian manufacturers and service providers who are keen to explore these new opportunities.

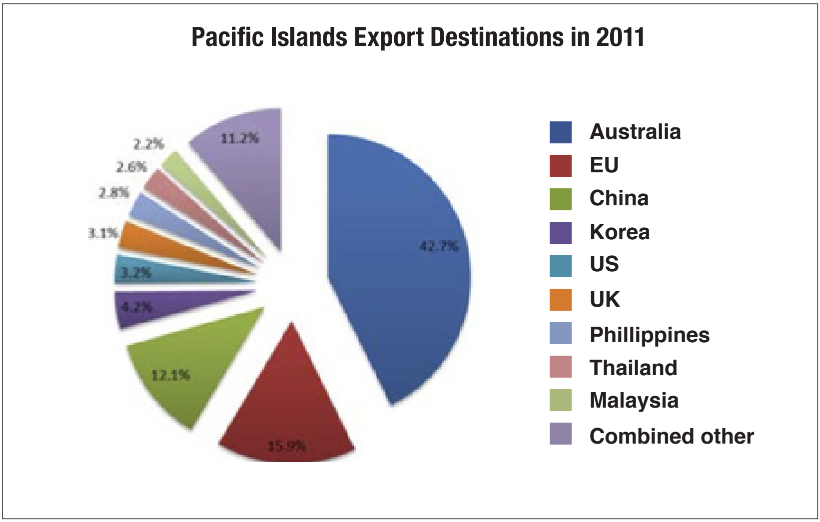
The consortium could have one or more agents in each PIC, who can represent the products locally – and also give the security of after-purchase service and provide microfinance services. The consortium could function as a sort of internet-age catalogue-shopping combined with financing services. The distribution cost can be minimised by the consortium sharing shipping space, the cost of a local agent handling customs, as well as other costs. So, for example, containers could go weekly from Mumbai to Tonga carrying a range of products from cars to washing machines to pens, each sharing the cost of shipping and clearance.

Once this sort of engagement catches on, it is likely that the increasing importance of this economic long-tail will allow the Indian government to see even more reason to continue working in the region. Even now, there are a few obvious steps the government can take that will at least allow for more understanding and coordination on Pacific issues, including opening more missions (or at least appointing carefully-chosen honorary consuls) and more synchronisation between the far-flung missions currently covering the region.

4.1 How to start

To test and refine the long-tail economic consortium model, and its potential ancillary political and strategic benefits, it will be useful to start with launching it in a single PIC.

Graph 4: Export destinations from PICs



Source: Lowy Institute for International Policy (2013). [45]

One easy, friendly, baggage-free entry point into the South Pacific for India is the Kingdom of Tonga. An English-speaking parliamentary monarchy, Tonga is an archipelago of more than 170 islands in the central South Pacific. Tonga was not colonised and it is the last kingdom in Polynesia. This gives it informal, but deep and important, sway in the region. The royal family also provides Tonga with unusual access to key decision-makers outside the region, as it has longstanding, and often personal, ties with other royal families – for example in Japan, Thailand, Britain, and the United Arab Emirates (UAE).

Tonga is known to be a regional leader. Recently, eight PIC leaders chose Tonga as their point country for handling renewable energy issues related to engagement with the UAE. Tonga was also key in driving the Pacific Regional Data Repository declaration signed by 11 PICs on the sidelines of the UN General Assembly. [46]

Tonga's role is increasingly being recognised. As U.S. Secretary of the Navy, Ray Mabus said during a May 2013 trip to Tonga: "Tonga is one of our closest partners in this incredibly important region." [47] In May 2013, Tonga hosted the inaugural South

Pacific Defence Meeting, which included New Zealand, Australia, and Chile. In doing this, Tonga led the region in working towards greater regional security cooperation. [48]

Each in their own spheres, India and Tonga have both successfully been at the forefront in drawing the model for emerging sustainable economies and democracies. Both have recognised that quality in each other and have been mutually supportive. When India intervened to resolve the civil war in then East Pakistan in 1971, Tonga was among the first five countries to recognise an independent Bangladesh in 1972, "when countries closer to Bangladesh were still dragging their feet." [49]

The President of India at the time, Fakhruddin Ali Ahmed, acknowledged Tonga's leadership role in the South Pacific at a 1976 state banquet for His (late) Majesty King Taufa'ahau Tupou IV of Tonga when he said: "Under your leadership Tonga has blazed the trail, and as more and more peoples and nations in the region emerge into sovereign equality, the South Pacific will no more be, as it was in the past, a private lake of imperial powers." [50]

The late King Taufa'ahau Tupou IV (1918-2006) greatly admired India's drive for economic independence and modernisation, and India's military tradition. Today, many of the officer corps of the 900 or so Tonga Defence Services receive their top-end training in India. Tonga became a member of the United Nations in 1999, and immediately supported the desire of emerging economies to reform West-led international institutions, including the United Nations Security Council. Tonga supported India's bid to be a member of the Pacific Islands Forum Dialogue Partners meeting, which succeeded in 2003.

When the King passed away in 2006, the *Hindustan Times* reported, "King Tupou IV was a great friend of India." Those warm feelings continue with the current generation. Indeed, many in a whole generation of Tongan women are named 'Indira' in fond remembrance of Indira Gandhi's 1981 visit to Tonga.

However, that fond relationship needs tending to grow stronger. The perils of relying on Fiji as a main entry point to the Pacific is indicated by the fact that relations between India and Tonga suffered when India closed its mission in Fiji in 1987. It was only after India reopened its mission in 1998 that Tonga and India reconstituted the relationship.

This sort of haphazard treatment of a potentially strong and friendly ally lends itself to risks. In a more complicated world, India will increasingly value direct relations with friendly pivotal countries like Tonga to buttress its efforts and interests.

Tonga is a stable, regionally-respected and internationally-connected location in which to plant the initial seeds of a new era of growth in India-South Pacific relations.

4.2 Where to go next: Catching the South Pacific wave

Once the long-tail economic engagement model is refined in Tonga, it will be natural to spread it to other Pacific nations, starting with those, like Tonga, that tend to receive less economic attention, such as Samoa, Kiribati, and Tuvalu. With such links firmly established, the engagement can take on more competitive and larger markets like those in Vanuatu, Solomon Islands, and Fiji. Besides building economic bridges (that can also lead to diplomatic engagement), this will have the strategic benefit of making the region more economically healthy and therefore more secure.

Eventually, this new model for large state-small state engagement can easily be expanded to other regions with multiple small states, such as the Caribbean, where the value and quality of Indian products and services will be a welcome and comfortable fit for local purchasing power.

India and the Pacific Island Countries are natural partners that only need the right bridge to come together to make the South Pacific, and thereby the greater Indo-Pacific, more economically, politically, and strategically secure. Others, from the UAE to China and beyond, have already realised the potential of the South Pacific.

The region, with its vast resources, strategic positioning, and disproportionate weight in international fora, is destined to swell in importance in world affairs. The only question now is: Will India catch that wave, or be washed over by it?

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