

China flexes its muscles in the South China Sea, Indian Ocean and the South Pacific

On 4 May 2018, the Chinese foreign ministry confirmed that China had installed a defensive missile system in the Spratly Islands in the South China Sea. American cable television channel, CNBC, had earlier reported that China had deployed anti-ship cruise missiles and surface-to-air missiles on Fiery Cross Reef, Subi Reef and Mischief Reef.

In response to the CNBC report, Australia's Foreign Minister Julie Bishop said: "If the media reports are accurate, then the Australian government would be concerned because this would be contrary to China's stated aspiration that it would not militarise these features."

This development, however, needs to be seen in perspective. In military terms, while the missiles could be used to deny certain sea lanes and air routes through the South China Sea and to intimidate neighbours, the missiles would not pose a major challenge to a significant opponent in the event of war. As retired Indian Vice-Admiral A. K. Singh reminded our Special Interest Group on Strategy the day after the installations were confirmed: "... in the tiny congested islands, the exposed Chinese military equipment can be destroyed in minutes by LACMs or air strikes ...".

At the diplomatic level, though, Julie Bishop is correct; Australia should be concerned. Small step by small step, China continues to assert its ownership of the reefs and, by implication, the surrounding seas, notwithstanding the Permanent Court of Arbitration in the Hague ruling in July 2016 that China's claims had no basis in international law. Each step in itself is not large enough to justify significant retaliatory action by other powers, but the cumulative effect of them over time is to establish China's *de facto* ownership.

China also is extending its reach in the Indian Ocean and the South Pacific. It recently established a military base in Djibouti, strategically located on the Horn of Africa. In the South Pacific, China's 'chequebook diplomacy', especially in Papua New Guinea and Fiji, has been of growing concern since early this decade.

It was reported on 12 April 2018 that China has built a wharf in Vanuatu, long enough (360 metres) to host large warships, at the deep-water port of Luganville on Espiritu Santo Island, a major American base during World War II. Costing some \$114 million, much larger than needed by the cruise ships, copra traders and container ships that normally use it, and barely viable economically, observers are suspicious that its intended long-term role is as a Chinese naval base in the South Pacific. The current Vanuatu government strongly

denies that it would ever allow China to use it for that purpose but, as in all strategic threat calculations, gaining the capability is most of the battle; political intent is ephemeral and can quickly change.

Were China to gain such a strategic foothold in the South Pacific just 2300km east of Cairns, it would pose a serious challenge to Australia's national security and would represent a failure of our defence strategy which is predicated on denying any major power a foothold in our neighbourhood.

Another factor potentially complicating the Australian strategic equation is the referendum on independence from France which is to be held in New Caledonia on 4 November 2018. With Nouméa only 1600km east of Rockhampton, should New Caledonians choose independence, the new nation-state would become another potential candidate for Chinese largesse once France had withdrawn.

Against this background, it was pleasing to see that, at the Commonwealth Heads-of-Government Meeting in London in April, Australia strengthened its relations with the current Vanuatu government and that Britain announced that, post Brexit, it would take a renewed diplomatic and investment interest in the South Pacific. But, while these are steps in the right direction, much more will be needed to overcome the resentment in the independent nation-states of the South Pacific of Britain's recent neglect of them and of Australian and New Zealand policies towards them, particularly in relation to conditional grant funding, which were seen as paternalistic at best, and in some quarters even as neo-colonialist and hegemonic. These policies opened the door for China.

Potential Pacific recipients of Chinese largesse, however, need to be alert to the potential downsides. Most Chinese financial assistance for infrastructure construction in developing nations is given, not as unconditional grants, but as interest-bearing loans. These frequently contain default clauses which can lead to China gaining ownership of the facilities. Sri Lanka is a recent case in point. Back in 2010, China loaned Sri Lanka US\$1.5 billion to build a port in the fishing village of Hambantota. The port, once completed, proved to be economically unviable and Sri Lanka could not repay the loans. China ultimately acquired the port by default. It is strategically located on Sri Lanka's southern coast and has become one of China's Indian Ocean 'string of pearls'. Vanuatu says its relatively modest Luganville wharf loan from China's EXIM Bank does not contain such a clause.

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