Six Pacific Developments to Watch in 2013

ELKE LARSEN

Elke Larsen is research assistant with the Pacific Partners Initiative at the Center for Strategic and International Studies in Washington, D.C.

January 10, 2013

The year ahead will see a number of important issues crop up in Australia, New Zealand, and the Pacific Islands. But six in particular will be worth watching.

1. Elections in Australia

Australia must hold national elections by November 30 at the latest. What the outcome will be remains unclear. Over the last year, public support for the Labor government of Prime Minister Julia Gillard has waxed and waned. The government’s unpopular carbon tax, its failure to achieve a promised budget surplus, and accusations that Speaker of the House Peter Slipper harassed a staffer are just the most prominent recent difficulties to tarnish the government’s popularity.

Nevertheless, polls show that opposition leader Tony Abbott remains significantly less popular than Gillard. This is surprising considering that Gillard entered office deeply unpopular after ousting her predecessor, Kevin Rudd. But the public has warmed to Gillard over the course of her administration and seems now to find her more likeable than the conservative and sometimes clumsy Abbott.

No matter how the elections turn out, Australia’s foreign and defense policy will likely remain stable. The new leader can be expected
Six Pacific Developments to Watch in 2013 (continued)

to maintain Australia’s traditionally close relationship with the United States and to seek good relations with Indonesia, China, and India. Gillard’s opponents complain about defense spending cuts during her administration, but it remains unclear whether this trend would be reversed under an Abbott government.

2. The 2013 Australian Defense White Paper

Australia is slated to release its 2013 Defense White Paper in mid-year. Already, a version leaked to an Australian newspaper suggests that the country’s defense posture will undergo a strategic shift—winding down its military presence abroad and refocusing attention on its immediate neighborhood, especially the South Pacific. The draft White Paper reportedly aspires to increase defense spending from 1.56 percent of GDP to 2 percent.

The release of the final version will be an important indicator of how Australia perceives the future of the Asia Pacific and its place within it, particularly in light of the rise of China and India.

3. New Zealand’s comfort with Chinese investment

Observers should keep an eye on New Zealand’s ongoing debate about foreign investment, especially investment from China. Shanghai Pengxin Group met stiff opposition from the New Zealand public when it attempted in 2012 to purchase 16 North Island dairy farms. A group of local farming interests led the opposition to the purchase, questioning whether the Overseas Investment Office had properly vetted the Chinese company’s business acumen because it had never run a dairy farm.

A court October 17 ruled in Shanghai Pengxin’s favor and allowed the purchase to go ahead. However, the case sparked a nationalist backlash at odds with New Zealand’s long-standing reputation as having one of the world’s most foreign-friendly investment environments. Opponents argue that farmland, a critical part of the country’s economy, should not fall into foreign hands. The backlash forced the government to slow the liberalization of foreign investment rules and subject potential investors to stricter review. New Zealand will spend 2013 with this contradiction—an official desire to attract investment from a booming Asia bumping against public expressions of growing xenophobia.
Six Pacific Developments to Watch in 2013 (continued)

4. Fiji’s new constitution

Fiji’s government is slated to approve a long-awaited constitution as early as March. The Constitution Commission handed its final draft to President Ratu Epeli Nailatikau December 21, but the president and Prime Minister Commodore Frank Bainimarama rejected it on January 10 and ordered a new draft completed by the end of the month. Highlights of a leaked version of the rejected draft include guarantees of freedom of speech and the press, separation of powers, a pledge to eradicate poverty, environmental protection, a process for land dispute resolution, and the promotion of “Fijian identity” to eradicate ethnic tension.

But how democratic will the new version of the constitution be? Despite the collaborative process through which the latest draft was created, the government of Prime Minister Commodore Frank Bainimarama attempted to keep it under lock and key. Police destroyed all known hard copies of the leaked draft constitution, fueling concerns about transparency and government intentions. How much, if any, of the Constitution Commission’s work makes it into the next version will prove crucial in determining its quality.

Fiji is already breaking out of its six-year isolation by engaging other regional actors, but it will be important to see whether the new constitution proves democratic enough for Australia and New Zealand to reengage.

5. U.S. interest in the Pacific

Hillary Clinton in 2012 became the first U.S. secretary of state to attend the Pacific Islands Forum (PIF), pledging that the United States would not forget the Pacific during the “Pacific Century.” However, it remains to be seen whether this level of engagement will continue under the new secretary of state.

The level of the official delegation sent to the 2013 PIF in the Marshall Islands will serve as an important indicator of U.S. interest. Another appearance by the secretary of state is unlikely, but how far down the ladder the State Department decides to dig for a
Six Pacific Developments to Watch in 2013 (continued)

representative will send a clear message to the Pacific Islands. The Marshall Islands are subject to a Compact of Free Association with the United States, offering an additional incentive for U.S. officials to show up and support the chairmanship of a close partner.

Another important indicator for future engagement will be the conclusion of a renegotiated South Pacific Tuna Treaty that offers the Pacific Islands an aid package in return for fishery access. Although a compromise was announced by the United States in July 2012, internal politics within the U.S. negotiating partner, the Forum Fisheries Agency, caused the deal to fall apart. The next round of negotiations will be held in February in New Zealand. If a compromise is found in 2013, it will demonstrate that the United States recognizes the importance of sustainable use of fisheries in engaging the Pacific Islands.

6. China's growing Pacific presence

China is engaging the Pacific Islands like never before and likely surpassed Australia as the largest aid donor to Oceania in 2012. China's engagement in the Pacific previously focused on securing diplomatic recognition in the United Nations (the Pacific Islands include some of the last countries to recognize Taiwan rather than China), but other rationales have recently come into play. China's resource imperative is driving it to seek access to the Pacific Islands' mineral and fishery resources, often by offering soft loans and unconditional grants and by building infrastructure.

This dynamic has been encouraged by the Pacific Islands, which welcome a new powerful banker in regional politics. They are now leveraging Chinese aid as a possible alternative to the development strategy favored by Australia, New Zealand, and the United States, which only grant money with conditions attached.

Developments over the next year in these six areas will provide important bellwethers for the future of Australia, New Zealand, and the Pacific Islands during the “Pacific Century.” The United States will do itself and its Asia Pacific strategy a disservice by overlooking them.
AUSTRALIA

**Wildfires devastate parts of Tasmania, New South Wales, and Victoria.** Wildfires have been tearing through portions of the Australian states of Tasmania, New South Wales, and Victoria since early January, destroying over 100 homes and leaving approximately 100 people unaccounted for in Tasmania. The fires were sparked by an unprecedented heat wave, combined with widespread drought and strong winds. The average temperature nationwide January 8 hit an all-time high of 104ºF, and temperatures as high as 129ºF have been recorded. Thousands of residents have evacuated their homes.

**Treasurer scraps push for budget surplus.** Australian treasurer Wayne Swan said December 20 that the Labor government is unlikely to meet its election promise of achieving a budget surplus and would no longer pursue one. The government decided not to seek a surplus because of fears that further spending cuts could hurt the slowing economy. The government saw a $3.9 billion revenue slump in the first months of the 2012–2013 fiscal year, due to lower-than-expected taxes collected from the mining industry.

**Australian shares hit 19-month high after U.S. budget deal.** Australia’s S&P/ASX 200 stock index hit a 19-month high of 4705.9 points January 2 on news of U.S. lawmakers’ eleventh-hour deal to avoid the so-called fiscal cliff. A rise in commodity prices due to China’s apparent economic recovery also contributed to the rising market. Market performance was mixed in the week that followed, closing slightly down on January 8 at 4690.2 points. The overall gains reversed a gradual decline in 2012 caused by the ongoing debt crisis in Europe.

**Defense White Paper draft leaked to the press.** A draft of Australia’s 2013 Defense White Paper leaked to a local newspaper in late December reportedly details plans to wind back overseas military operations and continue cuts to the defense budget. The draft highlights a changing strategic environment as China expands its military presence in the western Pacific. It also ranks Australia’s four spheres of strategic interest by importance: (1) protection of its own borders, (2) security in the South Pacific and Timor-Leste, (3) security in the wider Indo-Pacific, and (4) global security.

**Lynas wins latest court case in Malaysia.** A Malaysian court December 16 ruled in favor of Australian rare earths miner Lynas Corporation, refusing opponents’ demand that the corporation’s operating license be suspended.
Lynas is constructing the world’s largest rare earths processing plant in Malaysia, and began operations in November following a yearlong delay caused by the opposition of environmental and community activists. Opponents of the plant argue that by-products of rare earths processing will damage the environment and harm local communities.

NEW ZEALAND

**New Zealand cuts budget surplus forecast.** Finance Minister Bill English announced December 17 that the country’s 2015 budget surplus will be smaller than previously forecast because of weak domestic demand, a strong currency, and the ongoing global slowdown. English said the government expects its operating surplus in 2015 to be just $56 million, not the $164 million predicted in May 2012. The New Zealand treasury has estimated that surpluses will begin to grow after 2015.

**New Zealand to cut emissions despite opting out of Kyoto Protocol.** Minister for Climate Change Issues Tim Groser argued in a December 20 op-ed that New Zealand will continue to cut carbon emissions despite opting out of the Kyoto Protocol. The government announced November 9 that it would not join the second phase of commitments under the Kyoto Protocol, preferring instead to use a domestic emissions trading scheme to combat climate change. The decision drew anger and disappointment from both domestic and international observers. The first stage of the Kyoto Protocol ended December 31.

**Treasury warns against simultaneous asset sales.** The New Zealand Treasury warned the government December 28 not to proceed with a plan to simultaneously sell partial stakes in three state-owned energy companies, arguing that demand on the country’s stock market would not be sufficient to cope with all three at once. The government plans to sell up to 49 percent of power companies Meridian Energy, Mighty River Power, Genesis Power, and Solid Energy, as well as Air New Zealand, in order to help clear its debts. The Mighty River sale, which was to move forward in 2012, has been delayed by legal action, forcing the government to change its original plans and consider listing it, Meridian, and Solid all in 2013.

**New Zealand ranked first in human freedom.** New Zealand ranks first out of 123 countries on a global human freedom list released January 8 by Canada-based Fraser Institute. The list ranks countries based on citizens’ enjoyment of civil liberties, economic choice, and freedom of association. Australia tied with Canada and the Netherlands for fourth place, while the United States ranked seventh.
PACIFIC ISLANDS

Cyclone season hits the Pacific. Cyclones Evan and Freda wreaked havoc in Samoa, Fiji, and the Solomon Islands in December. Evan, a Category 4 storm, hit Samoa December 11, killing 14. It reached Fiji December 17, ripping roofs off buildings and forcing thousands to evacuate. Category 3 Freda formed over the Solomon Islands December 28, destroying crops before it moved to New Caledonia as a tropical storm. The Australian Red Cross is accepting donations to provide relief for those in Samoa and Fiji affected by Cyclone Evan.

Government of Fiji rejects draft constitution. Fiji’s prime minister Commodore Frank Bainimarama and president Ratu Epeli Nailatikau announced January 10 that the government rejected the draft constitution crafted by the country’s Constitution Commission. The draft was presented to Nailatikau on December 21 and was to be debated this week by a Constituent Assembly. The government has ordered its legal team to create a new draft by the end of January. Yash Ghai, the head of the Constitution Commission, released the commission’s final draft to the public January 2 in defiance of a ban on distributing the document. Police have reportedly responded by confiscating and destroying hard copies of the draft.
G’Day USA showcasing Australia. The 10th annual G’Day USA event series kicked off January 9 and will run through January 22. The Australian government and its partner organizations will host events across the United States showcasing Australian businesses, innovations, and culture. Events will take place in Chicago, Houston, Los Angeles, New York, Sacramento, San Francisco, and Washington, D.C. For more information about events and promotions, please click here.

Discussion on fish and food security in Southeast Asia. The Sumitro Chair in Southeast Asia Studies and the Global Food Security Project at CSIS will host a panel discussion January 14 on the importance of fish to Southeast Asia’s food security. The panel will include the National Oceanographic and Atmospheric Administration’s Roger Pulwarty, the U.S. Agency for International Development’s Barbara Best, and Anova Holding’s Blane Olson. The event will take place from 2 p.m. to 3:30 p.m. at the CSIS B1C Conference Facility, 1800 K St., N.W. Please RSVP to the Sumitro Chair for Southeast Asia Studies by January 11.

Australia Day champagne reception. The Australia America Association in Washington will host a champagne reception January 19 to celebrate Australia Day. The holiday commemorates the 1788 declaration of British sovereignty over eastern Australia. For more information about the event and the Australia America Association, please click here.

Australian short-film screening. The Center for Australian and New Zealand Studies at Georgetown University will host a short-film screening January 24 featuring the latest award-winning films from Australia. New York-based Australian curator Susan Talbot will introduce the films, which will be followed by a reception. Admission to the event is free and open to the public. Please RSVP by clicking here.

Conference on the Asia Pacific in 2013. CSIS will host a conference January 29 on what 2013 holds for the Asia Pacific in the realms of politics, security, and trade. Senior experts from CSIS’s Freeman Chair in China Studies, Japan Chair, Korea Chair, Sumitro Chair for Southeast Asia Studies, Wadhwani Chair in U.S.-India Policy Studies, and William E. Simon Chair in Political Economy will offer their insights and analysis during a series of panel discussions. The conference will take place from 8 a.m. to 12 p.m. at the CSIS B1 Conference Facility, 1800 K St., N.W. An invitation and complete agenda will be released shortly.
Annual Australia–New Zealand studies conference. Georgetown University will host the 20th annual Australian and New Zealand Studies Association of North America Conference from February 14 to 16. The conference is a forum for scholars across a range of disciplines to discuss their research on Australia and New Zealand and the two countries’ relationship to the Asia Pacific region, Canada, and the United States. For more information, please click here.

U.S.-New Zealand Partnership Forum. The New Zealand Embassy in Washington will host more than 250 guests for the fifth U.S.-New Zealand Partnership Forum from May 19 to 21, 2013. The embassy plans to bring a large number of New Zealand officials, business leaders, and students to the event. The event will be held at the Grand Hyatt Hotel. More details will be announced closer to the event. For information, please contact Bill Maroni of the U.S.-New Zealand Council at (301) 802-3375.▲