



Two Shades of Blue: Europe and the Pacific Islands, Strategic Partners in the Indo-Pacific Era

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► Key Takeaways

- Although geographically distant, Europe and the Pacific Islands share a commitment to democratic values and are facing common challenges, including great power rivalry and climate change.
- The Pacific Islands' resources are being targeted, sometimes in a predatory manner, while countries in the region must overcome major obstacles on their path to sustainable development.
- Europe's recently renewed interest in the region is driven by geostrategic considerations and the environmental emergency, but also a fresh realisation of economic opportunities. States and institutions have adopted new methods of action, notably by supporting private investment.
- Serious European engagement in the Pacific Islands requires long-term scaling-up of funding, but also a better understanding of local issues, a stronger diplomatic presence and sustained political dialogue.

Introduction

In recent years¹, France and the European Union (EU) have published their respective Indo-Pacific strategies and a Ministerial Forum was held in Paris on February 22, bringing together over 60 foreign affairs ministers from European and Pacific Island countries. France and the EU are re-engaging in this strategic region, which is an economic and political center of gravity whose stability is threatened by transnational risks (climate change, epidemics, pressure on natural resources) and by inter-state tensions exacerbated by US-China rivalry.

However, the area spanning the 22 member countries and territories of the Pacific Community² (SPC) has received less attention and can even be described as a blind spot in these Indo-Pacific discussions. Yet, although they have a population of only 13 million, these Pacific Island states and territories³ have a combined Exclusive Economic Zone (EEZ) of almost 40 million square kilometers (km²) and are strategically located close to East Asia. These territories and their natural resources have attracted and still attract keen interest⁴ and sometimes very violent competition between powers. Today, the Pacific Islands are on the front line of the global existential challenges of climate change, biodiversity protection and sustainable development, but also geostrategic rivalries.

Due to the geographical distance and Europe's still limited knowledge of this region, political, economic and media interest is often lacking. For this reason, Ifri and the SPC have decided to organize a research program on the strategic importance of the Pacific Islands.

This briefing is based on discussions that took place at the program's opening conference on 10 March 2022⁵; contributions from panelists will therefore be highlighted.

This report provides an overview of current regional issues in the Pacific Islands and argues for greater European engagement in the region. This rapprochement is justified firstly because European and Pacific Island countries share similar values and face similar

1. France announced its Indo-Pacific approach in 2018 and published a strategy in 2021, which it updated in February 2022: "France's Indo-Pacific Strategy", Ministry for Europe and Foreign Affairs, February 2022, available at: www.diplomatie.gouv.fr. The European Union's strategy was published in September 2021: "The EU Strategy for Cooperation in the Indo-Pacific", Joint Communication to the European Parliament and the Council, September 16, 2021, available at: www.eeas.europa.eu.

2. The Pacific Community is a regional organisation for scientific and technical cooperation for sustainable development in the region. Its island members are Cook Islands, Fiji, Kiribati, Northern Mariana Islands, New Caledonia, Palau, Papua New Guinea, Pitcairn Islands, French Polynesia, Tokelau, Tonga, Tuvalu, Niue, Marshall Islands, Federated States of Micronesia, Wallis and Futuna, Nauru, Solomon Islands, American Samoa, Vanuatu and Samoa. More information at: www.spc.int.

3. In this report, the term Pacific Islands refers to all the countries and territories in the region except Australia and New Zealand.

4. See the excellent collective work: S. Al Wardi, J.-M. Regnault and J.-F. Sabouret, *L'Océanie convoitée. Histoire, géopolitique et sociétés*, Paris: CNRS Éditions, 2017.

5. "The Pacific Islands Countries, a Strategic Part of the Indo-Pacific for Europeans", online conference co-organised by Ifri and the SPC, March 10, 2022. Programme and videos available at: www.ifri.org.

challenges, and secondly because new European interest and facilities make Europe a partner of choice to support sustainable development in the Pacific Islands. Since this engagement will come with various challenges, recommendations for European decision-makers are outlined in the conclusions.

Europe and the Pacific Islands are linked by common values and challenges

Europe and the Pacific Islands are admittedly far apart geographically but there is real interdependence between the two regions. Half of the tuna consumed in Europe is estimated to come from the South Pacific. The EU is the 5th largest trading partner of the countries in the region. Lastly, the South Pacific—particularly its seabed—is rich in energy resources and minerals, a reality that should not be overlooked as Europe seeks to diversify its supply sources. New Caledonia, for example, is the world's third largest nickel producer.

The EU and the Pacific Islands also share common values. If the war in Ukraine marks a turning point in European history, the struggle to preserve democratic principles, multilateralism and a rules-based international order is also taking place in the Pacific, where China's growing influence in the region is undermining already-stretched democratic systems. The Pacific Islands have demonstrated their concern and commitment to liberal values and the principle of territorial integrity by unanimously condemning Russian aggression.

Europe and the Pacific Islands are also actively working in the multilateral arena for the governance of the global commons, notably the oceans, the effort against global warming and the protection of biodiversity. The Pacific Islands are particularly vulnerable to the multiple impacts of climate change (more frequent and more intense natural disasters, rising sea levels, ocean warming and acidification and their implications for biodiversity and food security). Within the United Nations, the Pacific Island states carry particular weight and are often aligned with European positions on climate. They were the first to ratify the Paris climate accords in 2015.

Lastly, the EU has its own presence in the area via its overseas countries and territories (OCTs)—New Caledonia, French Polynesia and Wallis and Futuna—which are under French sovereignty and associated with the European Union. These overseas territories, which give France the world's second largest maritime zone, have their own regional relationship policy. Stéphane Bijoux noted that they are now recognized as an asset, as outposts of European values in the region⁶.

6. Stéphane Bijoux, Member of the European Parliament, speaking at the Ifri-SPC conference, *op. cit.*

The Pacific Islands, at the heart of strategic issues

Geopolitical issues

The Pacific Islands are countries and territories with diverse cultures and identities and contrasting economic situations. They have large EEZs and abundant natural resources but lack the means to adequately patrol and exploit them. Lastly, these small, isolated economies, which are highly vulnerable to climate change, depend on international aid for their development. This has once again turned the Pacific Islands into a stage where great power rivalry is playing out, as Indo-Pacific approaches seek to counterbalance China's Belt and Road Initiative.

While the United States lost interest in the region during the post-Cold War era, China has been extremely active in the past twenty years, extending its influence in the region via increasingly attractive offers of funding and cooperation. Beijing has multiple objectives: securing access to fisheries and mineral resources, but also controlling critical infrastructure, including ports, potentially allowing China to deny access to American forces in the event of a crisis in the Taiwan Strait, amongst other things. One of its major objectives is to persuade countries that maintain diplomatic relations with Taipei to come into its orbit instead. Beijing is currently signing security cooperation agreements, most recently with the Solomon Islands, which Cleo Paskal warns could be highly destabilizing⁷.

In reaction to China's expansion in the region, the United States re-engaged in the area via its “Free and Open Indo-Pacific Strategy” (2017), and its partners have followed suit. Australia announced its “Pacific Step-up” in 2016, New Zealand its “Pacific Reset” in 2018, the United Kingdom (UK) its “Pacific Uplift” in 2019, and Japan has made the Pacific Islands one of the “cornerstones” of its Indo-Pacific strategy since 2018. In each case, the aim is to offer a liberal alternative to China by increasing the funds earmarked for the sustainable development of Pacific Island countries, while promoting the principles of transparency and debt sustainability and upholding international norms and standards. The idea is also to encourage private investment, generate more political dialogue and reinforce the diplomatic presence to counterbalance Beijing.

Within the Pacific Islands region, there are particularly acute geostrategic issues at stake in Micronesia. Three states in this subregion (the Federated States of Micronesia (FSM), the Marshall Islands and Palau) are associated with the United States, and three recognize Taiwan (Nauru, Palau and the Marshall Islands). They are geographically closer to China, have a huge EEZ and host critical infrastructure such as underwater cables that are vital to the region. Micronesia therefore merits particular attention, especially from Europeans, who tend to be less familiar with it.

7. Cleo Paskal, Senior Fellow, Foundation for Defense of Democracies, speaking at the Ifri-SPC conference, *op. cit.*

Map of the Pacific Islands



Source: Wikimedia Commons.

Sustainable development: complex to implement⁸

The Pacific Island countries' development is hindered by a number of key factors related to their remoteness, small market size and climate change vulnerability.

The Pacific Islands are home to 40 % of the world's coral reefs and 60 % of its tuna reserves. The protection and sustainable management of these resources is therefore crucial, yet governments often lack the means to enforce international regulations. Hence the need to build greater surveillance capacity in these countries and invest in the blue economy and the fisheries sector so as to establish local processing and packaging plants, as pointed out by Zarak Khan⁹.

Twenty of the countries most exposed to the direct consequences of climate change (with rising sea levels threatening their very existence) are Pacific Islands, which therefore need easier access to funding for mitigation and adaptation measures. Cameron Diver noted that building greener societies must include solutions that respect local cultures and traditional practices¹⁰. Energy transition is also a challenge as the region depends on air and maritime transport. Connectivity, especially digital, must be enhanced in order to

8. See for example the excellent *Atlas de l'Océanie*, by F. Argounes, S. Mohamed-Gaillard and L. Vacher, Paris: Autrement, 2nd edition, 2021.

9. Zarak Khan, Director, Programmes & Initiatives, Pacific Islands Forum Secretariat; speaking at the Ifri-SPC conference, *op. cit.*

10. Cameron Diver, Deputy Director-General, Pacific Community; speaking at the Ifri-SPC conference, *op. cit.*

improve communications and interconnect these thousands of islands. Lastly, health systems still fall far short of requirements, forcing the Pacific Island countries to close their borders against the Covid-19 pandemic, to the detriment of their economies. Non-communicable diseases such as diabetes are responsible for 80% of deaths in the region and constitute a major structural challenge.

What is expected of Europeans?

While the EU and European nations are seen as significant donors and partners, the overall perception is that they could increase their contributions and presence. A long-term increase in development aid is expected, as well as simplification of cumbersome administrative procedures that are complex to manage for countries that often lack sufficient human resources. Lastly, private investment remains very limited and should be encouraged via subsidies and public-private partnerships, but also through support to improve the business environment.

In addition, a stronger European diplomatic presence in the region is expected if the relationship is to become more dynamic. For example, the President of the Federated States of Micronesia, David W. Panuelo, has called for a European diplomatic mission to be opened in the North Pacific¹¹.

Ramping up European engagement

The Indo-Pacific, receiving fresh French and British interest

Renewed European interest in the South Pacific is relatively recent and coincides with the launch of Indo-Pacific strategies.

France adopted its strategy in 2018, with a Pacific component that includes its territories in the region. It has 4,000 troops stationed there to patrol and defend France's sovereign interests. France also has interests as a European power with global reach and has positioned itself as an upholder of freedom of navigation, environmental security, sustainable development and ocean governance. The mandate of the French Development Agency (AFD) in the Pacific Islands was recently expanded to include funding for biodiversity protection and climate warming adaptation (2018) and mitigation (2021). Sophie Rech presented the Kiwa initiative, one of AFD's flagship projects. Kiwa, which is co-financed by France, the EU, Canada, New Zealand and Australia to the tune of €41 million, aims to make ecosystems and economies more resilient to climate challenges and is implemented by the SPC¹².

On security matters, France has military coordination mechanisms with Australia and New Zealand under the FRANZ Arrangement, to provide humanitarian aid and

11. David W. Panuelo, President of the Federated States of Micronesia, speaking at the Ifri-SPC conference, *op. cit.*

12. Sophie Rech, Deputy Director, Three Oceans Division, AFD, speaking at the Ifri-SPC conference, *op. cit.*

emergency relief in the wake of natural disasters, as recently in Tonga. These three countries and the United States have also formed a “Pacific QUAD” which supports the Pacific Islands Forum (PIF) Fisheries Agency to help Pacific Island countries patrol their EEZs. Marine de Carné also pointed out that France has recently launched a coastguard network in the region¹³. Despite this increased engagement, the countries in the region, and particularly the French overseas territories, have not taken ownership of the Indo-Pacific concept promoted by Paris.

Post-Brexit, the United Kingdom is seeking to re-engage internationally, notably by strengthening its presence in the Indo-Pacific, including the Pacific. For example, the UK has applied to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), and last September it formed the AUKUS security pact with the US and Australia, aimed at securing a decisive advantage for these countries against China. The UK already has a light military presence in Singapore and Brunei and is part of the Five Power Defence Arrangements (FPDA)¹⁴ and the Five Eyes intelligence-sharing alliance. The UK's ambition is to have nothing short of the largest and most integrated presence in the Indo-Pacific among all the countries in Europe. However, Veerle Nouwens conceded that the Pacific Islands are not central to the British Indo-Pacific approach¹⁵. While the UK has a presence with the Pitcairn Islands (population 50), maintains ties with 9 Commonwealth countries in the region and rejoined the Pacific Community in 2021, neither the Pacific Island countries nor the 2019 Pacific Uplift were mentioned in the Integrated Review strategy document of 2021.

Coordination between the British and Europeans in the Pacific Islands would be helpful, thereby avoiding duplication of effort, enhancing joint effort through synergies and leveraging complementarities.

Instruments that support renewed EU engagement

The EU is the sixth largest donor in the region, with more than a third of its contributions going to regional institutions (the EU is the SPC's largest donor). The EU is committed to consolidating and simplifying the funding it provides, for greater efficiency, visibility and flexibility. The NDICI-Global Europe instrument, set up in June 2021, allocates €80 billion to development aid, including €600 million for the Pacific Islands (2021-2027). This facility includes the European Development Fund, now integrated into the EU budget, with a specific envelope for OCTs. Global Gateway, the ambitious European program to fund infrastructure development, and the forthcoming launch of digital

13. Marine de Carné, Ambassador and Permanent Secretary of France for the Pacific, speaking at the Ifri-SPC conference, *op. cit.* See also: “France, South Pacific Nations to Combat 'Predatory' Fishing as China Extends Reach”, Reuters, July 19, 2021.

14. Defence arrangements in place between the United Kingdom, Australia, New Zealand, Malaysia and Singapore since 1971.

15. Veerle Nouwens, Senior Research Fellow, Royal United Services Institute (RUSI), speaking at the Ifri-SPC conference, *op. cit.*

partnerships form a springboard for expanding cooperation with the Pacific Islands on the basis of converging interests. For example, in late 2021, the EU and its Pacific Island partners established the EU-Pacific Green Blue Alliance¹⁶, based on the European Green Deal, the post-Cotonou cooperation framework between the EU and the Organisation of African, Caribbean and Pacific States (OACPS) (2021-2027) and the 2050 Strategy for the Blue Pacific Continent.

The EU is now seeking to position itself not only as a provider of development aid, but also as an investor. The scope of the European Fund for Sustainable Development (EFSD), which offers loans and guarantees to companies, is being expanded to include Asia-Pacific, as Bart Missinne explained¹⁷. There are also still plans for an Economic Partnership Agreement (EPA) with the Pacific countries. Some countries are already implementing an interim agreement.

Lastly, in the field of security, the CRIMARIO program, which helps coastal states develop knowledge of their maritime zone, was deployed in 2015 in the western Indian Ocean and will soon be extended to the South Pacific.

The EU's action in the region, while real, lacks visibility and readability (more than a third of funds are channeled through multilateral organizations) and sometimes requires overly complex bureaucratic procedures.

The role of companies

European companies are accustomed to operating within regulatory frameworks designed to protect people and the environment. They play a key role as they meet the expectations and needs of Pacific Island populations for a protective legal framework. Therefore, ties between the two regions must also be strengthened via private initiatives that incorporate responsible for-profit objectives and the sustainable management of resources. Norms, values and standards are also relevant in the business world, as Eric Wiard pointed out¹⁸.

Since regulatory and customs barriers are one of the major challenges in the Pacific Islands, EU actors could encourage synergies and harmonization among the different systems, aiming for a more efficient common framework that would facilitate private investment. Lastly, companies can also call on the Banque Calédonienne d'Investissement (BCI), a subsidiary of BRED, the only European bank present in the area.

16. "EU - Pacific Launch Green-Blue Alliance in Bid for Climate Neutrality", EU Delegation to Fiji, November 12, 2021, available at: www.eeas.europa.eu.

17. Bart Missinne, East Asia and the Pacific Unit, Directorate for International Partnerships, European Commission, speaking at the Ifri-SPC conference, *op.cit.*

18. Eric Wiard, Managing Director, Banque Calédonienne d'Investissement (BCI), speaking at the Ifri-SPC conference, *op. cit.*, March 10, 2022

Cooperation challenges and recommendations

The Indo-Pacific, subject to many misunderstandings

While these Indo-Pacific strategies can be helpful in that they mobilize major democracies to re-engage in the region, they have been met with indifference and at times rejected by the Pacific Island countries¹⁹, which were not included in the preparatory process and so far feel that they are pawns rather than actors in an approach that is really about rivalry between major powers.

Moreover, the Pacific Island countries are protective of their independence and do not wish to be part of any bloc against the backdrop of US-China rivalry: The “friends to all, enemies to none²⁰” approach implies continuing to maintain strong links with China, something that Europeans will have to learn to live with. It therefore seems important for European and Pacific Island countries to agree on a geopolitical vision and narrative for the area.

Intercultural communication, a major challenge

The Pacific Islands wish their partnerships to be based on the Blue Pacific Principles of dialogue and engagement endorsed by the PIF in 2019, noted Cristelle Pratt²¹. The Blue Pacific concept presents the countries of the region not as “small states” (in terms of land area) but rather as “large ocean states” and advocates for solidarity among its members, peace, prosperity and sustainable development, inclusiveness and local ownership. While the Pacific Island countries are united around the Blue Pacific identity, they constitute a cultural mosaic with very marked local features flowing from their archipelagic nature and history. Forging strong relationships with the Pacific Islands requires a thorough understanding of their complex societal systems and cultural and communication habits²². The weight of the colonial past and post-war nuclear tests also underpin negative preconceptions towards Westerners. Europeans re-engaging in the South Pacific must be aware of this and not seek to avoid difficult conversations. The Pacific Islands, meanwhile, must be proactive and engage positively in partnerships and cooperation.

19. See Steven Ratuva, “Blue Pacific and the Indo-Pacific”, online conference organised by CERl and GIGA, April 4, 2022.

20. “We Are Friends to All, and Enemies to None”, H. E. David W. Panuelo, President of the Federated States of Micronesia, speaking at the Ifri-SPC conference, *op. cit.*

21. Cristelle Pratt, Assistant Secretary-General, Head of Department, Environment & Climate Action, OACPS Secretariat, speaking at the Ifri-SPC conference, *op. cit.*

22. Cleo Paskal, Senior Fellow, Foundation for Defense of Democracies, speaking at the Ifri-SPC conference, *op. cit.*

Recommendations for European actors

- To counter China's growing influence, a **stronger European diplomatic presence in the region would be useful**, especially in the North Pacific. Micronesia is a blind spot in European policy towards the Pacific Islands. President Panuelo called for **an EU diplomatic mission in the North Pacific** and European support for the Pacific Resilience Facility (2019). Cleo Paskal suggested that Europe support the Micronesian Presidents' Summit in establishing a Security Council. Marine de Carné alluded to the establishment of an **EU-Oceania Forum** to support the relationship.
- **Regional integration of OCTs** should be promoted. Among other things, these OCTs could serve as outposts for European development policy in the region thanks to their research and project design resources, which could be mobilized to this end.
- European countries should also ensure that they **involve the Pacific Islands as much as possible in the formulation and implementation of their Indo-Pacific approaches**, notably through intensive, direct political dialogue²³.
- In this regard, investments could be made in **building European expertise** on the Pacific Islands and **encouraging the start of Track 2 or Track 1.5 dialogues between European and Pacific Island countries** in order to deepen understanding and mutual trust.
- European actors could **engage better with regional organisations in the Pacific** by using them as convening platforms for contact and cooperation and leveraging their knowledge of local societal contexts to facilitate engagement policies. They also need to **rebalance their engagement in the area by developing bilateral relationships** across the entire region.
- Brussels should make further efforts to **improve the understanding and visibility of EU actions** in the Pacific.
- To address the limited resources available for the Pacific Islands, **complementarities and coordination** among the actions of EU institutions, EU Member States and European companies **should be strengthened via the Team Europe Initiative**.
- **Europe's private sector must bolster its presence in the Pacific Islands**, whose potential remains under-exploited. The EU institutions

23. C. Lechery, "Les collectivités françaises d'Océanie, actrices et atouts en Indo-Pacifique", *Revue Défense Nationale*, n° 844, November 2021.

should continue to support private investment as a valuable tool for sustainable development and for upholding international environmental and labor standards.

- ▀ Regulatory and customs barriers are one of the major challenges in the Pacific Islands. EU actors, with their experience in establishing a common market, could **encourage regional integration through harmonization of the different tax and customs systems** so that businesses can operate within a more efficient common framework.
- ▀ **The blue economy (including the fisheries sector) and telecommunications** should be deemed priority sectors for European investment.
- ▀ **Lastly, certain existing initiatives could be opened up to new members for greater impact and stronger cooperation with partners.** The Pacific QUAD, which combats illegal fishing on behalf of the PIF, could join forces with other states such as the UK and Japan. The multi-donor Kiwa initiative could benefit from additional European donors.
- ▀ In the end, we must remember the day-to-day concerns of Pacific Islanders. Offering **very concrete responses** to their needs in terms of development, human security, surveillance of their EEZs and investment **will have a strong geopolitical impact.**

The topics discussed at this opening conference will be further addressed in three upcoming webinars and publications, which will focus on oceans in June, global warming in September and food security in November.

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