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Pesi Fonua, Publisher / Editor, Matangi Tonga Online, Tonga.

The increasing role and influence of China in the Pacific

Thank you for the opportunity to talk on the topic of 'The increasing role and the influence of China in the Pacific' and within this very short presentation I'll try to give you a glimpse of China's Role and Influence in Tonga.

Tonga's relationship with the People's Republic of China is relatively young. Our diplomatic relationship was formalized 16 years ago on November 2nd, 1998.

On that date Tonga launched its so called "Look East Policy", when the flag of the People's Republic of China was raised during a ceremony to formalize the establishment of diplomatic relations between the two countries, at the Royal Palace, Nuku'alofa.

Simultaneously, about 2 kilometers to the east - at the Taiwanese Embassy on the Nuku'alofa waterfront, the flag of the Republic of China was lowered, at the termination of Tonga's diplomatic relations with Taiwan.

Tonga established diplomatic relations with Taiwan in 1972, but by 1998 the Tonga government was convinced that there was only one China and that Taiwan, the Republic of China, was a part of the People's Republic of China. It is worth noting that Tonga established diplomatic relations with Taiwan a year before Tonga became fully independent from the United Kingdom in 1973. Before that, Tonga had been a British Protectorate since 1900.

The British established their first consulate in Nuku'alofa in 1862, but on February 2nd, 2006, the Union Jack was lowered for the last time at the residence of the British High Commissioner.

During those years, from 1862 to 2006 Tongans had assimilated many British and Western ideas and called them their own.

The British missionaries had earlier introduced Christianity along with formal education, and assisted in the establishment of a Constitutional Monarchy system of government.

So Tonga switched its diplomatic relations from Taipei to Beijing in 1998. The British had returned Hong Kong to China in 1997. Macau went back to China in 1999.

Leading up to and during the return of these territories to China, Tonga embarked on what became known as its Passport Sales Scheme. The scheme made it possible for Chinese who did not want to live under the People's Republic of China — Communist China — to seek a new life outside of China.

The scheme went out of control, and the millions that Tonga was supposed to have collected from the sales of these passports were lost because of the mishandling of public funds.

The end result was that about 400 Chinese nationals became Tongan citizens. Currently, it is estimated that more than a thousand Chinese had become Tongan citizens, and some of them are still living in Tonga with their families today. Many of these Chinese immigrants live and work in tiny stores known as "Fale Koloa", selling basic goods at cheap prices and found in almost every village.

When Tonga became a member of the World Trade Organization in 2006 the business of running Fale Koloas was set aside for only Tongans, but because many Chinese had become nationalized Tongans they also had the right to own Fale Koloa, and today the Fale Koloa business in Tonga is dominated by Chinese-Tongans.

Soon Tonga wanted to turn their new diplomatic relations into a more practical relationship with China.

In 1999, as an independent photo-journalist for Matangi Tonga magazine, I covered the State Visit to China by King Tāufa'āhau Tupou IV and his delegation.

A bilateral trade agreement was signed in Beijing on 7 October 1999, and the agreement made it easier for Chinese investors to invest in Tonga and for Tongan investors to invest in China.

At the time there were high hopes that Tonga and the People's Republic of China were going to be in a partnership to develop an international satellite telecommunications network.

Today, the increasingly complex role and influence of China in the Pacific and in Tonga is still in the making.

In trade and investment it appears to be definitely a one-way traffic. The only Tongan company, that we are aware of, that had a branch in China was TongaSat, a company owned by the daughter of Tupou IV and others, that was the agent for leasing the Tonga government's orbital slots. At the time, the Hong Kong office of Pacific Asia Global Holdings Limited marketed Tonga's claims to six orbital slots that covered China. Tonga's main client was APSTAR, a

company in which China was said to be a major shareholder. TongaSat played a role in brokering the normalisation of the relationship between the two countries, a process that accelerated after Tupou IV gave Princess Pilolevu a mandate in 1996 to normalise Tonga's relations with China.

A decade later, the China-Pacific Islands Countries Economic Development and Cooperation Forum, first met in Nadi in 2006 when US\$492 millions in concessional loans was made available to Pacific countries.

A second, similar China-Pacific Islands Countries Economic Development and Cooperation Forum, was held in 2013 and US\$1 billion in concessional loans was made available.

The increasing influence of China in Tonga came about through a mutual understanding that through a diplomatic relationship and a bilateral trade agreement both countries would achieve their development goals and in Tonga's case, hopefully raise its standard of living.

On November 16th, 2006, a riot broke out in Nuku'alofa and the central business district was destroyed, including the businesses of many Chinese nationals. To finance the reconstruction of Nuku'alofa, government took a concessional loan from China, the equivalent of \$233.3 million Pa'anga, which included \$138.9m for

the reconstruction of the Nuku'alofa CBD, \$91.8m for a road project and \$2.6m for the renovation of the now defunct Dateline Hotel.

The repayment of only the 2% interest on the loan, which was scheduled to start last year, has been deferred for another five years to 2018.

The 20 years loan was signed for by the, then, Minister of Finance Siosua 'Utoikamanu on 9 November 2007.

There was also an on-lent portion of the loan, whereby government offered loans to businesses, whose premises were destroyed during the riot, at a higher interest rate of 5%. All these borrowers are having problems repaying their loans, and today one has still not signed its loan agreement with government.

Apart from these constraints China continues to give Tonga millions to develop the country and its economy.

In September 2010, two Chinese warships called into Nuku'alofa on a goodwill visit, the first to arrive on our shores. Most recently, a Chinese navy hospital ship stopped over for a week on a humanitarian visit to the Pacific Islands, offering free medical treatments, including complex surgical operations, to Tongans who queued at the wharf over several days to receive consultations and treatments. Official visits between the two countries have become commonplace.

In 2013 a new bank, a Chinese-Tongan venture was set up in Nuku'alofa.

Meanwhile, the US\$15 million MA60 aircraft that China gifted to Tonga in 2013 has become a foreign relations dilemma for Tonga, particularly with Western allied nations such as New Zealand, Australia, USA, UK and the EU — countries that have not certified the MA60. Tonga has certified the aircraft, but following a survey of the standard of safety of Tonga's transport sector, funded by the World Bank and New Zealand, ICAO demanded for Tonga to upgrade its aircraft certification process and also its aviation engineering competency. A deadline was set for December 2014, which Tonga did not meet, and therefore the Tonga government has taken the MA60 out of service. The only solution to the issue that the Prime Minister, Hon. 'Akilisi Pohiva could offer was for “China and New Zealand to talk it over”.

But apart from goodwill visits by the Chinese navy, Tongans taking up scholarships to China, and continuing gifts of infrastructure and airplanes, it is clear that the increasing role and influence of China in Tonga today, basically, revolves around finding ways for how Tonga might repay its loan to China. It is a debt collector's influence, and Tonga has no option but to satisfy the demands of the debt collectors.

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