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Dragon in Paradise

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STILL PREOCCUPIED with the aftermath of the September 11, 2001 terrorist attacks, the U.S. government risks overlooking important developments in peripheral regions. One such development is the growing role of China in Oceania--a vast Pacific Ocean area that covers nearly a third of the globe. Oceania includes 14 independent island states and related territories that, along with Australia and New Zealand, make up the Pacific Islands Forum, the main regional body. Since the Cold War's end, as the United States has downgraded its involvement in Oceania, China has increased its own investment. In an evolving relationship between the mighty and the micro states of the world, this shift of great power valence may bear important long-term consequences for the changing balance of international security.

Changing Partners

DURING THE Cold War, the United States engaged the Pacific island nations through a policy of "strategic denial" aimed at thwarting Soviet efforts to establish a regional naval presence. But in the post-Cold War period, U.S. links to the region have been significantly downgraded. This has been accompanied by the departure of former colonial powers like Britain, and an increasing focus on Asia at the expense of the Pacific by regional allies such as Australia and New Zealand. Japan has become the region's largest aid donor, South Korea is showing increasing interest in the region, and Taiwan effectively "buys" diplomatic recognition from some of the smallest island states. But most significant by far among these new players is China.

China, however, is not just filling a political vacuum created by Western neglect. It is incorporating the Pacific islands into its broader quest to become a major Asia-Pacific power. The result may be a new and unwelcome role for Oceania from the U.S. perspective. While the region is unlikely ever to become the center of superpower competition, it may well become an important arena for China to establish footholds of influence, recruit new allies and to test its growing strength and ability to command allegiance in a region hitherto dominated by the Western powers.

At a broad level, China's expanding Pacific role is an inevitable by-product of its rising power. But there is also a particular congruence between China's broader foreign policy objectives and the interests of many Pacific island states. China's long-term goal is to ultimately replace the United States as the pre-eminent power in the Pacific Ocean. For the island states themselves, by contrast, the objective is partly to play the "China card"--to flirt with a potential U.S. adversary in an attempt to revive declining post-Cold War Western interest and aid payments. The net result is a strong complementarity of divergent interests in China's growing relationship with Oceania. As a result, it can no longer be taken for granted that Oceania will remain a relatively benign "American lake."

It has taken two to dance this tango. The Pacific is now clearly an area of low U.S. priority. In recent years Washington has closed embassies in the Solomon Islands and Samoa, pulled out aid posts in Fiji and Papua New Guinea, and cut back on scholarships and other assistance. Meanwhile, China's expanding influence in Oceania has gone almost unremarked in Washington. This is partly because most Pacific island states have viewed China's growing role in Oceania with favor rather than fear. Their leaders and diplomats have not tried to focus American attention on what they deem to be unproblematic. Faced with increased political instability and a precarious economic future, even the relatively small involvement of a large power can have a major impact on domestic developments in many Pacific states. Moreover, the generous assistance they get from benefactors such as China and Taiwan, which (unlike their Western counterparts) do not set pre-conditions of "good" (that is, democratic) governance for receiving development aid, is particularly welcome in the region.

The trend of recent years has therefore been for Pacific island states to "look north", and China has encouraged this process through the extensive use of "visit" diplomacy. Over the past two years, China has hosted the leaders of Papua New Guinea, Fiji, Vanuatu, Samoa, the Federated States of Micronesia, Tonga, Kiribati and East Timor. It is now accepted routine that the first official overseas visit by a new head of government from the region is made to Beijing, not to Canberra, Washington or Wellington. The extensive range of these visits means that most Pacific island leaders have had much closer personal contact with and a greater knowledge of the Chinese leadership than they do of senior politicians and officials in the United States. For China, such "visit" diplomacy provides a lucrative return on a modest investment. It stands as an example of how skillful diplomacy can enable a state to gain influence over vast areas through the acquiescence of very few people.

Trouble in Paradise

OCEANIA IS rightfully named, for with the exception of the world's second largest island, New Guinea, most of the region is comprised of small island states separated by vast stretches of ocean waters. But while most of the island states are tiny in terms of population and land area, they lay claim to vast maritime resources by virtue of their exclusive economic zones, some of the largest in the world. The 14 island states also constitute a significant voting bloc in international forums, particularly the United Nations.

Oceania is made up of three sub-regions--Melanesia, Polynesia and Micronesia--that reflect both different cultures and colonial experiences. Melanesia contains the overwhelming majority of the region's population and land area. The largest Melanesian state, Papua New Guinea, has a population of 5.1 million people--bigger than New Zealand (four million) and much larger than all the other Pacific island states combined. Its western border with the disputed Indonesian province of West Papua (formerly Irian Jaya) is the region's only land border with Asia. Papua New Guinea is heavily dependent on Australia, its former colonial ruler, for aid. Australia has also been a traditional aid donor and supporter of the other independent Melanesian states: Fiji, the Solomon Islands and Vanuatu.

Polynesia contains some of the region's smallest micro-states--including the world's tiniest independent state, Tuvalu, with a population of just 10,000. Other micro-states include the Kingdom of Tonga (100,000) and Samoa (170,000). Two of the smallest Polynesian countries, the Cook Islands (15,000) and Niue (1,500), retain constitutional links with New Zealand as "freely-associated" states. (New Zealand has traditionally played a major role in Polynesian affairs.)

In the Central Pacific, Micronesia's historical links are mainly with the United States. Three independent states--the Republic of the Marshall Islands, the Federated States of Micronesia and Palau--remain freely associated with the United States under a "compact relationship", the economic aspects of which have recently been negotiated to extend for a further twenty years. In essence, the compact gives the United States extensive military concessions in return for generous economic assistance. Two other Micronesian

states originally under British influence, Kiribati and Nauru, have in more recent times looked to Australia for assistance. Oceania also includes the French territories of New Caledonia, Wallis and Futuna and French Polynesia, and the American dependencies of American Samoa, Guam and the Northern Mariana Islands--the latter two of which also happen to be the closest Pacific islands to the Chinese mainland.

Oceania's idyllic reputation for peace and harmony is a myth best confined to tourism posters. Many of its states are weak, internally-divided and increasingly impoverished, problems that flow in part from the artificial nature of many Pacific states themselves. The conflict-prone Melanesian countries of Papua New Guinea and the Solomon Islands, for example, are agglomerations of hundreds of small stateless societies into one overarching state structure. Even the more hierarchically-organized island "kingdoms" of Polynesia, such as Tonga, face increasing internal conflicts and political instability, as does nearly every country in Oceania. Over the past decade the region has become increasingly unstable. One of its most developed states, Fiji, experienced military coups in 1987 and 2000 following the election of governments perceived as too close to the country's Indo-Fijian minority. Papua New Guinea has suffered a decade of civil war on its eastern island of Bougainville and--along with Vanuatu and Fiji--has endured army mutinies in recent years. The elected government of the Solomon Islands, one of the poorest Pacific states, was overthrown in a violent uprising in 2000. Democratic government was restored in the December 2001 election, but the country still teeters on the brink of state collapse.

Elsewhere in Melanesia, both East Timor and West Papua have been convulsed by their struggle for independence from Indonesia. In different ways, both remain unsettled. In July 2001, the former independence leader and now the foreign minister of East Timor, Jose Ramos Horta, described China--in his very first foreign policy statement, no less--as the new nation's "closest possible friend"--this despite the fact that China played no role in the Australia-led intervention that assured East Timor's independence. West Papua, which has strong cultural links with Papua New Guinea and the rest of the Melanesian Pacific, also seeks independence from rule by Indonesia, but faces seemingly insurmountable obstacles to achieving it. Jakarta continues to resist what it sees as pressure for "Balkanization" coming from its Melanesian extremities.

These conflicts have together created an "arc of instability" stretching across Australia's north, from Aceh and Timor in the west to the Solomon Islands, Vanuatu and Fiji in the east. Despite the United Nations-led reconstruction of East Timor, Indonesian promises of greater autonomy for Aceh and West Papua, and recent peace settlements in Bougainville and the Solomon Islands, a lasting solution to any of these conflicts is unlikely. Most of Melanesia is inherently unstable and, given its ethnic fragmentation, it is likely to remain that way indefinitely. Conflict, corruption, political violence and instability are also endemic elsewhere in the region. Very poor governance has been a major problem, along with weakened respect for both democracy and central authority. Other causes of conflict include growing economic inequalities and the challenges to traditional lifestyles and authorities posed by the inexorable forces of modernization and urbanization.

While the causes of regional instability and conflict in Oceania are mostly internal, it is no accident that China's increased involvement coincides with growing regional instability. The very weakness of Pacific island states makes them valuable as a strategic resource for China. Their financial and other problems make the support of Pacific states cheap for Beijing to buy. At the same time, their utility as a source of diplomatic recognition (particularly in the China and Taiwan tussle examined below), voting blocs in international forums, fishing and other maritime resources, and as possible sites for port facilities or even military bases, means that relatively small investments in these countries can have major longterm payoffs for countries such as China.

China Links with Oceania

CHINA's connections with Oceania have deep cultural and historical roots. The first settlers in Oceania

were part of a wider proto-Austronesian culture, which encompassed a group of languages that had a common origin in Taiwan some 5,000 years ago. Recent research links the indigenous people of Taiwan to the Polynesian, Micronesian and eastern Melanesian people of the Pacific. A more recent and direct link dates from the 1700s when European traders found markets for Pacific island produce in China. This link expanded during the 19th century, when Chinese labor was recruited to work in Pacific island plantations and phosphate mines. As a result of all this, there are today small but usually prominent Chinese communities in most Pacific island states.

These immigrant Chinese populations have never challenged the political dominance of indigenous peoples, as the Indian population did in Fiji, but Chinese commercial success has often been a source of resentment. In Fiji recently, the trade union movement condemned the hiring of 900 Chinese garment workers, with union leaders complaining that the influx of Chinese immigrants had depressed wages, work conditions and employment opportunities. In 1998, a leading figure in the Tongan pro-democracy movement, Akilisi Pohiva, claimed that Chinese immigrants were costing Tongans work opportunities and causing "economic, political, social and moral problems." In late 2000, several hundred Chinese shopkeepers and their families were ordered out of Tonga "for their own protection."

Such tensions between Chinese and indigenous population groups are unlikely to dissipate, especially as more Chinese nationals venture into the Central Pacific with unclear or dubious immigration status. Ethnic Chinese, particularly from Taiwan, have been the main purchasers of passports sold by a number of island states, including Nauru, Tonga, Samoa, the Marshall Islands, Tuvalu and Kiribati. In most cases the "passports" do not allow permanent settlement; the island states are being used instead as stepping stones for access to the United States, Australia and New Zealand. In extreme cases, some Chinese have resorted to the more desperate status of "boat people." With the United States as their preferred destination, many have been apprehended near U.S. Pacific territories. In July 1999 alone, 800 (mainly Chinese) illegal immigrants were arrested on boats around Guam. Others have ventured farther south, mainly to Papua New Guinea but some as far as New Caledonia. Some locals believe that the Chinese government has encouraged emigration to the Pacific islands as a means of increasing their influence in the region, but this is unlikely. Nevertheless, China can be a vocal advocate of the rights of ethnic Chinese in the Pacific, particularly when they are under threat-such as in 1998's bloody anti-Chinese riots in Indonesia.

The establishment of international shelf banks heavily engaged in money laundering, shipping flags of convenience and passports sales has brought these islands into contact with a range of shady organizations, including terrorist groups. Earlier this year, three vessels flying the Tongan flag were caught in the Mediterranean moving weapons, explosives and men for Al-Qaeda. In April 2003, U.S. authorities reported that six alleged terrorists, including two alleged Al-Qaeda operatives, had been arrested in Southeast Asia carrying Nauruan passports. Under U.S. pressure, Nauru has agreed to end its passport sales and shelf banks in return for U.S. assistance. The money, it was claimed by Nauru, was to be used in opening a new Nauruan embassy in, you guessed it, Beijing.

Despite these problems, long-established Chinese settlers are held in high regard in a number of Pacific island states. Chinese heritage is increasingly a source of pride, and growing numbers of Pacific Chinese are developing political networks and entering politics. The most prominent of these is Sir Julius Chan, who served several terms as Prime Minister of Papua New Guinea. The son of a Chinese trader, Chan is a successful businessman and a strong supporter of Beijing. In Fiji, another part-Chinese businessman, James Ah Koy, was a leading figure in politics--but lost his place in parliament in the August 2001 election after allegations that he was linked with George Speight, the front man for the May 2000 coup. The Solomon Islands and Samoan parliaments also contain prominent ethnic Chinese members. In Kiribati, an ethnic Chinese, Harry Tong, ran a credible contest for the presidency, and may well be president one day. His brother also serves in parliament.

China's Investment in Oceania

SINCE 1975, when diplomatic relations were first established with Samoa, China has built a comprehensive network of diplomatic posts in Oceania. While the United States has been closing diplomatic posts, China has opened embassies in Samoa, Fiji, Papua New Guinea, Kiribati and Vanuatu. The Cook Islands has established diplomatic relations with China, and Niue would like to follow but has been blocked by New Zealand. China has more diplomats (although not more diplomatic posts) in the region than any other country.

China has generally adopted a low-keyed approach to its strategic relationship with Oceania. In 1980, China's ballistic missile tests in the Central Pacific provoked strong protests from Pacific island governments, prompting a Chinese apology and reassurances of benign intentions. In 1985, Communist Party General Secretary Hu Yaobang visited the region and stressed that China fully respected the sovereign rights of the Pacific island countries, and their existing relationships with outside states. China also moved quickly in 1987 to sign the protocols of the 1985 South Pacific Nuclear Free Zone Treaty, and has played a cautious hand in regional disputes. In May 2001, for instance, Beijing quickly denied claims by West Papuan dissidents from Indonesia's disputed eastern province that they had China's support-although the dissidents' leaders admitted that they had visited Beijing to put their case to Chinese officials.

China's military assistance to the few Pacific island states that maintain military forces-Fiji, Papua New Guinea, Vanuatu and Tonga-has also been modest. It has consisted of training and logistical support rather than weaponry, but military assistance has increased sharply in recent years. Ministerial visits have stressed supposedly "common interests" between Chinese and Pacific defense forces. Following the May 2000 coup in Fiji, China volunteered to fill the gap left by the suspension of Australian and New Zealand military assistance. Present contacts between the Chinese and Pacific island military forces could easily be expanded in the future.

China's strategic interests in Oceania are anyway long term, best understood in the wider Pacific and global context. China's ambition to develop a blue water navy will inevitably increase its Pacific sphere of influence-particularly in the region that some Chinese naval strategists refer to as the Pacific's "second island chain"-running from west of the Aleutians down through the Marianas to the eastern extremities of Papua New Guinea. Japan's use of these islands in its World War II effort to establish a Pacific empire has not been forgotten, but there is no evidence that China will seek to expand its influence by waging war. Technology, too, has diminished the strategic significance of the islands. But China may one day use the islands to deploy land-based anti-ship missiles to compensate for its naval weakness.

The present strategic value of the Pacific islands for China is demonstrated by the presence of what is officially described as a "satellite space-tracking station" established by China in 1997 on Tarawa Atoll in the Republic of Kiribati. The station is the only one of its type outside Chinese territory. The Kiribati government claims the facility has no military significance and exists only to track Chinese space vehicles. It rejects suggestions that it could make Kiribati a potential target if China became involved in a conflict. This is disingenuous. The facility is run by the Chinese military and plays an important role in the development of China's space warfare program.

Of even more immediate concern is the base's convenient location for monitoring United States missile tests at nearby Kwajalein Atoll in the Marshall Islands. The Kwajalein base is vital for the development of the United States missile defense system, which China strongly opposes.

In late 2002, the status of the Chinese base became a controversial issue in Kiribati domestic politics. Opposition leaders claimed that China had funded the government's re-election, and vowed to close the base if they won. Nonetheless, Kiribati receives rent payments for the facility and has been given considerable aid by China. Some of these aid projects also have strategic implications. For example,

China has redeveloped Kiribati's main airport. While this helps local tourism, it could also one day benefit China. Whatever the real purpose of the space-tracking station, the fact that China operates a military facility on the territory of a Pacific Island Forum member stands as a reminder that the potential strategic significance of the Pacific islands may be exploited by non-Western powers.

Rivalries

IN RECENT years, the United States and China have appeared willing to manage their bilateral relationship to avoid crisis and conflict. As long as the United States avoids a policy of militarized containment, and as long as nothing serious goes wrong across the Taiwan Strait, Chinese influence in Oceania triggers no alarms in Washington. This is despite the broader context, in which the U.S. Pacific Fleet has been reduced by half since the end of the Cold War, and the United States has given up key bases in the Philippines.

U.S. attention to Oceania under current circumstances will probably continue to diminish--with one partial exception. Only in Micronesia does the United States possess special equities. The Compact of Free Association relationship between the United States and the Marshall Islands, the Federated States of Micronesia (FSM), and Palau gives the United States control over defense issues in return for generous economic assistance (over \$3 billion to the Marshall Islands and the FSM during the first 15 years of the Compact.) Such economic largesse gives the United States a veto over the compact states' foreign policies. A rare example of the use of this veto occurred in early 2001 when the United States nixed the visit of Taiwanese warships to the Marshall Islands in order to avoid a dispute with China. As to Taiwan, while rivalry between Washington and Beijing is not likely to froth over in Oceania, rivalry between Beijing and Taipei is active and ongoing.

Taiwan has worked hard and paid small Pacific island states generously to win their diplomatic recognition and support to regain UN membership. Of the 28 countries worldwide that currently support Taiwan, four--Palau, the Solomon Islands, Tuvalu and the Marshall Islands--are Pacific island states. It is significant that these are among the region's smallest, poorest and weakest counties. For Taiwan, a relatively small outlay can buy significant political influence. For instance, Tuvalu's support for Taiwan was gained for an annual payment of just \$250,000 over ten years. The Marshall Islands' 1998 decision to recognize Taiwan, and maintain this recognition after a change of government the following year, illuminates further the power of Taiwanese money. In 1997, too, the Samoan government, which recognizes China, accused Taiwan of helping to fund anti-government marches organized by traditional political leaders. Taipei denied making the payments, and accused the Samoan government of seeking to divert attention from its domestic problems.

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Then, in 1998, Taiwan withdrew its ambassador to the Solomon Islands after reports that he had "lured" two opposition MPs to support the government. The Taiwanese government had special reason to worry about its position in the Solomons. It had provided considerable financial support to the deposed government, and in return received diplomatic support. Following an earlier, May 2000 overthrow of the elected government, the foreign minister of the new militia-backed regime traveled to China in an unsuccessful attempt to profit from a bidding war between Beijing and Taipei. But the Solomon Islands remained in the Taiwanese camp in return for an upgraded aid package, and is now considering a proposal that it become a dumping site for Taiwan's nuclear and industrial waste.

Three years earlier, in mid-1997, a financial crisis in Papua New Guinea bought about a similar attempt to play off the two Chinas. Papua New Guinea's then Prime Minister, Bill Skate, sought to switch diplomatic support from China to Taiwan in return for an economic package reportedly worth \$3.2 billion in grants, loans and business deals. But his government collapsed and its successor--pressured by the Australian government, whose annual \$160 million aid package is crucial to the country's survival--decided to stick with China. The Chinese ambassador in Port Moresby took the opportunity to warn against Taiwan's willingness to take advantage of countries in financial crises. Such moves, he said, constituted "a serious infringement of China's sovereignty and territorial integrity." Papua New Guinea is now the largest recipient of Chinese aid of any Pacific country.

China has been reluctant to move beyond rhetoric in countering Taiwanese overtures to Pacific island states. It used its position on the UN Security Council to delay, but not veto, Nauru's and Tuvalu's applications to join the United Nations in 1999 and 2000 respectively, despite both countries having bestowed diplomatic recognition on Taiwan (Nauru has since switched sides and now recognizes China). But China has undertaken reprisals, as in 1997 when it threatened to end preferential treatment for Fijian sugar imports in response to Fiji's strengthened ties with Taiwan.

Aid Diplomacy

ALL PACIFIC island states are heavily aid dependent. As the United States and former colonial powers like Britain have reduced their largesse to the Pacific, Japan has emerged as the region's main bilateral donor. However, Japanese aid is heavily influenced by commercial interests, particularly access to the region's rich tuna resources. Japan has also been careful to use its aid to complement its alliance relationship with the United States.

China, by contrast, uses its aid to underline its strategic competition in the region with the United States and its allies in general, and with Taiwan in particular--and the locals have been increasingly receptive of it. The tendency for island states to look to Asia rather than to traditional Western supporters has been

particularly encouraged by two recent developments-resentment at growing criticism from traditional aid donors, and the inability or unwillingness of these donors to respond to the island states' needs. Whatever the reasons for it, Chinese aid disbursements have moved from near zero to one of the largest in the region in only a few years. Chinese aid to the Pacific's largest state, Papua New Guinea, for example, is now second only to that of Australia.

Aid from China is generally given for political rather than economic purposes. Indeed, much of the assistance to date has been for highly visible prestige projects, including the construction of a new parliamentary complex in Vanuatu, a multistory government office in Samoa, the new foreign ministry headquarters in Papua New Guinea, as well as hotel developments in Tonga and the provision of a ferry for Kiribati. China also built the sports stadium in Fiji for the 2003 South Pacific games, and has made a practice of donating a fleet of VIP cars to the island state hosting the annual Forum meeting. These projects have added little or nothing to the recipients' economic development, however, because China provides all the materials and labor for the construction of aid projects.

Meanwhile, since the end of the Cold War, Western aid donors have increasingly attached governance conditions of accountability, transparency, human rights and democracy to aid arrangements. When democracy is overthrown by a coup, as happened in Fiji and the Solomon Islands, the curtailment of Western aid disbursements has created resentment. By contrast, China has been widely praised for its policy of "noninterference", which contrasts sharply, as the locals see it, to the "bullying" tactics of Australia and New Zealand.

An interesting window on the "governance - and - aid" issue is Tonga's 1998 decision to switch diplomatic recognition from Taiwan to China. Tonga is ruled by a feudal political system with King Tupou VI holding near-absolute powers. Several reasons have been advanced as to why the king decided to recognize China. He may have wished to assist his daughter Princess Pilolevu's profitable satellite company, which had developed strong ties with China (this despite the multi-millionaire Princess's claim that she was moved not by money but by a desire to spread Christianity). The king was perhaps impressed by the larger-than-life bronze statue of himself presented by Beijing. Recognizing China also cleared the way for Tonga's entry to the UN. But most important, the king--who has resisted Tonga's pro-democracy movement--was "unimpressed" by Taiwan's adoption of democracy. As he sees it, governance is his business--in both senses of the word.

While China's interests in Oceania are mainly political and strategic, there is also an important economic dimension. China is an increasingly important trading partner for Pacific island states, with the trade balance heavily in China's favor. Over 3,000 Chinese state and private entities have established themselves in the region, with investment worth some \$800 million. China has also agreed to fund the establishment of a Pacific Trade Office in Beijing to promote trade and investment between China and Pacific island states, with proposals for another trade post in Hong Kong.

Within Oceania, only Melanesia contains extensive mineral and forestry resources, but political instability has hindered any significant development of them. Micronesia and Polynesia have little to offer investors beyond fish and tourism, although sea-bed minerals remain a possible future source of potential wealth given the vastness of the island states maritime exclusive economic zones. China has carried out extensive oceanographic research, including the analysis of the region's seabed minerals. Along with Taiwan, China has extensive interests in Oceania's fishing resources, so much so that in September 2001 New Zealand expressed concern about a one hundred-strong Chinese fishing fleet establishing a base in Fiji. Observers feared that the fleet might undermine recently agreed conventions on highly migratory fish species, especially tuna. A Chinese spokesman denied that China was establishing a new base, maintaining that Fiji had invited the fleet to help develop its own fishing infrastructure. This, too, was disingenuous.

DURING THE early part of this century China is likely to overtake Japan as the leading Asian power influencing the Pacific region. While China's immediate attention in the Pacific is concentrated on the Taiwan issue, it is fast developing wider and longer-term interests. It sees itself as an emerging major power and expects the respect, recognition and influence that its enhanced status entails. In time, this may bring increased strains in U.S.-China relations, which in turn will increase the strategic significance of the Pacific island region. By then, however, many Pacific island states will be looking to China to provide regional leadership and security.

This could change if the United States joined with Australia, New Zealand and Japan to re-engage in Oceania. The question really comes down to whether the U.S. government can effectively manage peripheral issues in any mode but an exclusively reactive one. Oceania might be a prudent place to find out.

John Henderson is associate professor of political science at the University of Canterbury in Christchurch, New Zealand. Benjamin Reilly is senior lecturer at the Asia Pacific School of Economics and Government at the Australian National University in Canberra.

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