INVESTIGATION OF THE PAPER

ABSTRACT

The Pacific Islands, a group of fourteen island nations in the South Pacific Ocean had been a source of low interest for the global powers, however, this seems to have changed as Asia draws increasing attention from the world economies in the 21st century. Despite geographical distance and unenthusiastic historical interaction, initiation of India's development engagement with these island nations date back to as early as the year 1973. Importantly, over the past decade, India has been further successful in reinvigorating development ties with all the fourteen island nations. The strengthening of this relationship holds huge potential both for India and all the fourteen island nations, as it provides newer markets for India exports and more favorable terms of access to potentially resource rich Exclusive Economic Zones of the Pacific Islands. On the other hand, Pacific Islands stand to benefit immensely from India's experience in diverse fields including low cost renewable energy as well as greater flexibility in their foreign policy choices. Thus, in light of these considerations, this paper looks into India's development cooperation with the Pacific Islands by segregating it into various sectors of interest.

INTRODUCTION

The Pacific Islands, a group of 14 island nations in the South Pacific Ocean with a total population of just over 8 million people,[2] have been of limited strategic significance to the major global powers since the pitched battles of World War II were fought on their shores over half a century ago. However, with the increasing focus on Asia in the 21st century, the Pacific Islands will almost certainly play a more active role. As the United States Navy Admiral Samuel J. Locklear noted, “Five trillion dollars of commerce rides on the sea lanes of the Asia-Pacific each year, and [the] people [of the Pacific Islands] sit right in the middle of it.”[3]

THE PACIFIC ISLANDS AND THE BROADENING HORIZONS OF INDIAN DEVELOPMENT COOPERATION

Considering that 4,000 miles and two oceans separate New Delhi from the closest Pacific Island,[4] India’s links with the region have historically been limited. India’s interactions with the Pacific Islands began in 1879, when Indian workers were brought to Fiji to work on sugarcane plantations.[5] Despite the distance and the tepid historical interactions, New Delhi showed a desire to forge closer ties with the Pacific Islands soon after independence in 1947. In 1948, India established a ‘Commission for the Government of India’ in Fiji – a colony of the United Kingdom at the time.[6] With Fiji’s independence in 1970, India upgraded the diplomatic outpost to a High Commission, and through it, established diplomatic links with other Pacific Island nations over the years.[7]

India’s earliest engagement with the Pacific Islands as a development partner dates to 1973, when India donated clothes and medicines to Tonga.[8] Since then, India’s interests in the Pacific Islands have continued to grow deeper - particularly over the past decade. Evidence of the growing development assistance based ties between India and the PICs is the US$ 50.4 million Line of Credit India extended to Fiji in 2006, to assist with modernizing the nation’s sugar industry. [9]
India’s relationship with Fiji dates back to the late 1800s when indentured labourers from India were brought to Fiji to work on the sugarcane plantations. Today, nearly 40 percent of Fijians are of Indian origin,[10] leading Indian foreign policy generally to play a more activist role in Fiji. For example, in the aftermath of the 1987 coup in Fiji (where one of the reasons behind the coup was to keep Indo-Fijians from gaining increased political representation in the Fijian parliament) India immediately imposed trade sanctions and scaled back its diplomatic ties with the island nation. Following this coup, India closed its High Commission in Suva. [11]

India also recognized the government of Frank Bainimarama that came to power soon after the 2006 coup because his government sought to mend fences with the Indo-Fijian community. Though aspects of India’s political engagement with Fiji are difficult to reconcile with India’s democratic principles, India’s muscular foreign policy in Fiji seems to stem from a desire to protect people of Indian descent from unfair treatment by the indigenous Fijian majority.

India’s engagement with the other Pacific Island Countries (PICs) has also become more activist over the past decade. In 2006 the Indian Minister of State for External Affairs E. Ahmed announced an annual grant of US$ 100,000 to each of the 14 island nations.[12] This was subsequently increased to US$ 125,000 in 2009.[13] Between 2005 and 2012, Indian development assistance to this region totalled over US$ 50 million in the form of Lines of Credit and over US$ 11 million in grants.[14]

While these commitments take Indian development cooperation far away from the familiar grounds of South Asia and Africa,[15] New Delhi’s growing engagement with the Pacific Islands is not surprising given India’s growing economy, which has increased India’s search for access to new markets as well as natural resources. A deeper engagement with the South Pacific will allow India to field a presence well beyond its immediate neighbourhood, which could prove beneficial as Indian goods seek bigger markets further away from its shores. Moreover, given the prospects for deep-sea mining of natural resources and liquefied natural gas extraction, particularly off the coast of Papua New Guinea (PNG),[16] deeper engagement with PNG and other PICs which possess vast and potentially resource-rich waters off their coasts, could prove invaluable to India as it seeks new sources of hydrocarbons and rare earth metals to fuel its economic growth. By forging closer partnerships with the PICs India can hope for more favourable terms of access to the potentially resource rich Exclusive Economic Zones[17] of the Pacific Islands, if seabed mining in the South Pacific proves ecologically and economically viable.

In addition, since all nations have an equal vote at the United Nations General Assembly regardless of population size, if Indian development cooperation results in greater goodwill and support from this block of 14 Pacific Island nations, India can be more optimistic about realizing its broader geopolitical aspirations.[18]

**INCENTIVES TO BUILD DEEPER DEVELOPMENT PARTNERSHIPS**

In 2009, the Indian Minister of State for External Affairs, E. Ahmed, remarked that New Delhi sees its engagement with the PICs as a logical extension of India’s Look East policy,[19] which serendipitously dovetails with the ‘Look North’ policy of the Pacific Islands. [20] Though the Look North policy of the Pacific Islands initially sought greater engagement with East Asia, it has increasingly expanded in scope to include India in its purview. This comes as little surprise since the Pacific Islands, a diverse group of nations going through a development experience similar to India’s,[21] stand to benefit considerably from building deeper development partnerships with New Delhi. For instance, global warming and the failure to mitigate the effects of climate change will be felt far sooner in these largely low lying Pacific Island nations. India, with its experience in low-cost renewable energy, especially wind and solar power,[22] could prove a valuable development partner as the Pacific Islands seek to reduce their carbon footprint and look for innovative climate change adaptation strategies. India could also assist in the Information Technology, education and manufacturing sectors.

Moreover, if China, through the Maritime Silk Road strategy, and the US, through the pivot to Asia, seek a comprehensive presence in the Asia-Pacific, the Pacific Islands might find themselves constrained, especially in their foreign policy options. Engaging in a deeper development partnership with India would enable the Pacific Island Countries to have greater flexibility as they deal with Beijing and Washington.

**SECTORAL FOCUS OF INDIAN DEVELOPMENT COOPERATION WITH THE PICS:**

**Renewable Energy**

Considering the threat rising sea levels pose to many of the low-lying Pacific Island nations, minimizing the impact of climate change is of enormous importance to their future livelihood.[23] And though modest, India’s efforts in the renewable energy sector have helped in the wider adoption of more efficient power generation and water desalination systems in the PICs. A notable example of India’s efforts...
to foster the spread of renewable energy in the PICs is the training program organized in 2012 for elderly women from Fiji, the Solomon Islands, Tuvalu, Samoa, Kiribati and Nauru at the Barefoot College in the Indian state of Rajasthan. [24] The innovative ‘Barefoot Grandmothers’ project trains elderly, often semi-literate and illiterate women from rural communities around the world, to install residential solar power units and solar powered water desalination plants.[25] On completing training, the women assume responsibility for the repair and maintenance of the solar units for at least 5 years. [26] Elderly women are selected for the program as they are more likely to return to their community and put their training to use there; instead of using their newly acquired skills to seek well paying jobs elsewhere. [27] Ideally, the program would yield broader benefits since these women are also encouraged to help communities nearby adopt similar environmentally sustainable technologies. [28]

Aside from funding the ‘Barefoot Grandmothers’ training program for a group of Pacific Islanders, in 2007 India allocated INR 4 million (approximately US$ 90,000) for a solar street light project in Majuro, the capital of the Marshall Islands. Through this grant, Majuro, a city of 30,000, [29] which presently depends on fossil fuels for 99 percent of the power it consumes, [30] took a step towards adopting renewable energy more widely. With India’s grant, Majuro installed 20 solar powered streetlights, 16 solar powered traffic lights and 30 solar powered warning lights in the city. [31]

In addition, in March 2007 India facilitated a training workshop on sustainable development in Suva, Fiji through the Indian research organization Tata Energy Research Institute (TERI). The primary objective of the workshop was to help the small islands states of the South Pacific enhance capacity in renewable energy utilization, rainwater harvesting, and waste management. [32] The workshop concluded with the Government of India and TERI agreeing to strengthen mechanisms to share best practices in sustainable development with the PICs. Participants also agreed to strengthen technical cooperation and to transfer technologies that can help the PICs more efficiently harvest rainwater and manage waste.[33]

Information Technology

The spread of information technology in the Pacific Islands has been far from uniform. With 82 percent of its population connected to the internet, [34] Niue - the first nation in the world to offer free Wi-Fi throughout its borders[35] - stands in stark contrast to Papua New Guinea, where only 2.3 percent of the population is connected to the web. [36] In the Pacific Islands, Indian development assistance in the IT sector has focused on nations where the spread of Information Technology has been limited. Looking to replicate the success of Indian-funded IT Centres in Tajikistan, Armenia, and Ghana, between 2010-11, India allocated grants to set up similar institutes in Fiji and PNG. These centres are intended to serve as a useful resource base for the Governments in the region to promote e-governance, and to develop human resources in the information technology sector.

Education

The numerous high level visits between India and the PICs, India’s admission the to Pacific Islands Forum as a dialogue partner, [37] and the negotiations to implement Double Taxation Avoidance treaties with some of the PICs[38] indicates that relations between India and the region have been deepening. Indian development assistance in education and capacity building will likely strengthen these ties. Notable among Indian development partnerships in the education sector is a project announced in 2009 which aims to set up Hole-in-the-Wall (HiWEL) Education Learning Stations in each of the 14 PICs. [39] These learning centres launched by the Indian company National Institute of Information Technology (NIIT) aim to bring computer education to children in rural and urban slum areas of the PICs. [40]

India also provides training fellowships to the PICs under its Indian Technical and Economic Cooperation (ITEC). While India allocated 85 Slots to the Pacific Island Countries in 2005, by 2011 128 such training slots were being allocated to the PICs. [41] In 2001, PNG and Fiji the most populous of the PICs allotted 30 and 25 of these slots respectively. Between 1996 and 2013, over 250 students were trained under the ITEC program from PNG alone. [42] India also signed an agreement with the Papua New Guinea University of Technology in 2009 to foster closer cooperation and academic exchanges with the Indira Gandhi National Open University (IGNOU) in New Delhi. [43] Under the agreement, IGNOU would also train staff from the university through distance education programs. IGNOU signed a similar agreement with the University of Papua New Guinea in June 2011. [44] Later the same year, PNG enrolled its first batch of eight largely middle management staff from the University of Papua New Guinea in the Masters in Distance Education (MADE) course at IGNOU. [45]

Additionally, in 2013 India offered 20 slots to Fiji under the Colombo Plan for short-term training courses in various Indian institutions, [46] in addition to the 25 scholarships offered to Fiji under the General Cultural Scholarship Scheme of the Indian Council for Cultural Relations. [47]
Sugar Industry

In 2006, India extended a US$ 50.4 million Line of Credit (LOC) to Fiji to help modernize the nation’s sugar industry and help the country diversify into bio-fuels, making this among the first and also by far the largest of India’s projects in the PICs.[48]

At the time the LOC was extended, sugar exports accounted for 16 percent of Fiji’s total export earnings.[49] However, the sugar industry was operating considerably below optimal efficiency.[50] Recognizing that crumbling infrastructure was hindering productivity, the Fijian government sought assistance from India.[51] India extended the US$ 50.4 million LOC with the objective of helping Fiji increase production efficiency and also to help Fiji’s sugar industry branch into ethanol production.[52] The LOC is repayable in half-yearly instalments over a ten-year period and the moratorium period has been extended to 8 years. Interest on the LOC is payable at the LIBOR rate plus 0.5 percent,[53] putting this LOC in the same category as loans offered to middle income countries. The grant component of this LOC is approximately one third.[54]

The past years have seen greater diversification of Fiji’s economy, making sugar exports less pivotal to the island’s GDP. In 2011-12, sugar exports accounted for 6.7 percent of Fiji’s total exports (under 2 percent of the GDP), down from 16 percent in 2004-05 (or over 5 percent of the GDP).[55] Economically, modernization of the industry might therefore seem less rewarding. However, given that the sugar industry still directly employs a significant percentage of Fiji’s population,[56] up-gradation promises broader non-monetary benefits. And despite the long delays that arose partly from the 2006 political coup in Fiji as well as from inefficient sub-contracting on India’s part and inept management from Fiji[57] (the project was to be completed in 2007), the Indian government still appears keen to see Fiji benefit from efficient sugar and ethanol production mills. In 2012, New Delhi extended the moratorium period of the LOC to July 2014, bringing the total moratorium period of the credit line to 8 years.[58]

TRADE

India’s trade with the Pacific Islands stood at US$ 228 million in 2012, with PNG, the most populous of the Pacific Islands, being India’s largest trading partner in the region for all years between 1996 and 2013, with the exception of 1998/99 to 2002/3, when India traded the most with Fiji.[59]
The low volumes of trade between India and the PICs is due to the small populations and market sizes in these islands, as well as their distance from India. However, the comprehensive Export Intensity (EI) index gives a different assessment of the prospects for India’s trade with the PICs. The EI index indicates whether a particular nation exports more to a given destination than the world does on average. A value greater than one indicates an ‘intense’ trade relationship with the given destination. A value less than one implies opportunity for expansion. Between 2009-11, India recorded an EI value of less than 1 for all the Pacific Island nations except Fiji, with the EI value for Tuvalu and Kiribati as low as 0.07 and 0.14 respectively, showing significant room for India to deepen trade ties with the Pacific Islands.

CONCLUSION

As the Asia-Pacific rises in geostrategic importance, the PICs – spectators to most political events that came to define the 21st century - will almost certainly move out of the periphery of geopolitics. As the United States Navy Admiral Samuel J. Locklear noted at the Pacific Islands Forum in 2012, “Five trillion dollars of commerce rides on the sea lanes of the Asia-Pacific each year, and [the] people [of the Pacific Islands] sit right in the middle of it.”

However, as both Beijing and Washington also show a greater interest in these strategically important island nations, the Pacific Islands could find themselves constrained, especially in their foreign policy options. Given the host of dovetailing interests between India and the PICs (notably, in the renewable energy, education, manufacturing and IT sectors), the Pacific Islands could stand to gain greater flexibility as they deal with Beijing and Washington by looking into deeper development partnerships with New Delhi.

For India the engagement with the Pacific Islands takes it far away from the familiar grounds of South Asia and Africa. Yet deeper development partnerships with the PICs could prove immensely rewarding because such engagements with countries in the South Pacific would allow India greater access to markets further away from its shores. Also, considering the potential for deep-sea mining and liquefied natural gas extraction, particularly off the coast of Papua New Guinea (PNG), deeper engagement with the PICs could help India in its quest to diversify its energy imports.

With new opportunities for trade and with resource based interests stretching further into the Pacific Ocean, New Delhi could also make a stronger case for shouldering a greater role in ensuring freedom of navigation through the maritime...
highways of global commerce from Hormuz to Malacca and beyond. Furthermore, as the notion of the ‘Indo-Pacific’,[66] which sees the region stretching from Madagascar to the Marshall Islands as one unit, finds traction, deeper development partnerships with the PICs could help India maintain a more comprehensive presence in this ‘two ocean’ region, helping ensure that the reference to India in the emerging ‘Indo-Pacific’ discourse is substantive.

Perhaps most encouragingly for India, deepening development partnerships with the PICs will not cost much. Considering the population sizes of the PICs, PNG at 7 million, Fiji at 850,000 and the remaining 12 Islands at 150,000 people,[67] even a small increase in Indian development assistance to the region promises to yield rich dividends.

Disclaimer: The values quoted in this article are based on initial calculations by IDCR from publicly available data sources and/or from IDCR’s interactions with officials from the Government of India. These values are believed to be accurate, but not guaranteed. They may change as IDCR identifies and addresses discrepancies in the publicly available data. When quoting from this article, please indicate the date it was last updated.

REFERENCES
1. The Pacific Islands includes the Sovereign nations of Cook Islands, Federated States of Micronesia, Fiji Kiribati, Nauru, Niue, Palau, Papua New Guinea, Republic of Marshall Islands, Samoa, Solomon Islands, Tonga, Tuvalu, Vanuatu. Australia and New Zealand are left out of the purview of this brief.
7. ibid. India currently has two high commissions in the Pacific Islands - in Suva, Fiji and Port Moresby, PNG. These missions along with India’s embassies in the Philippines and New Zealand are accredited to the remaining PICs.
8. Publicly available data compiled by IDCR suggests 1973 was the first time India engaged with the PICs as a development partner.


17. An Exclusive Economic Zone (EEZ) as defined by the 1982 United Nations Convention on the Law of the Sea is a zone over which the coastal state has ‘sovereign rights for the purpose of exploring and exploiting, conserving and managing the natural resources, whether living or non-living, of the waters…of the seabed and its subsoil, and with regard to other activities for the economic exploitation and exploration of the zone, such as the production of energy from the waters, currents and winds.’ This zone stretches 200 nautical miles from the coast. See Article 56-1(a) United Nations Convention on the Law of the Sea (available athttp://www.un.org/depts/los/convention_agreements/texts/unclos/part5.htm). Accessed 23rd March, 2014.


22. India early experiments with wind power dates to 1986 (http://www.windpowerindia.com/index.php?option=com_content&view=article&id=3-facts-a-figures&catid=5-facts-a-figures). As of 31st January 2014, total installed capacity for wind and solar energy is at 22.5 GW accounting for approximately 9.5 percent of the total installed power generation capacity in India. (See Ministry of New and Renewable Energy ‘Physical


41. Preliminary calculations by IDCR.

42. Preliminary calculations by IDCR indicate India first offered PNG ITEC scholarships in 1996. That over 250 students from PNG have been trained under the ITEC program assumes these preliminary calculations are correct. See High Commission of India, Port Moresby ‘India-Papua New Guinea Bilateral Relations,’ 20th August 2013 (available at http://hcipom.gov.in/?id=3018). Accessed 27th March 2014.


26. ibid.

27. Ibid.


33. Ibid.


45. Ibid.


47. Ibid.

48. Preliminary calculations by IDCR.


51. Ibid.

52. Ibid.


54. This is calculated using the OECD formula for calculating grants.


59. Preliminary calculations by IDCR.


61. Ibid.

62. Ibid.

63. Ibid.


