

## **New Caledonia: A Wedge in the AUKUS?**

By Manlio Graziano and Mathilde Philippon

At a time of rising tensions surrounding China's ambitions and following a nasty U.S.-French spat over a submarine sale to Australia, it should be of more than slight interest to the world when the people of tiny New Caledonia – in the middle of the much-disputed South Pacific region – go to the polls December 12 to vote on whether to declare independence from France.

While it appears likely that the “No” vote will prevail, and New Caledonia will remain a French territory – at least for now -- things are not quite as simple as that.

This will be the third time in four years that New Caledonians have been called to vote on independence, as provided in the 1998 agreement between Paris and local actors, essentially divided along ethnic lines: On one side are the Caldoches, mostly descended from native-born French who have settled in the islands since the 18<sup>th</sup> century; on the other are the Kanaks, the indigenous Melanesian inhabitants. In the first two referendums, held in 2018 and 2020, voters rejected independence (respectively by margins of 57-to-43 and 53-to-47 percent). The results in 2020 were strongly polarized, with 71 percent of South Province, inhabited primarily by Caldoches, rejecting independence, while the mainly Kanak populations of North Province and Loyalty Islands Province cast overwhelming “Yes” votes (by 76 percent and 82 percent, respectively).

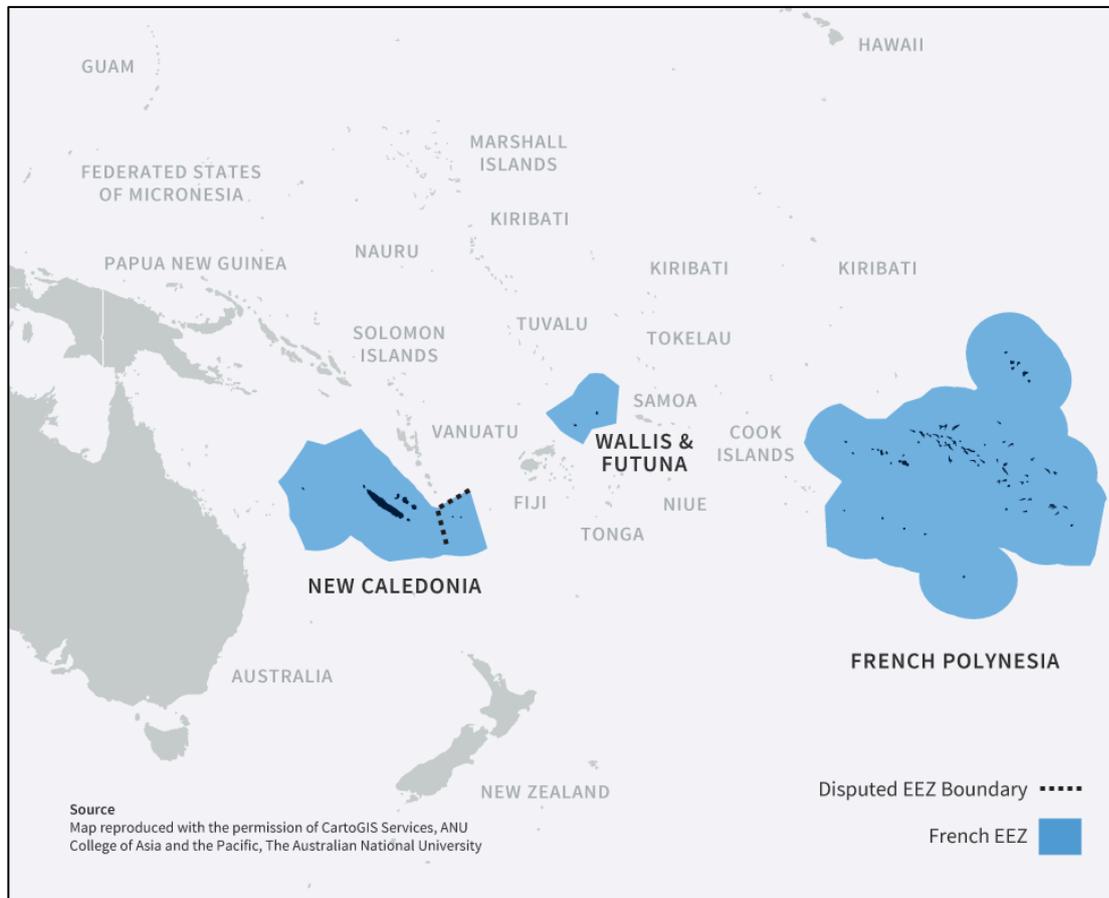
On December 12, though, there should be no surprises: pro-independence groups decided to boycott the vote after the French government insisted on maintaining the originally decided date in December despite a serious wave of Covid primarily affecting the Kanak population; thus, the gap in favor of a “No” vote is likely to widen significantly. End of story? Not necessarily.

Keep in mind the geography here: The vast New Caledonian archipelago, with its population of 270,000, is located about 900 miles east of Australia. Its position gives this French territory increasing importance in a geopolitical context characterized by the growing Chinese role in the area, and complicated by the September signing of the security pact linking the United States, Australia, and the United Kingdom (AUKUS).

Is AUKUS more than a statement of intent? Is it mere wishful thinking or the foundation for a strategic alliance? For now, it is hard to tell. What is known is that the US, Australia, and the UK signed it without consulting their putative key allies in the region: Japan, India, and France. Whereas the official response from Tokyo and New Delhi was relatively reserved, Paris reacted fast and furiously, recalling its ambassadors from Washington and Canberra (but not from London because, as French Foreign Affairs Minister Jean-Yves Le Drian put it, the UK is “the fifth wheel in the cart”). The French felt outrage not only because Australia scrapped a lucrative contract for 12 conventionally powered submarines, but – and mainly – because the AUKUS declaration made it stingingly clear that France is not as indispensable for regional security as is commonly thought in Paris.

France's numerous and farflung overseas collectivities and territories lend some grounds to its claims of indispensability. These possessions grant France the second largest Exclusive Economic Zone (EEZ) in the world, opening the doors of some regional organizations and

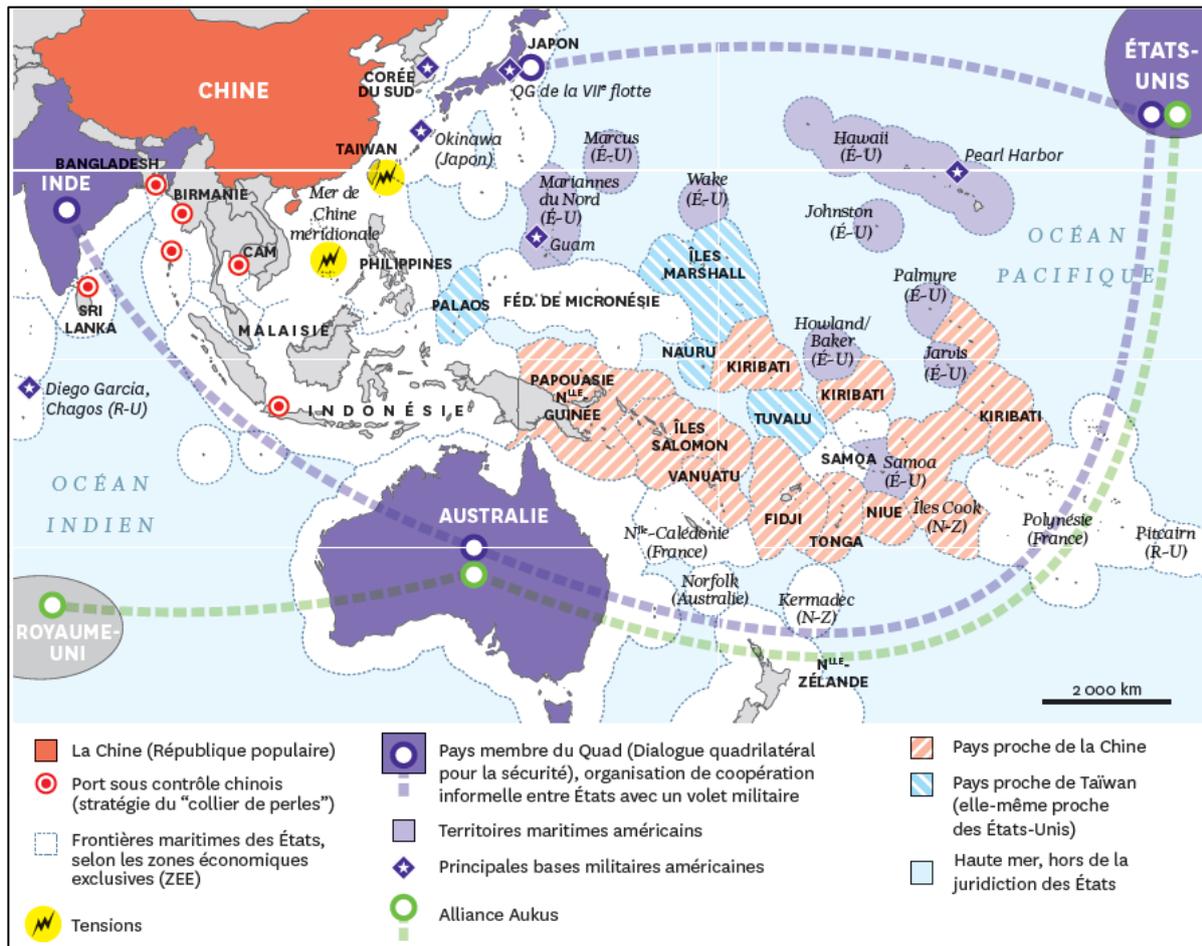
allowing Paris to strengthen its ties to other regional actors. In May 2018, Emmanuel Macron went so far as to call for a “new Paris-Delhi-Canberra axis” to respond to challenges in the Asia-Pacific.



French Exclusive Economic Zones (EEZ) in the South Pacific. Source: Lowy Institute

To substantiate his ambitious project, Macron showcased the military status of his country in the region. During a visit to French Polynesia in July 2021, he invoked France’s nuclear deterrence as a plus, both for French collectivities and for the entire region, despite the widespread lingering resentment over the 193 nuclear tests that Paris conducted in the Pacific from 1966 to 1996. New Caledonia is one of the hubs of the French military presence, with more than 1,600 servicepeople. And military cooperation with Australia and New Zealand gives regional scope to the French capacity for surveillance and protection, covering part of the island states of Melanesia.

Yet, if New Caledonia today looks like France’s main strength in the region, it could tomorrow become its main liability. Its geographic position and the growing interest in the Indo-Pacific area mean the archipelago cannot remain aloof from international implications. Both the United States and China are seeking to extend influence in the area, resulting in a complicated game of influences and tentative alliances, as depicted in the map below.



Rivalries and alliances in the South Pacific. Source: *Courrier International* (October 2021)

As the map shows, China has crafted an important network of potential “friends” in the region, creating a belt of client-states that isolates Australia and New Zealand from American maritime territories and US allies. This network is built largely on the back of trade and investments, but also, when the checkbook alone proves insufficient, by elite capture and bribery, following the long-tested path of all great powers. Since 2013, China’s two-way trade with the region has overtaken that of Australia. Beijing’s Belt and Road initiative only accelerated this trend: From 2014 to today, trade volume has doubled, from US \$2 billion to \$4 billion, while investments in grants and loans reached US \$1.5 billion between 2006 and 2017 (meantime, Australia and New Zealand received respectively US \$2.4 billion and US \$350 million in 2019). These investments have raised local and global concerns over a potential “debt trap diplomacy” already weighing on countries in Africa, Asia and Eastern Europe.

New Caledonia exerts a particular economic attraction. Besides its vast fishery resources, the archipelago is believed to possess as much as 25 percent of world reserves of nickel, which is massively used in batteries and demand for which has rocketed (China’s consumption of refined nickel more than tripled from 2010 to 2020). Previous to the signing this October of a multi-year supply agreement with Tesla, China was the leading importer of New Caledonian nickel, and it may still be. Overall, New Caledonia represents 10 percent of all Chinese trade with the South Pacific states.

The economy, as always, is both the end and the means of political battles, explaining why this area is becoming a huge geopolitical battleground. In a July 2020 article, Jonathan Pryke, director of the Lowy Institute's Pacific Islands Program, wrote that the scarcity of Chinese scholarly works, official statements, and strategic documents on the South Pacific islands shows "where the Pacific sits in China's strategic priorities". Nonetheless, "the geostrategic significance of these islands scattered across the vast Pacific Ocean" is obvious. It was true during World War II, when they were critical for both maintaining logistical supply lines and for military force projection; it is true for China today, as it seeks to dismantle the residual pro-Taiwan bastions and, more strategically, to isolate Australia and New Zealand. Shortly after AUKUS was signed (along with a contract for eight nuclear-powered submarines from the US to Australia), the Chinese newspaper *Global Times* warned that Australia could become "a potential target for a nuclear strike."

The United States is not shy about proclaiming its intention to counter China's growing role in the area; similarly, Australia did not hesitate to come to the rescue of the Solomon Islands in November when riots broke out there against the Chinese influence -- a reminder of the help those countries can provide in maintaining balance on that side of the world. Earlier, a Chinese-financed project for a major wharf in Vanuatu was curtailed amid active pressure from both Canberra and Washington; at the same time, Australia and the US partnered in rehabilitating naval facilities on Manus Island, in Papua New Guinea.

But Beijing has not backed off: according to *The Economic Times* of India, the Melanesian country of Kiribati (which, along with the Solomon Islands, switched diplomatic relations in 2019 from Taipei to Beijing) is discussing opening its largest marine reserves to China for commercial fishing – and potentially a naval base as well.

In this corner of the global new Great Game, New Caledonia could become the weak link in the China-fearing chain. If the pro-independence forces confirm their boycott of the December 12 vote, the outcome is clearly predictable – but also highly disputable. As the two previous referendums showed, almost half of the population is pro-independence, a sentiment unlikely to disappear regardless of the result. The issue will be kept alive by post-referendum negotiations planned from late 2021 until July 2023 in an effort to find a difficult balance between the two opposing sides (and those in between).

A long period of uncertainty, and perhaps instability, is about to start. China's awkward diplomacy, built on threats, debt traps and *faits accomplis* is growing the ranks of actors suspicious of, or outright hostile to, Beijing; in the South Pacific, no country except Vanuatu has taken on new debt from China since 2018, according to the Lowy Institute; and China itself does not *yet* consider the area a priority. That said, if New Caledonia becomes volatile, it may eventually fall into China's open arms.

That would put an end to the residual French dreams of indispensability – and drive a wedge into the newborn possible alliance between Australia and the United States.

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