

7

A Reevaluation of China's Engagement in the Pacific Islands

Zhou Fangyin

In the past few years, the development of relations between China and the Pacific Island countries has attracted the attention of some Western countries. To avoid taking a superficial view of the relationship between China and the Pacific Island countries, this chapter will analyse the development of and changes in their relations over the past decade and the driving forces behind these changes. The chapter discusses the development direction of China's policy towards the Pacific Islands in the future and how China will seek balance in its relations with the Pacific Island countries and Australia and New Zealand.

Have there been significant changes in China's policy towards Pacific Island countries in the past several years?

Since 2014, Chinese leader Xi Jinping has visited the Pacific Islands region twice and held two collective meetings with the leaders of the island countries that have established diplomatic ties with China. This is an unusual phenomenon in China's relations with the Pacific Islands. The unprecedented frequency of visits by Chinese leaders to the Pacific Islands, as well as China's rising presence in this region, has led some to

believe that China's interest in the Pacific Island countries has increased significantly. Some Australians and New Zealanders believe that their countries' influence in the Pacific region has been challenged and a prompt response is needed (Colton 2018; Dornan 2018; Mitchell 2018).

Have there been significant changes in China's relationship with the Pacific Island countries and, if so, in what ways? In order to reliably assess this issue, this chapter will make a judgement based on analyses of high-level visits between the countries and China's trade, investment and aid to the Pacific Islands.

Changes in the frequency of high-level visits between China and the Pacific Islands

Due to the asymmetry in the size and strength of China and the Pacific Island countries, this chapter mainly focuses on two aspects of data. The first is the number of visits to China by Pacific Island leaders between 2012–18 (at the level of president, prime minister and governor), as well as the number of visits to China by Pacific Island leaders over the preceding period of time (2005–11).

Table 1. Visits to China by leaders of Pacific Island nations during two seven-year periods

	Visits to China by Pacific Islands leaders, 2005–11	Visits to China by Pacific Island leaders, 2012–18	Change in frequency
PNG	3 times in total 1 time for governor: 10/2006 2 times for prime minister: 04/2009, 09/2010	7 times in total 1 time for governor: 09/2015 6 times for prime minister: 09/2012, 11/2013, 11/2014, 07/2016, 12/2017, 06/2018	+4
Fiji	6 times in total 2 times for president: 09/2010, 08/2011 4 times for prime minister: 2005, 2008, 2010, 2011	5 times in total 1 time for president: 2014 4 times for prime minister: 2012, 05/2013, 07/2015, 05/2017	-1
Vanuatu	6 times in total 3 times for president: 07/2007, 08/2008, 10/2010 3 times for prime minister: 02/2005, 08/2008, 04/2010	4 times in total 3 times for prime minister: 09/2013, 08/2014, 09/2015, 09/2016	-2
The Federated States of Micronesia	4 times in total 4 times for president: 04/2006, 12/2007, 08/2008, 04–05/2010	3 times in total 3 times for president: 09/2012, 11/2013, 03/2017	-1

	Visits to China by Pacific Islands leaders, 2005–11	Visits to China by Pacific Island leaders, 2012–18	Change in frequency
Tonga	4 times in total 2 times for the king: 04/2008, 01/2011 2 times for prime minister: 04/2007/, 08/2008	3 times in total 1 time for the king: 03/2018 2 times for prime minister: 07/2013, 11/2013	-1
Samoa	5 times in total 1 time for the head of state: 08/2008 4 times for prime minister: 2005, 03/2007, 09/2008, 08/2010	3 times in total 3 times for prime minister: 11/2013, 04/2015, transit, 09/2018	-2
Cook Islands	3 times in total 3 times for prime minister: 11/2005, 09/2007, 09/2011	1 time in total 1 time for prime minister: 11/2013	-2
Niue	3 times in total 3 times for prime minister: 06/2007, 11/2008, 10/2010	1 time in total 1 time for prime minister: 11/2013	-2

Source: Collated according to the website of the Ministry of Foreign Affairs of China.

As can be seen from Table 1, the number of visits to China by Pacific Island leaders was 34 during the seven years 2005–11, and 27 during the seven years 2012–18, a reduction of 20 per cent overall. With the exception of the number of visits by PNG leaders to China, which rose from three to seven, the number of visits to China by leaders of all other Pacific Islands decreased.

This study found that Pacific Island leaders make more intensive visits to China around major foreign-related events held in China. Such activities include the first China–Pacific Island Countries Economic Development and Cooperation Forum in 2006, the 2008 Olympic Games, the 2010 World Expo, the second China–Pacific Island Countries Economic Development and Cooperation Forum in 2013, the APEC annual conference in 2014, the ‘9-3’ military parade in 2015, and the Belt and Road Forum for International Cooperation summit in 2017. It is worth noting that visits to China by Pacific Island leaders have not become more frequent since 2013, while China’s home-court diplomacy has become more frequent.

The second area of concern is the high-level visits of the Chinese Government to the Pacific Island nations. The frequency of visits by Chinese officials at the ministerial level and above to the Pacific Islands constitutes an effective indicator of the importance China attaches to this

region. The scope of statistics analysed were limited to the members of the standing committee of the political bureau, the vice-premiers, the state councillors (at the rank of vice-premier), the ministers for foreign affairs, the head of the International Department of the CPC Central Committee, the minister of commerce, minister of defence and chief of general staff. The results are shown in Table 2.

Table 2. Visits to Pacific Island countries by senior Chinese officials at or above the ministerial level during two seven-year periods

	Number of high-level visits by the Chinese Government to Pacific Island countries, 2005–11	Number of high-level visits by the Chinese Government to Pacific Island countries, 2012–18	Change in frequency
PNG	3 times in total Wang Jiarui, head of the International Department of the CPC Central Committee (2005); Li Zhaoxing, minister for foreign affairs (2006); Chen Bingde, member of the central military commission and chief of the general staff of the Chinese People's Liberation Army (2009)	2 times in total President Xi Jinping (2018); Wang Yi, State Councilor and Minister for Foreign Affairs (2018)	-1
Fiji	5 times in total President Xi Jinping (transit in 2009); Jia Qinglin, member of the standing committee of the political bureau, chairman of the National Committee of the Chinese People's Political Consultative Conference (transit in 2005); Zeng Qinghong, member of the standing committee of the political bureau, vice-president (transit in 2005); Hui Liangyu, vice premier (transit in 2011); Liu Yandong, state councilor (2010)	3 times in total Wu Bangguo, member of the standing committee of the political bureau and chairman of the standing committee of the National People's Congress (2012); President Xi Jinping (2014); Wang Yi, State Councilor and Minister for Foreign Affairs (2018)	-2
Vanuatu	2 times in total Zeng Peiyan, vice premier of the state council (2007); Li Zhaoxing, minister for foreign affairs (2006)		-2
The Federated States of Micronesia	1 time in total Li Zhaoxing, minister for foreign affairs (2006)		-1

	Number of high-level visits by the Chinese Government to Pacific Island countries, 2005–11	Number of high-level visits by the Chinese Government to Pacific Island countries, 2012–18	Change in frequency
Tonga	1 time in total Li Zhaoxing, minister for foreign affairs (2006)	1 time in total Wang Jiarui, head of the International Department of the CPC Central Committee (2014)	unchanged
Samoa	3 times in total Li Changchun, member of the standing committee of the political bureau of the Central Committee (2007); Wu Guanzheng, member of the standing committee of the political bureau of the CPC Central Committee (transit in 2007); Li Zhaoxing, minister for foreign affairs (2006)	2 times in total Jia Qinglin, chairman of the national committee of the Chinese People's Political Consultative Conference (2011); Chen Deming, minister of commerce (2012)	-1
Cook Islands	1 time in total Li Zhaoxing, minister for foreign affairs (2006)		-1
Niue	1 time in total Li Zhaoxing, minister for foreign affairs (2005)		-1

Source: Collated according to the website of the Ministry of Foreign Affairs of China.

As can be seen from Table 2, during the seven years 2005–11, the number of visits to the Pacific Island countries by senior Chinese government officials within the scope of the statistics was 17, and during the seven years 2012–18 the number dropped to eight. In the earlier period, the minister for foreign affairs of China visited seven of the eight Pacific Island countries establishing diplomatic relations (with the exception of Fiji). In the latter period, the minister for foreign affairs of China visited two of the eight island states establishing diplomatic relations: PNG and Fiji. While President Xi Jinping's state visits to Fiji in 2014 and Papua New Guinea (PNG) in 2018 represent the highest level of visits by Chinese leaders, there has been no significant increase in visits to Pacific Island countries by other senior Chinese government officials.

China's trade with Pacific Island nations

Since the beginning of the 21st century, China's trade with Pacific Island countries has experienced relatively rapid growth. However, this growth was from a low starting point, and the total volume of this trade was still limited until 2017.

Table 3. The volume of import and export trade between China and selected Pacific Island countries since 2000 (US\$ million)

	PNG	Fiji	Vanuatu	The Federated States of Micronesia	Samoa	Tonga	Cook Islands
2000	225.59	15.43	1.51	1.65	2.04	1.64	0.25
2001	141.51	26.63	1.47	1.87	2.32	1.18	0.38
2002	186.92	31.97	1.67	1.30	2.79	4.84	0.19
2003	292.03	31.32	3.08	2.74	3.19	2.10	0.58
2004	296.37	38.71	7.49	7.45	6.86	6.28	0.91
2005	376.05	45.27	8.27	2.44	5.98	2.94	5.92
2006	518.27	69.23	19.38	2.95	12.96	3.75	2.02
2007	680.98	66.26	21.35	9.49	11.85	7.36	2.98
2008	858.31	90.36	34.67	4.01	27.71	7.29	2.67
2009	885.91	97.13	48.80	8.59	44.87	8.05	7.30
2010	1129.98	128.58	23.26	6.68	70.07	9.76	4.89
2011	1265.27	172.42	136.25	5.02	37.85	13.32	5.70
2012	1282.35	236.18	136.03	15.00	71.77	20.16	5.05
2013	1352.58	303.88	382.73	14.92	54.48	38.51	20.49
2014	2051.24	340.19	187.13	14.78	56.06	23.98	21.12
2015	2797.58	350.28	84.50	15.84	65.68	30.48	17.33
2016	2279.14	400.53	68.72	21.07	70.36	30.31	4.39
2017	2835.78	382.99	79.77	37.94	64.41	28.53	13.19
2018	3615.59	482.05	79.03	40.40	70.32	25.07	7.69

Source: Data from 2000–13 is from China Business Yearbook Editorial Board 2001–17. Data from 2014–18 is from General Administration of Customs, China (www.customs.gov.cn/customs/302249/302274/302277/index.html).

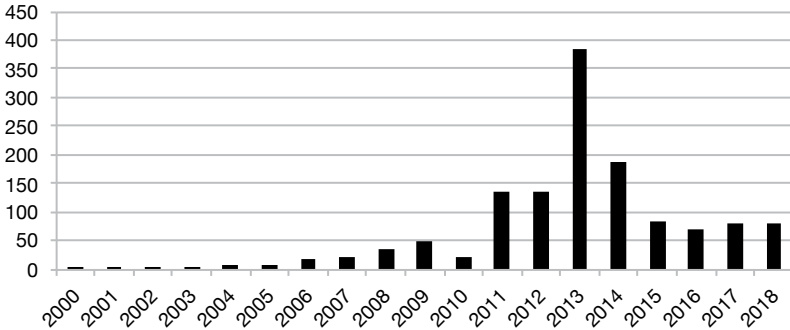


Figure 1. Trade between China and Vanuatu, 2000–18 (US\$ million)

Source: Data from 2000–13 is from China Business Yearbook Editorial Board 2001–17. Data from 2014–18 is from General Administration of Customs, China (www.customs.gov.cn/customs/302249/302274/302277/index.html).

Of the eight Pacific Island countries with which China had diplomatic relations until the end of 2018, PNG had the largest trade volume with China, followed by Fiji. Vanuatu's trade with China has increased dramatically since 2000, but has fluctuated considerably over the past decade. Trade with Samoa and Tonga has not grown rapidly since 2012. Trade between China and the Cook Islands declined sharply in 2016 and 2018, and was lower in 2018 than in 2013. Trade between China and Samoa was lower in 2018 than in 2012, and trade between China and Tonga was lower in 2018 than most years from 2013 to 2017. With the exception of PNG, Fiji and the Federated States of Micronesia, there has been no notable increase in trade relations between China and other Pacific Island nations since 2013, and some of them decreased during this period. Trade between China and Vanuatu has shown large fluctuations.

As can be seen from Figure 1, trade between China and Vanuatu maintained steady growth from 2000 to 2009, with significant increases in 2011 and 2013. Since then, however, trade between China and Vanuatu fell sharply two years in a row, from 2013 to 2015, by 51.1 per cent and 54.8 per cent, respectively. Trade between China and Vanuatu in 2018 was less than one-quarter of that in 2013.

In 2000, China's total merchandise trade was US\$474 billion. In 2018, China's total merchandise trade was US\$4,623 billion, about 9.8 times that of 2000 (World Bank 2019). Given the rapid growth of China's overall foreign trade over the past 18 years, the pace of growth in China's trade with Pacific Island countries is not abnormal.

China's investment in Pacific Island countries

In addition to trade, the international community is also concerned about China's investment in Pacific Island countries. From 2016 to 2018, Huawei, a Chinese telecommunications giant, launched a national broadband transmission network project in PNG and an undersea optical cable project to connect Solomon Islands to Australia (ABC News 2017; Huawei 2016, 2017). These two projects garnered a lot of attention in Oceania (Smyth 2017; Wroe 2017). In one sense, investment can bring China's influence more quickly and directly to the Pacific Islands and make China's presence there more perceptible to local people. While there is a perception that China's investment in the Pacific Islands has risen rapidly over the past several years and that China's presence in the Pacific Island countries has increased substantially, this perception may be overstated in terms of the actual amount of Chinese investment in the Pacific Islands.

Table 4. China's investment flows to selected Pacific Island countries since 2006 (US\$10,000)

	PNG	Fiji	Cook Islands	The Federated States of Micronesia	Samoa	Tonga	Vanuatu	Total
2004	10	-	-	-	-	-	-	10
2005	558	25	-	16	-	-	-	599
2006	2862	465	-	-	-	-	-	3327
2007	19681	249	-	625	-12	-	-	20543
2008	2992	797	-	-16	-	-	-	3773
2009	480	240	-	-	63	-	-	783
2010	533	557	-	-	9893	-	-	10983
2011	1665	1963	-	-289	11773	-	79	15191
2012	2569	6832	12	341	4759	-	293	14806
2013	4302	5832	17	46	-7793	-	-	2404
2014	3037	-3716	-27	339	3484	10	604	3731
2015	4177	1240	-	355	9586	98	2245	17701
2016	-4368	4461	0	0	10924	35	542	11594
2017	10161	1706	-	-1474	12840	112	2532	25877

Source: China Business Yearbook Editorial Board 2001–17.

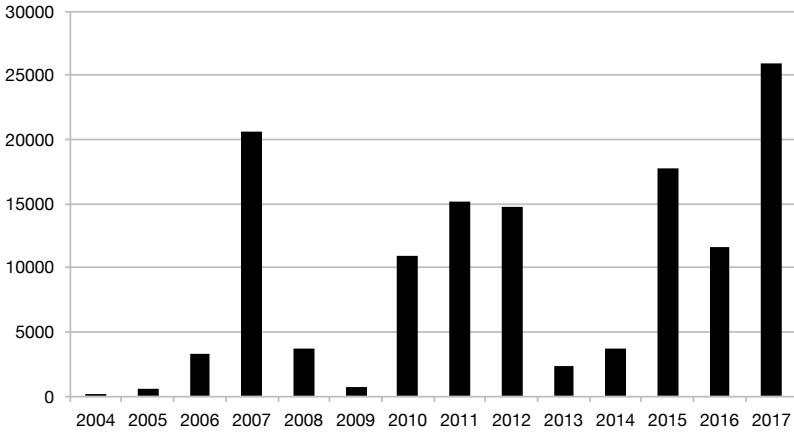


Figure 2. Chinese investment in selected Pacific Island nations (US\$10,000)

Source: China Business Yearbook Editorial Board 2001–17.

According to Table 4 and Figure 2, 2007 was the peak of Chinese investment in Pacific Island countries before 2016, and the flow of Chinese investment in these countries did not exceed the 2007 amount until 2017. Over the past decade, China's investment in Pacific Island countries has fluctuated greatly. This should not have happened if the Chinese Government is trying to increase its presence in Pacific Islands by expanding investment.

Statistically, from 2013 to 2016, Chinese investment in PNG did not increase or even decline. Chinese investment in Fiji fell sharply in 2017, equivalent to only one-quarter of that in 2012. Chinese investment in Samoa has risen rapidly since 2014, but was unstable before 2014, and the flow of investment to Samoa in 2017 was only slightly higher than in 2011.

In the past decade, 2010, 2015 and 2017 were the years in which investment flows increased rapidly, with investment in these three years increasing by US\$102 million, US\$140 million and US\$143 million respectively over the previous year, while investment flows decreased significantly in 2013 and 2016, by US\$124 million and US\$61 million respectively over the previous year. Judging from the investment data, China's investment flows to Pacific Island countries fluctuated greatly and did not show a steady rise until 2016.

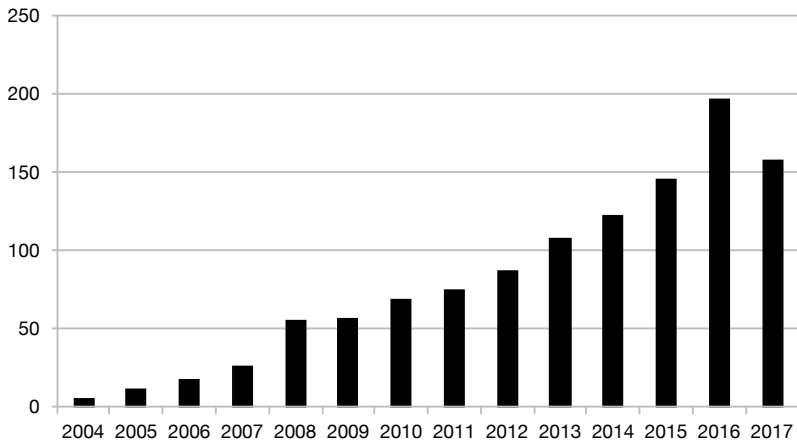


Figure 3. China's outward foreign direct investment, 2004–17 (US\$ billion)

Source: China Business Yearbook Editorial Board 2001–17.

From a country-specific perspective, China's investment has been most concentrated in PNG, Fiji and Samoa. China's investment in Vanuatu and the Federated States of Micronesia has also increased in recent years.

With the rise of its economic strength, the scale of China's foreign investment has also rapidly increased. In 2004, the amount of China's outward foreign direct investment (OFDI) was US\$5.5 billion. In 2016, the amount of China's OFDI reached US\$196.4 billion, a remarkable increase of 34.7 times in 13 years. By contrast, Chinese investment in seven Pacific Island countries rose 18.4 times from 2005 to 2016. It was not until 2017 that China's net investment flow to Pacific Island countries exceeded that of 2007. Over the past decade, Chinese investment in Pacific Island countries has grown more slowly than the overall rise in Chinese outbound investment.

Some countries have different interpretations of China's investment in the Pacific Islands. From China's perspective, its flow of OFDI to Pacific Island countries accounted for only 0.16 per cent of its global outward investment in 2017, an almost negligible share for China.¹ But from the point of view of the Pacific Islands, China's investment can have a great impact on the region. Australia and New Zealand, meanwhile,

¹ Ministry of Commerce, China via CEIC database, www.ceicdata.com.

are more concerned about the possible geopolitical and social impacts of China's projects on the Pacific Islands. Australia's *2016 Defence White Paper* commits Australia to work to 'limit the influence of any actor from outside the region with interests inimical to our own' (Department of Defence 2016:74).

China's aid to the Pacific Islands

China's aid to Pacific Island countries has attracted a lot of attention from the international community in the past several years (Brant 2013; Dornan and Brant 2014; Dziedzic 2018). Some feel that China intends to expand its influence in the Pacific Islands and that China's growing influence has eroded Australia's leadership there; thus, Australia needs to do more to rebalance China's influence (Batley 2017; Hegarty 2015; Riordan 2018). However, judging from the actual amount of Chinese aid to the Pacific Islands, China's intentions are likely exaggerated.

Table 5. Aid delivered to Pacific Island countries (in real terms) (US\$100 million)

	Australia	China	EU	Japan	New Zealand	United States
2011	13	0.91	1	1.8	1.9	2.3
2012	12	0.8	0.72	1.5	2.2	2.1
2013	11	2.1	0.87	1.4	2.0	2.2
2014	11	2.5	0.93	1.3	2.5	1.8
2015	10	2.9	1	1.3	2.2	1.3
2016	8.8	1.9	0.66	1.8	2.2	0.66
2017	9.5	1.7	0.95	1.9	2.2	1.6

Source: Lowy Institute (2019).

As can be seen from the data in Table 5, China's aid to Pacific Island countries rose continuously between 2013 and 2015, but declined in 2016 and 2017, with a decline of more than 30 per cent in 2016 compared to the previous year. In 2017, China's aid to Pacific Island countries was lower than that of Australia, New Zealand and Japan and slightly higher than that of the US. China's aid to Pacific Island countries was less than one-sixth of Australia's.

This should not have been the case if China had strategic intentions in the Pacific region. According to data released by the Chinese Government, of the RMB89.34 billion (about US\$12.8 billion) China spent in foreign aid from 2010 to 2012, 4.2 per cent, or RMB3.75 billion (about US\$536 million), went to Oceania (Information Office of the State Council of the People's Republic of China 2014). Aid to Pacific Island countries accounts for a small proportion of China's foreign aid, and is not rising very fast.

In terms of the amount of aid given, China's position among donors to the Pacific Islands is not prominent. However, China's aid is more focused on infrastructure projects, and the amount of aid given for a single project is often larger than that of other donors, so often attracts more attention. While China's aid program in the Pacific Islands has sparked some criticism from countries such as Australia (Dziedzic 2018), based on the findings of this study, China's aid to this region does not appear to be the result of conscious strategic design (Colton 2018; Connolly 2016).

Dynamics and the sustainability of China's policy towards the Pacific Island countries

The above analysis shows that although trade and investment between China and the Pacific Island countries have been growing rapidly since 2000, and China's aid to the Pacific Island countries is also on the rise, China's relations with the Pacific Islands have not changed dramatically and high-level exchanges have not become more frequent in recent years, despite what officials and the media in countries such as Australia and New Zealand have portrayed (Batley 2017; Dornan 2018; DW News 2018; Peters 2018).

On the other hand, with the improvement of China's overall strength and the development of China's all-round diplomacy,² China's national and regional studies underwent a period of relative prosperity. Driven by the 'Going Out' strategy, the Belt and Road Initiative (BRI) and all-round diplomacy, Chinese universities have established a large number of national and regional research centres in a relatively short period of

2 In October 2017, the report of the 19th CPC National Congress pointed out that since the 18th CPC National Congress (2012) an important achievement of China's diplomacy has been the in-depth development of all-round diplomacy and the advancing of 'China's diplomatic agenda in a comprehensive, multilevel, multifaceted way' (Xi 2017).

time. In 2017, the Ministry of Education actively promoted national and regional studies, documenting 394 country and regional research centres to achieve full coverage in country and regional studies (Ministry of Education of the People's Republic of China 2017). Against this background, the study of Pacific Island countries in Chinese universities has been promoted. At present, there are two research centres specialising in Pacific Island countries studies: the Research Center for Pacific Island Countries of Liaocheng University and the Center for Pacific Island Countries Studies of Guangdong University of Foreign Studies. This gives the impression that the Chinese Government is paying much more attention to the Pacific Island countries. Such an understanding is somewhat misleading, as it could be merely a reflection of China's generally rising interests in global affairs.

An issue worth paying attention to is whether the rise in China's trade, investment and aid to the Pacific Island countries is a unique phenomenon with these countries or representative of changes in China's foreign relations as a whole.

If we look only at China's trade, investment and aid with the Pacific Islands, it may seem as though China's interest in that region has increased considerably over the past decade. However, a more comprehensive look at the overall transformation of China's foreign trade, investment and aid shows that the Pacific Islands have a limited position in China's overall foreign economic relations. China's investment of resources in this region is not particularly unique.

In the past several years, Australia, New Zealand and some other countries have been quite sensitive to the rise of China's influence in the Pacific Islands region (Colton 2018; Hanson 2011; Hegarty 2015; Lum and Vaughn 2007; Meich et al. 2018; McAslan 2013; Wesley-Smith 2007; Windybank 2005), some believing that China has greater political or strategic intentions and is trying to crowd out the influence of Australia and New Zealand in this region. In this context, Australia and New Zealand have responded with their respective policies, New Zealand launching a principles-based 'Pacific Reset' (Peters 2018) and Australia promoting a security-driven plan to step up its engagement in the region (DFAT 2018).

As countries that have traditionally had influence in the region, Australia's and New Zealand's concerns are understandable. However, it can be hypothetically speculated that if China really has political and strategic intentions in the Pacific Islands region, China's trade, investment and aid to the Pacific Island countries should not have experienced large fluctuations in the past decade, including sometimes notable decreases, as shown in the previous data. Chinese investment in Pacific Island countries, in particular, has fluctuated widely over the past decade. If the trade and investment figures are somewhat coincidental, continued growth is at least achievable if the Chinese Government wants to expand aid to the Pacific Islands. But the reality is that in 2017 China's annual aid to Pacific Island countries had not increased but declined compared to 2013.

One possible conclusion is that the rise of China's influence in the Pacific Islands since 2010 is, to a large extent, a byproduct of the overall rise of China's international influence. It was also influenced by the BRI as well as President Xi Jinping's two state visits to Pacific Island countries. The Chinese Government has not made great efforts to operate in the Pacific Islands region as a key diplomatic direction, nor does it have a comprehensive strategic design related to this region.

The overall growth rate of China's investment in Pacific Island countries has been relatively stable in the past decade, but China's assistance has been noticeable for the following reasons:

1. The relatively limited size of Pacific Island countries, which means that small amounts of aid may bring about major changes in the socioeconomic outlook of the countries.
2. China is a latecomer in providing aid to the Pacific Islands region; under the stable aid structure formed there in the past, the entry of China's aid easily attracts the attention of other donors, especially in the context of the rise of China.
3. China's assistance is more concentrated in areas such as infrastructure construction, where the average amount of Chinese aid to projects is often greater than that of other donors. Roughly speaking, the average size of Chinese aid projects is 10 times that of Australian projects (Dziedzic 2018). Meanwhile, China has a very strong capacity for and high efficiency in infrastructure construction; the existence of China's local infrastructure projects easily gives people an impression of China's national ability (Zhang 2015).

4. As China's aid has no political strings attached, it is different from that of Western countries; this, accompanied by its high efficiency, has prompted Pacific Islanders to compare China's assistance with that of other countries. In the process, there will be a change in Pacific Islanders' attitudes towards different donors (Malielegaoi 2016), which will have a psychological impact on Australia and New Zealand.

On this basis, it is worth discussing how China's economic ties with the Pacific Islands will develop and how China's investment in the Pacific Islands will change over the next five to 10 years. There are four main judgements:

1. The economic capacity and economic structure of the Pacific Islands have restricted the space for economic cooperation between China and the Pacific Island countries. Most of the Pacific Islands are small in size and have a singular economic structure. Most of their consumer and industrial goods need to be imported from abroad. Their human resource base is limited and they lack the capacity for sustainable development. Even in the long run, the market capacity of the Pacific Island countries is limited. In addition, the natural environment of the Pacific Islands is very fragile and the people have a strong sense of environmental protection. Under these circumstances, some of their economies are quite underdeveloped, which reduces the Islands' possible paths for economic development and limits the investment space for Chinese enterprises in the region. Given this, it is unrealistic for China to expand its investment in the Pacific Island countries on a large scale and substantially increase the level of trade between the two sides.
2. What kind of return can China get if it increases its assistance to the Pacific Island countries substantially? Some scholars have tried to explain China's assistance to the Pacific Island countries from the perspective of diplomacy competition between mainland China and Taiwan, as six Pacific Island countries maintained official relations with Taiwan until the end of 2018 (Meick et al. 2018; Yu 2015; Zhang 2015).

Competition with Taiwan for diplomatic recognition is undoubtedly an important factor in the relations between China and the Pacific Islands. However, China's trade, investment and assistance to the Pacific Islands are not mainly subject to diplomatic considerations related to Taiwan, otherwise it would be difficult to explain the increase in Chinese investment and assistance to the Pacific Islands during the 'diplomatic

truce'. In explaining China's investment and assistance to the Pacific Island countries in terms of Taiwan-related diplomacy competition, there exists a logic problem. That is, China's assistance to Pacific Islands should be directed more to those countries that have not established diplomatic relations with China, or to countries that lack stability in their relations with China, rather than those that have established diplomatic relations with China, especially those countries maintaining good bilateral relations with China, such as PNG, Fiji and Vanuatu.

Some scholars believe that China is spending more on the Pacific Islands in an effort to compete with Australia for influence in the region. If zero-sum thinking is adopted, it could be argued that the rise of one nation's influence may mean the decrease of another's. Some have suggested the need to find ways to counter China's influence in the South Pacific (Colton 2018; Edel 2018; Hegarty 2015). If the struggle for influence is used to explain China's behaviour in the Pacific region, the questions remain: What does China want that influence for? What benefits can this influence bring to China presently and in the future? And can China gain more influence in the region under the countermeasures of Australia and New Zealand? Is it worth the cost China would need to pay for the influence?

It is a fact that China's influence in the Pacific region is on the rise, but competing for influence with countries such as Australia in the region does not seem to be China's policy goal. For China, there are many more valuable regions in which to gain influence, such as Southeast Asia, Northeast Asia, South Asia, Central Asia, Africa and other places. There is no special necessity for China to compete for influence in the Pacific Islands region.

3. The BRI has not significantly increased China's investment and assistance to the Pacific Islands. The introduction and promotion of the BRI can, to a certain extent, explain China's continued aid and investment in the Pacific Islands region, though the total amount is neither very high nor low. Since the BRI was put forward, China has attached great importance to it at all levels, and the Pacific Island countries are on the Belt and Road route.³ Additionally, China has a huge economic and social mass with a large number of economic

³ On 20 June 2017, the State Development and Reform Commission and the State Oceanic Administration specially formulated and released the Vision for Maritime Cooperation under the Belt and Road Initiative, which mentions 'efforts will also be made to jointly build the blue economic passage of China–Oceania–South Pacific' (Belt and Road Portal 2017).

actors. Under such circumstances, it is natural for some enterprises to respond to the BRI and invest in the Pacific Islands region. The problem with this explanation, however, is that Chinese aid and investment to the Pacific Islands did not rise significantly between 2014 and 2016, the first few years after China proposed the BRI. Though Chinese investment in PNG rose sharply in 2013, this was before the BRI was really put into effect. This shows that although the promotion of the BRI helps maintain the interest of Chinese enterprises and society in the Pacific Islands, it is not as much a boost to China's investment and assistance to the Pacific Island countries as people might think.

In addition to the aforementioned points, the increase in the scale of China's investment and aid to the Pacific Island countries has not been very significant over the past few years. It is also difficult to effectively explain the increase in Chinese investment and aid to the Pacific Islands with a single factor (Hayward-Jones 2013). However, the shift in Chinese investment and aid to the Pacific Islands does not appear to be the result of significant, coherent strategic intention.

In a certain sense, China's assistance to the Pacific Islands is also a means for China to fulfill its international responsibilities, engaging in South-South cooperation with developing countries and jointly responding to the challenge of climate change. For example, Article 4 of the Measures for the Administration of Foreign Aid (for Trial Implementation) promulgated by the Ministry of Commerce (2014) clearly states that:

Foreign aid shall respect the sovereignty of the recipient country, shall not interfere in the internal affairs of the recipient country, shall strive to alleviate and eliminate poverty, improve the livelihood and ecological environment of the recipient country, promote the recipient's economic development and social progress, and enhance the recipient's capacity for autonomous development, consolidate and develop friendly and cooperative relations with the recipients.

4. The response of countries such as Australia will have some impact on China's Pacific Island policy. Australia has long provided substantial economic assistance to the Pacific Islands. It is difficult for Australia to obtain obvious economic returns from its aid to the Pacific Islands. Providing assistance is an important means for Australia to influence the political situations and policy options of the Pacific Island countries and maintain Australia's dominance in the South Pacific region. The 2017 Foreign Policy White Paper of Australia considers

the Pacific Islands a fundamental strategic interest of Australia and devotes a chapter to its relations with the Pacific Island countries (Australian Government 2017).

Although China believes that the strengthening of its relations with the Pacific Island countries is based on the principle of mutual benefit and win–win cooperation, it also believes that the development of bilateral relations has brought practical benefits to the Pacific Island countries. However, it is also an objective fact that the strengthening of relations between China and the Pacific Island countries will have an impact on China's relations with Australia and New Zealand. One question that arises is whether China is willing to risk damaging its relations with Australia and New Zealand because it wants to strengthen its relations with the Pacific Islands, and to what extent it is willing to take that risk. Relatedly, if Australia and New Zealand put more pressure on some Pacific Island countries to influence their policies towards China, this will affect the attitudes of the Pacific Island countries towards China and thus the relationship between China and the Pacific Island countries.

In the process of developing relations with the Pacific Island countries, China needs to take into account the concerns of Australia and New Zealand. China–Australia relations may deteriorate for other reasons (Beeson 2018), but it is certainly not in China's interests if China's behaviour in the Pacific Islands becomes a major factor in the deterioration of China–Australian relations. This situation should be and can be avoided at the policy level.

Prospects for the development of relations between China and the Pacific Islands

Since 2006, China's trade, investment and aid to the Pacific Islands have greatly increased. President Xi Jinping's visits to Pacific Islands in 2014 and 2018 fully demonstrate the importance China attaches to this region. At the same time, these two visits took place against the background of China's all-around diplomacy in the international arena and President Xi Jinping's participation in the G20 and APEC meetings held in Australia and PNG, respectively. We should not overstate the importance China attaches to the Pacific Island countries.

With regard to the development of relations between China and the Pacific Island countries in the coming years, this chapter makes the following preliminary judgements:

1. Relations with Pacific Island countries are an integral part of China's all-round diplomacy. The development of relations with the Pacific Island countries will not bring China obvious economic and strategic returns, and will even have a certain negative impact on China–Australia and China–New Zealand relations, but China will not stop promoting the development of its relations with the Pacific Island countries because of this. In particular, the Pacific Island countries are an important part of the BRI.

In terms of China's economic output, which ranks second in the world, the total amount of China's aid and investment to the Pacific Islands, although not low, is not very high. Moreover, its share of China's total foreign aid and outward investment is very low. As a rising power and the world's second largest economy, it is natural for China to maintain relatively good relations with the Pacific Island countries at such a long-term affordable cost. Given Japan and the European Union's long-term investments in the Pacific Islands, China's investment in this region is highly proportionate and reasonable.

2. China's input in the Pacific Island countries will develop steadily, without dramatic rises. When examining the relationship between China and the Pacific Island countries, some Westerners have a feeling that China is entering the Pacific Island countries on a large scale, demonstrating that China attaches importance to the Pacific Islands. They feel there is a strategic design behind this. In fact, what is noteworthy is that although the Chinese president has visited the Pacific Islands twice between 2014 and 2018, the rise in Chinese investment and aid to the Pacific Islands has not been remarkable. With China's size, and considering China's investment in Southeast Asia and Africa in the name of the BRI, China's input in the Pacific Islands could have risen much faster if it had the will, without much economic burden on China.

Given leaders' visits, the implementation of the BRI and China's attempt to enhance its influence in the international community, China's investment in the Pacific Islands is not rising very fast. This means that even if China's investment in Pacific Island countries rises in the future, it will do so steadily. In fact, over the past several years, the Chinese Government can be said to have shown considerable restraint

in increasing input in the Pacific Island countries. If the Chinese Government is more active in encouraging Chinese companies and tourists to visit the Pacific Islands, the resulting Chinese presence in the region may be quite different from what we see now. Considering that Chinese nationals now make more than 120 million international trips a year,⁴ and that a small island country like the Maldives receives more than 200,000 Chinese tourists a year, it can be said that the presence of Chinese companies and tourists in the Pacific Islands is relatively not as strong. An important consideration behind this is to avoid too many businesses and tourists going to island countries in a short period of time, thus imposing a burden on the island nations' environments and social economies.

On one hand, China maintains a good relationship with the Pacific Island countries at the current level of resource input, so there is no need for China to increase its input by a large margin. On the other hand, investment and aid to the Pacific Islands is not a big burden for China, so there is no reason for China to lower its input in the region. As a result, in the future, China's input in the Pacific Islands region will likely remain relatively stable. Due to the small size of the Pacific Island countries, the promotion and implementation of individual projects cannot be ruled out as bringing about relatively large fluctuations in the amount of funds invested, but the political significance of such fluctuations should not be exaggerated.

3. China's investment in the Pacific Islands will highly respect the wishes of the island countries. China neither seeks to nor has the ability to establish a sphere of influence in the Pacific Islands region.

China's interest in the Pacific Islands will help improve the strategic position of island countries relative to Australia and New Zealand, enabling them to face Australia and New Zealand more equally. From this perspective, the Pacific Islands' demand for Chinese input will last a long time. On the other hand, geographically, culturally and economically, the Pacific Island countries cannot escape the influence of Australia and New Zealand. The Pacific Island countries do not want to see tensions with Australia and New Zealand caused by their relations with China. The Pacific Island countries have strong tactical

4 In 2018, the number of Chinese citizens travelling abroad was 149.72 million and, in 2017, 130.51 million. See the website of the Ministry of Culture and Tourism of the People's Republic of China, www.mct.gov.cn/whzx/whyw/201902/t20190212_837270.htm; zwgk.mct.gov.cn/auto255/201802/t20180206_832375.html?keywords.

considerations in developing their relations with China. They will likely try to maintain a balance in their relations with China, Australia and New Zealand.

Due to their small size and relatively limited strength, the Pacific Island countries do not have great international aspirations, lack the ability to withstand the pressure of major power competition, will attach more importance to the acquisition of practical interests and do not want to become bargaining chips in the games of major powers. It is not in the interests of Pacific Island countries to be involved in strategic competition that will cost them a lot.

On the whole, even if China increases investment in the Pacific Island countries, China's influence on them can hardly be greatly enhanced. In relations between the two sides, China lacks the means to effectively restrict the behaviour of the Pacific Island countries. The Pacific Island countries can maintain a great degree of policy freedom in the course of their exchanges with China. In the process of investing resources, China will highly respect the willingness of the Pacific Island countries and avoid the negative consequences of resource input in the Pacific Island countries.

4. China will further understand the importance of respecting the concerns of Australia and New Zealand in developing relations with the Pacific Island countries in the future. Although China will not act in full accordance with the wishes of Australia and New Zealand, it will take into account some of their concerns.

In the trilateral relations among China, Australia and New Zealand and the Pacific Island countries, if China unilaterally increases its investment of resources to the Pacific Island countries, it will stimulate counteraction from Australia and New Zealand. The countermeasures taken by Australia and New Zealand will make China's investment in the Pacific Island countries fail to achieve an ideal outcome. As a result, such an investment increase would have a negative effect on China's relations with Australia and New Zealand, as well as its relations with the Pacific Island countries. This is certainly not a situation China would like to see.

If China and Australia adopt an approach of breaking up each other's influence in the Pacific region, the result will be a lose-lose situation between China and Australia in the region at the expense of China-Australia relations. Chinese investment in the Pacific Island countries is unlikely to yield a reasonable return on its own, and countermeasures

taken by Australia will further reduce the long-term return of Chinese investment. From this point of view, China does not want its activities in the Pacific Islands to cause much agitation in the region. China hopes to promote the steady development of its relations with the Pacific Island countries when the overall situation in the region is stable. The idea that China has a comprehensive strategic plan in the Pacific Islands is logically untenable and lacks factual support.

References

- ABC News 2017. Undersea Cable Deal with PNG Inked amid Concerns over Chinese Influence in the Pacific. 14 November. www.abc.net.au/news/2017-11-14/png-to-get-new-australia-funded-undersea-internet-cable/9146570
- Australian Government 2017. *2017 Foreign Policy White Paper*. Canberra: Commonwealth of Australia. www.dfat.gov.au/publications/minisite/2017-foreign-policy-white-paper/fpwhitepaper/pdf/2017-foreign-policy-white-paper.pdf
- Batley, J. 2017. Keep Calm and Step Up: The White Paper's Message on the Pacific. *The Interpreter*, 27 November. Lowy Institute. www.lowyinstitute.org/the-interpreter/keep-calm-and-step-white-paper-message-pacific
- Beeson, M. 2018. Calculating Cooperation: Appraisal of China's Influence on Australia [Hezuo de gusuan: pinggu zhongguo dui aodaliya de yingxiangli]. *Journal of Strategy and Decision-making [Zhanlue Juece Yanjiu]* 9(2):68–81.
- Belt and Road Portal 2017. Vision for Maritime Cooperation under the Belt and Road Initiative. eng.yidaiyilu.gov.cn/zchj/qwfb/16639.htm
- Brant, P. 2013. Chinese Aid in the South Pacific: Linked to Resources? *Asian Studies Review* 37(2):158–177. doi.org/10.1080/10357823.2013.767311
- China Business Yearbook Editorial Board 2001–17. *China Business Yearbook*. Beijing: China Commerce and Trade Press.
- Colton, G. 2018. Stronger Together: Safeguarding Australia's Security Interests through Closer Pacific Ties. *Analyses*, 4 April. Lowy Institute.
- Connolly, P.J. 2016. Engaging China's New Foreign Policy in the South Pacific. *Australian Journal of International Affairs* 70(5):484–505. doi.org/10.1080/10357718.2016.1194805

- Department of Defence 2016. *2016 Defence White Paper*. Canberra: Commonwealth of Australia. www.defence.gov.au/WhitePaper/Docs/2016-Defence-White-Paper.pdf
- Department of Foreign Affairs and Trade (DFAT) 2018. *Stepping-Up Australia's Pacific Engagement with Our Pacific Family*. www.dfat.gov.au/geol/pacific/engagement/Pages/stepping-up-australias-pacific-engagement.aspx
- Dornan, M. 2018. Australia's Pacific Island Myopia. *The Diplomat*, 13 July. thediplomat.com/2018/07/australias-pacific-island-myopia
- Dornan, M. and P. Brant 2014. Chinese Assistance in the Pacific: Agency, Effectiveness and the Role of Pacific Island Governments. *Asia & the Pacific Policy Studies* 1(2):349–63. doi.org/10.1002/app5.35
- DW News 2018. Australia to Spend Billions to Counter China in Pacific Islands. 8 November. www.dw.com/en/australia-to-spend-billions-to-counter-china-in-pacific-islands/a-46202867
- Dziedzic, S. 2018. Which Country Gives the Most Aid to Pacific Island Nations: The Answer Might Surprise You. *ABC News*, 9 August. www.abc.net.au/news/2018-08-09/aid-to-pacific-island-nations/10082702
- Edel, C. 2018. How to Counter China's Influence in the South Pacific: The US and Its Allies Need to Coordinate Their Efforts. *Foreign Affairs*, 13 November. www.foreignaffairs.com/articles/china/2018-11-13/how-counter-chinas-influence-south-pacific
- Hanson, F. 2011. *China in the Pacific: The New Banker in Town. Policy Brief*. Sydney: Lowy Institute for International Policy.
- Hayward-Jones, J. 2013. Big Enough for All of Us: Geo-Strategic Competition in the Pacific Islands. *Analyses*, 11 May. Lowy Institute. www.lowyinstitute.org/publications/big-enough-all-us-geo-strategic-competition-pacific-islands
- Hegarty, M. 2015. China's Growing Influence in South-West Pacific: Australian Policies that Could Respond to China's Intentions and Objectives. *Indo-Pacific Strategic Papers*. Canberra: Centre for Defence and Strategic Studies, Australian Defence College.
- Huawei 2016. Huawei Marine Helps Papua New Guinea Build a National Broadband Transmission Network. 11 October. www.huawei.com/en/press-events/news/2016/10/Huawei-PapuaNewGuinea-Broadband-Transmission-Network

- Huawei 2017. Huawei Marine Signs Submarine Cable Contract in Solomon Islands. 7 July. www.huawei.com/en/press-events/news/2017/7/Huawei-Marine-Submarine-Cable-Solomon
- Information Office of the State Council of the People's Republic of China 2014. *China's Foreign Aid (2014) (White Paper)*. Ministry of Foreign Affairs of China. www.fmprc.gov.cn/ce/cohk/chn/xwtdt/jzzh/t1173111.htm
- Lowy Institute 2019. Pacific Aid Map. pacificaidmap.lowyinstitute.org
- Lum, T. and B. Vaughn 2007. The Southwest Pacific: US Interests and China's Growing Influence. *CRS Report for Congress*, Order Code RL34086, Congressional Research Service.
- Malielegaoi, T.L.S. 2016. Opening Address. In M. Powles (ed.), *China and the Pacific*. Wellington: Victoria University Press, 25–27.
- McAslan, H.R. 2013. China's Increasing Influence in Oceania: Implications for the United States. *USAWC Strategy Research Project*. Carlisle Barracks: US Army War College.
- Meick, E., M. Ker and H.M. Chan 2018. China's Engagement in the Pacific Islands: Implications for the United States. *Staff Research Report*. US–China Economic and Security Review Commission, 14 June.
- Ministry of Commerce of China 2014. *Measures for the Administration of Foreign Aid (for Trial Implementation)*. Ministry of Commerce of China, 15 November. yws.mofcom.gov.cn/article/m/a/201411/20141100803904.shtml
- Ministry of Education of the People's Republic of China 2017. Data to See Changes in Education: Opening to the Outside World. 28 September. www.moe.gov.cn/jyb_xwfb/xw_fbh/moe_2069/xwfbh_2017n/xwfb_20170928/sfcl/201709/t20170928_315527.html
- Mitchell, T.E. 2018. Protecting the South Pacific. *The Strategy Bridge*, 27 February. thestrategybridge.org/the-bridge/2018/2/27/protecting-the-south-pacific
- Peters, W. 2018. Shifting the Dial. Speech to Lowy Institute, 1 March. www.beehive.govt.nz/speech/shifting-dial
- Riordan, P. 2018. Coalition Attack on China over Pacific Aid. *The Australian*, 10 January.
- Smyth, J. 2017. Huawei's Undersea Cable Project Raises Red Flag in Australia. *Financial Times*, 28 December. www.ft.com/content/96513f58-d959-11e7-a039-c64b1c09b482

- Society in All Respects and Strive for the Great Success of Socialism with Chinese Characteristics for a New Era. Delivered at the 19th National Congress of the Communist Party of China, Beijing, 18 October. www.xinhuanet.com/english/special/2017-11/03/c_136725942.htm
- Wesley-Smith, T. 2007. China in Oceania: New Forces in Pacific Politics. *Pacific Islands Policy*. Honolulu: East-West Center.
- Windybank, S. 2005. The China Syndrome. *Policy* 21(2):28–33.
- World Bank 2019. World Bank Open Data. data.worldbank.org
- Wroe, D. 2017. Solomon Islands Undersea Cable Red-Flagged by Australia's Spy Agencies Dogged by Donation Allegations. *The Sydney Morning Herald*, 19 August. www.smh.com.au/politics/federal/solomon-islands-undersea-cable-redflagged-by-australias-spy-agencies-dogged-by-donation-allegations-20170818-gxzlgd.html
- Xi, J. 2017. Secure a Decisive Victory in Building a Moderately Prosperous Society in All Respects and Strive for the Great Success of Socialism with Chinese Characteristics for a New Era. Delivered at the 19th National Congress of the Communist Party of China, Beijing, 18 October. www.xinhuanet.com/english/download/Xi_Jinping's_report_at_19th_CPC_National_Congress.pdf
- Yu, C. 2015. Pacific Islands in China's Strategy in the 21st Century. In C. Yu (ed.), *Annual Report on Development of Oceania (2014–2015)*. Beijing: Social Sciences Academic Press, 1–14.
- Zhang, J. 2015. China's Role in the Pacific Islands Region. In R. Azizian and C. Cramer (eds), *Regionalism, Security & Cooperation in Oceania*. Honolulu: The Daniel K Inouye Asia-Pacific Center for Security Studies, 43–56.

This text is taken from *The China Alternative: Changing Regional Order in the Pacific Islands*, edited by Graeme Smith and Terence Wesley-Smith, published 2021 by ANU Press, The Australian National University, Canberra, Australia.

doi.org/10.22459/CA.2021.07