

Pacific Island Countries, China & Sustainable Development Goals Part 2: The Belt and Road Initiative

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Introduction

This In Brief is the second in a series that discusses China's role in supporting Pacific island countries (PICs) to achieve the 2030 [Sustainable Development Goals](#) (SDGs). While Part 1 broadly discussed how PICs could engage with China and make the most of its aid, this research explores the impact of the China-initiated [Belt and Road program](#) on the Pacific, especially on the SDGs.

The Belt and Road Forum

In recent years, the Chinese government has enthusiastically promoted the Belt and Road initiative in its diplomacy. For pragmatic reasons, China is keen to use it to strengthen economic cooperation with partner countries, aiming to spur China's slowing economic growth and solve the problem of excessive manufacturing capacity at home. In the long run, this initiative could be viewed as part of China's ambition to shape global governance and increase its voice in accordance with its economic capacity.

In this context, Beijing inaugurated the [Belt and Road Forum for International Cooperation](#) in a high-profile way in mid-May 2017, with leaders of participating nations highlighting [core principles](#) including cooperation, inclusiveness and mutual benefit. The Pacific region was also involved in the event. Fijian Prime Minister Bainimarama was the only Pacific state leader at the Forum (though he was not the only invited, which was mistakenly reported by some media) together with leaders from another 28 states. Senior representatives from Vanuatu, Samoa, and Tonga also attended the Forum, and in a group meeting exchanged views with Zheng Zeguang, China's Vice Foreign Minister in charge of Oceania Affairs, on the Belt and Road initiative.

Opportunities for PICs

China has pledged to build an open platform of cooperation through the Belt and Road program. To demonstrate its commitment, President Xi Jinping announced [a number of measures](#)

at Forum meetings to [support partner countries involved in the initiative](#). On the next page is a selected list of measures relevant to PICs. As President Xi openly [welcomed PICs to participate in the Belt and Road initiative](#) in November 2014, they will be eligible to benefit from these assistance measures in the near future.

The Fijian government has already started to reap the benefits. During his attendance of the Forum, Prime Minister Bainimarama received high-level treatment from China, including having separate meetings with Chinese [President Xi Jinping](#) and [Premier Li Keqiang](#). The two Chinese leaders said China is ready to promote all-round cooperation with Fiji. They pledged to support Chinese enterprises to expand business in Fiji and encourage more Chinese tourists to visit Fiji, where [Chinese arrivals have already grown by 41% to over 40,000 in 2015](#). China also agreed to support Fiji's presidency of the [UN Climate Summit in Bonn](#) in November 2017. The two countries signed the Economic and Technical Cooperation Agreement;¹ the agreement establishing sister-city relations between Lautoka and Jiangmen cities; a memorandum of understanding between the China Council for Promotion of International Trade and Fiji's Ministry of Industry, Trade and Tourism; and the agreement establishing the China–Fiji Trade and Economic Co-operation Commission. Bainimarama reaffirmed Fiji's adherence to the One China policy, and a few days later Fiji closed its trade office in Taipei.

Challenges for PICs

Notwithstanding the substantial opportunities associated with the Belt and Road initiative, PICs face at least two main challenges to fully reap the benefits. First, the initiative is still in its infancy. China, together with partner countries, is just starting to roll out plans to implement the initiative. To ensure the success, more details and rules need to be developed. The second main challenge for PICs is that the Pacific is not a priority of the Belt and Road initiative. As the inaugural forum demonstrated, China is currently preoccupied with promoting

Box 1: A Selected List of China's Commitments at the Belt and Road Forum (Relevant to PICs)²

- Contribute additional US\$15.4 billion (RMB100 billion) to the Silk Road Fund.
- Encourage financial institutions to conduct overseas RMB-funded business, with an estimated US\$46.2 billion (RMB300 billion).
- The China Development Bank will establish a special lending scheme of US\$38.5 billion (RMB250 billion) to support Belt and Road cooperation, including US\$15.4 billion (RMB100 billion) for infrastructure development, US\$15.4 billion (RMB100 billion) for industrial cooperation, and US\$7.7 billion (RMB50 billion) for overseas financial institutions.
- The China Export-Import Bank will establish a special lending scheme of US\$15.4 billion (RMB100 billion) to support Belt and Road cooperation and an additional special lending scheme of US\$4.62 billion (RMB30 billion) for infrastructure development.
- Host the China Import Expo starting from 2018.
- In the next five years, offer 2,500 short-term research visits to China for young foreign scientists, train 5,000 foreign scientists, engineers, and managers, and establish 50 joint laboratories.
- Proposed international coalition for green development on the Belt and Road, and pledged to support developing countries to adapt to climate change.
- Over the next three years, provide US\$9.24 billion (RMB60 billion) in aid to developing countries and international organisations participating in the Belt and Road Initiative.
- Contribute additional US\$1 billion to the Assistance Fund for South-South Cooperation.
- 100 'happy home' projects, 100 poverty alleviation projects and 100 health care and rehabilitation projects in countries along the Belt and Road.
- The China Development Bank will establish the Experience Sharing and Capacity Building Cooperation Program for Belt and Road Partners, and the Belt and Road Scholarship.

cooperation with neighbouring states such as Pakistan, Cambodia, Myanmar, and central Asian countries in infrastructure connectivity. Given PICs' remoteness from China, their small population and limited economic potential, the Pacific could not be near the top of China's agenda, and China has not formulated plans to promote the Belt and Road initiative in the

region. As an official from China's Ministry of Commerce commented during an interview with me in July 2016, 'Interconnectivity and intercommunication is the initiative's priority, but projects such as building railways are not applicable to some PICs. A practical option is to develop aviation links between China and PICs.' This makes sense as tourism has become a booming sector in China–PICs relations. Chinese arrivals to Palau and Fiji, which account for 80% of Chinese tourists to the Pacific, [grew rapidly between 2013 and 2014](#) from 8,804 to 39,383 and from 23,423 to 28,333 respectively.

The Belt and Road and SDGs

While it would seem that PICs could benefit from the Belt and Road initiative in the long run, the question is how they get involved in the scheme. They might start by making the most of Chinese financial, aid, and trade facilities listed in Box 1 to support SDGs implementation in the Pacific. To reduce potential debt risk that has already been prominent in small PICs such as Tonga and Samoa, PICs could apply for aid in grants rather than loans. PICs need to strengthen communication with Beijing regarding the details of these trade facilities and tailor plans for projects in PICs' priority sectors such as climate change, tourism, agriculture, health, and fisheries to promote SDGs. Large PICs such as Papua New Guinea, Fiji, and Vanuatu could also consider infrastructure construction/updating in partnership with China. To unleash the potential of export to China and address the imbalance in bilateral trade,³ PICs could participate in China's Import Expo starting from 2018. Last but not least, as the joint communiqué of the Belt and Road Forum calls on nations to promote development through bilateral and trilateral cooperation, PICs, China and regional powers such as Australia and New Zealand could consider expanding trilateral projects to support PICs to implement SDGs.

Author Notes

Denghua Zhang has recently submitted his PhD thesis at ANU SSGM. His research areas include international relations, development studies, Chinese foreign policy, foreign aid, trilateral aid cooperation, and Asia in the Pacific.

Endnotes

- 1 Another name for the annual grant provision agreement.
- 2 One US dollar bought 6.49 Chinese renminbi (RMB) in December 2015. This rate is used in this paper.
- 3 Except PNG (in trade surplus with China) and Niue (data not available), the other six of the eight PICs recognising China were in trade deficit with it in 2014.

