

The Chinese government's interest in Oceania bumped up another notch with the recent [publication](#) of the book's second edition. *Blue Books* are made available to all government departments, stocked in Xinhua Bookstores across China, and are seen as the standard reference on any given topic. This edition, subtitled *China's 21st Century Maritime Silk Road Initiative and the South Pacific Countries* (Yu 2015), reveals how far Chinese academic and government thinking on the Pacific has come in recent years. This In Brief describes findings on aid, trade and investment, and diplomacy that should be of interest to Australian policy-makers.

That this is only the second book to be published on Oceania is revealing in itself — regions and countries that have been considered more important to China are on to their fifth edition. The *Blue Book* is edited by Professor Yu Changsen, Director of the Center for Oceanian Studies at Sun Yat-Sen University in Guangzhou. The rapid development of his Center since its establishment in 2012 affirms the growth of interest in Pacific Studies in China.

For a while, the Center was like many others across China — a one-man operation lacking serious funding or support, largely focused on Australia and New Zealand. In the past few years, it has grown to become the only serious Pacific Studies centre in China, with six full-time academic staff, impressive undergraduate and postgraduate programs, and the capacity to conduct field research in the Pacific. On a recent visit, I (Graeme) was pleasantly surprised to find myself in a lengthy discussion with students on the significance of the Sandline Affair for the development of the international military contracting business. In contrast to many Chinese university centres, the Center is starting to develop links with government beyond the Ministry of Education silo.

The future of Chinese aid is reflected in a contribution from Yao Shuai, a researcher at the Chinese Academy of International Trade and Economic Cooperation (CAITEC), an influential think tank affiliated with China's Ministry of Commerce

(MOFCOM) — the agency charged with managing China's aid program. In practice, much of MOFCOM's policy development on foreign aid, as well as the drafting of five-year country plans, is outsourced to CAITEC. Yao's chapter, Focus on Pan-Peripheral: China's Foreign Aid to Pacific Island Countries, hints at the possible — or desired — future of China's aid policies in the Pacific. Yao concludes:

In future, [China Aid] should build basic economic infrastructure and establish [transport and communication] links between South Pacific nations. It's also crucial to cater to the trait of island countries to build their societies around scattered tribal groups. By initiating small, smart projects that address people's livelihoods and build capacity we can raise the educational standards of their workforces and enhance their ability to take the lead in their own development. We should focus on aid that fits with pressing needs. We should take advantage of China's comparative advantage in areas like renewables, agriculture and fisheries, promoting the 'island-isation' of China's development experience and modern technologies. Because of region's sensitivity, China should be more open, working through multi-lateral and regional mechanisms, strengthening communication and cooperation with other donors. (Authors' translation)

Yao reveals that the eight Pacific nations that recognise China, and are thus eligible to receive Chinese aid, now have five-year aid plans. Such plans had previously been in place, but MOFCOM did not officially acknowledge their existence until November 2014, when they issued the *Measures for the Administration of Foreign Aid (for trial implementation)*. While still in draft form, it is the first comprehensive regulation on China's foreign aid management. This document states China will make a medium- to long-term aid plan, establish an aid project reserve fund and make country-based aid plans. While the country plans are unlikely to be made public, it does point to MOFCOM

attempting to nuance its assistance to the Pacific, and to take back some control from the contracting companies that ‘reverse engineer’ China’s aid program.

The centrality of commerce to China’s engagement with the Pacific is apparent from the table of contents, which is dominated by analysis of China’s trade and investment. One of the more intriguing pieces of analysis addresses a conundrum for Chinese policy-makers: since 2009 China has traded more with countries in the Pacific that do not recognise China than those that do. The strength of [PNG’s resource exports](#) to China — largely logs, gas and nickel — mean that this equation was reversed in 2014, but it has long been a source of concern to Chinese policy-makers as it challenges the official line that countries who recognise Taiwan will miss out on an economic windfall.

Pan Qing and Ye Jing, in their chapter *Trade Imbalances Between China and South Pacific Countries in the 21st Century*, find that, as is often the case, the ‘imbalance’ is an artefact of MOFCOM’s statistical reporting system. Both trade and investment statistics measure the first destination (for outbound flows) or final source (inbound), meaning that tax havens such as Hong Kong, the British Virgin Islands and closer to home, Samoa — which, according to official figures, invests more in China than Germany does — are over-represented. In the case of Pacific trade, the ship-flagging operation run out of the Marshall Islands means that the actual destination of the vessels that are China’s largest export to the Pacific is everywhere but the Pacific — Germany, Poland, Thailand and Spain top the list.

In terms of investment, recent deals that many observers have overlooked caught the attention of Fei Sheng and Huang Guanhua in their review of Pacific island issues. They highlight the visit of a delegation from the People’s Bank of China to Fiji in January 2014, where they met Manasa Vaniqi, Fiji’s then first permanent secretary for sugar. The delegation proposed purchasing 100,000 tons of sugar from Fiji and jointly establishing a sugar refinery. Fei and Huang also noted that a Hong Kong-based Chinese company set up the Pacific International Commercial Bank in Tonga in April 2014, becom-

ing the first Chinese commercial bank in the Pacific. It was a bold venture, but despite being [formally opened](#) by King Tupou VI, is in [liquidation talks](#).

In his chapter, *The Pacific Islands in China’s Strategy for the 21st Century*, Yu Changsen argues the islands are strategically important because:

- Geographically, they are the only sea route between China and South America, Antarctica, Australia and New Zealand. They are also part of the second and third island chains of defence established by the US and its allies.
- Economically, they are the natural extension of China’s new Maritime Silk Road initiative, and can be a testing ground for South-South cooperation.
- Politically, they are central to China’s national unification as six of them maintain diplomatic relations with Taiwan.
- Culturally, they can be a testing place for China’s public diplomacy and soft power strategy.

He suggests China increase its diplomatic commitment in the region, [which is admittedly limited](#). However, his suggestion that China’s navy work with foreign forces to maintain the security of the maritime transport routes sounds ambitious at a time when China has growing disputes nearby regions such as the South China Sea.

With 22 chapters, including contributions from US, New Zealand and Australian scholars, the book is a statement that the Chinese government is willing to devote intellectual resources to a region that was once a peripheral interest, at best.

Author Notes

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