

## Session 2: Changing Geopolitics: China and the Pacific

### "A Regional Perspective"

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I want to first of all take this opportunity to thank the organisers for extending the invitation to the Secretariat of the Pacific Community (SPC) to provide a "Regional Perspective" at the second session today, covering the topic "Changing Geopolitics: China and the Pacific".

This regional perspective will be provided mainly from that of SPC, but a brief reference to other regional organisations will also give some indication of the importance of the kind of regional support to be provided to Pacific island member countries and its positive impact to enhance dialogue and engagement, trade, and educational, cultural and tourism exchanges with China.

The Secretariat of the Pacific Community (SPC) is one of eight intergovernmental organisations with varying country membership, and with specific regional mandates to support its respective member's sustainable development, peace and security efforts. Other regional agencies include Pacific Islands Forum Secretariat (PIFs); Forum Fisheries Agency (FFA); South Pacific Tourism Organisation (SPTO); Secretariat of the Pacific Environmental Programme (SPREP); Pacific Power Association (PPA); University of the South Pacific (USP); and the Pacific Islands Development Programme (PIDP).

The engagement of China and the Pacific at a regional level has been strategic and targeted utilising several different modalities launched at official, academic, and private sector level. At the political level, China is a partner to the Pacific Island Leader's annual post Forum dialogue. China has provided direct grant funding to the Pacific Islands Forum Secretariat to support implementation of the Pacific Plan priorities, and also provides funding for the China-Pacific Island Regional Scholarships Programme for study awards in China, which is in addition to bilateral scholarships to the eight countries which have diplomatic relations with China. However, all Pacific Island members of the PIF are eligible to apply for these scholarships. Support has also been provided for the Shanghai World Expo in 2010, as well as to the PIFs Trade and Invest Office in Beijing.

China's engagement with the technical regional organisations has reflected its own interests as well as the interests of the agency and its membership. China has provided annual financial support to SPREP since 2003, and has interest in several areas of its work including promotion of sustainable development, conservation, bio-diversity, climate change and waste management. This year for the first time SPREP has hosted two students on attachment from the University of Tsinghua University in Beijing.

China was the first member from outside the Pacific region to join SPTO in 2004. SPTO has highlighted that Chinese tourists are the future for tourism in the Pacific." China through its national Tourism Administration extends an invitation annually for SPTO members to be included in their main travel show. Multi donor/partner cooperation have been put in place to support marketing of the Pacific

region. An example in 2013, SPTO, IFC, China and the Pacific Island Trade Invest Beijing jointly cooperated on a Pacific region marketing venture. It has been reported that since 2013, there has been an 84 percent growth in Chinese visitors to the Pacific and in 2013 alone 98 million Chinese travelled abroad, spending more than USD\$128 billion. Last year, SPTO launched a website for South Pacific tourism training to assist tourism operators sell South Pacific destinations to Chinese tourists. Several other promotional activities to support national as well as regional tourism were also undertaken. At a bilateral level there has been foreign direct investment in the tourism industry, as well as new visa free agreements (eg Fiji 23,000 visa free tourists in 2013), hotel ventures and first charter of flights from Shanghai to Fiji in February this year.

In 2004, China acceded to the Convention on the Conservation and management of Highly Migratory Fish Stocks in Western and Central Pacific, and has engaged with the Forum Fisheries Agencies and the other twelve Pacific members on related fisheries issues.

China's engagement with the University of the South Pacific was formalised in 2011 with the Beijing University of Posts and Telecommunications (BUPT) and the Confucius Institute Headquarters of China/Hanban, and the first regional Confucius Institute was established at USP in 2012. It offers studies in Chinese language as well as Chinese culture and Chinese history. From USP's viewpoint, the Confucius Institute will not only contribute to the internationalization of the university, but will also help the South Pacific Region integrate into the global economy. Teaching points have been opened in Lautoka, Vanuatu Emalus Campus. Plans are in progress for the establishment of Chinese classes in the Cook Islands and here in Samoa.

SPC's twenty six member countries includes four metropolitan members (United States of America, New Zealand, Australia and France), and full coverage of all twenty two Pacific island countries, trusts and territories. SPC provides technical assistance, policy advice, training and research to its member states, and works across over twenty two sectors to achieve three development outcomes: sustainable economic development; sustainable natural resource management and development and sustainable human and social development. SPC's work is determined and led by its member state's development priorities.

Although there has not been any direct formal engagement with China, SPC has in the past implemented several projects either with development assistance from China, or in support of direct request from countries to access markets in China. SPC received a portion of the USD\$2 million grant funding provided by China directly to the Pacific Islands Forum Secretariat in 2007 to support the implementation of the Pacific Plan priorities in two areas including: (i) Integrated Ports Development (USD \$413,000) and the (ii) Pacific Regional Information & Communications System (PacRICs) component of the SPC's ICT Outreach (USD\$1.054million). These programmes were implemented over a four year period 2009-2012. Since the completion of these two programmes, SPC has not received any further China grant funding.

However, a recent Independent Expert Review of SPC in 2013, recognised China as an emerging donor of East Asia, and recommended that it should be further explored as a potential future development partner as part of its long term financing strategy to fund programmes and activities provided by SPC to its member countries. SPC's annual budget is around USD\$78 million, with over

sixty percent project funding. The European Union and the Australian Government provide the bulk of the funds for project implementation.

On the basis of requests from countries for SPC and other CROP Agencies direct support, it is apparent that Pacific Island countries are seriously looking at tapping into the China market in several areas including agriculture; fisheries and tourism. A regional approach towards supporting some specific aspects of access to markets is required due to economies of scale, and the limited human and financial resources in many member countries.

The question of how the Pacific region's agriculture and forestry industries can access the expanding Chinese economy and its growing need for food and timber was fully explored by SPC with the support of an European Union funded Facilitating Agricultural Commodity Trade (FACT). It was recognised that whilst there were opportunities for high value, niche markets, there were also a number of challenges including transport logistics, trade protocols, strong competition from South East Asia and the need for effective marketing. The potential for lucrative and evolving markets for various organic products was also recognised; and is now well over USD\$1billion.

SPC's Biosecurity and Trade Support Team (BATS) has supported an organic Noni certified company in the Cook Islands to secure organic certification to the China Market, and has commenced exporting to China in January 2015.

SPC's Increasing Agricultural Commodity Trade (IACT) program, funded by the European Union, aims at strengthening the export capacity of the Pacific countries in the primary industries of agriculture, forestry and aquaculture. IACT has supported an agricultural business in Fiji to export papayas to Hong Kong.

With the official development assistance of China directed to only eight Pacific island countries, with occasional support provided to regional CROP agencies under various agreements and operational arrangements, there is a lot of room for consideration of China's engagement of being more inclusive. This could include the full consideration of the following possible modalities:

- (i) Enhanced support to programmes offered at regional level, including the option where relevant of implementation of bilateral funded programmes if required by member countries. There are several good examples of bilateral funded programmes implemented by SPC at the request of the member country concerned due to absorptive capacity and limited technical abilities for implementation;
- (ii) More active partnership at a regional level where required ; and
- (iii) More regular dialogue through established mechanisms as well as other fora.

### **Conclusion:**

Compared to its bilateral engagement including ongoing grant; interest free loans administered through state finances; and concessional loans administered through China Exim bank with the eight Pacific island countries which has established diplomatic relations with China, the cooperation at regional level has been strategic and targeted. There is therefore a lot of scope and potential for further increased

engagement at regional level. In addition, in view of the increasing demand by member countries to access the large China market in the tourism, agriculture and fisheries sector, there is also further scope for coordinated support to provide the required services to support relevant member countries

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