

**Pacific High-level Policy Dialogue on
“The Role of Macroeconomic Policy and Energy Security in supporting
Sustainable Development in the Pacific”**

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Presentation

Opportunities Arising from China’s Economic Transformation for PICs

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Table 1: Chinese Imports from PICs, in US\$1,000

PICs	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Cook Is	25	53	65	5,419	1,190	1,824	1,599	246	1,149	731
Fiji	1,091	405	1,609	1,852	656	2,011	695	2	47	477
Micronesia						45		3,923	2,742	1,554
Marshall Is		36			194	26		11,852	5,204	16,506
New Caledonia			18	40	73					
Palau						1				
PNG			59			57	13		2,175	2,010
Fr Polynesia			614		992	643	2,130	1,962		
Solomon Is							1,676	2,204	3,839	2,336
Vanuatu			1		1,024	307	308	1,210		2,174
TOTAL	1,116	493	2,366	7,311	4,129	4,915	6,422	21,399	15,157	25,788

Source: COMTRADE

Note: all imports fall into the category of "HS2=03, Fish & crustacean, mollusc & other"

Possible Causes of recent PICs exp rise to China

- Tariff reduction: from 13% to below 10%
- Growing demand in China for imported food
 - domestic food scare
 - diversifying diet
- Trade diversion due to global financial crisis

Potential for trade expansion

- Tariffs: still has room to be reduced
- LDCs zero tariffs: Vanuatu and Samoa
2 of 5 LDCs in PICs have diplomatic ties with China
- Non-tariff measures: SPS, TBT
WB/UNCTAD/AfrDB China NTM project

just finished and to be researched to
improve PICs compliance capacity

Table 2. China's FDI flows and stock in PICs, in million US dollars

PICs	FDI Flow								FDI Stock
	2003	2004	2005	2006	2007	2008	2009	2010	2010
Fiji			0.25	4.65	2.49	7.97	2.40	5.57	39.43
Marshall Is				2.00	34.16	8.00	26.70	13.18	73.52
Micronesia			0.12		6.25	-0.16			7.25
Palau					0.50	7.52		0.50	9.02
PNG		0.10	5.88	28.62	196.81	29.92	4.80	5.33	323.26
Samoa	0.42				-0.12		0.63	98.93	101.33
Solomon Is									
Tonga									7.11
Vanuatu									12.84
Oth.Ocean.Nes									6.67
TOTAL	0.42	0.10	6.25	35.27	240.09	53.25	34.53	123.51	580.43

Source: China Outward FDI Statistical Bulletin 2010

Note: Data for 2003-2006 include only non-financial outward FDI flows.

Recent FDI Surge

- Statistical methodology change
 - Start to include financial FDI
 - UnionPay advertisement at Nadi airport
- New investments:
 - Mining project in PNG
 - Solar energy project in Samoa
 - Highway, hotel and e-government projects in Fiji

China's economic transformation and opportunities for PICs

- The 18th Party Congress, Nov 8, 2012
- Boost domestic demand: export
 - household income
 - emerging middle class
- New growth model: sustainable development
 - promote energy technology: priority sector!
 - world leader
 - with government subsidies cheap
- FDI: mixed impact
- Reduced dependence on export

Mr. Jimca Loli of Loli Solar
a wholly ni-Vanuatu owned solar company



China's state-owned shipping companies

- Fast growth in the past two decades
- But suffer hugely from the global trade slowdown: COSCO
- Excess capacity could be used for PICs routes



Human resource investment



Beyond commercial consideration

- China's geo-political interests in PICs
- What exactly are China's geo-political interests in PICs?

Ask Hillary Clinton!