

# Huge increase in Chinese aid pledged to Pacific

Monday 27 August 2018, by [LYONS Kate](#) (Date first published: 8 August 2018).

## Beijing poised to outstrip Australia as largest donor for the first time, with Papua New Guinea the major beneficiary

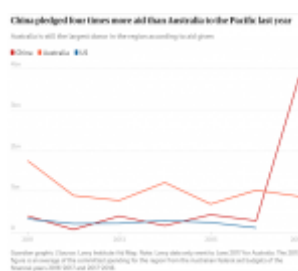
[China](#) is set to overtake Australia as the largest donor to the Pacific region, after pledging US\$4bn in aid to the region last year.

Australia has traditionally been the most significant donor to the Pacific, but in 2017 China committed to spending more than four times as much as Australia, data from the Lowy Institute thinktank published today shows.

Australia pledged an estimated \$815m of aid to the Pacific in the financial year 2017-18, according to government budget estimates, compared with China's \$4bn for the 2017 calendar year. Most of the funds from Beijing are earmarked for infrastructure projects in Papua New Guinea.

The Lowy data is calculated in calendar years, whereas the Australian federal aid budget is in financial years.

The news comes amid unease in Australia about China's growing influence in the region, which escalated to a diplomatic row earlier in the year after reports that a [port funded by Chinese loans in Vanuatu](#) was part of an attempt to establish a military presence in the region.



In 2014, China was the fourth-largest donor to the region behind Australia, the US and New Zealand. However steady increases from China, combined with aid cuts by the US, has seen China rise to become the second-biggest donor by money spent and the largest donor by aid money committed in 2017.

Matthew Clarke, professor of international development at Deakin University, said China's ascendancy was "probably inevitable", though he was "surprised it happened so quickly".

Beijing does not report its aid spending to the OECD or in its budget documents, meaning researchers at the Lowy Institute had to comb through government announcements and financial documents dating back almost 10 years.



Matthew Dornan, deputy director of the policy development centre at the Australian National University, said because of how it was reported, Chinese aid pledges tended to be overstated, and he suspected not all of the \$4bn pledged would end up reaching the Pacific.

Australia remains the largest donor to the region in terms of money spent, having delivered \$6.58bn in aid to the region between 2011 and June 2017, compared with \$1.26bn of aid delivered by China from 2011 to February 2018.

Overall, aid to the Pacific is in decline, shrinking 20% between 2011 and 2016. The US, EU, and France, all previously important donors, have significantly reduced their assistance.

The Australian Coalition government has made [aid cuts worth \\$11bn](#) since assuming office in 2013, bringing the aid budget to its [“least generous” level](#) ever. Aid to the Pacific now makes up almost a third of Australia’s aid programme.

Australian foreign affairs minister, Julie Bishop, speaking to the ABC defended Australia’s aid to the region, saying it was at “record levels”.

She would not be drawn on concerns about China’s influence in the region.

“We welcome the role played by all donors, including China, to support development in the Pacific,” said Bishop, adding it was important donors “don’t impose onerous debt burdens on regional governments.”

But Clarke warned that if China was to become the dominant power in the region the values prized by Australia could be eroded.

“The other risk is to the sovereignty of recipient nations with long-term debt levels. China makes significant concessional loans to fund infrastructure and even though they’re concessional they still need to be repaid.”

He warned that if countries cannot repay the loans they may have to give China land or resources, as was the case in Sri Lanka.

“I’m not strongly concerned but I am concerned. Australia has contributed to the problem by the reduction of the aid program over the last few years.”

Chinese aid tends to be a mixture of traditional grants and concessional loans which are often implemented by Chinese state-owned enterprises and must be paid back with interest. As a result, some Pacific nations are starting to resist Chinese investment, for fear of becoming further indebted.



Chinese naval hospital ship Ark Peace arrives in Suva, Fiji Photograph: Xinhua/REX/Shutterstock

Jonathan Pryke, director of the Pacific Islands program at the Lowy Institute which collated the data, said that when it came to China “it’s really a tale of two Pacifics”, with countries like Samoa, Tonga, Vanuatu and Fiji ceasing to take Chinese loans as “the hangover of the glut of China lending has started to settle in”, whereas Papua New Guinea – with a much larger population and economy – was still taking on large loans.

China is set to become the largest donor to Papua New Guinea, after committing to give the nation \$3.94bn last year, including \$3.5bn for a national roads project.

Australia has traditionally been the most significant international partner for Papua New Guinea, its closest neighbour, which was under Australian administration until 1975. [Australia pledged to give Papua New Guinea](#) \$351m in 2017-2018.

All of China’s top five projects, in terms of aid money pledged, are in PNG. As well as the roads project, China has promised hundreds of millions of dollars toward agriculture industrial parks, a hydropower project and a hospital.

After PNG, the recipients of the largest amounts of Chinese aid in the region were Fiji (\$291.94m), Vanuatu (\$190.65m), Samoa (\$169.72m) and the Federated States of Micronesia (\$86.23m).

More than two-thirds of the money China has committed is promised to transport projects. In contrast, Australian aid was spread between government and civil society (35%), multi-sector/cross-cutting (15%), health (14.4%) and education (14.4%).

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**P.S.**

The Guardian

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