Original Article

Dragon versus Elephant: A Comparative Study of Chinese and Indian Aid in the Pacific

Denghua Zhang and Hemant Shivakumar*

Abstract

The growing scale of development assistance programs of China and India has attracted increased global attention. Research on their aid to the Pacific Island Countries, however, is largely missing. Whether their aid programs in the Pacific region are similar or significantly different—in terms of aim and scope—deserves investigation. Also, current literature on Chinese and Indian trilateral cooperation—a relatively new aid modality—is almost non-existent. Based on archival analysis and the authors’ interviews in China, India and across the region over 2014–2016, this article provides a comparative analysis of Chinese and Indian aid to the Pacific island countries. It argues that Chinese and Indian aid in the Pacific are heterogeneous in a number of ways. In addition, China has been actively piloting trilateral cooperation in the Pacific, while no such projects have taken place from India who has only begun looking more closely at the region.

Key words: foreign aid, trilateral aid cooperation, China, India, Pacific Islands Countries

1. Introduction

Over the past decade, the rise of China and India as (re)emerging donors has gained increasing visibility. Their bilateral aid outlay has been growing. The Chinese Government recorded its foreign aid volume at around US $56 billion (RMB345.63 billion)\(^1\) over 1950–2012 and an average annual growth rate of 29.4 per cent over 2004–2009 (State Council 2011, 2014). China has been ranked the ninth largest donor globally since 2013 (Kitano 2016, 29). In terms of India, its total development assistance budget for the fiscal year 2015–16 reached nearly US$2.5 billion (in grants, loans, concessional credit lines and scholarships),\(^2\) surpassing that of many traditional OECD donors such as South Korea and Spain in 2015.

Literature on the Chinese and Indian aid and South-South economic links has focused on the regions of Africa, Asia and Latin America (Bräutigam 2009, Chaturvedi 2010, ADB 2011), although research on the Pacific region is also growing (Pande 2011; Dornan & Brant 2014; Brant 2015). However, great gaps still

---

\(^{1}\) RMB is shorthand for Chinese currency. One US dollar equals 6.46 RMB in April 2016. This rate is used consistently in this article.

\(^{2}\) The figure is based on data from the Union Budget documents 2015–16 of India’s Ministry of External Affairs. Indian loan-based assistance is provided for large infrastructure projects that are attached with grant-based assistance and disbursed through the Ministry of External Affairs. Lines of credit are provided by Indian Export-Import Bank to support the export of Indian goods, services and equipment.
exist in examining Chinese and Indian aid in the Pacific. Compared with research on Chinese and Indian aid in other regions including Asia, Africa and Latin America, existing literature on the two donors’ input into the Pacific region is inadequate. Moreover, a comparative study of their respective aid partnerships in the region is lacking. Research on this could shed more light on whether China and India are undertaking similar programs or not and whether this could open up avenues for future cooperation between them in the Pacific. Also, trilateral aid cooperation—a relatively new modality involving a traditional donor, an emerging donor and a recipient country—has grown steadily in recent years, which bears practical policy relevance at a time when the rise of emerging donors arouses debate about their impact on the traditional aid system. However, scholars have paid scarce attention to Chinese and Indian trilateral aid cooperation efforts in the Pacific.

This article attempts to fill these underlying research gaps by focusing on two central questions: How similar or varying are the aid programs of India and China in the Pacific region? What are the attitudes of India and China towards trilateral cooperation in the Pacific? In addition to archival analysis, the data are mainly drawn from the authors’ over 100 interviews with officials, aid practitioners and scholars during fieldwork research in China, India, Australia, New Zealand (NZ), Papua New Guinea (PNG), Samoa and Cook Islands from November 2014 to April 2016. Although no fieldtrips were made to Fiji, meetings were arranged with Fijian diplomats in India over this period.

The article is organized as follows: It begins with an overview of the volumes and different modalities of aid delivered to the Pacific Island Countries (PICs) from China and India. Subsequently, the motivations for Chinese and Indian aid in the PICs will be examined by looking at its evolution over the last 60 years. What follows is a comparative analysis of Chinese and Indian positions on trilateral aid cooperation and the prospect for using this aid modality in the Pacific region. Policy implications will be discussed briefly in the conclusion.

2. Chinese and Indian Aid in the Pacific

2.1. Aid from China

Chinese aid to the PICs has been growing in recent years. According to China’s two White Paper on Foreign Aid, China provided US$1.58 billion (RMB10.25 billion) to the Pacific region over 1950–2009 and US$580 million (RMB3.75 billion) over 2010–2012, accounting for 4.0 and 4.2 per cent of Chinese total aid expenditure (State Council 2011, 2014). Although the percentage is small, given their small population, PICs receive a much bigger amount of aid per capita than other regions. Brant (2015) argues that China conducted 169 aid projects in the Pacific with a total volume of US$1,479.3 million since 2006. PNG and Fiji are the two top recipients of Chinese aid in the Pacific, taking US$440.3 million and 339.24 million, respectively (Brant 2015).

The China-Pacific Economic Development and Cooperation Forum has served as a main high-level policy platform for China’s engagement with PICs, where new aid packages have been announced. At the inaugural Forum meeting held in Fiji in April 2006, Chinese Premier Wen Jiabao pledged to provide US$464 million value (RMB3 billion) concessional loans to PICs over the next 3 years (Wen 2006). Another US$1 billion similar loans to PICs for the next 4 years were announced by Vice Premier Wang Yang at the second Forum meeting in Guangzhou in November 2013 (Wang 2013). Although Chinese aid to the Pacific region has taken three forms including grants, interest-free loans and concessional loans, the aforementioned...
announcements have made concessional loans the main form of Chinese aid to PICs. As China has not released annual country-based aid data, it is extremely difficult to provide an exact figure on Chinese aid to the Pacific. Brant (2015) argues that concessional loans accounted for 80 per cent of Chinese aid to the region while grants accounted for the remaining 20 per cent. Although these figures need to be improved as they failed to include Chinese interest-free loans to PICs, concessional loans do have become the most important type of Chinese aid to the region, dwarfing grants provision based on China’s annual bilateral Economic and Technical Cooperation Agreements with PICs.

Concessional loans are mainly used to support infrastructure projects that are the favorite components of Chinese overseas assistance. As an example, Phase 2–4 of the student dormitory project of Goroka University over 2012–2014 is China’s first concessional loan project in PNG with an aid volume of US$45.5 million (RMB294 million). The NCDC road-upgrading project in Port Moresby since 2014 is another large Chinese concessional loan project with a funding of US$110 million (RMB710 million).

2.2. Aid from India

India’s economic prowess in the early 1990s added promise to its development assistance program, but it was not until the early 2000s that India’s aid volumes began to grow. As of 2016, New Delhi disbursed aid to 161 nations and the major recipients were neighbouring countries especially Bhutan, Afghanistan, Sri Lanka, Nepal and Bangladesh. Although India enjoyed significant relations with Fiji since the 1950s, India began disbursing aid to PICs only since 2006 when the Minister of State for External Affairs E. Ahmed announced a minor annual grant of US$100,000 to each of the 14 island nations, and the volume was increased to US$125,000 in 2009.

In 2014, Indian Prime Minister Modi visited Fiji, the first visit by an Indian Prime Minister to Fiji in 33 years. Modi announced increase in grant aid allocations for PICs to US$200,000, additional assistance for climate adaptation mechanisms and visas on arrival for PICs (Macellan 2014, 491). Although India’s development commitments to the Pacific islands constitute only 2 per cent of India’s grant-based assistance, Fiji and PNG have been recipients of substantive commercial credit lines. In the Pacific, India’s aid focus is largely on the Melanesian nations especially Fiji and PNG. A considerable Indian diaspora, Fiji and PNG’s importance in regional cooperation and the natural resources of PNG make them preferred partners of India.

Indian aid to PICs has so far focused on capacity building, information technology (IT), industrial development and climate change. The Indian Government allotted US$172,000 to set up IT training centres in PNG and Fiji in 2012, which is in line with using India’s expertise in this sector. During his address at the Fiji’s parliament in November 2014, Prime Minister Modi pledged further IT support to Fiji. Industrial development has been a notable feature of India–Fiji relations. India has disbursed concessional credit lines to finance the upgrade of the sugar and power generation industry in Fiji. In 2005, the Indian Government extended a credit line of US$50.4 million to help develop the sugar industry in Fiji. In 2014, Prime Minister Modi offered an additional US$70 million to support the Rarerev sugar mill. In February 2015, the Fijian Government signed a Memorandum of Understanding with India’s Export-Import Bank on the use of this fund which was modified to US$75.38 million, and Fiji has used US$3.2 million so far (India Exim Bank 2017).

Moreover, India has undertaken significant efforts on capacity building by offering Technical and Economic Cooperation (ITEC) scholarships to PICs. Bureaucrats and officials from PICs take short-term skill development courses through slots offered in Indian

4. Because of the lack of data access, the implementation rate of these Chinese concessional loans has yet to be analyzed.
universities and private training centres across India. Among the PICs, Fiji and PNG receive the majority of ITEC scholarships. While India allocated a total of 85 training slots to PICs in 2005, a decade later, this increased to 170 for Fiji alone among a total of around 230 for the whole region.

Indian aid to PNG largely comprises of capacity building and human resource development. PNG received the most number of ITEC scholarships with 30 slots in 2015 after Fiji. It also received US$600,000 worth grant aid of equipment and material for social and medical programs for sustainable development in 2014. IT and renewable energy are another two sectors where India has actively engaged with PNG. A centre for excellence in IT was setup in PNG by India, and the Indian IT training giant NIIT established three ‘Hole-in-the-wall’ learning stations in PNG. To foster the spread of clean energy, the Solar Mamas program at Rajasthan in India aims to train elderly, often illiterate, women from rural communities around the world to install solar-powered lanterns. India welcomed the first group of elderly women from PNG to attend this program in March 2014. In April 2016, Indian President Pranab Mukherjee visited PNG while offering a US $100 million concessional credit line to improve infrastructure in PNG and agreed to supply medical kits and assistance to PNG. So far, the PNG Government is yet to sign a Memorandum of Understanding with India’s Export–Import Bank on the use of this fund.

2.3. Aid Motivations

2.4. China

As foreign aid serves donors’ national interests, it is conducive to view Chinese aid to PICs from the perspective of China’s foreign policy. The Chinese Government has placed emphasis on its relations with neighbouring nations as ‘periphery’, positioning them as the foundation of China’s diplomacy (Chen 2009). South Pacific has been regarded as part of China’s ‘great periphery’ diplomacy (People’s Daily 2014, 3). Therefore, PICs are part of China’s broad diplomacy to foster good diplomatic relations with the developing world. As Wesley-Smith (2013, 370) suggested, ‘Beijing’s foreign policy in the [Pacific] region makes most sense when viewed within the context of its larger outreach to the developing world’.

Among China’s diplomatic interest, seeking support from PICs for the Taiwan issue and at multilateral fora has been prominent. The diplomatic wrestling between Mainland China and Taiwan had been fierce until 2008 when they reached a diplomatic truce. Recognition of the ‘One China’ policy has been the corner stone of China’s relations with PICs. Among the 20 United Nations member states that recognize Taiwan diplomatically, six are small PICs: Nauru, Kiribati, Solomon Islands, Marshall Islands, Palau and Tuvalu, which make the significance of PICs in China’s diplomacy self-evident. During his visit to Fiji in November 2014, a first visit by a Chinese President to the region, President Xi Jinping expressed China’s gratitude to PICs’ long-term support on issues relating to China’s core interests, including the Taiwan issue. China also looks to PICs for support on global and regional issues such as the reform of UN Security Council. China has even begun to seek support from PICs on domestic issues. As an example, President Xi appreciated Fiji’s efforts in chasing corrupt Chinese officials running overseas when he met with Fiji Prime Minister Bainimarama in November 2014.

Economically, Chinese foreign aid has paved the way for Chinese state-owned enterprises (SOE) to enter into PICs. Since the initiation of the ‘go out strategy’ in 1990s, the Chinese Government has used foreign aid especially concessional loans to support its companies explore overseas markets and secure access to natural resources. It has thus been common that Chinese SOEs expose themselves to unfamiliar markets by conducting Chinese aid projects before moving into commercial projects, which however has not been an easy process. Following this path, a number of Chinese SOEs such as China Harbour Engineering Company, China Civil Engineering Construction Corporation and
Guangdong Foreign Construction Company have established themselves in PICs. However, this process has been marked with fragmentation rather than part of a well-coordinated strategy from the Chinese Government.

By November 2013, nearly 150 Chinese companies have established business in PICs with a total actual investment of nearly US$1 billion, and China’s bilateral trade with PICs has grown at an average growth rate of 27 per cent over 2006–2013, reaching US$4.5 billion in 2013 (Wang 2013). Moreover, although most PICs are small and do not have rich natural resources, they are endowed with abundant maritime resources especially fisheries. China Overseas Fisheries Company has more than 40 tuna long liners operating in the waters of Fiji, Vanuatu, the Solomon Islands and Tuvalu.

Security ambition does not seem to be a main motivation behind Chinese aid to PICs, at least at this stage when China is preoccupied with its immediate concerns in the ‘first island chain’.5 Yang (2009, 145) argued that 'the South Pacific is marginal in China’s strategic landscape'. Webb (2015, 16), Vice Chief of Australian Defence Force, agreed that while China’s expansion into South Pacific raises strategic speculations, 'China’s regional expansion should not be overstated'. Yu Changsen, Deputy Executive Director of the Center for Oceania Studies at Sun Yat-Sen University, called on the Chinese Government to increase input in PICs as they occupy a strategic position between the second and third island chain (Yu 2015). This is a counterevidence that PICs have not been on the top agenda of the Chinese Government.

2.5. India

Since the turn of the century, the Asia-Pacific region has emerged central to Indian foreign policy thinking. An economically and relatively politically stable Asia-Pacific region has provided avenues for increasing Indian commercial and bilateral engagements. Outward foreign direct investments by Indian companies in the Asia-Pacific increased substantially over the last decade. The economic and geostrategic rise of China in the region has also added thrust to India’s strategic focus (Brewster 2011; Chen & Yang 2013).

India’s initial interests in the Pacific were guided by the large number of Indian diaspora especially in Fiji, which accounts for 37 per cent of Fiji’s entire population—arriving as indentured labourers early in the 1800s under the Commonwealth. Despite the cultural links that New Delhi enjoyed with Fiji, its economic relations with the Pacific lagged behind Australia, NZ and China. It was not until the early 1990s—when economic reforms expanded New Delhi’s commercial and economic interests—that India broadened the scope of its external engagements (Pande 2011, 130). PICs finally gained relevance under the ambit of India’s Eastward Policy, both as a commercial market and one having relevant diaspora links. India opened its High Commission in PNG in 1996 and reopened its embassy in Fiji in 1999. Three years later in 2002, India was admitted as a dialogue partner into the Pacific Islands Forum. Trade and private investments from India’s commercial sector in PICs grew slowly and development assistance ties developed.

Although Indian aid volumes remain well behind the other major donors—Australia, China, EU, Japan, United States and NZ, India has a mixture of motivations behind its aid in the Pacific, which is similar to these donors. First, Indian aid provision to the Pacific serves its diplomatic interest. The increase of Indian aid to PICs is a result of India’s moving away from non-alignment in theory towards that of a more strategic autonomy in its foreign policy (Pant & Super 2015, 764). India’s ‘Act East’ policy dovetails well with the adoption of the ‘Look North’ policy by PICs such as PNG and Fiji to promote engagement with Asian economies and seek more support for development (Mullen et al. 2015). Coalition building through the means including foreign aid is also a key element of India’s Pacific

5. The theory of three island chains is from US foreign policy commentator John Foster Dulles in 1951.
outreach. In the past, India had sought support from PICs for a non-permanent seat at the UN Security Council in 1997, but the islands supported Japan (Crocombe 2007, 274). India has actively campaigned and secured support from PICs for its candidacy to a reformed UN Security Council at the 2015 India-Pacific island countries Summit.

Economic benefit is another motivation. The trade, energy and geostrategic imperatives are driving Indian ambitions in the region (Mullen & Poplin 2015). In addition, access to natural resources, China’s presence in the region and increasing commercial interests for private enterprises drive India’s eastward ambitions. India’s membership issue with the Nuclear Supplier’s Group is also a key driver in its growing outreach. Another important motivation relates to India’s ambition to be recognized as a responsible global power. As Lee (2015, 68) from the Macquarie University noted, ‘India has increasingly been viewed by major states in the region and elsewhere as a nation of consequence that has the potential to play an important role in maintaining regional stability’.

Climate change concern also drives Indian growing aid to PICs. Prime Minister Modi announced in November 2014 the setting up of a US$1 million Climate Adaptation Fund to strengthen PICs’ mechanisms to tackle climate change and stressed that tourism, cultural exchanges and climate change would remain key motivations for Indian engagement in the Pacific (Maclellan 2014, 491). As most PICs heavily rely on petroleum imports for power generation, India’s strengths in renewable energy, especially in wind and solar sectors, can be useful to PICs. It is seen as a natural leader by PICs to tackle climate change.6 A former Indian ambassador pointed that Indian aid to the Pacific has increased considerably partly because of New Delhi’s offering of capacity building in climate change during the 2015 India-Pacific island countries meeting (Balakrishnan 2015). The International Solar Alliance initiative that India launched during the climate talks in Paris in 2015 is also likely to make available funds for the PICs to boost renewable energy capacities.

2.6. Comparative Analysis

A closer examination of Chinese and Indian aid in the Pacific reveals more differences than similarities. Similarities include the following: first, both Chinese and Indian aid to the Pacific accounts for a small proportion of their overall aid because the Pacific island nations rank low in their diplomaticies. Chinese aid to PICs accounts for 4.05 per cent of Chinese total aid over 1950–2012, while Africa and Asia, the two largest recipients, received 47.3 and 32.2 per cent of Chinese total aid in this period (State Council 2011, 2014). Indian cumulative aid to PICs since 2000 accounts for nearly 1–2 per cent of its total development assistance. Second, China and India share two similar motivations behind their aid in the Pacific: economic benefits and support for voting at multilateral fora especially the UN. PNG is a typical example. While Chinese aid contractors are attracted to the rich natural resources in PNG, the natural gas resources there have also led Indian companies to explore investing in related infrastructure in PNG. Third, Fiji and PNG remain the top recipients of Chinese and Indian aid in the region. Another similarity is that the transparency of both Chinese and Indian aid is not satisfactory, which is an area the two countries can improve if they wish to be seen as responsible international players.

The differences are apparent. First, Chinese aid in the Pacific started much earlier than Indian aid. China began to provide aid to PICs because it established diplomatic relations with nations such as Fiji and Samoa in November 1975. Indian aid to the region began only in the mid-2000s. Second, Chinese aid outlay in the Pacific far exceeds that of India. Chinese cumulative aid to PICs reached US$2,268 million over 1950–2012, while Indian aid is estimated at nearly US$230 million since 2000. As the Indian aid volume is not available

6. Author’s interview with Fijian High Commissioner to India Yogesh Karan, New Delhi, October 2014.
over the same period, a comparison of Chinese and Indian grant aid and concessional loans suffices. While every year China provides US $1.66–5 million worth grant aid to each of the eight PICs who are diplomatic allies of China through the Economic and Technical Cooperation agreements, the Indian annual grant to each of the 14 PICs is US$200,000. China has carried out a number of large-scale concessional loans projects in the Pacific, many of which worth tens of millions of US dollars each. By contrast, India has few such projects.

Third, Chinese and Indian aid to PICs differ in aid types. Compared with Chinese grant aid provided mainly to support welfare projects in recipient countries, concessional loan delivered by the China Export–Import Bank dominates Chinese aid in the Pacific. It has an annual interest rate between 2 and 3 per cent and a repayment period of 15–20 years including 5–7 years of grace. In contrast, grant aid and scholarships have so far remained the major forms of Indian aid to the Pacific region. Although India delivers aid globally in four forms including grant based assistance, loan based assistance, lines of credit and training scholarships, it is only since 2014 that India has increased the concessional credit lines to the PIC nations, with focus on Fiji and PNG. However, with the announcement of a US $100 million credit line for infrastructure building in PNG during Indian President Pranab Mukherjee’s visit in April 2016, this could be changing. A fourth difference relates to aid motivations. While the Taiwan issue is a prominent factor driving China’s diplomacy towards PICs including Fiji, the Indian diaspora interest in Fiji is a major factor in India–Fiji relations including providing aid to Fiji.

The aforementioned discussion affirms that Chinese and Indian aid in the Pacific are heterogeneous in a number of aspects including aid history, volume, types and motivations. This concurs with the argument that emerging donors ‘are very diverse … from strategic priorities to regional and sectoral focus to institutional arrangements’ (De-Renzio and Seifert 2014, 1861).

3. Trilateral Aid Cooperation

3.1. China

In recent years, China has conducted or been conducting trilateral projects with a growing number of traditional donor states and multilateral development agencies such as the United States, the United Kingdom and the UNDP. PICs have been among the earliest partners in China’s trilateral aid cooperation, a newborn in the mindset of Chinese aid officials. In April 2013, China and Australia signed a Memorandum of Understanding on development cooperation, an umbrella guideline to inform trilateral aid cooperation between the two donors with a focus on the Asia-Pacific region. After more than 2 years’ preparation, China, Australia and PNG signed the agreement on the trilateral aid project on malaria control in PNG in October 2015. Australia will contribute A$4 million to the project while China will dispatch medical experts to PNG building on its rich experience in malaria eradication at home. This project brings hope to strengthen malaria research and control in PNG, a country where an estimated 94 per cent of the population live in areas that are classified as highly endemic for malaria. Since February 2014, China has been conducting a trilateral aid project with NZ, which aims to improve water supply in the Rarotonga island in Cook Islands. While the NZ Government pledged to offer NZ$15 million worth in grant aid, China Export–Import Bank committed NZ$23 million in concessional loan to Cook Islands.

While holding on to bilateral aid as its main form of delivery, the Chinese Government, especially the Ministry of Commerce (MOFCOM), has started to loosen its position on development cooperation with traditional donors. Two main reasons suffice. First, China has a stronger desire to improve its aid delivery as its foreign aid has expanded so rapidly over the last decade especially after the 2006 summit of the Forum on China-Africa Cooperation. The Chinese Government has become more aware of the challenges faced by its foreign aid such as the weakness
in aid monitoring and evaluation and become keen to learn from traditional donors in these areas. As Yu Zirong, Deputy Director-General of MOFCOM’s Department of Foreign Aid, noted, ‘Aid evaluation has remained a weak link in China’s foreign aid management. China has traditionally emphasized the implementation of [aid] project but neglected the evaluation. It is fair to say that western donors’ aid practices are very useful references for us’ (MOFCOM 2014). Yet more real actions from the Chinese side are to be seen.

Second, China has been piloting trilateral aid cooperation as a way to improve its global image as a responsible stakeholder. Along with its continuous economic growth and expanding overseas assistance, China is facing growing pressure from traditional donors and even some recipient countries for greater coordination and cooperation in aid delivery. Compared with other areas such as security, foreign aid is relatively less sensitive and bears the potential to pilot cooperation, build up trust and promote China’s global image building. As a senior Chinese scholar explained

Trilateral aid cooperation is a new area for emerging donors and developed countries to learn to live with each other. If China and traditional donors such as European countries cannot cooperate on aid issues, how can we expect them to cooperate in other areas that are more sensitive?  

The official position of the Chinese Government on trilateral aid cooperation is ambiguous. No single policy paper or regulation has been issued to inform this new aid modality. This makes sense as China is still experimenting it and making assessment. MOFCOM’s attitude has been cautious although it gives the green lights for the pilot trilateral projects. At present, both China and traditional donors have expressed clearly that they are concentrating on the pilot projects and will not push for new projects. To seek recipient countries’ support for trilateral aid cooperation is also highlighted by China.

3.2. India

India has been involved in a few trilateral aid projects. It has worked with multilateral organizations such as the World Bank, and with countries like Canada and Germany to deliver aid to CLMV nations (Cambodia, Laos, Myanmar and Vietnam) (Chaturvedi 2012). In 2014, the Development Partnership Administration (DPA) within India’s Ministry of External Affairs entered into a development partnership with USAID to further trilateral aid cooperation in Asia and Africa (USAID 2014).

However, India’s efforts in trilateral cooperation are limited. Mawdsley (2014, 13) argued that India has displayed little interest in developing trilateral mechanisms with traditional donors in the past. A possible deterrent is an insufficient public understanding and support for India’s considerable rise in foreign aid. This has led to a relatively underdeveloped discourse around Indian foreign aid and less impetus on innovation or imagination in its aid delivery. In addition, considering that the current aid framework is dominated by OECD DAC donors, strong suspicion arises from India about the potential involvement and benefits in trilateral partnership with a traditional donor.

The difficulties in cooperation and coordination in trilateral partnership are another factor that explains India’s hesitation in trilateral cooperation. This is understandable as the two donors in a trilateral mechanism need to spend considerable bureaucratic time and efforts in creating a framework for aid delivery (Abdenur & Da 2013; Farias 2015). The difficulties for trilateral cooperation are exacerbated by the notoriously understaffed situation within India’s Ministry of External Affairs where around 600 officials are manning 162 Indian missions abroad and posts within the ministry. India’s national aid administration and implementation agency—the DPA—has only around 30–40 personnel who have to oversee the administration and

---

7. Author’s interviews, Beijing, August 2015.
8. Author’s interviews, Wellington, December 2014; Beijing, July to September 2015.
implementation of Indian aid projects in 161 countries.

The encouraging news is that, India’s reluctance to participate in trilateral aid cooperation could change as its aid agency is becoming better organized and more focused, public discourse around aid is developing and India is seeing merit in working with traditional donors. For instance, over the last 3 years, India’s DPA was split into three subsections: DPA-I handles issues related to the credit lines, grant-based assistance and grant projects; DPA-II oversees capacity building programs such as the International Technical and Economic Cooperation scholarship and humanitarian relief; DPA-III looks after most of grant based assistance to South Asian countries, where nearly 80 per cent of Indian grant-based assistance is directed towards. This separation indicates a more focused and professional approach towards handling development partnerships.

India’s participation in two main interconnected meetings in 2015 underlined that New Delhi is becoming more positive about the prospects of trilateral aid cooperation. The first was the ‘High-level Meeting on South-South and Trilateral Cooperation in the Post-2015 Development Agenda: Financing for Development in the South and Technology Transfer’, which was held in May 2015 in Dhaka. The second was a high-level meeting in August 2015 in Macau, focusing on ‘Scaling-up Global Support for South-South and Trilateral Cooperation in the Context of the Post-2015 Development Agenda’. The Research and Information Systems for Developing Countries (RIS)—a think-tank associated with the Indian Ministry of External Affairs—launched a ‘Network of Southern Think-tanks’ in March 2016 to discuss and debate issues on development cooperation.

There is potential for Indian trilateral aid cooperation in the Pacific region where Indian aid volumes are relatively small, which makes it easier to pilot the cooperation, and regional donors such as Australia and NZ hold comparative advantages. Trilateral partnership will allow India to enhance its existing aid paradigm in the Pacific, while accommodating some financial and administrative flexibility. Renewable energy and climate change is a potential area for Indian trilateral cooperation. As noted earlier, Pacific nations have welcomed Indian growing input into this sector across the region. As a result, India’s potential trilateral aid cooperation in the Pacific with traditional donors such as Australia or NZ can be primarily driven by their common recognition that existential threat climate change poses to the Pacific island nations.

Australia and NZ’s experience in the Pacific could help India scale up and deliver better aid in climate change and renewable energy in the region. During the interviews, Australian aid officials supported the idea of working with India in a trilateral cooperation model in future.9 Working with a new donor that shares similar political values in trilateral partnership would bring a lot of benefits to Australia. It would foster Australian bilateral relations with India and also improve Indian aid practices. A trilateral partnership would also present a viable opportunity for India and Australia to demonstrate their leadership in climate change in the Pacific region.

3.3. Comparative Analysis

Notable differences exist between Chinese and Indian trilateral aid cooperation in the Pacific. In terms of aid practices, China has been far ahead of India in practicing trilateral aid cooperation on the ground. It has been involved in trilateral aid cooperation with the two most important regional donors—Australia and NZ. By contrast, India has not started its trilateral aid cooperation in the Pacific. In terms of government attitudes, it seems that the Chinese Government has been more positive towards piloting trilateral cooperation with traditional donors in the Pacific than its Indian counterpart. While China is experimenting trilateral partnership in the region, India is still exploring their need to pilot such aid modality in the Pacific nations.

9. Author’s interviews with Australian DFAT officials, Canberra, March 2016.
China and India also differ in terms of areas for trilateral cooperation. China is focusing on more diverse areas than India. China’s current two trilateral projects in the Pacific focus on malaria control and water supply upgrading. More areas for trilateral cooperation between China and traditional donors in the Pacific have been identified, which include joint agriculture demonstration projects, inclusive education, private sector support facility and civil society support program (Smith et al. 2014). Based on authors’ interviews, it is more likely for India to consider starting its trilateral cooperation in the Pacific in the area of climate change and renewable energies where Indian has technical expertise.

Moreover, regional donors have demonstrated a more ‘prepared’ attitude towards piloting trilateral cooperation with China compared with India. The reason is that China is the largest emerging donor in the Pacific and its impact on PICs has become increasingly prominent. As a result, Australia and NZ have been enthusiastic in piloting trilateral aid cooperation with China as a new type of partnership in their bilateral relations, which also bears hope to impact Chinese aid practices although being difficult. The Australian Government has lauded the trilateral malaria project with China in PNG as their first such project in Asia Pacific. The trilateral project on water supply in Cook Islands has been credited by China and NZ as the first trilateral aid project between China and a developed nation in the region.

With India’s ‘Act East’ policy and the government’s recent outreach measures to the PICs, India is most certain to increase its engagements in the Pacific. However, it is important to not underline the China–India rivalry in the aid context. This idea was reinforced by Indian President Pranab Mukherjee during his visit to PNG in April 2016.

4. Conclusion

Against the broad backdrop of Chinese and Indian aid programs, this article has investigated on the Pacific island nations that are less examined in literature. It has analyzed and contrasted aid from China and India in the region and revealed substantial differences. This research has also shown that China is piloting trilateral partnership steadily in the region while India is yet to start.

Both China and India are increasing their diplomatic input in the PICs, a move to boost their influence as two rising great powers. The rise of these two donors in the region brings opportunities for trilateral aid cooperation for reasons as follows. First, the PICs have become receptive to China and India’s inroad into the region, which is reflected in the ‘Look North’ policy of many PICs. These nations have welcomed and acknowledged the aforementioned visits by Chinese and Indian leaders to their region, as Samoan Prime Minister Tuilaepa Malielegaoi said, ‘I think we have to recognise the very special effort of China and India for their leaders to come all the way to Fiji, which is more central, to meet with all the Pacific leaders’ (Maclellan 2014, 491).

A second reason relates to the art of ‘being small, be smart’. The small size of PICs and their low rank in both Chinese and Indian foreign policies make trilateral aid cooperation more likely in comparison with other regions that are strategically more important. Therefore, PICs have considerable potential to become the early movers of not only Chinese but also Indian trilateral aid cooperation. In addition, traditional donors have started to place more emphasis on piloting trilateral cooperation with China and India as the two emerging donors’ influence is growing in the Pacific. Furthermore, the experimentation in trilateral cooperation brings benefits to PICs as well because it bears the potential to boost aid coordination and cooperation and reduce the burden on their already over-stretched human capacity.

Looking into the future, it is likely that China would expand its trilateral cooperation to some other PICs if the current projects in PNG and Cook Islands yield good results. Similarly, there is great potential for India to pilot its trilateral cooperation in the region, for instance, starting with Australia or NZ in
the area of climate change in selected PICs. The realization of trilateral aid cooperation, however, demands more political commitment, understanding and coordination from traditional and emerging donors. Support from Pacific island nations is important as well, as Chinese and Indian trilateral efforts are likely to take off only if the recipient country deems it necessary. Equally important, given that the administrative capacity in the PICs is weak, the increased transaction cost and bureaucratic requirement of trilateral aid cooperation in contrast to bilateral aid call for attention. As a result, more patience is needed for Chinese and Indian trilateral aid cooperation in the Pacific because a good start takes time.

References

Abdenur AE, Da FJMEM (2013) The North’s Growing Role in South–South Cooperation: Keeping the Foothold’. Third World Quarterly 34(8), 1475–91.

ADB (2011) Asian Development. Outlook 2011: South–South Economic Links. Asian Development Bank (ADB), Manila.

Balakrishnan B (2015) Forum for India Pacific Islands Cooperation Moves Ahead. Institute for Defence Studies and Analyses, viewed 3 April 2016 <http://www.idsa.in/idsacomments/ForumforIndiaPacificIslandsCooperationmovesahead_bbkalakrishnan_250815>.

Brant P (2015) Chinese Aid in the Pacific. Lowy Institute for International Policy, viewed 20 April 2016 <http://www.lowyinstitute.org/chinese-aid-map/>.

Bräutigam D (2009) The Dragon’s Gift: The Real Story of China in Africa. Oxford University Press, New York.

Brewster D (2011) Indian Strategic Thinking about East Asia. Journal of Strategic Studies 34(6), 825–52.

Chaturvedi S (2010) Indian Development Cooperation Policy and Trends in Development Assistance. Workshop presentation, Indian Research and Information System for Development Assistance. Workshop for Defence Studies and Analyses, viewed 3 March 2016 <http://www.idsa.in/idsacomments/ForumforIndiaPacificIslandsCooperationmovesahead_bbkalakrishnan_250815>.

Chaturvedi S (2012) Characteristics and Potential of Trilateral Development Cooperation (TDC): Emerging Trends, Impact and Future Prospects. United Nations Secretariat.

Chen ITY, Yang AH (2013) A Harmonized Southeast Asia? Explanatory Typologies of ASEAN Countries’ Strategies to the Rise of China’. The Pacific Review 26(3), 265–88.

Chen X (2009) Xinshiqi Zhongguo da Waijiao de Fangxiang [Direction for China’s Big Diplomacy in a New Era]. Xinhua, viewed 2 March 2014 <http://lw.xinhuanet.com/hmt/content_4954.htm>.

Crocombe R (2007) Asia in the Pacific Islands: Replacing the West. University of the South Pacific Press, Suva.

Dorman M, Brant P (2014) Chinese Assistance in the Pacific: Agency, Effectiveness and the Role of Pacific Island Governments Asia and Pacific Policy Studies https://doi.org/10.1002/app5.35.

Farias DBL (2015) Trilateral Cooperation and the Global Governance of Development Assistance: Canada and Brazil as ‘Co-donors’. Canadian Foreign Policy Journal 21(1), 1–4.

Indian Exim Bank (2017) Exim Bank’s Operative Lines of Credit as on January 16, 2017. Indian Exim Bank, viewed 2 March 2017 <https://www.eximbankindia.in/lines-of-credit/>.

Kitano N (2016) Estimating China’s Foreign Aid II: 2014 Update. Working Paper (No. 131), JICA Research Institute.

Lee L (2015) India as a Nation of Consequence in Asia: The Potential and Limitations of India’s ‘Act East’ Policy. Journal of East Asian affairs 29(2), 67–104.

Macellnan N (2014) The Region in Review: International Issues and Events in 2014. The Contemporary Pacific 27(2), 487–506.

Mawdsley E (2014) Development and the India-EU Strategic Partnership: Missing Incentives and Divergent Identities. Policy Brief (No. 14), European Strategic Partnership Observatory.

MOFCOM (2014) Shangwubu Zhaokai Duiwai Yuanzhu Guanli Banfa Jiedu Meiti Chufenghui [MOFCOM Held the Media Debriefing on the Measures on the Administration on Foreign Aid]. China’s Ministry of Commerce, viewed 3 March
Mullen RD, Poplin C (2015) The New Great Game: A Battle for Access and Influence in the Indo-pacific. Foreign Affairs (29 September).

Mullen RD, Shivakumar H, Prasad K, Singh K, Jain S, Haribhakti S (2015) 50 years of the Indian Technical and Economic Cooperation. Research report, Indian Center for Policy Research, New Delhi.

Pande A (2011) India and its Diaspora in Fiji. Diaspora Studies 4(2), 125–38.

Pant HV, Super JM (2015) India’s ‘Non-alignment’ Conundrum: A Twentieth-Century Policy in a Changing World. International Affairs 91(4), 747–64.

People’s Daily (2014) Zhongguo Dazhoubian Waijiao Kai Xinju [China’s Periphery Diplomacy Opens up a New Prospect]. People Daily, 24 November, p. 3.

Smith G, Carter G, Mao X, Tararia A, Tupour E, Xu W (2014) The Development Needs of Pacific Island Countries. Analytical report, UNDP China.

State Council (2011) Zhongguo de Duiwai Yuanzhu [China’s Foreign Aid]. People’s Daily, 22 April, p. 22.

State Council (2014) Zhongguo de duiwai yuanzhu (2014) [China’s Foreign Aid (2014)]. People’s Daily, 11 July, p. 22.

USAID (2014) India and US Expand Development Cooperation in Asia and Africa. viewed 5 April 2015 <https://www.usaid.gov/india/press-releases/nov-3-2014-india-and-us-expand-development-cooperation-asia-and-africa>.

Wang Y (2013) Wang Yang Zai di er jie Zhongguo Taipingyang Daoguo Jingji Fazhan Hezuo Luntan ji 2013 Zhongguo Guoji Ivse Chuangxin Jishu Chanpinzhan Kaimushi Shang de Yanzheng [Speech by Wang Yang at the Opening Ceremony of the 2nd China-Pacific Islands Countries Economic Development and Cooperation Forum & China International Green Innovation Products and Technology Show]. China’s Ministry of Foreign Affairs, viewed 22 November 2013 <http://www.fmprc.gov.cn/mfa_chn/zyxw_602251/t1097478.shtml>.

Webb D (2015) China’s South Pacific Expansion and the Changing Regional Order: A Cause for Concern to the Regional Status Quo? Center for Defence and Strategic Studies. Australian Defence College, Canberra.

Wen J (2006) Jiaqiang Huli Hezuo, Shixian Gongtong Fazhan [To Promote Cooperation of Mutual Benefits and Achieve Common Development]. State Council Bulletin 15, 10–11.

Wesley-Smith T (2013) China’s RISE in Oceania: Issues and Perspectives. Pacific Affairs 86(2), 351–72.

Yang J (2009) China in the South Pacific: Hegemon on the Horizon? The Pacific Review 22(2), 139–58.

Yu C (2015) Pacific Islands in China’s Strategy in the 21st Century. In: Yu C, Wang X, Chang C (eds) Blue Book of Oceania (2014-2015), pp. 1–4. Social Sciences Academic Press (China), Beijing.