China’s Economic Rebalancing amid Global Financial Crisis:
Implications for the Pacific Island Countries

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Abstract

The paper reviews China’s response to the 2008 financial crisis and the new growth model from the perspective of its entire reform era. Particular attention is given to policy development in the areas of energy, food security and poverty alleviation, and their implications for the Pacific island countries (PICs). It examines the China-PICs bilateral economic relations with an aim to enhancing trade and investment linkages. While the Asian economies are booming and the major south Pacific economies are increasingly integrating with Asia through trade and investment, it is imperative that PICs actively prepare themselves for the changing international environment. Given that PICs’ rising exports to China mainly consist of fishery products and mineral and forestry resources, rebalancing the Chinese economy would strengthen its consumer demand for sea food but reduce its demand for other resources. For strategic consideration, China is likely to increase its investment in PICs. However, in light of the political situation in Fiji, the paper argues for improvement of the Chinese foreign aid programs to help achieve inclusive and transparent social and economic development in PICs, as well as good will from their peoples.