

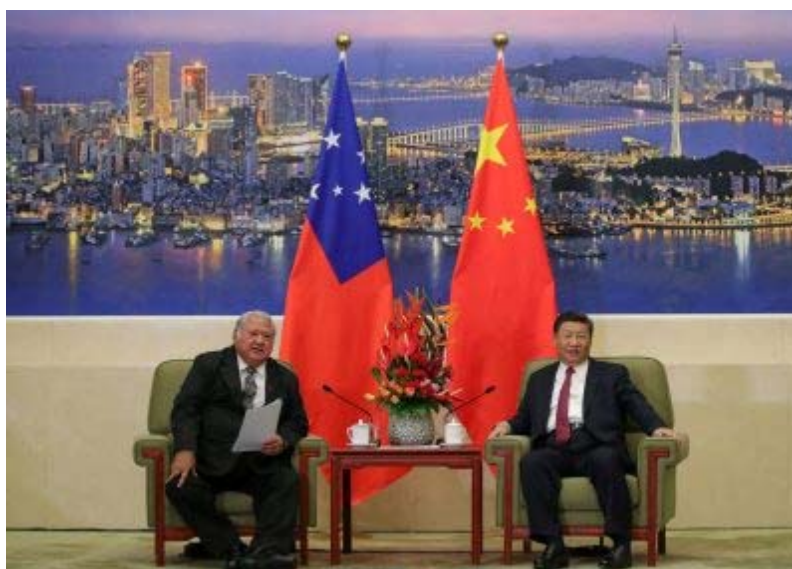
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China, Samoa and debt-for-equity swaps

Posted By *Stewart Firth* On 1 January 2019 @ 10:00 am In
China, Development, Infrastructure, Pacific Islands | [No Comments](#)

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Last year, Australia discovered the debt owed to Chinese banks by Pacific island countries. As the debate over China's intentions in the region grew, commentators pointed to the possibility that Pacific countries might be compelled to accept debt-for-equity swaps if they could not repay. The port of Hambantota in Sri Lanka, where a Chinese company obtained a 99-year lease ^[1] to run commercial operations in return for helping to pay the country's debt, was the commonly raised example.



So when reports emerged in late 2018 that China might be involved in upgrading a port in Samoa called Asau, the issue was quickly reignited.

The harbour at Asau in Samoa's island of Savai'i is little known outside the country. An export port for tropical timbers in the 1960s and 1970s, Asau has since fallen into disuse as sand and coral drift blocked the entrance to the harbour. Nor was much notice taken when Samoan Prime Minister Tuilaepa Sailele Malielegaoi announced in April 2018 that the government had secured funding to widen and deepen the channel.

At the time the Prime Minister said nothing about the source of the funding for the harbour improvement, but the Minister for Agriculture and Fisheries later said it was China. Pressed on the issue by a reporter from *The Australian*, he was less certain ^[2]: 'I think China is one of the donors that the government is talking to but nothing has been confirmed or finalised'. The

Chinese Ambassador to Samoa, Wang Xuefang, said he knew nothing about it.

Meanwhile Tuilaepa claimed ^[3] that press reports were confusing Asau with another port where Samoa is discussing assistance with China, the port of Vaiusu. Vaiusu is a bay lying to the west of the capital Apia and the site of the new South Pacific Submarine Cable Depot.

The issue remains clouded, with no further clarification having come from the Samoan government. But it would not be surprising if a soft Chinese loan were the source of funding for Asau. Samoa recognised China in 1976 — one of the first Pacific countries to do so — and has closer relations with China than most of its Pacific neighbours.

Samoa has also been the recipient of numerous Chinese aid projects ^[4] and loans ^[5] in recent years. Among the projects are a major upgrade of the National Hospital, the Parliamentary Building at Mulinu'u, the Ministry of Justice and Courts Administration Building nearby, the National Broadband Highway, the upgrade of Faleolo International Airport and Samoa's largest government building and convention centre, the Tui Atua Tupua Tamasese Efi Building in Apia. Officially, Samoa would welcome ^[6] a bid for 5G infrastructure from the Chinese multinational company Huawei.

At the same time China is constantly engaged in smaller projects with large local impact: new laptops for the Parliament, university scholarships for Samoan students, medical equipment, vegetable garden projects, assisting villagers with clean water supplies and so on.

From the Samoan point of view, as the Prime Minister often reminds, all of this assistance is welcome and contributes to the country's development.

The contrast between US and Chinese diplomacy in Samoa could not be more stark. The newly appointed US ambassador, Scott Brown, arrived in Apia in 2017 defending ^[7] the Trump administration's intention to withdraw from the Paris climate agreement. This touched on the one foreign policy issue that unites all Pacific islanders: climate change. Tuilaepa had already criticised the US decision before Brown's arrival.

At the same time, Brown denounced China for decimating corals and dumping concrete in the ocean, in an apparent reference to the South China Sea. Brown blundered further at an Apia reception, where he told people serving the food ^[8] that they could make hundreds of dollars in the United States in the 'services industry'. Complaints about his behaviour led to a US State Department investigation into the matter.

China's declared position on climate change ^[9] is the opposite. China fully supports the Paris Agreement, and financially supports the climate change endeavours of the South Pacific Regional Environment Program as well as climate change projects in Samoa. Wang Xuefang is keen to remind ^[10] Samoans that the Chinese government is committed to join with the Samoan government in addressing climate change.

According to the Samoan Ministry of Finance, China is one of Samoa's main creditors. In 2017 national debt stood at 1.1 billion tala ^[11] (US\$420 million), of which 410 million tala (US\$157 million) was owed to China — most of it as repayment on soft loans for construction projects. As Rohan Fox and Matthew Dornan point out ^[12], Samoa owes more to multilateral banks such as the Asian Development Bank and the World Bank than it does to China. In any case, Samoa has demonstrated over a long period its ability to repay foreign loans.

Samoa is not at all likely to become so indebted to China that it is compelled to engage in a 'debt-for-equity' swap of the kind that has so alarmed Western observers in Sri Lanka. And even if a Chinese company clears the channel at Asau Harbour, the port and harbour seem highly likely to be used principally for tourism and inter-island movement.

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URLs in this post:

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[2] he was less certain: <https://vanuatuindependent.com/2018/11/27/chinas-plan-develop-samoan-port-concern/>

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[6] welcome: <https://www.radionz.co.nz/international/pacific-news/377765/huawei-welcome-to-bid-for-5g-in-samoa-regulator>

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[8] told people serving the food: <https://edition.cnn.com/2017/10/25/politics/scott-brown-samoa-comments-inquiry/index.html>

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