

The Belt and Road comes to Papua New Guinea

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# The Belt and Road comes to Papua New Guinea: Chinese geoeconomics with Melanesian characteristics?

Peter Connolly

## Abstract

Considered ‘peripheral’ in Chinese foreign policy, Melanesia has nevertheless experienced a steady growth in Chinese interests this century, particularly leading up to APEC 2018. This interest brought with it the Belt and Road Initiative – China’s economic quest for global influence, and the public face of China’s grand strategy. Drawing on research from 2017 and 2019, this article examines what changed after PNG joined the BRI in June 2018. It consults a range of well-informed Chinese and PNG perspectives to discern what the BRI means for Melanesia and how Melanesians are responding to it. Is this economic development, geoeconomic influence or both?

**Map 1: States referred to in this article with their Exclusive Economic Zones (EEZs) and the Sub-Regions of the Pacific Islands.<sup>1</sup>**



1 The Chinese provinces of Guangdong and Fujian are highlighted as the most significant points of origin for Chinese migrants to Melanesia.

The Belt and Road Initiative (BRI) is China's economically driven quest for global influence, which serves as the visible face of the People's Republic of China's (PRC) grand strategy. The Chinese state has sought global power under the leadership of President Xi Jinping by employing this grand strategy to marshal Chinese economic, diplomatic, military and propaganda resources with an emphasis on geoeconomic influence. This effort has arguably accelerated in the environment generated by the COVID-19 global pandemic.

Melanesia, the most populous and resource-rich sub-region of Oceania, has been placed on the 'greater periphery' of Chinese grand strategy.<sup>2</sup> Nevertheless, in 2006 Premier Wen Jiabao clarified China's intent for increasing engagement with the Pacific Islands: "...cooperation with the Pacific island countries is not a diplomatic expediency. Rather, it is a strategic decision."<sup>3</sup> Xi Jinping reinforced this intent when he invited Pacific leaders to get on board China's "development express train" in 2014.<sup>4</sup> The sheer asymmetry of such a relationship dictates that even a modest interest from a Chinese perspective can have a significant impact on Pacific Island countries. Melanesia has experienced a steady growth in Chinese interest over the past two decades, and this growth has intensified since the official arrival of the BRI in 2018.

China's approach to influence and interference in the Pacific has become quite brazen, establishing a pattern of behaviour which is contrary to China's stated foreign policy principle of 'non-interference'. This is evidenced by the arrest and extradition of 77 'Chinese nationals' by Chinese police in Fiji in 2017;<sup>5</sup> the arrest of six Chinese nationals with ni-Vanuatu citizenship by Chinese police in Vanuatu in 2019;<sup>6</sup> and most recently the sending of workers participating in a COVID-19 vaccine trial into Papua New Guinea (PNG) without the host nation's consent or knowledge.<sup>7</sup> China publicly admonished the Solomon Islands province of Malaita when it declared its objection to Honiara's 'switch'

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2 Jian Yang, *The Pacific Islands in China's Grand Strategy—Small States, Big Games*, (New York: Palgrave Macmillan, 2011), pp. 2 and 136-137. See also: Yu Changsen, "Chinese Economic Diplomacy toward the Oceanian Island countries in the first decade of the 21st Century", *2014 Blue Book of Oceania: Annual Report on Development of Oceania 2013-14* (Beijing: Social Sciences Academic Press, 2015), p.368.

3 Premier Wen Jiabao, address to the China-Pacific Island Countries Economic Development and Cooperation Forum, Nadi, Fiji, 5 April 2006. "Wen's speech at China-Pacific Island Countries forum", *Xinhua*, <[http://www.chinadaily.com.cn/china/2006-04/05/content\\_560573.htm](http://www.chinadaily.com.cn/china/2006-04/05/content_560573.htm)> [accessed 30 September 2014].

4 Graeme Smith, "China in the Pacific: Zombie ideas stalk on" *SSGM In Brief* 2015-2, (Canberra: ANU, 2015).

5 For alleged cyber-crime. *Xinhua* "77 telecom fraud suspects returned to China from Fiji" *China Daily*, 5 August 2017, <[http://www.chinadaily.com.cn/china/2017-08/05/content\\_30349375.htm](http://www.chinadaily.com.cn/china/2017-08/05/content_30349375.htm)> accessed 7 October 2017. But they turned out to be teenaged Chinese sex workers. See Hagar Cohen and Tiger Webb "Chinese nationals deported from Fiji were sex workers, not fraudsters" *Background Briefing*, Radio National, 6 October 2017 <<http://www.abc.net.au/news/2017-10-06/chinese-nationals-deported-from-fiji-sex-workers-not-fraudsters/9019666>> [accessed 7 October 2017].

6 Bernard Lagan, "Rendition row after China seizes six people from Vanuatu", *The Times*, 10 July 2019, <<https://www.thetimes.co.uk/article/vanuatu-bows-to-chinese-rendition-of-its-citizens-hp5300gmm>> [accessed 30 August 2019].

7 Ben Packham, "China testing its COVID-19 vaccine in Papua New Guinea", *The Australian*, 20 August 2020, <<https://www.theaustralian.com.au/nation/politics/china-testing-its-covid19-vaccine-in-papua-new-guinea/news-story/3932c90ab23a7ab3a6f327c3290fd29d>> [accessed 20 August 2020].

in recognition from Taiwan to the PRC.<sup>8</sup> Prime Minister Marape's nationalisation of the Porgera Mine in PNG attracted the public dissatisfaction of the Chairman of Zijin Mining Group.<sup>9</sup> But more importantly, China achieved a key geopolitical goal when it successfully induced the Solomon Islands and Kiribati to 'switch' recognition from Taiwan to China in September 2019.

This article will focus on what has happened in Melanesia's largest, most populous and resource-rich state, Papua New Guinea, since it signed a Memorandum of Understanding (MoU) with China to join the BRI in June 2018.<sup>10</sup> It draws on research conducted in PNG in 2017 and 2019 to understand what changed when PNG joined the BRI, consulting a range of well-informed Chinese and PNG perspectives to understand what the BRI could mean for Melanesians—economic development, geoeconomic influence, or both. The article will start with definitions and background on the BRI. It will then observe what happens when a state joins the BRI through the case study of PNG. Finally, it will observe the likely impacts of current trends associated with these changes, and Melanesian agency in response to them.

## Statecraft, Grand Strategy and the Chinese in Melanesia

### **Definitions**

A discussion of geoeconomics depends on the understanding of what is meant by statecraft and economic statecraft. David Baldwin described statecraft as the employment of instruments of national power by using techniques to exert influence in pursuit of foreign policy goals.<sup>11</sup> He refined Harold Lasswell's instruments of power<sup>12</sup> into a taxonomy of

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- 8 China's Ministry of foreign Affairs described Malaita's actions as "illegitimate, inappropriate and entirely wrong" and claimed its association with Taiwan "hurts the national feelings of the Chinese people." Edward Cavanaugh, "The small Pacific islands at the center of a big power play", *Washington Post* 30 July 2020 <[https://www.washingtonpost.com/world/asia\\_pacific/china-taiwan-dispute-and-coronavirus-aid-fuel-hostilities-in-solomon-islands/2020/07/29/500a7fd8-cccb-11ea-99b0-8426e26d203b\\_story.html](https://www.washingtonpost.com/world/asia_pacific/china-taiwan-dispute-and-coronavirus-aid-fuel-hostilities-in-solomon-islands/2020/07/29/500a7fd8-cccb-11ea-99b0-8426e26d203b_story.html)> [accessed 30 July 2020]. China's actions have had further repercussions in the Solomon Islands. Evan Wasuka, "Province takes Solomon Islands government to court over COVID-19 donations", *Pacific Beat*, Australian Broadcasting Company, 13 July 2020, <<https://www.abc.net.au/radio-australia/programs/pacificbeat/province-takes-solomons-govt-to-court/12448318#:~:text=Solomon%20Islands'%20province%20of%20Malaita,Taiwan%2C%20in%20favour%20of%20China.>> [accessed 15 July 2020].
  - 9 In a letter to PM Marape dated 27 April 2020, Jinghe Chen, Chairman of Zijin Mining Group, whose company had owned a 47% share in the gold mine, made the following threat: "However, if Zijin's investment in Porgera mine is not properly protected by the PNG government, I am afraid there will be significant negative impact on the bilateral relations between China and PNG, which is something we definitely do not want to see." Copy in possession of author.
  - 10 Despite Fiji's apparently close relationship with China and Prime Minister Bainimarama's public involvement as the only Pacific Island leader in the Belt and Road Forum in 2017, it did not sign an MoU for the Belt and Road till after APEC 2018. Yang Yi, "China, Fiji ink MoU on Belt and Road Initiative cooperation", *Xinhua*, 12 November 2018, <[http://www.xinhuanet.com/english/2018-11/12/c\\_137601722.htm](http://www.xinhuanet.com/english/2018-11/12/c_137601722.htm)> [Accessed 30 August 2020].
  - 11 David A. Baldwin, *Economic Statecraft* (New Jersey: Princeton University Press, 1985), p.8-9.
  - 12 Harold D. Lasswell, *Politics: Who Gets What, When, How. With Postscript*, (New York: Meridian Books, 1958—first edition 1936). Lasswell described them as '...information, diplomacy, economics, force (words, deals, goods, weapons).' These categories appear to be the basis for the modern US acronym of 'DIME', accounting for the employment of Diplomatic, Informational, Military and Economic power. Quoted in Baldwin, *Economic Statecraft*, p.13.

the techniques of statecraft: propaganda; diplomacy; economic statecraft; and military statecraft.<sup>13</sup>

Baldwin defines economic statecraft as “...influence attempts relying primarily on resources which have a reasonable semblance of a market price in terms of money.”<sup>14</sup> This is more easily distinguishable because it focuses on the means rather than the ends.<sup>15</sup> He observes the practice throughout recorded history and its modern utility.<sup>16</sup> The Chinese state has become quite proficient at the employment of this instrument of statecraft, following leading Western powers including the US.<sup>17</sup>

Geoeconomics, then, is the use of economic statecraft to achieve geopolitical or strategic objectives in securing the national interest. One of the first to use the term was Edward Luttwak in 1990 as he reflected on the end of the Cold War.<sup>18</sup> Robert Blackwill and Jennifer Harris recently defined geoeconomics as the “use of economic instruments to promote and defend national interests, and to produce beneficial geopolitical results.”<sup>19</sup> This term connotes a subset of the broader spectrum of economic statecraft, giving focus to both ends (national interest) and means (economic activity). The literature on grand strategy suggests it is unwise to employ such instruments unless they are carefully synchronised with other statecraft tools.

Grand strategy is the comprehensive prioritisation, direction and coordination of national resources<sup>20</sup> to secure the fundamental interests of a state, in both peace and war.<sup>21</sup> Such behaviour is based on a purposeful set of ideas, or overarching vision, which generates a logical path to where a nation intends to be in the long term.<sup>22</sup> This enables the application of means to achieve objectives in the national interest, and response to the threats and opportunities presented by the international environment.<sup>23</sup>

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13 Baldwin, *Economic Statecraft*, pp.13-14.

14 Baldwin, p.13.

15 Baldwin pp.39-40.

16 Baldwin p.370.

17 Sarah Chayes points out that “...the nineteenth and twentieth centuries are littered with examples of colonial and postcolonial powers deliberately corrupting the leaders of lands they sought to dominate.” “The Strategies Are Foreign, but the Corruption Is American: A Response to ‘The Rise of Strategic Corruption’”, *Foreign Affairs*, November/ December 2020, <<https://www.foreignaffairs.com/articles/usa/2020-10-13/strategies-are-foreign-corruption-american>> [Accessed 30 October 2020].

18 Edward N. Luttwak 1990 “From Geopolitics to Geo-Economics: Logic of Conflict, Grammar of Commerce”, *The National Interest*, No. 20 (Summer 1990), Center for the National Interest, pp. 17-23.

19 Robert D. Blackwill and Jennifer M. Harris, *War by Other Means: Geoeconomics and Statecraft*, (New York: Belknap Press, Harvard University, 2017).

20 Also referred to as national ‘levers of power’, these can be classified under Baldwin’s taxonomy of four broad statecraft techniques: Propaganda; Diplomacy; Economic Statecraft; and Military Statecraft.

21 This definition is based on those of: Basil H. Liddell Hart, *Strategy*, (New York: Praeger, 1972), p.31; Avery Goldstein, *Rising to the Challenge: China’s Grand Strategy and International Security* (Stanford: Stanford University Press, 2005), pp.17 and 19; and Hal Brands, *What good is grand strategy?: power and purpose in American statecraft from Harry S. Truman to George W. Bush* (Ithaca: Cornell University Press, 2014) pp.3-6.

22 Goldstein, *Rising to the Challenge*, p.19; and Brands, *What good is grand strategy?*, p.3.

23 Michael J. Green, *By More Than Providence: Grand Strategy and American Power in the Asia Pacific Since 1783* (New York: Columbia University Press, 2019), p.2.

To be effective, a grand strategy needs to be cohesive and consistent, and yet sufficiently responsive to change. Grand strategy is relevant to all states regardless of their size or capacity,<sup>24</sup> and is affected by domestic imperatives regardless of the state's political system.<sup>25</sup> A grand strategy will rarely be publicly declared in its complete form,<sup>26</sup> but becomes evident over time as a result of a state's behaviour.<sup>27</sup>

There has been a growing recognition in Chinese academia of this 'western' term<sup>28</sup> in the past decade.<sup>29</sup> However, this is often conceptualised in a China-centric or great power manner. One senior Chinese scholar was quoted as saying "It is the privilege of great countries to have grand strategies—not Papua New Guinea."<sup>30</sup> I disagree.

'Grand' in this context refers to a comprehensive approach rather than relative superiority in one form of power.<sup>31</sup> It has also been claimed that "...all states have a grand strategy, whether they know it or not."<sup>32</sup> If a state can identify what is in its long term interest, deduce a way of achieving this and then seek to coordinate employment of its resources accordingly, it can pursue a grand strategy. The BRI represents the declaratory form of China's grand strategy.

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24 Edward Luttwak, *The Grand Strategy of the Byzantine Empire* (Cambridge, MA: Harvard University Press, 2009), p. 409; Tom Long, "Small States, Great Power? Gaining Influence Through Intrinsic, Derivative, and Collective Power", *International Studies Review* (2017) No. 19, pp.185-205; and Nina Silove "Beyond the Buzzword: The Three Meanings of 'Grand Strategy'", *Security Studies*, 2018, Vol. 27, No. 1, 27–57, p.51.

25 Richard Rosecrance and Arthur A. Stein, "Beyond Realism: The Study of Grand Strategy," Richard Rosecrance and Arthur Stein (eds), *The Domestic Bases of Grand Strategy* (New York: Cornell University Press, 1993) p.5.

26 Goldstein, *Rising to the Challenge*, p.19, and Brands, *What good is grand strategy?*, pp.5-6.

27 Goldstein, *Rising to the Challenge*, pp.19-20.

28 Originally it was claimed there was no such term in Chinese thinking, though 'National Strategy' was a close approximation, and 'Comprehensive National Power' appears to be the same thing:

– Author's interviews with Chinese academics and officials, Beijing & Guangzhou, May & October 2014;

– Alistair Iain Johnston, *Cultural Realism: Strategic Culture and Grand Strategy in Chinese History* (Princeton: Princeton University Press, 1995), p36; and

– Jian Yang, *The Pacific Islands in China's Grand Strategy—Small States, Big Games*, (New York: Palgrave Macmillan, 2011), p.47.

29 For example:

– Wang Jisi "China's Search for a grand strategy: a rising Power finds its way" *Foreign Affairs*, March/April 2011;

– Jian Yang, *The Pacific Islands in China's Grand Strategy—Small States, Big Games*, (New York: Palgrave Macmillan, 2011);

– Ye Zicheng, *Inside China's Grand Strategy: The Perspective from the People's Republic*, translated and edited by Steven I. Levine and Guoli Liu (Lexington, Kentucky: The University Press of Kentucky, 2011);

– Chih-yu Shih and Chiung-chiu Huang, "China's Quest for Grand Strategy: Power, National Interest, or Relational Security?" *The Chinese Journal of International Politics*, 2015, 1–26;

– Yunling Zhang "Belt and Road Initiative as a Grand Strategy" in Jie Zhang (ed) *China's Belt and Road Initiatives and Its Neighboring Diplomacy* (Beijing: Chinese Academy of Social Sciences, 2016), pp 3-12; and

– Xiaoyu Pu and Chengli Wang, "Rethinking China's rise: Chinese scholars debate strategic overstretch" *International Affairs* 94: 5 (2018) 1019–1035.

30 Senior Chinese scholar quoted by David Lampton in *The Three Faces of Chinese Power: Might, Money and Ideas* (Berkeley: University of California Press, 2008) p.25.

31 This has been the subject of academic debate. Some continue to attach a rather narrow interpretation to the term. For example: Williamson Murray, "Thoughts on Grand Strategy," in Williamson Murray, Richard Hart Sinnreich, and James Lacey (eds) *The Shaping of Grand Strategy: Policy, Diplomacy, and War*, (Cambridge: Cambridge University Press, 2011), p.1. Others argue that grand strategy "...is labelled 'grand' because it refers to the guiding logic or overarching vision..." which combines all forms of influence to secure the state's international goals. Avery Goldstein, *Rising to the Challenge: China's Grand Strategy and International Security* (Stanford: Stanford University Press, 2005), p19.

32 Edward Luttwak, *The Grand Strategy of the Byzantine Empire* (Cambridge, MA: Harvard University Press, 2009), p.409.

## The Belt and Road Initiative

The BRI was instigated<sup>33</sup> by Xi Jinping's speech to the Nazarbayev University in Kazakhstan in September 2013,<sup>34</sup> followed by another to the Indonesian parliament in Jakarta in October of the same year.<sup>35</sup> The Chinese administrative apparatus was mobilised to develop and implement this vision from November 2013,<sup>36</sup> and the *Vision and Actions Roadmap* was issued jointly by the National Development and Reform Commission, the Ministry of Foreign Affairs and the Ministry of Commerce in March 2015.<sup>37</sup> This direction went to all ministries and agencies of government requiring them to create subordinate plans to meet key objectives by the centenary of the PRC in 2049.<sup>38</sup>

The BRI was to be financed by China's two policy banks—China Development Bank (CDB) and the China Export-Import Bank (ExIm Bank)<sup>39</sup>—with support from the Asian Infrastructure Investment Bank (AIIB) and the Silk Road Fund (SRF). The concept was named the 'One Belt, One Road' (OBOR), but was changed in other languages to the more inclusive 'Belt and Road Initiative' (BRI) for the Belt and Road Forum in 2017.<sup>40</sup> The BRI pushed beyond China's initial periphery (the Eurasian continent) to include the 'China–Oceania–South Pacific Blue Economic Passage' as one of three maritime routes, in addition to six economic corridors.<sup>41</sup>

The mobilisation and integration of China's instruments of national power under the BRI to serve its national interests indicate China's grand strategy.<sup>42</sup> I make the distinction that it is the public face of China's grand strategy, as there appear to be classified components of it (as with most grand strategies) which do not necessarily fit within the global strategic

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33 Chinese academics credited Professor Wang Jisi (of Peking University) with the initial thinking which led to the OBOR with his 2012 opinion piece in the *Global Times*. Wang Jisi, "'March West', China's Geostrategic Rebalance" ['西进, 中国地缘战略的再平衡'], *Global Times* [环球时报], October 17, 2012, <[http://opinion.huanqiu.com/opinion\\_world/2012-10/3193760.html](http://opinion.huanqiu.com/opinion_world/2012-10/3193760.html)>. See Yun Sun, "March West: China's Response to the U.S. Rebalancing," *The Brookings Institution*, January 31, 2013, <[www.brookings.edu/blog/upfront/2013/01/31/march-west-chinas-response-to-the-u-s-rebalancing/](http://www.brookings.edu/blog/upfront/2013/01/31/march-west-chinas-response-to-the-u-s-rebalancing/)>.

34 In Kazakhstan Xi proposed a 'Silk Road Economic Belt', connecting China to Europe via land. Xi Jinping quoted in "President Xi Jinping delivers important speech and proposes to build a silk road economic belt with Central Asian Countries", *Ministry of Foreign Affairs*, PRC, 7 September 2013 <[www.fmprc.gov.cn/mfa\\_eng/topics\\_665678/xjpfwzsisesgjtfhshzzfh\\_665686/t1076334.shtml](http://www.fmprc.gov.cn/mfa_eng/topics_665678/xjpfwzsisesgjtfhshzzfh_665686/t1076334.shtml)> [Accessed 2 September 2020].

35 In Jakarta Xi proposed the creation of a '21st Century Maritime Silk Road', connecting China to Europe via sea. David Gosset, "China's Grand Strategy: The New Silk Road", *Huffington Post*, 8 Jan 2015, <[http://www.huffingtonpost.com/david-gosset/chinas-grand-strategy-the\\_b\\_6433434.html](http://www.huffingtonpost.com/david-gosset/chinas-grand-strategy-the_b_6433434.html)> [Accessed 2 September 2020].

36 Nadège Rolland "The Belt and Road Initiative: China's Grand Strategy?" in 'Grand Designs: Does China have a 'Grand Strategy'?' *China Analysis*, European Council on Foreign Relations, October 2017, p.5.

37 National Development and Reform Commission, Ministry of Foreign Affairs and Ministry of Commerce of the People's Republic of China, *Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road* (PRC Government, Beijing, 28 March 2015) <[http://en.ndrc.gov.cn/newsrelease/201503/t20150330\\_669367.html](http://en.ndrc.gov.cn/newsrelease/201503/t20150330_669367.html)> [Accessed 2 September 2020].

38 Nadège Rolland "The Belt and Road Initiative: China's Grand Strategy?" in 'Grand Designs: Does China have a 'Grand Strategy'?' *China Analysis*, European Council on Foreign Relations, October 2017, p.5.

39 By 2017 these two banks were lending more in Asia than the World Bank and Asian Development Bank combined. Tom Miller *China's Asian Dream* (Zed Books, London, 2017) p.12.

40 The 'Initiative' was meant to sound more inclusive and less threatening for the global audience. However, its name in Chinese has never changed.

41 Nadège Rolland, "A Concise Guide to the Belt and Road Initiative", National Bureau of Asian Research, 11 April 2019 <<https://www.nbr.org/publication/a-guide-to-the-belt-and-road-initiative/>> [Accessed 20 August 2020].

42 Nadège Rolland "The Belt and Road Initiative: China's Grand Strategy?" in 'Grand Designs: Does China have a 'Grand Strategy'?' *China Analysis*, European Council on Foreign Relations, October 2017, p.5.

narrative propagated by the BRI. Nadège Rolland argued that beyond the involvement of State-Owned Enterprises (SOEs), private companies, financial organisations, diplomats, intellectuals, media, and propaganda experts, the strategy requires the People's Liberation Army (PLA) to protect overseas interests, and that it will be difficult for them to stick to a policy of 'non-interference' as they do so.<sup>43</sup> The ultimate political objective for this grand strategy is the "China Dream of the great rejuvenation of the nation", which Rolland describes as 'China's unimpeded rise'.<sup>44</sup>

After a degree of international 'push-back',<sup>45</sup> Xi Jinping chaired a high-level symposium to mark the BRI's fifth anniversary in August 2018 to 'recalibrate' his strategy.<sup>46</sup> He directed that the needs and sensitivities of local governments and populations be fully accounted for, and declared that Chinese companies operating overseas must act as "BRI ambassadors."<sup>47</sup> Such expectations have clearly influenced the case study in this paper. But it is important to first articulate what is meant by 'Melanesian' and 'Chinese'.

## **Melanesia**

'Melanesia' was first used as a geographical and ethnographic reference by the 19th Century French explorer Jules Dumont d'Urville to refer to the linguistically complex and culturally diverse islands of Southwest Oceania, as a means of distinguishing them from Malaysia, Polynesia and Micronesia in 1832.<sup>48</sup> Tarcisius Kabutaulaka of Solomon Islands observes that, despite the racist and simplistic origins of the term, Melanesians have appropriated the term to construct a pan-Melanesian identity that celebrates the sub-region's ethno-linguistic and cultural diversity.<sup>49</sup>

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43 Loc.cit.

44 Loc.cit.

45 In early 2017, Brama Chellaney described the BRI as 'debt-trap diplomacy'. "China's Debt-Trap Diplomacy", Project Syndicate, 23 January 2017, <<https://www.project-syndicate.org/commentary/china-one-belt-one-road-loans-debt-by-brahma-chellaney-2017-01?barrier=accesspaylog>> [Accessed 29 October 2020]. Further criticism followed, triggering Chinese (and Xi Jinping's) sensitivity:

a. In May 2017, the states of the European Union refused to sign a Chinese 'joint statement' to mark the end of the Belt and Road Forum due to concerns about transparency and then 27 of 28 produced a report critical of the BRI. Dana Heide, et. al., "EU Ambassadors band together against Silk Road," *Handelsblatt*, April 17, 2018. <<https://www.handelsblatt.com/english/politics/china-first-eu-ambassadors-band-together-against-silk-road/23581860.html>> [Accessed 29 October 2020].

b. Later that year US Secretary of State Rex Tillerson described the BRI as 'predatory economics.' "US supports India stand on OBOR, hits out at China's financing", *Financial Express*, 19 October 2017, <<https://www.financialexpress.com/world-news/us-supports-india-stand-on-obor-hits-out-at-chinas-financing/899200/>> [Accessed 29 October 2020].

c. Secretary of Defense James Mattis then stated "I think in a globalized world, there are many belts and many roads, and no one nation should put itself into a position of dictating One Belt, One Road." Secretary of Defense James Mattis, "Political and Security Situation in Afghanistan", Statement before the United States Senate Committee on Armed Services, 3 October 2017, Washington, D.C., pp.61-62. <[https://www.armed-services.senate.gov/imo/media/doc/17-82\\_10-03-17.pdf](https://www.armed-services.senate.gov/imo/media/doc/17-82_10-03-17.pdf)> [Accessed 29 October 2020].

46 Nadège Rolland, "A Concise Guide to the Belt and Road Initiative", National Bureau of Asian Research, 11 April 2019 <<https://www.nbr.org/publication/a-guide-to-the-belt-and-road-initiative/>> [Accessed 20 August 2020].

47 Ibid.

48 Serge Tchekzev, Translated by Isabel Ollivier "A Long and Unfortunate Voyage Towards the 'Invention' of the Melanesia/Polynesia Distinction 1595-1832", *The Journal of Pacific History* (2003) 38:2, 175-196, p.175, DOI: 10.1080/0022334032000120521.

49 Tarcisius Kabutaulaka, "Re-Presenting Melanesia: Ignoble Savages and Melanesian Alter-Natives", *The Contemporary Pacific* 27 (1) (2015): 110-146, p.111.

Melanesia is defined most commonly as the South-western sub-region of the Pacific Islands that includes PNG, Solomon Islands, Fiji, Vanuatu and the French territory of New Caledonia.<sup>50</sup> Melanesia includes 99% of the land mass of the Pacific Island Countries,<sup>51</sup> across approximately 2000 islands, with 11 million inhabitants (roughly 90% of the Pacific Islands' population).<sup>52</sup>

In his seminal essay on Oceania, 'Our Sea of Islands', Epeli Hau'ofa recast the Pacific Islands as peoples connected by the sea and strengthened against external influence by their regional interdependence,<sup>53</sup> an idea harnessed by the Pacific Island Forum as the 'Blue Pacific' framework for regionalism.<sup>54</sup> In 2015 George Carter and Stewart Firth observed that external influence had led to a 'new Melanesian assertiveness', supported by the financial contributions of China and Indonesia.<sup>55</sup> This is part of a broader trend of growing Pacific Island agency which Greg Fry and Sandra Tarte described as the 'New Pacific Diplomacy'.<sup>56</sup> Carter and Firth also noted a 'new sense of independence', as a result of many partners giving them new diplomatic options.<sup>57</sup> This article relates to the Chinese component of these developments.

### ***The Chinese in Melanesia***

Chinese migrants have had an important role in the Pacific Islands for one and a half centuries. David Wu's research on Chinese migrants in PNG,<sup>58</sup> Wang Gangwu's study of Chinese patterns of migration,<sup>59</sup> and the assessments of Bill Willmott,<sup>60</sup> Jian Yang<sup>61</sup>

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50 However, in anthropological circles it is still common to include western New Guinea (West Papua and its associated islands in Indonesia) and occasionally Timor-Leste, both of which were granted (for more political reasons) 'associate member status' of the Melanesian Spearhead Group in 2015.

51 Sir Michael Somare, Keynote address on the occasion of the Melanesian Spearhead Group 25th anniversary celebrations in Noumea, New Caledonia, 2011. Published as "Melanesian Spearhead Group: The last 25 years" pp.290-299, in Greg Fry and Sandra Tarte (eds) *The New Pacific Diplomacy* (ANU Press, Canberra, 2015), p.296

52 According to the United Nations estimate as at 30 August 2020. <http://www.worldometers.info/world-population/melanesia-population/>

53 Epeli Hau'ofa, "Our Sea of Islands" in Epeli Hau'ofa, Vijay Naidu & Eric Waddell (eds.), *A New Oceania: Rediscovering our Sea of Islands*, (Suva: University of the South Pacific, 1993), pp.6-9&13.

54 Pacific Islands Forum Secretariat, *Forum Communiqué*, Forty-Eighth Pacific Islands Forum, Apia, Samoa 5–8 September, 2017, <[https://www.forumsec.org/wp-content/uploads/2018/02/Final\\_48-PIF-Communique\\_2017\\_14Sep17.pdf](https://www.forumsec.org/wp-content/uploads/2018/02/Final_48-PIF-Communique_2017_14Sep17.pdf)> accessed 20 November 2017.

55 George Carter and Stewart Firth, "The Mood in Melanesia after the Regional Assistance Mission to Solomon Islands" *Asia & the Pacific Policy Studies*, vol. 3, no. 1, January 2015, pp. 16–25, P.16.

56 Greg Fry and Sandra Tarte "The 'New Pacific Diplomacy': An introduction", pp.3-19, *The New Pacific Diplomacy* (ANU Press, Canberra, 2015).

57 George Carter and Stewart Firth, "The Mood in Melanesia after the Regional Assistance Mission to Solomon Islands" *Asia & the Pacific Policy Studies*, vol. 3, no. 1, January 2016, pp. 16–25, P.23

58 David Yen-ho Wu, *The Chinese in Papua New Guinea: 1880–1980*, (Hong Kong: Chinese University Press, 1982). David Yen-ho Wu, The Construction of Chinese and Non-Chinese Identities, *Daedalus*, Vol. 120, No. 2, The Living Tree: The Changing Meaning of Being Chinese Today (Spring, 1991), pp. 159-179

59 Wang Gungwu, 1988. "The Study of Chinese Identities in Southeast Asia." In *Changing Identities of the Southeast Asian Chinese since World War II*, ed. Jennifer W. Cushman and Wang Gungwu, 1–21. Honk Kong: Hong Kong University Press. Wang Gungwu, 1989. "Patterns of Chinese Migration in Historical Perspective." In *Observing Change in Asia: Essays in Honour of J.A.C. Mackie*, ed. R. J. May and W. J. O'Malley, 33–48. Bathurst: Crawford House Press.

60 Bill Willmott "Varieties of Chinese Experience in the Pacific" CSCSD (Centre for the Study of the Chinese Southern Diaspora), Occasional Paper Number 1, Australian National University, 2007 (35-42) <[http://chold.anu.edu.au/publications/csds/cscsd\\_op1\\_6\\_chapter\\_3.pdf](http://chold.anu.edu.au/publications/csds/cscsd_op1_6_chapter_3.pdf)> accessed 10 January 2018, pp.36-38.

61 Jian Yang, *The Pacific Islands in China's Grand Strategy: Small States, Big Games* (New York: Palgrave Macmillan, 2011), p.106.

and Graeme Smith<sup>62</sup> create a picture of three ‘waves’ of migration.

The first wave occurred between the mid-19th and mid-20th centuries, when Chinese migrants from Fujian and Guangdong escaped chaos in search of brighter economic prospects abroad.<sup>63</sup> This first wave are now referred to in the Pacific as the ‘old Chinese’, have lived in the Pacific for up to six generations, and are largely assimilated into the local culture and lifestyle through a process of adaptation.<sup>64</sup> Having been accepted by Pacific Island communities, the old Chinese are now struggling to compete with more recent waves of Chinese migrants.<sup>65</sup>

The second wave arrived between the 1950s and 1970s, when migrants who had originally moved to Southeast Asia during the first wave re-settled in the South Pacific.<sup>66</sup> Referred to as ‘Malaysian Chinese’ or ‘Singaporean Chinese’, they are less inclined than their predecessors to speak English or the local language.<sup>67</sup> The third wave began in the 1990s as a consequence of China’s ‘Going Out’ policy.<sup>68</sup> Referred to by Pacific Islanders as ‘new Chinese’, the third wave are investment migrants that are largely alienated from the local population.<sup>69</sup> The third wave tends to form business links with the second wave through shared language and experience.<sup>70</sup>

As the numbers of SOEs have grown in recent years, it has become clear that they constitute a discernible fourth grouping focused on the Melanesian construction and extractive sectors. This group has a preference for speaking Mandarin and employing a Chinese workforce, and a reputation for segregation. What sets it apart from the third wave, is that these companies, despite their motivation to succeed commercially, can be required to pursue state interests over individual or commercial ones.<sup>71</sup> This fourth wave of Chinese presence in Melanesia will be considered in this paper.

Jian Yang, himself an overseas Chinese living in New Zealand,<sup>72</sup> asserted in 2011 that “... the South Pacific is a low priority to Beijing”, ranking behind Africa and South America in the margins of Chinese “greater periphery diplomacy”.<sup>73</sup> Nevertheless, the level of Chinese interest in the Pacific Islands, and Melanesia in particular, has increased in the last decade.

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62 Graeme Smith, “Beijing’s Orphans? New Chinese Investors in Papua New Guinea”, *Pacific Affairs*: Volume 86, No. 2, June 2013 (327-349), pp. 332-333.

63 David Yen-ho Wu, *The Chinese in Papua New Guinea: 1880–1980*, (Hong Kong: Chinese University Press, 1982), pp.50-51; and Jian Yang, *The Pacific Islands in China’s Grand Strategy*, p.5. This was not a planned or organised process. Graeme Smith, “Beijing’s Orphans?”, p.332.

64 David Yen-ho Wu, *The Chinese in Papua New Guinea*, pp.4-5.

65 Author’s interviews with old Chinese in PNG 2014, 2017 and 2019, Timor-Leste 2017, and Vanuatu 2019.

66 Graeme Smith, “Beijing’s Orphans?”, pp.332-333.

67 Tok Pisin, Pidjin, Bislama or iTaukei

68 Graeme Smith, “Beijing’s Orphans?”, pp.331-332.

69 Graeme Smith, “Beijing’s Orphans?”, pp. 330, 332 & 334. Most new Chinese investors in PNG’s retail sector come from a town called Fuqing in Fujian Province, a province which accounts for 29 percent of Chinese migrants overseas, but only 3 percent of China’s population. Graeme Smith, “Beijing’s Orphans?”, p.331.

70 Graeme Smith, “Beijing’s Orphans?”, pp.333.

71 Author’s interviews with employees of Chinese SOEs in PNG and Vanuatu, 2017 and 2019.

72 Jian Yang was a New Zealand Member of Parliament from 2011 to 2020. His position became a source of controversy in 2017 when it was revealed he had previously taught at PLA university and been a member of the CCP. Charlotte Graham-McLay “A New Zealand Lawmaker’s Spy-Linked Past Raises Alarms on China’s Reach”, *New York Times*, 4 October 2017, <<https://www.nytimes.com/2017/10/04/world/asia/new-zealand-china-spy.html>> [Accessed 30 October 2020].

73 Jian Yang, *The Pacific Islands in China’s Grand Strategy—Small States, Big Games*, (New York: Palgrave Macmillan, 2011), pp.137-138.

## ***The BRI comes to Melanesia***

In 2017 most of the officials and businesspeople that I interviewed in Melanesia and Timor-Leste did not appear to believe that their country would be included by China in its new BRI.<sup>74</sup> Some believed their country would choose not to be part of the BRI in order to safeguard their sovereignty, while the majority did not expect to be invited to join the program as they had little to offer China economically.<sup>75</sup> Both of these beliefs were based on the sheer difference in scale between the island states and this rising major power. Table 1 (below) indicates some of the reasons behind this feeling of asymmetry. However, it appeared these island states were already an informal part of the BRI, largely due to China's 'Going Out' policy of the late 1990s.

In 2018 Melanesia's relationship to the BRI changed in a short space of time. Timor-Leste signed an MoU with China for the BRI in May 2018. PNG was close behind as its Prime Minister, during an official visit to Beijing in June, desperately sought additional resources and support for holding the APEC 2018 meeting in Port Moresby later that year.<sup>76</sup> President Xi told Prime Minister O'Neill that China would support PNG to be ready for APEC, and China Harbour Engineering Company (CHEC) was tasked to build 10 km of four lane road and APEC Haus<sup>77</sup> in 200 days.<sup>78</sup>

Xi Jinping then invited the leaders of all Pacific Island States that recognised the PRC rather than Taiwan under the One China policy to a meeting in Port Moresby immediately before the APEC summit.<sup>79</sup> By the end of APEC all eligible Pacific Island countries had signed MoUs with China for the BRI, including Vanuatu on 9 November,<sup>80</sup> and Fiji on 12 November 2018.<sup>81</sup> Many assumptions were made in each country about the potential benefits that BRI membership would bring.

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74 Author's interviews with government officials from PNG, Timor-Leste, and Fiji in 2017 and Solomon Islands in 2019.

75 Ibid.

76 David Wroe, "Looking north: PNG signs on to China's Belt and Road Initiative", *Sydney Morning Herald*, 21 June 2018, <<https://www.smh.com.au/world/asia/looking-north-png-signs-on-to-china-s-belt-and-road-initiative-20180621-p4zmyv.html>> [Accessed 30 June 2018].

77 The primary convention centre for APEC 2018.

78 Author's interview with CHEC staff, Port Moresby, PNG, July 2019.

79 Primrose Riordan, "China to host Pacific Islands meeting ahead of APEC", *The Australian*, 10 July 2018, <<https://www.theaustralian.com.au/nation/foreign-affairs/china-to-host-pacific-islands-meeting-ahead-of-apec/news-story/961c0cb7fe2ab07e5fdf7166eb7fa005>> [Accessed 5 November 2018].

80 "7 MOUs and Cooperation Agreements with China", *Vanuatu Daily Post*, 20 November 2018, <[https://dailypost.vu/news/7-mous-and-cooperation-agreements-with-china/article\\_f2cb8ae5-fe7b-5ede-8683-fb263390917b.html](https://dailypost.vu/news/7-mous-and-cooperation-agreements-with-china/article_f2cb8ae5-fe7b-5ede-8683-fb263390917b.html)> [Accessed 30 August 2020].

81 Yang Yi, "China, Fiji ink MoU on Belt and Road Initiative cooperation", *Xinhua*, 12 November 2018, <[http://www.xinhuanet.com/english/2018-11/12/c\\_137601722.htm](http://www.xinhuanet.com/english/2018-11/12/c_137601722.htm)> [Accessed 30 August 2020].



**Table 1: Comparative Population, Land area, EEZ and GDP<sup>82</sup>**

Country	Population 2020 (#)—UN	Annual Growth	Migrants (net)	Land (Km <sup>2</sup> )	EEZ (Km <sup>2</sup> ) <sup>83</sup>	GDP 2017 (# & % World)—World Bank
China	1,439,323,776 (#1)	5,540,090	-348,399	9,388,211	877,019 <sup>84</sup>	\$12,237,700,479,375 (#2 & 15.120%)
PNG	8,947,024 (#98)	170,915	-800	452,860	2,409,920	\$20,536,314,601 (#112 & 0.025%)
Timor-Leste	1,318,445 (#156)	25,326	-5,385	14,870	70,326	\$2,954,621,000 (#161 & 0.004%)
Fiji	896,445 (#161)	6,492	-6,202	18,270	1,288,135	\$5,061,202,767 (#148 & 0.006%)
Solomon Islands	686,884 (#166)	17,061	-1,600	27,990	1,611,839	\$1,303,453,622 (#175 & 0.002%)
Vanuatu	307,145 (#181)	7,263	120	12,190	8,313	\$862,879,789 (#179 & 0.001%)

82 Population data from United Nations and Economic data from World Bank, from <https://www.worldometers.info/world-population/population-by-country/> @ 30 Aug 2020)

83 For Pacific Islands—Pacific Data Hub, *Pacific Island Countries and Territories EEZ*, [https://pacificdata.org/data/dataset/964dbebf-2f42-414e-bf99-dd7125eedb16/resource/dad3f7b2-a8aa-4584-8bca-a77e16a391fe/download/country\\_boundary\\_eez.geojson](https://pacificdata.org/data/dataset/964dbebf-2f42-414e-bf99-dd7125eedb16/resource/dad3f7b2-a8aa-4584-8bca-a77e16a391fe/download/country_boundary_eez.geojson) [Accessed 30 Aug 2020]. For China and Timor-Leste: Flanders Marine Institute (2019). *Maritime Boundaries Geodatabase: Maritime Boundaries and Exclusive Economic Zones (200NM)*, version 11. Available online at <http://www.marineregions.org/> or <https://doi.org/10.14284/386> [Accessed 30 Aug 2020].

84 China's undisputed EEZ. The PRC claims another 3,000,000 km<sup>2</sup> of EEZ which are disputed by other countries. Flanders Marine Institute, Map "China · MRGID" [Accessed 30 Aug 2020] 8486 <https://www.marineregions.org/eezdetails.php?mrgid=8486&zone=eez>

## The ‘arrival’ of the BRI in Papua New Guinea

In 2019, a Papua New Guinean friend who was familiar with my research in 2017, convinced me to return to PNG on the grounds that “...it’s all changed since you were here!” The visit to PNG that followed created a picture of what can change when a country joins China’s BRI.

### ***A Chinese Official’s Perspective***

A Chinese official was kind enough to explain his perspective on what the BRI is and what qualifies as a ‘Belt and Road project.’<sup>85</sup> The Belt and Road is a “broad concept ... an image, a brush stroke (not a very fine paint)”, and that the “detail is generated through mutual consultation” and development of the project with local authorities.<sup>86</sup> His approach borrows directly from Xi Jinping’s 2018 ‘recalibration’. The Chinese plan will be aligned with the PNG National Strategy, noting that the China-PNG relationship was strengthened from a ‘Strategic Relationship’ to a ‘Comprehensive Strategic Relationship’ during the preparations for APEC 2018. He describes the BRI as “...a platform for cooperation ... anyone who wants to jump on board is welcome.” It is a “tool to promote mutually beneficial trade and investment.”<sup>87</sup>

“There is no detailed definition” of a BRI project but “Chinese companies have a comparative advantage”—they have an experienced labour force which is more affordable than those in western countries. The official proposed that “...any project which is in line with the *Five Connectivities*...” (trade, infrastructure, policy, people to people and capital (finance) connectivities<sup>88</sup>), may be “...broadly regarded as a BRI project.”<sup>89</sup> These guidelines make sense for China’s economically-driven grand strategy, but appear too broad to discern which activities the BRI includes. He continued to explain that a ‘BRI Project’ does not have to be paid for by Chinese money—the Asia Development Bank, World Bank, or even another country, can provide the finance required. Furthermore, the project may even have commenced before the BRI existed: if it aligns with the Five Connectivities, it is a BRI project.<sup>90</sup>

The official’s explanation suggests that a ‘BRI project’ can be anything that a Chinese company is working on, as long as it suits China’s desired strategic narrative.<sup>91</sup> If this is the case, the achievement of geopolitical objectives in a campaign for global influence by using economic tools that are paid for by others would be the ultimate master class in geoeconomics.

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85 Interview with the author, Port Moresby, July 2019.

86 Ibid.

87 Ibid.

88 See: Professor Liao Fan, Institute of International Law, Chinese Academy of Social Sciences, “Understanding the BRI through the ‘five connectivities’”, *CGTN*, 20 April 2019: <<https://news.cgtn.com/news/3d3d674d334d544d34457a6333566d54/index.html>> [Accessed 30 Aug 2020].

89 Interview with the author, Port Moresby, July 2019.

90 Ibid.

91 China’s strategic narrative is the international message required to successfully propagate the BRI, convincing the majority of nations of its value and credibility, thus enabling China’s grand strategy.

## A New Chinese perspective

According to a leading member of the Papua New Guinean Chinese business community in Port Moresby, there was an influx of new Chinese construction companies in preparation for the 2015 Pacific Games.<sup>92</sup> They finished their projects, but stayed in country, driving prices down (offering twenty percent less), and raising competition.<sup>93</sup> They have a competitive edge because they bring their own workforce in from China and pay them lower wages. This allows the SOEs to undercut the tenders of local companies by fifty percent.<sup>94</sup> On the positive side, they deliver rapidly.

The interviewee points to the prominence of the ADB in PNG, and observes “When the Government doesn’t know, the ADB makes the decision.”<sup>95</sup> Prime Minister O’Neill is credited with a vision that enabled significant development in the country (and treated Chinese companies well). The new Marape Government’s pledge to ‘take back PNG’, will not stop more Chinese companies and workers entering the country.<sup>96</sup> The interviewee acknowledges that the BRI aims to extend China’s political and economic influence, encouraging more Pacific Island countries to support the One China policy.

Once the MoU was signed, PNG was considered ‘on the BRI map’ and ‘open for business’ from a Chinese perspective. There was a great influx of SOEs—the number of Chinese SOEs in PNG almost doubled within the twelve months following PNG joining the BRI. Between June 2018 and July 2019 the number of Chinese SOEs in PNG increased from 21 to 39.<sup>97</sup>

Papua New Guinean, Old Chinese and Western companies are unable to compete with this remarkable increase. As with earlier increases, most new companies enter the country to do a specific construction task, and then decide to stay on, and get selected for tenders because they fiercely undercut their competitors.<sup>98</sup> Chinese SOEs tend to offer three tenders (by creating subsidiary companies) to further increase the competition and discourage others.<sup>99</sup> The current grouping of SOEs includes many big names such as COVEC (China Overseas Engineering Company), CHEC (China Harbour Engineering Company), Huawei, China Railway Construction Group (CRCG), China Railway International (CRI), China Railway Construction Engineering (CRCE), CRCE North Group (CRCENG), China Wu Yi, Jiangsu (China Jiangsu International Economic and Technical Cooperation Group), and Guangdong Construction Engineering Company.<sup>100</sup>

In August 2019, the Chinese Ministry of Commerce’s (MOFCOM) Foreign Investment Cooperation Country Guide for PNG listed 24 SOEs in PNG.<sup>101</sup> But a cursory examination of the PNG Investment Promotion Authority (IPA) website revealed many more—in fact

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92 Interview with the author, Port Moresby, July 2019.

93 Ibid.

94 Ibid.

95 Ibid.

96 Ibid.

97 Ibid.

98 Ibid.

99 Ibid.

100 Ibid.

101 The list had not been updated since 2018. Office of the Ministry of Commerce, *Foreign Investment Cooperation Country Guide—PNG 2018* <<http://fec.mofcom.gov.cn/article/gbdqzn/>>, [Accessed 19 August 2019].

79 Chinese State and Provincial Owned Enterprises registered since 1995 in PNG, along with twelve associations.<sup>102</sup> No doubt many of these are subsidiaries, but my search was not exhaustive and it is likely there are many more of them. These exploratory figures suggest that my interviewee's claim of 39 Chinese SOEs in PNG is credible. Through detailed knowledge of the field the interviewee included only the substantive 'parent' companies, and ignored the duplication caused by registering subsidiaries for tender competition.

### ***A Chinese State-Owned Enterprise perspective***

An executive from a Chinese SOE in the construction sector observed that the BRI is merely a "label" for what was already happening, and lamented that this has scared Western governments—which is potentially bad for business.<sup>103</sup> The BRI is a "loud announcement of China's rise", but it "...has made no difference" in PNG, as it has brought "...no further funding" from China.<sup>104</sup> The fact remains that the Chinese companies continue to provide the lowest bids, and therefore win the infrastructure contracts. "We are here for business, and want to avoid political trouble."<sup>105</sup>

He clarifies, "We are businessmen, but we are state-owned businessmen—an SOE can be ordered to support what the state requires."<sup>106</sup> The major SOEs work closely with the Economic and Commercial Counsellor of the PRC Embassy (from MOFCOM) who appears to have a coordinating role for BRI projects in PNG. SOEs accept such direction may serve a strategic or political purpose, even if it lacks economic logic or expediency.<sup>107</sup>

In this regard, Chinese SOEs appear to be the definition of the perfect geoeconomic instrument, noting Blackwill and Harris' distinction: "Geoeconomics essentially combines the logic of geopolitics with the tools of economics ... This fact often puts geoeconomic approaches in tension with the assumptions of economics."<sup>108</sup> For example, Metallurgical Corporation of China Limited's (MCC) Nickel and Cobalt mining venture in Madang Province, 'Ramu NiCo', has demonstrated over the past decade that SOEs can run at a loss in order to achieve a longer term strategic objective.<sup>109</sup> But more recently it was the General Manager for the China Civil Engineering and Construction Corporation (CCECC) in the South Pacific (based in Vanuatu) who approached the Prime Minister of Solomon Islands to make the offer of US\$500 Million worth of grants and loans on behalf of the Chinese state, as an inducement to 'switch' away from recognising Taiwan.<sup>110</sup>

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102 Investment Promotion Authority (IPA), PNG, <<https://www.ipa.gov.pg/pngmaster/viewInstance/view>> (use 'Do it online' tab to search by company), [Accessed 24 Sep 2019].

103 Interview with author, Port Moresby, PNG, July 2019.

104 Ibid.

105 Ibid.

106 Ibid.

107 Ibid.

108 Robert D. Blackwill and Jennifer M. Harris, *War by Other Means: Geoeconomics and Statecraft*, (Cambridge, Massachusetts: Harvard University Press, 2016), p.24.

109 Graeme Smith, "Nupela Masta? Local and Expatriate Labour in a Chinese Run Nickel Mine in Papua New Guinea", *Asian Studies Review*, 37:2 (2013), 178-195, pp.182-183; and Graeme Smith and Sinclair Dinen, "And Then There Were Three: A New Chinese Miner in Papua New Guinea", *State, Society and Governance in Melanesia In Brief* 2015/48, Australian National University.

110 Graeme Smith "The wisdom of Solomons: Taiwan and China's Pacific power play", *Lowy Interpreter*, 12 September 2019, <<https://www.lowyinstitute.org/the-interpreter/wisdom-solomons-taiwan-and-china-s-pacific-power-play>> [Accessed 13 Sep 2019].

The executive explained that he would happily use foreign funds for his projects because ‘business is business’, declaring an absolute preference for Asia Development Bank (ADB) money over Chinese policy banks (China Export Import Bank—‘ExIm’—or China Development Bank—‘CDB’) or even the bigger commercial banks such as China Commercial Bank (CCB).<sup>111</sup> These Chinese sources of finance may be offered in some BRI proposals, but SOEs prefer to then win ADB finance for the project if possible, because they provide better support. From experience, ADB conduct professional investigations and facility studies, while Chinese policy banks such as China ExIm require these processes to be conducted by the host nation, which can result in inconsistency and delay. He adds, there is absolutely no pressure from the Chinese state to use Chinese finance as part of the BRI—they are more than happy to spend others’ money and take the credit for it!<sup>112</sup>

Attraction to the ADB has been a consistent feature of my discussions with Chinese SOEs in PNG over the past six years.<sup>113</sup> CHEC<sup>114</sup> and CCECC<sup>115</sup> appear to be the two leading Chinese SOEs for the advancement of the BRI in the Southwest Pacific. In 2019 senior executives from CCECC in Vanuatu and CHEC in PNG said that 75% of CCECC and 90% of CHEC<sup>116</sup> projects in those two countries (at the time) were being funded by non-Chinese finance—largely the ADB, but also the World Bank (WB).<sup>117</sup>

### **Funding the BRI**

The ADB was the obvious next point of inquiry, where an Infrastructure Specialist explains ADB’s processes and provided data for their three decade-long infrastructure programs operating across PNG. These are evidently of great importance to the development of the PNG economy and the well-being of its people. They are: the *Highland Region Road Investment Improvement Program*;<sup>118</sup> the *Sustainable Highland Highway Investment Program*;<sup>119</sup> and, the *Civilian Aviation Development Investment Program*.<sup>120</sup> The specialist explains a rigorous procedure of project studies, stakeholder consultation, fact finding, loan negotiation with the PNG Government, legal review, and tender evaluation.

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111 Author’s interview with SOE staff, Port Moresby, PNG, July 2019.

112 Ibid.

113 Author’s interview with CHEC, CRI and CCECC employees, in PNG 2014, 2017 and 2019 and Vanuatu 2019.

114 Famous for building Ports in Sri Lanka, Cameroon, Nigeria, and Qatar, CHEC came to PNG to build the Lae Tidal Basin Extension as an ADB project. Interview with author, Port Moresby, PNG, July 2019.

115 CCECC has had its ‘Headquarters for the South Pacific’ in Vanuatu since 2015, as part of a vast international network that spans 150 countries. Interview with author, Port Vila, Vanuatu, February 2019.

116 CHEC had 20 infrastructure projects under way in PNG at the time.

117 Interviews with author: Port Vila, Vanuatu, February 2019 and Port Moresby, PNG, July 2019.

118 The HRRIP is building 400km of feeder roads around Mount Hagen. The contracts are divided between three Chinese SOEs: CHEC; COVEC; and China Wu Yi Limited). *Asia Development Bank*, PNG Office, “HRRIP Contractors T2 and T3.xlsx” @ 30 July 2019. In possession of author.

119 The SHHIP will improve the 430 km of two-lane rural highway that connects Kagamuga airport in Mount Hagen to Nadzab airport near Lae, using all Chinese companies (details not available due to tender process in progress). Author’s interview with Asia Development Bank, Port Moresby, PNG, July 2019.

120 The CADIP will improve twenty-one airports across all of the provinces of PNG, and these are due to be completed in 2021. Of the twelve requiring significant structural re-build or runway extension, eight are contracted to Chinese SOEs, some of which are involved in more than one airfield: CHEC, Sinohydro Corporation, COVEC, CCECC, China Shenyang International Economic and Technical Cooperation Corporation, and China Railway Civil Engineering Group. *Asia Development Bank*, PNG Office, “CADIP Implementation Unit Contract Data—T2 and T3 Running Projects.xlsx” @ 2 October 2019. In possession of author.

Chinese SOEs currently hold contracts for over 80% of ADB infrastructure projects in PNG.<sup>121</sup> The specialist believes the Chinese companies prefer ADB because they pay the contractor directly. The Chinese SOEs always produce the lowest bids—they tend to offer 30% below the ‘engineer’s estimate’ (of cost price).<sup>122</sup> ADB believes it is getting value for money from this competition, and can ensure quality through its processes.

The ADB’s largest contributors are the United States, followed by Japan, then China and Australia.<sup>123</sup> The three of these not participating in the BRI would be satisfied that they are having a significant input to PNG’s development, but would obviously not classify their contributions as part of the BRI. Other sources of finance in PNG include the World Bank, the Government of PNG and local entrepreneurs.<sup>124</sup> How much funding for the BRI actually comes from China?

Former China-based Wall Street Journal financial correspondent and author Dinny McMahon has analysed the foreign currency holdings of the larger of the two Chinese ‘Policy Banks’ that should in theory be funding significant soft loans as the BRI’s global reach expands in scope and ambition.<sup>125</sup> He discovered that China Development Bank (CDB) increased its amount of foreign currency steadily until 2014, but slowed to an incremental rise from 2014 to 2016, just as Xi Jinping began to espouse and then market the ‘OBOR’. In 2017, just as the BRI’s international reputation gained momentum with the first Belt and Road Forum, CDB’s foreign currency holdings start to decline, as depicted in Figure 1 below.

McMahon says “It struck me as genuinely strange because here was CDB, supposed to be the ‘tip of the spear’ when it comes to China’s BRI, and yet it’s foreign currency was declining.”<sup>126</sup> He attributes this phenomenon to an event that happened in 2016, when China’s foreign exchange reserves were reduced by close to 25 percent in one year from US\$ 4.2 trillion to US\$3.2 trillion. The People’s Bank of China (the central bank) tried to defend the Renminbi, and appears to have used the two policy banks as a front to help prop up the currency.<sup>127</sup>

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121 Author’s interview with Asia Development Bank, Port Moresby, PNG, July 2019.

122 Ibid.

123 Asia Development Bank, *ADB Annual Report 2019*, May 2020, <<https://www.adb.org/documents/adb-annual-report-2019>> [Accessed 30 August 2020].

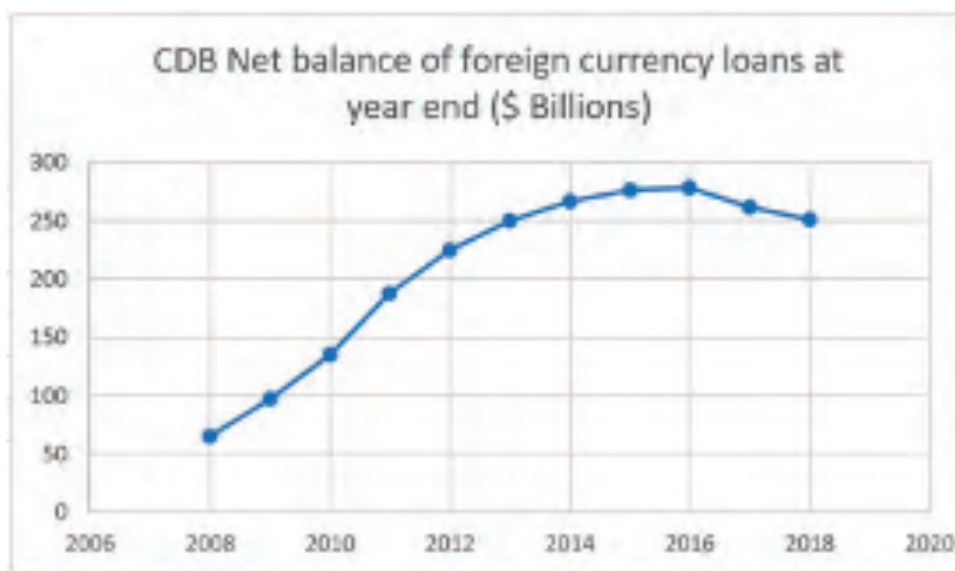
124 For example, the new complex for the supreme and national courts in Port Moresby has been contracted by the Government of PNG to China Railway Construction Engineering Company. “NJSS—Waigani National Court Complex—Papua New Guinea—Project Profile”, Timetric, *Market Reports Online*, <<https://www.marketreportsonline.com/694180.html>> [Accessed 24 October 2020]. Another source of funding is the Chinese business community. Natalie Whiting, “Syndicate spending \$414m on Chinatown in Port Moresby as battle for PNG influence escalates”, ABC News, 16 April 2019, <<https://www.abc.net.au/news/2019-04-16/chinatown-for-port-moresby-as-beijing-influence-grows-in-png/11004362>> [Accessed 17 April 2019].

125 Interview with Dinny McMahon, 4 August 2020.

126 Interview with Dinny McMahon, 4 August 2020.

127 Ibid.

**Figure 1: China Development Bank Foreign Exchange Holdings 2008–18<sup>128</sup>**



This appears to have affected the application of the BRI to PNG. Xi Jinping promised a US\$300 million loan from CDB to Peter O’Neill at APEC 2018,<sup>129</sup> but it appears the CDB was reluctant to honour it. After twelve months of fruitless negotiations, Australia provided the loan as direct budget assistance to meet PNG’s debt.<sup>130</sup> Could it be that Chinese Ministries such as MOFCOM and policy banks such as the CDB actually see the BRI as more of a risk than an opportunity, particularly in those locations the Chinese perceive to be more peripheral and less secure?

ExIm Bank has traditionally had a greater presence in Pacific Island lending, but is also far smaller than CDB, and its overseas lending data are not sufficiently comparable to CDB’s. It would seem reasonable to assume that there is a similar pressure on ExIm to reduce its overseas lending.

This suggests that the international banking system may have to pay for a greater share of the projects promised by China under the BRI.<sup>131</sup> While this may not be in keeping with China’s strategic messaging, it is in keeping with every perspective reviewed in this case study: the PRC does not mind alternate sources of finance, the SOEs have a clear preference for ADB money and have created an environment of intense competition for multinational funds, and most others cannot compete with their low cost. It may well be that the policy banks, central agencies and China Aid have achieved their mission by affecting entry to, and dominance of, the Papua New Guinean market, and that the PRC is satisfied with growing its reputation through a BRI funded by others.

128 Provided by Dinny McMahon 4 August 2020

129 Ben Packham, “Xi raises the influence stakes with \$300m PNG deal”, *The Australian*, 16 November 2018, <<https://www.theaustralian.com.au/nation/world/xi-raises-the-influence-stakes-with-300m-png-deal/news-story/f3b9d326a10af58090453fc11a93892c>> [Accessed 18 November 2018].

130 Lidia Kelly, “Australia gives \$300 million loan to Papua New Guinea”, 23 November, 2019, *Reuters*, <<https://www.reuters.com/article/us-pacific-loan-australia-idUSKBN1XX03W>> [Accessed on 24 November 2019].

131 Interview with Dinny McMahon, 4 August 2020.

## ***Papua New Guinean Perspectives***

Having observed the arrival of the BRI in PNG from the perspective of its coordinators, its exponents and its finance, the most important question for this case study is: what does it mean to Papua New Guineans? There is no doubt that most people in the country understand the need for infrastructure to develop their economy, both nationally and locally. This led to positive perceptions and high expectations of the BRI when it arrived. But there are also some concerns about the way the BRI is delivered, and its potential consequences, which are balanced and pragmatic. They are the basis for Melanesian agency.

Prior to PNG joining the BRI, a Papua New Guinean entrepreneur had described to me what he and a number of his countrymen had hoped to see from an economic partnership with China.<sup>132</sup> He noted “China is changing the landscape of this country with roads, ports and optic fibre” through “Fujian grass roots opportunism”, but was concerned that PNG had only been “getting the scraps from China.”<sup>133</sup> He believed “...the period of ‘wild west mercantilism’ is at an end”, as the PNG market learned to demand due diligence and higher standards, and the expectations of China’s leadership required SOEs to lift their standards of compliance globally.<sup>134</sup>

“In the next ten years, China will either make or break this region,” he observed. In relation to China’s influence he concluded that the choice of “coexistence over cohabitation depends on the discipline of the state.”<sup>135</sup> It is evident that this discipline has been tested since 2018.

Two years later, a Papua New Guinean analyst described the way in which Prime Minister Peter O’Neill was perceived to have been unduly influenced by the Chinese, and that his removal was closely related to this perception.<sup>136</sup> When O’Neill was desperate for finance that he believed could not be obtained in preparation for APEC, which placed his country under a global spotlight, “...China saw opportunity to strengthen its hand with PNG.”<sup>137</sup> Apparently Deputy Prime Minister Charles Abel was concerned about debt and wanted to use ADB or WB finance. Abel considered many of the ExIm Bank projects to not be priorities, and attempted to have them changed.

But the analyst continues “When the PM goes to China—which is often, and arranged by Lady Ni<sup>138</sup>—it’s very difficult for him to say no.”<sup>139</sup> At the same time Minister for Housing (and formerly Minister for Sports, APEC and Lands) Justin Tkatchenko, and Minister for Public Enterprises and State Investment (and then Petroleum) Ben Micah were “...looking for deals.”<sup>140</sup> There is a widely held perception of elite capture in China’s relationship with PNG, that appears to have intensified between the signing of the BRI MoU in June 2018, and APEC five months later.<sup>141</sup>

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132 Author’s interview with PNG businessperson, Port Moresby, June and August 2017.

133 Ibid.

134 Ibid.

135 Ibid. Coexistence (integration) being preferable to cohabitation (segregation).

136 Author’s interview with PNG analyst, Port Moresby, July 2019.

137 Ibid.

138 Lady Ni Yumei Cragolini, OBE, is the President of the PNG Chinese Association, and works closely with China’s Ambassador to PNG, Xue Bing.

139 Author’s interview with PNG analyst, Port Moresby, July 2019.

140 Ibid.

141 Ibid.

A senior Papua New Guinea official observed that the new nature of the China-PNG political relationship was ‘unprecedented’.<sup>142</sup> He notes that “China’s efforts to support APEC started early and appeared to dwarf those of others, receiving much publicity in the media.” The relationship was ‘fleshed out’ at APEC 2018 between Prime Minister Peter O’Neill and President Xi Jinping. Other politicians were left out of these discussions, and were very concerned by how it was done. He believes this contributed to O’Neill’s subsequent downfall. “The political courtship [over two years leading up to APEC] was disturbing because we abandoned our traditional friends. They said this was because Chinese aid was cheaper to get. If you’re looking for cheaper aid, you’re looking for things for yourself as well.”<sup>143</sup>

But then the official notes, “There are two sides to this coin—if you want development, you need security.” He recalled a discussion he had with a western counterpart some time ago where he said to him: “Don’t worry about the Chinese investments in PNG: if they do anything wrong, the landowners will deal with them—they will burn everything down.”<sup>144</sup> The more Chinese interests are advanced, the greater the risk that this could happen, largely because of segregation. He observes “The Chinese are feeding into division through their unwillingness to assimilate into communities.” These sound like serious risks from both a Papua New Guinean and a Chinese perspective, that may not be obvious to those considering the employment of geoeconomic instruments at the state level. Such risk is not without precedent—the anti-Chinese riots in Solomons and Tonga in 2006, and the widespread riots in PNG in 2009 provide a focus for such considerations.<sup>145</sup>

Speaking to several different members of the Papua New Guinea Defence Force (PNGDF), there may have been an element of geostrategic interest attached to China’s geoeconomic overtures during APEC and the commencement of the BRI in PNG. But it may have just been a concern about the maintenance of security in Port Moresby during Xi Jinping’s visit for APEC 2018. A large delivery of 30 military vehicles, 50 motorcycles, four water assault craft and riot control equipment from China arrived in October 2018.<sup>146</sup>

Among the vehicles were four Chinese ‘Norinco’ six-wheeled Armoured Personnel Carriers,<sup>147</sup> later pictured in the *Post-Courier*.<sup>148</sup> The PNGDF expect to receive another four of these vehicles, and though they were intended by the Chinese to provide support for APEC security, the PNGDF hope to use them for force protection of peacekeeping missions in the future.<sup>149</sup> Regardless of their purpose, this is a step-change in capability for the PNGDF, and could indicate a major change in the nature of security cooperation between the PLA and the Pacific.

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142 Author’s interview with senior PNG official, Port Moresby, PNG, July 2019.

143 Ibid.

144 Ibid.

145 Graeme Smith, “Chinese Reactions to Anti-Asian Riots in the Pacific”, *The Journal of Pacific History*, 47(1) (2012): 93-109, pp.97-105; and Peter Connolly, “Engaging China’s new foreign policy in the South Pacific”, *Australian Journal of International Affairs*, 70(5) (October 2016): 485-505, pp.491-494.

146 Discussions with members of PNGDF, Port Moresby, PNG, July 2019.

147 China North Industries Corporation’s (NORINCO) WMZ-551B1 is a 15 tonne, 6-wheeled Armoured Personnel Carrier (APC). Similar in design and capability to the French ‘VAB’, it is armed with a 12.7 mm machine gun, but NORINCO also has an option for a 25mm cannon. Standard equipment includes powered steering, run-flat tyres, heavy-duty air-conditioning system, bulletproof windows and firing ports. It is fully amphibious: two water jets propel the vehicle through water at a maximum speed of 8km/h. <<http://www.army-guide.com/eng/product886.html>> [Accessed 30 Aug 2019].

148 Alexander Nara, “PNGDF Distributes Armory”, *Post-Courier*, 4 October 2019 <<https://postcourier.com.pg/pngdf-distributes-armory/>> [Accessed 7 August 2020].

149 Author’s discussions with members of PNGDF, Port Moresby, PNG, July 2019.

The PNGDF's relationship with the PLA continues much as it has since 2015 with one coordination meeting between the two militaries each year and a prioritised list of equipment which is managed within a set Chinese budget.<sup>150</sup> PNG has had a Defence Attaché (DA) in Beijing since 2016 (as has Fiji since 2007), but has been waiting for the PLA to reciprocate. The arrival of a PLA officer has been delayed, but is still expected within the next year.<sup>151</sup> Until now the closest Chinese DA to the Pacific has been the PLA Senior Colonel in Dili, Timor-Leste since 2002.

The arrival of a Chinese DA in a Pacific Island nation such as PNG will have a significant effect on both the bilateral relationship and the PLA's relationship with the region. Such representation will enable persistent Chinese influence via security cooperation with military and police forces of the Pacific Island Countries, and the close coordination of China's geostrategic tools with the geoeconomic ones that already exist under the BRI, in pursuit of geopolitical ends. It will therefore enable China to have a more comprehensive approach to the execution of its grand strategy in the Pacific, which will intensify competition between China and PNG's traditional partners.

Closely aligned with the official's concerns above, there is a common observation by PNG security personnel. They generally believe the Chinese companies are delivering welcome infrastructure (albeit of varying quality), but that their method of delivery, combined with the proliferation of new Chinese small businesses, is generating frustration in the Papua New Guinean population.<sup>152</sup> The lack of local representation in the work force of Chinese projects, the poor workplace conditions for those locals who are employed, and the domination of the Papua New Guinean 'micro-economy' by Chinese retail and wholesale stores is developing unintended consequences.<sup>153</sup> This generates a risk of unrest, and there is already evidence of this. The question is whether the 'New Chinese' can mitigate such risk as effectively as the 'Old Chinese'—through acceptance and integration. It also depends on the regulatory capacity of the PNG government agencies—they need to demonstrate enforcement of PNG standards, and the Chinese companies need to demonstrate respect for PNG interests and compliance with PNG regulations. If this does not happen, "...people will take things into their own hands."<sup>154</sup>

An official from the PNG Department of Foreign Affairs notes that China is an extremely important development partner for PNG, and that this partnership has delivered cheap infrastructure that PNG desperately needs.<sup>155</sup> But he adds, "While we need to develop, we also need to remain mindful of our own regulations ... It's a good thing, but we need to exercise some integrity on both sides."<sup>156</sup> His sense is that "PNG is at a cross-roads", with much change surrounding APEC. His country now needs to develop a "filtering mechanism" that allows them to conduct a "stock take" of the good and the bad, and what PNG may have missed, in order to preserve their national interest in the relationship with China. He believes a fundamental component of this analysis needs to focus on what 'Take back PNG' really means, and how to achieve the goals of Vision 2050 (the PNG National Strategy, written in 2013).<sup>157</sup>

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150 Ibid.

151 Ibid.

152 Author's interviews with a broad range of civilian and uniformed PNG security officials, Port Moresby, PNG, June 2014, May and September 2017, and July 2019.

153 Ibid.

154 Interviews with security officials, Port Moresby, PNG, July 2019.

155 Author's interview with PNG official, Port Moresby, PNG, July 2019.

156 Ibid.

157 Ibid.

## What does the BRI mean for PNG and Melanesia?

This case study has illuminated a variety of different Chinese and Papua New Guinean perspectives in order to better understand what happened when PNG joined China's BRI. Most of these perspectives were obtained at a point just over one year after the MoU was signed between the two countries. We can draw some interesting conclusions from this exercise for PNG, and Melanesia more broadly.

The revelation that the categorisation of a 'BRI project' as one that is executed by a Chinese company, but may pre-date the BRI and be paid for by another country or entity, certainly casts China's strategy in a different light. Further, 'joining the BRI' can attract a much higher density of Chinese SOEs causing increased competition and tension in the construction and resource sectors. While this competition may appear to be beneficial in the short term, it may stifle opportunities for local companies and for technology transfer, which in turn could be detrimental to PNG's future capacity.

The understanding that a Chinese SOE is an economic tool that can be directed by the Chinese state to act in ways that serve political or strategic interests, has further implications when viewed through the lens of Chinese civil-military fusion.<sup>158</sup> Furthermore, Chinese SOE preference for ADB money effectively means that the United States and Japan often pay more for China's BRI than China does. China continues to pay less for global influence as it protects its foreign exchange reserves. At the same time, China has staked its reputation on a complex and ever-expanding program that continues to produce unintended consequences that are potentially outside its control.

From a Papua New Guinean perspective, the BRI has brought mixed results: cheap, rapidly produced critical infrastructure, trade and business opportunities, but with significant risks, frustration and disappointment.

Concerns about corruption appear to have contributed to Peter O'Neill's departure, and equally to James Marape's imperative to 'Take back PNG'. Rather than what has been crudely referred to as a 'debt trap', the BRI is a far more sophisticated and multi-layered campaign for influence, with deeper levels of obligation. There is a strong cohort of PNG government officials who pursue the national interest, who often seem isolated or disempowered by corruption at the political level.<sup>159</sup> A case in point is PNG's remarkable contribution as one of the 53 nations supporting China's National Security Laws for Hong Kong<sup>160</sup> on 1 July this year. By voting to support the suppression of free speech and freedom of assembly, PNG is said to have acted against the spirit of its own constitution.<sup>161</sup> This appears to have been the act of an individual in a position of power acting contrary to departmental advice.

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158 Thomas Shugart, "A Chinese-built airport next door to a key Australia-US naval base?", *Lowy Interpreter*, 7 August 2020, < <https://www.adb.org/documents/adb-annual-report-2019> > [Accessed 7 Aug 2020].

As of 2015, as part of China's distinct "military-civil fusion" strategy, state-owned enterprises are required by Chinese law to "provide necessary support and assistance to national security bodies, public security bodies, and relevant military bodies", In particular, overseas logistical infrastructure development has been singled out as an area of focus for China's military-civil fusion efforts, with civilian efforts intended to eventually transition to dual-use facilities.

159 Author's interview with PNG analyst, Port Moresby, July 2019.

160 David Lawler, "The 53 countries supporting China's crackdown on Hong Kong", *Axios*, 3 July 2020, < <https://www.axios.com/countries-supporting-china-hong-kong-law-0ec9bc6c-3aeb-4af0-8031-aa0f01a46a7c.html> > [Accessed 4 July 2020].

161 Jeffrey Wall, "Papua New Guinea sides with China on Hong Kong", *ASPI Strategist*, 13 July 2020 < <https://www.aspistrategist.org.au/author/jefrey-wall/> > [Accessed 14 July 2020].

However, PNG's response in August 2020 to China's testing of a vaccine on workers at a mine in PNG indicates a strong level of Papua New Guinean agency.<sup>162</sup> It was discovered that there were 48 personnel employed by MCC's Ramu-NiCo mine in Madang Province who had been vaccinated with a trial COVID-19 vaccine and sent from China to PNG without Papua New Guinean knowledge or permission. In response to this news Papua New Guinea's Pandemic Controller, David Manning, stopped further Chinese charter flights until China explained its actions. He then sent 180 Chinese workers (from SOEs including MCC, CRI and CHEC) back to China after determining they were part of the secret vaccine trial.<sup>163</sup>

Such issues in the time of an epidemic could also play into concerns about the internal stability of the country. Grassroots frustration with perceptions of Chinese ability to ignore Papua New Guinean law, PNG's lack of regulatory capacity, limited local participation in the workforce of Chinese companies, and segregation of some 'New Chinese' communities, are potential causes of unrest. Much of Papua New Guinean frustration is focussed on the economic migrants who compete directly with Melanesians for their own micro-economy, as opposed to the SOEs that are building necessary infrastructure, but there is a tendency see them as one homogenous entity.

Additionally China's interest in enhancing the PLA's relationship with the PNGDF, both in terms of capability and coordination, is likely to impact on the Melanesian security environment. While enhancing the quality of PLA-PNGDF security cooperation, the inclusion of Chinese DAs to enhance the coordination of geostrategic and geoeconomic means will contribute to rising geopolitical competition within the region.

Finally, it seems quite unlikely that the number of Chinese SOEs in a country could double in a year without the knowledge and coordination of its embassy on the ground.<sup>164</sup> Displacing economic competition and directly influencing governments with economic entities are geoeconomic activities, consciously designed to generate geopolitical influence. The BRI is a global program that reflects this approach in multiple locations. So, while it may be viewed as economically advantageous to the host nation, the inducements of the BRI should not be viewed as 'win-win'. The 'non-economic cost' of the BRI must be accounted for in any assessment of its utility. In terms of competition and geopolitical influence it is very much zero-sum, even though its economic characteristics can make this difficult to see at first.

The rise of the 'New Pacific Diplomacy' over the past decade has included promising indications of state level agency in Melanesia and the Pacific. In several cases this presents itself in behaviour that could be described as grand strategy. This will be important if

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162 Amelia Hc Ylagan, "Little Papua dares the giant China", *Business World*, August 23, 2020 < <https://www.bworldonline.com/little-papua-dares-the-giant-china/> > [Accessed 24 August 2020].

163 "China Direct Flight Leaves, Raising More Questions: TSI", *Solomons Times*, <<https://www.solomontimes.com/news/china-direct-flight-leaves-raising-more-questions-tsi/10170>> [Accessed 2 September 2020].

164 The BRI is an enterprise of formidable global proportions, in which many SOEs have undoubtedly acted in their own interest on the ground and then reverse-engineered the connection between their actions and Chinese state interests, by using the strategic narrative of the BRI. This is similar to the role of accident in the growth of empires in earlier times. However, there is an element of control from the Chinese state which has visibly grown in Melanesia between 2017 and the present day, including the arrival of higher calibre staff, and the coordinating role of the Counsellor for Economics in a given country. This element representing Chinese state interests at the individual country level would definitely know that the number of SOEs had doubled in PNG over a year. The embassy appears to have had significant involvement in bringing about this rapid change.

countries are to make informed choices when interacting with the grand strategies of larger powers. As indicated by the interviews referred to in this paper, PNG's public service has analytical talent and strategic acumen at its senior levels. This capacity, combined with the vision of its national leadership, could see PNG pursue a grand strategy in the national interest. The issue is maintaining sufficient consistency in this overarching political vision to enable a logical path to achieve long term goals.

In 2016 Secretary General of the Pacific Island Forum, Dame Meg Taylor, proposed a framework for a 'new era for Pacific regionalism',<sup>165</sup> based on the key objectives of sustainable development, equitable economic growth, strengthened governance and security. Her vision was for this regionalism to "strengthen our ability to charter our own destiny," built on Epeli Hau'ofa's reimagining of the Pacific. There is potential for such strength to be found in the resultant *Blue Pacific Strategy*, which is currently being finalised by the Pacific Island Forum.<sup>166</sup> The concept of the Blue Pacific Continent could become a very important component of the grand strategy of each of the Forum's members.

If the Melanesian experience of the BRI turns out to be largely paid for by non-Chinese financial sources such as the ADB, in theory the Pacific Islands will be less beholden to China, and more in charge of their own destiny, while receiving the development they need at a low price. They could assist each other in their shared endeavours for development by providing mutual reinforcement of regional standards to support their combined sovereignty and interests. This might include a unified approach to seabed mining and the licencing to extract specific resources, enhanced protection of fisheries, the standardisation of safety requirements, or a code of practice for tendering construction projects.

## Conclusion

The 'new Melanesian assertiveness', supported by a growing Pacific regionalism, continues to gather strength in response to the assertiveness of others. As the Melanesian states negotiate their way with their new powerful friend, they require clarity on the nature of the BRI. It is important to call it for what it is: the BRI is geoeconomic. It is often not 'win-win', even if it is sold as such.

The BRI may well deliver the economic development a particular state needs at the economic price it can afford. But this is a judgement that can only be made by the state in question in reference to their national interest. Such decisions require a clear-eyed view to account for the 'non-economic' costs alongside the economic ones, and an appreciation of second and third order effects. This enables the balanced pursuit of economic growth alongside security, governance and sustainable development.

As the Melanesian states develop, assert their agency and seek what is best for their own national interest, they will find ways of dealing with Chinese economic tools seeking to achieve geopolitical outcomes. They will develop techniques and approaches that

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165 Dame Meg Taylor, "Secretary General Dame Meg Taylor's keynote address at Australian Council for International Development (ACFID) National Conference", 6 November 2016, Pacific Island Forum Secretariat, <<https://www.forumsec.org/2016/10/26/secretary-general-dame-meg-taylors-keynote-address-australian-council-international-development-acfid-national-conference/>> [Accessed 2 September 2019].

166 Pacific Island Forum Secretariat "The 2050 Strategy for the Blue Pacific Continent", <<https://www.forumsec.org/pacific-regionalism/>> [Accessed 1 February 2020].

maximise their own strengths and mitigate their weaknesses by utilising the instruments of statecraft available to them and using them as part of a grand strategy. Understanding the nature of China's approach to geoeconomics is of fundamental importance to survival in this new environment.

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