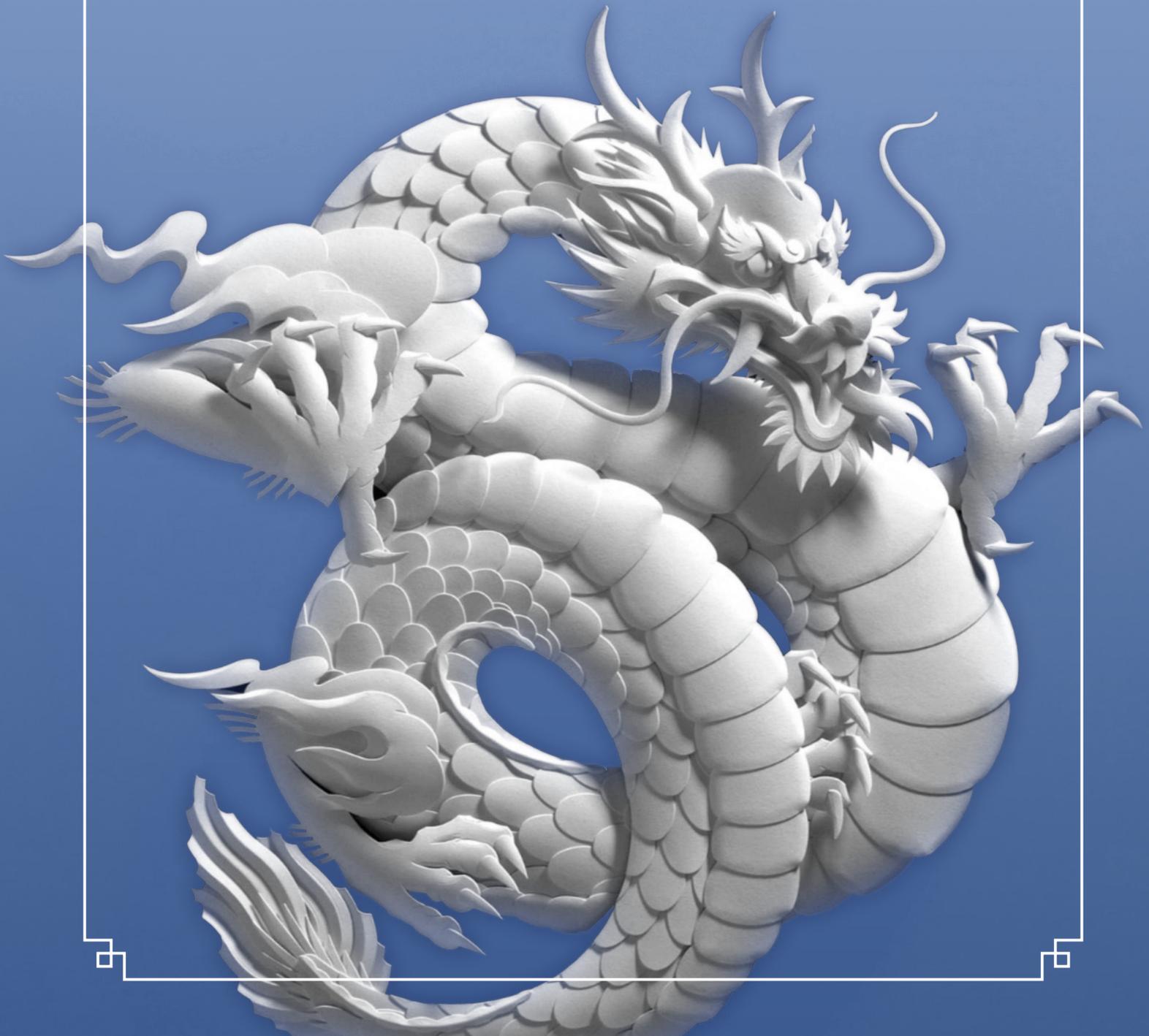


# Time to ‘step up’ the tempo: Australia’s answer to Beijing in Papua New Guinea

Sean Jacobs

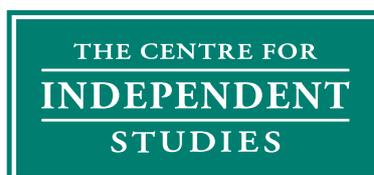




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# Time to 'step up' the tempo: Australia's answer to Beijing in Papua New Guinea

Sean Jacobs



Analysis Paper 27

# Contents

Beijing steps in .....	1
A vulnerable target .....	1
Australia and PNG.....	2
Aid with Chinese characteristics.....	3
China turning.....	6
Marshalling statecraft: How Australia can respond.....	7
Conclusion.....	8
Endnotes.....	9

*The defining issue I believe, for global and regional stability, upon which our security, our prosperity and our way of life depends, is escalating great power strategic competition. Rapid military modernisation, tension over territorial claims, heightened economic coercion, undermining of international law, including the law of the sea, through to enhanced disinformation, foreign interference and cyber threats, enabled by new and emerging technologies... Our challenge is nothing less than to reinforce, renovate and buttress a world order that favours freedom.*

— Prime Minister Scott Morrison, June 2021<sup>1</sup>

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## Beijing steps in

China's influence has grown significantly in Papua New Guinea (PNG) over the past 10 years. Beijing's construction of a PNG national data centre, significant infrastructure investments through the Asian Development Bank, small-scale military cooperation, concessional loans, and other forms of conditional assistance, have been seen as incentivising recent PNG diplomatic support of China.<sup>2</sup> They have also fostered ground for strengthened bilateral agreements.

While it is natural for countries to grow and pursue bilateral relations, the nature of China's assistance to PNG — Australia's closest neighbour — should in many ways concern Australians. The Beijing-backed November 2020 proposal to build a fisheries facility (artificial island) in PNG waters — just kilometres from the Torres Strait — highlights China's potential for gaining regional footholds, especially in physical proximity to Australian shores.

Paired with ongoing domestic concerns in Canberra over Beijing's economic coercion, and a noticeable assertiveness in PNG's recent politics, Australia requires new tactics to work more closely in the region, mitigate China's influence and, importantly, assist in Covid relief and post-Covid economic

recovery, and improve conditions in PNG.

The Pacific 'step up', initiated by the Turnbull government in 2016, has been a positive move in signalling Australia's shared values with the South Pacific,<sup>3</sup> setting an overall approach and illustrating Australia's renewed regional commitment and longstanding interests in supporting better development outcomes.

The step up, however, can be supplemented by an improvement in Australian statecraft — using the tools of state to transform outcomes in PNG. This includes new aid delivery methods to PNG, alliance-building through renewed regional commitments from the United States, improvements in people-to-people links, and further enhancements in Australia-PNG commercial links. Although Australian commercial banks have recently signalled 'exit strategies' from PNG,<sup>4</sup> there are other strategic opportunities that will emerge, such as Telstra's potential \$1.5bn government-backed purchase of Digicel Pacific — by far PNG's largest telecommunications provider. Ironically, it may also mean — at least in some very limited areas, and subject to a thawing of Sino-Australia relations — working more closely with Beijing to alleviate social destitution in PNG.

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## A vulnerable target

PNG gained independence from Australia in 1975. Since then, PNG's population has grown from approximately two million to an estimated nine million. Although poverty remains widespread, over the past decade, the economy has grown at nearly double-digit growth; relying largely on minerals, including primarily gold, copper, nickel and iron ore.<sup>5</sup> Large deposits of liquefied natural gas have also been

game-changing for the PNG economy and will continue to be over the next 25 years. But while encouraging 'on paper', resource revenue often effectively dissolves due to government waste and corruption. Meanwhile PNG's per capita GDP remains low at approximately US \$2,600,<sup>6</sup> ranking the country at comparative levels with Laos, Nigeria and Ghana.

The recent passing of former Prime Minister Sir Michael Somare — in many ways PNG's 'founding father' — occurred at a time when PNG was already wrestling with an accelerating rate of Covid infections and deaths. Indeed, the pandemic has highlighted not only the intense weakness of PNG's health-care system but also long-observed challenges around general government service delivery. Constant fiscal leakage from the national government in PNG's capital, Port Moresby, paired with limited technical capacity and high levels of corruption, mean that very few services — not just in health but law and order, infrastructure and education — reach the overwhelming majority of Papua New Guineans.

This is amplified by weak geographical connectivity. Port Moresby, for example, is the only capital city in the world that has no road connection to any other major town or city. Over 80% of PNG's population also live in non-urban areas, with the majority engaged in subsistence agriculture and the cultivation of cash crops. PNG ranks 155 out of 189 nations on the UN Human Development Index, comparable with the neighbouring Solomon Islands (at 151) and Kiribati (at 134) but well below Fiji (93) and Samoa (111).<sup>7</sup>

Although dated — and recent direct budgetary assistance from Australia notwithstanding — a 1990 PNG Department of Finance and Planning strategy document generally presents the contemporary state of the PNG economy and the PNG government's performance over the past few decades:

Despite a good record of macro-economic management, particularly in respect of fiscal policy, balance of payments, external debt and financing, the economy is still constrained by long-standing structural weaknesses. These include traditional land ownership patterns, a high cost structure, a lack of manpower skills and poor infrastructure. Significant segments of the population still do not have access to basic

transport, electricity, running water, education and health services. Moreover, it has proven difficult to maintain the quality of those services in the areas where the infrastructure exists.<sup>8</sup>

More recently, PNG politics have moved to a level of detectable assertiveness, especially in terms of foreign policy. The 2018 APEC Summit in Port Moresby delivered a temporary but unique international focus on PNG, with the then Prime Minister Peter O'Neill courting a range of unprecedented commitments from Beijing, Washington, Tokyo and Canberra.

James Marape, upon becoming Prime Minister since 2019, memorably vowed to make PNG "the richest black Christian nation" on earth, and to "take back PNG" through control of resource projects.<sup>9</sup> Marape has also purposely looked further afield than 'traditional' allies since coming to power. "I will shift away from traditional partners and reliance on traditional partners," he said in 2019, citing growing links with Indonesia, the Philippines, Malaysia and Singapore.<sup>10</sup> Since this time, however, Marape has had to stare down a parliamentary vote of no-confidence and internal party instability — common occurrences for all PNG prime ministers since 1975. In tandem with Covid, it has disrupted attempts to build a coherent policy program.

PNG remains a troubled but noisy democracy — an important element in the context of this paper. With more than 1200 distinct cultural groups and 900 languages, achieving consensus is difficult. However, there is a strong vocal accountability to PNG politics, despite its many challenges. "Papua New Guinea's people are not acquiescent," noted late long-time observer of PNG politics Professor Bill Standish.<sup>11</sup> "They are born democrats, in that they are vocal critics of their leaders."<sup>12</sup> This is an important feature of PNG society and affects how foreign assistance — particularly Chinese assistance — is viewed.

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## Australia and PNG

Before turning to China's growing relationship with PNG, it is necessary to appreciate the depth of Australia-PNG relations. Australia is PNG's largest assistance partner. But this represents more than a traditional 'aid-donor' relationship.

In 1902, following British annexation, the mainland of Papua fell under Australian administration — a new challenge for a new nation in itself. In 1920, following World War I, Australia also ruled the then German New Guinea: the islands outside of the Papuan mainland. From 1945, after World War II, both areas were jointly administered by Australia as the 'Territory of Papua and New Guinea'.

Approximately 7000 Australians died in World War II during the New Guinea Campaign. A strong bilateral kinship, embodied in the spirit of the 'fuzzy wuzzy angels' but also the Coastwatcher campaign, has instilled many enduring non-tangible people-to-people links between Australians and Papua New Guineans. Historically, PNG's minerals — primarily gold — have also tended to attract an enterprising and frontier-type of Australian — "Oil drillers, trawler masters, coconut planters, rubber planters, and prospectors," in the words of Australian stockman Tom Cole.<sup>13</sup>

Importantly, these shoulder-to-shoulder bonds, as well as wartime sacrifice, were supplemented by a

delicate colonial authority. While there were certainly uncomfortable instances of segregation, Australia, in a political sense, never sought 'domination' of the Territory. In an instructive 1963 speech in Port Moresby, then Australian Prime Minister Robert Menzies noted:

We are not oppressors. On the contrary, our dominant aim is to raise the material, intellectual, social and political standards and self-reliance of the indigenous peoples to a point at which they may freely and competently choose their own future.<sup>14</sup>

Indeed, it was a direct transplant — PNG's 'forgotten people' — of the way Menzies had approached development and enterprise in Australia throughout his 17 years as Prime Minister. And it was certainly not a rosy-coloured version of Australian administration. Sir Paul Hasluck — whom Menzies appointed as Minister for Territories — recorded a strong emphasis on self-development and self-reliance as Minister from 1951 to 1963. He criticised the stuffy colonial attitudes he saw among some Australian officials at the time, writing in his 1976 memoir *A Time for Building* that they "were imitating the outward signs [of a colonial officer] but missing the inward grace."<sup>15</sup> Hasluck also wrote in great depth and topographical detail of his tireless commitment to Territory roads, bridges, economic growth, law and order, sanitary infrastructure, education and health services.

However, even decades earlier, Sir Hubert Murray, Lieutenant Governor of Papua from 1908, spoke and catered — at least where feasible — to the need for commerce, industry, skilled labour, education, and law and order. These, he understood, were critical in placing the Territory on a path to success.<sup>16</sup> Murray would serve in this role for an astonishing three

decades (stepping down in 1940) and remains an immortal name in PNG history.

These elements of the past, although seeming to border on nostalgic, are important today. Not only do many colonial observations remain current — the need for PNG's self-development, for example — but 20,000 Australians call PNG home.<sup>17</sup> Bilateral trade is almost \$7 billion,<sup>18</sup> which is significant for PNG. And Australia, despite China's emergence, continues as PNG's largest aid partner.

In 2017, the newest foreign policy white paper, launched by Prime Minister Turnbull, announced the Pacific 'step up'. As Turnbull noted at the time, this was aimed at "an irreversible and permanent step-up in our commitment" to the South Pacific, and built on a 2016 announcement he made for a 'step change' with the region.<sup>19</sup> Ostensibly, of course, the 'step up' was aimed at checking China's influence in the region, with Turnbull later announcing the \$140 million investment in PNG's under-sea telecommunications cable — a move clearly intended to counter Huawei's bid to build a cable to PNG and the Solomon Islands.<sup>20</sup> This was smart tactics and a standout example of agile foreign policy.

However, the 'step up' was also a genuine offer for greater connectivity, integration and trade, matched with a respect for sovereignty, and building stronger bilateral relations. Importantly, for example, Turnbull spoke at length about the critical values pinning the 'step up' commitments together — "freedom, democracy, the rule of law, mutual respect" — while noting that these were not only "timeless values ... but never more timely than they are today."<sup>21</sup> In PNG, it has tapped a historical reservoir for more meaningful relationships to grow and build upon into the future.

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## Aid with Chinese characteristics

Late Chinese leader Deng Xiaoping, when speaking of China's foreign policy in the 1980s, famously advocated that Beijing "hide our capacities and bide our time; be good at maintaining a low profile; and never claim leadership."<sup>22</sup> Yet it is a position that has matured, at least in the South Pacific, where China is now actively attempting the opposite of Deng's advice — showcasing its capabilities, seeking a higher profile and, in many respects, attempting leadership by influence.

Yet Beijing's expanded attempts at regional influence have been recorded for some time. In 2008, Australian analyst Fergus Hanson noted that China's regional assistance had, even then, accelerated dramatically since 2005.<sup>23</sup> By 2017, China had

emerged as the region's third largest aid donor, although it only contributed an estimated 8% of all foreign aid between 2011-2017.<sup>24</sup> More recent figures, however, show China's aid to the region has shrunk by a third, from \$US 246 million in 2018 to \$US 169 million in 2019.<sup>25</sup> Regardless, it is not necessarily how much but how China delivers its aid that is at issue. Unlike longstanding but demanding aid donors such as Australia, China does not insist on 'good governance' and claims its aid comes with 'no strings' attached. The more opaque nature of this aid has contributed to already high levels of corruption in PNG government circles, resulting in growing suspicion amongst some Papua New Guineans that their leaders have been suborned.

What has been driving China's increasing presence in the region? While it is natural for nations to seek influence as they grow, China's regional drivers are underpinned by a range of near-term and longer-term goals, symbolised above all by Xi Jinping's now frequent refrain — "the East is rising and the West is declining"<sup>26</sup> — and associated ambitions. At the 19th party congress in 2017, Xi declared: "Our mission is a call to action. Let us engage in a tenacious struggle."<sup>27</sup> The reunification of Taiwan, to be achieved within Xi's lifetime, remains a central near-term objective, as does China's assertive claim over most of the South China Sea — an objective over which, in the words of former Prime Minister Kevin Rudd, Xi "will not concede an inch."<sup>28</sup> Access to resources, denial of diplomatic recognition for Taiwan, and an ascendance to what Beijing sees as its natural leadership in the broader region, underpinned by the assumption of Western decline, further propel its strategic ambitions.

Beijing has attempted to offset its at-times aggressive territorial claims and concerns about its strategic ambitions through developing its soft-power imprint. "China reportedly has been spending an estimated US\$10 billion annually for over a decade to promote its soft-power message globally," noted the University of Tasmania's Professor Richard Herr in a 2019 report.<sup>29</sup> Despite this largesse, however, "international indices of soft power show that China is making little headway statistically."<sup>30</sup> He concluded that, in the South Pacific, China's current influence is more a consequence of its economic heft than soft power, properly understood, and a subsequent desire to emulate its political system or values.

In 2018, China established the China International Development Cooperation Agency for overseas assistance coordination. More notably, however, it has firmly established, in the words of Geoff Raby — Australia's former Ambassador to China — the Belt and Road Initiative (BRI) "as the central organising principle of China's foreign policy and state-led international commercial engagement."<sup>31</sup> A 'digital' silk road offers a more potent mechanism to extend Beijing's reach and alliance-building capabilities into the future. This initiative is built on advanced manufacturing and technical standard setting (e-commerce, digital trade), and has received extensive participation and support from a diverse range of state entities in Africa, Asia, Europe, Latin America and the Caribbean.<sup>32</sup> PNG, notably, was the first South Pacific nation to sign up to the BRI in 2018. The neighbouring Solomon Islands followed in 2019 after switching diplomatic recognition from Taiwan to China.

Understandably, Beijing's South Pacific activities have captured Washington's attention. A 2018 US-China Economic Security Review Commission noted that "China has become one of the major players in the region, *well ahead of the United States in most areas*" (emphasis added).<sup>33</sup> Certainly, the US has been eager to pivot to the Indo-Pacific, but it appears reluctant

to upscale in the South Pacific — an opportunity I will return to later.

Meanwhile PNG has quietly improved its formal bilateral relations, re-emphasising in June 2021 — in the midst of a major Covid outbreak in the country — its commitment to the One China policy and to conducting "win-win cooperation."<sup>34</sup> It is not surprising, given the growth in specific political, economic and commercial ties between the two nations over the past few years. Here are just a few examples.

- An upgrade of PNG-PRC relations to a Comprehensive Strategic Partnership in 2018 during President Xi Jinping's historic visit to Port Moresby for the APEC meeting.
- PNG's diplomatic support, at the United Nations, for the June 2020 Hong Kong National Security Law, placing PNG in unique diplomatic company as the only Pacific Island nation — and only one of 53 countries — to confer support.
- Diplomatic support to China in response to the landmark July 2016 ruling from The Hague over its South China Sea dispute with the Philippines. PNG was only one of two nations in the region to do so, the other being Vanuatu.<sup>35</sup>
- More than 90 official visits (both to and from China) and the establishment of three sister cities.
- In November 2017, the gifting of Chinese military equipment to the Papua New Guinea Defence Force (PNGDF) comprising 62 military vehicles worth \$5.5 million. This included 44 troop carriers, 10 armored vehicles, four buses, four mobile kitchen vans, and spare parts. This grew from a donation of 44 vehicles in 2016.<sup>36</sup>
- A \$470 million loan from China's Exim Bank comprising two signature projects — the NBN1 3/4G project and the Kumul undersea cable. This is additional to a \$56 million Chinese loan for PNG's National Data Centre.<sup>37</sup>
- In 2018–19, Chinese-owned construction companies won bids for more than half of the ADB-financed construction projects in PNG. The largest ADB contract since, valued at US\$54 million, was awarded to China Railway.<sup>38</sup>
- The construction of the APEC 2018 conference venue and four-lane highway from Port Moresby's Jacksons International Airport to the town centre.
- The PNG government reconfirming its 2016 agreement with Huawei to build PNG's domestic internet infrastructure, knocking back a trilateral counter-proposal from the US, Japan and Australia.
- Establishing the \$1.4 billion Chinese State-owned Ramu NiCo mine — China's largest Pacific investment, which has a projected lifespan until early to mid-2030.

- The renewed commitment to, and continuance of, the \$US 2 billion Ramu 2 hydro power project in PNG's Eastern Highlands Province by China's Shenzhen Energy Group.
- In 2020, the signing of an MOU for the establishment of a fisheries precinct (artificial island) at PNG's Daru Island — 200 kilometres from the Australian mainland, which carries implications in terms of border protocols and the sustainability of fish reserves and local livelihoods.

Despite such growing links, it has not been a 'clear run' for Beijing's attempts at bilateralism with PNG and other regional countries.

In the South Pacific, the term 'debt-trap diplomacy' has become negatively associated with Chinese assistance because of concerns that concessional loans add to high levels of external debt that China may try to leverage for strategic advantage. A memorable 2018 comment from Australia's then Minister for International Development, Concetta Fierravanti-Wells, underscored how China's assistance to the Pacific often resulted in "white elephant" projects and "roads to nowhere" that offer little return on investment or lasting benefit to ordinary people.<sup>39</sup> It is a response that, although blunt, is at least well understood behind closed doors by many Pacific islanders and leaders.

In PNG itself, former Australian High Commissioner Ian Kemish has noted China's "surprisingly slow" advance, citing the PNG government's refusal to extend a Zijin Mining Group lease for Porgera mine in the PNG Highlands.<sup>40</sup> Beijing's tough rhetorical response to Marape's decision not only fanned strong online anti-Chinese sentiment in PNG, according to Kemish, but also illustrates that Beijing's PNG advances tend to "be more opportunistic than strategic."<sup>41</sup>

The 'cultural divide' also presents a hurdle for China in PNG. Building affinity and local connections is obviously easier when the parties share a language, and China, unlike Australia, does not have this connection. Values and shared history are also an important element of the PNG-Australia relationship that China cannot trace in the same way. Moreover, Australia still maintains a significant advantage in the breadth and depth of its people-to-people links at a grassroots level, and works with civil society groups and NGOs whose counterparts in Xi's China have been either banned or cowed.

But these observations on China's hurdles, although entirely valid, should not necessarily fill Australian strategic thinkers with confidence. There are three reasons.

First, 'debt-trap' diplomacy is well understood by PNG's leaders and has been for some time. However, it has not paused any of the significant commitments offered by China or altered the conduct of PNG leaders in the way that one would expect. For example, it did not prohibit or reverse PNG's commitment to

the BRI, nor has it altered PNG's diplomatic support offered to China in the corridors of the UN or at The Hague. In fact, PNG's leaders are unlikely to meet any significant domestic political pressure over these forms of diplomatic insistence from Beijing. The bustle of PNG's vocal democracy is much more preoccupied with domestic priorities and considerations.

Second, Beijing's assistance is more prone to catalysing, rather than smoothing, local anxieties in PNG; compounding the potential for instability. When very little government funding reaches services 'on the ground' in PNG's remote areas, Beijing's support to the PNG government can tend to be seen by everyday Papua New Guineans as 'elite to elite' assistance — money going exclusively to Port Moresby, for example, but not toward the regions. A similar sentiment is detectable in climate change responses, where it's not clear if the efforts of the South Pacific's elite political leadership — the signing of the Boe or Kainaki II declarations — are connecting with everyday environmental issues experienced by many ordinary Papua New Guineans: poor sanitation, illegal logging, non-existent drainage in many parts of urban areas, inconsistent waste management, low efficient energy usage, poor air quality. Therefore, Australia will need to continue marshalling its foreign assistance to the PNG government but also to Papua New Guineans in direct terms — a practice it has tended to follow but that could benefit from some innovation.

Third, for all its setbacks and slow progress, Beijing has still proved agile and at times effectively expedited its commitments in PNG. The most illustrative example has been at Lombrum, Manus Province. In 2018, then-US Vice President Mike Pence announced a joint US-Australia upgrade of the Lombrum naval facility, with a range of benefits that would assist not only the PNGDF but also improve the United States' strategic footprint and counter Beijing's growing influence. PNG officials, PNGDF staff and even Manusian locals remain excited by the prospect. But, after three years, only a funding announcement has emerged as part of the 2021-22 Australian federal Budget, and it has taken time for a contract to be awarded. US involvement has also been noticeably absent, at least not to a scale of significance matching a landmark Vice-Presidential announcement. Meanwhile, Beijing has moved decisively through a subsidiary of its China Communications Construction Company Ltd (CCCC) by upgrading Momote Airport — about a 20-minute potholed drive from Lombrum naval base.<sup>42</sup> Notably, the CCCC is the same company that constructed China's artificial island bases in the South China Sea.

Overall, the opportunistic nature of Chinese foreign policy demands vigilance from Australian foreign policymakers. Australia's relationship with PNG is fundamentally strong. However, China's activities point to the need for some changes in the tempo and substance of Australia's aid commitments in PNG.

## China turning

Covid-19 has clearly changed perceptions of China. The Chinese Communist Party's (CCP's) pandemic response has resulted in a "remarkable cover up", according to the Australian Strategic Policy Institute's Peter Jennings, which has exposed a series of glaring inconsistencies:

... the fatuous claims that Covid-19 was planted by US military personnel visiting Wuhan, or arrived on frozen salmon; the refusal to hand over samples of the original virus as opposed to the genomic sequence; the refusal to grant access to the WIV until the tightly stage-managed WHO-China Study visit on February 3; the over-the-top attempts to prevent international access to research the virus; and the hysterical denunciation of Scott Morrison's request for a credible international examination.<sup>16</sup>

None of this has helped Beijing's credibility. Terms such as 'Chimerica' and 'Chindia' — in vogue until only a few years ago — have been eclipsed by China's reactive response to the pandemic and the inflammatory rhetoric of its 'wolf-warrior' diplomats. This has further cast light onto Beijing's conduct in Hong Kong, the treatment of Xinjiang's Uighur population, its economic coercion toward other states, and its assertive conduct in the South China Sea. Former US Treasury Secretary Hank Paulson, in a notable 2018 speech<sup>43</sup> outlined that China was undergoing seismic internal change — and not for the better. He warned about the renewed dominance of the CCP and the increasingly forced alignment of domestic private enterprise with the goals of the state. Such trends have only intensified since then, although former President Trump deserves some credit for confronting China on its more egregious trade practices.

In PNG, specific attitudes to China, especially following the pandemic, have been mixed. At an official level, in terms of vaccine response, PNG has courted all the assistance it can get — including both China's Sinopharm rollout and the Australian-backed Astra Zeneca. "We are thankful to Australia for giving vaccines and we are thankful to China for giving vaccines," PNG's Health Minister Jelta Wong said.<sup>44</sup> "Both countries help us in many ways, and we will always be in debt to them for the times Papua New Guinea was in need and they came to our aid." Due to more immediate concerns, such as the existing

fragile health system and ongoing poverty, demands for Beijing's accountability, or tracing the origins of the virus, do not appear to be top of mind for PNG's leaders or people.

This is in contrast to Australia, where domestic attitudes in particular have clearly hardened in the wake of the pandemic. As analyst Alan Dupont recently noted:

Australian public opinion has shifted decisively against China as puzzlement over Beijing's actions turned to bewilderment, and then anger; stripping away the illusion that China's rise would be an unalloyed good for the country. A Lowy Institute Poll captured the shift in sentiment, finding that trust in China was at its lowest point in the history of the Poll with 94% of those surveyed wanting the government to reduce economic dependence on China.<sup>45</sup>

Dupont adds that Beijing's economic and diplomatic coercion had been escalating well before the pandemic — over the past decade there have been 152 recorded cases of Chinese economic coercion affecting 27 countries, which has included de-facto trade sanctions, boycotts and restrictive investment decisions. "No country has suffered more than Australia," he notes.<sup>46</sup>

Sanctions, boycotts, restrictions — all have been supplemented by the CCP's attempts at domestic interference within Australia. Clive Hamilton's 2018 *Silent Invasion* offered a watershed catalogue in the scale, tactics and reach of the CCP within Australian politics, business, academia and other community-facing organisations. Hamilton cited three factors highlighting Australia as a 'soft target' for the CCP: its geopolitical position, which makes it "the weak link in the western camp"; a very large community of ethnic Chinese, about half of which come from the PRC; and official multiculturalism, which has sometimes been exploited under the guise of promoting "Chinese values and customs" to advance the positions of the CCP.<sup>47</sup>

Beijing's intent, at least from this manifesto, and the more recent issuing of '14 grievances' against Australia — ranging from Australia's 'provocative' media to 'anti-China' research — is clear. It underscores the serious predicaments that Australian governments and communities now face. It places significant pressure on Australia at home but also the conduct of Australian foreign policy.

# Marshalling statecraft: How Australia can respond

In many ways, PNG is the ultimate test for Australian statecraft in the twenty-first century. A world order that favours freedom requires the wise use of Australia's military, diplomatic, economic and cultural tools in partnership with PNG — Australia's nearest and closest neighbour. Not only does Australia enjoy a unique relationship with PNG, the need for self-development has been long-identified by Papua New Guineans and Australians.

While Australia has a well-articulated approach to the region in the form of the Pacific 'step up', China's evolving influence has the potential to undermine this. In PNG, Australia can use its tools of statecraft to mitigate China's influence and competition, while facilitating PNG's assertive bid for self-development in a time of great power competition. An 'up tempo' approach will require a range of considerations. The near-term recommendations are:

- Expedite Lombrum naval base upgrades alongside a significant investment, with the United States, on skills training, infrastructure delivery and military-to-military assistance. A permanent long-term and large-scale joint military facility should be the short-term objective, similar to US operations in Guam and Saipan.

Local PNG political opposition is important to consider. However, it is marginal in comparison to local demand for jobs and business opportunities, which have subsided since the drawdown in activity at the Manus Regional Processing Centre. Generating political support from not only Port Moresby but also Washington is critical for current and future Australian prime ministers to realise this important strategic commitment.

- Increase diplomatic presence in PNG but also provide greater latitude to Australian diplomats for making expedited decisions in PNG. This could include an increase in discretionary funding for the High Commissioner and other consular officials, enabling appropriate latitude and a capacity to seize opportunities. The counter-offer for Huawei's 'Kumul' submarine cable, although not forthcoming, is a useful example of intelligence reporting, trilateral relations and a capacity to build a firm counter bid with strong political backing from Canberra. It is precisely the sort of solutions Australian diplomats should be pursuing in PNG.
- Seek Australian-led innovative aid solutions that will directly affect Papua New Guineans. One example, put forward by commentator Shane McLeod, is a PNG-wide solar roll-out to help PNG reach its 2030 goal of connecting 70% of the country to electricity. With much of the country 'off grid', or in remote areas, this is an exhaustive task. But "If mobile phone providers can get technology working in

remote PNG," McLeod notes, "why not aid donors?"<sup>48</sup> An Australian solar kit in the far reaches of PNG's many remote areas will not be a 'lost investment', especially for the Australian government. "They'll get to demonstrate the argument they're making as they counter China's ambitions in the region: that they are capable, responsive and action-focused donors who can make a real difference in the lives of the people of the Pacific Islands."<sup>49</sup> McLeod also highlights an opportunity to rebuild PNG's national radio network — a potent form of communication in PNG's difficult geographical terrain — which could be achieved at a fractional cost compared to other interventions.<sup>50</sup>

- Sport diplomacy is an increasingly acknowledged area for building strong bilateral relations. It offers a creative way to inject values into Australia's foreign assistance and diplomatic efforts in PNG. The Government's Sports Diplomacy 2030 Strategy, released in 2019, is a small but important example of moving in this direction, which embeds sporting concepts that cut across borders — respect for rules, fair play, discipline, and learning from failure. These values have informed social cohesion and enlivened commerce, and are on display in sports like Rugby League. Australia should continue to promote these people-to-people links with PNG — a place where they are likely to receive strong uptake.
- Explore 'hard' and 'soft' infrastructure solutions. China is likely to continue its bid to build hard infrastructure in PNG and other places in the region — roads, bridges, dams, data centres. Often missing are the 'soft' skills to effectively run these facilities in the medium- to long-term. By contrast, Australian assistance has, over time, generally placed more of a premium on critical human capital and 'soft' skills — project management, governance, finance and administration. Therefore, it may be worth exploring a 'joint facility' arrangement, where appropriate, and when diplomatic relations permit. This would help mitigate the 'white elephant' criticisms of new aid projects in PNG but is also more likely to receive strong endorsement at a political level in PNG. It could also help build Australia's cooperative profile and, importantly, be aimed at generating job and market-based opportunities in PNG. There are a small number of existing 'trilateral' examples to draw from — the 2015 Australia-China-PNG malaria pilot control project<sup>51</sup> and the 2014 PRC-New Zealand-Cook Islands Water Partnership.<sup>52</sup>
- Bilateral commercial links. Although Australia's commercial banks — primarily Westpac and ANZ — have signalled exit strategies from PNG, other commercial opportunities, which are tied to strategic circumstances, may emerge. A Chinese telco's

purported interest in the acquisition of Digicel Pacific — by far the nation's largest telecommunications provider — may inspire Telstra's acquisition, which would be backed by the Australian government.<sup>53</sup> This exposes the blue-chip Australian company to a range of financial and reputational risks — common for many Australian companies operating in PNG — that will need to be managed. And while details of the potential sale — and the specific intelligence-related threat assessments around the purported Chinese acquisition — are yet to fully emerge, the offer does appear to be a useful strategic opportunity for Australia in responding to the PRC's regional ambitions.

In addition to these specific recommendations are a number of general considerations.

First, PNG is proud of its independence. Prime Minister Marape's eagerness for active links beyond Australia should not be seen as a rub toward the Australia-PNG partnership but a reality that reflects its growth and ascendance. Australia's activities, engagement and opportunities that counter China's competitive attempts at bilateral relations should reflect this sensitivity. A 'bidding war' between Beijing and Canberra should be avoided wherever possible.

Second, 'looping in' the United States to Australia's efforts to counter Beijing is clearly important. China is now well ahead of the US in terms of its activities in the South Pacific. In fact, US-PNG relations themselves are a consistently overlooked opportunity. The Lombrum naval base is one example. However, there are other areas where greater US involvement

— for example, through INDOPACOM's civil-military assistance arm — could be resolved. This could include joint exercises, mercy missions, training and development or infrastructure works. All are likely to receive positive community reaction in PNG.

Third, there has been a growing distinction, detectable from many discussions with Papua New Guineans 'on the ground', between 'old' Chinese and 'new' Chinese — the former being multi-generational PNG-Chinese and the latter almost entirely newly-arrived and commercially-focused at the expense of acknowledging PNG's cultural dynamics. This is an important distinction for Australian policymakers and highlights the need to avoid fanning social tensions. The ongoing objective for a stable, prosperous, peaceful and resilient PNG is synonymous with Australia's efforts to counter Chinese interference — not to disturb the good bonds that exist between multi-generational Chinese-Papua New Guineans and Papua New Guineans.

Finally, effective statecraft utilises broad communication channels not just to build greater outreach but, in the words of former US diplomat Dennis Ross, "to reduce the possibility for misperceptions."<sup>54</sup> It is important for Australia to broadcast and communicate the positive impact its foreign assistance and other bilateral measures are having in PNG, especially at a political level. Elements of Beijing's treatment of Australia, and its broader actions, deserve to be continually exposed as running counter to Australia-PNG shared values. This, of course, applies in PNG as it does anywhere Australia's national interests are involved.

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## Conclusion

Rowan Callick — eminent journalist and long-time observer of China — recently noted: "The world has entered uncharted waters. Powerful countries have taken troubling turns before, but never one so globally engaged economically, so single-mindedly and effectively controlled, and so determined to create a new international order."<sup>55</sup>

It is an alarming, yet fair, assessment of the geostrategic landscape Australia finds itself in, almost a quarter into the twenty-first century. Australia, presently, is the primary and unenviable recipient of Beijing's most comprehensive economic coercion to date. China-Australia relations are perhaps at their lowest ebb historically.

These wider currents are impossible to put aside in PNG — a nation to which Australia is most closely tethered in terms of geography and history. But PNG's links to Beijing, although striking hurdles, are also

growing. PNG's Covid infections and ongoing social destitution will mean that Beijing can continue to offer PNG what it desperately needs: infrastructure and greater short-run commercial opportunities. Beijing's aid delivery is not without its faults, many of which are known in PNG. But such aid will continue to be eagerly seized where practical.

This places obvious pressure on Australian policymakers to rejuvenate Australia's links in PNG. The Pacific 'step up' has been positive in this respect, laying the foundations for a renewed commitment to the South Pacific. It can be enhanced, however, through greater statecraft in PNG. Australia's objective for "a stable, prosperous, peaceful and resilient PNG"<sup>56</sup> is not simply a tag line, but something essential for Australia to remain focused upon. This is especially important — if not critical — at a time of intense strategic competition from a rising great power.

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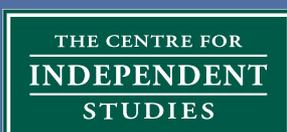
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