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The New Cold War, great power rivalry and Papua New Guinea

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Xi Jinping's China Dream constitutes a grand strategy by Beijing to displace the liberal world order and to disrupt the balance of power globally. Xi's signature policy, the Belt and Road Initiative (BRI) is the blueprint for achieving Xi's China Dream. When 'Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era' was introduced into the Chinese constitution in 2018, it cemented pursuit of the BRI into China's foreign policy and investment goals for both state-owned enterprises and individual entrepreneurs. While Beijing promotes the BRI as a cooperative development project, BRI-branded development projects attract significant scrutiny because they often involve high-modernist development approaches centred upon expensive large-scale infrastructure, industrialisation, natural resource extraction and in some instances, military agreements (Chellaney, 2017; He, 2019; Hillman, 2020; McCahill, 2017; Rudd, 2022; Thornton & Thornton, 2018).¹ Given Beijing seeks to extend its military reach into

1 Scott (2020, p. 4) defined development undergirded by high-modernist ideology as 'best conceived as a strong, one might even say muscle-bound, version of the self-confidence about scientific and technical progress, the expansion of production, the growing satisfaction of human needs, the mastery of nature (including human nature), and, above all, the rational design of social order commensurate with the scientific understanding of natural laws'. Moreover, Scott (2020, p. 89) argued that 'many of the great state-sponsored calamities of the twentieth century have been the work of rulers with grandiose and utopian plans for their society', also noting its links to authoritarian states and the influence of Soviet high modernism. The Chinese Dream, which is undergirded by the BRI and its high-modernist development, is both grandiose and utopian.

the Pacific, it appears the southern extension of Beijing's 21st Century Maritime Silk Road is attempting to extend China's Island Chain Strategy beyond the South China Sea, unlocking all of the Pacific and challenging United States (US) predominance within the Pacific. Due to its strategic geographic location, and its status as a BRI partner state, Papua New Guinea (PNG) is attracting more interest within examinations of the BRI, and it is increasingly finding itself in the middle of the rapidly unfolding great power rivalry of the New Cold War or Cold War II.

This chapter is divided into two sections. The first section identifies the stated objectives of both the China Dream and the BRI, identifying how they fit within China's grand strategy, and outlines some of the concerns and debates within contemporary international relations pertaining to the BRI. It identifies that a New Cold War is unfolding and how this may impact BRI partner states. In section two, the chapter shifts its focus to PNG. This section examines important dynamics on how the BRI has been rolled out in PNG and some of the concerns raised about the BRI. This chapter argues that the US–China strategic competition, and the resultant New Cold War, is drawing other states into the unfolding great power tensions. In this New Cold War, non-alignment may not be as achievable compared to the previous Cold War due to the tech and cyber domains, as well as conditions contained within BRI agreements. For the Pacific region, and PNG in particular, geography is another critical dynamic drawing it into the conflict, despite Prime Minister Marape wanting PNG to remain neutral (Lyons, 2022). Therefore, understanding this rapidly evolving geostrategic competition is imperative for BRI partner states, like PNG, who must now consider how their foreign relations may be impacted by the New Cold War and the great power rivalry between China and the US, and their associated allies and partners.

The return of great power rivalry

The China Dream and the Belt and Road Initiative

China's leader, Xi Jinping, has repeatedly defined the China Dream as the 'great rejuvenation of the Chinese nation', with hopes that China would become prosperous and powerful again (Xi, 2014, 2017a, 2019). However, it is increasingly understood that this great rejuvenation involves a grand strategy for displacement of the US as the world's leading power and

a restructuring of global norms, rules and order (Connolly, 2020; deLisle & Goldstein, 2021; Doshi, 2021; Hayes, 2020; Schuman, 2020).² Rush Doshi argues that Beijing seeks to eventually ‘project leadership over global governance and international institutions, split Western alliances, and advance autocratic norms at the expense of liberal ones’ (2021, pp. 4–5). These shifts from China have seen US–China relations move from engagement to post-engagement.³

Xi’s signature strategy, the BRI, is integral to achieving the China Dream. Officially described in 2013 as a revitalisation of the land and sea-based Old World trading networks into a twenty-first century Silk Road, the BRI contains the hallmarks of an imperial endeavour (Hillman, 2020). Michael Schuman assesses the BRI as being a deliberate recreation of:

the China-centric trade links of the overland Silk Road and the old maritime routes once sailed by the mariner Zheng He by building ports, roads and other infrastructure across the Eurasian landmass and beyond. And much like Zheng He’s treasure fleets, Belt and Road is meant to be a grand pronouncement of the revival of Chinese power in the world and to entice foreigners to come running to Beijing to pay their respects to the new son of Heaven. (2020, p. 314)

Through the BRI, Xi has walked away from Deng Xiaoping’s cautionary approach of ‘Hide your strength; bide your time; never take the lead’ and in 2021 he told provincial and party leaders that ‘time and momentum are on our side’ to challenge the US and the liberal world order (Cited in Rudd, 2022, p. 9). He has also linked the China Dream to military modernisation. China’s defence forces have received significant spending boosts, increasing Chinese capacity in nuclear, space, cyber and electronic warfare domains as well as considerably expanding its blue water navy (Garamone, 2022; Grady, 2023). Xi reported to the 2017 National Congress that China was ‘building a powerful military with Chinese characteristics’ and that ‘a strong military in the new era’ means ‘world-class forces that obey the Party’s

² For an overview of these changes, see deLisle & Goldstein (2021).

³ The engagement strategy began during the Nixon presidency, undergirded by hopes that economic integration of China into the global economy would encourage Beijing to liberalise politically. The goals of this strategy have not materialised, and this realisation has been especially pronounced under the increasingly authoritarian presidency of Xi Jinping. The shift to a post-engagement strategy of strategic competition between the US and China began in the final years of the Obama presidency, escalated during the Trump presidency, and have continued under the Biden presidency. Post-COVID, the US has also looked towards de-risking the relationship, meaning more diversified supply chains, greater resistance to economic coercion from China, and prioritising US national interests when dealing with China on sensitive matters.

command, can fight and win, and maintain excellent conduct' combined with 'military-civilian integration' and a stronger role of the Party in the military (Xi, 2017b, pp. 5–48). While Chinese leaders since the Qing Dynasty have desired a rejuvenation of China, restoring Chinese greatness, Xi's BRI is the most comprehensive blueprint on how to achieve this goal.

The China Dream also seeks to significantly alter existing international institutions. The BRI has deliberately side-stepped established lending norms and institutions, lacks transparency and accountability, and encourages corruption (Rajah, Dayant & Pryke, 2019; Hillman, 2020). In 2016, Su Ge identified it was China's time to build a 'new type of global governance system', explaining that the BRI was the mechanism for this displacement (2016, pp. 9–10). Wang Fan argued 'China should deeply participate in global governance and actively guide the reform of the international order', concluding that China's rise is 'bound to impact the existing international power and interest structures and *brings a tremendous shock to the international system*' (2018, pp. 38–41, emphasis added by Hayes). The BRI, combined with the increasingly assertive and aggressive rhetoric and actions from Beijing, has intensified US–China competition. This competition includes an ongoing trade war between the two powers and warnings the world has already descended into a New Cold War (deLisle & Goldstein, 2021, p. 13).⁴ Hence, early assessments that argued the BRI sought to reshape globalisation into Sino-globalisation under a Sino-led international order, making China the global hegemon, are ringing true (Wang, 2016; McCahill, 2017; Thornton & Thornton, 2018; He, 2019).

The New Cold War

The New Cold War divisions are increasingly between the world's democracies including, for example, the US, United Kingdom (UK), France, Germany, Japan, South Korea, Taiwan and Australia (all of whom support existing international institutions and the liberal world order), as well as those that oppose both democracy and the liberal world order (such as China, Russia, Saudi Arabia, Egypt, North Korea and Pakistan). For decades, China has forged the like-minded group (LMG)—an informal and loosely aligned group of states also seeking to avoid external criticism of their human rights

4 Not all scholars are convinced a New Cold War has emerged, or if it does, that bipolarity will result. See: Zhao, S. S. (2021). The US–China Rivalry in the Emerging Bipolar World: Hostility, Alignment, and Power Balance. *Journal of Contemporary China*, 31(134), pp. 169–85. doi.org/10.1080/10670564.2021.1945733

violations and poor governance practices domestically—who work together as a voting bloc to defend member-states from external criticism and censure (Chen, 2021; Economy, 2018). Like China, these states prioritise high-modernist development, non-interference in their ‘domestic affairs’, and they have shared identities as mostly authoritarian and hybrid regimes. Via the BRI and the Asian Infrastructure Investment Bank, this cooperation is also transactional, with states supporting Beijing on international forums to ensure continued loans from Beijing (*ibid.*). However, this transactional relationship with China via the BRI and the LMG also means these states are increasingly being drawn to the Chinese side of the New Cold War.

Already, Chinese academics like Wang Fan have considered the possibility of conflict in the New Cold War. Acknowledging that the possibility of great power war has been reduced due to mutually assured destruction (and China’s second-strike nuclear capabilities), he identified that, like the previous Cold War, “‘proxy wars’ involving smaller nations’ are the likely theatres for great power conflict in the New Cold War (Wang, 2018, p. 33).⁵ However, he also added that ‘non-traditional kinds of “war” in trade, cyberspace and financial area will become the main forms of great power competition, and the damage caused therefrom may be higher than traditional wars’ (Wang, 2018, p. 33). Already, these non-traditional kinds of war are playing out in real time. For example, the ‘Network Wars’ between Chinese and Western tech companies are part of the New Cold War and countries that accepted or repelled Huawei and ZTE may be impacted by, or become beneficiaries of, such decisions in years to come (Economy, 2018; Hillman, 2021; Rudd, 2022).⁶ Moreover, China has also already used economic sanctions and trade wars against states that have displeased them, including Norway, Japan, South Korea, the Philippines, Mongolia, Taiwan, Australia and Lithuania, demonstrating the aforementioned non-traditional kinds of war are already being deployed by Beijing against other states (Miller, 2022). With specific reference to the focus of this chapter, Wang identified that for China to maximise ‘the present period of strategic opportunity’, its strategic choices mean that ‘the Asia-Pacific region will remain its geopolitical priority’ (2018, p. 40). Therefore, it is imperative

5 Ukraine appears to be the first proxy war of the New Cold War.

6 In fact, the division of the world began to be drawn in the early 2000s when China, aided by Western tech companies, sought to establish a separate version of the internet via censorship controls and internet surveillance systems and has since exported such technologies to other authoritarian states wanting to control their own domestic internet access (Economy, 2018; Hillman, 2021).

that China's grand strategy via the China Dream and the BRI receives more attention in regional considerations and there needs to be a growing awareness that we have already entered a New Cold War.

Other challenges and considerations

The BRI has also triggered concern over debt-trap diplomacy.⁷ Brahma Chellaney, the progenitor of that term, warned that China has engaged in deliberate debt-trap strategies with BRI partner states that could result in them surrendering territory or other assets to China in the future due to their inability to service their debts.⁸ Although Hillman has argued that those who agree with the debt trap theory 'give China too much credit' (2020, p. 12), Holslag (2017) disagrees, arguing the BRI includes offensive mercantilism with debt trap just one of its features. Nonetheless, the debt trap question remains a key focal point because many BRI partner states are considered by the Organisation for Economic Co-operation and Development to be countries with increased risk of being overwhelmed by large external debts, preferring instead to adopt a sustainable debt approach with such countries. Many are also serious human rights abusers with poor governance records, opening up Beijing to accusations of assisting those states to defy existing international rules, norms and institutions (Zhao, 2010). Since COVID-19, concerns over the debt trap have increased with numerous BRI partner states and projects experiencing vulnerability to debt and currency crisis (Buckley, 2020). However, as the lead creditor country, COVID-19 has also exposed China financially and there are concerns its economy could become increasingly unstable (Reilly, 2021; Buckley, 2020; Crawford & Gordon, 2020).

7 At its core, debt-trap diplomacy refers to poor lending conditions between a creditor country and a debtor country, with the creditor country providing excessive credit to the debtor country. The excessive nature of the loans, combined with the credit insecurity or unreliability of the debtor country, is not of a serious concern to the creditor country as the investment loans contain conditions that allow for the extraction of economic or political concessions from the debtor country should it be unable to keep up repayments on the loans. Another condition of debt-trap diplomacy agreements include that debtor countries are required to use and pay contractors from the creditor country, over their own workers, thereby increasing the win for the creditor country and decreasing the win for the debtor country.

8 Not all share Chellaney's assessment, however, with some scholars arguing: the evidence to conclusively prove the debt trap remains elusive; that the debt trap 'myth' has been debunked (which seems a little premature given the BRI has only been in play for a decade); or that it is the partner states, not China, that are responsible for their debt traps because they signed up to heavy loans they are unable to manage. See: Jones, L. & Hameiri, S. (2020, August). Debunking the myth of China's 'debt-trap diplomacy'. *Chatham House*. www.chathamhouse.org/2020/08/debunking-myth-debt-trap-diplomacy; Rajah, Dayant, & Pryke (2019, October 21), and Sims, K. (2020, October 31). Laos set its own debt trap. *East Asia Forum*. www.eastasiaforum.org/2020/10/31/laos-set-its-own-debt-trap/

Prior to COVID-19, there were already concerns inside China over the BRI's reckless spending to fiscally vulnerable states and how it might cripple the Chinese economy. These concerns resulted in tighter lending conditions for BRI agreements to be included in China's fourteenth Five-Year Plan (2021–2025).⁹ Given the high risk of past BRI lending, combined with the substantial drop in China's foreign reserves in 2015, even prior to COVID-19, Beijing was pulling back on some BRI projects (CEIC, 2023; Hillman, 2020; Tao, 2021).¹⁰ These changes signalled that even Beijing had realised the BRI could be a potential 'lending trap' for Beijing (Reilley, 2021, p. 347). In response to such concerns, the Taihe Institute inside China identified several Pacific Island countries (PICs), including PNG, as being 'bad or risky investments for Belt and Road projects' (Finin, 2021, p. 179). Hence, future funding may be more conservative, centred on the provision of 'basic needs' over major funding projects (*ibid.*). Moreover, Chinese spending in the Pacific peaked in 2018, falling 15 per cent in 2019 (Pryke & Dayant, 2021). This decline was partly due to a drop-off in lending because the costly, large-scale infrastructural projects identified above had already received their funding in the preceding years, with no new major multilateral projects being announced and funded in 2019 (*ibid.*). However, it has also resulted due to belt-tightening from Beijing, driven by increased concerns stemming from Beijing's risky lending and China's own domestic debt crisis. Chinese lending to the Pacific is now lower than in 2012 (Dayant, Keen & Rajah, 2023; Deng, 2022).

9 See: Proposal XI:40 in Central Committee of the Communist Party of China. (2020, November 3). Proposals of the Central Committee of the Communist Party of China on Formulating the Fourteenth Five-Year Plan for National Economic and Social Development and Long-Term Goals for 2035. *Xinhua*. web.archive.org/web/20201104114039/http://www.xinhuanet.com/politics/zywj/2020-11/03/c_1126693293.htm

10 Loan default has already occurred in Sri Lanka, which resulted in a debt-equity swap where a port and surrounding land was leased to China for 99 years as part repayment of the defaulted loan (Amit, 2019). Countries such as Tonga have been granted loan repayment extensions, while others such as Malaysia have renegotiated loan terms and conditions that are more favourable to them ("Tonga gets five years' grace on Chinese loan as Pacific nation joins Belt and Road initiative", 2018; Parameswaran, 2019). In early 2021, debt-ridden Pakistan sought concessional rates from China on existing loans, a request that at the time of writing, had stalled BRI frameworks between the two states (Aamir, 2021). In December 2021, fears over Uganda's Entebbe Airport have also sharpened focus on the BRI, low-income countries and their ability to repay excessive loans to China. See: Ojambo, F. (2021, December 3). Uganda Can Meet China Loan Terms, Keep Airport, Legal Head Says. *Bloomberg*. www.bloomberg.com/news/articles/2021-12-02/uganda-can-meet-china-loan-terms-keep-airport-legal-head-say

By removing term limits for President and Vice President from the Chinese constitution, Xi has cemented his power as President for life, evidencing China's new hard authoritarianism (deLisle & Goldstein, 2021).¹¹ In his assessment of these changes, Richard McGregor (2019, pp. 11–12) identified China as being 'a geopolitical challenge to the West'. Hence, concerns have been growing over the nature and intentions of Xi Jinping's China and his BRI. However, the onset of the global pandemic hit the pause button for some states and much has happened in the meantime. How they engage with the post-COVID BRI against the backdrop of a rapid escalation of great power rivalry and a New Cold War will be of great importance. This chapter now moves to section two, where it will focus on Chinese engagement with PNG.

The Chinese in Papua New Guinea

PNG signed a BRI agreement in 2018 during Peter O'Neill's term as Prime Minister (Connolly, 2020). Like all BRI agreements, considered to be state secrets by Beijing, exact details of what it contained are not publicly available.¹² Beijing's lending to PICs has increased because Oceania is both a source of natural resources for China and it provides new markets for domestic over-consumption (Wesley-Smith, 2013; Hillman, 2020).¹³ Between 2011 and 2018, more than US\$6 billion was pledged in loans to PICs, roughly 21 per cent of the regional GDP (Rajah, Dayant & Pryke, 2019). Of that total, US\$4.46 billion was pledged to PNG to cover three main projects. They include the PNG-China Integrated Agriculture Industrial Park, the Goroka Town Water Supply Upgrade Project and the High Priority Economic Roads Project (Kenneth, 2017; O'Dowd, 2021, p. 400). There remains a lack of transparency on actual figures of indebtedness, which is further complicated by the grouping of China and

11 The author argues that examinations of the BRI prior to the constitutional changes announced by Xi Jinping in 2018 have underestimated the political climate of Beijing and Xi's political aspirations both within and outside of China.

12 The secrecy of such agreements extends to countries such as Australia. In 2019, the Australian state of Victoria signed a BRI MOU with Beijing without consulting the Federal Government or relevant government departments. Canberra was displeased with the Victorian agreement, which the Prime Minister stated was 'inconsistent with the Australian government's policy' and 'Australia's national interest' (Scott Morrison cited in Varano, 2021). After the passage of the Foreign Relations Bill through Australian parliament, the Federal government cancelled the Victorian BRI MOU with Beijing.

13 PICs with BRI agreements include Cook Islands, Fiji, Kiribati, Federated State of Micronesia, New Zealand, Niue, PNG, Solomon Islands, Samoa, Tonga and Vanuatu (International Institute of Green Finance, 2021).

Taiwanese debts under one figure in the 2020 PNG National Budget, but Beijing's spending in PNG is concentrated in 'resource-intensive, extractive and polluting industries', thereby replicating its domestic development model (O'Dowd, 2021, p. 399).

Australia–China competition and 'information deficits'

In 2019, Wang Shiming identified that Australia and PNG have 'close ties' and that via the BRI, PNG offered avenues for third-party cooperation between China and Australia. He also identified the significance of the Pacific region in 'Australia's foreign aid strategy' and that '[a]s one of the southern routes of the 21st Century Maritime Silk Road, the Pacific island [*sic*] counties have *unique location advantages* and convenience to connect with the initiative' (Wang, 2019, p. 96, emphasis added by Hayes). After making a case for why Australia has misjudged Chinese motives in the region and thus far missed out on the BRI opportunity, Wang accused Australia of having a 'rigid biased approach and Cold War mentality' towards China, which he concluded would negatively affect China–Australia cooperation in PNG (2019, p. 99). Tellingly, he also discussed how 'Oceania is regarded as a space where great powers insert their geostrategic, geopolitical, and geo-economic influence', and acknowledged there is a 'mutual trust deficit' between Australia and China in the present era. Despite these concerns, Wang expressed his hope that Australia would cooperate with China inside of PNG so China could learn from Australia how to operate more effectively there.

Wang's framing of Australia as having a 'Cold War mentality' is hypocritical given his published article came at a time when Beijing was entreating Australia to 'choose a side' in the US–China competition—that is, China's side. In 2019, Beijing sent a delegation of Chinese academics to Australia on a speaking tour. The academics deployed wedge politics while in Australia, warning it would be a 'frontier region' should war break out between China and the US (ie. a territory for 'proxy war'), that Australia was 'naïve' to trust its alliance with the US and it would be 'the first sacrifice for this war' (Wang Yiwei, cited in Greenbank, 2019). In April 2020, China launched a trade war against Australia, following Canberra's calls for an independent investigation into the origins of COVID-19. In November 2020, Beijing issued a list of '14 grievances' to Canberra, demanding they had to be resolved before normal relations between the two states could be restored.

All of the alleged grievances interfered with Australian domestic security and the free flow of Australian democracy, hence they all constituted Chinese interference in the domestic affairs of the Australian state. At the 2021 G7 summit in Rome, Australia highlighted Beijing's interference and coercion by distributing the list of '14 grievances' to those in attendance (Wilson, 2021). Therefore, Beijing's punitive measures against Australia reflect a change in China's approach to Australia. Beijing has adopted a more assertive and aggressive foreign policy towards Australia, and its actions also reflect a hierarchical positioning of Australia as being a 'little brother' to China in need of corrective reprimand and punishment.

According to O'Dowd (2021, p. 401, emphasis added by Hayes), although Australia 'is the main financial backer in the South Pacific, China is the Pacific's and PNG's largest bilateral creditor'. Following on, she posits that the competition between Australia and China may enable PNG to 'attain more preferable lending arrangements' by going between Australia and China seeing which state will offer more to PNG (ibid., p. 416). This kind of strategy works up to a point. However, because the current US–China great power competition is intensifying, decisions made now could determine where states are positioned in the New Cold War because non-alignment could be quite different to the previous Cold War, if even possible at all, due to state reliance on digital communications technologies and artificial intelligence—which already constitute a new “arms race” between Washington and Beijing' (Kania & Segel, 2021, p. 301; Thomas-Noone, 2021; Zhao, 2019; Mascitelli & Chung, 2019, Wesley-Smith, 2021). Indeed, debt-trap diplomacy could extend beyond Chellaney's current definition to include strategic dimensions that draw BRI partner states into conflict via the BRI's port-based infrastructure projects, which frequently reflect Beijing's 'first civilian, later military' approach (Kuhara, 2022). With specific reference to the 'win-win' rhetoric espoused by Beijing in reference to BRI projects, Kohji Kuhara (2022, p. 12) warned that 'Despite this innocuous framing, China gradually may expand the civil facilities that it builds overseas for use by its military, relying on the host state's growing economic dependence on China to ensure continued access'. States in this position may quickly find themselves being a 'smaller nation' on which great power 'proxy war' is waged due to dual use ports and infrastructure that have both commercial and military capacities (Wang, 2018).

In her analysis, O’Dowd also identified the Pacific as being of ‘somewhat peripheral importance to Beijing’ (2021, p. 407). This may have been the case decades earlier, but it has not been the case for at least the past decade. Due to the escalating great power competition, the Pacific has become of vital strategic importance as Beijing seeks to extend its power and control across multiple island chains in both the Pacific and Indian oceans, breaking free from the first island chain (Espena & Bomping, 2020; VornDick, 2018; Zhang, 2020). The Island Chain Strategy emerged in US foreign policy circles in 1951. It proposed that the US establish multiple bases across the West Pacific to contain Soviet and Chinese ambitions in the Pacific Ocean region. Despite the dissolution of the Soviet Union, it has remained a focal point within American and Chinese geo-political strategies.¹⁴ Dominant presence within the island chains determines which power has control over the Pacific Ocean and its important sea lines of communication. The PICs play a critical role in unlocking the region and this is why they are fast becoming a site of great power competition. In his research, Zhang Denghua noted that multiple Chinese academics have identified the need for China to break through the first and second island chains—thereby unlocking the Pacific—with some scholars suggesting that Beijing should establish ‘strategic pivot ports’—commercial ports that can double as military ports—across the region. Moreover, Zhao Minghao (2019, p. 389) identified that ‘the Western Pacific and Indo-Pacific will be the focal points of US–China strategic competition in the decades to come’, hence the building of artificial islands in the South China Sea should be recognised as integral elements within China’s existing Island Chain Strategy deployment (Andrew Erikson, cited in Cavas, 2016). Consequently, the PICs are of critical strategic importance as, after Taiwan, their territories further unlock the Pacific, allowing China to have strategic presence across the region.¹⁵

14 Although not an official policy of China, Island Chain Strategy influences how Beijing views its geostrategic constraints and influences their outlook. Between 2015 and 2019, the author participated in multiple Track 1.5 events in Beijing. Chinese presenters at those events frequently raised the Island Chain Strategy in their discussions, signalling that Beijing is well aware of the Island Chain Strategy and how it either locks or unlocks the Pacific Ocean. It has long featured in PLA Navy discussions. See: Huang, A. (1994). The Chinese Navy’s Active Offshore Defence Strategy: Conceptualization and Implications. *Naval War College Review*, 47(3), pp. 1–26. digital-commons.usnwc.edu/nwc-review/vol47/iss3/2/.

15 Taiwan is outside of the scope of this chapter. However, should China take possession of Taiwan it then breaks free from the first island chain.

Investment opportunities: ‘everything depends on favours’

Beijing’s 2017 Ministry of Commerce report on PNG (hereafter referred to as the ‘Guide’) is a publication produced annually to provide companies and investors with information on PNG. The Guide (Ministry of Commerce, 2017) noted the strategic importance of PNG as the ‘junction of Asia and the Pacific’, identifying it as being central to the ‘southern extension of the “21st Century Maritime Silk Road”’. It also noted PNG ‘has close military cooperation with Australia’, receives significant military assistance and training from Australia, and that it has defence relationships with the UK and US (Ministry of Commerce, 2017). Given the ‘many suitors’ seeking ‘bilateral engagements’ with PICs, including Australia, New Zealand, the US, Indonesia, South Korea, Taiwan, the UK *and* China, the New Cold War environment increases the stakes of such engagements, particularly those that involve military and policing elements (Szadziewski, 2021, p. 307). As a result, the US and Australia have increased high-level diplomatic engagement within the region as they attempt to deter China from increasing its military footprint in the Pacific. This is a point the chapter will return to shortly.

Recognising the complexity of PNG’s population and operational environment, the Guide encouraged Chinese companies to adopt a ‘three-skinned team’ approach in their operations, meaning recruitment of Papua New Guineans, Chinese and ‘white’ workers—a category that includes white Papua New Guineans and expatriate workers from mostly Australia, New Zealand and the UK (Ministry of Commerce, 2017). The ‘three-skinned team’ approach replaces earlier desires to exclude Australian workers and likely stems, in part, from Beijing’s realisation that some PNG nationals are white. Graeme Smith provides an account from a white PNG national working at Chinese-owned Ramu Nickel who reported the Chinese managers ‘nearly fell off their chairs’ when he entered the room due to his appearance (Smith, 2013, p. 340, also see Kuo, this volume). The same worker also identified Ramu Nickel’s early approach was to exclude Australian workers. The later acceptance of some Australian workers demonstrates Beijing recognised Australian workers and other white workers were needed to help them overcome their information deficits in PNG, especially those related to mining industry regulations and safety standards in PNG, which are modelled on Australian and New Zealand safety standards and are stringently applied (see Kuo this volume).

The Guide also identified that investment opportunities in PNG are possible, but difficult, and they are ‘guided by the construction of the “Belt and Road” with direct reference to the aforementioned report to the Nineteenth National Congress by Xi Jinping (Ministry of Commerce, 2017, p. ii). Key problems facing investors identified in the Guide included violence, social unrest and instability, the under-development (‘backwardness’) of the region, poor road and infrastructural facilities, PNG’s legal system, work visa requirements and the rights of the landowners. Identified investment opportunities included forestry, fisheries, petroleum, minerals and agriculture (ibid., pp. 14–5). It also noted that PNG has access to approximately 20 per cent of the world’s total tuna reserves and is rich with prawns and lobsters (ibid., pp. 3, 14–5). Other noted export goods included gold, silver, copper, liquified natural gas, crude oil, cocoa, palm oil, coffee, timber and diamonds (ibid., p. 13). The report identified PNG’s ‘specialty is low barriers to entry’, but noted ‘a firm foothold is difficult’, and that ‘everything depends on favours’ (ibid., p. v). Hence, while PNG is ruled by law, approval processes based on ‘favours’ are conducive to existing Chinese business practices such as *guanxi*, corruption and crony capitalism.¹⁶ Therefore, it could be argued that ‘the extensive corruption in PNG bureaucracy’ identified by Chin (2008, and this volume), provides a familiar operating environment for mainland Chinese investors (Pei, 2016).

Given corruption is a ‘feature’ of the BRI, and it has been found to ‘linger after project implementation has ended’, the lack of transparency and accountability of BRI projects is cause for concern (Hillman, 2020, p. 9; Varrall, 2021, p. 114). O’Dowd (2021, p. 415) argued that BRI investments ‘may exacerbate PNG’s challenges with corruption, public sector management and poor governance by offering less regulated funding opportunities for projects of dubious development value’. Whether the PNG government and regulatory bodies are up to the task is a critical question. It appears Papua New Guineans have already expressed concern over their government’s handling of BRI agreements, reflected in the downfall of O’Neill in 2019. Peter Connolly (2020, pp. 53–8) argued that inside PNG, O’Neill was ‘perceived to have been unduly influenced by the

16 *Guanxi* translates as ‘connections’ or ‘networks’ and is an important feature within Chinese society. It ranges from simple introductions and network connections through to rampant corruption and crony capitalism in its most virulent application. However, it is important to recognise that *guanxi* is integral to an individual’s personal social networks and is intricately linked to power and hierarchy within Chinese culture and how individuals can elevate their standing within that system.

Chinese', with his successor Prime Minister James Marape pledging to 'Take back PNG' upon assuming office, part of which has involved a focus on official corruption (Kama, 2019). While perceived Chinese influence was not the only factor in O'Neill's downfall, it was *a* factor, reflecting that in PNG, government interactions with Beijing and the BRI can have political ramifications for PNG's ministers and government officials.¹⁷

Despite his pledge to PNG, upon becoming Prime Minister, Marape initially looked to China for an \$11.8 billion loan so he could refinance PNG's national debt (Grigg, 2019). Walking away from that idea, he later switched to Australia, seeking \$1.5 billion in loans from Canberra (*ibid.*). In response to these events, PNG's Commerce Minister Wera Mori stated that it was his personal view that PNG had 'too much [financial] exposure to China' and it was instead looking to its 'friend' Australia (cited in Grigg, 2019). In August 2020, Australian Prime Minister Scott Morrison and Prime Minister Marape agreed to a new Comprehensive Strategic and Economic Partnership between Australia and PNG focused on security, trade and investment considerations (Economist Intelligence Unit, 2020). In June 2021, Marape expressed his continued commitment to the PNG–China bilateral relationship, stating he wanted 'to place on the record the excellent relations that PNG continues to enjoy with the People's Republic of China' and that PNG does not 'perceive China as a security threat, but rather as an important development, investment and trade partner with shared values conducted under mutual friendship and understanding' (Department of Prime Minister and National Executive Council, 2021). These comments followed the publication of alleged statements made by PNG Defence Force Commander Major General Gilbert Toropo that the growing Chinese presence was 'a challenge' for PNG, and that he welcomed the joint Australian–PNG upgrade of Lombrum Naval Base, which would increase PNG's naval capabilities (Faa, 2021).

17 Angola may hold some lessons for both PNG and Beijing. President José Eduardo Dos Santos negotiated many of Angola's loans with Beijing (like O'Neill's alleged 'closed door' discussions with Xi at APEC 2018—see discussion later in this chapter under sub-heading: 'Trickle-down economics, 'sub-optimal' aid and taking stock of the BRI in PNG'). However, after standing down in 2017, Angola's new President, João Lourenço, sought market diversification to provide a lifeline to Angola's poorly performing economy, to tackle widespread corruption, and to respond to 'the problem of unbalanced relations with China' (like Marape's 'Take back PNG' approach) (de Carvalho, Kopinski & Taylor, 2021, p. 2). This has resulted in Beijing finding 'itself over-exposed in Angola, leading to an intention to reduce its engagement' (*ibid.*, p. 17). A similar pattern appears to be taking place in PNG following O'Neill's downfall and Marape's diversified market approach.

Toropo's comments were preceded by the announcement of a signed Memorandum of Understanding (MOU) between China's Fujian Zhonghong Fishery Company, the Governor of Western Province and PNG's Fisheries Minister. The MOU proposed a \$30 billion port city development on Daru Island, including a \$200 million fisheries port (Strangio, 2021). The proposal was downplayed by Morrison as 'speculation' and unsurprising, while Marape stated it was still in its 'concept stage' and had not yet been 'considered by the national government' (Strangio, 2021; Whiting, 2021). Nonetheless, Daru landowners were concerned that they had not been consulted about the proposal, also fearing that if implemented, the proposal 'could "destroy" fishing stocks and the environment', a fear also shared by Australia's Department of Foreign Affairs and Trade with regards to possible impacts on the Torres Strait region (Whiting, 2021). While the outcome of the MOU remains unresolved, Marape's post-election rhetoric has been very much focused on positioning PNG as 'a friend to all, enemy to none' and he too has courted both China and Australia, following in the footsteps of his predecessor (*ibid.*).

The 'landowner problem'

The Guide repeatedly singles out PNG's landowners as a problem to Chinese investors and highlights the landowner issue as reflecting a crucial difference between China and PNG when it comes to land use and development. Since the 1990s, land seizures and underpaying the value of the land have been common features of domestic Chinese development (Pei, 2016, pp. 58–9). Therefore, land issues in China are politicised and frequently corrupt, and there is little or no consideration of existing land users in these types of development projects. In its discussion of landowners in PNG, the Guide highlighted stark contrasts between the land system in China compared to PNG. In China, the government holds the power, whereas the Guide stated that in PNG 'landowners have absolute rights to their own land. The government does not have enough right to speak' (Ministry of Commerce, 2017, p. 48). It also detailed the legal parameters of the Land Law 1996, noting that the PNG 'government can expropriate private land, but it must be based on public and other legitimate purposes, and appropriate compensation should be given to private landowners' (*ibid.*, p. 37). The Guide identified PNG's landowner system as 'not conducive to foreign investment', highlighting that '97 [per cent] of PNG's land is occupied by various tribes' under customary land rights with the government owning only three per cent, urging readers to 'pay attention

to land disputes' (ibid., p. 48, v).¹⁸ In this volume, Chin identifies similar comments having been made about the 'landowner problem' by Chinese officials and non-officials conducting business in PNG.

In his opening remarks to the Guide, Liu Linlin, the Economic Counselor at the Embassy of the PRC in PNG, identified the landowners as 'a major problem that *plagues* foreign investors' and that 'landowner *interference*' can cause problems for investors (Liu Linlin, cited in Ministry of Commerce, 2017, p. v, emphasis added by Hayes). The Guide also stressed the importance of proper handling of the relationship with landowners to avoid the kinds of problems that had occurred in the past. Prior to the BRI, in 2004, there was a serious breach when China's Metallurgical Construction Company (MCC) made an agreement with the government over the Ramu Nickel mine, but not the landowners, hence the project was stalled. This case was the proof for Beijing that, unlike in China, in PNG the landowners truly do hold the power. MCC's oversight resulted in serious local tensions, as well as a lengthy and costly court battle (Kemish, 2020). The Guide also identified that only 'PNG citizens can own land and foreigners cannot obtain PNG land ownership' (Ministry of Commerce, 2017, p. 37). Hence, PNG's land laws were a critical focal point within the Guide, but they may also protect Papua New Guineans against the excesses of the BRI experienced in other states, such as Djibouti, Sri Lanka and Tajikistan, all of which have already lost some territory to China due to debt-for-land swaps when they have been unable to make loan repayments.¹⁹

18 PNG's customary land ownership and its possible role in constraining development is also contested within academia. In 2004, such a debate played out in the *Pacific Economic Bulletin*. It appears both sides of the debate reached a similar conclusion: PNG would need to transition to a system that includes more individual land titles, but this process would need time and adequate protections, and the process should not be rushed. See: original article, Gosarevski, S., Hughes, H., & Windybank, S. (2004). Is Papua New Guinea viable?. *Pacific Economic Bulletin*, 19(1), pp. 134–48; response to original article, Fingleton, J. (2004). Is Papua New Guinea viable *without* customary groups?. *Pacific Economic Bulletin*, 19(2), pp. 96–103; and authors' response to Fingleton, Gosarevski, S., Hughes, H., & Windybank, S. (2004). Is Papua New Guinea viable *with* customary land ownership?. *Pacific Economic Bulletin*, 19(3), pp. 133–6.

19 The Edevu Hydropower Project may signal how the 'landowner problem' will be handled by China into the future. In this case, the Chinese investor worked with the Koiari landowners to develop the project, a move that has been praised by Marape as 'a wonderful example to other landowners right across our country' and that 'land sitting idle is of no use to us' (cited in *PNG Business News*, 2023). He also called on other investors to follow this model. If this continues to happen, the potential shield provided by landowner rights to prevent debt-for-land swaps will be eroded.

Defence relations and the further deployment of Island Chain Strategy

In an article published in *China Military Science*, China's most prestigious military journal, Xu Qi (2004, pp. 13–4, emphasis added by Hayes), a Senior Captain in the People's Liberation Army (PLA) Navy, stated:

For the past few years, China has provided aid to the South Pacific region and also strengthened economic and trade ties ... These [achievements have] all contributed to the development of China's maritime geostrategic relationships ... the Chinese nation's existence, development and *great resurgence* [national rejuvenation] [all] increasingly rely on the sea.

He identified that China's maritime geostrategic development was spurred on by the 'collapse of the Soviet Union' and '9/11' and that China's 'passage in and out of the [open] ocean is obstructed by two island chains' (*ibid.*, p. 9). His article demonstrates the geostrategic importance of the Pacific region to China's maritime geostrategic goals. However, to facilitate such goals, China requires military presence within the region, and the PLA has been working to establish such links. It already has established defence links with the PNG Defence Force (PNGDF). Currently, these links include an annual meeting and equipment procurements for PNG within a defined Chinese budget, reciprocal defence attachés, military aid, and deepening military and police bonds between China and PNG (Connolly, 2020, p. 60; Dziedzic, 2022a, 2022b; Luo, 2018; Zhang, 2020). These links also include training PNG military officers in Chinese military colleges where they study China's 'Party-Army model' and civil–military corporatism, enabling Beijing to forge relations with PNG's military elites (in addition to political elites) (Doran, 2018; Li, 2019; Tylecote & Rossano, 2021). PNG police officers are also being trained in China (Dziedzic, 2022a; Luo, 2018). According to Connolly, these kinds of arrangements could exacerbate Australian–Chinese tensions over PNG because:

[s]uch representation will enable persistent Chinese influence via security cooperation with military and police forces of the Pacific Island Countries ... 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. (2020, p. 60)

Moreover, increased PNGDF–PLA military ties could result in a securitisation of BRI projects inside of PNG, similar to what occurred in Pakistan. This likelihood increases should Papua New Guineans damage or destroy BRI projects, which a senior government official foreshadowed is possible: ‘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’ (cited in Connolly, 2020, p. 59). The problem with this scenario is that, like in Pakistan, attacks against BRI projects are not something Beijing is prepared to weather. To protect BRI projects in Pakistan, an army division numbering 15,000 troops was formed by the Pakistani government at Beijing’s insistence. Alongside these troops, China has also engaged private security contractors to secure Chinese interests and investments inside of Pakistan (Hillman, 2020, p. 145). This could be replicated in PNG, particularly the use of private security contractors.²⁰

The growing defence links between China and PNG are also problematic within the New Cold War environment and they demonstrate that Beijing’s plan for the ‘southern extension’ of the 21st Century Maritime Silk Road contains both economic and military goals. I argue that those military goals constitute the start of a further deployment of Island Chain Strategy as Beijing tries to increase its defence footprint beyond the South China Sea and the first island chain, thereby attempting to unlock Oceania.²¹ In his analysis of this region, and the rising great power tensions, Kevin Rudd (2022) argued that alongside agricultural lands, natural resources and fisheries, Beijing’s engagement with PICs has also been centred upon intelligence, security and communications interests. He stated:

Chinese military academics have also argued the advantages of developing military bases among the island states, particularly in Papua New Guinea, Fiji, and Vanuatu, among other locations. This would allow China to secure strategic proximity to the Bismark Sea and the Vitiaz Strait, through which three of Australia’s five

20 The use of private security contractors could result in a Sandline Affair-like event re-occurring in PNG. For an overview of the conflict in Bougainville and the Sandline Affair see: Adamo, A. (2018). A Cursed and Fragmented Island: History and Conflict Analysis in Bougainville, Papua New Guinea. *Small Wars and Insurgencies*, 29(1), pp. 164–86. doi.org/10.1080/09592318.2018.1404765

21 The Solomon Islands is outside of the scope of this paper. However, it is also central to this discussion, particularly the Solomons–China 2022 security pact. For a detailed discussion of the Solomon Islands and China, see: Fraenkel, J. & Smith, G. (2022). The Solomons-China 2022 security deal: extraterritoriality and the perils of militarisation in the Pacific Islands. *Australian Journal of International Affairs*, 76(5), pp. 473–85. doi.org/10.1080/10357718.2022.2085243

major sea trade routes pass, including those supporting the supply of 60-70 percent of Japan's total imported coal and iron ore needs. (ibid., p. 215)

Hence, this is a region that is already of critical geostrategic importance to Australia, Japan and the US. Recent developments, like the progress on the Australia–PNG Bilateral Security Treaty, are significant and these kinds of arrangements need to extend to other suitable Pacific states. The draft principles of the treaty highlight important areas of cooperation that will benefit both PNG and Australia in areas of both traditional and non-traditional security realms. This includes more meaningful partnerships within the region, enhanced multilateralism and a deeper understanding of the opportunities and challenges of the region.²² For PICs, dominant security challenges are human security concerns such as climate change, economic insecurity, and law and order issues (Albiston, 2023). Hence, these kinds of agreements must contain an over-arching security framework that encompasses elements of both state and human security.

Trickle-down economics, ‘sub-optimal aid’ and taking stock of the BRI in PNG

The Guide acknowledges that China is new to the region and has much to learn about entering PNG. China's information deficits have already caused some problems on the ground and, according to Zhang, China has found it difficult to gain a ‘social license’ within the region, due to pervasive negative views over its motivations and modus operandi (2022, p. 590). Zhang interviewed a Papua New Guinean scholar who claimed: ‘China wants Pacific countries to sign on to the BRI as a condition to get aid’, indicating there may be some coercion by Beijing and that China's so-called ‘no strings attached’ aid does indeed have some strings attached (2022, p. 579). Already, some Papua New Guineans believe Chinese spending in PNG is ‘sub-optimal’, with some BRI projects simply ‘vanity projects’ (B4 cited in Pan et al., 2019, p. 394). According to Pan Chengxin et al. (2019, p. 394), some Papua New Guineans believe that because such projects use ‘Chinese labor and materials’ the perceived benefit to local populations is minimised. One of their interviewees concluded ‘Sometimes you wonder if you're looking at aid-funded projects, or just pure commercial

22 See: Prime Minister of Australia. (2023, January 12). Joint Statement Prime Minister of Papua New Guinea. www.pm.gov.au/media/papua-new-guinea-australia-bilateral-security-agreement.

activities' (L11 cited in Pan et al., 2019, p. 395). Unsurprisingly, some Papua New Guineans are also identifying the problems of unfulfilled promises of trickle-down economic benefits: 'China may spend a lot, but it has not trickled down' (C3 cited in Pan et al., 2019, p. 394). Others are concerned PNG is being drawn into a 'debt trap' with Beijing via the BRI (Zhang, 2022). Hence, rather than pursuing projects for 'political symbolism', Beijing needs to rethink its approach and be more responsive to the needs of local communities if it wants the social license to operate within PNG (Pan et al., 2019, p. 397).

Transparency is also critical in bilateral agreements and for gaining a social license among the people. However, PNG's full promises to Beijing remain opaque because O'Neill deliberately sidelined other politicians in his negotiations with China. According to a senior government official in PNG, O'Neill and Xi had 'fleshed out' the details of their bilateral partnership at APEC 2018 without input from other ministers (cited in Connolly, 2020, p. 59). Moreover, he stated: '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'. Without a public release of the details of the PNG–BRI agreement it is very difficult to determine the nature of such projects, their benefits to PNG or their challenges. If Beijing truly wanted to promote openness, transparency and accountability within its BRI agreements, it would remove the condition that such agreements be kept secret (Buckley, 2020, p. 312).²³ Without such openness, questions of corruption and debt trap will continue to plague Beijing and social license from the people will remain elusive.

Finally, BRI agreements must be open and transparent because of the geostrategic nature of the BRI. Signing on to the BRI is drawing states into the unfolding New Cold War between China, the US and other great powers. This is already causing some Papua New Guineans to weigh up the costs and benefits of the BRI. According to one PNG official, 'PNG is at a cross-roads', and has undergone significant change since APEC, adopting a fresh approach to BRI projects, and that PNG:

23 BRI agreements are so secretive that when Pakistan applied to the IMF for a loan, even the IMF was unable to access all the China-Pakistan Economic Corridor agreements (Buckley, 2020).

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*. (cited in Connolly, 2020, p. 60, emphasis added by Hayes)

Such a stocktake also requires thinking about the increased authoritarian power of Xi Jinping and exactly what ‘national rejuvenation’ entails. Via the BRI, China is far more than an alternative source for development lending. Through its southern extension of the Maritime Silk Road, it is drawing states into its attempts to displace the US, the liberal world order, and to greatly disrupt the balance of the Pacific, including important sea lines of communication. Due to PNG’s geographic location, where it is the linchpin between the second and third island chains, it will increasingly be drawn into this great power rivalry as Beijing tries to secure a dominant strategic presence in the region. The increased high-level diplomatic engagement it has received over 2022 and into 2023 provides further evidence of the geostrategic importance of the region. PNG is now in negotiations for bilateral security treaties with both the US and Australia (Albiston, 2023; Dziedzic, 2022b; Whiting, 2023). In September 2022, the Biden administration hosted a delegation of leaders from PICs to Washington in the first US–Pacific Summit (Lyons, 2022). This built on the US’s 2019 partnership with PNG under the Global Fragility Act, whereby the US implemented a ten-year strategy for addressing the drivers of instability inside PNG, alongside Haiti, Libya, Mozambique and Coastal West Africa (Collins, 2022). Biden was scheduled to make an historically significant visit to PNG in May 2023, in between the G7 meeting in Hiroshima and a Quad meeting in Sydney (Dziedzic, 2023). However, his visit was cancelled due to US domestic affairs and US Secretary of State, Anthony Blinken, attended in his place. During Blinken’s visit, a defence and maritime surveillance agreement between the US and PNG was signed. Blinken’s visit coincided with a planned visit by India’s Prime Minister Narendra Modi, who was meeting with several leaders from PICs in PNG (Needham, 2023). This engagement was further bolstered when President Biden hosted Pacific leaders for the second US-Pacific Summit in Washington in September 2023.

Conclusion

Prior to O'Neill's downfall and the onset of COVID-19, the 2010s saw Chinese investment in PNG grow considerably. Beijing saw PNG as integral to achieving its BRI goals in the South Pacific. PNG looked to China as an additional source for development loans. However, because the strategic and military dimensions of the BRI are now becoming more apparent, and there is growing recognition that Xi's China Dream seeks to displace the US as the global leader, overturning the liberal world order and significantly altering or dismantling international institutions, states must recognise the BRI as a deeply complex initiative that goes well beyond trade and development. With the rapidly unfolding New Cold War in play, BRI partner states must prioritise 'their continuation as a state' as the principal interest underpinning their negotiations with other states, taking what is of benefit to them and their national interests while at the same time avoiding excessive loans that could threaten their sovereignty in future years (Ping, 2019, p. 212).

By virtue of its geographic location, PNG is of critical strategic importance to both sides in the New Cold War. While it may want to remain neutral or non-aligned, given the shape and form of the New Cold War is different to the previous Cold War, it is still uncertain how non-alignment could work or if it is possible. New domains of warfare also mean states are incredibly vulnerable within this changing strategic landscape. Beijing's 'southern extension' of its 21st Century Maritime Silk Road has pulled this region into that conflict and the unfolding great power competition. China's desires for greater defence and policing presence within the region, as well as commercial ports that can become military ports, show that it seeks to extend its Island Chain Strategy deployment beyond the South China Sea to include the Pacific, thereby unlocking the region. Therefore, understanding this rapidly evolving geostrategic competition is imperative for BRI partner states, like PNG, who must now consider how their foreign relations may be impacted by the New Cold War.

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