

## Submission to Parliamentary Inquiry in Australia's Aid Program

### Ceding Influence? Consequences of Reducing Australian Aid in the Pacific

Matthew Clarke (Deakin University)  
Chengxin Pan (Deakin University)  
Sophie Wilson (The University of Sydney)

#### INTRODUCTION

Increasing aid and investment from China in the Pacific has recently raised concerns that Australia's interests in this region are being compromised. This increased funding from China has occurred during a period of a general reduction in Australia aid throughout the Pacific.

The Australian aid program exists to respond to both humanitarian need as well as to serve Australia's national interest. Australian aid therefore has both material impact on the lives of those living in poverty or affected by humanitarian events as well as non-material impact on Australia's political and security interests.

To understand the non-material impact of aid, it is important to understand the views of aid recipients around the influence such aid delivers. Whilst the views and opinions of political leaders are central to this understanding, it is also vital to appreciate the views and considerations of other community thought leaders. Such consideration though has been limited.

In this submission, we present data drawing from **a pilot study that interviewed 18 community leaders in Port Moresby in May and June 2017**. (Ethics approval through Deakin University was granted prior to this data collection). The leaders chosen for this survey come from a broad cross-section of Papua New Guinean society from politics to business to academia. These leaders are also well connected with local communities and are able to represent the views beyond that of formal decision-makers.

While this small sample is by no means statistically representative of the PNG population at large, they did come from different provinces in PNG, and consisted of both genders as well as different age groups.

Five clear themes emerged from those interviewed around the issue of Chinese aid flows to Papua New Guinea<sup>1</sup>. It is evident across these five themes that perceptions of and attitudes towards Chinese aid are not uniform and at times contradictory. These five themes do demonstrate that there is on-going debate as to how aid is affecting Papua New Guinea and what the response to these changed aid flows ought to be. **This is important for Australia to understand.**

The diverse views reflect the reality of a changing aid landscape with processes for new aid flows being developed and established, and political practices also being challenged by and taking advantage of these additional resources. The themes identified by those interviewed include:

- 1) differences between Chinese aid and aid from other significant donors;
- 2) the differences in aid utility between Chinese aid and aid from other donors;
- 3) motivation for Chinese aid to Papua New Guinea;
- 4) absolute value of aid and transparency around such issues; and
- 5) relationships between Papua New Guinea and China and other donors.

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<sup>1</sup> We do not presume these five themes reflect concerns shared by others within PNG.

While those interviewed did note in passing the small aid programs of the United States, Japan, European Union and New Zealand, the primary point of comparison of Chinese aid was with Australia.

### **DIFFERENCES BETWEEN CHINESE AID AND AID FROM OTHER DONORS**

Those interviewed noted the differences of the structure, transparency and detail of Australian aid planning to that of the more opaque Chinese aid. For one interviewee, this made **'Chinese aid more effective. Chinese aid is unconditional, no strings attached... The government can use this aid more flexibly'** (W1).

Chinese aid was considered by all those interviewed to be spent primarily on infrastructure. **'It's a muscular way of thinking about aid'** (E2). Chinese aid focuses on **'monumental projects'** (B4).

It was also thought that Chinese aid utilized concessional loans much more than Australian aid, with concern that this debt will erode Papua New Guinea sovereignty. **'It is almost impossible to repay the debt. We may end up in China!'** (L16).

There was a view presented that whilst Australian aid was highly accountable and funded state institutions to improve governance and address corruption, such aid was highly paternalistic. **'We give you money, you have to spend it this way'** (B9).

### **UTILITY OF CHINESE AID**

While Australian aid has been understood to predominately focus on the human sectors, such as education, health and gender, the view of those interviewed was that Chinese aid was more focused on large-scale infrastructure. While some interviewees made this observation without judgement, others did view such investment with more concern, noting that the on-going maintenance of these large infrastructure projects **'is a challenge'** (B7).

Another interesting comparison made between Chinese aid and Australian aid was the use of Chinese teachers in Papua New Guinea. There was certainly an appreciated note of these Chinese funded integrated services, such as teachers and medical doctors and staff. It was also noted that recent Chinese workers **'are culturally agile. They pick up pidgin quickly, quicker than they pick up English'** (M4).

### **MOTIVATION FOR CHINESE AID**

Two motivations for Chinese aid were identified by those interviewed. The first was to increase trade and commercial opportunities, whilst the second was to further China's regional and political agenda.

**'It is trade, finding market for Chinese goods. There is something political of course, but more economic'** (K1).

**'economic interests are China's main motivation. You collect raw materials from your colony'** (M4).

[China is] **'influencing the PNG government... [and] there is inadequate respect for local laws'** (L12).

China **'wants to influence PNG position on China... The Chinese try to buy PNG votes'** (L13).

But according to one interviewee, all aid donors are guilty of holding such expectations around aid, **'China is pursuing its interest in a peaceful way: its main foreign policy objective. China wants to maintain the 'One China' policy. Australian aid is its economic weapon of choice, to maintain trade and diplomatic relations'**. (W3)

It was also noted that **'Australia's influence has diminished considerably'** (M3) as a result of the rise in Chinese aid flows to PNG.

### **VALUE AND TRANSPARENCY OF CHINESE AID**

The issue of the corruption of aid was raised by those interviewed. Chinese aid was perceived by many interviewed as being more open to political abuse. Whilst the Australian government insists on aid being spent as allocated, there is a sense that such insistence does not apply to Chinese aid.

However, aid from both Australia and China was criticized for its lack of impact on local communities: **'[Australia] put[s] people on the ground, and the money goes back to Australia'** [L5], and this is just as corrupt as Chinese aid being used for **'vanity projects'** (B4).

It was considered that Chinese 'vanity projects' benefit very few ordinary Papua New Guinea, with many of these projects centred in the main urban sites. Examples such as the building of Moresby City Hall and Convention Centre, wharf in Lae, and highway out of Port Moresby were all identified. **'China may spend a lot, but it has not trickled down'** (C3).

There was also concern that Chinese aid was not explicitly focused on improving development outcomes. **'Sometimes you wonder if you're looking at aid-funded projects, or just pure commercial activities'** (L11).

### **PAPUA NEW GUINEAN RELATIONSHIPS WITH CHINA AND OTHER DONORS**

It is clear that the relationships between Papua New Guinea and its donors are in part shaped by aid flows.

Whilst there is **'genuine affection for Australia... at the official level there is animosity and anger about being lectured to'** (L15). It was commonly noted that even though Australia did have very strong historical ties to Papua New Guinea and was geographically very close, **'there is a cultural gap between Australia and PNG. [However, there is] cultural appreciation between PNG and China... [They are] culturally more compatible'** (P1).

China's interest in forming better relationships with Papua New Guinea was clearly understood as seeking greater influence. **'China's actions here are coordinated. They are wooing PNG for sure'** (A4).

As a result, there was consideration that there was value for Papua New Guinea in diversifying its aid donors and this diversification would allow possible competition for influence amongst aid donors. **'PNG should not depend on one, they have some choices... Keep your options open'** (C2). Or as another interviewee noted: **'PNG should be able to control its fate. Need to get on the front foot'** (M5).

Indeed, there was a strong view that Papua New Guinea **'plays the powers. We collect rent, from China and Australia'** (M2).

Whilst there is widespread popular acceptance of Australian influence within Papua New Guinea, there is greater suspicion and nervousness around Chinese aid and its attendant influence: **'Most PNG wouldn't worry too much about Australian influence. It's nothing new. They wonder what the Chinese want. The Government finds [Chinese aid] irresistible... Chinese pressure is something to worry about. No particular scandal, but we hear things'**. (A1)

It was noted that **'Australia needs to recognise reality: China is rising'** (A3).

## **CONCLUSION**

The consequences of increases in Chinese aid in Papua New Guinea on Australia's national interests are still to be played out.

Incorporating local voices into this analysis is important – but rarely undertaken.

When such local voices are heard, it is evident that a uniform or accepted view on Chinese aid has yet to be reached within Papua New Guinea. What is evident though is that the increase in Chinese aid has been noticed and has evoked discussion and political and social response.

Australia will need to consider not just the absolute amount of funds they provide in comparison to more recent donors, but both the manner in which aid is used and governed as well as the perceptions of its use and governance by the host nation – leaders as well as community members. An absence of this consideration will lessen the likelihood of maximizing the impact of aid in all of its guises.

**Knowing the diverse views of those directly affected and understanding what these mean for Australia's position in the region is an important first step in this process. Until then, following any single perspective on China's aid will be inadequate and potentially counter-productive as far as Australia's policy response and national interests are concerned.**