The Belt and Road Initiative in Oceania: Understanding the People’s Republic of China’s Strategic Interests and Engagement in the Pacific

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Executive Summary

This paper provides a comprehensive overview of the Belt and Road Initiative (BRI) and how the People's Republic of China (PRC) is using this framework to enhance its diplomatic and economic engagement in Oceania. Many Pacific Island countries (PIC) have signed on to the BRI to accelerate Chinese investment, trade and development in their islands. The number and scope of these bilateral engagements will continue to increase, which will affect the ability of traditional partners, such as the United States (U.S.), Australia, New Zealand and especially Taiwan, to project influence in the region. This report is intended to assist policymakers and personnel in formulating strategies of engagement in Oceania given the climate of growing competition with China by analyzing how the BRI fulfills the political and economic goals of both the PRC and the PICs. The “China threat” narrative is not a useful way of approaching or addressing the problems Pacific Island nations face and the U.S. can compete with China by addressing local interests and concerns. To effectively respond to Chinese influence in Oceania, the U.S. needs to have a nuanced understanding of the nature and process of BRI projects in the Pacific while prioritizing the perspectives of Pacific Islanders.

Key Points

- The BRI serves as a centralized and coordinated policy framework for marketing the PRC’s bilateral engagement with other nations. It aids in labelling and accelerating the PRC’s state-led economic engagement that was already happening in the Pacific. The goal of these projects is to strengthen relationships between the PRC and each PIC.

- Most BRI projects are infrastructure projects and were contracted by the China Railway International Group (CRIG) and the China Civil Engineering Construction Corporation (CCECC). Many of the other agencies leading the projects are state-owned enterprises (SOE) and from China’s coastal provinces of Guangdong and Fujian.

- Debt to the PRC in the region varies by country, with countries such as Samoa, Tonga and Vanuatu owing significant amounts. However, accusing the PRC of “debt-trap diplomacy” is not useful as it generalizes the region and patronizes PIC leadership. Understanding the BRI’s disorganized nature, due to initiatives from both state and non-state actors and learning from the initiative’s successes and failures can place the U.S. in a better position to compete and meet the needs of PICs.

- The PRC’s strategic bilateral negotiations and economic engagement has affected the regional influence of the U.S. and many of its allies, especially Taiwan. By supporting Pacific regionalism, agency and solidarity, while ensuring that re-engagement efforts are complimentary and collaborative, the U.S. can respect the sovereignties of the nations in Oceania while empowering them to make the best decisions for their region.

- The greatest security threat to Pacific Islanders is not the PRC. It is climate change. Because many island countries do not wish to be stuck in the middle of geopolitical conflict, if the U.S. can find avenues to collaborate with the PRC to tackle this issue, while promoting the importance of environmental protection and indigenous practices, the U.S. can show good faith and genuine re-engagement in the region while bringing light to certain projects on the BRI that are not good investments in the long run.
**Recommendations**

- Recognize the diversity of Pacific Island nations and address each Pacific Island country and Chinese investment project on a case-by-case basis.
- Create channels for Pacific Island countries to export goods to the U.S. and for a variety of U.S. government agencies and private companies to invest in Pacific Island countries to promote steady but sustainable economic growth.
- Invest in human resource development and local-level projects.
- Support Pacific regionalism and coordinate efforts to solve issues with allies.
- Find ways to collaborate with the PRC, especially in climate change initiatives.

**Methods**

This paper analyzes the existing literature on the BRI and Chinese economic statecraft in Oceania to provide an in-depth understanding of the current geopolitical landscape in the region. To identify areas of intervention, I examine a sampling of projects from ten PICs - i.e., Cook Islands, Federated States of Micronesia (FSM), Fiji, Kiribati, Niue, Papua New Guinea (PNG), Samoa, Solomon Islands, Tonga, and Vanuatu - who have signed on to be a part of the BRI; the analysis will grasp the nature, scope and impact of these BRI projects.
1. Belt and Road Initiative Overview

China’s Belt and Road Initiative (see Figure 1), which was originally called One Belt, One Road (OBOR, 一带一路, yidai yilou), has garnered significant attention from around the globe as it is seen to have the potential to reorient global trade towards China, bolster the PRC’s international influence and perhaps even reconfigure the current world order. With the BRI, the PRC’s foreign policies facilitate the construction of a series of infrastructure projects to integrate ideas, interests and institutions across Eurasia and Eastern Africa (Freymann, 2021, 2).

To date, more than 130 countries have signed on to projects or indicated interest in doing so (see Figure 2). The sheer scale of the BRI has made it an ambitious project with which the world must reckon. However, the BRI cannot be seen as a single policy, even though the PRC markets it that way; rather, it is a complex network that is centered around the PRC. This network of projects enhances and frames the PRC’s diplomatic and economic engagement in ways that make this engagement more visible to observers in the region and the world.
Coordinating and Centralizing Interests

In theory, the PRC conceptualized the BRI as a framework to coordinate its shared interests with developing nations to secure collective outcomes for cooperative economic and cultural exchange. China states that it respects the diversity of social models, cultural differences and national sovereignties of partner countries (Liu & Dunford, 2016, 336). This initiative positions China as an “open, peaceful, and forward-looking country” while simultaneously labeling a cacophony of diverse projects as part of an overarching global network (Freymann, 2021, 11). The PRC promotes this type of brand for itself partially because China has had trouble crafting an attractive image and exercising “soft power” in countries that follow liberal norms since the PRC has been accused of human rights abuses in Xinjiang, Tibet and Hong Kong (Wesley-Smith & Smith, 2021). Thus, the BRI is marketed as China’s premiere network through which other nations, especially those facing development challenges, can access aid and investment to grow their own economic capital and political prestige.

However, even though the BRI is designed in such a way that countries who are participating will have “significant potential gains,” there is no denying that “the BRI is clearly a project from which China can gain” both economically and politically (Liu & Dunford, 2016, 337). Although there is a perception that China is “going out” because it simply can and wants to, it also can be argued that China has a more compelling economic incentive for the BRI as it needs to shift from an export-oriented economy, and thus seeks a more active role in global markets to ensure a more stable and sustainable domestic economy (324). At the same time, this grand-scale project can serve as a political “multiplier” to fulfil the goal of

Figure 2. Countries that have Signed on to the BRI (as of 2021) (Sacks, 2021)
the Chinese Communist Party (CCP) of realizing the “great rejuvenation of the nation” (Wang et al., 2021).

Yet, the PRC’s and President Xi’s goals are often contested or unclear. To some, President Xi’s policies seem revisionist, a reflection of his purported belief that the current world order and dominant neoliberal economic system are incapable of solving the world’s most serious issues and his wish to fundamentally change the international system through active state intervention. China’s leadership also asserts that China can rise peacefully without harming the international system or weakening their own domestic national consensus (Rolland, 2020; Ngo & Hung, 2020). If implemented successfully, the BRI would streamline imports and exports to and from China, all while appreciating China’s renminbi (RMB) as a currency and strengthening the confidence of China’s domestic population in President Xi Jinping’s ability to continue managing the country’s upward economic and political trajectory. In sum, China is indeed the main benefactor of this new, centralized global framework, but the BRI is designed to bring great economic benefits to other nations in the form of foreign investment, trade and development, which is why so many are signing on.

Disjointed and Disorganized Implementation

Despite the grand rhetoric and vision of a seamless, centralized global system of economic, political and ideological exchange, the implementation of the BRI has proven to be far messier. Official data of the BRI is not very accessible and there is no concrete number of the amount of funds being invested. This adds to the suspicion of other countries who feel the PRC is not abiding by international rules and norms. Even though the BRI is presented as a coordinated state initiative, implementation has been disjointed as there are many different components, actors and entities under the BRI umbrella. For example, there are a wide range of project types, including top-priority industrial policy ventures, independent private investments, traditional infrastructure projects executed by SOEs and other miscellaneous projects approved by the National Development Reform Commission with funding by state policy banks. The four major sources of funding so far have been China’s state-owned banks, government-owned investment funds, multilateral financial institutions, and bonds (He, 2020). As of 2018, China’s state-owned policy banks and state-owned commercial banks accounted for more than 80% of total BRI funding (see Figure 3).

Figure 3. BRI Funding by Source Type at the End of 2018 (USD billion) (He, 2020)
Of this 80%, the lion’s share comes from the state-owned policy banks; the China Development Bank (CDB) has thus far provided US$196 billion in loans, and Exim Bank has supplied more than US$145 billion to fund some 1,800 Chinese projects (see Figure 4). In addition, the four major commercial banks—the Bank of China, the Industrial and Commercial Bank of China (IBC), the China Construction Bank (CCB) and the Agricultural Bank of China (ABC)—together contribute approximately 46% of BRI funds. The Silk Road Fund, with over US$40 billion in assets, is a government-owned investment fund that was established in 2014 to exclusively focus on BRI investments (He, 2020, 155). The BRI’s fragmentation contributes to difficulty in tracking investments and outcomes, and thus the lack of transparency.

Not only are there disaggregated avenues of funding for the BRI, but there is “fierce competition” among PRC government agencies such as the Ministry of Foreign Affairs (MFA) and the Ministry of Commerce (MOFCOM) for influence in decision-making on aid (Zhang, 2021, 260). In addition, BRI projects are implemented through both top-down and bottom-up processes. Projects are increasingly proposed, approved and implemented on the ground, where private Chinese business owners negotiate directly with local politicians and private businesses and then go to the Chinese embassies to get their projects approved. Also, enterprises and investments may not start as BRI projects but can be retroactively labelled as such. The PRC has recognized the existing disorganization and has attempted to streamline projects and be pickier about which ones can be funded by state banks (Freymann, 2021). All this suggests that “China is not in control as is sometimes portrayed” and there is an increasing amount of private business to state interactions for the BRI (Kabutaulaka, 2015, 223). To compete with China, other nations such as Australia, New Zealand, and the U.S. could potentially offer other much more organized investment opportunities from both state and non-state actors so that countries and communities who have invested in BRI projects can have their issues addressed on a case-by-case basis.

II. BRI in Oceania

China’s Aid and Economic Engagement in Oceania

Analyzing China’s historical and incremental economic engagement in the Pacific is key to understanding the fact that the BRI is not simply a stand-alone grand plan that suddenly emerged to reconfigure the current global order as is commonly perceived. The BRI serves to accelerate economic
activity that was already happening in the Pacific. China and Chinese non-state actors have a long history of engagement in the Pacific. In fact, “the history of the relationship between China and the South Pacific is longer than the history of China’s relationship with Europe and America” (Liu, 2016, 53). Once the PRC gained admission to the United Nations in 1971, this opened an opportunity for the country to establish diplomatic relations with countries in the Pacific, including Australia (1972), New Zealand (1972), Fiji (1975), Samoa (1975), Papua New Guinea (1976), Vanuatu (1982), Micronesia (1982), Cook Islands (1982), Tonga (1982), and Niue (1982) (54). During this process, many Pacific Island nations switched diplomatic recognition from the Republic of China/Taiwan to the People’s Republic of China.

In the 1970s, the PRC gradually began to increase its economic activity internationally, including in the South Pacific, as it implemented its reform and opening-up policy (改革开放, gaige kaifang). However, it was not until the mid-2000s that the PRC began a policy of assertive engagement in Oceania. Several cooperation forums were held to build the PRC’s regional engagement. The inaugural meeting of the China-Pacific Island Countries Economic Development and Cooperation Forum was held in Nadi, Fiji, in April 2006, and was attended by ministers from Australia, the Cook Islands, Fiji, FSM, New Zealand, Niue, PNG, Samoa, Tonga, and Vanuatu. Chinese Premier Wen Jiabao announced that the PRC would “provide 3 billion yuan [about US$374 million] in preferential loans in the next three years to boost cooperation,” “give zero-tariff treatment to the majority of exports to China from the least developed countries in the region,” “provide training to 2,000 government officials and technical staff,” and “formally approve PNG, Samoa and the FSM as destinations for Chinese tourists” (Xinhua News Agency, 2006). This forum was the pivotal starting point for the PRC’s bilateral political and economic engagement in the region. In 2008, Chen Deming, the PRC’s Minister of Commerce, announced at the Investment, Trade, and Tourism Ministerial Conference of the China-Pacific Island Countries Economic Development and Cooperation Forum that China would double bilateral trade to US$3 billion by 2010, encourage investment through “competent and reputable Chinese enterprises,” seek government loans and commercial credit for joint projects in “infrastructure, telecommunications, agriculture, forestry and fishery,” promote “two-way cooperation” in tourism development, prioritize collaborative clean energy projects, and conduct technology exchanges (Deming, 2008). At the opening ceremony of the second meeting of the China-Pacific Island Countries Economic Development and Cooperation Forum in 2013, Vice Premier of the State Council of the PRC, Wang Yang, stated that China would provide US$1 billion in concessional loans to PICs that maintain diplomatic ties with China and that the China Development Bank would offer special loans equaling US$1 billion to support infrastructure development in these countries (Yang, 2013). China also stated that it would support PICs by giving zero-tariff treatment to 95% of products, provide 2,000 scholarships over the subsequent four years, encourage Chinese tourism, develop health and medical programs and facilities, and support agricultural production as well as environmental protection and disaster prevention and reduction measures.

Under the Xi administration, PRC policy in Oceania has become even more proactive and assertive. The “One Belt, One Road Initiative” was announced in 2013 and the following year, President Xi himself traveled to Fiji to meet with Pacific Island leaders from Cook Islands, Fiji, FSM, Niue, PNG, Samoa, Tonga, and Vanuatu. He referenced the 21st century Maritime Silk Road and the Asia Infrastructure Investment Bank and invited the PICs to ride on the Chinese “express train” of development, which he claimed would provide PICs with infrastructure, scholarships, medical teams, tourism, and communication in areas such as climate change and human security issues.

Since then, Chinese aid and investment have grown to be important for the economic well-being of
many of these PICs (Wesley-Smith & Smith, 226). The PRC increased its aid spending in the Pacific by US$160.64 million (from US$126.66 million in 2012 to US$287.30 million in 2016), while continuing to contribute over US$200 million per year in 2017 and 2018 (see Figure 5). However, it is important to note that by 2019, after many countries signed on to the BRI, the amount of Chinese aid declined significantly from its 2016 peak (see Figure 5). This could indicate that governments are weaning themselves off direct government aid and that there is an increase in Chinese private sector investment and contracts, which was one of the goals of the BRI. China has also opened itself up to the Pacific Islands as a large export market for their products. For example, Shan Yuqiang, general manager of the Fiji International Trade company, saw China’s demand for world-class skincare products, so he began facilitating sales of Fijian skincare products to China (Silk Road Briefing, 2019).

Figure 5. Overview of Chinese Aid Spent in the Pacific (Lowy Institute, 2020)

As many scholars have pointed out, Chinese investments are attractive to PICs because they do not come with the “stringent pre-conditions” that governments of Western countries and Western-based international financial institutions attach to their aid and loans (Kabutaulaka, 2015, 221). In addition, this wide-open bottom-up component of the BRI makes signing on attractive to PICs as non-state actors and informal negotiations can streamline investment opportunities and projects into the country. Many players in these developing economies can be linked to the giant Chinese market (Morris, 2020). Reciprocally, China’s pursuit of a stronger economic and geo-strategic relationship with PICs has the potential to fulfill several economic and security goals for the PRC, including ensuring safe maritime
transport through sea lanes in the South Pacific, developing the Chinese navy, gaining diplomatic recognition among countries that once recognized Taiwan, and showcasing its ability to “rise peacefully” (Yu, 2016). Thus, it is the combination of mutually beneficial state interests and loose, bottom-up non-state processes that has made the BRI an ongoing initiative in Oceania. The BRI acts as supplementary financial aid that has already been provided elsewhere.

BRI Projects

All PICs that have diplomatic ties with the PRC have signed bilateral memoranda of understanding (MoU) to be a part of the BRI. The list includes Cook Islands, Fiji, FSM, Kiribati, Niue, PNG, Samoa, Solomon Islands, Tonga, and Vanuatu (Zhang, 2021, 270). Most of the PICs signed on to the BRI in 2018; the two exceptions are the Solomon Islands in 2019 and Kiribati in 2020 when they switched diplomatic recognition from Taiwan to China shortly before signing on (see Table 1). The signing of MoUs by state officials signals the two states’ bilateral partnership and commitment to this initiative; more specifically, it indicates that all ongoing and future infrastructure and investment projects can be categorized under the BRI umbrella and thus are eligible to receive funding and support from the PRC. This also can lead to more bilateral free trade agreements and increased foreign direct investment from private Chinese firms. For example, bilateral trade between China and PNG increased by 25% between 2020 and 2021 (from US$3.21 billion in 2020 to US$4.02 billion in 2021), and a free-trade agreement is in the works (Silk Road Briefing, 2022).

<table>
<thead>
<tr>
<th>PICs</th>
<th>Time, Venue and Occasion</th>
</tr>
</thead>
<tbody>
<tr>
<td>PNG</td>
<td>June 2018, Beijing, During form prime minister Peter O’Neil’s visit to China.</td>
</tr>
<tr>
<td>Niue</td>
<td>July 2018, Niue, signed by the Chinese ambassador to New Zealand (also accredited to Niue) and Prime Minister Sir Toke Talagi</td>
</tr>
<tr>
<td>Samoa</td>
<td>September 2018, Beijing, during Prime Minister Tuilaepa Malielegaoi’s visit to China.</td>
</tr>
<tr>
<td>FSM</td>
<td>November 2018, Port Moresby, during the meeting between form president Christian and Chinese President Xi Jinping.</td>
</tr>
<tr>
<td>Vanuatu</td>
<td>November 2018, Port Vila, signed by the Chinese ambassador to Vanuatu and the Government of Vanuatu.</td>
</tr>
<tr>
<td>Fiji</td>
<td>November 2018, Suva, signed by the Chinese ambassador to Fiji and the permanent secretary of the Office of the Prime Minister of Fiji</td>
</tr>
<tr>
<td>Cook Islands</td>
<td>November 2018, Wellington, signed by the Chinese embassy in New Zealand with the Government of Cook Islands.</td>
</tr>
<tr>
<td>Tonga</td>
<td>November 2018, Port Moresby, during the meeting between former Prime Minster ‘Akitisi Pohiva and Chinese President Xi Jinping</td>
</tr>
<tr>
<td>Solomon Islands</td>
<td>October 2019, Beijing, during Prime Minister Manasseh Sogavare’s visit China.</td>
</tr>
<tr>
<td>Kiribati</td>
<td>January 2020, Beijing, during President Taneti Maamau’s visit to China.</td>
</tr>
</tbody>
</table>

Table 1. Pacific Island Countries (PICs) Signing on to the Belt and Road Initiative (Zhang, 2021)
Several trends can be detected among the many BRI projects in the Pacific. First, the majority are infrastructure projects—the construction of roads, bridges, and highways—to alleviate traffic congestion and facilitate trade by providing access to central markets and areas (see Figure 6). Many projects, such as airports and hotels, were built to facilitate an increase in tourism, especially Chinese tourism, to the islands. Additionally, the healthcare, education, and agriculture sectors have been key BRI beneficiaries across the Pacific Islands. Most of the infrastructure projects have been contracted to two state-owned firms: the China Railway International Group (CRIG) and the China Civil Engineering Construction Corporation (CCECC). Many of the other agencies leading the projects are SOEs and from China’s coastal provinces of Guangdong and Fujian.

Another key part of the BRI is fostering educational and cultural exchange opportunities through scholarships for Pacific Islands students to study in China and learn about Chinese history, culture and the BRI. For example, in 2019, the Zhuhai City Foreign Affairs Bureau and Huafa Education Group hosted eight students and two teachers from the Cook Islands and Niue. The teachers and students visited Rong Hong Academy (容闳书院, ronghong xueyuan) in Zhuhai to participate in a six-day youth student winter camp to tour China and experience traditional Chinese culture (see Figure 7). China’s Ministry of Education also approved the Beijing Foreign Studies University (BFSU) to teach Pacific languages to students in China. The languages taught include Bislama (an official language in Vanuatu), Cook Islands Māori, Niuean, Samoan, Tok Pisin (an official language in PNG) and Tongan. Other universities, such as Liaocheng University, invited Samoan academics to teach Samoan culture and language after a Confucius Institute was opened at the National University in Samoa (Zhang and Setope Sooaemalelagi, 2019).
In short, the Belt and Road Initiative in the Pacific encompasses both central state-led projects and local and provincial-led projects designed to strengthen relationships between China and each Pacific Island involved. These projects range from large-scale physical infrastructure projects to soft-power cultural and student exchanges. Table 2 highlights several specific examples of BRI projects in Oceania.

<table>
<thead>
<tr>
<th>Country</th>
<th>Projects</th>
<th>Companies and Agencies Involved (if identified)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federated State of Micronesia</td>
<td>• Construction of roads in Chuuk (US$50 million)</td>
<td>• China Railway Construction Company&lt;br&gt;• Yen Tai Construction Group&lt;br&gt;• China Construction Steel Structure Corporation&lt;br&gt;• Guangdong International Engineering Consulting Corporation</td>
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<tr>
<td></td>
<td>• Agricultural pilot farm in Madolenihmw</td>
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<tr>
<td></td>
<td>• Construction of Pohnpei Secondary Road and Bridge (US$14.3 million)</td>
<td></td>
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<tr>
<td></td>
<td>• Construction of New Chuuk State Office Buildings Complex Construction of the National Convention Center</td>
<td></td>
</tr>
<tr>
<td>Fiji</td>
<td>• Construction of Stinson Parade and Vatuwaqu Bridges (US$6 million)</td>
<td>• China Railway 14th Bureau Group&lt;br&gt;• China Railway First Group&lt;br&gt;• Guangdong Province, Suva City council and Nam Yue Group&lt;br&gt;• Guangdong Province and Yanjian Group&lt;br&gt;• Panda Energy Group&lt;br&gt;• Guangzhou No. 1 Construction Company Limited of China</td>
</tr>
<tr>
<td></td>
<td>• Upgrade of Nabouwalu Dreketi Road (US$135 million in concessional loans)</td>
<td></td>
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<tr>
<td></td>
<td>• Redevelopment of Suva Civic Centre (US$9.5 million)</td>
<td></td>
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<tr>
<td></td>
<td>• Construction and medical equipment for Navua Hospital Medical Training and Emergency Centre (US$6 million)</td>
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<tr>
<td></td>
<td>• Construction of Panda Power Plant</td>
<td></td>
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<tr>
<td></td>
<td>• Construction of sports facility for Marist Brothers’ High School (US$16 million)</td>
<td></td>
</tr>
<tr>
<td>Kiribati</td>
<td>• Construction of bridge connecting Bouta and South Tarawa</td>
<td>• China Railway First Group</td>
</tr>
<tr>
<td>Niue</td>
<td>• Student cultural exchange winter camp in Zhuhai</td>
<td>• Zhuhai Foreign Affairs Bureau, Zhuhai Huafa Group&lt;br&gt;• Ministry of Commerce in China (MOFCOM), China Railway First Group</td>
</tr>
<tr>
<td></td>
<td>• Upgrade of Ring Road Highway (US$13.68 million)</td>
<td></td>
</tr>
<tr>
<td>Papua New Guinea</td>
<td>• Construction of Industrial Park in Sandaun Province (US$4 billion)</td>
<td>• China Metallurgical Group&lt;br&gt;• China Railway Group&lt;br&gt;• Ministry of Commerce in China (MOFCOM)</td>
</tr>
<tr>
<td></td>
<td>• Upgrade of road systems on mainland, New Britain and New Ireland (US$3.5 billion)</td>
<td>• China Harbor Engineering&lt;br&gt;• China Civil Engineering Construction Corporation (CCECC)</td>
</tr>
<tr>
<td></td>
<td>• Upgrade of International Convention Center</td>
<td>• Shenzhen City</td>
</tr>
<tr>
<td></td>
<td>• Construction of Poreporena Freeway in Port Moresby</td>
<td>• Fujian Province</td>
</tr>
<tr>
<td></td>
<td>• Construction of Tari Airport in Hela Province</td>
<td>• Export-Import Bank of China (Eximbank), Kumul Holdings (KHC), Papua New Guinea State Treasury, China National Machinery Import &amp; Export Corporation (CMC), Huawei Technologies Co. Ltd., PNG DataCo Ltd.</td>
</tr>
<tr>
<td></td>
<td>• Construction of Butuka Secondary School</td>
<td></td>
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<td></td>
<td>• Juncao and Upland Rice Technology</td>
<td></td>
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<tr>
<td></td>
<td>• Kamil Submarine Cable project (US$234.93 million)</td>
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</tr>
<tr>
<td></td>
<td>• Construction of Enga Provincial Hospital</td>
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Table 2. Example BRI Projects in Oceania (Szadziewski, 2021)
While the PRC often promotes these investments as “win-win” cooperation deals, several projects have raised local concerns about whether these bilateral projects are truly equal wins for both parties involved. The two concerns that have received the most international attention have to do with the environmental and financial consequences of Chinese investment. For example, in 2019, a pump failure at the Ramu Nickel mine spilled 200,000 liters (52,834 gallons) of a toxic mix of nickel, cobalt and magnesium waste into a bay in Papua New Guinea’s Madang province. This mine is owned by the Metallurgical Group of China (MCC) and even though Ramu Nickel’s vice-president, Wang Baowen, apologized, this incident drew attention to concerns about the poor environmental and labor standards of Chinese investors (Fox, 2019). There is also a great deal of concern over what many call China’s “debt-trap diplomacy,” the idea that the PRC is entrapping smaller nations to agree to these unbeneficial deals so that it can exert influence if the loans cannot be repaid. Many small nations take on a great deal of financial risk when signing on to these concessional loans. If the investments do not yield gains, these loans become a burden on the country’s economy. This situation has raised concerns among leaders in the Pacific. For example, in 2018, Tongan Prime Minister ‘Akilisi Pohiva publicly urged the Pacific Islands Forum (PIF) to collectively lobby China to forgive hundreds of millions of dollars in debt (Radio New Zealand 2018), bringing attention to ongoing anxieties regarding whether these countries, particularly Samoa, Tonga and Vanuatu, can pay off the high levels of debt they have incurred to China in recent years (see Figure 8).
Despite the likely truth that some countries will not be able to repay, it is crucial to acknowledge the agency of the leaders in host countries to make decisions about how Chinese investors operate and whether to sign on to or reject Chinese investment offers and BRI projects (Kabutaulaka, 2015). For example, Prime Minister Fiamē Naomi Mata’afa of Samoa confirmed that, due to the enormous debts that Samoa already owes China, she will cancel the construction of a US$100 million port for which her predecessor, Tuila’epa Sa’ilele Malielegaoi, accepted Chinese funds (Barrett, 2021). Many Pacific Island leaders resent the assertion that they must choose between China and traditional partners as it portrays Pacific Island nations as “passive collaborators or victims of a new wave of colonialism” and that implies that they are not capable of understanding the economics involved in signing on to different deals with China (Taylor, 2019). For Pacific Island nations, China provides access to “markets, technology, financing and infrastructure” which is “access to a viable future.” To compete with the PRC, the U.S. needs to convince Pacific Island governments that it has full confidence in their autonomy and ability to make their own decisions about the advisability of accepting Chinese investments.

Another set of concerns about BRI projects has to do with a lack of return on investment. The PRC is known to build grand infrastructure projects, but there are several well-publicized cases in which projects have been left incomplete for years. For example, the 28-story Wangguo (WG) Friendship Plaza in Suva, Fiji, was supposed to be the tallest building in the South Pacific and to employ hundreds of Fijians. However, due to transport restrictions during the Coronavirus Disease 2019 (COVID-19) pandemic, construction was delayed (Szadziewski, 2020). The multi-million-dollar project was stopped by the government of Fiji because of safety concerns (Cave, 2022). Similarly, the Silkroad Ark Hotel, a project worth US$240 million, which promised to create more than 1,000 Fijian jobs, is another project that remains incomplete (273). The lack of return on investment of these projects has led many locals to develop negative perceptions of the Chinese presence and investments.

However, the PRC is beginning to realize that grand, large-scale projects are not the only way to help PICs develop. In fact, at the third Belt and Road Construction Symposium, President Xi Jinping emphasized the importance and priority of cooperating on “small and beautiful projects” (小而美, xiao er mei) along the BRI that can “touch people's hearts” (心联通, xin liantong) and impact people's everyday livelihoods (Overseas Network, 2021). An example of a “small and beautiful” project is the

![Figure 8. National Debt Owed, by Lender (Fox, 2018)](image)
“Juncao and Upland Rice Technology” (菌草和旱稻技, juncao he handao ji), which is shown in Figure 9 and includes the introduction of new crop and new farming technologies into upland PNG. Juncao, which literally means “fungus grass,” is a plant developed by Chinese scientists and that the PRC government touts as a “multifunctional agricultural resource” that can be used for livestock feed, growing mushrooms, preventing desertification and enriching the soil to enable rice production (Feifan). Another example of a “small and beautiful” project is the bridge connecting North and South Tarawa in Kiribati, which is shown in Figure 10 and has enabled goods to be transported much more easily (Xinhua News Agency, 2022). According to Xinhua News, thirty locals from Bouta village were hired, and they built the bridge in 9,000 hours. This created jobs for locals and facilitated technology transfer, as Chinese workers passed on their technical skills to the local workers. In this sense, China’s BRI continues to shift and adapt depending on the interests of both the host countries and the PRC.

Figure 9. Juncao and Upland Rice Technology Project Training in Papua New Guinea (Overseas Network, 2021)
Figure 10. Bridge Construction in Kiribati (Xinhua, 2022)

Implications of the BRI in Oceania for the U.S. and its Allies

For the United States, there is concern that the PRC’s increased economic activity could lead to the increased construction of military bases, and the combination of economic and military clout could eventually overturn the post-World War II rules-based order from which the U.S. has benefited. According to political scientist Yu Chang Sen, the construction of military bases would make sense as a way for the PRC to ensure “safe maritime transport through the South Pacific Sea Lanes,” to protect its projects and economic assets, and continue developing its navy (Yu, 2016). From the perspective of the United States and its allies such as Australia, however, a Chinese military foothold in the Pacific could pose a serious security threat. Efforts to maintain a “free and open Indo-Pacific” and U.S. strategic interests would be compromised (Ashish, 2020).

To counter the PRC’s influence in Oceania, the U.S. has already developed new initiatives such as the Pacific Pledge, which granted over US$500 million dollars to PICs to support “economic and environmental resilience, maritime security, and good governance” as well as additional aid, such as COVID-19 relief, which was added later (U.S. Department of State Office of the Spokesperson, 2020). On top of the Pacific Pledge, in July 2022, Vice President Kamala Harris announced strengthened
partnerships and renewed commitment in the region by stating that the U.S. pledges US$350 million in annual assistance to the Pacific. To continue competing with the PRC’s efforts in the region, the U.S. needs to continue providing financial support to its Pacific partners until they can become economically resilient on their own. However, in its efforts to re-engage PICs, the U.S. can benefit from closer work with its allies, especially Australia. Through alliances and partnerships such as the QUAD (Quadrilateral Security Dialogue among Australia, India, Japan and the U.S.) and AUKUS (trilateral security pact among Australia, the United Kingdom and the U.S.). Australia can provide important assistance as the U.S. re-engages with PICs, especially in the Southwest Pacific.

Australia is still the largest aid donor in the Pacific; it is also a member of the PIF and shares security concerns with the United States in terms of China’s increasing presence in the region. However, because Australia is in closer geographic proximity to many of these islands, it stands to lose its status as the biggest presence in the region if the PRC outcompetes it. Thus, Australia has already responded to Chinese economic engagement with its “Pacific Step-Up” plan, which includes AUD2 billion for the Australian Infrastructure Financing Facility for the Pacific (AIFFP), AUD500 million over five years to support renewable energy, climate change, and disaster relief, the Pacific Labour Mobility Scheme, the Coral Sea Cable, the Australia Pacific Security College, and the Pacific Fusion Center (Australian Government Department of Foreign Affairs and Trade). However, China is still Australia’s own biggest trading partner so unless Australia diversifies its trade with other countries, Australia will be reliant on China to sustain its assistance programs.

Compared to Australia, New Zealand has taken more of a hedging position, as it has also signed on to the BRI. However, New Zealand has also come out with a Pacific re-engagement plan called “The Pacific Reset,” which not only focuses on fostering existing regional and cultural partnerships but also grants NZD300 million over the course of four years for climate change infrastructure and NZD180 million over three years as part of a “Strategic International Development Fund.” In addition, New Zealand plans to focus on improving labor mobility, education, healthcare, human rights, women’s empowerment, and good governance (New Zealand Foreign Affairs and Trade | Manatū Aorere, 2018). New Zealand’s values align with the U.S. and Australia in this realm, but due to its hedging position, any escalated geopolitical conflict or instability in the region will negatively impact New Zealand.

The stakeholder that will be most adversely affected by China’s BRI and increased economic engagement in Oceania is, arguably, Taiwan. This is because any country wishing to gain access to the BRI must adhere to the “One China Principle,” by recognizing the PRC as the one true and legitimate government of China. On one hand, the PRC’s increased economic and diplomatic engagement in the Pacific poses a potential threat to Taiwan’s sovereignty and security as the PRC utilizing its economic leverage to build a consensus of countries which agree that Taiwan is not a sovereign nation-state. If there is enough support, the PRC’s path to unification will be much easier and better received globally. Since the initial China-Pacific Island Countries Economic Development and Cooperation Forum in 2006, the Solomon Islands and Kiribati have switched diplomatic relations from Taiwan to the PRC. Niue also switched diplomatic relations in 2007 but this shift occurred before it signed on to the BRI. On the other hand, with fewer diplomatic partners in the region, Taiwan can focus its energy and resources on the countries that matter the most. Palau, the Marshall Islands, Tuvalu and Nauru are the four remaining PICs that maintain diplomatic relations with Taiwan. Tuvalu’s foreign minister, Simon Kofe, has expressed unwavering support for Taiwan and has rejected offers from the PRC to build artificial islands worth US$400 million, citing concerns about debt-sustainability (Lee, 2019). Taiwan will likely continue
to deepen its diplomatic relationships with its remaining allies in the Pacific.

One effect of China’s rising presence in the region has been a growing regional sense of solidarity and assertiveness among Pacific Island nations, especially those formerly colonized by European powers. The Chinese presence has provided an alternative to continued dependence on ex-colonial powers, providing these countries with “greater bargaining power,” enabling them to diversify their sources of support and become less fractured along lines drawn by now departed colonial powers (Wesley-Smith and Smith, 2021). This sense of solidarity has been institutionalized in new regional frameworks and initiatives. In 2017, the PIF leaders endorsed “the Blue Pacific” strategy that states that Pacific Island nations are committed to doing all they can to protect the well-being of Pacific peoples as well as their surrounding marine and terrestrial resources (Taylor, 2019). Some shared interests include responding to climate change, increasing ocean governance and promoting sustainable development (Tong, 2015, 24). This growing regionalism and assertion of shared resources and sovereignty in Oceania places an emphasis on a collective decision-making among the different Pacific Island states.

Yet the bilateral nature of China’s economic engagement as well as the different economic and development policies of each country continue to shape how they interact with China. Multilateral entities such as the PIF will be key to keeping the PRC in check and addressing the region’s biggest security threats and development challenges. Many Pacific Island nations do not wish to be caught in the crossfires of geopolitical conflict and hope for a collaborative future. In sum, the BRI is already affecting the U.S. and many of its allies in the region, but it has also prompted meaningful re-engagement on the part of the traditional powers and new alliances among the Pacific Island nations.

### III. Recommendations

1. **Recognize the diversity of Pacific Island nations and address each PIC and Chinese investment project on a case-by-case basis.**
   
   Given the complexity and the bilateral nature of the PRC’s economic engagement in the Pacific, the U.S. should give attention to each individual country and implement projects to tackle issues on a case-by-case basis. Although China treats the Pacific as a single entity at its forums, each Pacific Island nation has its own unique relationship to China as well as its own challenges. If, for example, a BRI project remains unfinished to the detriment of a given Pacific Island country or people, it is important to understand which actors may be involved and what has caused the delay so that proper policy measures can be taken. For example, providing aid and investment to Tonga, Samoa and Vanuatu, which are island nations with smaller gross domestic products (GDP) and that are more indebted to China, will foster stronger relationships in the long run.

2. **Create channels for PICs to export goods to the U.S. and for a variety of U.S. government agencies and private companies to invest in PICs to promote steady but sustainable economic growth.**
   
   One reason that the PRC is outcompeting the U.S. in terms of economic engagement in Oceania is because it can provide, in a streamlined fashion, multiple channels of investment capital, from both state and non-state sources. At the same time, the primary concern for most PICs is to achieve a level of sustainable economic growth that will reduce their dependence on outside powers and enable true
independence. The U.S. can create channels for PICs to export their goods and products to the U.S., while encouraging more U.S. investment in the Pacific Islands, especially from the private sector.

3. **Invest in human resource development and local-level projects.**
   The PRC’s “small and beautiful projects,” which shift the focus from large-scale to local-level projects, and from physical infrastructure to technology and human resources, have boosted the BRI’s profile in recent years. The U.S. can compete and engage by funding more on-the-ground projects that impact the local population long-term. Currently, China offers many more scholarships to Pacific Islander students than the U.S. does. From 2006 to 2018, the PRC had awarded a total of 1,371 scholarships to students from China's Pacific partners (Zhang and Marinaccio, 2019). Meanwhile, the U.S. South Pacific Scholarship funded 93 Pacific Island scholars in total from 1995 to 2022 (Lynch, 2022). Nonetheless, the U.S. has some of the most sought-after education institutions in the world as well as a large Pasifika diaspora. The U.S. government needs to invest in scholarships for Pacific Islander students to study in the United States, and to train U.S. citizens (especially those of Pacific Islander heritage) in the languages, histories and cultures of the region so that they can engage in people-to-people diplomacy in the Pacific. With this kind of capacity-building, Pacific Islanders can build their own infrastructure, as well as strong economies with a well-trained, innovative and creative workforce.

4. **Support Pacific regionalism and coordinate efforts to solve issues with allies.**
   Given the historical legacy of colonialism in the Pacific, PICs place an enormous premium on sovereignty. It is of utmost importance to respect their agency and grant them the full confidence to make the best decisions for themselves. There are already initiatives within the PIF to involve actors across all sectors and levels in policymaking. If the U.S. supports these efforts, there will be strong multilateral institutions in place to address concerns regarding China. Many of the initiatives put forth by other allies, such as Australia and New Zealand, are in alignment, so it is vital to coordinate these efforts to avoid perceptions that aid and investment are only for geopolitical gain.

5. **Find ways to collaborate with the PRC, especially in climate change initiatives.**
   For PICs, many of whom live on low-lying atolls, climate change is far and away their biggest security threat. Many PICs are already experiencing the adverse effects of climate change, and many may not even have islands to live on in the next few decades. This crisis dwarfs any concerns about geopolitical great-power competition. Although China is undeniably the main competitor for the U.S. in the region, from the perspective of Pacific Islander peoples, it is vital for these two great powers to collaborate, share knowledge and take concrete steps toward climate change adaptation and mitigation efforts.
IV. Conclusion

In this paper I have argued that the Belt and Road Initiative (BRI) is a framework to enhance the diplomatic and economic engagement of the People’s Republic of China (PRC) in Oceania. The BRI is intended to serve as a centralized and coordinated initiative through which to label, publicize and accelerate the PRC’s engagement, and a means through which other nations, especially those facing development challenges, can access aid and investment. However, the BRI is much more fragmented and disjointed than it seems. Because the “China threat” narrative is not a useful way of approaching or addressing the problems Pacific Island nations face, the U.S. needs to have a nuanced understanding of the nature and process of individual BRI projects in the Pacific while prioritizing the perspectives of Pacific Islanders to effectively respond to Chinese influence in Oceania.

The U.S. has already begun re-engaging economically in the Pacific. In 2022, Fiji, one of China’s biggest partners in the Pacific, became the first PIC to join President Biden’s Indo-Pacific Economic Framework (IPEF) (Reuters, 2022). In addition to strengthening existing alliances with Pacific Island nations and regional institutions, the U.S. must welcome China into multilateral efforts to address key issues such as climate change. The U.S. also needs to make better use of the most important strategic advantages the U.S. has over China - i.e., its educational, cultural and financial institutions and a large population of Pacific Islanders who want what is best for their ancestral homelands. Fostering opportunities for Pacific Islanders to connect with cultural, educational and financial institutions in the U.S., Australia and New Zealand will enable Pacific Islanders to build their own capacity and autonomy while reinforcing the strong ties that have long existed between Oceania and the U.S. In sum, the BRI is appealing to so many because it provides a compelling vision of a web of intertwining connections around the globe that can be mobilized for collective prosperity. To compete, the U.S. needs to demonstrate its commitment to the prosperity, well-being, autonomy and equality of Pacific Islander nations and peoples.
References


The Belt and Road Initiative in Oceania: Understanding the People’s Republic of China’s Strategic Interests and Engagement in the Pacific


