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## **Peaceful Coexistence in the Pacific? China–Australia–Papua New Guinea Trilateral Malaria Project**

### **Introduction**

This chapter will focus on the Pacific region, which has been a place of experimentation for China's trilateral partnership, though the region is a small recipient of Chinese aid globally. In particular, the chapter will explore China's historical engagement with Australia and their joint trilateral aid project in PNG.

Australia is an established traditional donor and the largest donor to Pacific Island countries. Its aid budget to the region totalled \$764.2 million (AU\$1,047 million)<sup>1</sup> in the 2018–2019 financial year alone (DFAT, 2018). Though geographically distant from the Pacific region, China's overseas assistance to this area has grown impressively. China's official figures reported an aid of \$577.8 million (RMB 3.75 billion) to the Pacific region over the period from 2010 to 2012 (State Council, 2014, p. 22). The Lowy Institute noted that China committed \$5.88 billion aid to the Pacific from 2011 onwards, ranking China as the second-largest

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1 US\$1 was equivalent to AU\$1.37 on 31 December 2015. This rate is used consistently in the book.

donor behind Australia and ahead of the US, World Bank, Japan and New Zealand (Lowy Institute, 2018). Although \$1.26 billion was disbursed, China was also the second-largest donor to the region behind Australia (Lowy Institute, 2018).

While welcoming China's contribution to the development of the Pacific region, traditional donors have shown growing concerns about China's aid growth, the motivations behind Chinese aid and its implications for the traditional aid regime. Against this backdrop, China and traditional donors have embarked on trilateral aid partnerships in the region. As an example, China and New Zealand officially launched their first trilateral aid project on a water supply upgrade in the Cook Islands (Te Mato Vai) in February 2014. The trilateral aid cooperation between China and Australia on malaria control in PNG officially commenced in January 2016.

Taking into consideration that China is the largest emerging donor and that Australia is the largest traditional donor in the Pacific, this chapter will use the China–Australia–PNG trilateral aid malaria project to illustrate the motivations behind the growing engagement and cooperation between China and traditional donors in the region.

The chapter unfolds in four sections. Section one examines the China–Australia engagement on aid and its effect on China's development cooperation. Section two briefly discusses Chinese aid to the Pacific more broadly and the evolving trends in aid to PNG. Section three analyses the China–Australia–PNG trilateral project on malaria control. It examines how the China–Australia engagement has led to changes in China's ideas regarding aid. It also demonstrates how China's change of ideas and interest calculations triggered this trilateral project. The final section discusses the implications of this trilateral project for future cooperation between China and Australia, as well as other traditional donors in the Pacific and Asia-Pacific region at large.

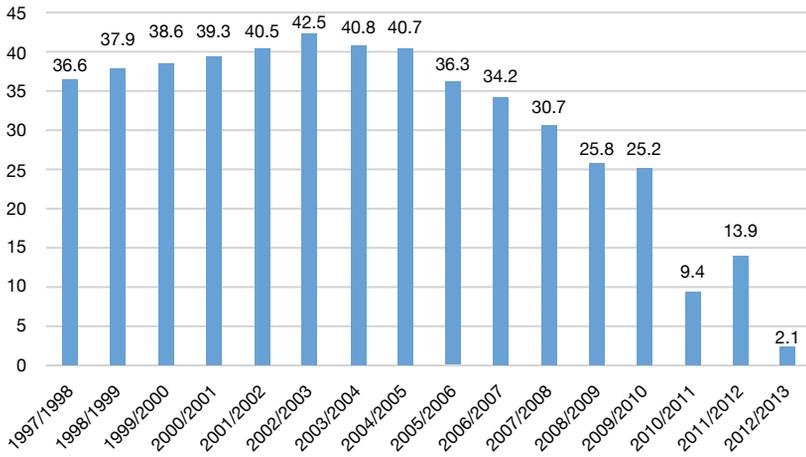
## China and Australia Engagement on Development Cooperation

This section will outline China–Australia interactions on development since 1979, shifting from China receiving Australian aid to jointly conducting trilateral cooperation in a Third World country. In particular, this section will examine the effect of the engagement on China’s evolving views on Australian aid and cooperation with Australia, which significantly contributed to China’s approval for piloting trilateral aid cooperation with Australia.

Australia was the first Western bilateral donor to China. China changed its attitude towards foreign aid and agreed to receive aid from traditional donor states and UN agencies after 1978. The Australian government reacted quickly and expressed its willingness to offer a loan of AU\$50 million to China in November 1978 and the Chinese government accepted the loan in April 1979 (Hou, 2006, p. 83). This marked the beginning of Australian aid to China, and it indicated that the Chinese government was abandoning its ideologically oriented thinking and that it was beginning to approach Australian aid as a useful means of promoting China’s economic development.

In November 1980, China and Australia signed a meeting minute on conducting development and technical cooperation and discussed ways and procedures for cooperation (Shi, 1989, p. 551). In October 1981, the two governments signed an official agreement on technical cooperation for development and selected areas for cooperation, which include land development, agriculture, fisheries and animal husbandry, natural science, civil engineering, medical science and English-language training (Shi, 1989, p. 551).

In the 1980s, China was receiving AU\$20 million in annual aid from Australia (Zhang, 1989, p. 1). In 1988, China and Australia signed an MOU on concessional loans, which greatly boosted the Australian aid volume to China, until these loans were cancelled in 1996 (Hou, 2006, pp. 83–84). By 2011, China had received a total aid of AU\$1.2 billion in grants from Australia and 136 aid projects were implemented, covering areas including poverty reduction, health, sanitation, governance and capacity building (MOFCOM, 2013a). Figure 14 depicts the trend of Australian bilateral aid to China from 1997 to 2013.



**Figure 14. Australian bilateral aid to China, 1997–2013, AUD million**

Source. Compiled by the author from AusAID annual reports.

In light of China's expanding influence as an emerging donor globally and especially in the Pacific region since 2000, Australia showed a growing interest in China's overseas assistance program. Greater efforts were made by the Australian government to encourage China to engage with traditional donors and to participate in joint aid projects in other developing countries. In 2003, the Australian Senate's foreign affairs, defence and trade committee produced a report on the implication of China's emergence on Australia. It recommended that Australia encourage China to accept and observe the OECD principles on development assistance and that they jointly conduct aid projects in the Southwest Pacific (Bishop, 2011). In a similar report produced by this committee in 2006, it expressed concerns regarding Chinese aid in the Pacific and suggested:

Clearly, the political rivalry between China and Taiwan in the Southwest Pacific does not provide an environment conducive for the most effective use of development assistance ... funds provided to local politicians or government officials without proper conditions attached can encourage fraudulent behaviour and undermine political stability. Without appropriate safeguards, aid assistance may not be directed to where it is most needed; it may find its way into the hands of local politicians, officials, or other improper beneficiaries. Serious corruption or political unrest can also occur as rival factions bid for increased untied grants in return for promises of diplomatic recognition

... The Australian government, through the Post Pacific Islands Forum, encourage China to adopt, and adhere to, the OECD principles on official development assistance for the islands of the Southwest Pacific ... [The Senate Committee also suggested that] Australia work closely with China to encourage both countries to enter joint ventures designed to assist the development of the island states of the Southwest Pacific. (Australian Senate, 2006, pp. 172–182)

AusAID's launch of the 'China, Australia Country Program Strategy 2006–2010' sent a strong message of change in AusAID's policy towards China. Australia was to shift from providing bilateral aid to China in support of poverty reduction to promoting knowledge sharing, high-level capacity building and policy engagement. To Australia, the change in policy could harness common interests with China, such as 'building government-to-government linkages and seeking ways for both countries to work together on regional issues, as partners, reflecting China's emerging role as a player in global development' (AusAID, 2006b, p. 2).

China observed the change of AusAID aid policy towards China closely. In September 2006, the MOFCOM policy research office interpreted the 'China, Australia Country Program Strategy 2006–2010' as follows: Australia considers China a strategic partner of cooperation and wants China to shoulder greater international obligations; Australia wants to treat China as a donor rather than as a recipient country and share its aid experience with China, which sets a precedent for China's bilateral and multilateral cooperation with traditional donors (MOFCOM, 2006). Based on this analysis, MOFCOM suggested that China prepare to 'graduate' from being an aid recipient and instead build on its experience as an aid recipient to promote its overseas assistance (MOFCOM, 2006). It also emphasised that potential trilateral cooperation in a Third World country in areas of poverty reduction and environmental protection could become a beneficial point in future development cooperation between China and Australia (MOFCOM, 2006).

Australia's new aid approach was also to promote mutual understanding, particularly China's understanding of the aid principles and practices of traditional donors. A better understanding of traditional donors has the potential of increasing China's acceptance of OECD DAC norms and practices. Through growing engagement, Australia sought to influence China's aid evolution. This explains why AusAID stated clearly that it

would provide capacity-building opportunities for China's government aid agencies to better understand how AusAID and OECD DAC operate (AusAID, 2006b, p. 7).

In an address to the Brookings Institution in March 2008, then Australian Prime Minister Kevin Rudd explained his thinking on further engagement with China:

As China makes the transition from development assistance recipient to donor, China should be encouraged to work with other donors to develop appropriate OECD-consistent norms for development assistance delivery. Having made the transition, China's experience would be invaluable to other developing nations. For Australia, getting development assistance to the Pacific island nations on a stable footing is crucial, and we'd be happy to partner with China in some pilot projects. In short, we look to China to make a strong contribution to strengthening the global and regional rules-based order. (Rudd, 2008, p. 35)

He admitted that engaging with China is complicated, 'But one key is to encourage China's active participation efforts to maintain, develop and become integrally engaged in global and regional institutions, structures and norms' (Rudd, 2008, p. 36). This explains the rationale on which Australia has been working hard over the past decade to promote aid coordination and cooperation with China in regard to development assistance. This tone for engagement was clearly reflected in AusAID's 2008–2009 annual report:

As an international power and driver of regional and global economic growth, China's economic growth is an important catalyst for development in the Asia-Pacific and global achievement of the MDGs. In addition, China's influence on international development, including as a growing donor to the Asia-Pacific, underscores the importance of engaging China on these issues. As such, the China country strategy's goal is to further mutual national interest by supporting China's balanced development policies and working together in the region. (AusAID, 2009, p. 95)

Australian bilateral aid to China was reduced to reflect the above thinking. In July 2011, Rudd, by this time the Australian Foreign Minister, announced that as China has become one of the largest economies in the world, Australia would phase out its bilateral aid program in China. Australian bilateral aid to China ended in June 2013. Promoting trilateral aid cooperation with China became a new focus of Australia.

## Moving towards Trilateral Cooperation

Australia and China have recently amplified their efforts in exploring trilateral aid cooperation, which is an important element of the broader shift from China being a recipient of Australian aid to China emerging as a donor in its own right. It is fair to admit that Australia has been more proactive in this process and that China's role has tended to be more reactive. This is similar to other trilateral aid projects between China and traditional donor states, as well as multilateral development agencies. Moreover, new aid modalities (including trilateral cooperation) have been popular in the first decade of this century. Not only are Australia and China exploring this field, but many other donors are doing the same.

Engagement between Australia and China on development cooperation has notably increased, which paved the way for their trilateral cooperation. In March and October 2007, Wang Shichun, director-general of MOFCOM's DFA, met with visiting AusAID Deputy Director-Generals Annmaree O'Keefe and Murray Proctor in Beijing. The two sides exchanged views on aid delivery and expressed their interest in development cooperation (MOFCOM, 2007a, 2007b). In April 2009, Wang and his deputy, Gao Yuanyuan, met with AusAID Deputy Director-General Richard Moore and discussed the potential for aid cooperation in Southeast Asia and the Pacific region (MOFCOM, 2009c).

Australia's capacity-building programs for Chinese aid officials in the last decade cannot be underplayed. According to a former senior AusAID official, although Australia still had its bilateral aid program in the years before it ended in 2013, AusAID began to increase its capacity building to Chinese aid officials in the area of aid management (Interview, Canberra, 5 May 2016). In a sense, this was a crucial transitional moment between the era of Australia providing aid to China and the era of Australia cooperating with China as a fellow donor (Interview, Canberra, 5 May 2016). MOFCOM aid officials attended such training programs that were hosted by AusAID. For example, they attended a training program on aid evaluation that was funded by AusAID in Thailand from 23 February to 1 March 2009 and updated themselves on international aid evaluation theories and practices (MOFCOM, 2009e). From late February to early March 2009, MOFCOM aid officials visited AusAID and learned about AusAID policies, institutions and management practices (MOFCOM, 2009d). In July 2009, China and Australia jointly hosted a symposium on their overseas assistance. Chinese aid officials

from MOFCOM's DFA expressed their willingness to conduct feasible aid cooperation with Australia in the Pacific region and agreed to enact working-level negotiations to realise this proposal (Bishop, 2011).

A range of high-level mechanisms between China and Australia have included development cooperation on their agenda. It is frequently discussed on bilateral and multilateral occasions, including the Pacific bilateral official talks, the Pacific Island forum post-forum dialogue and the meetings between the Australian Embassy in Beijing and China's aid agencies such as MOFCOM, MFA and China Exim Bank (Interview with DFAT official, Canberra, 23 September 2014).

MOFCOM's Assistant Minister Yu Jianhua visited Australia in November 2012 and discussed issues of development cooperation with his Australian counterpart, including AusAID Deputy Director-General James Batley. They agreed on three priorities for regional development collaboration between AusAID and China: negotiating a new MOU on regional collaboration; establishing a high-level dialogue mechanism; and joint cooperation in areas such as regional public health and water resources management in the Pacific and Southeast Asia (Chinese Embassy in Australia, 2012). This visit laid the foundation for the two countries to enter into a formal agreement on development cooperation.

In April 2013, China and Australia signed an MOU on development cooperation and pledged to conduct trilateral aid cooperation in Third World countries (DFAT, 2013), which marks a new kind of partnership between the two countries on foreign aid. The two countries noted their common interest in reducing poverty, advancing development and promoting stability in the Asia-Pacific region and in the world at large. The MOU outlines partnership principles and priority areas for cooperation and coordination, which cover global poverty reduction, health, water, environmental sustainability, economic and fiscal reform, food security and humanitarian assistance (DFAT, 2013). It can be expected that trilateral aid cooperation between China and Australia will occur in these areas in future.

In February 2014, Australian Foreign Minister Julie Bishop explained that Australia strengthened its engagement with China on development assistance:

For not only it [China] is a growing presence in our region, but we should be doing what we can to capitalise on our respective strengths, using our combined weight to bear overcoming some of the development challenges of the Pacific. (Bishop, 2014)

This point was echoed by her top assistant, Peter Varghese, secretary of the Department of Foreign Affairs and Trade in the same month: ‘I don’t see why they [China] should be inherently incompatible with Australia’s interests ... there’s nothing illegitimate about China also pursuing relationships with the South Pacific’ (Varghese, 2014). He mentioned that Australia is searching for opportunities for trilateral aid cooperation with China in the South Pacific (Varghese, 2014).

China and Australia have presently embarked on two trilateral aid projects—one on malaria control in PNG, which will be introduced later in the chapter, and the other on the China–Australia–Cambodia trilateral cooperation on irrigation dialogue. This project consisted of three visits from the officials and experts from the three countries in 2013 and 2014, which aimed to promote knowledge and experience exchange in agricultural irrigation in these countries and strengthen irrigation management in Cambodia (Interview with officials and project participants, Phnom Penh and Beijing, June to September 2015). These two areas—water and health—were already highlighted as areas of priority for cooperation in the new Australian aid policy towards China that was released in 2006 (AusAID, 2006b, p. 4).

## **Engagement’s Influence on China**

Growing interaction with Australia has promoted changes in thinking among China’s policymakers. In stark contrast to China’s indiscriminate refusal of aid from traditional donors up until the late 1970s, China has improved its understanding of Australian aid through the gradual learning process. Australia is accredited by MOFCOM, China’s guardian of foreign aid, as ‘the most active and distinctive development partner though it is not the largest bilateral donor to China’ (MOFCOM, 2006). The engagement has created three roles for Australian aid in the eyes of China.

Economically, Australia is a developed Western country, with advanced technologies and management skills that can be learned by China to support its own modernisation in sectors such as agriculture, iron and steel. For example, AusAID provided over AU\$8 million to support a project for the improvement of livestock and grassland in China’s Yunnan Province from 1983 to 1991 (Zhao & Jin, 1991, p. 33). This project assisted in the development of human resources from China’s side and was lauded by Chinese official media as ‘a great success’ with remarkable

achievements, including that the project cultivated over 20 new species of grass for China; that the grass yield and stock-carrying capacity of the forage legume reached four times the original natural pasture; and that the species of Australian premium beef cattle were introduced to China (Zhao & Jin, 1991, p. 33).

AusAID also funded a freon-free compressor refrigerator project in Jingdezhen city of China's Jiangxi province from 1990 to 1993. This was the first time that China had introduced this technology in the refrigerator industry (Hou, 2006, p. 84). As Australia has rich experience in the iron and steel industry, AusAID provided a technical training program for the Wuhan Iron and Steel Company in China from 1990 to 1995 and improved the production efficiency of the company (Hou, 2006, p. 84).

Politically, as the first Western donor to provide bilateral aid to China, Australia can set an example for other traditional donors, which may encourage them to follow suit and provide foreign aid to China along similar lines. This complies with the trope in Chinese politics and culture that being 'first' carries a significant influence.<sup>2</sup> That is why Professor Hou Minyue argued that the significance of Australian aid to China was not restricted to the economic arena. To him, Australia continued to provide aid to China when some traditional donors such as Japan announced the cessation of their aid programs in China in the early 2000s, which underlined the prominent political role of Australian aid to China (Hou, 2006, p. 84).

From the perspective of foreign aid, China values its engagement with Australia and displays its interest in learning from Australian aid practice. Zhou Taidong, a former MOFCOM official, and Mao Xiaojing from CAITEC argued that China should learn from Australian practices on aid transparency and increase engagement with traditional donors (Zhou & Mao, 2013). Sun Tongquan from the China Academy of Social Sciences and Zhou Taidong recommend that China learn from the Australian regulatory system of foreign aid and adopt reform measures, including formulating a clear foreign aid strategy, reducing

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2 Another example is Chinese leaders repeatedly mentioning the 'firsts' between China and New Zealand, such as how New Zealand was the first Western nation to recognise China's market-economy status, the first developed nation to be negotiating a free trade agreement and the first to sign the agreement. By highlighting these 'firsts', the Chinese government is demonstrating its satisfaction with the bilateral relations and is signalling to other nations that they may have forgone benefits by not being 'first'.

aid fragmentation, strengthening inter-agency coordination, establishing inclusive partnerships with different actors and focusing on the results of aid projects (Sun & Zhou, 2015, p. 137).

The Chinese government has appreciated Australia's development cooperation with China. An example is that AusAID was nominated by the Chinese government as one of only two nominees from foreign development agencies for the first and second China Poverty Alleviation Awards in 2004 and 2006, though the World Bank and the UNDP eventually won the awards (China Foundation for Poverty Alleviation, 2004; People's Daily, 2006). The Chinese government praised AusAID as follows:

AusAID's aid to China was not only big in volume, but also focused on poverty alleviation and social development. Among bilateral donors in China, AusAID's performance and contribution to China's opening up and poverty alleviation has been outstanding. (People's Daily, 2006)

## **Capacity Building: A Good Way to Promote Idea Changes**

Building institutional links with China's government ministries and agencies is a main strategic objective of AusAID's new approach towards China (AusAID, 2006b). AusAID stated that its aid practice in China has lifted Australian engagement with China to 'a strategic policy and institutional level' (AusAID, 2010a, p. 86).

Providing capacity-building programs has become an important component of Australian aid to China, as well as a method of promoting idea changes among Chinese aid officials. In the 1990s, as China was moving from a planned economy to embracing a market economy and preparing for its accession to the WTO, AusAID provided aid to strengthen China's capacity building in this direction. In 1997 to 1998, Australia and China reached an agreement on a four-year capacity-building program in China, with a budget of AU\$20 million. The objective of the program was to introduce Australian expertise to China to facilitate the latter's transition to a market economy (DFAT, 1998). In the same year, with AusAID support, a trade policy library was established in China's Ministry of Foreign Trade and Economic Cooperation, the predecessor of MOFCOM (DFAT, 1998).

Official training programs are another component of AusAID's engagement with China. From 1997 to 1998, 12 Chinese officials completed a graduate diploma in international economics in Australia under AusAID scholarships (DFAT, 1998). In 2000 to 2001, AusAID funded capacity-building programs for 650 Chinese officials in liberalised foreign trade policy and procedures and for over 840 Chinese officials in China's transition to a market economy (AusAID, 2001, p. 48). In 2003 to 2004, 1,718 Chinese officials attended AusAID training on China's entry into the WTO and more than 600 officials across China's 20-plus ministries and agencies benefited from AusAID's capacity-building program (AusAID, 2004, p. 72).

These official training programs have forged close links between Australia and China at a policy level, which boosted China's understanding of Australian foreign aid and paved the way for cooperation in the future. In 1998 to 1999, Australia provided aid to China's Ministry of Labor and Social Security, National Audit Office and State Administration of Taxation on capacity building in their respective areas (Australian Agency for International Development, 1999, p. 57). In 2004 to 2005, AusAID initiated a program of events with China's Central Party School and mobilised a major governance program that aimed to help China implement governance reforms in areas of fiscal management and trade-related and social security, and that aimed to improve strategic links between the government agencies of the two countries (AusAID, 2005, p. 72; 2010b, p. 5). In 2005 to 2006, Australia provided training to China's MoF on fiscal policy and management practices (AusAID, 2006a, p. 79).

These training programs have had a far-reaching influence. They have exposed China to Australian technologies and skills and have triggered idea changes from Chinese officials on foreign aid, which is a source of aid reforms in China. Based on her research on foreign aid in China, Zhou Hong from the China Academy of Social Sciences argued that foreign aid training programs in China:

Have a subtle effect on the ideas and practices of Chinese project workers. These changes can also penetrate into the deeper levels of "identity" that is to change the identity held in the mind of the participant. (Zhou, 2015, p. 296)

One example is that a Chinese official participated in a health aid project<sup>3</sup> and realised that he needed to shift his identity from a ‘government official or health technician’ to a ‘social worker’ to do the project well (Zhou, 2015, p. 296).

## **Evolving Trends in Aid to PNG**

This section will provide an overview of Chinese aid to the Pacific region and the evolving trends in aid to PNG, the largest and most populous country in the region. As Chinese aid to the Pacific is growing fast and this region is crucial to Australian policy, this section will serve as necessary background to understanding China’s and Australia’s enthusiasm for engagement, which led to their trilateral project in PNG.

### **Chinese Aid to the Pacific**

China began providing foreign aid to Pacific Island countries in the 1970s, when it established diplomatic relations with countries such as Fiji and Samoa. As China’s international aid began to grow substantially after 2000, its aid to the Pacific region also expanded. The inaugural China–Pacific economic development and cooperation forum meeting held in Nadi, Fiji, in May 2006 was a landmark event in China–Pacific relations. China’s Premier Wen Jiabao attended the conference and pledged a significant aid package for Pacific Island countries. The most significant part relates to \$463.1 million (RMB 3 billion) concessional loans that were pledged to the region over the following three years (Wen, 2006, p. 11). Wen also promised that China would waive the debts that matured by 2005 for the least developed Pacific countries and granted an extension of 10 years for mature debts of the other Pacific countries (Wen, 2006, p. 11).

These concessional loans have funded the construction of several major infrastructure projects in the Pacific. A typical example is the rebuilding of the Central Business District in Nuku‘alofa, the capital city of Tonga, after the old area was destroyed during a riot on 16 November 2006. However, China’s concessional loans were criticised by some traditional donors and researchers for leading to the spiralling external debt in these financially fragile Pacific states (Dornan & Brant, 2014, pp. 353–355).

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<sup>3</sup> Although this is an aid project from the UK rather than Australia, according to Zhou Hong, these projects have had a similar effect on changing the attitudes of Chinese officials.

In November 2013, the second conference of the China–Pacific economic and development cooperation forum was held in Guangzhou, China. Similarly, China made new pledges of aid, including \$1 billion in concessional loans to the Pacific over the next four years (Wang, 2013). For the first time, Australia was invited to attend the conference as an observer and testify to the growing engagement between China and Australia since the signing of the 2013 MOU on development cooperation (Interview with Australian diplomat, Port Moresby, 5 November 2014).

In November 2014, Chinese President Xi Jinping visited Fiji and met with state leaders of the eight Pacific Island countries that have diplomatic relations with China. This was the first time in history a Chinese president visited the Pacific region. In addition to standard pledges to establish strategic relations of mutual respect and common development, Xi announced new aid to these countries, including granting zero tariff for 97 per cent of exports to China from the least developed Pacific Island countries, and providing 2,000 scholarships and 5,000 short-term training opportunities. He also invited these countries to participate in the China-initiated ‘21st Century Maritime Silk Road initiative’ (Du & Yan, 2014, p. 1). Similar meetings occurred in November 2018 on the sidelines of the Asia-Pacific Economic Cooperation summit held in Port Moresby. Xi pledged that China would enhance development cooperation with Pacific states under the BRI initiative. He also announced that China would provide \$300 million worth of concessional loans to PNG and extend Tonga’s repayment of Chinese loans for another five years.

Traditional donors are concerned by the largesse of Chinese aid and China’s inflexibility in its way of aid delivery. In August 2012, Cui Tiankai, deputy foreign minister of China and in charge of Pacific affairs, briefed the media that ‘China’s foreign aid to Pacific Islands countries belongs to South–South cooperation which is the mutual assistance among developing countries and differs totally from South–North cooperation’ (Liu & Huang, 2012). Although Australia and New Zealand approached China to join the Cairns Compact, which was initiated at the 2009 Pacific Islands forum meeting in Cairns, China declined the invitation. This remains an important point between traditional donors and China in the region (Interview with former senior AusAID official, Canberra, 5 May 2016). It also underpins the differences between China and traditional donors.

However, positive occurrences have happened from China's side on the ground. In 2008, China signed the PNG declaration on aid effectiveness, a local version of the Paris Declaration in PNG (PNG Department of National Planning and Monitoring, 2008). For the first time, China and the US attended the Heptagon group of donors meeting in Auckland in October 2014 as observers, together with current Heptagon members that included Australia, New Zealand, Japan, the European Union, the World Bank, the ADB and the International Monetary Fund (Interview with DFAT official, Canberra, 23 September 2014).

### Reasons behind China's Aid in the Pacific

As discussed in Chapter 3, China is under the influence of three identities: a socialist country, a developing country and a rising great power. Consequently, China provides overseas assistance to other developing countries to serve its triple interest of safeguarding its political interest as a socialist country, advancing its domestic economic development and building a favourable global image as a responsible partner. This applies to China's aid efforts in the Pacific.

Politically, China needs support from Pacific countries at international and regional fora. A typical issue is the 'one China' policy, which relates directly to China's national unification. Among the 15 countries that recognise Taiwan diplomatically, four are small Pacific countries: Nauru, Marshall Islands, Palau and Tuvalu (see Table 11). As the following graph clearly demonstrates, the diplomatic tug-of-war between mainland China and Taiwan had been tense in the past three decades, as quite a few small Pacific countries swung between the two sides. China extended invitations to Taiwan's Pacific allies to attend the 2006 China–Pacific economic development and cooperation forum meeting in Fiji, though they did not attend due to pressure from Taiwan (Interview with Chinese scholar, Beijing, 19 August 2015).

Tension eased in 2008, when the two sides reached a diplomatic truce. It is reported that for the sake of cross-strait relations, mainland China even refused requests from at least five countries, including El Salvador and Panama, to switch their diplomatic allegiance from Taiwan to mainland China after 2008 (The Economist, 2009). However, in light of the changing politics in Taiwan and the cross-strait relations, the 'one China' issue will remain an important and sensitive issue for China in the long run. In his statement published in the *Fiji Times* and the *Fiji Sun* in November 2014, President Xi Jinping said that 'we are so grateful to the long-term precious

support from the Pacific islands countries on issues relating to our core interest' (Xinhua, 2014c), which includes the Taiwan issue. Moreover, the cross-strait rivalry was revitalised after the pro-independence Progressive Democratic Party won the presidential election in Taiwan in January 2016. Since then, eight countries that used to recognise Taiwan—including Gambia, Sao Tome and Principe, Panama, the Dominican Republic, Burkina Faso, El Salvador, Solomon Islands and Kiribati—have established diplomatic relations with China. China is also using aid to pressure recipient countries to shut down or restrict Taiwan's unofficial representatives, with Nigeria ordering Taiwan's trade office to move out of the capital city in January 2017.

In addition to the Taiwan issue, China looks to Pacific countries for support on issues such as the reform of the UN Security Council, as well as domestic issues. For example, President Xi lauded Fiji's efforts in chasing corrupt Chinese officials abroad when he met with Bainimarama in November 2014. With the help of Fijian officials, a Chinese economic crime suspect and a drug smuggler were seized in Fiji (Beijing Youth Daily, 2014b, p. A03).

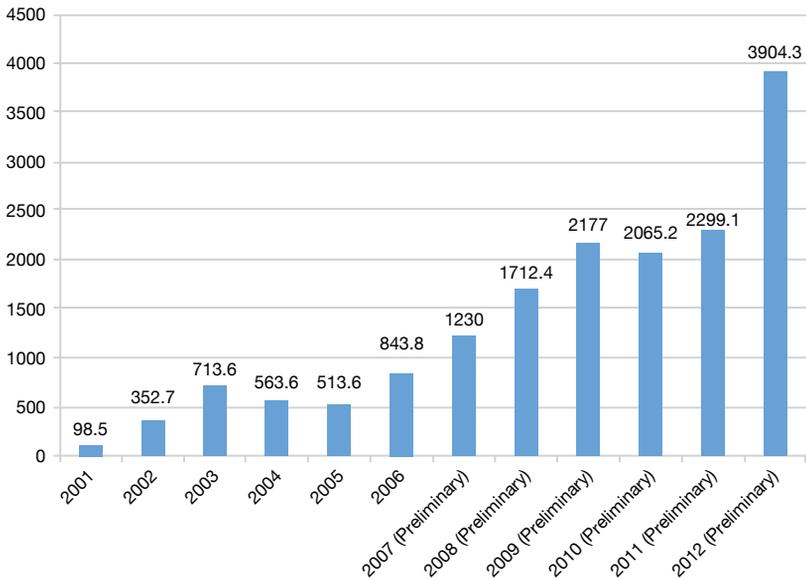
**Table 11. Diplomatic landscapes of mainland China and Taiwan in the Pacific region**

Pacific country	ROC/Taiwan	PRC	ROC/Taiwan	PRC
PNG		12 Oct 1976	5 Jul 1999	21 Jul 1999
Fiji		5 Nov 1975		
Samoa	29 May 1972	6 Nov 1975		
Cook Islands		25 July 1997		
Federated States of Micronesia		11 Sep 1989		
Niue		12 Dec 2007		
Tonga	10 April 1972	2 Nov 1998		
Vanuatu		26 Mar 1982	3 Nov 2004	11 Nov 2004
Solomon Islands	24 Mar 1983	21 Sept 2019		
Kiribati		25 Jun 1980	7 Nov 2003	28 Sept 2019
Palau			29 Dec 1999	
Marshall Islands		16 Nov 1990	20 Nov 1998	
Nauru	4 May 1980	21 July 2002	14 May 2005	
Tuvalu	19 Sep 1979			

Source. Compiled by the author from online data.

Economically, China has approached the Pacific region for raw materials and natural resources to support its national development (see Wesley-Smith, 2010, pp. 31–32). The \$1.4 billion Ramu Nickel mine in PNG is China's largest single investment project in the Pacific (Smith, 2013, p. 180). In 2018, China committed an additional \$1.5 billion to expand the project. The China Exim Bank provided substantial financial support to the PNG LNG (liquefied natural gas) project, which is listed as one of the most important projects in the history of the China Export–Import Bank (Jin, 2014). In December 2014, China Sinopec began purchasing 2 million tons of LNG annually from PNG for 30 years (MFA, 2014c).

China's fishing fleet has been expanding in the Pacific Ocean. The China Overseas Fisheries Corporation has been in the Fijian exclusive economic zone since 1998. It owns 43 tuna-long liners and operates in the waters of Fiji, Vanuatu, Solomon Islands and Tuvalu (China Overseas Fisheries Corporation, 2013, p. D4). The Pacific region has also provided economic opportunities for Chinese companies. China's bilateral trade with the Pacific Island nations grew at an average annual rate of 27 per cent over 2006–2013 and reached \$4.5 billion in 2013 (Wang, 2013). Nearly 150 Chinese companies have established businesses in the Pacific region, with a total investment of nearly \$1 billion, and the contract value of projects by Chinese companies exceeded \$5 billion (Wang, 2013). Based on available data, Figure 15 demonstrates the rapid growth of China–PNG trade, though it was in PNG's favour in the period 2001–2006 and it has been in China's favour since 2007. It is important to note that many Chinese companies, especially state-owned ones, have played an active role in China–Pacific commercial and aid engagement (see also Smith & D'Arcy, 2013).



**Figure 15. Trade between PNG and China, 2001–2012, Kina million**

Source. Compiled by the author from PNG government data.<sup>4</sup>

In terms of global image-building, the support from these small Pacific Islands countries is also important. Chen Mingming, a member of China’s MFA’s public diplomacy advisory committee and former ambassador to New Zealand, Cook Islands and Niue, explained in November 2014 that ‘establishing excellent bilateral relations with the Pacific islands countries is conducive to China’s global image as a growing power, and helps China “win hearts”’ (Beijing Youth Daily, 2014a, p. A03). As China has been promoting initiatives such as ‘peaceful development’ and ‘the China dream’, support from Pacific countries is much needed. It also explains why China has been increasing its aid to the Pacific in regard to climate change. The second China–Pacific economic development and cooperation forum meeting coincided with the China international green innovation products and technology show. In November 2014, President Xi Jinping reaffirmed China’s support for the Pacific’s efforts on climate change (Du & Yan, 2014, p. 1), placing them at odds with the Australian government.

<sup>4</sup> The data was kindly provided by an official from PNG Department of Trade, Commerce and Industry.

Moreover, image building in the Pacific region and other regions, such as Asia and Africa, has realistic significance for China. As China's economic presence is growing rapidly, negative aspects of China's engagement—such as the poor quality of some Chinese products and construction projects, the low environmental standards and political lobbying, coupled with biased media reports—have complicated China's diplomacy in the region. For example, the Ramu Nickel mine project in PNG was delayed for years as a result of local concerns of its environmental impact. To some extent, Beijing expects Chinese foreign aid to play a role of image building in the Pacific Island countries and mitigate the negative effects of its economic engagement.

Although China provides foreign aid to the Pacific to further its political, economic and global image interests, global image-building has been a more significant motivation in recent years. First, with the exception of the 'Taiwan issue', the Pacific is not a priority in Chinese diplomacy according to China's leading Pacific experts, such as Yu Changsen and Guo Chunmei (Interviews, Beijing, 6 and 26 August 2015; Yu, 2016). Compared to other regions, the Pacific also ranks low in China's economic priorities due to the small size of its markets and the lack of natural resources other than fisheries. The political and economic motivations do not provide adequate explanations for China's involvement in trilateral aid cooperation in the Pacific region.

## The Fiji Issue

China's aid to Fiji is an issue with which traditional donors such as Australia and New Zealand have concerns. While Australia and New Zealand imposed sanctions on the military regime in Fiji after the 2006 coup, China forged closer relations with Fiji and provided large amounts of assistance to the country. This has further increased China's profile in the 'backyard' of Australia and New Zealand. It is reported that the Australian and New Zealand governments protested against then Chinese Vice President Xi Jinping's stopover visit to Fiji in 2009, in fear of compromising their sanctions on the Fiji military regime (Field, 2011). Fergus Hanson (2008a), then research associate at the Lowy Institute and author of several reports on China's rising influence in the Pacific, criticised Chinese aid support to the Bainimarama regime in Fiji as a double standard, questioning 'how can Beijing complain about other countries interfering in its internal affairs when it interferes so dramatically to prop up a dictatorship [in Fiji]?'

In terms of Chinese aid to Fiji, with a total committed aid of \$339.78 million and spent aid of \$291.9 million since 2011, China was the second-largest donor in Fiji after Australia (Lowy Institute, 2018). The year 2014 is another example that illustrates the magnitude of China's aid commitment. In addition to a grant aid of \$12.3 million (RMB 80 million) to Fiji when Fiji President Epeli Nailatikau attended the Youth Olympic Games hosted by China in Nanjing in August, Chinese President Xi announced an additional grant aid of \$10.8 million (RMB 70 million) to Fiji during his visit to the country in November (Devi, 2014), meaning that China's total pledged grant aid from the 2014 visits exceeded \$23 million. As China's influence is increasing so rapidly, it is understandable that Australia and New Zealand become more eager to increase their engagement with China to promote coordination on regional issues, with the view of influencing China's policies or, at least, of increasing their understanding of China in the Pacific.

## **China's Aid to PNG**

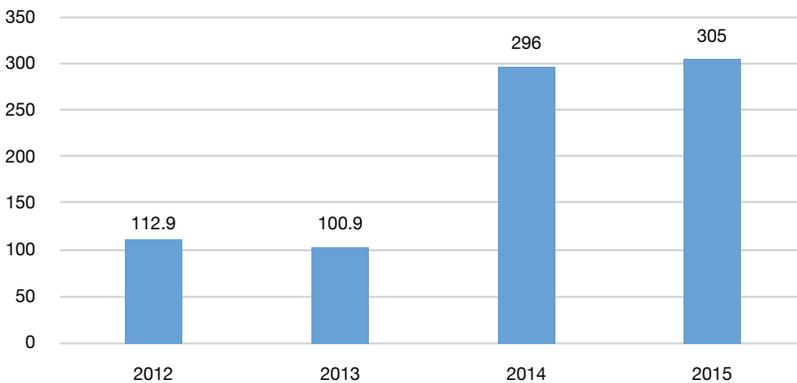
Since the establishment of diplomatic relations on 12 October 1976, Chinese aid began to flow into PNG. One caveat is that as China does not release country-based and annual figures for its aid data, it is extremely difficult to find accurate data on Chinese aid to PNG. However, by triangulating sources—including official reports of China MOFCOM, the MFA, mainstream media, the PNG government departments and some existing literature—we are able to grasp the main features of Chinese aid to PNG.

Most notable is China's fast-growing concessional loan program, as China was eager to materialise \$643.1 million (RMB 3 billion) in concessional loans that were pledged by Premier Wen Jiabao in 2006. Table 12 and Figure 16 outline examples of Chinese large-scale concessional loan projects.

**Table 12. Examples of Chinese concessional loan projects in PNG**

Project	Value	Chinese contractors	Status
University of Goroka dormitory construction, phase 2–4	\$45.3 million (RMB 294 million)	Guangdong Foreign Construction Company	Completed
National electronic identity card project	\$55.4 million (RMB 359 million)	Huawei	Completed
Integrated government information system	\$109 million	Huawei	Completed
NCDC road upgrade in Port Moresby	\$109.6 million (RMB 710 million)	China Harbour Engineering Company	Ongoing
Pacific marine industrial zone project	\$95 million	China Shenyang International Economic and Technical Cooperation Corporation	Ongoing

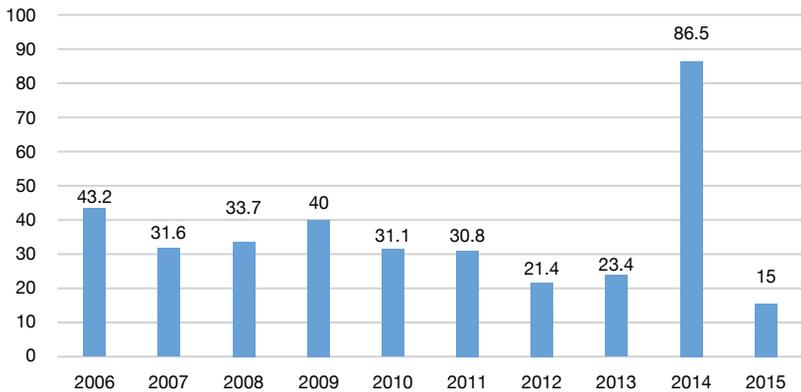
Source. Compiled by the author from the China Embassy in PNG website.

**Figure 16. Chinese concessional loans to PNG, 2012–2015, Kina million**

Source. Compiled by the author from PNG Treasury annual reports.

The University of Goroka dormitory project was China's first concessional loan project in PNG. As a Chinese company representative noted, this project was hailed as a success and changed the reluctance of the PNG government towards accepting China's concessional loan. It has become a bargaining chip in demonstrating the PNG government's capacity to manage China's soft loan projects when the PNG government lobbies for more Chinese loans (Interview, Port Moresby, 10 November 2014). Figures 16 and 17 summarise Chinese concessional loans and grant aid to PNG in recent years.<sup>5</sup>

<sup>5</sup> The aid data is not available for some financial years in PNG Treasury annual reports.



**Figure 17. Chinese grant aid to PNG, 2006–2015, Kina million**

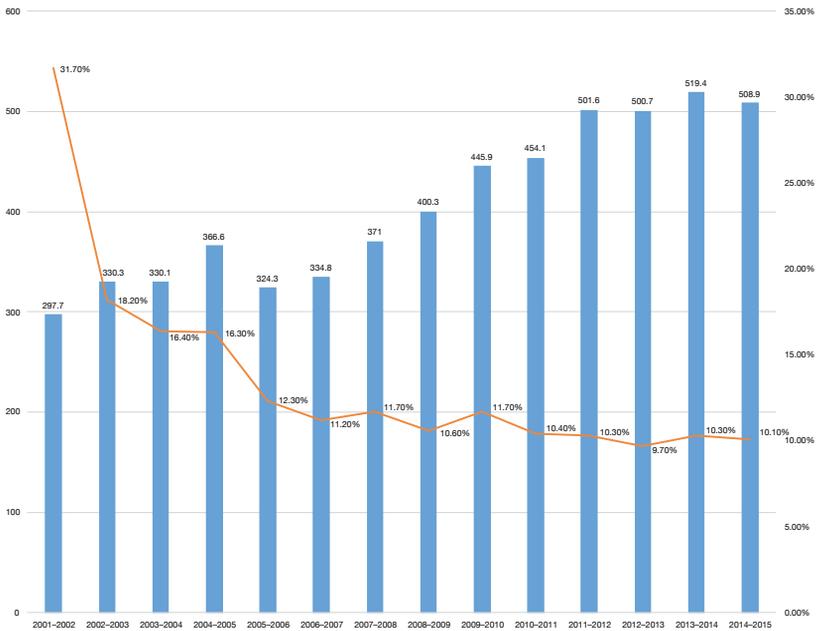
Source. Compiled by the author from PNG Treasury annual reports.

## Australian Aid to PNG

As PNG is a former Australian colony and near neighbour, the two countries enjoy close political, economic and strategic relations. Australia has been providing aid to PNG since decolonisation in 1975 and Australia is easily the largest donor to PNG. In the 2018–2019 financial year, total Australian aid to PNG reached \$379.2 million (AU\$519.5 million), accounting for 12.5 per cent of the total of Australia’s overseas aid and nearly half of Australian aid to the Pacific (DFAT, 2018, pp. 7–9).

Figure 18 is an overview of Australian aid to PNG between 2001 and 2015.<sup>6</sup> Australian aid to PNG is focused on priority areas, including education, health and HIV/AIDS, transport infrastructure, law and justice. Australia has invested great efforts into the improvement of aid effectiveness in PNG. The two countries have entered into a new aid partnership that aims to be better aligned with the priorities of the two governments and to unlock PNG’s economic potential (DFAT, 2014).

<sup>6</sup> To facilitate a comparison with Chinese aid, the data covers recent financial years until 2015.



**Figure 18. Australian aid to PNG, 2001–2015, AUD million**

Source. Compiled by the author from AusAID/DFAT annual reports.

## Foreign Aid to PNG

With a landmass of 452,800 square kilometres and a population of around 7.7 million, PNG is the largest and most populous Pacific island nation, dwarfing the other 13 island nations. Though it is blessed with an endowment of natural resources, poverty and development remain intractable challenges. For example, PNG ranked 158 out of 188 countries in the UNDP 2015 human development index (UNDP, 2015b, p. 49). PNG has consequently been a major aid recipient in the Pacific. More than a dozen bilateral and multilateral donors, including Australia, New Zealand, China, Japan, the ADB, the European Union, the World Bank and the UN operate in PNG.

The trends in aid to PNG are evolving. The increasing number of donors has compounded aid coordination difficulties in PNG. China is a typical example amid the expanding footprint of emerging donors. Internally, the PNG government is constrained by its limited capacity to manage foreign aid. The PNG Department of National Planning and Monitoring

(DNPM) is entrusted by law to coordinate foreign aid in the country, including identifying and appraising aid projects and programs. In reality, due to factors such as political corruption and governance challenges, the DNPM is frequently bypassed by donors who go straight to politicians and line agencies in PNG to lobby for support (Interview with DNPM official, Port Moresby, 11 November 2014). The PNG Department of Foreign Affairs and Trade is the custodian of all bilateral agreements with foreign countries. However, it does not have the decisive stance on aid projects. It provides only political endorsement for foreign aid and offers advice to the DNPM, which is often largely symbolic. It is not always kept up to date with the latest developments on aid projects in the country.

Further, continuous economic growth in PNG has given the government more capacity to direct its own money to domestic development rather than relying on external assistance, thus making it more confident in increasing its voice on aid management. For example, donor grants accounted for nearly 20 per cent of total expenditure in PNG in 2004, and this figure was reduced to 16 per cent in 2009 and 10.2 per cent in 2014 (PNG Department of Treasury, 2014, p. 47). This change has the potential to strengthen the PNG government's ownership of foreign aid. It is worth noting that PNG has also been an aid donor since 1997, with donations to the Solomon Islands, Fiji and some other Pacific nations (Batley, 2015). However, changes have occurred since 2015. PNG's economy is now facing difficulties due to falling natural gas prices. PNG has been short of foreign exchange and the government made major cuts to its 2016 budget.

While welcoming the addition of new donors, PNG aid officials insisted that donors must follow PNG aid processes and procurement procedures and that they show respect for the PNG government as a recipient, as well as promote greater cooperation with other donors (Interview with DNPM official, Port Moresby, 6 November 2014). In July 2015, PNG Prime Minister Peter O'Neil even announced a ban on foreign advisors working in PNG government agencies—for two concerns: PNG staff's over-dependence on foreign advisors and spying (Cochrane, 2015). The influence on foreign advisors—especially those from Australia, who are working under the aid program—is unclear and deserves more attention in the future.

## **PNG Development Plans and Foreign Aid**

The PNG government has drawn up plans to address aid effectiveness issues, though there is always a large gap between plans and implementation. In July 2008, the Rt Hon. Paul Tiensten, PNG minister for national planning and district development, signed ‘The PNG Commitment on Aid Effectiveness’ with its main donors, including Australia, the EU, Japan, New Zealand, the World Bank, the ADB, the UN and China (PNG Department of National Planning and Monitoring, 2008).

The PNG medium-term development plan 2010–2015 emphasises that all foreign aid must fully comply with the PNG development strategic plan. Based on this development plan, the PNG government expects to achieve certain targets, such as establishing and operationalising national and sectoral dialogue for development partners; encouraging PNG central and line agencies to meet global principles on aid effectiveness; achieving significant reduction in aid fragmentation; adopting new modalities of aid and technical support (e.g. co-financing schemes); and promoting south–south cooperation with proper monitoring and evaluation procedures (DNPM, 2010b, p. 122).

The PNG development strategic plan 2010–2030 outlines the broad objectives and strategies for PNG foreign policy and foreign aid. The PNG government aims to move from depending on aid to being a donor in the Pacific region in the period 2011–2030, through measures that include guiding donors to areas of infrastructure building, skills training and education (Department of National Planning and Monitoring, 2010a, p. 129). A typical concern of the PNG government relates to its dependence on donors for providing skilled personnel—which is something that the PNG government aims to address by 2020 (Department of National Planning and Monitoring, 2010a, p. 129). The PNG government is keen to achieve development objectives by abiding by the Paris Declaration principles of ownership, alignment, harmonisation, managing for results and mutual accountability (Department of National Planning and Monitoring, 2010a, pp. 129–130). The Papua New Guinea vision 2050—the long-term development plan—reaffirmed PNG’s commitment to directing all foreign aid to priority impact projects (PNG Government, 2011, p. 47).

## **PNG's View of Chinese Aid**

Chinese aid in PNG receives a mixed reaction from the PNG government. PNG aid officials positively view the contribution of Chinese aid to areas that include infrastructure and education, as well as its quick delivery (Interview with PNG officials, Port Moresby, 6 and 12 November 2014). As one PNG aid official said:

A good thing about Chinese programs is once you want something and you request them, they don't have much lengthy processes to go. They just advise their government and they say it's good, and get it funded. It is very quick response. (Interview with DNPM official, Port Moresby, 6 November 2014)

PNG aid officials also concurrently expressed frustrations with Chinese aid practices:

You know the Chinese way of doing business. They are very good with our politicians ... That is how they get most of the projects. Frankly speaking, our coordinating roles sometimes become very difficult. Because some of the process has been bypassed, we have to find some rules to accommodate them. It makes our facilitation difficult. But sometimes you have to allow them to go through because it has to. (Interview with PNG official, Port Moresby, 6 November 2014)

To summarise, deep historical and strategic interests in PNG render Australia the single largest donor to PNG. As China has substantially increased its foreign aid to PNG in recent years, Australia's interest in China's influence has grown accordingly (Interview with a former senior AusAID official, Canberra, 5 May 2016). From the PNG government's perspective, to meet the challenges of aid effectiveness, the need for aid coordination is rising, as is its confidence in aid management. Promoting aid cooperation, including through trilateral partnership, becomes a possibility within such a context.

## China–Australia–PNG Trilateral Project on Malaria Control

This section offers an in-depth analysis of the China–Australia–PNG trilateral aid project on malaria control in PNG. Based on my field work interviews and archival research, process tracing will be employed to uncover the ‘black box’: the background and negotiation process behind the project. In particular, the motivations of the three countries will be studied.

This China–Australia–PNG trilateral malaria project was officially launched in January 2016, with a duration of three years. PNG Deputy Secretary of Health Dr Paison Dakulala explained the two main objectives of the project (Interview, Port Moresby, 14 November 2014):

1. Malaria diagnosis. This part aims to strengthen the capacity of PNG’s health system for malaria control. It will be achieved by improving PNG central public health laboratory (CPHL) services, with a focus on:
  - i. upgrading lab infrastructure, improving capacity for malaria diagnosis (e.g. microscopy) and monitoring drug efficacy
  - ii. building the capacity of the labs and technology
  - iii. training in microscopy
  - iv. upgrading lab equipment.
2. Malaria operational research. This part aims to strengthen PNG malaria operational research by assisting the PNG Institute of Medical Research (IMR) in Goroka. This trilateral project will align with the PNG national malaria strategic plan 2014–2018 to strengthen malaria research.

This project is a combined effort that involves the following main stakeholders from Australia, China and PNG (see Table 13). The division of labour is as follows:

**Table 13. Main stakeholders in the China–Australia–PNG trilateral malaria project**

<b>Australia</b>	Department of Foreign Affairs and Trade (DFAT); Some Australian universities may become involved in a later stage.
<b>China</b>	MOFCOM; National Health and Family Planning Commission (NHFPC); <sup>1</sup> National Institute of Parasitic Diseases (NIPD) of the National Centre for Diseases Control and Prevention.
<b>PNG</b>	National Department of Health (including national malaria control program unit); PNG IMR; CPHL.

<sup>1</sup> China NHFPC was created in 2013 by combining the former Ministry of Health and the National Population and Family Planning Commission. It was renamed the National Health Commission in March 2018.

Source. Compiled by the author from own analysis.

DFAT represents the Australian government in both the policy setting and in the operation of the project. It has pledged to provide AU\$4 million to fund the project, including paying for the secure accommodation of Chinese experts in PNG—which is a major concern of the Chinese side due to the notoriously bad security situation in Port Moresby. Australia provides logistical support because of its long establishment and knowledge of PNG. Australian universities may join the project at a later stage to conduct joint research projects with PNG IMR (Interview with Australian aid official, Port Moresby, 4 November 2014).

China contributes experts and applicable technology for malaria control in the project (MOFCOM, 2015d). MOFCOM represents the Chinese government's participation in the project on a policy level and its signing of the project documents. It also leads the coordination of other Chinese stakeholders in the project at the policy level. MOFCOM's role is more symbolic compared to that of the NHFPC in terms of project implementation. The NHFPC concentrates on the technical aspect of the project and oversees the performance of the NIPD—who, based in Shanghai, dispatches technical experts to work at PNG IMR headquarters in Goroka and the CPHL at Port Moresby General Hospital. The NIDP was chosen because it has similar functions to PNG CPHL as a reference and quality assurance laboratory. It is also a research body, which renders it a suitable partner for the PNG Institute of Malaria Research (at least on paper).

In addition, the NIDP also has the advantage of drawing on an extensive network of provincial institutes in China to support its work in this trilateral project. China pays the salaries of Chinese experts, in a similar way to that of the Chinese medical teams, youth volunteers and Chinese-language teachers who are supported by the Chinese aid program. China may also offer some training opportunities for PNG staff in China.

As the host country, the PNG government will facilitate the operation of the project. It will provide staff and facilities as required and oversee the project. The daily management of the project is contracted with the health and HIV implementation services provider (HHISP), which is managed by Abt JTA in association with the Burnet Institute.<sup>7</sup> The HHISP has been supporting the health and HIV program on behalf of AusAID and the PNG government since it commenced in April 2012. It is required to report to the DFAT counsellor for the development and cooperation in PNG, China's NIPD and the PNG National Department of Health (Devex Corporation, 2014).

## Why Malaria Matters?

Why have China, Australia and PNG chosen to focus on malaria in their first trilateral aid cooperation? The reason for the PNG side is relatively simple: malaria was chosen because PNG has a large burden of malaria, which will be elaborated in another section.

China supports this malaria project because it has an impressive record on malaria control and elimination at home, which should enable China to significantly contribute to malaria control in PNG. According to Qian Huilin, associate chief physician at China NIPD, China used to be a victim of malaria, which was prevalent across 1,829 counties (around 80 per cent of counties in China) in the 1950s—and 5.97 million malaria cases were reported in 1955 with an incidence rate of 102.8 per 10,000 (Qian & Tang, 2000, p. 225). By 1998, the malaria cases and incidence rates were reduced by over 99 per cent, with only 31,300 identified cases across China; the incidence rate was also lowered to 0.25 per 10,000 (Qian & Tang, 2000, p. 225). Malaria cases were further reduced to fewer than 3,000 in 2013 and the WHO accredited most parts of China as

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<sup>7</sup> Abt JTA is an international consulting firm on health and the social sector operating in Australia and the Asia-Pacific region. The Burnet Institute is an Australian not-for-profit organisation that links medical research with public health action.

malaria free (WHO, 2014). Presently, China has reached the stage of near elimination of malaria. Although China and PNG differ remarkably in certain areas, including health systems and human resources, China’s experience can be borrowed and applied to PNG, such as its laboratory expertise.

Australia has taken the lead in supporting malaria control and elimination in the Asia-Pacific region; it has proposed several new initiatives. AusAID initiated and supported a joint assessment of the response to artemisinin resistance in the greater Mekong subregion from November 2011 to February 2012 (Tulloch et al., 2012). From 31 October to 2 November 2012, the Australian government hosted a major conference—Malaria 2012: Saving lives in the Asia-Pacific—in Sydney, which brought together ministers of health and foreign affairs, as well as regional and international partners from around the region. During the meeting, the Australian government pledged more than \$73 million (AU\$100 million) to help eliminate malaria in the Asia-Pacific region (Asia Pacific Malaria Elimination Network, 2012). In October 2013, the prime ministers of Australia and Vietnam jointly initiated the establishment of the Asia-Pacific Leaders Malaria Alliance, which was endorsed by 18 leaders from the region (WHO, 2013). This initiative aims to strengthen the political commitment and efforts of combating malaria regionally and globally. During these meetings, Australia, China and PNG officials discussed potential development cooperation on malaria.

## A Lengthy Negotiation

As discussed above, Australia and China have been involved in growing engagement opportunities of development cooperation in recent years. This broad engagement has paved the way for the two donor countries to reach an agreement on this trilateral project.



**Figure 19. China–Australia–PNG trilateral malaria project timeline**

Source. Compiled by the author from own analysis.

This trilateral arrangement was based on a request from PNG's Secretary of Health Pascoe Kase for China and Australia's assistance in combating malaria in PNG in August 2012 (Interview with PNG Deputy Secretary of Health Paison Dakulala, Port Moresby, 14 November 2014). This was after a previous visit of PNG government delegates to China in the same month when PNG and Chinese officials discussed possible collaboration, including in malaria control (Interview with PNG Deputy Secretary of Health Paison Dakulala, Port Moresby, 14 November 2014). The MOU on development cooperation signed by China and Australia in April 2013 stands as a milestone umbrella agreement between China and Australia on development cooperation. Once this high-level decision was made, bureaucrats from China, Australia and PNG set out to determine specific projects for cooperation. Later, the three countries held several rounds of discussions and malaria control was identified as a specific area for cooperation.

In late April 2013, a joint scoping mission that comprised Australian and Chinese officials and experts led by AusAID consultant Dr Jim Tulloch visited PNG to explore possibilities for collaboration on malaria control. This visit coincided with a review of the PNG national malaria control program. During the trip, the delegation held discussions with officials from AusAID, the National Department of Health, the CPHL, the IMR, the Chinese medical team based in Port Moresby and other stakeholders. They made enquiries about PNG's needs and learned that the country needs quality assurance in malaria control and related capacity building. After assessing the situation of malaria control in PNG, the delegation identified possible areas of development cooperation for further discussion. Supporting malaria research at PNG IMR and laboratory services at CPHL were included in these further discussions (Interviews with Australian aid official and PNG Deputy Secretary of Health Paison Dakulala, Port Moresby, 4 and 14 November 2014).

In November 2013, Dr Geoff Clark, AusAID counsellor for development cooperation (health and HIV) in PNG, and Dr Justin Pulford from PNG IMR visited China to follow up on the malaria project options that were proposed by the exploratory delegation in April 2013 (Interview with Australian aid official, Port Moresby, 4 November 2014). The delegation had discussions with officials from China MOFCOM, the NHFPC and the NIPD in Shanghai and agreed in principle that the three countries would enact the malaria project (Interview with Australian aid official,

Port Moresby, 4 November 2014). From March to April 2014, AusAID consultant Jim Tulloch led a second visit to PNG and China, which consisted of officials and experts from Australia, China and PNG. This visit fleshed out the design and details of the trilateral aid project (Interview with participant of the trilateral project, Canberra, 30 March 201). On 19 October 2015, the three countries finally signed the project agreement (MOFCOM, 2015d). The project was officially launched in January 2016 in Port Moresby.

This malaria project is a drop in the bucket in terms of project value compared to Australia's annual aid outlay of approximately AU\$500 million to PNG. However, as illustrated in Figure 19, it has taken the three countries a year and a half to finalise the project agreement. Trilateral cooperation is a new aid modality to Chinese officials, and they want to understand it clearly before the project starts. As one Australian interviewee revealed, 'A MOFCOM aid official said, for China, this is a new thing. So, it takes a long time. This is already quite quick [in Chinese terms]. They [Chinese] are very careful about wording' (Interview, Port Moresby, 4 November 2014).

Based on my interviews with officials and experts from Australia, China and PNG, there is a strong impression that Australia and China (especially Australia) have played a more proactive role in the negotiation and promotion of this trilateral project. From the Chinese side, most of the preparation and negotiation work was performed by MOFCOM, the NHFPC and NIPD at their headquarters in Beijing. The involvement of the Chinese Embassy and the economic and commercial counsellor's office in PNG were limited compared to their Australian counterparts. MOFCOM and the NHFPC's direct involvement demonstrates the significance that China has placed on this pilot project.

The role of the PNG government is limited, if not minimal, and it failed to demonstrate sufficient ownership in the process. Most officials from the main PNG aid agencies—including the DNPM, National Department of Health and DFAT—were not aware of the project, let alone the details. Leo Makita, Director of Malaria and Vector control from the PNG National Department of Health, noted that 'the project was involved at high-level of the three governments and filtered to me [and other bureaucrats]' (Interview, Port Moresby, 12 November 2014).

## Motivations of the Three Countries

Although my research question asks what factors drive China's trilateral aid cooperation, in addition to analysing China's motivations, the motivations of the other two countries in the trilateral project must also be examined. Providing a comprehensive view of the trilateral project will help readers better understand the project. More importantly, it takes three to tango in a trilateral project. China's motivations do not stand alone: they are subject to the influence of the other two partner countries in the project and they evolve through the process of interaction.

### China

There are two main reasons for China's participation in this trilateral project. First, the Chinese government has regarded its aid in the health sector as an important method for demonstrating China's moral duty and for improving its global image. China has recently increased its foreign aid in public goods, such as in health and climate change. Malaria control is a significant component of China's health aid. As China's first white paper on foreign aid highlighted, health is an important sector of Chinese development assistance; China established 30 malaria prevention and treatment centres in Africa and donated artemisinin anti-malaria medicines that were worth \$29.3 million (RMB 190 million) to African countries from 2006 to 2009 (State Council, 2011d, p. 22). China has also provided anti-malaria medicines to the Pacific, as pledged by Chinese Premier Wen Jiabao in 2006 (Wen, 2006, p. 11).

As discussed earlier, China additionally has a strong technical capacity in malaria control. Artemisinin (*qinghaoSu*) was first discovered and extracted by Chinese medical experts from sweet wormwood (*qinghao*), a traditional Chinese medical plant in the 1960s; it was then widely used in the treatment of malaria, which has saved millions of lives worldwide (Miller & Su, 2011). Tu Youyou, a Chinese researcher who was heavily involved in the discovery of artemisinin, was awarded the 2015 Nobel Prize in medicine. The extracted medicine is widely used in PNG.

With regard to PNG, China has been providing assistance to the PNG health sector since 2002, including dispatching medical teams and donating medical equipment. China is well placed to share its experiences in malaria control and elimination with PNG. However, China's experience in delivering aid to the wider public domain in PNG is limited

(Interview with PNG Deputy Secretary of Health Paison Dakulala, Port Moresby, 14 November 2014; Wang & Yu, 2017). This gap can be filled by Australia's rich experience in PNG that has developed over the years. PNG also offers a challenging site for Chinese scientists to conduct applied research in malaria.

A second main motivation relates to China's desire to learn from Australia's aid practices and thus improve its aid effectiveness. Broadly speaking, the interaction between China and traditional donors, including Australia, has increased in the last decade. Engagement provides the spark to experiment with new ideas, including trilateral cooperation. Trilateral cooperation, at least in theory, is an effective way of making use of each donor's comparative advantages and promoting mutual learning. There is genuine interest on the Chinese side to learn how traditional donors deliver their aid. A former Chinese senior aid official said, 'Through trilateral aid cooperation, China hopes to learn and improve its aid practices in the areas of feasibility study, institutions, project evaluation and supervision' (Interview, Beijing, 1 September 2015). Australia's willingness to cover the costs strengthens China's interest in the project. We must clarify that China's learning desire does not contradict its official discourse that Chinese aid is different from the aid of traditional donors. China's purpose is to selectively learn from some aspects of traditional donors, such as aid monitoring, to improve Chinese aid delivery rather than accept all of them.

Another Chinese aid official on health who participated in the trilateral project explained China's learning imperative as follows:

China can learn through trilateral aid cooperation with western countries. China can learn from their advanced practices in design, management and evaluation of aid projects. Western aid, what they call 'aid programs', has a whole set of management models and frameworks covering areas such as impact assessment and outcome management. In contrast, many of China's foreign aid projects such as providing medical training and dispatching medical teams are not programs. They can only be called 'aid activities' (*huodong*). (Interview, Beijing, 26 August 2015)

China values Australia's broad knowledge of PNG, which has been built over many decades. As China's foreign aid prompts concern from traditional donors, trilateral cooperation is a test case for future cooperation with the potential of not only promoting aid effectiveness,

but also improving China's global image as a beneficial international citizen. As two Chinese participants in this trilateral project explained, 'This project can uplift our global influence and visibility, and the Chinese government is willing to shoulder greater international responsibility' (Interviews, Beijing, 24 and 31 August 2015). Guo Chunmei and Tian Jingling, scholars on Oceania from the China Institute of Contemporary International Relations, argued that by working in trilateral partnerships with regional donors such as Australia, China wants to present the image of a cooperative partner in the Pacific rather than one of a state who seeks to dominate the region (Interview, Beijing, 6 August 2015).

MOFCOM and the NHFPC are two of China's government agencies who are most deeply involved in this project. MOFCOM cares about the improvement of China's aid effectiveness by attempting to learn from Australia regarding aid policies and on-the-ground management. The NHFPC has dual interests. From the technical perspective, this project provides the NHFPC with an excellent opportunity to test and apply malaria technologies in a totally new environment. This is beneficial for China's malaria research and application, as malaria cases in China have been rare in recent years. Another benefit for the NHFPC is, as one project participant explained, 'This cooperation offers MOH [NHFPC] officials and experts another opportunity to walk out of their office and travel to an exotic place: PNG' (Interview, Canberra, 30 March 2015).

Lu Guoping, division director of NHFPC's Department of International Cooperation, is deeply involved in this project on behalf of the NHFPC. At the seventh China health communication conference in July 2012, she used the China–UK global health support program, a trilateral initiative signed in September 2012, as an example to explain the benefits that China expects to reap from trilateral cooperation:

It [trilateral aid cooperation] provides opportunities for the Chinese government and academic institutes to learn about the latest global developments in health and the best practices, and to learn how other donors deliver aid, how international organizations conduct cooperative projects and participate in global health activities. It will also strengthen our capacity, including the capacity of the Chinese government and academic institutes. It will train Chinese experts and help them participate in global health activities. (Finance China Web, 2012)

The bureaucratic imperative is another important factor. There is a growing number of professionalised aid officials and experts in China. As Professor Stephen Howes from the Development Policy Centre of ANU argued, this new generation of Chinese officials wants to conduct good aid projects and be supportive of learning from traditional donors, including through trilateral aid cooperation (Interview, Port Moresby, 2 November 2014).

China has demonstrated its changes of aid practices in this trilateral project. As an AusAID official stressed:

This trilateral malaria project is the first time that this is not their [Chinese] plan. They are supporting another country's (PNG) plan. The hardest thing we have to do to get over to them is that they [China] keep designing their own plan, and we (Australians) keep saying no ... The recipient country [PNG] knows their country. So, it is better we support them implementing their own plans instead of writing our own plan ... What we want China to do is to support the PNG government implementing their own plan. PNG has its own national malaria plan ... It is a very big shift from how China has done cooperation in the past. (Interview, Port Moresby, 4 November 2014)

## Australia

Australia has been seeking a different kind of relationship with China regarding development cooperation in recent years. From a global perspective, China's economy is maturing, and the country is moving away from being an aid recipient, even though intractable poverty remains in many rural areas. The Australian government is encouraging China to play a more active role in global development. As the first Western donor to China, Australia's aid cooperation with China is shifting from providing aid to China to jointly providing aid to other developing countries, with a focus on the Asia-Pacific region. This serves Australia's broader strategic and diplomatic objective of strengthening its relations with China—Australia's largest trading partner and a potential global superpower, though the element of geopolitical competition is becoming more notable in the past two years. In practical terms, through this trilateral malaria project, Australia also expects to wield influence on China's aid delivery and to use China's expertise in malaria control—particularly the development of effective artemisinin-based treatments, though this point is less prominent when compared to Australia's strategic and diplomatic objectives as mentioned above.

Jointly providing aid with China to the PNG health sector also serves Australian interests. Australia is the largest external contributor to the PNG health sector. Due to geographical proximity, helping the PNG government improve its capacity in the health sector, particularly its control of communicable diseases, is also in Australia's interests. As Grant Muddle, chief executive officer of Port Moresby General Hospital, commented, 'The Australian government will accept help from anybody that is going to help improve health in PNG because health in PNG is Australian largest bio risk' (Interview, Port Moresby, 3 November 2014).

In February 2014, then Australian Foreign Minister Julie Bishop credited the complementary roles of Australia and China in this trilateral aid project and lauded it as 'a positive concrete example of China's active engagement in international development and Australia's responses to the realities of the global economy' (Bishop, 2014). This perception is echoed by an Australian aid expert: 'This trilateral project on malaria is something of a natural synergy and partnership' (Interview, Port Moresby, 4 November 2014).

## PNG

Foremost, malaria control is a priority task for the PNG government in the health sector. According to the PNG national malaria strategic plan 2014–2018:

Malaria remains one of the most important public health problems in Papua New Guinea (PNG) and the National Health Plan 2011–2020 identifies reducing malaria-related morbidity and mortality as one of its key objectives. (National Department of Health, 2014, p. 10)

An estimated 94 per cent of PNG's population lives in areas that are classified as highly endemic for malaria; on average, 1.5 to 1.8 million suspected cases of malaria are reported by PNG health facilities annually (National Department of Health, 2014, p. 26; Australian High Commission, 2016).

This trilateral project focuses on both research and operations in which there is a significant capacity gap in PNG. Microscopic examination of the blood of patients with suspected malaria has been the mainstay of malaria diagnosis. However, there is only one PNG expert in the whole country who knows how to use microscopy (Interview with Chinese health expert in the project, Beijing, 31 August 2015). This

project aligns closely with the objectives in the PNG national malaria strategic plan 2014–2018, including strengthening ‘the capacity of the CPHL to manage microscopy quality assurance and training services’ and improving ‘surveillance, monitoring, evaluation and operational research’ (National Department of Health, 2014, pp. 35–36). The support from Australia and China has aligned with the PNG national malaria strategic plan 2014–2018.

A well-informed Australian aid expert explained PNG’s malaria control situation as follows:

Although there have been some recent improvements on malaria control in PNG, most cases of suspected malaria are treated without a diagnostic test. This has led to over-treatment, which is not only wasteful but also results in patients not receiving treatment for the real cause of their illness, and may contribute to drug resistance. PNG lacks adequate quality assurance mechanisms for diagnosis with diagnosis often inaccurate. Improving diagnosis is critical to ensure effective treatment and to give confidence to the assessment of the impact of malaria control based on reports of confirmed cases. The emphasis on operational research also aims to link technical research with the malaria policy and programming of PNG National Department of Health. (Anonymous Australian DFAT aid official, Canberra, 1 March 2015)

PNG’s weak capacity in health is affirmed by the PNG government itself, who acknowledges that the reported reduction in malaria cases requires careful interpretation due to certain challenges, including the data quality and completeness (National Department of Health, 2014, pp. 24–25). In addition, PNG is arriving at the final global round in terms of addressing malaria. One PNG health official revealed that this trilateral aid project is timely because the global funding for AIDS, tuberculosis and malaria ends in 2014 and PNG will have to search for new funding sources (Interview, Port Moresby, 19 November 2014). PNG Deputy Secretary of Health Dr Paison Dakulala explained the position of his department on trilateral aid cooperation as follows:

This is a relatively new approach and the benefits of it will be yet to be determined. However, in principle, a trilateral agreement will provide an additional broad support from three different countries compared to only two in a bilateral arrangement ... It opens new horizons for donor funding in PNG. (Interview, Port Moresby, 19 November 2014)

The potential of trilateral aid cooperation to promote aid coordination and reduce duplication is another motivation from the PNG side, though it is less obvious compared to the pressing needs of malaria control. Aid fragmentation has remained a headache for PNG and it has become a burden on PNG's limited institutional capacity. Many PNG officials stressed that they were keen to guide donors in providing aid in areas of their comparative advantage to promote better results and increase aid efficiency. By guiding donors to align with PNG priorities rather than imposing aid projects on PNG, the central government hopes to strengthen its ownership of aid management. A high-level official from the PNG Department of Foreign Affairs stated that this project utilises Australian, PNG and Chinese funding and resources and that it will address the aid accountability issue, as more actors are involved (Interview, Port Moresby, 14 November 2014).

A senior aid official from the PNG DNPM explained her vision for improved aid coordination:

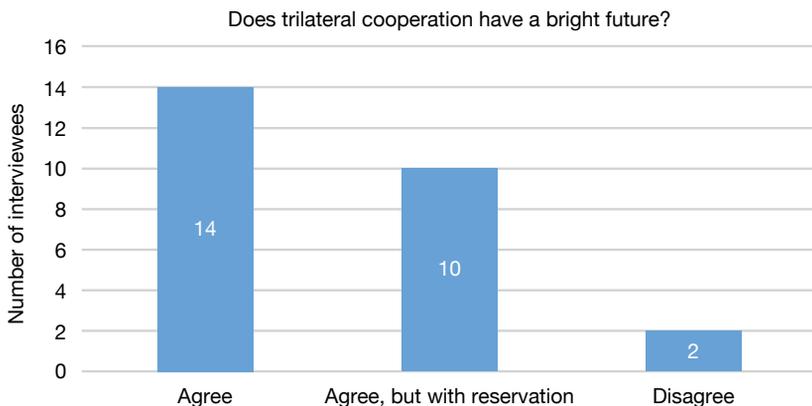
Currently we have four to five donors in one sector. You can imagine the person coordinating and satisfying them. We are thinking of putting the money [from donors] in the basket. We want to have aid more coordinated rather than allowing them to run to agencies and coming to us ... If they have the same goal, why not put their money in a basket and drive forward? ... Donors have to align to our priorities and harmonise into our system. If you think my system is not working, please help us build our system. We are a step forward in localising aid effectiveness agenda ... The current aid policy we are drafting now will try to push their aid to areas of their comparative advantages, areas we feel they are better at because they have been with us for these longer years. We trust them in areas which we believe they can deliver best and give us the value for money. (Interview, Port Moresby, 6 November 2014)

Strengthening bilateral relations with China is another motivation for PNG's involvement in this trilateral project. China is becoming one of PNG's most important trading and investment partners, as the PNG government acknowledged: 'Robust growth in China is particularly important for PNG as the revenues received for PNG's mineral exports will increasingly become dependent on the dominant China market' (DNPM, 2010b, p. 118). Ray Anere, senior research fellow at the

PNG National Research Institute, argued that entering into a trilateral partnership with Australia and China in this project ‘signifies the maturity in PNG’s bilateral relations with China and with Australia’ (Interview, Port Moresby, 10 November 2014).

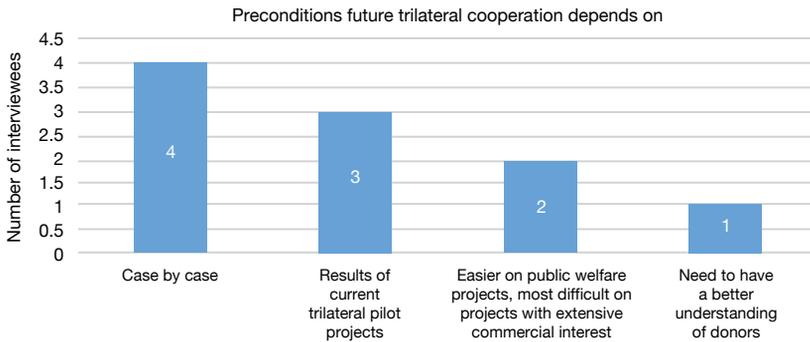
## Reactions towards Trilateral Cooperation

Based on my interviews, most interviewees from the PNG government departments, donor community, international and regional organisations, aid implementation companies, business sector and think tanks in PNG and Australia in 2014 and 2015 thought positively in regard to the future for trilateral cooperation. Figures 20 and 21 outline their attitudes towards trilateral aid cooperation. There are two caveats. First, the number of interviews is insufficient for generalisation, but it does indicate the reaction of donors and relevant stakeholders to trilateral aid cooperation as a new aid modality to a certain extent. Second, some analysts believe that trilateral aid cooperation might have been fashionable for a time, especially while the Australian aid program was growing strongly, but it is no longer considered important (Interview with former senior AusAID official, Canberra, 5 May 2016).



**Figure 20. Interviewees’ reactions to trilateral aid cooperation**

Source. Compiled by the author from interview data.



**Figure 21. Interviewees' perceptions regarding the preconditions for trilateral cooperation**

Source. Compiled by the author from interview data.

## Conclusion

This chapter has traced the process of China's engagement with Australia in regard to development cooperation since 1979, especially during the last decade. Against the background of a changing aid landscape in PNG and China's growing inroad in the region, the first trilateral aid project between China, Australia and PNG was explored.

Similar to China's engagement with the UNDP as analysed in Chapter 4, the growing interaction between China and Australia—including through capacity-building aid projects—has led to changes in how Chinese policymakers manage foreign aid and how they improved their understanding of Australian aid delivery. Their attitude to aid from Australia as a traditional donor is not hostile, as depicted before 1970s. On the contrary, they believe that Australian aid can play an important role, such as facilitating China's adoption of advanced technologies and management skills in aid delivery. Moreover, although China has increased its aid to strengthen its political and economic interests in the Pacific, the factor of global image-building is more prominent. China is keen to diplomatically promote its image building in the region as a responsible power. This concurs with the finding of China's trilateral aid cooperation with the UNDP in Cambodia in Chapter 4.

The trilateral aid project on malaria control in PNG supports the above analysis. From the Chinese side, malaria control is China's strength in its foreign medical aid delivery. The Chinese government considers it an effective method for demonstrating its moral duty in providing global public goods and a means of improving its global image. Further, through this pilot trilateral project, China is keen to make use of Australia's comparative advantage in PNG and learn how Australia conducts its foreign aid in the Pacific.

## **Implications for Australia–China Future Cooperation**

This trilateral project, though small, carries significant political and symbolic flavour. As it is the first trilateral cooperation project between China and Australia, it has received a great deal of attention from both governments. China MOFCOM characterises this project as 'a complementation of Chinese and Australian strengths' (MOFCOM, 2015d). Australian Foreign Minister Julie Bishop hailed this project as 'ground-breaking' in her press release after the signing of the project agreement (Bishop, 2015). To reaffirm their determination to strengthen development, China and Australia signed a second MOU on development cooperation in March 2017 (MOFCOM, 2017). As this project is still under implementation, lessons and experiences are yet to be obtained.<sup>8</sup>

The project has important implications for the future cooperation of China and Australia in the Pacific. At a time when this region is crowded with a growing number of traditional and emerging donors, trilateral cooperation has the advantage of reducing mutual suspicions among the donor community and relieving the heavy coordination burden on Pacific Island nations. UNDP reports explored the development needs of the Pacific Island countries and identified several options for trilateral partnership between China and traditional donors in the sectors of agriculture, health, education and even the civil society support program (Smith et al., 2014; Zhang, 2017a). To ease Australia's growing concerns of China in the Pacific, China's Minister of Foreign Affairs Wang Yi told his Australian counterpart, Marise Payne, in September 2018 that 'we are willing to conduct trilateral cooperation with Australia based on the needs of Pacific island states, and assist them in achieving the 2030 sustainable development goals without delay' (Xu & Zhu, 2018).

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8 In April 2018, a group of experts from Australia, China and PNG conducted an internal mid-term evaluation of the project. The results are not available to the public.

Aid officials from China and Australia emphasised that the prospects for increasing cooperation in the future largely depend on the progress of the pilot project, which is exploratory in nature. China MOFCOM has made it clear to Australia that:

China will not commit to trilateral cooperation in anything else unless they see how this [Australia–China–PNG malaria] project goes. This project is a pilot project. If it is successful, it will pave the way for future cooperation. (Interview with an Australian aid official working on the project, Port Moresby, 4 November 2014)

The final word goes to a voice from the recipient country—who, in theory, is the final beneficiary of cooperation. Regarding PNG's future plans of conducting trilateral cooperation with China and traditional donors in health, PNG Deputy Secretary of Health Paison Dakulala expressed his personal view:

Traditionally, what we have worked at is bilateral. When we (PNG) talk about Australian and NZ, they are just part of us, within the same Pacific. We are neighbours, we know and understand each other. That relationship is quite clear. When we go down further, outside of the Pacific, our circle of influence becomes tricky. We need partners that have better understanding ... At the end of it, the interest of PNG must come first. (Interview, Port Moresby, 14 November 2014)

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