



Risk and Opportunities of China's Belt and Road Initiative in Papua New Guinea

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ABSTRACT

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In 2013, President Xi Jinping proposed the extensive 'One Belt One Road' initiative as a means to invigorate global economies. The objective of the initiative is to enhance global trade between China and 65 other nations, mostly Asian, European, and African countries. China views PNG as a crucial gateway to the Pacific region, which might aid its expansion into Oceania as it aims to boost its economy. This article seeks to delineate the potential prospects and concerns linked to China's Belt and Road Initiative (BRI) in PNG, emphasizing the promotion of economic growth, infrastructure development, and regional economic collaboration within the Asia-Pacific region. It is crucial to understand the BRI's relevance to emerging economies in the Papua New Guinean setting, given the breadth and depth of this programme on a global scale

INTRODUCTION

In early 2019, I engaged in a discussion with a Chinese entrepreneur at her family-operated retail establishment in Port Moresby, PNG. I requested that she discuss her experiences as a third-generation migrant to PNG since the mid-1950s. In our conversations, she elucidated how her ancestors established prosperous retail enterprises and expressed her gratitude for the chance to forge a life in PNG. She said that the amicable connections between PNG and China eased her early endeavors here. I expressed my curiosity about her statement, to which she responded, "Certainly, it required considerable effort on my part to achieve this, but I would not be in this position without the support of my family and the new policy facilitating opportunities overseas.

A series of talks were delivered by President Xi Jinping at Nazarbayev University in Kazakhstan in September and October 2013. The Belt and Road Initiative (BRI) was first proposed during his remarks. Ignoring their differences, the terminology above applies to both the Silk Road Economic Belt and the Maritime Silk Road of the 21st Century. Maritime Silk Roads of the 21st century traverse the South China Sea, Indian Ocean, and South Pacific Ocean in various portions. Several of these areas are accessible by road. Xu (2015) states that the aim of this comprehensive approach is to achieve the objective of improving collaboration in five important domains: policy coordination, infrastructure interconnection, unrestricted commerce, financial system integration, and interpersonal connections. Sixty-five other nations are participating in this undertaking, which exemplifies China's most ambitious economic and diplomatic objectives.

The BRI is the most costly infrastructure project in world history. This is a public manifestation of the People's Republic of China's (PRC) overarching policy and is part of China's economically motivated mission to increase its worldwide influence. To be more specific, the BRI is a plan that Beijing is implementing with the goal of establishing sea and land networks that will link Asia with Europe and Africa. Beijing is executing this strategy to improve regional integration, stimulate economic growth, and increase trade (Dossani, Bouey, & Zhu, 2020). Conversely, it is crucial to recognize that nations in the Asia-Pacific area, including PNG, are situated on the periphery of China's overarching strategy.

However, in 2006, Premier Wen Jiabao provided clarification about China's intention to increase its involvement with the Pacific Islands. In 2014, Xi Jinping reaffirmed this intention by inviting the leaders of the Pacific region to join China's "development express train." The largest Pacific Island country, PNG, was the first regional nation to sign an MOU and cooperation plan with China in order to build the BRI together. Due to the extreme disparity of power in this relationship, even a little action on China's part may have far-reaching consequences for the Pacific Island nations. Over the last several years, China and PNG have worked together to build the BRI, and they have always stuck to the principles of extensive consultation, joint involvement, and shared benefits. It has also promised to achieve high-standard, people-centered, and sustainable

development goals while adhering to the concepts of open, green, and clean cooperation.

In order to get a better understanding of what the BRI may potentially imply for PNG, this article will concentrate on the changes that occurred when PNG became a member of the BRI. To achieve this goal, it will seek advice from a range of knowledgeable PNG and Chinese experts. This article addresses important questions, like how PNG enters and benefits from the BRI. In terms of connection, what are the possible advantages and disadvantages that may develop in PNG? Within the framework of this research, the evaluation and critical analysis of the available literature on the BRI in PNG is the primary emphasis of the strategic approach.

LITERATURE REVIEW

China's Belt and Road Initiative

The Silk Road has been a vital link between China and the world for over 2,000 years, serving as a major trade route that facilitated the exchange of goods, culture, and knowledge between Europe, Asia, and the Middle East. This network of roads and waterways played a crucial role in shaping the economic activities of many civilizations for over fifteen centuries. The Silk Road had no defined borders, allowing merchants and travelers to move freely, contributing to economic and cultural integration.

China is now reviving the concept of the Silk Road through the Belt and Road Initiative (BRI), an ambitious project aimed at enhancing global trade by developing infrastructure such as roads, railways, and ports across Asia, Europe, and beyond. Launched in 2013, the BRI seeks to boost economic growth in China and over sixty other participating nations, aligning with China's broader economic strategy. The initiative has gained international support, including a memorandum of understanding with the European Commission, as it aims to reshape global trade patterns and strengthen China's influence in global commerce.

Under President Xi Jinping, the BRI has become a central component of China's foreign policy, extending beyond infrastructure to include investments in energy, communication networks, and military projects. Scholars suggest that the BRI has the potential to revolutionize regional cooperation, fostering job creation and deeper economic ties. However, its global implications remain debated, particularly regarding its role in shifting geopolitical power dynamics. While the initiative primarily focuses on Eurasia and Africa, its reach has expanded, sparking discussions on its impact in regions like the Pacific Islands.

The Origins of China's Belt and Road Initiative in Traditional Chinese Philosophy

Cultural cooperation within the Belt and Road Initiative (BRI) has received less attention compared to its economic aspects. One of the key goals of the BRI is fostering "people-to-people bonds," which involves cultural and educational exchanges, media collaboration, and tourism. This reflects the initiative's soft power component, emphasizing that the BRI extends beyond economic interests. Integrating cultural and commercial elements, the BRI aims to build a

sophisticated cultural network that strengthens international relationships and mutual understanding along the New Silk Road.

The BRI is deeply rooted in China's historical and philosophical traditions, with the Silk Road symbolizing peace and economic prosperity. China envisions the BRI as a means to promote global cooperation and shared development. However, cultural barriers and misunderstandings make it challenging for diverse nations to fully grasp the initiative's deeper ideological significance. Unlike Western models, the BRI lacks a rigid structure, measurable objectives, or a fixed timeline, instead evolving dynamically to adapt to global changes while strategically positioning China as a key global player.

Another critical aspect of the BRI is its ideological foundation in the Chinese philosophy of transformation. As Karl Marx and Friedrich Engels noted, economic forces drive historical change, and China appears to be using the BRI to reshape the international order to align with 21st-century realities. This alternative globalization model suggests that China seeks to establish a system where it holds a moral and strategic advantage over its competitors, redefining global power dynamics in a way that diverges from traditional Western-led frameworks.

METHODOLOGY

Concept of Harmony and Diversity Relations

The Chinese philosophical system profoundly influences perspectives on life, society, and governance. Within the Belt and Road Initiative (BRI), traces of classical Chinese thought, particularly Confucianism, are evident. The Analects of Confucius, one of the most influential texts, emphasizes moral integrity and good governance. Song Dynasty Prime Minister Zhao Pu even stated that half of Confucius' Analects could govern a country, underscoring its importance. Confucius categorized people as either good or bad, reinforcing the high regard for Confucian thought in Chinese philosophy.

A key principle in Chinese philosophy is the distinction between harmony and uniformity. Harmony refers to mutual understanding rather than sameness and is considered essential for societal and national stability. This concept is reflected in China's foreign policy through the Five Principles of Peaceful Coexistence. The Chinese language also embodies this idea, as the character for "harmony" is identical to that of peace. Many Chinese families display calligraphy with sayings like "Harmony is the most valuable" or "If a family is in harmony, everything will be successful," reflecting the deep cultural emphasis on unity and balance.

Concept of Peace and War Relations

The Chinese people have a deeply philosophical perspective on the relationship between war and peace. They prioritize harmony in social life and avoid conflict. Chinese culture is rich with proverbs and teachings that emphasize the importance of maintaining good relationships with others, including friends, colleagues, neighbors, and even enemies. One well-known teaching from The Analects of Confucius states, "No one should be forced to do something they do not want to do," which has become a guiding principle for many Chinese people. Other ancient proverbs, such as "A distant cousin is not as

useful as a close neighbor" and "All humans in the world are brothers," reflect values of brotherhood and unity.

Throughout its history, China has never invaded other nations but instead established a tribute system for nearly three thousand years. This system was based on strength and prosperity rather than conquest or invasion. To sustain this system, a country needed to achieve a high level of wealth, attracting neighboring nations seeking protection and security. This concept portrays China as a "centered nation," not only in a geographical sense but also as a central influence for surrounding countries.

Concept of State and Family Relations

The bond between the state and the family is deeply rooted in Chinese society and plays a significant role in understanding the Belt and Road Initiative (BRI). The Chinese people's devotion to their leadership stems from their long history and early education, which teaches that academic excellence leads to high-ranking positions. The term "country" in Chinese combines the characters for "state" and "home," reinforcing this connection. Geert Hofstede's concept of power distance highlights the deep respect the Chinese have for authority, which is greater than in Western nations. As a result, the Chinese government often takes on responsibilities that businesses or nonprofits handle in the West, such as founding institutions like the Confucius Institute to promote culture and education.

A similar misunderstanding surrounds the BRI, as Western countries, including Papua New Guinea, find it difficult to grasp why the Chinese government funds so many projects. Critics see initiatives like the Confucius Institute as cultural encroachment. However, the BRI aligns with China's "Five Cooperation Priorities," addressing regional disparities and poverty by sharing China's development experience. This initiative aims to help emerging nations cultivate their own economic strategies, drawing from China's success in managing growth and development.

RESULTS

The Belt and Road Initiative in Papua New Guinea

The 20th National Congress of the Communist Party of China emphasized the need for China to enhance its level of openness to the international community, enhance the quality and extent of trade and investment cooperation, expedite the development of a robust trading nation, advance the high-quality growth of the BRI, actively engage in global industrial division of labor and collaboration, and uphold a diverse and stable environment. A number of Pacific Island nations changed their diplomatic recognition from the Republic of China/Taiwan to the People's Republic of China (PRC) throughout the course of the BRI project. The PRC has diplomatically connected Fiji and Samoa since 1975, with PNG following suit in 1976. Other nations that have established diplomatic connections with China include Vanuatu (1982), Micronesia (1989), the Cook Islands (1997), Tonga (1998), Niue (2007), the Solomon Islands, and Kiribati (2019).

During the post-Going Out policy phase, there has been a substantial surge in the provision of assistance and investment to the region. According to Brant (2016), China loaned and granted its Pacific Island allies almost \$1.8 billion between 2006 and 2016. The United States and Australia each contributed \$1.9 billion and \$7.7 billion, respectively, but China surpassed them both to become the third-largest provider in this sector. The reason for this was that China, with a total contribution of \$1.9 billion, held the largest share. With a contribution of \$632 million, PNG would be the biggest winner, while Fiji will get \$360 million, the second biggest.

At a summit in Nadi, Fiji, in 2014, Chinese President Xi Jinping extended an invitation to the heads of state from eight Pacific Island nations that have recognized China's sovereignty to board the Maritime Silk Road's fast track to development (Xinhua, 2014). The Chinese government released a white paper in 2015, "The Economic Belt and the 21st-Century Maritime Silk Road," which included the nations of the Pacific Islands in the BRI system of trade routes.

Andie Fong Toy, the Deputy Secretary General of the Pacific Island Forum (PIF) at the time, referred to the BRI as a substantial contribution to global economic leadership (Pacific Islands Report, 2017). At the Belt and Road Forum, this took place in Beijing in May of the same year, David Morris, who was representing the PIF in China, underscored the considerable ability of the Maritime Silk Road to enhance regional infrastructure (ABC News, 2017).

China played host to a number of regional gatherings that year, including the Post-Forum Dialogue in Apia in September and the Belt and Road International Financial Exchange Cooperation Seminar in June. These discussions aimed to introduce the BRI to China's diplomatic allies in the area. According to a report from the Chinese Ministry of Foreign Affairs, Chinese Special Envoy Du Qiwen spoke about China's views on the Pacific Island States and the BRI during the event. The Pacific Island countries' officials expressed their eagerness to actively engage in the Belt and Road partnership. Xi wrote an op-ed for the newspaper and met with leaders of Pacific Island states to promote the BRI before the 2018 Asia-Pacific Economic Cooperation conference in Port Moresby:

"I have no doubt that the BRI will open up new avenues for the island countries of the Pacific to deepen their economic linkages to China and the rest of the globe, and for those states to take center stage in the ongoing economic globalization." (Xi, 2018).

Bilateral interactions among the countries in the Pacific Island area have put the BRI ideals into action. This has been accomplished via the creation of tangible projects, the signing of MOUs, and diplomatic visits. The BRI organized bilateral relations during O'Neill's second visit to China in 2016. They also signed concessional financing agreements for other infrastructure projects. PNG formally joined the BRI and unveiled a new series of projects funded by China during its third visit to Beijing, which occurred one year after the first meeting in November 2016. Smith (2017) asserts that these initiatives, particularly the renovation of the road network, had the potential to revolutionize the economy of PNG and enhance the delivery of social services. O'Neill publicly supported PNG's involvement in the Asian Infrastructure Investment Bank (AIIB) and its relationship to the BRI during his sixth state visit to China, when he signed a

MOU. Zhang Zongyan, President of China Railway Group, had a meeting with O'Neill, who was then acting as Prime Minister, and presented a detailed plan outlining the many strategies that China Railway will implement:

Efficiently execute the national BRI, using its financial, technological, skill-based, and managerial advantages, to significantly enhance PNG's economic and social progress (CREC, 2018).

Since the establishment of diplomatic contacts between the two nations a decade ago, the connection between China and PNG has grown faster than any other bilateral partnership. President Xi Jinping's historic official visit to PNG in 2018 established a comprehensive strategic alliance based on mutual respect and shared development. During the third Belt and Road Forum for International Cooperation in 2023, Premier Li Qiang stated that China is willing to work with PNG to strengthen political trust and offer unwavering support on issues related to their shared interests and fundamental concerns. Infrastructure, the building of special economic zones, and processing businesses associated with agriculture, forestry, and fishing are all sectors where China hopes to increase collaboration and better match development goals.

China is prepared to collaborate with PNG in order to speed up the process of organizing a new series of joint economic and trade committee meetings, enhance people-to-people and cultural exchanges, and cooperate in areas like tourism, education, and localities. It is also critical that nations in the Global South work together more closely to combat climate change. More than that, we must all pitch in to help the island countries of the Pacific achieve sustainable development and promote global and regional stability, prosperity, and peace. At present, China's partnership with PNG primarily concentrates on three specific areas:

Enga Provincial Hospital

The Enga Provincial Hospital spans around 34 hectares. It has been the foremost provincial center for referrals, research, and teaching in the highlands of PNG. It is the first modern provincial hospital in an entire Pacific Island nation. The Guangdong Foreign Construction Company served as the principal contractor for the significant project. The project includes the sewage treatment plant, outdoor projects, staff housing, and the hospital complex. Construction was in progress from June 2017 until May 2021. During the hospital's opening ceremony, Prime Minister James Marape of PNG expressed appreciation to the Chinese government for its crucial financial support of the project. The highly regarded Enga Provincial Hospital exemplifies the exceptional quality of products manufactured in China and is poised to have a positive influence on PNG.

Independence Boulevard Road

On November 16, 2018, Papua New Guinea (PNG) marked a historic moment with the official handover of Independence Boulevard in Port Moresby, constructed by China under the Belt and Road Initiative (BRI). The six-lane, 1,060-meter-long boulevard directly connects the city's main road to Parliament House, creating jobs for 800 local workers and providing training for many others. The inauguration of this road symbolizes the strengthening relationship between

China and PNG, representing not just infrastructure development but also deepening diplomatic and cultural ties between the two nations.

In addition to the boulevard, China has contributed to PNG's development through various projects. The PNG National Power Grid Phase One Project improved energy transmission across challenging terrain, enhancing electricity access and local living standards. The PNG National Submarine Cable Network Project connected fourteen major cities, significantly boosting communication infrastructure, improving quality, and reducing costs. Another impactful initiative, the Juncao and Upland Rice Project, has been benefiting PNG for over two decades, supporting more than 40,000 locals with agricultural advancements. These projects highlight China's role in PNG's progress across multiple sectors.

Chinese State-Owned Enterprise

Before the 2015 Pacific Games, many Chinese construction companies began operating in Port Moresby, Papua New Guinea (PNG). After completing their projects, many chose to stay, increasing competition and reducing prices by up to 20%. These companies can offer low prices by importing their own workforce from China. Additionally, state-owned enterprises (SOEs) have a 50% competitive advantage over local companies in the bidding process, primarily due to their efficiency in completing projects.

The Asian Development Bank (ADB) plays a crucial role in PNG, particularly in assisting the government with decision-making. Significant progress was made during Prime Minister O'Neill's tenure, as he fostered strong ties with Chinese companies. Although the new administration under Marape is determined to "reclaim PNG," the number of Chinese companies and workers continues to rise. China views the Belt and Road Initiative (BRI) as a political and economic strategy to strengthen its influence in the Pacific region and gain support for its "One China" policy. Many Chinese companies, such as China Harbour Engineering Company (CHEC) and Huawei, have established subsidiaries to expand their business and enhance competitiveness.

As of August 2019, there were 24 Chinese SOEs in PNG, according to a report from China's Ministry of Commerce. Since 1995, a total of 79 Chinese state-owned and provincial enterprises, along with 12 organizations, have been registered in PNG, though many are affiliates. An official from a Chinese construction company stated that BRI is merely a label for ongoing projects. While BRI has raised concerns among Western nations, it has not led to additional financial support from China to PNG. Chinese companies continue to dominate contract bidding due to their purely economic focus, avoiding political involvement while still operating in alignment with the directives of their home government.

Funding of Belt and Road Initiative

China's state-owned enterprises (SOEs) serve as key geo-economic tools, aligning economic actions with geopolitical strategies. These SOEs often prioritize strategic objectives over financial gains, as seen in the Ramu NiCo mining project in Papua New Guinea (PNG). A recent meeting between the Prime Minister of the Solomon Islands and a Chinese SOE executive further underscores this dynamic. While Chinese policy banks like the China

Development Bank (CDB) and the Export-Import Bank (Exim) play a role, SOEs often prefer securing financing from institutions like the Asian Development Bank (ADB), which offers more stability and transparency.

Chinese SOEs operating in the South Pacific, including China Harbour Engineering Company (CHEC) and China Civil Engineering and Construction Corporation (CCECC), have significantly engaged with ADB and the World Bank. Many infrastructure projects in PNG and Vanuatu receive funding from these institutions rather than Chinese sources. The ADB follows a rigorous project evaluation and financing process, ensuring efficiency and credibility. Over 80% of PNG's infrastructure projects funded by ADB have been awarded to Chinese SOEs, highlighting the competition between international financial institutions and China's BRI initiatives.

Despite China's growing influence through the Belt and Road Initiative (BRI), funding patterns reveal a shift in financial priorities. Research by financial analyst Dinny McMahon indicates that the CDB's foreign currency reserves, which once grew consistently, began declining around the time of Xi Jinping's promotion of the BRI. This shift has affected BRI financing, as seen in PNG, where a promised \$300 million loan from the CDB was never fulfilled. Instead, Australia stepped in to provide financial assistance, raising questions about China's commitment to its own global infrastructure agenda.

These developments suggest that the global financial system plays a crucial role in shaping China's BRI strategies. While China's strategic communications emphasize dominance in infrastructure financing, SOEs remain open to alternative funding sources, particularly from the ADB. This creates a highly competitive environment for global investment, where multinational institutions can offer more cost-effective financing options than Chinese policy banks. Ultimately, China's reliance on external funding reveals the complexities of geo-economic competition in international development.

Economic Development, Trade and Investment

China's economic expertise and investment potential can support developing countries like Papua New Guinea (PNG) in utilizing their natural resources, particularly in the energy sector. Foreign investment in energy innovation should be a key focus of foreign policy, as selling energy capacity to China could transform PNG's economy. Beyond energy, China also offers technical assistance in clean and alternative energy solutions. Strengthening regional economic ties through province-to-province cooperation between PNG and Chinese economic zones can further accelerate development and mutual benefits.

China and PNG have been working together on infrastructure, trade, and development, aligning initiatives such as the Belt and Road Initiative (BRI) with PNG's national strategies like Connect PNG and Vision 2050. As part of the South-South Cooperation Framework, China has increased support for PNG, particularly in poverty alleviation. Negotiations for a bilateral free trade agreement are ongoing, with China committing to increasing imports from PNG and encouraging Chinese businesses to invest locally. These investments aim to

enhance connectivity, improve living standards, and develop local skills, fostering economic growth and independence.

Table 1: Shows China-PNG New Economic and Trade Signed Bilateral Agreement

| Date | Signed Bilateral Agreement |
|---------------|---|
| June/2022 | "Memorandum of Understanding on Promoting Investment Cooperation in Green Development" |
| February/2022 | The "Protocol on the Quarantine and Health Requirements of PNG's Edible Aquatic Animals Exported to China" and the "Memorandum of Understanding on Agricultural Cooperation" by the PNG Ministry of Fisheries and Marine Resources. |
| October/2019 | The "Memorandum of Understanding on Fisheries Cooperation" and the "Protocol on Inspection, Quarantine and Veterinary Health Requirements for Wild Sea-Caught Aquatic Products Exported to China from PNG" |
| April/2019 | "Cooperation Plan on Jointly Promoting the Construction of the "Belt and Road" |
| October/2018 | The "Memorandum of Understanding on Strengthening Investment and Production Capacity Cooperation" and the "Memorandum of Understanding on the Establishment of the China-PNG Joint Economic and Trade Committee" |
| June/2018 | "Memorandum of Understanding on Joint "Belt and Road" Construction" |
| July/2016 | "Civil Air Transport Agreement between the Government of the People's Republic of China and the Government of the Independent State of PNG" |
| July/2016 | The "Framework Agreement on Carrying out Production Capacity Cooperation" and the "Memorandum of Understanding on Conducting a Joint Feasibility Study on the Free Trade Agreement between China and PNG" |
| July/1996 | "Fisheries Cooperation Agreement between the Government of the People's Republic of China and the Government of the Independent State of PNG" |
| July/1996 | "Trade Agreement between the Government of the People's Republic of China and the Government of the Independent State of PNG" |
| July/1994 | Agreement on the Avoidance of Double Taxation and the Prevention of Tax Evasion with Respect to Income |
| April/1991 | Agreement on the Promotion and Protection of Investments |

Source from Economic and Commercial Office of the Chinese Embassy in PNG

China's economic recovery from COVID-19 could boost demand for Papua New Guinea's (PNG) natural resources, aided by preferential trade policies such as tariff-free zones. However, PNG faces significant trade challenges, including a deficit, low-value agricultural exports, competition from Southeast Asia, and high transportation costs. Long customs procedures further complicate agricultural and fishing exports. Despite PNG's growing economic influence in the region, security remains a major concern. The country's security framework is fragile due to reliance on traditional allies, requiring a reassessment of strategic military cooperation amid shifting geopolitical dynamics.

China has proposed a security agreement to PNG, raising concerns in Washington and Canberra, as both nations have been PNG's primary security partners for decades. While some view China's involvement as a legitimate alternative, PNG's defense sector has struggled with financial constraints. A significant military budget increase in 2013 aimed to strengthen the PNG Defense Force, but there is no confirmed evidence of securing the necessary funds. The country has signed various security agreements with bilateral partners to enhance law enforcement, border protection, cyber defense, and maritime security, yet many initiatives remain incomplete due to funding issues.

PNG has maintained strong diplomatic ties with China for over 50 years and was the first Pacific nation to join China's Belt and Road Initiative in 2018. Meanwhile, its historical relationships with the U.S. and Australia date back to World War II, reinforcing their influence in the region. However, Pacific nations remain cautious about major power rivalries. Dame Meg Taylor, former Pacific Islands Forum secretary-general, emphasized PNG's commitment to a neutral foreign policy, advising business leaders to navigate geopolitical influences carefully while maintaining balanced diplomatic and economic engagements.

"In our region, we are seeing the escalating expansion and impact of both China and the United States, both of which are pursuing their own vested interests. China seeks to enhance its power, while the United States aims to augment its military capabilities. Although our country, PNG, and region are considered influential, our leaders have the capacity to collectively excel at promoting Pacific interests. This event provides insight into the characteristics of our nation" (Dame Meg Taylor, 2024).

Asia is now recognized as the primary economic and geopolitical force shaping Africa's security landscape. Liquefied Natural Gas (LNG) projects can introduce security challenges such as terrorism, piracy, and illegal arms trade. The involvement of multinational corporations like Exxon Mobil in LNG projects in Papua New Guinea (PNG) poses significant national security risks, particularly in the transportation of oil through maritime routes. PNG heavily relies on its natural resources, including gas, oil, fisheries, and agriculture, making a strong security system essential. However, despite decades of defense cooperation with Australia, PNG still struggles to develop a modern military force to safeguard its sovereignty in the post-independence era.

The formation of an alternative alliance with China provides PNG with an opportunity to strengthen strategic ties while maintaining traditional partnerships with Australia and the United States. With military support from China, PNG can enhance its regional power. However, this partnership must be

comprehensively redefined to ensure mutual benefits. PNG must align its foreign policy with shifting global dynamics, including adopting a "Look North" strategy that focuses on China while preserving other alliances. With its strategic position and diplomatic capabilities, PNG can maximize its economic advantages despite negative perceptions of China.

Economic and Trade Cooperation

Papua New Guinea (PNG) has become China's main trading partner among Pacific Island nations, with increasingly strong economic ties since formal diplomatic relations were established in 1976. PNG benefits from tariff reductions under the Generalized System of Preferences (GSP) and trade agreements such as PICTA, PATCRA, and SPARTECA, which provide preferential access to markets in Australia, New Zealand, and other Pacific nations. In an effort to enhance trade relations with China and Australia, PNG has conducted feasibility studies on establishing free trade zones. In 2018, President Xi Jinping signed a memorandum of understanding to create the China-PNG Joint Economic and Trade Committee mechanism.

PNG heavily relies on imports due to its underdeveloped manufacturing sector, with Chinese goods being the preferred choice for their affordability. In contrast, Australian products, which meet high standards, tend to be more expensive. In 2021, PNG recorded exports worth K35.55 billion and imports totaling K18.72 billion, with China, Taiwan, Japan, and Singapore as its primary markets. Key imports include fuel, machinery, vehicles, and industrial materials, while major exports consist of gold, copper, timber, crude oil, and agricultural products such as coconut and coffee. The WTO estimated PNG's service exports at US\$107 million in 2021, while service imports reached US\$939 million.

Foreign Investment

PNG predominantly attracts foreign investment from countries like Australia, the United States, China, Malaysia, and Singapore. The main sectors of investment in PNG include minerals, natural gas, forestry, and other resource industries. According to data from the United Nations Conference on Trade and Development, PNG attracted a foreign investment of US\$87 million in 2021. PNG's exports to China amounted to \$1.9 billion in the first half of this year, indicating a 6 percent increase compared to the previous year. PNG's primary exports to China were raw timber valued at \$473 million, nickel mattes valued at \$754 million, and petroleum gas valued at \$1.77 billion. A significant portion of China's liquefied natural gas supply continues to come from the Port of PNG. A growing number of low-priced, high-quality Chinese goods are also making their way into the PNG market. Chinese enterprises investing in PNG should prioritize the following concerns:

1. Investment Environment

PNG has a monolithic economic framework, with several industries requiring urgent foreign investment and technology. However, it is crucial to enhance the investment climate in PNG without delay. Government departments exhibit not only limited coordination abilities and poor work productivity but also outdated infrastructure, a high prevalence of criminal behavior, insufficient social security measures, and frequent problems related to land usage. Furthermore, some ventures, like the Ramu Nickel mine operated by MCC, have

faced substantial criticism due to environmental harm, delayed royalty payments, and problems with land titles. On the other hand, MCC has received praise for its provision of "educational institutions and medical facilities, economic prospects, and transportation infrastructure" (Joku, 2009).

2. Encouraging Policies for Industrial Diversification

Prior to this, the investment industry in PNG mostly focused on the mining and oil industries. Currently, the government of PNG is actively promoting the development of industries such as fishing and wood processing, as well as tourism, agriculture, and domestic manufacturing.

3. Land Policy

The majority of land in Papua New Guinea (PNG) is owned by various tribes, covering 97% of the total land area. This ownership is known as "customary land rights," where each landowner has full control over their property, while the government has limited authority. Only 3% of PNG's land is available for investment and public service development. Land laws and regulations in PNG are quite complex, with the primary goal of freeing up customary land for economic and social development. The Land Law of 1996 and the Land Tenure Rights Conversion Act of 1963 serve as the main legal foundations for land management in the country.

The Land Tenure Rights Conversion Act of 1963 provides a legal framework for converting customary land into individual ownership through procedures such as application submission and public hearings. The Land Law of 1996 regulates government land acquisition, the use of state-owned land, and various other land transactions. However, unclear land boundaries in several areas have led to numerous ownership disputes. Currently, the PNG government is actively promoting the implementation of the Land Cooperative (ILG) system to address land ownership issues and encourage development.

According to the PNG Constitution and the Land Law of 1996, the government has the authority to expropriate private land for valid reasons, with fair compensation for landowners. In case of disputes, parties may resolve them through negotiation, arbitration, or judicial decisions. Land ownership in PNG is restricted to nationals, while foreign investors are allowed to lease land for up to 99 years with the possibility of extension. The "lease-back" method is also applied for large-scale commercial projects. Some foreign investment projects, such as the construction of the University of Goroka dormitories by Guangdong Foreign Construction (GFC), have been successful. However, others, such as the Lae Port project and a rice monopoly project in Central Province, have faced criticism for cost overruns, poor workmanship, and alleged violations of customary land rights.

4. Preparation Work Before Investment

In addition to conducting feasibility studies to assess the technical and commercial feasibility of investment projects, it is essential to also conduct a comprehensive analysis of the social, legal, and economic elements specific to PNG, along with other relevant considerations. Aside from possessing knowledge of preferential policies, it is essential to have a thorough awareness

of investment obstacles and be ready to implement appropriate actions to overcome them.

5. *Registration and Filing of Investment Projects*

Following the investment project's validation, it is critical to meet the declaration and filing requirements with government entities such as the PNG Ministry of Labor, the Taxation Bureau, and industry supervisors. Furthermore, it is necessary to formally enroll the project in a manner that fully complies with the relevant PNG legal regulations and procedures.

6. *Strive for and Determine Preferential Investment Policies*

The government of Papua New Guinea (PNG) focuses on tax reduction policies to encourage investment. However, these policies require lengthy negotiations and approval from Parliament, especially for large-scale projects. If the requirements align with tax laws, the project must include the agreed provisions in its agreement or contract.

According to data from the Observatory of Economic Complexity (OEC), China's exports to PNG reached \$1.43 billion in 2022, with major commodities including rice, computers, and iron construction materials. China's exports to PNG have grown by 18.1% annually over the past 27 years. Meanwhile, China's imports from PNG have declined by 41.3%. In February 2024, China's main exports to PNG included iron structures and telecommunications equipment, while its top imports from PNG consisted of nickel matte, rough wood, and natural gas.

The agriculture, forestry, and fisheries sectors form the backbone of PNG's economy, contributing 19.3% to the Gross Domestic Product (GDP) in 2021. Key commodities include palm oil, cocoa, coffee, and rubber. PNG aims to increase its cocoa production to account for 2% of the global chocolate supply. However, urban agricultural commodity prices remain high, and PNG still imports large amounts of rice and dairy products.

The coffee export agreement with China, signed during the visit of Chinese Foreign Minister Wang Yi, marks a significant milestone for PNG's coffee industry. Previously, PNG's coffee exports were mainly directed to Western countries, but trade relations with China are expanding. Additionally, PNG has the third-largest rainforest in the world, with 79.18% of its land still forested. PNG's forest product exports were valued at K900 million in 2020, with China as the primary destination. A forest monitoring and inventory program, funded by the European Union and the United Nations, continues to support sustainable resource management in PNG.

Papua New Guinea-Asia Investment Conference

The first PNG-Asia Investment Conference was held in Hong Kong on October 16-17, 2023, organized by the PNG Chamber of Mines and Petroleum with government support. The event provided a platform for government and business representatives from China and other Asian regions to explore investment opportunities in PNG, particularly in non-resource sectors like agriculture, fishing, forestry, manufacturing, and services. The conference highlighted successful Asian investments in PNG and aimed to attract more foreign investors. During the opening, Prime Minister Marape emphasized the

country's focus on economic development and strengthening ties with Asia, particularly China, as a key strategic partner.

PNG's Minister of International Commerce and Investment, Richard Malu, highlighted China's role as PNG's top commercial partner, expressing optimism about future bilateral trade growth. He encouraged joint ventures between Chinese and PNG firms for mutual benefits. Anthony Smarè, President of the PNG Chamber of Mines and Petroleum, expected over 500 delegates, including Asian investors and PNG businesses, to exchange investment success stories and explore new opportunities. The choice of Hong Kong as the venue was intentional, emphasizing its significance as a financial hub. The event successfully fostered investment collaboration between PNG and major Asian markets like Japan, China, India, and South Korea.

Ihu Special Economic Zone

The government of PNG issued a declaration about the "PNG National Trade Policy (2017-2032)". Key objectives of economic growth, as outlined in key government initiatives like "Vision 2050" and "PNG Development Strategic Plan (2010-2030)," include promoting indigenous manufacturing, boosting exports, and implementing import substitution. We do this to increase export value, foster employment, and ensure sustainable economic growth. We subsequently export locally processed agricultural, forestry, and fisheries products. To accomplish this objective, the government is now coordinating and establishing many distinct development zones. The National Assembly of PNG enacted the "Special Economic Zone Authority Act 2019" on February 18, 2020. This legislation aims to create twenty potential special economic zones across eighteen provinces (districts), with the goal of attracting investment through the use of favorable investment regulations.

Table 2: Shows 20 Potential Special Economic Zones in 18 Provinces (Districts)

| No. | Province | Area | Leading Industry |
|-----|--------------------------------|------------------|--------------------------|
| 1 | East New Britain | Entire Territory | Tourism Industry |
| 2 | West New Britain | Entire Territory | Comprehensive |
| 3 | Bougainville Autonomous Region | Entire Territory | Agriculture |
| 4 | National Capital Region | Entire Territory | Comprehensive |
| 5 | Central Province | Entire Territory | Comprehensive |
| 6 | Oro Province | Entire Territory | Tourism Industry |
| 7 | Milne Bay Province | Entire Territory | Tourism Industry |
| 8 | Western Province | Entire Territory | Agriculture |
| 9 | Gulf Province | Entire Territory | Industry |
| 10 | Morobe Province | Finschhafen | Technology |
| 11 | | Markham | Agricultural Park |
| 12 | | Huon Gulf | Industry |
| 13 | Madang Province | Entire Territory | Ocean & Tourism Industry |

| | | | |
|----|-----------------------------|------------------|--------------------------|
| 14 | East Sepik Province | Entire Territory | Agriculture |
| 15 | West Sepik Province | Entire Territory | Agriculture |
| 16 | Western Highlands Province | Entire Territory | Agriculture & Integrated |
| 17 | Jiwaka Province | Entire Territory | Agriculture & Integrated |
| 18 | Hela Province | Entire Territory | Petroleum & Integrated |
| 19 | Southern Highlands Province | Entire Territory | Petroleum & Integrated |
| 20 | Eastern Highlands Province | Entire Territory | Agriculture |

Source from Economic and Commercial Office of the Chinese Embassy in PNG

Ihu Special Economic Zone (ISEZ) plans to provide K100 million (equivalent to roughly CN¥183 million) during the next five years for the development of infrastructure, technology, education, manufacturing, business services, agriculture, and other parks. In January 2021, the PNG National Executive Committee granted clearance for the creation of the ISEZ in Kikori, Gulf Province. The Board of Directors of the PNG Special Economic Zone Authority (SEZA) officially assumed their positions on May 9, 2021, in Port Moresby and took their oath of office. In addition, the legislation designates the SEZA as an autonomous administrative body, headed by the accountable minister, with complete responsibility for the advancement of all special economic zones in PNG. This legislation grants the central government the power to establish special economic zones with the aim of stimulating commercial endeavors and nurturing economic development. The SEZA establishes a board of directors. This board consists of the following individuals: the full-time chairman, the Minister of Commerce and Industry, the Minister of Treasury, the Minister of Planning, the Commissioner of Customs, a representative of the PNG Chamber of Commerce, a person appointed by the responsible minister, a financial management professional, and a person jointly appointed by the merchants stationed in the zone.

Diagram Shows the Key ISEZ Infrastructure Projects



Source from ISEZ: www.ihusezpng.com

PNG defines specific economic zones as geographic areas established in compliance with the law. Specialist bodies regulate and preserve these zones in accordance with specific legislation. The legislation mandates that certain zones possess a "special" status. These operations include a wide range of endeavors, such as free trade, investments in enterprises, industries, ports, and infrastructure, commerce and logistics, the development of tourism and aquatic products, scientific research, and several other activities. The special economic zones permit the use of all of PNG's preferred techniques and tax incentives. Businesses and investors situated inside special economic zones are eligible for exemptions from company tax, customs charges, consumption tax, and stamp duty. This deal is valid for products produced in special economic zones, as well as their purchasers. A special economic zone is a designated area that is under strict customs supervision, and goods entering and exiting the zone are exempt from the duties placed on imports and exports, respectively.

Key Industries of Papua New Guinea's Economy

The economy of Papua New Guinea (PNG) is based on the mineral, petroleum, agriculture, forestry, fisheries, and related industries. Its main exports include liquefied natural gas, gold, copper, silver, crude oil, nickel, cobalt, timber, palm oil, coffee, and cocoa. Some major mining companies operating in PNG are Newcrest, Barrick, Harmony, OK Tedi, Lihir Mining Company, China Metallurgical Corporation, and Zijin Mining. Wafi-Gop is one of the mining projects currently under development. In 2020, PNG's gold exports reached K10.15 billion, copper K1.71 billion, nickel K1.06 billion, and cobalt K190 million. The government took over the Porgera gold mine from Barrick New Guinea Limited after refusing to extend its operating license, citing the interests of the people. Meanwhile, in 2015, China Zijin Mining Group acquired a 50% stake in Barrick for \$298 million, giving it an indirect ownership share of 47%. The PNG government and investors later signed a legally binding agreement in April 2021 regarding the future ownership and operation of the mine.

In the energy sector, PNG's liquefied natural gas exports in 2020 amounted to K12.32 billion, crude oil K1.02 billion, and refined oil products K930 million. PNG has abundant natural gas reserves, with Exxon Mobil managing the US\$19 billion PNG LNG project. Exxon Mobil aims to expand its annual production capacity to 8 million tons to increase its market share in Asia, particularly in China and Japan. The Papua LNG Project and Pasca Offshore Oil and Gas Project are two ongoing developments in the country's oil and gas sector. Major companies such as Exxon Mobil, Santos, Total, and Petroleum Exploration Company play key roles in PNG's petroleum and gas industry.

1. Papua LNG Project

Exxon Mobil is the sole manager of PNG's primary liquefied natural gas project, having invested a total of \$22.1 billion in it. The project commenced construction in 2010 and achieved operational status in May 2014, projecting an annual output capacity of 6.9 million tons. The initial capital expenditure in the United States amounted to \$19 billion. In 2016, the production volume reached 7.9 million tons, and in 2017, it surged to 8.2 million tons, intended for export to mainland China, Japan, and Taiwan.

On April 9, 2018, the government of PNG, the French oil company Total; the American oil conglomerate Exxon Mobil, and Oil Search signed a contract for the project. Total of France will oversee its operations with an investment of US\$13 billion. We anticipate that the product will primarily target the China and Japan markets, with an estimated annual output of 6.8 million tons. Total has a 31.1% stake in the project; Exxon Mobil possesses a 28.3% stake; Oil Search possesses a 17.7% stake; and the national government of PNG possesses a 20.5% stake. According to initial investigations, the Elk-Antelope gas field, from which the project originates, is believed to have natural gas reserves ranging from 5 to 9 trillion cubic feet. Initially, we projected that the project would reach a final investment decision by the end of 2018, complete construction between 2019 and 2022, and commence gas production between 2022 and 2023 upon completion. After the Marape government took office, they proposed to renegotiate the project arrangement, which resulted in a delay in the project's start. The COVID-19 epidemic has caused an additional delay in the relevant tasks.

2. *Pasca Offshore Oil and Gas project*

The Australian Twinza Petroleum Company is now building a project near the Gulf Province, about 90 kilometers from its jurisdiction. We expect the total expenditure for this project to reach US\$300 million. To our knowledge, this is one of PNG's first offshore gas and oil projects. Upon completion, the project will yield liquefied petroleum gas (LPG), natural gas liquids (NGLs), and various other gases. The process of conducting drilling surveys has commenced. We expect the project to produce 200,000 tons of liquefied petroleum gas annually. After signing the project agreement, the project party anticipates progressing to the front-end engineering design phase of the project.

People to People Exchanges

Since the beginning of this century, China has been actively engaged in people-to-people diplomacy and has grown into an influential player on the global stage. Every leader, from Mao Zedong to Xi Jinping, has emphasized the importance of public diplomacy in China's foreign policy. Since the founding of the People's Republic of China in 1949, various organizations have emerged to foster connections among citizens, initially focusing on relations with communist countries and Taiwan. However, with the implementation of the Reform and Opening-up policy, the scope of this diplomacy has expanded significantly.

Diplomacy is often associated with formal meetings between heads of state, but it also includes people-to-people diplomacy, especially since Joseph Nye introduced the concept of "soft power." When traditional diplomacy faces obstacles, public diplomacy becomes a more popular alternative. This concept involves interactions between government officials, business relations between countries, and cultural and academic exchanges. Brown (2002) defines it as a communication approach aimed at fostering mutual understanding and respect for differences. With strategies encompassing various forms, such as sports tournaments, cultural events, and academic exchanges, people-to-people diplomacy has become a crucial element in international relations.

1. Chinese Medical Team

Over the past two decades, Chinese medical teams have been deployed to Papua New Guinea (PNG) twelve times, providing healthcare services to over one hundred thousand people, conducting medical training, and saving numerous lives. Despite challenges such as outdated medical equipment, a shortage of medical personnel, and inadequate hospital conditions, they remained committed to delivering the best care possible. One of the standout doctors was Dr. Zhou Qin, whose abilities were initially doubted due to her young age. However, her exceptional surgical skills proved her competence, ultimately leading her to be entrusted with leading the department.

In 2013, Dr. Zhou Qin returned to PNG as the leader of the sixth medical team. They treated numerous patients, including HIV carriers, with great dedication and professionalism. Their efforts not only saved lives but also strengthened ties between China and PNG. On February 1, 2024, twelve members of the latest medical team serving in PNG were honored with the 2023 "Top Ten People Who Moved Chongqing" award. Their experience in a foreign land stands as a testament to their sincerity in helping others, spreading love, hope, and humanity.

2. China-PNG Friendship School Butuka Academy

The first Confucius Institute in PNG was established in 2021 by the PNG University of Technology. Later, the Confucius Institute set up Confucius classrooms at Butuka Academy. Butuka Academy's Chinese language programs have received support from the Confucius Institute at PNG University of Technology. The institution is formally known as the China-PNG Friendship School, Butuka Academy. The initiative's formal launch took place in 2018, when President Xi Jinping introduced it during his official visit to PNG. The educational institution comprises a kindergarten, primary school, and middle school, accommodating about 3,000 students. This has greatly improved the formerly deficient teaching conditions. The southern region of Port Moresby, the capital of PNG, spans around 50,000 square metres. Butuka Primary School laid the groundwork for its reconstruction.

The Chinese Ambassador to PNG, Zeng Fanhua, expressed China's commitment to providing practical assistance in the fight against the disease and transforming Butuka Academy into a vibrant hub for cultural exchanges between China and PNG. Out of all the schools in PNG, this particular one prides itself on having the most extensive infrastructure and the highest-quality hardware facilities. As a result of our involvement in fostering and supporting the connection, Butuka Academy has formed a sister school collaboration with a prestigious middle school in Shenzhen. Furthermore, the Confucius Institute in PNG generously supported the construction of a Confucius classroom at Butuka Academy. As a result, a significant number of educators and learners enrolled in the program with the intention of studying Chinese.

During an interview with Chinese media, Wang Mengling, a Chinese teacher at the Confucius Institute, said that the students had a profound eagerness to learn the Chinese language and get an understanding of Chinese culture. We provide Chinese language teaching to children in grades seven, eight, and nine, which aligns with the first, second, and third grades in China. The current enrollment in the Chinese language program is between 700 and 800 learners. They possess a genuine and fervent enthusiasm for acquiring knowledge in the Chinese language. Pupils in PNG who possess fluency in the Chinese language will have a significant advantage in the future, both in terms of employment prospects and social integration. In order to significantly improve Chinese teaching guidance, the academy will provide an increased range of courses focused on Chinese culture. "During their leisure time, certain students engage in scouring social media platforms to discover pertinent content related to topics that captivate their attention," said Wang Mengling.

The Butuka Academy, constructed as a symbol of the amicable relationship between China and PNG, serves as a conduit for the exchange of people and culture between the two countries. At the inauguration of the Confucius classroom at Butuka institution, Zeng Fanhua, the Chinese Ambassador to PNG, expressed China's commitment to actively contribute to the development of Butuka Academy. According to Governor Powes Parkop of the National Capital District (NCD), the Confucius classroom would provide a space for young students to improve their study of the most widely spoken language in the world and gain a deeper understanding of the country. During an interview with a Chinese reporter, Samuel Tamarua, a seventh-grader, expressed his strong appreciation for the programs provided in the Confucius Classroom. He specifically mentioned his enjoyment of the courses related to traditional Chinese festivities.

“敬爱的习爷爷您好，我们是巴布亚新几内亚布图卡学园七年级三班的学生，我们很荣幸给您写信...” ("Hello, dear Grandpa Xi, we are students in Class 3, Grade 7, Butuka Academy, Papua New Guinea. We are honored to write to you...")

In the letter, Tamarua expressed his fervent aspiration to continue his studies in China at a later time. He said he wanted PNG-China friendships as deep as the Pacific Ocean.

Butuka Academy is a symbol of the strong friendship between China and Papua New Guinea (PNG), reflecting their practical cooperation for mutual benefit. The school, supported by Shenzhen, expanded to accommodate over 3,000 students and became the first initiative backed by China. It also plays a role in promoting Chinese culture and language education among PNG's youth. For Parkop, the academy serves as a stepping stone for students to study in China, where they can acquire valuable technical skills to improve their career prospects and contribute to PNG's development. In 2020, after the COVID-19 outbreak, China provided the academy with facilities and equipment for epidemic prevention, and in response, the school expressed gratitude to President Xi Jinping for his continued support.

In March 2024, twenty Butuka Academy students visited Chongqing Normal University in China, marking the first academic exchange between the two institutions. This opportunity allows students and teachers to collaborate and gain firsthand experience of China's development. The academy continues to serve as a bridge for cultural and interpersonal exchanges between the Chinese and Papua New Guinean communities. It also represents China's commitment to treating all nations equally, regardless of size, and fostering cooperation based on justice, mutual benefit, and shared progress. Through Butuka Academy, China aims to strengthen educational opportunities in PNG while promoting friendly bilateral relations.

Chinese Government Scholarship (CSC)

The Chinese government annually provides scholarships to overseas students, including those from Papua New Guinea (PNG). These scholarships have become highly sought after by PNG students due to China's commitment to supporting education in the Pacific Islands. Through its "going out" policy, China fosters collaboration with nations in the southern hemisphere by offering various scholarship programs that encourage young talents from the region to pursue higher education in China.

In 2018, China granted 1,371 scholarships to students from its Pacific allies, not accounting for the impact of COVID-19. Among these, the China-Pacific Island Forum (PIF) scholarship has been awarding around twenty full scholarships per year since 2017. Additionally, Chinese companies such as Huawei and China Harbor Engineering Company (CHEC) also contribute by providing scholarships. China's scholarship initiatives in the Pacific region are among the most comprehensive, significantly influencing the education landscape in the area.

As more Pacific Islanders study in China, their inclination to support Chinese policies and interests in international affairs may increase. Some scholarship recipients may later hold influential positions in their home countries, strengthening China's soft power in the region. China has already built a much larger alumni network in the Pacific compared to the United States, and this influence gap is expected to grow if current trends continue. However, Pacific Islanders also receive scholarships from nations with close ties to the U.S., such as Australia and New Zealand, which helps balance China's growing presence.

China's scholarship programs offer both bilateral and non-bilateral options, allowing students to apply through Chinese embassies or directly to universities. These scholarships may be fully or partially funded, covering tuition, housing, medical insurance, and providing a monthly stipend. Additionally, research grants are available to support expenses such as conference fees and laboratory costs. The primary goal of these scholarships is to enhance cultural exchange, build international relationships, and expand the global reach of the Chinese language. Evaluating scholarship recipients' satisfaction helps the Chinese government measure program effectiveness and make informed policy decisions.

How Chinese companies establish harmonious relationships in Papua New Guinea?

Chinese companies in Papua New Guinea (PNG) have been actively engaging with the local political and economic environment. They have built strong relationships with government officials, parliamentarians, and labor unions by maintaining open communication and addressing misunderstandings. Companies like China Railway International South Pacific Company (CRISPC) prioritize fair treatment of employees, eliminate discrimination, and promote equal employment opportunities, including hiring female workers. Zhongjiang International Company (ZIC) focuses on providing diverse training programs for local employees to enhance their skills.

Chinese enterprises in PNG have also contributed to social welfare through charitable activities and disaster relief efforts. CRISPC, for example, has donated educational materials, improved school infrastructure, and provided aid during natural disasters. In the wake of the 2018 earthquake in Hela Province, CRISPC actively participated in rescue and recovery efforts by clearing landslides and donating funds to the PNG government. Additionally, the China Railway Construction Group Company (CRCC) supported PNG's COVID-19 response by donating medical supplies, including surgical masks, and spreading awareness through educational posters.

Community relations remain a priority for Chinese firms, as seen in China Harbor Engineering Company's (CHEC) initiatives. During the Laicheng Port Tidal Terminal project, CHEC built a free farmers' market and supported local schools, earning community goodwill. Ramu Nickel-Cobalt Management Limited (Ramu Nico) follows the "One Ramu, One Community" development model, investing in local education, healthcare, and agriculture. The company has provided significant business opportunities to local enterprises, and in recognition of its contributions, it was awarded the title of "Model of Social Responsibility" in 2017 by PNG's National Chamber of Mines and Petroleum.

To support local talent development, Chinese companies invest in education and training. Huawei's "ICT Talent Plan" has provided scholarships and established training centers in collaboration with PNG universities. CHEC sponsors PNG students to study in China, equipping them with technical skills to contribute to infrastructure projects upon their return. Similarly, Fujian Zhonghong Fishery Company (FZFC) funds PNG students for business and language studies in China, offering them employment opportunities after graduation.

Despite their contributions, Chinese businesses in PNG face challenges, including logistical difficulties, high costs of materials, and regional monopolies. Companies must carefully assess local business partners and foster long-term, mutually beneficial relationships. By integrating into PNG society, respecting local customs, and prioritizing localized employment and training, Chinese enterprises continue to play a vital role in the country's economic and social progress.

Risks Associated with Belt and Road Initiative

There have been hazards associated with the BRI, but it has also opened numerous new locations to investment and development prospects. Well-planned and meticulously written dispute resolution provisions can successfully navigate large infrastructure projects by lessening the impact of these risks. Since there is no agreed-upon definition of a "BRI project," disagreements are likely to arise over the many different aspects of BRI infrastructure and development projects.

According to the latest data, PNG's unemployed or semi-employed population accounts for 93.1% of the working-age population. It pays particular attention to the situation of relevant Chinese personnel traveling to PNG. It only allows Chinese professional and technical personnel participating in the project to apply for work permits, and it puts forward strict requirements for professional title certification and foreign language scores. Recently, the PNG Immigration Department has stepped up its crackdown on illegally obtained work visas. Foreigners should be aware of the risks of working locally:

1. Policy Risk

PNG has strict regulations for applying for work visas and work permits, and the procedures are complicated and time-consuming. It is necessary to prepare more than 10 kinds of materials, such as identity documents, academic certificates, professional qualifications, and employment contracts. If the materials don't meet the requirements, we will return them and remake them. Usually, this process requires multiple repetitions, and the waiting period for a work permit can exceed a year. Chinese companies should make arrangements early to apply for a work permit and prepare application materials in strict accordance with the requirements.

Moreover, due to its limited economic and social development, PNG has a low employment rate and a limited number of jobs available. The country's laws mandate the reservation of a large number of jobs for its citizens and impose strict restrictions on work permits for foreigners. Starting in 2011, foreigners must have an IELTS 4.0 or higher English proficiency to obtain a work permit and work visa, and there is almost no demand for foreign labour. As a result, Chinese companies and employees must understand PNG's dynamics before working there.

2. Security Risk

Public security issues in PNG, particularly in cities like Port Moresby and Lae, pose significant challenges for Chinese companies operating there. Business groups, including Chinese enterprises and aid teams, must enhance safety awareness, implement strict security measures, and establish emergency plans. Many Chinese companies have hired professional security services, with some employing armed guards when necessary. Employees are advised to avoid walking outside, stay vigilant while driving, and prevent conflicts. Recent robberies and attacks on Chinese citizens highlight the urgency of these precautions, and in case of emergencies, contacting the Chinese Embassy is essential.

3. Political Risk

Investors and contractors must consider political risks, especially since several governments have renegotiated or canceled BRI construction contracts. In Papua New Guinea (PNG), allegations have emerged that former Prime Minister Michael Somare received a one-million-dollar payment from the Chinese company ZTE. Before joining the BRI, the PNG government promised local involvement in Chinese projects, but its implementation remains unclear. Additionally, PNG has a history of awarding large contracts to Chinese companies that have been blacklisted by the World Bank for fraud and corruption. Investigations into the mismanagement of the Lae Port project have been completed, but the findings were not disclosed, while the government had already considered CHEC as a contractor before the bidding process began.

Businesses in PNG must monitor the evolving social landscape, especially before elections, to effectively manage risks. Land-intensive projects, such as dams or power plants, can have significant environmental impacts or cause the sudden displacement of rural populations. Furthermore, BRI investments in rural areas may be vulnerable to tribal disputes, which could potentially disrupt projects. These disruptions, along with the high costs incurred, have led several governments to reassess the benefits of the BRI initiative.

Most of the countries involved in the BRI are developing or low-income nations with weaker legal frameworks. Investors face significant risks when conducting business in regions where bribery and corruption are prevalent. International business arbitration can serve as a solution for parties involved in cross-border disputes by helping them avoid unfamiliar court systems and the uncertainty of enforcing final judgments.

CONCLUSIONS AND RECOMMENDATIONS

We trust that China is offering support to PNG in a distinctive way and will not try to impose its influence on our political destiny. China is offering aid to PNG as part of its initiatives to alleviate poverty, combat climate change, and reduce greenhouse gas emissions. PNG has a significant need for funds to develop its infrastructure, and the BRI might potentially fulfill this demand. I strongly feel that the BRI has immense importance for PNG. However, the ongoing discussion, primarily focused on the debt-trap diplomacy argument, may have overlooked several risks the BRI poses to PNG's economy and governance. The competence of the relevant PNG officials and the quality of the Chinese contractors will determine how well PNG is able to take advantage of the development opportunities presented by the BRI.

Traditional donors who are concerned about China's growing influence in the Pacific region may find that a more pragmatic and effective strategy would involve identifying specific Chinese initiatives in PNG that they deem detrimental to the area and then endeavoring to surpass those projects in terms of financial support. Australia and other traditional contributors may lack the ability to impede China's ascent to prominence. Moreover, Pacific leaders are likely to resist any such move. Nevertheless, they may strategically use resources to ensure that Chinese influence in the Pacific area results in enhanced

development outcomes, rather than depending on debt or causing instability in the region.

Although PNG and other recipient countries may appreciate the adaptability of Chinese financing, it has often faced allegations of non-compliance with international standards and procedures, particularly in terms of transparency and accountability. Multiple Chinese firms in PNG serve as contractors on projects funded by multilateral organizations like the ADB, even though China's investment approach may not align with international norms. This indicates that a significant portion of the Chinese workforce in PNG does indeed comply with international standards. Moreover, research suggests that the partnership between Chinese corporations and the ADB might expose Chinese contractors to additional globally accepted methods.

FURTHER STUDY

This research still has limitations, so further research is needed on the topic of Risk and Opportunities of China's Belt and Road Initiative in Papua New Guinea in order to perfect this research and increase insight for readers.

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