

**AUSAID RESPONSE TO SENATE STANDING COMMITTEE ON FOREIGN
AFFAIRS, DEFENCE AND TRADE**

**INQUIRY INTO THE MAIN ECONOMIC AND SECURITY CHALLENGES
FACING PAPUA NEW GUINEA AND THE ISLAND STATES OF THE
SOUTHWEST PACIFIC**

QUESTION ON NOTICE (20 November 2008)

**Senator Feeney (page 73): China's infrastructure activities in the Pacific and
Papua New Guinea (PNG)**

“Could you provide an overview of China's activities in building infrastructure in the region and perhaps any information about the performance of the infrastructure China has built and its suitability or otherwise in the judgement of the Australian Government for the target countries where it is was built?”

China is a key non-OECD Development Assistance Committee (DAC) donor in the Pacific. Australia welcomes increased collaboration with China, given the increase in our respective aid programs to the Pacific and PNG, and the importance of coordinating aid efforts:

- Full details on China's aid to the Pacific and PNG are not publicly available. China does not provide consolidated reporting on its aid, unlike OECD DAC members who provide detailed information on activities, aid flows and sectors of support.
- China emphasises the long term nature of its engagement with Pacific Island Countries (PICs) and is providing support in a range of areas, especially infrastructure, agriculture and training. It has been estimated that China's pledged aid to the Pacific has grown from around US\$33 million in 2005 to US\$293 million (made up of grants and loans).
- A significant proportion of Chinese assistance to the region is utilised on building facilities such as sports stadiums, government buildings, parliamentary buildings and other public infrastructure. Support is often provided “in kind”, with labour and materials provided by China.
- In Samoa, China provided a \$AUD74 million soft loan for a six-storey office complex and a convention centre in 2008. This adds to the significant Chinese-built portfolio over recent years that include South Pacific Games facilities, the Department of Finance building, the Law and Justice Complex and the Parliamentary Complex which was recently formally opened.
- In response to 2006 riots, the Government of Tonga negotiated assistance from China (finalised in May 2008) for rebuilding damaged facilities using Chinese labour and materials. In October 2008, the Government of Tonga signed off a loan of approximately \$AUD14 million for the reconstruction of a wharf.
- In Kiribati, China partially built the sports complex prior to leaving. The complex was completed by Taiwan in 2007.

- China has also provided support for construction in the Federated States of Micronesia and a range of other countries including Cook Islands, Fiji, PNG and Vanuatu.
- To date, Australia has not worked with China on its building infrastructure because these are not areas where the Australian aid program is active. Alongside other donors to the region, we welcome opportunities to discuss development assistance and possible collaboration with China:
 - On 5 February 2008 at the inaugural **Australia-China Strategic Dialogue** attended by Mr Smith, it was agreed that Australia and China should collaborate more closely on aid practices.