

Why are we contemplating saddling the Pacific with more debt?

By Concetta Fierravanti-Wells, 16 January 2019 — 11:23pm

Following on from my extensive work as minister for international development and the Pacific (including 35 trips to the Pacific), the government is now rolling out our Pacific "step-up".

I pushed for the Pacific to be a priority in our foreign policy White Paper and more of our overseas development assistance to be redirected to the Pacific. This is our neighbourhood. Our allies expect our focus to be firmly in the Pacific. Scott Morrison's visit to the Pacific this week is recognition of this.

I advocated for the Pacific to be given cabinet status. Instead, its downgrading to the level of assistant minister sent the wrong message.

I came to understand about Talanoa – the process of dialogue and respect and making decisions for the good of the Pacific family. Despite vast distances, Talanoa has underpinned development of Pacific regionalism to which the Pacific Island Forum is central. Hence, our "step-up" initiatives should be integrated into this regional architecture. The success of the Regional Assistance Mission to Solomon Islands was a good example of a regional solution where Pacific Island Forum members came together to help the Solomon Islands resolve its security issues.

My warnings early last year about "debt-trap diplomacy" increased the focus on debt in the Pacific. While investment in Pacific Island countries is important for sustainable growth and addressing core priorities, it is vital they not be saddled with heavy debt burdens.

I was therefore surprised when the government announced its \$2 billion Australian Infrastructure Financing Facility for the Pacific, which mirrors Labor's proposed Pacific Infrastructure Bank. Key Pacific stakeholders were also surprised given the lack of consultation.

Let's be clear. A loan is a loan. It needs to be repaid. Given the Pacific's debt is already about \$5.5 billion, including \$2 billion to the Asian Development Bank and World Bank, and \$1.5 billion to Beijing, why are we even contemplating saddling our neighbours with more debt?

The reality is that lending another \$2 billion to countries whose external debt to GDP ratios range from 25 per cent to 90 per cent means those debts are unlikely to be repaid.

Equally, do we honestly believe that by co-operating on projects with Beijing, that somehow, we will convince a communist regime to adopt standards of transparency and openness?

Having been critical of “debt-trap diplomacy”, will we not be equally guilty of burdening the Pacific with more debt? We might argue that our debt is more transparent than Beijing’s and therefore “better debt”. This is not only disingenuous, but it is not in the long-term interests of Pacific Island countries.

We know there are infrastructure needs in the Pacific. Our efforts should be directed into mobilising private-sector capital and supporting investments effectively as a guarantor. We should look at more innovative financing options including through the \$1 billion Export Finance and Insurance Corporation initiative and combinations of overseas development assistance and private sector financing so that we don’t impose greater debt burdens on Pacific Island countries.

While every country has the sovereign right to borrow, when debts become due, they need to be repaid. This means their scarce government resources must be deviated into debt repayment and away from critical spending such as health and education.

I find it curious that the Department of Foreign Affairs and Trade has driven Coalition policy in this direction. Or is it a ploy by "fellow travellers" in DFAT to place Australia in a compromised position, thus making it more difficult to call out Beijing when it engages in conduct that is not consistent with being a good international citizen.

Saddling the Pacific with more debt is not in the spirit of Talanoa.
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