

**PNG's golden era: political and security challenges  
in PNG and their implications for Australia**

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72

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Papua New Guinea (PNG) is reaching for a golden era of economic growth, fuelled by a new round of gas, copper, gold and nickel exploration. After thirty-five years as a nation, PNG finally has the chance for economic maturity.

The challenge for the PNG political system is how much of the natural resource wealth can be legally harvested to confront the appalling problems of health, education and infrastructure that put PNG in the lowest rank of the developing world.

Can the PNG polity shift from administering scarcity to handling the boom it proclaims is coming over the horizon? And, as the de facto security guarantor across the Melanesian arc, what are Australia's strategic interests and priorities as PNG grows? This analysis examines four areas where Australia has been both a player and a partner to discuss the dynamics of this most intimate of neighbourhood relationships.

### **Big men and bonanzas**

Popular expectations are already high for the benefits to flow from the giant Exxon–Mobil Liquid Natural Gas (LNG) project (700 kilometres of pipelines, producing 9 trillion cubic feet of gas over its thirty-year life).

The impact of the US\$15 billion gas project is so large that economists predict it will fundamentally change the nature and structure of the PNG economy.

Actual tax revenue isn't due to start flowing until 2018, but PNG's political 'chief', Sir Michael Somare, is already painting a glowing picture. He says the cash from the LNG project will increase national revenue to an unprecedented level and transform PNG. He even sees a future in which PNG, as the Pacific island big brother, will 'provide development assistance within our region.'<sup>1</sup>

Exxon–Mobil has announced that revenue streams to PNG from royalties, development taxes and equity dividends will reach US\$5.6 billion. Over thirty years, that averages about US\$185 million a year, which is less than half the annual Australian aid budget for PNG. At the least, PNG's polity will have less ability to blame failing revenues for so many negative long-term trends.

In fact, the polity is promising a mineral bonanza stretching out over the next forty years, lifting per capita annual income from about US\$750 (K2,000) to US\$5,000 (K13,000). To deliver, PNG's leadership must do something it's never previously achieved: convert the gains from exploiting resources into broad-based development.

The economic growth and income estimates rest on some heroic assumptions, because previous mineral bounties have ended in busts.

One set of growth projections, though, can be relied on. Today PNG has about 6.8 million people, and its population is set to double in the next twenty years.

The 2010 joint review of the Australia–PNG aid relationship noted, 'More than ever, PNG's destiny lies in its own hands.' It's just the destination that's uncertain. The lessons of history caution against the optimism of boom-time bullishness to question what will be on offer—jobs, health, education, roads—when PNG's population is nudging 14 million.

As PNG reaches for a new era of growth, Australia is considering the lessons of an era of activism; those actions meant that the Melanesian 'Arc of Instability' could more accurately be described as the 'Australian Arc'—a name that indicates Canberra's responsibilities through the security role it proclaims in policy and action in East Timor, PNG, Bougainville, Nauru, Solomon Islands and Vanuatu.

The dangers of instability in the Arc remain, but Australia has emphatically embraced its role of strategic guarantor. The formal security guarantee that Australia gives PNG has been extended informally to the rest of Melanesia and East Timor by Australia's actions and the reach of official statements.

In considering Australia's security interests in PNG, Canberra can reflect on the experiences and lessons of its most activist period in the Arc since PNG's independence.

The Howard government's new interventionism (dubbed 'cooperative intervention' by the then Foreign Minister, Alexander Downer) has given way to the Labor era of new partnership. Both stances reflect an Australian impetus to 'do something' to confront the growing list of problems in neighbouring states.

As always, PNG drives Australia's policy instincts in the South Pacific.

## **Australia–PNG security challenges**

The economic challenges facing PNG and the Southwest Pacific can fill a 350-page report. And the security challenges confronting PNG and the island states can easily stretch to 115 pages. The Australian Senate's Foreign Affairs, Defence and Trade References Committee has produced those two volumes in the past fourteen months.<sup>2</sup>

The second volume offers a broad definition of security, ranging over unemployment; inter-ethnic conflict; land tenure; weapons control; gender inequality and violence against women; political systems and state volatility; law and order; unauthorised fishing; smuggling; money laundering; climate change; and natural disasters.

In each category, Australia has aid and cooperation policies befitting its status as the major regional power and a leading member of the Pacific Islands Forum.

Rather than working through that list, this analysis will look at four areas where Australia has been an active player, not just a partner. Each illustrates the complexities of Australia's role in PNG.

The four examples show the often essential role Australia can have in PNG, but also the limits on Australia's capabilities. Australia must help, while accepting that it has little ability to direct.

### ***Bougainville***

Sometime between 2015 and 2020, the people of Bougainville will vote on whether to secede from PNG. Canberra stands behind both sides to this agreement—the government of PNG and Bougainville's autonomous administration. Australia will have little say in what's decided but, whatever's done, will play a key role in making it work. Certainly, Australia will want to stand as the regional guarantor if Bougainville does split from PNG.

Australia has been the paymaster and the key supporter of the peace process that ended a decade-long civil war. Yet the crucial first steps and the initial act of creation in the negotiations were by New Zealand. As the successful effort to end a decade of conflict began, Australia was deeply distrusted by many in Bougainville; equally, many in Port Moresby refused to be directed by Australia.

The first force of unarmed peace monitors entering Bougainville in 1997 was commanded by New Zealand. Australia—providing the bulk of the cash and the people—quickly took over command.

The early leadership by New Zealand in Bougainville teaches a lesson that was reinforced by the Regional Assistance Mission to Solomon Islands. Australia is essential, but legitimacy must be added to Australian power to mount regional security interventions.

After years of conflict, Bougainville must be judged one of the great achievements of the PNG polity, the Pacific Islands Forum and Australia. Giving the credits in that order is also a reminder to Canberra of how the winning game can be played.

### ***HIV/AIDS***

Much of Australia's policy approach to PNG over the past decade has been dominated by concerns about epidemics of lawlessness and HIV. An Australian academic study commented, 'Papua New Guinea has two entwined endemics: a complex "law and order" problem and entrenched HIV.'<sup>3</sup> Australia's assistance in dealing with PNG's declared HIV/AIDS epidemic is a health sector attempt to both mitigate and avert a different kind of natural disaster.

Canberra's growing focus on the HIV/AIDS epidemic was dramatised by a 2002 study prepared for AusAID, which applied an African template, working on an estimate that 0.6% of PNG's population had the disease. Three scenarios were developed for the spread of HIV/AIDS in PNG based on the actual and predicted paths of the disease in Kenya (low), South Africa (medium) and Zimbabwe (high).

If PNG followed the low scenario, the working population (aged 15 to 49) in 2020 would be 13% smaller because of HIV/AIDS; the medium scenario would cut the working age cohort by 34%; the high scenario meant the disappearance of 38% of the working population that PNG would otherwise have had in 2020.

Further studies painted similarly dark futures. In 2007, the Centre for Independent Studies predicted that 18% of PNG's population could be infected by the virus by 2010 and 25% of the population by 2020—causing PNG to lose a million people to HIV/AIDS.<sup>4</sup>

PNG's political leadership showed the will to confront a health crisis that asked deep questions of PNG social traditions. That political courage matched the strivings of health professionals and, importantly, has been consistently backed by

Australian aid and support (in 2007–10, Australia devoted \$178 million to HIV/AIDS work in PNG).

Last year, PNG released figures showing that the spread of the HIV epidemic 'may be levelling off'. Earlier studies suggested that Papua New Guineans living with HIV were in the range of 1.5% to 3% of the population.

But the latest findings from the National Department of Health and the National AIDS Council Secretariat are that approximately 0.92% of the adult population in PNG was living with HIV in 2009.<sup>5</sup> Much of the apparent improvement may be due merely to better data, but PNG can argue that it no longer needs to be ranked with Thailand as the two countries in the Asia–Pacific region experiencing a 'generalised' epidemic because prevalence has reached or exceeded 1%.

Professor Mike Toole, head of the Centre for International Health at Melbourne's Burnet Institute, says this rare good news story from PNG was built by responses from the PNG Government, the creation of a 'condom culture', Christian health workers, and support from business and Australia.

HIV/AIDS is imposing extraordinary costs and suffering on PNG, especially in the Highlands, where the epidemic is concentrated. However, a full-blown AIDS crisis of African proportions is being averted.

### **Asia and PNG**

Australia's view of the South Pacific is always framed by PNG, just as Indonesia always frames Australia's approach to Southeast Asia. Australia's two biggest aid recipients are Indonesia and PNG. Australia has given formal and implicit security guarantees to two states—PNG and East Timor—that share land borders with Indonesia.

ASPI has argued previously that PNG is one of Australia's three top-priority foreign policy challenges, along with China–US relations and the future of Indonesia.<sup>6</sup>

Australian defence planners have long thought that the only way Australia could defend PNG's border with Indonesia would be to mount air strikes deep into Indonesia. The classified version of the 1986 *Review of Australian defence capabilities* 'concluded that the physical terrain of the 750 kilometre long Irian Jaya – PNG border would make it impossible for even the full resources of the Australian Army and its Reserve component to defend it. It concluded that Australia would have little choice but to resort to escalation of the use of force, including the interdiction of Indonesia's supply lines from Java to Irian Jaya and strike at Indonesian military bases.'<sup>7</sup>

The idea of bombing strikes against Indonesia wasn't based 'on some fanciful scenario.' It drew heavily on intelligence reports from Jakarta in 1980 that Indonesia's military was planning 'to cross the PNG border in force, destroy the rebel Free Papua Movement (Organisasi Papua Merdeka, OPM) and its infrastructure, and occupy the border region to some depth with a view to sanitising it permanently.'

The Indonesian military commander and Defence Minister, General Benni Moerdani, later confirmed that President Soeharto had ordered the attack plans to be developed because of his exasperation with 'Port Moresby's connivance in allowing the OPM to operate with impunity in Irian Jaya.'

Such history has shaped Australia's continuing security relationship with PNG because it was a driver of Canberra's decision to create an overarching treaty with explicit defence guarantees to PNG. The Defence Minister at the time, Kim Beazley, said the border issue was one reason Australia saw the need to formalise the defence relationship with the 1987 treaty: 'The purpose in part was to discourage

Indonesia from doing anything in PNG and in part for us to get a handle on what the PNG government was doing.<sup>8</sup>

At a meeting with Beazley in 1985, General Moerdani had asked the extent of Australia's military commitment to PNG. Beazley said he replied, 'First, you need to understand that we would fight for PNG to the last Australian soldier. We have done it before. Second, we would never be as emphatic in our expression of that to the PNG government in case they decided to test it.'<sup>9</sup>

History shows that the stability and strength of Canberra's relations with Jakarta will always be a key determinant of Australia's ability to deliver on its security assurances to PNG and to East Timor.

Despite the shared border, Indonesia is not the Asian state to loom largest in PNG's internal affairs. For a long period, the top Asian interests have been Malaysian, but China's influence is growing, in line with trends in the rest of the South Pacific. China's new role in funding the Melanesian Spearhead Group is one portent of its regional significance.

A defining feature of emerging power systems is that they expand, and the Asian power system is reaching deep into the South Pacific in big ways and small. Over the past four decades they were usually separate spheres, if not different universes. That's no longer the case. The big geo-economic and geostrategic change for PNG and the islands is the Asia effect.

Already, Asian investment far exceeds that from Western nations in fishing, timber, agriculture, hotels, retailing—and organised crime. The tourism future for the South Pacific will fly in from Asia.

Professor Ron Crocombe, who's been writing about the islands since the 1950s, says Asia will bring changes as deep as those wrought by the West:

A spectacular transition is under way in the Pacific Islands. For the past 200 years, external influences, whether cultural, economic, political or other, have come overwhelmingly from Western sources. That is now in the process of shifting to predominantly Asian sources.<sup>10</sup>

### ***Australia's security guarantees to PNG and the island states***

PNG's thirty-five year history as an independent state gives some cause for optimism about its minimum coping mechanisms. With all its problems and failings, PNG has worked. Having completed seven post-independence national elections, the nation 'retains its position as one of the few post-colonial states to have maintained an unbroken record of democratic government.'<sup>11</sup>

The history that preceded independence points to the need for a certain Australian modesty in preaching to its former colony and nearest neighbour.

Australia did a reasonable job in running PNG but until almost the last moment paid little attention to preparing it for nationhood. 'Australia's aim in PNG was not to build a state but to develop administrative machinery to facilitate continued Australian rule by replicating Australian institutions.'<sup>12</sup>

Advice or urgings from Canberra will often be discounted in Port Moresby, precisely because they come from Canberra.<sup>13</sup> Australia must always be among PNG's closest friends, but proximity and friendship don't always translate into an ability to influence the decisions made in Port Moresby. History and geography can both repel and attract.

The bilateral interests involved may be relatively constant, but the past decade saw significant changes in the shape, quality and intensity of Australia's interactions with PNG and the Pacific islands.

Australia's aid spending in the Pacific and PNG over the decade reflected a heavy emphasis on security and governance. In 1998–99, education (\$103 million) and governance (\$102 million) were the two top categories; by 2007–08, governance spending nearly quadrupled to \$395 million. Education spending ended the period where it started, while health tripled to end at \$118 million. For Australia in the Pacific, this was the decade of governance.

The assertiveness that was such a mark of the Howard government's approach to the Pacific has deep roots in Australia's psyche.

Australia's geopolitical instinct in PNG and the South Pacific has always been one of strategic denial: the colonisation of Papua, the acquisition of German New Guinea, the moment of existential threat in World War II, John Howard's discussion of Australia's responsibilities in its own backyard, Kevin Rudd's declaration on partnership with PNG and the islands—in all these diverse moments, the strategic instinct is extraordinarily constant.

The consistent instincts of history are married to the expressions of high strategy in the formal defence statements of both sides of Australian politics. The nub of this bipartisan policy is that no other power must ever gain any military foothold or control in the countries of the Australian Arc. This is the Australian historical instinct at its most basic. And, as in the past, Australia might be able to deny other players military bases in the region, but it can't deny the influence, access and economic power that external powers are always able to exert on PNG and the islands.

The members of the Arc obviously don't like being grouped together in this way. Because of its size, PNG is especially resentful of being nominated for membership. But from the Australian perspective, a range of similar, Melanesian-style problems run through the countries of the Arc.

Call it the 'Australian Arc', because that title captures a set of concerns held by Australia. And, importantly, it points to the reality that Australia has given security guarantees—formal or de facto—to the countries in the Arc.

Australia doesn't have a defence treaty with East Timor of the sort it has with PNG, but the deployment of Australian troops in East Timor for the past 11 years is the firmest evidence of the nature of that guarantee.

The expression of high strategy towards the Arc is consistent, while the delivery models differ widely: military-led in East Timor, police-led in Solomon Islands, and unarmed peacekeepers in Bougainville.

A constant, however, is the way such deployments can become long-term, even open-ended. In the absence of casualties, Australia's voters seem quite prepared to support (or ignore) long-term commitments in the Arc. In classic bush-carpentry manner, Australia has been learning-by-doing in the region. This is truly making it up as you go along. As noted above, calling it the Australian Arc indicates an assumed responsibility. It's a responsibility taken through various ad hoc responses, not a premeditated plan (absent-minded ownership, even), but a responsibility nevertheless.

Having long argued that Australia can't have an exit strategy from its own region<sup>14</sup>, Canberra has adopted the approach of melding historical and modern sensibilities, even if the Pacific policy produced isn't necessarily consistent or coherent. In this, it shares some traits with our earlier role in PNG.

Australia's activist sentiments—as interventionist or partner—come from its own deepest strategic instincts but also from a genuine effort to make a difference, not to depart. PNG will always be central to Australia's Pacific policy. For the Australia–PNG partnership to work, it requires PNG's understanding of Australian interests as well as acceptance of Australia's help. Just as importantly, it needs an Australia that understands the limits of what it can do in PNG, while always seeking to appreciate what PNG is saying about what it needs and wants.

## Endnotes

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Assignments in his career as a correspondent have included the Falklands War, coups in Fiji, Thailand and the Philippines, Beijing after the crushing of the pro-democracy movement in Tiananmen Square and the return of Hong Kong to China.

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