

PAPUA NEW GUINEA SOLIDARITY ACTION (PNGSA):

**SUBMISSION TO AUSTRALIAN SENATE INQUIRY INTO
AUSTRALIA’S RELATIONSHIP WITH PAPUA NEW GUINEA AND
OTHER PACIFIC ISLAND COUNTRIES, 2002**

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INTRODUCTION

Papua New Guinea Solidarity Action (PNGSA) is a Sydney based group with national and international links. In October 2001, PNGSA was involved in an Australian delegation to PNG led by ACTU (the Australian Council of Trade Unions). This delegation met with representatives from the Trade Unions, Students, Women's groups, Church groups and NGOs. Since then we have continued to build these relationships. Our ideas reflect our contact with local people in PNG.

Since colonisation began in 1904 Australia has played a highly influential and often detrimental role in PNG. This submission will outline some of the key issues that illustrate Australia's dominance over PNG.

1. **Australia's Colonial Legacy in PNG**

Australian developed infrastructure and administration continue to influence PNG society today.

2. **Military and Economic Aid**

Australian aid (military and economic) and its policies of "good governance" are neo-colonial in their approach and implementation.

3. **Australia's Political Intervention in PNG**

Australia uses its regional economic and political power to pursue vested interests in PNG. This includes unfair trading patterns, World Bank / International Monetary Fund (IMF) policies, and the current deplorable "Pacific Solution".

4. **Australian Corporations in PNG**

Australia promotes and protects Australian companies in PNG, notably the world's biggest mining giants BHP(-Billiton) and Rio Tinto, which have appalling environmental records and take advantage of poor human rights standards and corruptible legislation.

5. **Global Warming and the Pacific**

Despite worldwide concerns about global climate change, Australia shows complete disregard for the rising water levels in the Pacific caused by global warming.

1. AUSTRALIA'S COLONIAL LEGACY IN PNG

1.1. Historical Overview

An historical understanding including a thorough assessment of the nature and rationale of Australian colonisation has to stand at the beginning of this inquiry. Australia's relationship to PNG and the other Pacific islands countries can't be appreciated in the absence of its historic context. We strongly recommend that the inquiry thoroughly address the historical context of Australia's relations with countries in the Pacific – from indigenous, local, and community perspectives.

1.2. Australian Influenced Administration

Australian expatriates still hold many senior positions in the PNG administration and thus exert enormous influence.

Australia constructed a weak constitution for PNG that is prone to corruption. The PNG people were not widely consulted before the constitution was created and adopted.

The adoption of the Westminster voting system was not a product of grassroots discussion or consultation. As a result it is largely incompatible with the decentralised, multi-lingual and plural PNG society. The elections, held over June/July 2002, clearly illustrate a broad range of problems with the current electoral system, including chaotic logistics, (credible suspicions of) widespread electoral fraud and violent attacks not only in the Highlands.

As of July 8, 2002, there have already been 16 deaths directly linked to the election process (i.e. shootings at polling booths, etc.).

1.3. Development Infrastructure

Australia has been involved in a great deal of infrastructure development and trade with PNG and the Pacific. However, the infrastructure that Australia built during colonial period was concentrated on pursuing vested economic interests, rather than social support. For example, road systems were often developed purely to access natural resources, which were in turn exploited, and to transport raw products to ports.

2. MILITARY AND ECONOMIC AID

2.1. AusAID

Australia exerts much of its influence over PNG under the guise of aid. PNG is a major beneficiary of Australian aid with AusAID granting over 300 million to PNG yearly. However most of the aid is tied and ultimately serves the interests of Australian business, economy, and foreign policy. For more detailed analysis of Australia's aid program, the effects of tied aid, and export credit agencies refer to the *Aid/Watch*¹ submission to the senate inquiry.

The type of aid and trade that Australia promotes for PNG can actually serve to keep PNG in a state of dependency and/or underdevelopment. The aid spent on 20 million cocoa plants donated to Bougainville through the UNDP, for example, would have been better directed towards education, health, or mixed business rather than cash products with fluctuating prices, small returns and other related social problems. The attitude of Australia to PNG is obviously still influenced by the idea of PNG as a colony and therefore a producer of cheap raw commodities.

Instead of funding local and primary schooling (a crucial prerequisite for development), the bulk of education aid to PNG has historically been spent in Australian Universities through scholarships. Although this practice continues, resulting in Australia training most of the future leaders in PNG, AusAID now realises the higher importance of basic education. Yet part of the education aid budget involves a curriculum package illustrating Australia's wish to preserve its influence over the PNG people, or respectively its reluctance to surrender its patronising role.

2.2. Military Aid

Australia provides around A\$ 20 Million in direct military funding to PNG yearly. Australian military aid helped prolong and exacerbate the war in Bougainville. It peaked at A\$ 50 Million per year during this war, which is why the Bougainvilleans say they fought not only against PNG but even more so against Australia. Australia finally realised that this war could not be solved by military means. During the war over 2000 personnel, almost half of the entire PNG "Defence Force" (PNG"DF") were brought to Australia (Kanungra) for training. Also, Australia provided "Iroquois" helicopters – which were equipped with mounted machine guns and used as gunships – and Australian pilots who thus directly helped PNG"DF" hunt down and shoot the Bougainvilleans.

2.3. "Good Governance"

The largest portion of the AusAID budget (estimated to be 28% in 2002) is dedicated to promoting "good governance"², an utterly patronising concept indeed. A major part of this entails compliance with structural adjustment programs (SAPs), including large-scale privatisation and rationalisation. No part of the AusAID "Governance" budget is

¹ cf. www.aidwatch.org.au

² "Papua New Guinea and the Pacific"; Chapter Two: Budget Statement 2001-2002, p.21

directed to monitoring large corporations that profit from SAPs. Instead aid is actually being directed at protecting such corporations by funding policing.

AusAID money has been spent for training rapid reaction squads (or “riot police”) to defend mines and oil search teams. According to ABC reports they even learned how to burn villages. The Mt Hagen mobile squad became infamous when they shot at the students in June 2001, after the Port Moresby police refused to turn against the student-led grassroots movement who were protesting the proposed privatisation of community assets. Importantly, the PNG”DF” soldiers also declared their support for the student-led political action. This has raised further questions about Australia's role in supporting police units such as the mobile squads (possibly corporatised) in the future.

Australia wholeheartedly supported IMF “proposals” that involved the PNG Government cutting down the PNG”DF” personnel from approximately 4500 to 1900. Not only did this occur without proper compensation, but also it suggests that the entire military structure is being reviewed. This move has sparked some near-revolutionary uprisings of rank and file soldiers in different barracks across PNG.

3. AUSTRALIA'S POLITICAL INTERVENTION IN PNG

3.1. Structural Adjustment Programs

The policies of free trade, privatisation, “land mobilisation” and other structural adjustment programs that Australia promotes, have dramatic adverse effects on typical rural and urban islanders. SAPs in PNG have resulted in repealing the minimal wages act, abolishing controls on basic foodstuffs, and the introduction of higher fees for public health and education. In the "1999 Annual Report of Development Effectiveness", the World Bank itself admitted that the majority of its projects **failed to demonstrate any sustained benefits in terms of poverty reduction**. In its own recent survey of PNG, it found that PNG had an inflation rate of 14%, unemployment at 35%, and endemic corruption. Development indicators reveal that little progress has been made in terms of poverty reduction in PNG. Only 42% of the population has access to clean water supply and 36% of the population is illiterate (the figure is substantially higher for females)³. SAPs pushed by the Australian government in collaboration with the World Bank and IMF are only further entrenching poverty in the region, and increasing inequality – both within countries of the Pacific and PNG, and between Australia and the region.

3.2. Multilateral Financial Institutions

Dan Weise, a former employee of the World Bank in PNG, recently interviewed by ABC's *Four Corners* program, raised some serious concerns about Australia's role in the region. He claimed that Australia used its position of influence to manipulate the World Bank into providing loans to PNG in an effort to further Australian interests.⁴

A recent loan/aid package that the Australian Reserve Bank made to PNG seems to have no other purpose than to support PNG Prime Minister Morauta (prior to the June 2002 elections). Australian Prime Minister Howard has described it as an “injection of confidence”. This direct interference in PNG domestic issues, pursued by the Australian Treasury and ANU (Australian National University) academics can only be seen as continuing Australia's colonialist influence.

In an ABC online panel discussion after the *Four Corners* program on June 24, 2002, Weise alleged that Australia's pressure on the World Bank influenced PNG's decision to accept Australia's refugees on Manus Island. He claimed that “corruption in the aid industry is rampant, but what is somewhat new is the increasing pressure on organisations like the World Bank and IMF to disperse loan funds from bilateral countries pursuing their own foreign policy goal. Some of the pressure on the World Bank – in this case by Australia – was surely related to PNG's acceptance of the boat people on Manus.”⁵

³ Adult literacy (1999): DAC; Access to water (2000): Global Water Supply and Sanitation Assessment 2000 Report.

⁴ www.abc.com.au/4corners/stories/s590512.htm

⁵ Online discussion following ABC four corners episode from 24/06/2002 (post id 50)

3.3. “Pacific Solution”

The “Pacific Solution” signifies that Australia still retains an old-style colonialist attitude towards PNG. Australia is coercing PNG into breaking its own laws, and even its constitution⁶, by offering money and “aid” in return for PNG accepting refugees on its malaria infested Manus Island. This is an overt, and indeed perverted, abuse of power and privilege that speaks for itself. Also, in July Australia Immigration Minister Ruddock launched a fear campaign across the Torres Strait Islands. We can now expect more "solutions" (of course not for the refugees) in relation to PNG and West-Papua.

3.4. Direct Political Interference

Australia intervenes in the politics of PNG by supporting certain political figures, giving “advice” to parliament, and by directing policies through the lure of aid. Australia has outwardly favoured the pro-privatisation Morauta government. Even when the circumstances of the student killings in 2001 were being investigated and openly questioned, the Australian government explicitly declared its full support for Morauta.

Australia gave ill-founded advice when it supported PNG’s claim that the lawsuit against Rio Tinto currently being held in the US federal district court in Los Angeles, should be moved to PNG shores. The rationale behind this claim was to “not harm the peace process” in Bougainville, but in reality such a move was in accordance with the wishes of Rio Tinto since the company would be in a much more powerful position if the hearing were to be held in PNG (Rio Tinto being one of the largest contributors to Foreign Direct Investment in PNG). To the contrary, many Bougainvilleans see this lawsuit as an alternative means to get achieve social and environmental justice, rather than taking up arms again. They see a fair settlement with Rio Tinto as an essential step in the reconstruction of Bougainville both economically and social psychologically. And as major party to the war, PNG is obviously not neutral in regard to this legal battle. Australia must cease supporting the attempt to bury corporate responsibility for environmental and social destruction in PNG and the Pacific.

⁶ The PNG constitution states that people can only be detained if they have committed an offence.

4. AUSTRALIAN CORPORATIONS IN PNG

Australia's relationship to PNG also clearly shows its vested interests in promoting Australian corporations. Here, we refer only to the two world's largest mining giants BHP(-Billiton) and Rio Tinto. More detailed information will be included in the Greenpeace submission to this Senate Inquiry.

4.1. BHP's Ok Tedi Copper Mine

The Ok Tedi mine previously owned by BHP is a prime example. Supported by the Australian export credit agency, the Export Finance and Insurance Corporation (EFIC), it has been dumping 80,000 tonnes of waste daily directly into the Fly River system since 1984. The 1995 "Compensation named and Foreign Proceedings Act", which prohibits PNG nationals from taking action against a resource company in an overseas court, was written by BHP lawyers. BHP pulled out of the Ok Tedi mine only after the "Community Mine Continuation Agreement" was signed by the landowners along the rivers, thus removing their right to sue BHP for any damages. Although BHP was found to be guilty of contempt of court in Australia, charges have not been laid. However, the case is still open.

4.2. Rio Tinto's Panguna Copper Mine

The now defunct Rio Tinto Panguna copper mine, which was once the world's second largest, caused devastating environmental and social damage in Bougainville. The mine helped facilitate and then maintain (through funding) ten years of war in Bougainville which killed an estimated 15-20,000 people. Once again the project was supported by EFIC.

4.3. Rio Tinto's Lihir Gold Mine

The Rio Tinto managed Lihir Gold mine began production in 1997 and plans to produce 22 million ounces of gold in 37 years of operation. The mine is pumping 110 million cubic metres of waste, contaminated with cyanide and other chemicals, into the sea each year. Another 20 million tons of rock waste is dumped each year into Luise Harbour. Australia's Mineral Policy Institute⁷ claims the discharge of waste into the harbour breaches the spirit of conventions that ban the disposal of similar waste from ships in international waters. According to Gabriel Kondiak who heads a committee of islanders that has been negotiating issues of dispute with Lihir Gold most people on Lihir island now oppose the mine.⁸

The Australian Government's EFIC provided the mine with political risk insurance in 1996 after the US Government equivalent, the Overseas Private Investment Corporation, refused to do so due to environmental concerns.

⁷ cf. www.mpi.org.au

⁸ Sydney Morning Herald, April 9, 2002

5. GLOBAL WARMING AND THE PACIFIC

Australia's refusal to ratify the Kyoto protocol, which merely aims to stabilise greenhouse emissions (Australia is the only country other than the US to refuse to sign), shows its complete disregard for the Pacific islands. Australia's lack of responsibility in global warming is deplorable and will have disastrous effects on our Pacific neighbours, which are endangered by rising water levels, coral bleaching and El Nino effects. In fact, many islands and even whole countries such as Tuvalu are slowly but steadily drowning. Australia continues to be the second (only to China) greatest producer of gas emissions from fossil fuels combustion. For details on this global issue, refer to the *Greenpeace* submission to this Senate Inquiry.

6. CONCLUSION

There is obviously a gross asymmetrical relationship between Australia and PNG, which Australia consistently takes advantage of. Such a relationship results in domination and misunderstanding and harms PNG's sovereignty and self-determination. Australian policy makers impose their views and ideologies on the indigenous peoples of PNG and the Pacific, who live in their own sophisticated traditional cultures.

In fact, Australia could learn much from the Pacific

If Australia can't maintain a political and economic relationship with PNG that is based on mutual respect, understanding, and real cooperation, then perhaps the absence of any relationship is in the best interests of the PNG and other Pacific island country people.

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