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Improving development and respecting sovereignty: Australia and Papua New Guinea

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In August 2007 Papua New Guinea successfully completed its seventh post-independence national election. Although the election was not without problems, and a number of disputed returns are currently before the court, the overall result was popularly accepted. When parliament met later that month

the outgoing Prime Minister, Grand Chief Sir Michael Somare, was overwhelmingly voted back into office as head of a fourteen-member coalition government. Papua New Guinea thus retains its position as one of the few post-colonial states to have maintained an unbroken record of democratic government.



Members of the Imbong'gu tribe queue to cast their vote at the Kaupena polling station in the lawless Southern Highlands of Papua New Guinea on the first day of the general election, 30 June 2007. This election is PNG's first under the preferential voting system instead of the first past the post method. TORSTEN BLACKWOOD/AFP/Getty Images © 2007 Getty Images

Yet despite this, Papua New Guinea mostly receives poor press, both within the country and overseas. Critics point to low levels of economic development, with many social indicators trending downwards, continuing problems of social unrest and criminality, and inadequate government service delivery, particularly in the more remote parts of the country. Critics also argue that there has been a decline in capacity and an increase in corruption in the public sector.

During the latter years of the Howard government there was a marked deterioration in government-to-government relations.

Because of their close geographical proximity and Australia's role as administering authority prior to Papua New Guinea's independence in 1975, the two countries share a close relationship. Many Australians have worked in Papua New Guinea or visited the country as tourists. Many Papua New Guineans have received education or training in Australia or have taken part in professional, sporting or cultural events in Australia. Papua New Guinea and Australia are major trading partners. Papua New Guinea was, until recently, the major recipient of Australia's bilateral development assistance and is the greatest beneficiary of its defence cooperation program. But the relationship is not a symmetrical one: on occasion it has been marked by tension. In some circles in Australia, assistance to Papua New Guinea is underpinned by a persistent concern that a weak state to Australia's immediate north poses a threat to our security. During the latter years of the Howard government there was a marked deterioration in government-to-government relations. A change in government in Australia and

the recent re-election of Sir Michael Somare, provide an opportunity for reassessment and readjustment to restore a more productive interaction between the two countries.

In 2004 ASPI published a report on Australia and Papua New Guinea which contained a number of recommendations, most of which still have currency.¹ This paper briefly reviews more recent developments in Papua New Guinea in an attempt to provide an assessment of where the country is going, and considers how, following a change of government, Australia might better contribute to the promotion of a healthy, harmonious and economically viable society, without being accused of compromising Papua New Guinea's sovereignty.

A decade of (limited) recovery

In the late 1990s the economic and political situation in Papua New Guinea reached something of a low point. The economy was close to crisis, governance under the Skate government was increasingly erratic, and relations between the Papua New Guinea Government and external donors were deteriorating. In 1999, facing a vote of no confidence, Prime Minister Bill Skate stepped down and in a parliamentary vote was replaced by Sir Mekere Morauta. Morauta promptly moved to initiate policies designed to improve economic performance and achieve better governance.

The Morauta government set itself six objectives: to stabilise the economy; to stabilise the budget; to rebuild the institutions of state; to remove impediments to investment and growth; to reach a peaceful political settlement on Bougainville; and to create political stability and integrity. Some progress was made towards achieving the first two objectives: there has been a recovery in growth and investment since 2002. Several institutional-strengthening measures

were introduced and a Bougainville Peace Agreement was negotiated. Political stability and integrity have proved more difficult to achieve, notwithstanding the passage of an *Organic Law on the Integrity of Political Parties and Candidates* (OLIPPAC) [see below].

In the national elections of 2002, the party of which Morauta had become leader polled poorly and a new coalition government came to office, headed by former Prime Minister Sir Michael Somare. The Somare government made clear its intention to maintain the previous government's commitment to policies of recovery and public sector reform. In the context of a substantial deterioration in the fiscal situation in 2002 it announced a Program for Recovery and Development, which identified three main objectives: good governance; export-driven economic growth; and rural development, poverty reduction and empowerment through human resource development.

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As a framework within which to pursue these objectives, the government presented a revised *Medium Term Development Strategy* (MTDS) for 2003–2007 (which replaced the MTDS 1997–2002 of the Morauta government and was in turn replaced by a MTDS 2005–2010) and a *Strategic Plan for Supporting Public Sector Reform in Papua New Guinea 2003–2007* (which superseded the Morauta government's *Medium Term Plan of Action for Public Sector Reform*).

Due in part to the provisions of the OLIPPAC, the Somare government of 2002–2007 became the first government since

independence to survive a full term in office—even though it had to weather some political turbulence, in the form of party splits, cabinet reshuffles, and threats of a vote of no confidence. Assisted by favourable price movements in Papua New Guinea's major export commodities and a revival of interest in minerals exploration and development, as well as better economic management, the period from 2002 to 2007 also saw some improvement in economic performance.

Future challenges

In a number of areas, however, problems remain and prospects are uncertain. Some of the major issues facing this and future governments of Papua New Guinea are summarised below.

The economy

After a period of fairly strong growth in the early 1990s, from 1995 to 2002 GDP contracted in all but two years. Due in part to historically high commodity prices, there has since been a steady growth in GDP and exports, and a new burst of activity in mining and petroleum exploration. GDP growth estimates for 2007 have recently been revised from 4.5 to 6.2% and 2008 projections set at 7.6%, with major contributions from the communications, building and construction, and agriculture, forestry and fisheries sectors, as well as from mining and petroleum. In 2007, exports of minerals accounted for 79% of total exports, and the minerals sector contributed 32% of total government receipts (compared with 36% in 2006). Government spending rose to 37% of GDP in 2007. Part of the increased revenue flow has been used to reduce public debt, which declined from a high 72% of GDP in 2002 to 35% in 2007 (though this decline was due in part to the increase in GDP), but in most parts of the country increased revenue has not translated into public investment, and

infrastructure and service delivery remain at unsatisfactory levels.

The recent opening up of the mobile phone market (despite some backtracking by the government) has given a minor boost to the economy, as well as substantially increasing communication across the country.

With several major mining and petroleum projects approaching the end of their economic life, the hopes of successive recent governments were largely pinned to the proposed gas pipeline to Australia. Following the demise of the pipeline proposal there is now keen interest in the prospects of LNG production in Papua New Guinea and promises of government assistance through the recently established government-owned holding company, Petromin. The operating partners (led by Exxon Mobil) are expected to spend US\$400 million on the front-end engineering and design of the project. Current projections are for commercial production by 2013–14.

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Despite these gains, however, high population growth, of around 2.5% per annum, has meant that per capita real GDP has barely risen since independence (in constant price terms, per capita GDP in 2003 was lower than it was in 1975), and World Bank estimates suggest that more than half the population lives below the basic needs poverty line. Rising fuel and food prices will further impact on the cost of living in urban and rural areas. In 2003 the World Bank included Papua New Guinea among twenty-six 'Low-Income Countries Under Stress' (LICUS). Papua New Guinea

also lags in performance against all the Millennium Development Goals and seems unlikely to achieve the agreed targets by 2015.

In sum, despite the recent economic upturn, Papua New Guinea ranks low on most comparative indexes of development. With a rapidly rising population and several major mining operations nearing an end, its longer-term economic and social prospects remain a cause for concern.

...service delivery in many areas, including health and education, has been declining.

Public sector reform and service delivery

Papua New Guinea has had a history of public sector reform going back to the early years of independence, but basic problems in public sector management and service delivery remain. In introducing the *Medium Term Development Strategy 2005–2010*, the then acting minister for National Planning and Monitoring, Sir Moi Avei, observed that since independence, successive governments had prepared many worthy development plans and strategies but that, while such plans and strategies were often soundly based, they have not been translated into results on the ground. The MTDS 2005–2010 identified among the constraints upon, and threats to, development: poor infrastructure, the spread of HIV/AIDS, high population growth, unplanned urbanisation, impediments to land utilisation, and dysfunctional service delivery systems.

Under the Morauta and Somare governments, with strong support from international donors, an ambitious program of public sector reform has been initiated (May 2006). The current Public Sector Reform (PSR) program seeks, in broad terms, to reduce the cost of

government, abolish waste and non-priority activities, improve service delivery and strengthen accountability and other systems of good governance. These objectives are spelled out in the Public Expenditure Review and Rationalisation (PERR) program.

A new structure to oversee public sector reform was created in 2000, headed by a Central Agencies Coordinating Committee (CACC), chaired by the chief secretary, supported by a Public Sector Reform Management Unit and a Public Sector Reform Advisory group. Following the sacking of Chief Secretary Isaac Lupari in April 2008, however, it has been reported that the CACC has lapsed.

Since a large part of the delivery of basic services is carried out at sub-national level, the performance of government at provincial, district and local level is critical for any program of recovery and development.

Specific performance indicators for both the MTDS and the Millenium Development Goals have been prepared and incorporated into sectoral plans in several key sectors, including health and education, but the process of monitoring and evaluation seems to have been at best patchy. The deputy chairman of the parliamentary Public Accounts Committee recently made the observation that 'primary records of all levels of government... are non-existent, or incomplete, or incompetent or otherwise unreliable'.² There is a general perception, and a good deal of evidence, that policy implementation has fallen short of its stated objectives and that service delivery in many areas, including health and education, has been declining. Much of health care and education is provided by, or through, the churches (who receive some public funding

for this through the AusAID-funded Church Partnerships Program). Since a large part of the delivery of basic services is carried out at sub-national level, the performance of government at provincial, district and local level is critical for any program of recovery and development.

Decentralisation

Papua New Guinea's pre-independence Constitutional Planning Commission recommended that the new state adopt a decentralised system of government, based on the existing administrative districts (subsequently retitled provinces), with elected assemblies having a broad range of functions within a unitary state. The proposal was initially rejected by the constituent assembly, but revived after Bougainville had made a unilateral declaration of independence in 1975. There were, however, critics of the provincial government system. By 1995 all but five of the nineteen provinces had been suspended, some more than once, mostly for alleged financial mismanagement. In that year a controversial 'reform' of the system was implemented, which abolished the elected assemblies and replaced them with provincial governments comprising national members of parliament, heads of local-level governments and a small number of appointed members. The 1995 reforms also sought to strengthen the role of district administration and local-level government. The changes to the system in 1995 were argued in terms of a further decentralisation of government; in fact, the net effect of the new *Organic Law on Provincial Governments and Local-level Governments* (OLPGLLG) was to re-centralise functions and increase the role of national MPs in decision making and the allocation of funds at the subnational level.

A significant amendment to the OLPGLLG in 1996 provided for the establishment of a joint provincial planning and budget priorities

committee (JPPBPC) and joint district planning and budget priorities committees (JDPBPCs) in each province. Each JDPBPC is chaired by the MP representing the open electorate and includes the provincial MP, the heads of the local-level governments in the district, and up to three other members appointed by the open MP. The role of the JDPBPCs is to oversee and coordinate district planning and approve local-level government budgets. At the same time, provincial and district support grants (popularly referred to as ‘slush funds’) were added to the funding package; half of the provincial and district support grants are paid to MPs to be allocated at their discretion, within guidelines. These arrangements give MPs considerable influence in their electorates and have been a source of much controversy. In a number of districts JDPBPCs have been dominated by the local MP and have met infrequently. In the 2008 budget, under a District Services Improvement Program, each district was promised K10 million over five years: MPs have pressed for payment of the full amount in 2008 and reportedly each district has been promised K4 million.

In 2006 the National Parliament passed a *District Authorities Act*, which sought to reduce the role of provincial governments and shift the focus of the decentralised system to the district and local-level governments. The move reflected a widespread view that the system introduced in 1995 was not working, and a belief in some quarters that the remedy lay in a strengthening of district and local-level governance. The legislation, sponsored by the then leader of the opposition, Peter O’Neill, was not debated and, it transpired, never certified. However, in several respects it conflicted with the existing OLPGLLG. Amendments to the act in late 2006 removed local government presidents from the provincial assembly (though it appears that MPs who voted for

the legislation did not realise this and new legislation was prepared—but has yet to be tabled—to restore them).

A foreword to the MTDS 2005–2010 commented: ‘...we can no longer ignore the dysfunctional system of service delivery that has arisen following the 1995 reforms to our system of decentralised government’. Following the 2007 elections, the incoming Somare government set up a taskforce to review the decentralisation arrangements. The taskforce is headed by former MP Sir Barry Holloway, who has been a long-time supporter of a shift in focus towards district and local-level governance. Foreshadowed proposals to abolish provincial governments and create a system of district authorities headed by the national MPs were opposed by provincial governors at a meeting in Manus in June 2008.

... what is needed is not so much another basic change in the structure of intergovernmental relations as a rigorous attempt to address already identified weaknesses in the system.

Meanwhile legislation has recently been passed to amend the financial arrangements between the national and provincial governments. The long-overdue proposals take account of the widely differing revenue-raising capacities and costs of providing services amongst provinces and seek to achieve a better matching of expenditure obligations and funding availability.

While a review of the 1995 OLPGLLG may be useful, it might be argued that what is needed is not so much another basic change in the structure of intergovernmental relations as a rigorous attempt to address already identified weaknesses in the system.

The tendency towards executive dominance has been exacerbated by a general decline in the level of public service training and an almost universal reduction in the capacity of government departments and agencies for policy analysis and research.

State capacity

In the early years after independence concern was often expressed that relatively well-educated public servants tended to dominate their elected ministers and other MPs, many of whom were inexperienced in government. In more recent years, this situation has been largely reversed and a more frequent concern is that the senior levels of the public service, at both national and provincial/district levels, have been 'politicised', becoming more responsive to the personal demands of their minister or MP than to the directives laid down in policy documents. Although there are specific provisions governing the appointment and dismissal of senior bureaucrats at national and provincial level, designed to safeguard the integrity of appointments, these provisions are not always observed. The tendency towards executive dominance has been exacerbated by a general decline in the level of public service training and an almost universal reduction in the capacity of government departments and agencies for policy analysis and research.

As a consequence, draft legislation is sometimes presented to parliament without careful consideration. And within parliament, at least since 2002, the facts that the governing coalition enjoys a substantial majority and the parliament has been

subjected to lengthy adjournments and short sittings mean that legislation has been frequently passed without adequate debate. To the extent that this has occurred, the integrity of the policy-making process may be called into question and commitment to policies is weakened.

For some time, the judiciary has been generally regarded as one of the more robust elements of the state. But while the independence of the judiciary has been essentially maintained, pressures on the system have increased, creating a significant backlog of cases. Judges have also become frustrated at the frequent failure of government officers to attend court adequately prepared to present their evidence or prosecute their cases; in recent months several cases have been dismissed and officers of the state have been threatened with contempt of court for failing to appear when required or failing to comply with court rulings. There have also been criticisms of a tendency by successive governments to settle compensation claims against the state (arising, for example, over the state's use of land or the actions of police) without reference to the courts.

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The capacity of the state to maintain law and order has been further constrained by the limited human and physical resources of the Royal Papua New Guinea Constabulary and the Correctional Service. Particularly when confronting inter-group fighting in the highlands, police have often found themselves not only outnumbered but outgunned. Dedicated police and correctional

service officers often work conscientiously and effectively under very difficult conditions, but for some time morale in both services has been generally low and there have been allegations of corruption and human rights abuses. The Papua New Guinea Defence Force (PNGDF) has been called upon to provide assistance to the police in a number of situations, including recently to help enforce a state of emergency in the Southern Highlands and in the conduct of the 2007 election. The PNGDF also has suffered problems of discipline and morale, but has survived a period of downsizing and appears to have emerged as a more effective organisation.

Corruption in Papua New Guinea is probably still not on a scale comparable to that in some Asian and African countries, but it is a problem that needs to be more effectively addressed.

Problems of limited state capacity have been exacerbated by an apparent spread of corrupt practices in the public and private sectors, notwithstanding the constitutional provisions for a Leadership Code, an active Ombudsman Commission, a full set of public sector financial management laws and regulations, a parliamentary Public Accounts Committee, and strong anti-corruption advocacy from civil society. Former Prime Minister Sir Mekere Morauta has described corruption in Papua New Guinea as ‘systemic and systematic’. Instances of corruption have received widespread publicity and have been documented in numerous reports by the Ombudsman Commission, the National Audit Office, the Public Accounts Committee and others, but a relatively small number of offenders have been successfully prosecuted. What is sometimes overlooked in the discussion, is the extent to which instances of corrupt dealings have involved—and frequently been initiated by—foreigners (for example in the forestry industry, in various contracts with government, and in



Armed Papua New Guinea police walk past an agitated crowd following a disturbance at Koki Market in Port Moresby, Monday, Aug. 6, 2007. The stabbing death of a youth sparked anger from one ethnic group in the city. AP via AAP/Lloyd Jones © 2007 The Associated Press

the investment of illegal funds): ‘Foreigners’ includes Australians. Corruption in Papua New Guinea is probably still not on a scale comparable to that in some Asian and African countries, but it is a problem that needs to be more effectively addressed.

Internal security

Problems of lawlessness and disorder, including inter-group (or ‘tribal’) fighting and the activities of so-called criminal gangs, predate independence. But the extent of the problems has risen, especially in the major towns and in the rural highlands, as a result of the increasing number of unemployed young men, growing shortages of arable land in many parts of the country, the impact of big resource extraction projects which have encouraged new land claims and prompted disputes over the distribution of benefits, and the incapacity of an overstretched police force to maintain the peace and prevent criminal activity. Modern weapons, including home-made guns and semi-automatic rifles, have largely replaced spears and bows and arrows in inter-group fighting.

Especially in the highlands, elections have provided a focus for inter-group rivalry. In 2002, elections in six Southern Highlands electorates were declared ‘failed’ and new elections had to be held after the main poll was concluded. In 2007, a heavy security presence and improvements in electoral administration produced a less violent election, but there were still a number of violent incidents and polling irregularities in some electorates. This pattern was repeated in recent local-level elections, especially in the highlands where several people were killed in election-related violence.

Criminal activities and inter-group fighting inhibit business and the delivery of government services. Schools and other public facilities have been destroyed or damaged in intergroup fighting or vandalised by

disgruntled landowners seeking additional compensation for the use of their land.

Mining and petroleum projects have been forced to close temporarily (or, in the case of Bougainville Copper, perhaps permanently) pending settlement of compensation claims or other disputes. Both educated elite and rural villagers have lost money to pyramid credit and ‘fast money’ schemes, sometimes linked to charismatic religious movements.

Papua New Guinea’s vulnerability to environmental events, including climate change and rising sea levels poses a significant human security challenge (see box). There has been little work on climate modelling in Papua New Guinea but what research has been done suggests that there will be more extreme climatic conditions, including flooding and longer and more intense droughts. The Carteret islanders

Climate change

Climate change and variability, and sea level rise are global issues that pose a real challenge to Papua New Guinea in the short term and long term. Their impact will be most heavily felt in the New Guinea Islands and the Milne Bay, Central, East Sepik, Sandaun and Western provinces. In the highlands provinces, the occurrence of drought and frost will be more frequent.

A recent report from Papua New Guinea’s National Research Institute argues that there is an urgent need for a national climate change policy framework and program of action: the impacts and adaptation research on El Niño and sea level changes on coastal and island provinces is a challenge and needs support (Kaluwin 2008).

in the Autonomous Region of Bougainville, already threatened by rising sea levels, may become the world's first 'climate change refugees'. Another human security challenge is the impact of HIV/AIDS (see box).

HIV/AIDS

Papua New Guinea reportedly has the highest HIV/AIDS and STI rates in the Asia-Pacific region. A UN report in 2008 estimated that by 2012 about 209,000 people in Papua New Guinea could be infected by HIV/AIDS, a prevalence rate of 5.1%. Over 95% of these would be living in rural areas. In December 2007 there were a conservatively-estimated 59,537 living with AIDS, a prevalence rate of 1.6%, higher in urban than in rural areas. A sharp increase in new cases was reported in 2007. In Papua New Guinea HIV/AIDS is spread mostly through heterosexual sex and girls aged 15–19 have been identified as the most vulnerable group. Older men having sex with younger women ensures an inter-generational transfer of the infection. Spread of the HIV virus is facilitated by high rates of STI.

With deteriorating health services, the majority of people infected with HIV/AIDS will probably die from other preventable diseases such as malaria, tuberculosis or diarrheal diseases. Malaria probably causes the greatest number of deaths in Papua New Guinea.

Associated with the increase in HIV/AIDS-related deaths, there has been a rise of local sorcery 'trials' in which suspected sorcerers have been tortured and killed.

Among more positive developments has been the emergence of a number of civil society organisations supporting peace initiatives and reconciliation amongst former adversaries.

Any instability in Bougainville will have implications for the referendum on the future status of Bougainville, scheduled to be held in 2015. The possibility of a request for Australian participation in a new peacekeeping mission cannot be ruled out.

The most dramatic threat to Papua New Guinea's internal security since independence was the Bougainville conflict which erupted in 1988. What initially was described as a group of disgruntled landowners in the vicinity of the Bougainville Copper mine, alienated by the social and economic impacts of the mining operation and seeking increased compensation for environmental damage from the mine, escalated into an armed rebellion demanding an independent Republic of Me'ekamui. After a long-running conflict and several unsuccessful attempts to resolve the conflict, a peace process which began in 1997 culminated in the Bougainville Peace Agreement of 2001 and the establishment of the Autonomous Bougainville Government (ABG) four years later.

The Bougainville Peace Agreement has been widely acclaimed as one of the most successful peace-making achievements in the region. But problems remain. The BRA leader, the late Francis Ona, never did join in the peace process, and a 'No-Go Zone' was maintained around the mine area with roadblocks manned by Me'ekamui soldiers. Subsequently Ona was joined by pyramid finance scheme operator, Noah Musingku, who, with Ona, established the 'kingdoms' of

Me'ekamui and Papala and recruited former members of the Fijian Defence Force as 'security'. Although most of the Me'ekamui leadership has since joined the peace process there have been ongoing clashes between rival former Bougainville Revolutionary Army factions in southwest Bougainville where there is still a stock of weapons. The situation in Bougainville has been exacerbated by local differences over the resumption of mining and negotiations with foreign mining companies (see box). Any instability in Bougainville will have implications for the referendum on the future status of Bougainville, scheduled to be held in 2015. The possibility of a request for Australian participation in a new peacekeeping mission cannot be ruled out. Should this happen, it will be important that Australia is not seen to be taking a position on the question of Bougainville's future political status.

In the lead-up to independence in 1975, some commentators predicted that Papua New Guinea would quickly succumb to a military coup or a one-party dominant state. Neither has happened, and despite the tragic losses from the Bougainville conflict, the casualties from the conflict fall well short of those in other separatist conflicts in the region, several of which continue with little immediate prospect of a settlement. However, continuing problems around big resource projects, the possibility of further unrest in Bougainville, and the possibility of increasing conflict as a growing population competes for a finite area of arable land and young people drift to towns in a vain attempt to find employment, will pose challenges for security planners.

External security

Papua New Guinea has enjoyed a relatively benign external security environment. Relations with its neighbours are generally cordial, and there is no obvious source of

Recent unrest in Bougainville

Following the signing of the Bougainville Peace Agreement in 2001, Papua New Guinea security forces withdrew from Bougainville. Two years later, the Australian-led international Peace Monitoring Group withdrew after the UN Observer Mission on Bougainville certified that weapons disposal had reached a stage at which the Bougainville autonomy arrangements could be put in place. A significant quantity of weapons was still outstanding, however, particularly in areas of central and south Bougainville controlled by the Me'ekamui Defence Force.

In the 1990s bitter fighting took place, intermittently, between BRA factions in central and south Bougainville, with commanders Thomas Tari and Damien Koike emerging as key figures. After 2003 the situation deteriorated. Koike established links with hardline Me'ekamui supporters and local criminal elements. Road blocks were set up to extract 'taxes' and prevent entry to the area by the ABG. Armed clashes between Tari and Koike escalated, with the two being described as local warlords. In late 2007 a Wisai Liberation Movement (WILMO) emerged in the area and was involved in clashes with Koike. There were concerns that Koike and Tari might combine against former BRA opponents. The ABG has declared 2008 a year of reconciliation and weapons disposal and was said to be seeking United Nations Development Programme assistance. In the Konnou-Wisai area, Buin leaders have called for a RAMSI-style intervention and the ABG, Me'ekamui and churches have been seeking a truce between WILMO and Koike.

major security threat. In the past there have been tensions in relations with Indonesia to the west, over the cross-border movement of Organisasi Papua Merdeka (OPM) supporters and Indonesian military incursions, and with Solomon Islands to the east, as a result of the BRA's access to logistic and moral support from Solomon Islanders and cross-border raids by the PNGDF. In recent years both borders have been fairly quiet, but predictions of growing unrest in Papua—and specifically tensions between the predominantly-Christian indigenous population of Papua and predominantly-Muslim immigrant settlers—raise the prospect of renewed problems along the border with Indonesia. Indeed there have been disturbing recent reports of repeated Indonesian military incursions across the border and intimidation of Papua New Guinean villagers. Meanwhile, the Papua New Guinea border post at Wutung is understaffed and often without power, telephones and transport (though reportedly K20 million allocated for border operations in 2007 has not been used). Scheduled joint border liaison meetings have not been held for two years.

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Papua New Guinea has played a major role in the Pacific Islands Forum and in the Melanesian Spearhead Group (MSG)³. The recently-established position of Director General of the MSG has been filled by a Papua New Guinean, and there is some support for

the idea, put forward by Papua New Guinea's outgoing high commissioner to New Zealand, of a sub-regional intervention force to respond to security situations in the sub-region. To some extent, these developments reflect Melanesian resentment of Australia's strong influence on regional forums.

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The growing presence of China in Papua New Guinea (and in the Pacific generally), and rivalry between the People's Republic of China (PRC) and Taiwan, have been a cause of concern in some quarters.⁴ China is now Papua New Guinea's third largest trading partner and Chinese investment (including a proposed Chinese industrial zone in Madang) and aid have been steadily rising, though much of the latter is in the form of concessional loans. In 2007 the first China Pacific Islands Countries Economic Development and Cooperation Forum was held in Fiji.

While China's growing interest in the region has mostly been welcomed by island countries, including Papua New Guinea, there is some ambivalence in attitudes towards China and ethnic Chinese. In recent years there has been evidence of a growing 'anti-Chinese' sentiment in Papua New Guinea, as in other parts of the Pacific. This has resulted from the increasingly visible presence of recently-arrived ethnic Chinese in small urban businesses, often operating without the necessary work permits, a growing influx of cheap but inferior Chinese goods, and the controversial industrial policies

of the predominantly Chinese-owned Ramu nickel mine.

Within Australian security circles Papua New Guinea's limited ability to protect its borders is commonly seen as posing security concerns for Australia: the possibility of Papua New Guinea being used as a base for terrorists; the prospect of international organised crime operating from Papua New Guinea; the possibility of Papua New Guinea becoming a staging point for people smuggling to Australia; the development of a 'drugs-for-arms' trade between the two countries; and Australia's vulnerability to any breaches of Papua New Guinea's quarantine regime.

The probability of Papua New Guinea being used as a base for terrorists is perhaps exaggerated: not only does Papua New Guinea lack an obvious constituency for terrorism, but in a closely knit community like Papua New Guinea's the activities of foreigners (and unusual activities of locals) attract attention and subversive activities are unlikely to go undetected. Logistic constraints are also likely to deter prospective terrorists. Much the same might be said for organised crime, though there have been reports of Asian crime syndicates involved in smuggling, fraud, prostitution and people trafficking moving into Papua New Guinea. Some illegal migration to Australia via Papua New Guinea has been reported, but by and large it is probably easier for illegal migrants to enter Australia directly. There is some evidence of a drugs-for-arms trade across the Torres Strait, although it seems to be small; most weapons appear to enter Papua New Guinea from the west rather than the south and many are locally manufactured.

The threat of a breach of Australia's quarantine regime, especially through the Torres Strait islands, is probably a more significant risk. Apart from plant and animal diseases, specific concern has been expressed about the possibility of HIV/AIDS being

transferred by Papua New Guineans who access Queensland health services in the Torres Strait islands (as 'traditional visitors' are entitled to do under a Health Framework Agreement funded by the Australian Government). Developed cooperation between Papua New Guinean and Australian customs, quarantine and health officers should minimise the risks.⁵

For Papua New Guinea, more serious preoccupations have been the presence of illegal foreign fishing boats within Papua New Guinea's EEZ, which Papua New Guinea has limited capacity to prevent, and an apparently increasing incidence of illegal immigration, mostly from China.

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In sum, the alleged security risks to Australia from a 'weak state' to its immediate north have almost certainly been exaggerated. This is not to say that such risks should be ignored, but it needs to be recognised that Australia's perceptions of security risks are not necessarily shared by Papua New Guinea, for whom problems of internal security are more pressing. Attempts to impose Australia's concerns on Papua New Guinea have the potential to create new tensions in the bilateral relationship.

Papua New Guinea–Australia relations

The broad context

Papua New Guinea had an easy transition to independence and relations between Australia and Papua New Guinea have been

generally good. Until recently Papua New Guinea was the major recipient of Australia's bilateral development assistance and has received the largest payment through Australia's Defence Cooperation Program. But relations between former colonies and their colonial administrators always bear some imprint of the colonial experience—on both sides. The Papua New Guinea–Australia relationship is no exception; from time to time there have been minor tensions in the relationship, with Australia frustrated at Papua New Guinea's failure to realise its perceived development potential and Papua New Guinea resentful of what it sees as Australia's neo-colonial attitudes. In the early 1990s this was reflected in a new 'Look North' emphasis in Papua New Guinea's foreign policy.

Over recent years, however, under the Howard government in Australia, there was a marked deterioration in relations between the two countries. It began with a number of minor irritants, including repeated references to state fragility and the prospect of state failure in comments by Prime Minister Howard, Foreign Minister Downer and others when talking about Papua New Guinea, and an incident in which Prime Minister Somare was subjected to a security check at Brisbane airport—drawing a complaint from Somare which was cavalierly dismissed by Australian Foreign Minister Downer. It gained momentum when, in the wake of the RAMSI intervention in Solomon Islands, Australia announced an Enhanced Cooperation Package (retitled Enhanced Cooperation Program, ECP) for Papua New Guinea, involving some 60 public servants and 210 police from Australia to serve in line positions in Papua New Guinea (but ultimately accountable to Canberra) at a cost to Australia of \$1.1 billion over five years. A condition of the deployment was that the Australian officers be given immunity from Papua New Guinea laws.

Within Papua New Guinea some saw the ECP exercise as neo-colonial, and there was a general resistance to the granting of immunity to Australian officers. Morobe governor Luther Wenge initiated a court challenge to the legality of having foreigners in line positions, and this was upheld by the Papua New Guinea Supreme Court in May 2005. As a result, most of the police and some of the civil servants were withdrawn (some stayed on in advisory positions).

Relations took a further turn for the worse after the Australian Government, in a clear attempt to prevent the appointment of Australian citizen Andrew Moti as attorney-general in Solomon Islands, sought Moti's extradition to Australia to face charges relating to alleged offences committed in Vanuatu some years earlier. Discovering that Moti was in Papua New Guinea, the Australian Government approached the Papua New Guinea Government to return Moti to Australia. Instead, Moti was flown to a small airstrip in Solomon Islands in a PNGDF aircraft. Within Papua New Guinea questions were raised as to whom had authorised Moti's flight, and several senior officers were suspended. There were suggestions that Prime Minister Somare was involved. A Defence Board of Inquiry was set up to look into the matter. Somare did not appear before the enquiry and subsequently attempted to repress the report (which was leaked and published on an Australian newspaper's website), prompting the parliamentary opposition to call on him to step down. The Australian Government made clear its displeasure by calling off a planned ministerial meeting and announcing it would not issue visas to Papua New Guinea ministers. Papua New Guinea took the unusual step of briefly recalling its high commissioner to Australia. None of the three governments involved in the so-called 'Moti affair' came out of the episode well, but the net effect of Australia's

intervention (apart from its outcome in Solomon Islands) was to bring its relations with Papua New Guinea to a new low point and to precipitate a potential destabilisation of the Papua New Guinea Government.

... in any bilateral partnership, but especially an asymmetric one like that between Australia and Papua New Guinea, a basically sound relationship can be severely damaged by apparently minor errors of sensitivity or judgment.

It is worth detailing these episodes to make a more general point, namely that in any bilateral partnership, but especially an asymmetric one like that between Australia and Papua New Guinea, a basically sound relationship can be severely damaged by apparently minor errors of sensitivity or judgment. The lesson to be learned from the past few years is that although relations between Australia and Papua New Guinea are generally good, they need to be nurtured. Many Papua New Guineans resent the extent of their country's aid dependence on Australia (frequently characterising Australia's assistance as 'boomerang aid') and see Australia as a dominating 'big brother' in the region who frequently seeks to impose its will on the small island states. Australia's talk of fragile states and the need to safeguard Australia's security in the region do little to dispel such a view: nor do references to the Pacific as 'Australia's backyard'.

The issue of aid

It is perhaps unfortunate, but probably inevitable, that relations between the two countries tend to be dominated by Australia's development assistance to Papua New Guinea. Australia provides about

80% of Papua New Guinea's development assistance (amounting to \$389 million in 2008/09). Bilateral assistance is provided through the Papua New Guinea–Australia Development Cooperation Strategy (DCS), negotiated in 2006 and reflecting Papua New Guinea's MTDS priorities. It has four principal components: improved governance and nation-building; sustainable economic growth and productivity; improved service delivery; and combating HIV. Within the DCS framework, there is a strong focus on capacity building—in the words of Australia's minister counsellor, AusAID in Port Moresby, 'supporting Papua New Guinea to deliver—which means that sometimes things happen a little more slowly, at a pace that Papua New Guinea systems can sustain' (Thomas 2006).

Partnership for development with PNG

On 20 August 2008 Prime Minister Kevin Rudd signed Pacific Partnerships for Development with Prime Minister Somare of Papua New Guinea and Prime Minister Tuilaepa of Samoa at the Pacific Forum Leaders' Meeting in Niue. These Partnerships commit Australia and its Pacific partners to work together to make faster progress towards achieving the Millennium Development Goals and the partners' development.

The Partnership with PNG aims to provide better access to markets and services through improved infrastructure; faster progress towards universal basic education; improved health outcomes; strengthened public administration, including at the provincial and district levels; and to launch a new approach to providing sound development data, including a national census in 2010.

Despite the volume of aid, however, in constant prices there has been a steady decline in Australia's development assistance since independence, and a decline in the ratio of that development expenditure to total government spending. There have been several reviews of Australia's aid to Papua New Guinea and changes in the way in which development assistance has been delivered, shifting from general budgetary assistance to program aid covering a wide range of activities negotiated between the two governments and their officials (though arguably the negotiations could sometimes have greater depth).

Some critics of Papua New Guinea's continuing aid-dependence have argued that aid has not been used effectively and that it has had a negative impact on development.⁶ There is little doubt, however, that the net effect of any reduction in aid would be to further lower the standards of services available to Papua New Guineans, with likely adverse secondary effects on social and political stability. That said, there are obviously some limitations on Papua New Guinea's capacity to productively absorb development assistance and to cope with the proliferation of donor programs, especially in a situation where donor personnel and Papua New Guinea officials tend to turn over fairly rapidly and institutional memories are poor. These problems will become more acute if development assistance is expanded and the number of donors increases. A 2005 analysis of Australia's aid program to Papua New Guinea suggested: 'Arguably the program in the past has been too ambitious, too broad and sought to progress too many objectives without regard to sequencing to support the most important priorities', and concluded that the program 'needs to reflect good enough principles in its design, implementation and expectations'. The report also spoke of the need for greater rigour in monitoring and

evaluating aid effectiveness (Morris and Stewart 2005:iv, vi; also see pp. 24–31). These observations have even greater salience in 2008.

An important recent innovation in Australia's assistance package has been the development of a Sub-National Strategy (SNS), which, as the title suggests, is designed to improve administration and service delivery at the provincial, district and local levels. Through the SNS, several AusAID officers have been posted to the provinces to assist provincial management teams in planning, budgeting and coordination.⁷ Such postings give donors a substantially better understanding of conditions at the local level. Another innovation has been the introduction of an annual Performance Review and Dialogue process, which involves limited monitoring and evaluation of programs, focusing on public sector reform issues and providing 'performance grants' as an incentive to target achievement.

...there is a need for more effective donor collaboration. Some mechanisms are already in place, but more inclusive and more regular consultations, which include the PRC and Taiwan, are essential.

With growing amounts of development assistance to Papua New Guinea coming from the EU, Japan, China and Taiwan, and New Zealand as well as multilateral agencies and international NGOs, there is a need for more effective donor collaboration. Some mechanisms are already in place, but more inclusive and more regular consultations, which include the PRC and Taiwan, are essential.

Government-to-government, and people-to-people relations

In March 2008 Prime Minister Rudd and Prime Minister Somare co-signed a document, referred to as ‘the Port Moresby Declaration’, which announced the Australian Government’s commitment to a new era of cooperation with the island nations of the Pacific. The following month the eighteenth in a series of Papua New Guinea ministerial forums (suspended in 2006 by the Howard government) was held in Madang. At the forum Papua New Guinea’s foreign minister welcomed the ‘rebirth’ of Papua New Guinea–Australian relations. The joint statement produced by the forum noted that the two countries would immediately commence negotiations on a new bilateral Partnership for Development aimed at achieving improved development outcomes in Papua New Guinea; it also recorded agreement that the ECP should be

continued (under the new title, *Strongim Gavman* Program) and endorsed a renewed policing partnership between the Australian Federal Police and the Royal Papua New Guinea Constabulary. Several other important recent initiatives endorsed at the forum meeting included a Papua New Guinea–Australia Forest Carbon Partnership, a bilateral Health Issues Committee and a Papua New Guinea–Australia Sport for Development Initiative.

The Papua New Guinea–Australia Sport for Development Initiative is one of several measures intended to support closer people-to-people relations. Two other important programs are the Australian Youth Ambassadors for Development program and the recently created Emerging Pacific Leaders Dialogue.

A proposed Pacific Islander seasonal employment scheme—supported by



Prime Minister Kevin Rudd (right) in the Parliament House at Port Moresby, Papua New Guinea, Thursday, March 6, 2008. Mr Rudd talked about PNG and Australian relations during a joint press conference with the PNG Prime Minister Michael Somare. AP via AAP/Glen McCurtayne
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prospective employers, unions, and the World Bank—has since been announced. There is strong demand for such a scheme in Papua New Guinea, where temporary employment in Australia will provide income and remittances, on-the-job training and work experience, and increased people-to-people linkages. Such a scheme will need to be properly administered, to ensure that both workers and employers met their obligations, and that an early end was put to the sort of ‘recruiting’ scams which emerged in Papua New Guinea newspapers when the idea was aired a few years ago, and have recently reappeared. A welcome development here is the Rudd government’s announcement in mid August this year that a three-year pilot seasonal worker scheme in the horticulture industry would be introduced, where there is a lack of workers to harvest the nation’s fruit and vegetables. Under the trial, up to 2,500 visas will be available over three years for workers from Kiribati, Tonga, Vanuatu and most importantly Papua New Guinea to work in Australia for up to seven months in any 12 month period. Small groups of workers are expected to start to arrive late this year. The pilot program will be reviewed after 18 months to ensure it is meeting the needs of rural communities, rural industries and workers.

The way forward

Several reports have been written in Australia which seek to identify Papua New Guinea’s ‘problems’ and recommend ‘solutions’. Recommendations have ranged from modifications to national political institutions, through fundamental changes to land tenure systems and privatisation, to changes in the clan structure. While generally well-intentioned, many of these recommendations have tended to underestimate the tenacity of longstanding patterns of Melanesian cultural and political

behaviour. Often, too, they have proceeded from idealistic perceptions of European, American and Australian society—a point not lost on educated Papua New Guineans who are not unaware of the incidence of corruption, nepotism, market failure, and bad behaviour by politicians in donor countries. Most reviews of Papua New Guinea–Australia relations have got the rhetoric broadly right, but frequently something is lost between the rhetoric and the details of interaction.

At independence a sense of nationhood was not well developed. Many communities had limited contact with the state, and the pool of suitably educated and experienced politicians and administrators was shallow. Notwithstanding this, and despite early predictions of imminent state collapse, the new state proved robust.

Relative to most post-colonial states, Papua New Guinea had a rapid transition to independence. At independence a sense of nationhood was not well developed. Many communities had limited contact with the state, and the pool of suitably educated and experienced politicians and administrators was shallow. Notwithstanding this, and despite early predictions of imminent state collapse, the new state proved robust. Nevertheless, much of the legacy of a rapid transition to independence remains: over 80% of the population live in rural villages and are largely dependent on subsistence agriculture; politics is still heavily localised and intergroup conflict, especially in the populous highlands, continues; the idea of a Weberian state, acting impartially to further the common good, is not embedded. All

governments since 1972 have been coalitions, and until 2002 no government had lasted a full term in office. The turnover of MPs has been high (around 50-55% from 1977 to 2002; almost 80% in 2002, and about 60% in 2007). Political parties have been personalised and fluid.

The *Organic Law on the Integrity of Political Parties and Candidates* (OLIPPAC) introduced by the Morauta government sought to promote greater political stability by strengthening political parties and discouraging the 'party hopping' by members of parliament and recurrent votes of no confidence which had characterised parliamentary politics up till then. A shift from first-past-the-post to limited preferential voting after 2002 also sought to strengthen parties as well as increasing the mandate of MPs. As noted above, the Somare government of 2002–2007 became the first to see out a full parliamentary term, but while it is still perhaps too early to judge, there is little evidence to date of strengthening in the party system and in the 2002–2007 parliament splits occurred in several of the major parties, notwithstanding the provisions of the OLIPPAC. Political factionalism appears to be returning in 2008, stimulated by suggestions that Prime Minister Somare may step down before 2012. Provisions in the OLIPPAC to promote greater political participation by women have also failed to produce results, with only one woman in a parliament of 109 members.

While some changes might be expected to take place in the political system over time (donor-assisted initiatives to strengthen political parties and support electoral reforms, for example, are already in place), any attempt to foster a more productive relation between Papua New Guinea and Australia must proceed from a recognition of the limitations imposed by Papua New Guinea's cultural, social and political systems.

As the 2005 analysis of Australia's aid program observed: 'much of what influences the operation of PNG legislatures and the bureaucracies that serve them is beyond the scope of institutional strengthening and capacity building. Governance interventions at the bureaucratic or technical levels, while necessary in terms of restoring knowledge, procedures and norms, will often be subordinated in practice by the demands of political culture' (Morris and Stewart 2005:17).

There is often a tendency for donor agencies, and visiting 'experts', to come with preconceived solutions to perceived problems, and sometimes to wonder why those in recipient countries are unreceptive to their advice. Frequently this is put down to a lack of political will, whereas in fact there are usually fairly specific reasons (not excluding self-interest or group interests) for inaction. Proposals which do not recognise these factors or which do not create a sense of local ownership of public sector reform processes are doomed to failure. One of the dangers of a more interventionist approach to development assistance, particularly one justified in terms of Australia's security interests and concerns about state failure, is the possibility that it will alienate key actors in recipient countries.

But while development assistance must be primarily about developing capacity in recipient countries, this should not preclude the offer of technical assistance where local capacity is weak or lacking. There are very few areas of public sector activity in Papua New Guinea which have not at some stage been the recipients of international donor assistance, but areas in which there may be greater scope for the provision of technical assistance or technical cooperation include access to primary education and basic healthcare, coastal surveillance, the tracking of international criminal activities and the shifting of proceeds from increasingly

sophisticated corrupt transactions, technical aspects of criminal investigation, legislative drafting, audit processes, IT development, and environmental monitoring and conservation. If the trend towards more extreme weather patterns continues, there will also be a need for more frequent, targeted emergency relief.

... consideration might also be given to the expansion of exchange-type relations in which Papua New Guinean personnel, particularly at middle management level, are given the chance to spend periods working in counterpart Australian organisations.

The provision of technical support to Papua New Guinea, notably through the AusAID-funded Advisory Support Facility, seems to have been generally well received. But consideration might also be given to the expansion of exchange-type relations in which Papua New Guinean personnel, particularly at middle management level, are given the chance to spend periods working in counterpart Australian organisations. Where such exchanges have taken place, the results seem to have been positive in terms of both experience and the establishment of professional networking.

More generally, as the generation of Australians who lived and worked in Papua New Guinea in the period before and shortly after independence thins out, there would be benefits to be gained by promoting increased people-to-people interaction through cultural, media, sporting and academic exchanges. In particular, support for academic exchanges, or an offer to top-up to an Australian standard local salaries for university staff recruited from Australia, might be a relatively low-cost

way of assisting Papua New Guinea's public tertiary institutions, which have been struggling to maintain academic standards.

Increased support for volunteer work at local level in Papua New Guinea should also be considered—especially from amongst active retirees with skills in areas such as construction and maintenance, technical training, IT and public health. 'Flying visits' by specialist medical teams are well received and perhaps provide a model. The annual ADF–PNGDF partnership exercise provides another model.

The recent report of an Independent Task Force convened by ASPI to consider future directions in Australia's Pacific Islands policy (ASPI 2008) recommended, inter alia, an expanded program of visits by ministers and civil society leaders, the establishment of a 'one-and-a-half track' dialogue with Papua New Guinea, and the creation of an Australia–Pacific Islands Council. These are proposals worth pursuing. One might add the creation of an Australia–Papua New Guinea Council and support for Australian research on, and teaching about, the island Pacific, especially our largest neighbour, Papua New Guinea. The latter should emphasise collaboration with regional scholars, and might focus on broadly defined policy-relevant issues, such as governance, economic development, climate change and public health.

Concluding remarks

The Rudd government's 're-engagement' with Papua New Guinea has been welcomed on both sides of the Torres Strait. But in giving effect to this re-engagement, specifically through an increase in development assistance, Australia must guard against perceptions that in its enthusiasm to see Papua New Guinea go ahead it does not compromise the latter's sovereignty. If Australia is seen as trying to impose its

values and concerns on Papua New Guinea, or even of overwhelming Papua New Guinea with new development initiatives, its efforts could be counter-productive. Equally, as we have seen in the past, careless remarks from Australia can do much to undermine the good efforts of Australian personnel and civil society organisations on the ground in Papua New Guinea. Probably the best way to avoid this is through regular joint consultation at various levels of government and civil society, drawing on the considerable expertise built up over the years by Australians working in Papua New Guinea.

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Endnotes

- 1 Hugh White and Elsin Wainwright *Strengthening Our Neighbour: Australia and the future of Papua New Guinea*, (ASPI, 2004).
- 2 *The National* 18 June 2008.
- 3 Among a number of recent initiatives, the Chinese government has funded the construction of a Melanesian Spearhead Group (MSG) Secretariat building in Port Vila and is paying the salary of the first MSG Director General.
- 4 Skate’s move to abandon Papua New Guinea’s one-China policy in 1999 in return for a financial assistance package from Taiwan was a factor in his demise.
- 5 One of the most serious quarantine breaches between the two countries occurred when buffalo infected with tuberculosis were exported from northern Australia to Papua New Guinea.

- 6 see, for example, Hughes 2003.
- 7 Initially, three pilot provinces were chosen (in addition to Bougainville)—East New Britain, Eastern Highlands and Central—but the scheme is being extended to several more provinces.

Acronyms and abbreviations

ABG	Autonomous Bougainville Government
ADF	Australian Defence Force
BRA	Bougainville Revolutionary Army
CACC	Central Agencies Coordinating Committee
DCS	Development Cooperation Strategy
ECP	Enhanced Cooperation Program
EEZ	exclusive economic zone
GDP	gross domestic product
JDPBPC	joint district planning and budget priorities committees
JPPBPC	joint provincial planning and budget priorities committee
LICUS	Low-Income Countries Under Stress
MSG	Melanesian Spearhead Group
MTDS	Medium Term Development Strategy
NGO	non-government organisation
OLIPPAC	Organic Law on the Integrity of Political Parties and Candidates
OLPGLLG	Organic Law on Provincial Governments and Local-level Governments
OPM	Organisasi Papua Merdeka
PERR	Public Expenditure Review and Rationalisation
PNGDF	Papua New Guinea Defence Force
PRC	People's Republic of China
PSR	Public Sector Reform
SNS	Sub-National Strategy
WILMO	Wisai Liberation Movement

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