

PAPUA NEW GUINEA
Risk Assessment Brief



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Based on CIFP Risk Assessment Methodology

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1. OVERVIEW

Papua New Guinea's population of 5.6 million is one of the most heterogeneous in the world, with more than 700 indigenous languages spoken by several thousand communities divided by mountainous terrain and sea.¹ Approximately 85% of the population relies on semi-subsistence agriculture. Since independence from Australia in 1975, the country has experienced economic stagnation. The economy is heavily dependent on natural resources; gold, copper, and oil together constitute 75% of PNG's export income.² The government relies on aid, which comprises 20% of PNG's budget, as well as revenue from foreign multinationals. This leads to a lack of accountability to its citizens. Development indicators, including literacy rates, education enrolment and access to health care, have declined over the past three decades. This reflects the general deterioration of living conditions, particularly in rural areas.



Although the government is democratic, domestic politics are characterized by disorder and rampant corruption. In addition, frequent votes of non-confidence have hindered prospects for much-needed political reform; no PNG government has survived a full term. Environmental and economic grievances, particularly those related to mining and oil operations, have also been a source of contention. Such grievances sparked a nine-year conflict in Bougainville, during which longstanding demands for independence were revived. Since the 2001 Peace Agreement brokered by New Zealand, the situation in Bougainville appears to have stabilized. However, widespread poverty and escalating crime in the Southern Highlands province comprise serious threats to internal stability.

Economic and security interests have prompted Australia to play an increasingly interventionist role in the region. Two major stabilization initiatives that Australia introduced in 2003 are indicative of this trend: an Australian-led peacekeeping force in the neighbouring Solomon islands, and the Enhanced Cooperation Program (ECP) in PNG to combat crime and corruption. Australian programs in PNG have generated both gratitude and resentment. In May 2005 the ECP Act was ruled unconstitutional by the PNG Supreme Court, resulting in the departure of the Australian police. Overall, indicators have negative trends, the economic and political situation is bleak, and the country verges on state failure.

TIMELINE: Overview	TIMELINE: Bougainville Conflict
<p>1906--Britain transfers rule of Papua to Australia</p> <p>1921--After WWI Australia takes over rest of New Guinea and Bougainville from defeated Germany</p> <p>1975--Full independence for PNG; Bougainville's unilateral declaration of independence largely ignored by international community</p> <p>1980--Somare government dissolved by vote of non-confidence; no other parliament to date has survived term</p> <p>1988-97--Bougainville separatist rebellion; closure of Bougainville (Panguna) mine translates into loss of 15% of national revenue</p> <p>1997--Sandline Affair: PM Chan hires foreign mercenaries to support troops in Bougainville; leads to army mutiny; Chan cleared of corruption charges but kicked out of office</p> <p>2000--Relations with World Bank (WB) resumed after 2 year hiatus; Morauta regime agrees to Structural Adjustment Programme</p> <p>2001 (March)--Military revolt: 12 day standoff at armoury in capital, protesting proposed PNGDF downsizing</p> <p>2001 (June)--Student protests against SAP reforms; four shot dead by police, triggering days of confrontations; Commission of Inquiry results never publicized</p> <p>2002--Rebellion by 50 soldiers demanding resignation of PM Morauta, ousting of foreign aid, WB and IMF</p> <p>2002--Parliamentary elections won by Somare (current PM) marred by unprecedented levels of violence and corruption</p> <p>2004--Billion-dollar Enhanced Cooperation Program (ECP) from Australia focused on law and order and good governance</p> <p>2005--Australian police stripped of immunity and sent home; ECP scaled down and reworked for August '05</p> <p>2006 (Jan) -- Strike at Porgera gold mine (Southern Highlands)</p>	<p>1988--Panguna Landowners Assoc., led by Francis Ona, mobilize attacks on Panguna copper mine (owned by Rio Tinto); grievances over land rights, environmental damage, and very little share in royalties³</p> <p>1989--Bougainville Revolutionary Army (BRA) forms; PNG Defence Forces (PNGDF) deployed; BRA arms itself by stealing from PNGDF</p> <p>1990--Bougainville Interim Government (BIG) declares independence; PNG sets up economic, communications, and humanitarian blockade until 1991; sympathy and condemnation from human rights INGOs and UN</p> <p>1991-4--Internal divisions: paramilitary Bougainville Resistance Forces (BRF) support PNG</p> <p>1994--PM Chan signs peace treaty with some leaders but boycotted by Ona and Interim Government; transitional administration (BTG) set up under Theodore Miriung</p> <p>1996--Miriung assassinated by PNGDF and Resistance Forces (BRF)</p> <p>1997--Amidst national state of disaster (El Nino drought), Burnham Truce brokered by New Zealand; international unarmed Monitoring Group set up</p> <p>1998--Permanent ceasefire; Australia takes lead in monitoring; UN Observer Mission established</p> <p>2001 (August 29)--Bougainville Peace Agreement on autonomy, disarmament, and referendum on independence within 15 years</p> <p>2005 (May)--Joseph Kabui elected first president of Bougainville Autonomous Government</p> <p>2005--Kabui proposes to lift mining moratorium and re-open Panguna mine; Ona and Mekamui Defense Force pledge to resist if government invades "no-go zone"; Francis Ona dies in June 2005</p>

2. STAKEHOLDERS

<i>INTERNAL Stakeholders</i>	<i>Composition</i>	<i>Grievances/Interests</i>
Bougainville Autonomous Region	Newly-established government including President Joseph Kabui, bureaucracy, general population, various armed militia groups	Grievances: loss of land rights, environmental degradation, economic exploitation Interests: self-determination/autonomy, continuation of peace process (government)
PNG Government	Prime Minister Michael Somare, National Alliance Party, Members of Parliament, bureaucracy	Interests: territorial integrity, political/economic/ social stability, regime survival
PNG Defense Forces	Officers, regular forces	Interests: maintaining resources and power
General population	Over 800 tribal groups and linguistic divisions	Grievances: environmental degradation, poverty, underdevelopment, lack of government legitimacy Interests: peace/stability, good governance, economic and social development

<i>EXTERNAL Stakeholders</i>	<i>Composition</i>	<i>Grievance/Interests</i>
Australia	Government (incl. representatives and personnel in PNG)	Grievances: misallocation of aid, disputes over ECP Interests: regional security and stability
Indonesia	Government, West Papua	Grievances: guerrilla group Organisasi Papua Merdeka (OPM or Free Papua Movement) crossing border Interests: border security, regional stability, avoiding refugee flows
International Community	Countries: EU member states, Japan, PRC, ROC Organizations: ADB, IMF, UN, World Bank, WHO, WWF	Grievances: misallocation of aid, corruption, debt Interests: Millennium development goals, regional/international stability, good governance
Economic and Business Interests	Resource exploitation companies: (Barrick Gold, Rio Tinto, MobilExxon) Trading Partners: Australia, Japan, Singapore, Malaysia	Grievances: crime and political instability that hinder business operations Interests: property rights, security, regime stability, cheap supply of oil, minerals and timber

3. RISK INDICATORS—Stabilizing and Destabilizing Factors

3.1 HISTORY OF ARMED CONFLICT

<i>Stabilizing Factors</i>	<i>Destabilizing Factors</i>
<ul style="list-style-type: none"> • 2001 Bougainville Peace Agreement: demilitarization of BRA and BRM militias⁴ • Return of internally displaced in Bougainville⁵ • Internal divisions diminished among Bougainvilleans through grassroots reconciliation processes⁶ • Cooperation with UNHCR facilitated limited integration of refugees from West Papua⁷ 	<ul style="list-style-type: none"> • History of low-scale tribal conflict and distrust, magnified by modern weapons and urbanization • Bougainville revolt (1988-1997): around 15,000 killed, 60,000 internally displaced⁸ • Human rights violations by PNGDF: executions, burning of entire villages, torture, massacres • Attacks against multinational mining/ oil/gas installations, most recently in highlands area⁹ • Continued use of highlands by OPM as operations base

3.2 GOVERNANCE AND POLITICAL INSTABILITY

Stabilizing Factors	Destabilizing Factors
<ul style="list-style-type: none"> • Absence of significant ideological divisions • Fluidity of party politics and vote of non-confidence (VNC) allows a constitutional channel for political discontent • 2001: Organic Law on the Integrity of Political Parties (OLIPPC) – restrictions on “party hopping,” incentives for females to run for election, limitations on campaign contributions • Active ombudsman commission to crack down on corruption • 2003: Electoral system change to preferential voting <p>Bougainville:</p> <ul style="list-style-type: none"> • loss of self-determination twice: involuntarily incorporated into British/Australian and later PNG territories • 2001: Peace Agreement – called for referendum on independence within 10-15 years, established Autonomous Region of Bougainville, initiated weapons disposal program • 2005: Bougainville elections deemed free and fair • 2005: Death of rebel leader Francis Ona on June 2 	<ul style="list-style-type: none"> • Low party loyalty – frequent “party-hopping” • Constant threat of VNC hinders chance for reform • Extreme corruption in government, police & military¹⁰ • Government has limited capacity to deliver services • 2002: June elections declared the “worst ever”¹¹ with coercion; collusion of electoral officials, police and candidates; fraud; bribery; ballot-stuffing and administrative breakdown • 2004: MPs brought high-powered weapons into Parliament to intimidate opponents • Almost no police presence in remote areas • Lack of law and order; especially in cities and Highlands <p>Bougainville:</p> <ul style="list-style-type: none"> • Mekamui Defence Force set up “no-go” zone at Panguna • Fiji nationals accused of training local militia • 2005: Coup attempt by former paramilitary Resistance Forces¹²

3.3 MILITARIZATION

Stabilizing Factors	Destabilizing Factors
<ul style="list-style-type: none"> • Army’s small size and the logistical difficulties in sustaining military control over such a rugged and ethnically fragmented country mitigate coup attempts¹³ 	<ul style="list-style-type: none"> • History of poor government/military relations <ul style="list-style-type: none"> ◦ 1997 – Sandline Affair ◦ 2001 – attempted mutiny at PNGDF downsizing • PNG can neither effectively monitor its land and sea borders nor control parts of its territory¹⁴ • Prevalence of small arms and high powered weapons in Southern Highlands (murder rate is 42 times that of Australia) • Corruption in the military and police: missing weapons, associations between military, criminal gangs, militias and politicians¹⁵

3.4 POPULATION HETEROGENEITY

Stabilizing Factors	Destabilizing Factors
<ul style="list-style-type: none"> • Absence of a dominating group; no political or economic discrimination • Religious diversity between Catholics (22%), Protestants (44%) and indigenous beliefs (34%) not a notable source of conflict 	<ul style="list-style-type: none"> • Weak sense of national identity; clan loyalties contribute to nepotism, corruption, and in-fighting within government and public service • Bougainville islanders ethnically linked to Solomon Islands

3.5 DEMOGRAPHIC STRESS¹⁶

Stabilizing Factors	Destabilizing Factors
<ul style="list-style-type: none"> • Overall low population density: 12 people/ sq. km • Fairly low density for Bougainville: 15/sq. km; on usable land 30/sq. km¹⁷ • Only 15% of the population concentrated in urban areas 	<ul style="list-style-type: none"> • High population growth rate (2.26%) but decreasing (1980-2000: 2.7%)¹⁸ • Highest population growth in Southern Highlands (4.2%)¹⁹ • Density on land usable for agriculture: 64 people/sq. km²⁰ • High density regions: Highlands contain 40% of population; approx. 200 people farming one sq. km in Chimbu province²¹ • Growing youth bulge: 50% of population under 19 yrs; median age 16.8 yrs - half that of Australia²² • Rapid urbanization exacerbates crime, unemployment and clan rivalries; urban population projected to reach 30% by 2020

3.6 ECONOMIC PERFORMANCE

Stabilizing Factors	Destabilizing Factors
<ul style="list-style-type: none"> Rich resource endowment including gold, copper, oil, forestry, fish, nickel, cobalt Sharp decrease in inflation rate from 2003: 14.7%²³ to 2005: 1.7%²⁴ Development of small new mines and PNG-Australia gas pipeline project may generate growth in mineral and hydrocarbon income by the end of the decade Increase in Australian aid (millions of Australian dollars) from 2003/04: \$334, 2004/05: \$436, 2005/06: \$492.3²⁵ 	<ul style="list-style-type: none"> Rugged terrain and extreme climatic conditions inflate infrastructure costs and impede resource extraction Law and order deficiencies, corruption, limited domestic market and shortage of skilled workers hinder investment and tourism Private sector constrained by insecurity of land tenure, inefficient financial markets, insufficient legal infrastructure Continuous decrease in GDP per capita since independence²⁶ PNG ranks 140th in GDP (\$2.78 billion) and 164th in GDP per capita (\$556)²⁷ 0.46% arable land,²⁸ yet 85% of the population depends on subsistence agriculture Aid-dependent economy: 20% of national budget,²⁹ \$75 per capita

3.7 HUMAN DEVELOPMENT

Stabilizing Factors	Destabilizing Factors
<ul style="list-style-type: none"> Slight recent improvements in development indicators including child malnutrition, child mortality, net enrolment in primary education, youth literacy rate³⁰ Development of a national program to fight AIDS to be implemented in every province by 2008 2005: Introduction of Medium-Term Development Strategy (MTDS) focusing on income-earning opportunities, basic education, informal adult education, primary health care, law and justice 	<ul style="list-style-type: none"> Lowest of all Pacific countries in terms of health status, development and poverty indexes; HDI ranking has steadily decreased since independence – 137 in 2005(out of 177 countries ranked)³¹ Large regional discrepancies – the Highlands region performs the worst on all development indicators Large urban/rural discrepancies: 40% of population lives under US\$1 a day, 85% in rural areas³² Population living below national poverty line: 37.5%³³ First Pacific country with AIDS as a “generalized epidemic”: infection rate increasing annually by 15-30%³⁴ Adult Literacy rate declining - 2002: 64.6%, 2005: 57.3% Major decrease in population with access to improved sanitation – 1996: 82%, 2002: 45%³⁵

3.8 ENVIRONMENTAL STRESS

Stabilizing Factors	Destabilizing Factors
<ul style="list-style-type: none"> ADB technical assistance to develop the Pacific Water Resources Management Action Plan prompted PNG government to develop its own action plan and to coordinate improvements in the water sector nationwide³⁶ 	<ul style="list-style-type: none"> Vulnerable to natural hazards: droughts, tsunamis, earthquakes, mudslides and volcanic eruptions Severe mining-related pollution has generated grievances Illegal logging and increasing rate of deforestation (1980-90: 0.1%; 1990-2002: 0.4%)³⁷ 32% of rural population with access to safe water compared to 88% of urban population³⁸ 2005: Dispute over awarding of forest concessions led to cancellation of WB Forestry and Conservation Project; ADB continues to raise similar concerns regarding the issuance of fishing licenses³⁹

3.9 INTERNATIONAL LINKAGES

Stabilizing Factors:	Destabilizing Factors:
<ul style="list-style-type: none"> Strong political and economic ties to Australia (almost \$30b in aid since 1975)⁴⁰ Additional aid from Japan, EU, PRC, ROC, UN, ADB, IMF, and World Bank⁴¹ Strengthening ties with Malaysia, PRC and other parties interested in resource exploitation⁴² Border disputes with Indonesia resolved, but issue of refugees from Indonesia crossing border poses an irritant 	<ul style="list-style-type: none"> Political instability in Solomon islands threatens regional security Resentment at increasingly interventionist Australian policies⁴³; declared unconstitutionality of ECP Act and withdrawal of Australian police Failure to obtain full ASEAN membership due to Indonesian objections Border incursions by OPM guerrillas seeking refuge from Indonesian military patrols⁴⁴

4. SCENARIOS

4.1 BEST CASE SCENARIO: “Reform and Stabilization”

- ❖ Political reforms such as the OLIPP and preferential voting system reduce clan-based voting, allowing for development of more cohesive national identity and more political stability.
- ❖ Introduction of arms disposal programs in the Southern Highlands improves security conditions.
- ❖ Reduction in crime and corruption encourage the donor community to increase aid flows and invest in physical and legal infrastructure.
- ❖ Development of PNG-Australia gas pipeline generates substantial income and improved bilateral relations.
- ❖ Increased investment in sustainable rural development, which slows the pace of urbanization and alleviates resource strain.
- ❖ Resource extraction companies invest in local communities and environment sustainability which reduces the grievances of rebel groups.
- ❖ Continuation of Bougainville peace process diminishes desires for secession.

4.2 WORST CASE SCENARIO: “Failed State”

- ❖ Bougainville popular support for peace process falls apart, demands for immediate independence reignite.
- ❖ Escalating corruption and lawlessness cause a failure of the central government to oversee its territory.
- ❖ PNG fragments into “fiefdoms” run by strongmen and criminals competing over resource rents.
- ❖ Misallocation of resources leads to donor fatigue and the withdrawal of foreign aid.
- ❖ Exacerbated by high incidence of rape, HIV/AIDS infections continue to increase, causing a regional pandemic.
- ❖ Continued environmental degradation from increased deforestation and strain on limited arable land base heightens rural unrest.
- ❖ Rapid urbanization overwhelms limited infrastructure.
- ❖ OPM rebels increase use of PNG as operating base, generating tensions between PNG and Indonesia.

4.3 MOST LIKELY SCENARIO: “Gradual Decline”

- ❖ Governance improves with Australian assistance, but endemic corruption in the police and military forestalls any real change.
- ❖ Somare is ousted before end of his term, but outright rebellion or state disintegration is avoided.
- ❖ Lack of effective rural development programme propels urban migration, heightening crime and unrest.
- ❖ Escalation of crime and continued arms proliferation in Southern Highlands.
- ❖ The gas pipeline to Australia helps to offset loss of mining revenues.
- ❖ Bougainville peace process continues without major incident.

ENDNOTES

¹ Papua New Guinea Country Profile, BBC, 20 December 2005.

² EU and Government of PNG 2004: 7.

³ In 1989, 58% of the Panguna mine royalties went to the central government; 5% went to the province, and only 1% went to indigenous landowners. (Booth and Bleck 1996)

⁴ UNIS 2005.

⁵ US State Department 2004.

⁶ Regan (USIP) 2005.

⁷ US State Department 2004.

⁸ UNDP Common Country Assessment 2001, ACP-EU Courier 2003.

⁹ For example, in 2002 power was cut off to Porgera gold mine, and oil transportation was disrupted from Kubutu oil field. (Windybank and Manning 2003)

¹⁰ Transparency International gave the country a rating of 130 in 2005 on a scale from 0-145 – 145 being the most corrupt. This was up from a rating of 102 in 2004.

¹¹ Europa, “EU Relations with Papua New Guinea,” 2005.

¹² Unrepresented Nations and Peoples Organization, “Autonomous Bougainville says its facing coup threat,” 13 December 2005.

¹³ Windybank and Manning 2003.

¹⁴ Ibid

¹⁵ Ibid

¹⁶ Statistics involving population trends, including population growth and growth in GDP per capita, may be distorted due to incentives to inflate: since 1995, provinces receive grants based on their populations. (Dorney 2005)

¹⁷ Bourke and Betitis 2003: 5. The total population of Bougainville is 200,000.

¹⁸ World Bank Group 2005; AusAID 2005.

¹⁹ AusAID 2005.

²⁰ UNEP (n.d.) Extrapolated from 1990 data, assuming area of usable land stayed the same.

²¹ US Department of State 2005.

²² Europa 2005, Bourke and Betitis 2003: 5.

²³ Asian Development Bank, September 2005, p. 14.

²⁴ CIA World Factbook 2006.

²⁵ AusAID 2005.

²⁶ Asian Development Bank, <http://www.asiandevbank.org/papuanewguinea/country-info>.

²⁷ Ibid.

²⁸ CIA World Factbook 2006.

²⁹ Ibid.

³⁰ United Nations Development Programme, *Human Development Index 2005*.

³¹ Ibid.

³² World Vision New Zealand, “Country Profile: Papua New Guinea,” 10 October 2005.

³³ United Nations Development Programme, *Human Development Index 2005*.

³⁴ AusAid, “HIV/AIDS in Papua New Guinea,” 25 August 2005.

³⁵ Asian Development Bank, *Millennium Development Goals: Papua New Guinea*, 2006.

³⁶ Asian Development Bank, *World Strategy and Program Update 2005-2006*, September 2005, p. 6.

³⁷ Ibid, p. 17.

³⁸ Ibid.

³⁹ Ibid, p. 2.

⁴⁰ Ibid.

⁴¹ US Department of State, September 2005.

⁴² The Economist. “Thirty Years On.” August 25, 2005.

⁴³ The Economist. “The reluctant deputy sheriff.” May 5, 2005.

⁴⁴ Ibid.