Papua New Guinea in 2018

Prime Minister O'Neill Survives a Challenging Year

ABSTRACT

Papua New Guinea experienced another challenging year, with a major earthquake impacting oil and gas projects, rioting and inter-clan fighting in the highlands, and economic decline, but Prime Minister O'Neill survived, and the country raised its international profile with the hosting of the 2018 APEC summit meeting. Closer ties between Papua New Guinea and China raised some concerns in Australia, which moved to strengthen its presence in Papua New Guinea and the region.

KEYWORDS: APEC, Australia, China, earthquake, riots

DOMESTIC POLITICS

Papua New Guinea is a country susceptible to natural disasters. In early 2018 villagers were evacuated when a volcano erupted on Kadovar Island, and in February a 7.5 magnitude earthquake in the highlands, and numerous aftershocks, caused extensive landslides, damaging houses and food gardens, roads, airstrips and buildings, and killing over 150 people. The quake, whose impact was spread across the provinces of Hela, Southern Highlands, Western, Enga, and West Sepik, had its epicenter in an area of major oil, gas, and mining operations, which were forced to cease work and evacuate staff but escaped substantial damage. Local landowners, however, demanded an investigation into the “causes” of the earthquake, many believing that oil and gas extraction was responsible, and the governor of Hela Province asked that operations stop until the cause had been established. Relief operations were hampered by the remoteness of much of the area, and by subsequent heavy rains and flooding. This added to problems already evident in extensive inter-clan fighting in 2017 and ongoing grievances of landowners who had not

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received royalty payments under the LNG Project Umbrella Benefits Sharing Agreement negotiated in 2009. The nonpayment of royalties has been due largely to difficulty in identifying the legitimate claimants among contesting groups.

In 2017 a general election saw the return of a coalition government headed by a diminished People's National Congress, with its leader Peter O'Neill re-elected as prime minister, notwithstanding an arrest warrant arising from allegations of corruption (see the Papua New Guinea reviews of 2015 and 2016 in this journal). O'Neill appears to have consolidated his position during 2018, particularly after the Supreme Court quashed the arrest warrant in December 2017 as "defective." But hostility between O'Neill and his opponents continued to color national politics, with ongoing contempt-of-court proceedings initiated by the prime minister's lawyers against five prominent opposition MPs who had commented publicly on the arrest warrant case. Pangu Party leader and energy, communications, and information technology minister Sam Basil (who had shifted from opposition leader to government minister after the 2017 election) sought to invoke the controversial Cybercrime Code Act against opposition MP Bryan Kramer for referring to him as "dumb" on social media, confirming the concerns of those who had earlier warned that the act might be used by the government to silence critics.

Disputes over results of the 2017 election continued to occupy the courts in 2018. A salient case involved the incumbent provincial MP (and governor) of Southern Highlands Province, William Powi, a member of O'Neill's People's National Congress and the last seat to be declared, in controversial circumstances, in 2017. When in June 2018 the court dismissed appeals against Powi's election, an angry mob with high-powered weapons rampaged through the provincial capital, Mendi, setting fire to buildings, including the courthouse and Powi's residence, and to an Air Niugini aircraft parked on the runway of Mendi Airport.

A state of emergency had already been declared in Southern Highlands following the February earthquake, but a second state of emergency, for a period of nine months, was declared in June, and police and Defence Force personnel were deployed to Mendi. The Southern Highlands provincial government was suspended. Questions have been raised about the legality of the overlapping states of emergency, both headed by civilian controllers. Given that Southern Highlands had been under a state of emergency for

much of 2017–18, a report in September that the province was “returning to normal” may have caused some to wonder what normality was.

In March 2018, ahead of local government elections deferred from 2017, the government announced its intention to review the Organic Law on National and Local Level Elections, with a view to reverting to a first-past-the-post voting system (having shifted to a limited preferential system in 2002) and reviewing electoral boundaries.

With a referendum on the future political status of Bougainville to be held in 2019, awareness campaigns were stepped up there.¹ But Peter O’Neill’s position on Bougainville independence remains ambivalent. O’Neill has said that his government will “honour every word of the Bougainville Peace Agreement” but has also stressed “the need to have a united PNG.” In 2018 the O’Neill government granted autonomy status to East New Britain Province, promised autonomy to New Ireland Province, and said it would eventually replicate autonomy arrangements in the country’s other 18 provinces.

THE ECONOMY

At the beginning of 2018, GDP growth for the year was forecast at 2.4%, compared to 2.2% in 2017. But improvements in commodity prices were more than offset by the impact of the stoppages in production caused by the earthquake and the disputes with landowners, and the forecast was subsequently downgraded to less than 1%. Oil and gas export prices continued to rise during 2018, and there are good prospects for further growth in the sector.

Papua New Guinea has had a balance of payments surplus in recent years, but with much of the revenue from mineral production going offshore, the government has been forced to cut expenditures in a number of areas, including health and education, and to borrow—though in some instances nonpayment for goods and services by government agencies appears to have been due more to poor management than to lack of resources. In September Papua New Guinea raised US\$ 500 million in its first US dollar sovereign

1. A long-running conflict between the national government and the Bougainvilleans of North Solomons (Bougainville) Province from 1988 to 2001 over the impact of the Bougainville gold and copper mine and demands for independence was partly resolved by the Bougainville Peace Agreement in 2001. This provided for a future referendum on the political status of Bougainville. The referendum is to be held in 2019.

bond sale. Government debt and interest payments have reached record levels and are still rising.

Planned tariff reductions have been postponed since 2017, and ironically, in 2018, the year that Papua New Guinea was to host the Asia Pacific Economic Cooperation (APEC) summit, protective tariffs were raised on some items. But continuing shortages of foreign exchange pose a constraint on business, and there have been calls for devaluation of the kina. The country's Medium Term Development Plan for 2018–22 was launched in 2018. The ambitious program gives priority to road construction, port development, and upgrading of airstrips.

REGIONAL AND INTERNATIONAL RELATIONS

Over the past two years much of the attention of Papua New Guinea's political leaders focused on preparations for hosting an APEC leaders' summit meeting in Port Moresby in November 2018. The meeting brought together delegates from 21 countries. Papua New Guinea received substantial support for the meeting from regional partners Australia, New Zealand, China, and Indonesia, the members of the Melanesian Spearhead Group (MSG),² and the US. The meeting was expected to raise the country's international profile and boost its economy. It was preceded by several meetings of APEC senior officials. But the high level of spending on the summit, at a cost to essential services, also contributed to local criticism of the government. In the event, the logistics of the summit were regarded as a success, though due to differences between the US and China the meeting failed to agree on a post-summit communiqué. But domestically, the high level of spending, concentrated in the capital, Port Moresby, contributed to growing criticisms of the government and two nationwide strikes.

In February 2018 the fourth Australia–PNG Bilateral Security Dialogue took place in Port Moresby. This was the first dialogue since a 2017 Australian foreign policy white paper identified support for a stable and prosperous Papua New Guinea as one of Australia's most important foreign policy objectives. Talks in February covered regional health security, border security, biosecurity, and fisheries, as well as Australia's security support for the

2. A regional grouping of the Melanesian states (Papua New Guinea, Solomon Islands, Vanuatu, and Fiji) and the Kanak Front de Libération Nationale et Socialiste of (French) New Caledonia.

upcoming APEC meeting. Later in the year the Australian foreign minister, Julie Bishop, visited Papua New Guinea, and in October her successor, Marise Payne, made a further visit. Prior to the APEC meeting, Australia donated three patrol boats to boost Papua New Guinea's maritime security.

In the context of speculation regarding Chinese involvement in upgrading the strategically situated port in Manus, Papua New Guinea and Australia announced plans to develop a joint naval base on Manus Island, and Australia undertook to provide another four vessels for maritime patrolling. Earlier, Australia had agreed to provide submarine telecommunication cables to Solomon Islands and thence to Lae, to preclude Chinese involvement in their provision.

Australia's concern with maintaining a good relationship with Papua New Guinea has been sharpened by China's growing influence in the Pacific, and in Papua New Guinea specifically. China's investment and development assistance, mostly through concessional loans, has increased rapidly in recent years. In late 2017 agreements were signed for Chinese-funded infrastructure projects totaling US\$ 4.5 billion. In preparation for the APEC meeting, China built a convention center and extensive roadworks in Port Moresby, using Chinese construction companies, at a cost of around US\$ 100 million. In June, Prime Minister O'Neill led a delegation of government officials on a state visit to China, where he met with President Xi Jinping and signed on to the One Belt, One Road Initiative and a free trade agreement. The official group was accompanied by a delegation of state enterprise and private-sector business executives. O'Neill was quoted as saying, "China is fast becoming our strongest trading and investment partner."

Prior to the APEC meeting a team from the US Generalized System of Preferences visited Papua New Guinea to explore possibilities for increased trade. Relations with the US have also been boosted by the US decision to accept some refugees from the Manus Refugee Resettlement Arrangement with Australia. To date around 150 have been resettled in the US, but around 600 asylum seekers and refugees remain on Manus.

During the year, Prime Minister O'Neill chaired a meeting of the Melanesian Spearhead Group in Port Moresby, the first since 2015. Probably the most significant item on the agenda concerned West Papua. In 2015, addressing a PNG Leaders' Summit, Prime Minister O'Neill spoke out about "the oppression of our people" (meaning Melanesian people of West Papua) in Indonesia: "Pictures of brutality [toward] our people appear daily on the

social media,” he said, noting that “we have the moral obligation to speak for those who are not allowed to talk.” In that year, the United Liberation Movement of West Papua (ULMWP) applied for membership in the MSG, but an MSG Leaders’ Summit in Honiara granted it only observer status, while giving associate member status to Indonesia.

In 2018 the ULMWP attended the Leaders’ Summit as an observer and resubmitted its application for full membership. The summit referred the application to the MSG secretariat “for processing.” Prime Minister O’Neill reportedly opposed the ULMWP’s application at the MSG meeting but subsequently encouraged regional members to take the issue to the UN’s Special Committee on Decolonization.