Papua New Guinea’s development challenges and Australia’s national interests

Brett K. Brace

Centre for Defence and Strategic Studies
Australian Defence College

December 2012

Abstract

Papua New Guinea (PNG) is Australia’s closest neighbour and is critically constrained in most aspects of development. Australia has a moral responsibility, a national interest and a regional expectation that it will continue to support PNG’s development. Australia has a significant interest in PNG becoming a prosperous and stable nation.

This paper will examine the status of PNG’s development, the factors constraining development, and the support provided by Australia. It will also examine the impact on Australia’s interests and the potential for a security situation developing.

This paper is 46 pages long.
The Centre for Defence and Strategic Studies (CDSS) is the senior educational institution of the Australian Defence College. It delivers a one-year Defence and Strategic Studies Course, a postgraduate-level educational programme which places emphasis on practical, rather than theoretical research, on teamwork and support for the personal and professional goals of all course members. Course members and staff share a commitment to achieving scholarly and professional excellence, with course members graduating with a Master of Arts or Graduate Diploma awarded by Deakin University or a Graduate Certificate awarded by the CDSS. These papers have been submitted as coursework and have been chosen for publication based on their scholarly attributes and the timeliness of their topic.

For further information about the CDSS publications please visit: http://www.defence.gov.au/adc/centres/cdss/publications.html

© Commonwealth of Australia

This work is copyright. It may be downloaded, displayed, printed and reproduced in unaltered form, including the retention of this notice, for personal, non-commercial use or use for professional purposes. Apart from any use as permitted under the Copyright Act 1968, all other rights are reserved. To replicate all or part of this document for any purpose other than those stipulated above, contact the CDSS.

Shedden Papers: ISSN 1836-0769

Disclaimer

This work is the sole opinion of the author, and does not necessarily represent the views of the Centre for Strategic and Defence Studies or the Department of Defence. The Commonwealth of Australia will not be legally responsible in contract, tort or otherwise, for any statement made in this publication.

Editor, Stephanie Koorey, CDSS Publications Editor.
About the Author

Commodore Brett Brace attended the CDSS in 2012 and graduated with a Master of Arts in Strategic Studies from Deakin University. His other qualifications include a Bachelor of Science (Honours), majoring in oceanography and marine geology, and a Master of Engineering Science, majoring in spatial information systems. He was also awarded a Graduate Certificate in Management as part of coursework during the Royal Australian Navy Staff Course. Commodore Brace is a hydrographer by profession and was appointed Hydrographer of Australia in January 2013.
One should bear in mind that there is nothing more difficult to execute, nor more dubious of success, nor more dangerous to administer, than to introduce new political orders. For the one who introduces them has as his enemies all those who profit from the old order, and he has only lukewarm defenders in all those who might profit from the new order.  

Introduction

Papua New Guinea (PNG) comprises the eastern half of New Guinea and the large islands of the Bismarck Archipelago, which include New Britain, New Ireland and Bougainville. PNG has social, political and cultural diversity that mirrors the biodiversity of its environments. It is the largest of the Pacific island nations and has one of the world’s most heterogeneous populations, which is 6.9 million and expected to reach 8.5 million by 2020. Geography, customs, traditions and approximately 860 different languages divide the population into several thousand separate communities, which are generally organised in small, fragmented social groups.

PNG is rich in mineral, petroleum, gas, forestry, fisheries and agricultural resources. The potential of PNG for significant development arises from its diversity, but this diversity also constrains development. In an address during the early stages of the current Liquefied Natural Gas (LNG) project, the Prime Minister stated that becoming an LNG exporting nation ‘will bring with it unprecedented opportunities for economic growth and national development’ and the project ‘will pave the way for a brighter future for all Papua New Guineans’. However, according to the Australian Agency for International

---

6 Nita, Papua New Guinea National Assessment Report, p. 76.
Development (AusAID), PNG faces ‘critical constraints’ to development,\(^8\) and has social indicators that are ‘among the worst in the Asia Pacific’.\(^9\)

The sheer magnitude and far-reaching effects of the LNG project and the associated large revenues may improve PNG’s economic and social problems but ‘may also deepen those very same problems’.\(^10\) A 2012 study by the Asian Development Bank (ADB) identified a number of factors critically constraining PNG’s development, which include weaknesses in governance and institutions, poor infrastructure, shortages of skilled human capital, and poor and unequal access to education and health services.\(^11\) Despite the PNG Government’s ambitious plans in Vision 2050 for a smart, wise, fair and happy society, and for PNG to rank in the top 50 on the United Nations (UN) Human Development Index (HDI), these constraints are likely to continue to impede PNG’s development.\(^12\) International organisations publish indices, like the HDI, that provide measures of general development, stability and fragility.\(^13\) The concern for Australia is that these indices,\(^14\) when combined with the ADB’s assessment, indicate that PNG has problems with geostrategic consequences.

AusAID’s 2006 White Paper stated that ‘the ability of [Australia’s] neighbours to generate economic growth, reduce poverty and maintain stability is…central to our own peace and economic wellbeing’.\(^15\) In a national context, security threats are those that ‘have potential to cause consequences adverse to Australia’s interests’.\(^16\) The complex interactions at the human, national, regional and international levels dictate that ‘[d]evelopment and security


\(^{13}\) Appendix 1 contains selected demographic and development statistics for PNG.


cannot exist without each other’. PNG’s wellbeing and ongoing development are, therefore, integral to Australia’s national interests. This paper argues that the critical constraints to PNG’s development pose an internal security threat to the PNG state that is in turn detrimental to Australia’s national interests. This paper will first examine Australia’s interest, and role, in PNG’s development. It will then examine the status of PNG’s development and the challenges that are constraining that development. It will then show the connection between these constraints and an emerging security threat that may adversely affect Australia’s national interests over the next decade. This paper will conclude by suggesting options for Australia to support PNG’s development more effectively in order to alleviate this threat to Australia’s interests.

Why Does Australia Have a Role in PNG’s Development?

The expanse, and often remoteness, of Australia’s maritime and terrestrial domains poses significant security challenges for Australia. Conversely, the closeness of some of Australia’s neighbours, particularly PNG, creates a range of equally significant and diverse security challenges that arise from their instability, fragility and population growth. As PNG continues to struggle with the challenges of nationhood, security implications for Australia also arise from the continuing impost that PNG places on Australia. A number of commentators have suggested that it has essentially been Australia’s mission to support the development of PNG since its independence. According to Hugh White and Elsina Wainwright, ‘the deep nature of the problems in PNG makes it perhaps the most difficult [Australia faces]’ and ‘it is the one which probably places the biggest demands directly on Australia, and the only one [Australia faces] largely alone’.

In the first National Security Statement, former Prime Minister Kevin Rudd stated that Australia’s security is ‘linked inextricably to the security of our region’ and ‘the risk of fragile states disrupting stability and prosperity...is an ongoing challenge’. One of Australia’s national security priorities is,

therefore, to ‘[enhance] the economic development in the South-West Pacific to underpin long-term security’, of which PNG is a vital element. Ron May stated that ‘it is inevitable that Australia has a close interest in developments in PNG’, and that while in times of need PNG’s ‘first recourse is likely to be to Australia’, the international community also sees Australia ‘as having a responsibility for promoting political stability and socio-economic well-being in the region’. Jenny Hayward-Jones highlighted that the United States looks to Australia to take responsibly in the Pacific and asserted Australia’s obligation more bluntly: ‘The buck stops with Australia when it comes to ensuring the stability of [PNG]’.

What is Development?

The UN Development Programme (UNDP) made it clear that ‘[d]evelopment can mean many things to many people’ and that ‘human development’ is about expanding the choices available to people in order to live valuable lives. The UNDP also made it clear that ‘people’s well-being and their quality of life is the most important measure of whether ‘development’ is successful’. A second component to the UNDP’s view on development focuses on the resilience of nations. The UNDP titled its 2010-2011 annual report: People-centred development: Empowered lives Resilient nations, and defined resilience as ‘the strength of a person or community to resist shock, manage crisis and grow

---

stronger’. An empowered and resilient society is, therefore, arguably a key measure of a ‘developed’ nation.

In 2000, Member States of the UN made a promise ‘to free people from extreme poverty and multiple deprivations’. The resultant Millennium Declaration and the Millennium Development Goals (MDGs), which include goals and targets on income poverty, hunger, maternal and child mortality, disease, inadequate shelter, gender inequality, and environmental degradation, provided a broad indication of what the international community considered the focus for development by 2015.

**An Alternative View on Development**

International Alert is an independent peace-building organisation. In September 2010, International Alert published a report, *Working with the Grain to Change the Grain*, which criticised the UN’s MDGs and offered an alternative view on development. A ‘developed’ society is one in which ‘people are able to resolve their differences without violence, while continuing to make equitable social and economic progress, and without lessening the opportunities for their neighbors or future generations to do the same’. According to International Alert’s vision, a ‘developed’ society is one that has the following characteristics:

- Voice, and the legitimate and accountable use of power;
- Participation in a vibrant and sustainable economy;
- Access to justice and equality before the law;
- Freedom from insecurity;
- People are able to maintain their mental and physical well-being, and to have aspirations and make progress towards them; and

---


31 Phil Vernon and Deborrah Baksh, *Working with the grain to change the grain: Moving beyond the Millennium Development Goals*, London, International Alert, September 2010, p. 18.
• The self-reinforcing presence of institutions and values that support and enable equitable progress and peace.\textsuperscript{32}

International Alert defined ‘development’ as progress towards that vision, which ‘happens through a collection of endogenous changes, taking place within the country or polity, even though they are certainly influenced by changes taking place in the wider regional or global context’.\textsuperscript{33} International Alert also made it clear that although an understanding of previous development pathways can stimulate thoughts on future pathways, ‘there are many uncertainties in the trajectory of a country’s development’.\textsuperscript{34} This uncertainty of trajectory for PNG’s development should be a concern for Australia.

**The Papua New Guinean View of Development**

The majority of Papua New Guineans defined ‘development’ as being related to their personal benefit and welfare, including better education, better roads, more jobs, better health services, expanded markets and higher commodity prices.\textsuperscript{35} The *Papua New Guinea Development Strategic Plan 2010-2030* (DSP) is a long-term plan that links the aspirations of the *Constitution* with the strategic aspirations of *Vision 2050*. As a developmental outcome of the DSP, the government intends to ‘promote and guide PNG onto a path of sustainable economic growth, achieving economic prosperity and a high quality of life for all Papua New Guineans’.\textsuperscript{36} Therefore, in accordance with the DSP, development for Papua New Guineans includes: opportunities for all citizens to achieve their potential, equal opportunity to participate in and benefit from national endeavours, good governance and broad-based growth to build a prosperous nation, maximising the benefit from resources while managing the environment sustainably, and development that will incorporate and build upon PNG’s cultural heritage.\textsuperscript{37}

---

\textsuperscript{32} Vernon, *Working with the grain to change the grain*, pp. 18–19.

\textsuperscript{33} Vernon, *Working with the grain to change the grain*, p. 20.

\textsuperscript{34} Vernon, *Working with the grain to change the grain*, p. 21.


\textsuperscript{37} Department of National Planning and Monitoring, *Papua New Guinea Development Strategic Plan*, pp. 2-6.
Papua New Guinea’s Development Challenges

In December 1960, the UN General Assembly issued a resolution that was, for Australia, an ‘impossible resolution’. Resolution 1514 (XV) proclaimed ‘the necessity of bringing to a speedy and unconditional end colonialism in all its forms and manifestations’. The resolution also stated that ‘[i]nadequacy of political, economic, social or educational preparedness should never serve as a pretext for delaying independence’. However, according to W. J. Hudson and Jill Daven, the imperative for Australia:

was to surrender power to local elements early enough to avoid the political violence that provoked nationalism so often had visited on colonial powers reluctant to cede authority, yet not so precipitately as to leave indigenous leaders with tasks beyond their capacities.

The UN’s drive in the early 1960s to free PNG from Australia’s colonial rule was not realised for a further fifteen years. Despite the length of time between the UN’s resolution and PNG’s independence, L. W. Johnson, former Administrator of PNG (1970–74), stated that ‘in the end [Australia] shed [its] colonial burden with almost indecent haste’ and ‘that it was too hasty to ensure reasonable stability’ in PNG. Johnson also stated that ‘in fact [PNG] had few of the requisites for independence’, but it did have ‘a small but determined group of Papua New Guineans with the will to run [PNG’s] own affairs’, which was ‘the one essential element for independence’.

Shortly before independence, members of this determined group, lead by Chief Minister Michael Somare, promulgated a development strategy—the Eight Point Plan, with eight corresponding aims. The PNG Improvement Plan for 1973–1974 outlined Somare’s Eight Aims, the thrust of which was to ‘transform the economy from dependence on external sources of finance and technology, into one more reliant on local capital and skills, in which all Papua New Guineans would have an equitable share’. These aims have generally

---

40 United Nations, ‘Declaration on the granting of independence to colonial countries and peoples’.
43 Johnson, Colonial Sunset, p. 265.
appeared in some form in subsequent development plans and strategies, including the latest plan, Vision 2050. However, the most important plan for the new nation was the Constitution, which proclaimed the National Goals and Directive Principles and focussed on integral human development, equality and participation, national sovereignty and self-reliance, natural resources and environment, and Papua New Guinean ways.46

At independence, PNG’s leaders promised all Papua New Guineans, in accordance with the Constitution, that they would base their nation’s development on equity, self-reliance and authentic Melanesian ways. However, there were some very negative predictions that PNG would ‘degenerate rapidly into barbarity and anarchy’, with even those that were more optimistic still forecasting ‘mammoth problems ahead’.47 Despite the various dire forecasts of imminent state collapse, the new state of PNG proved reasonably robust.48 However, Papua New Guineans did not realise their immediate potential and the proponents of authentic Melanesian ways ‘often reverted to Western culture and the lures of capitalism’.49 Even if the potential had been realised, the focus on the development of political institutions, and not on building the capacity to deliver services to its people, by Papua New Guineans, ultimately laid a very poor foundation for the development of a strong state.50 Indeed, there is ‘no surprise that capacity has weakened since independence’.51

The Challenges Emerge

Recent studies of PNG highlight ‘that policy making and implementation have fallen short of expectations’ and ‘there has been a failure to achieve ‘good governance”, which is highlighted by ‘indifferent performance of key social indicators’.52 PNG has made slow progress toward self-reliance and, because of

48 Turner, Papua New Guinea, p. 182.
50 Regan, ‘Clever people solving difficult problems’, p. 8.
poor and often nonexistent policies, Papua New Guineans and the economy received little benefit from early agriculture, manufacturing and forestry industries. Resources and mining were a potential remedy for PNG’s poor development and underperforming economy, with expectations of very large revenues.\(^{53}\) However, a typical affliction for resource-dependent economies of developing countries is the so called ‘resource curse’, an economic condition where a resource boom leads to increased domestic prices, escalated cost of living, adverse effects on non-resource export sectors, such as agriculture, and an over reliance on the resource commodity.\(^{54}\)

The ‘real resource curse’ for PNG has a more direct impact on society with greater corruption, greed and violence surrounding a desire for greater benefit.\(^{55}\) ‘[R]esource wealth encourages rent-seeking, rather than wealth-creating, policies and behaviours’, and in ‘its most extreme form can develop into destructive conflict’, such as in Bougainville.\(^{56}\) Therefore, concerns are emerging that funds and revenues from the current LNG Project will be ‘lost through waste and corruption’ and violent protests are likely from ‘people angry that they are not feeling the [expected] benefits of the project’.\(^ {57}\)

Although the post-independence forecasts of many pessimists did not eventuate, neither did those of the optimists. However, various international indices show that ‘things are getting worse’ and forecasts are for ‘Papua New Guineans will become poorer, hungrier and sicker’.\(^{58}\) The UN’s contemporary measures of development progress, the MDGs, are proving problematic for PNG. The World Bank’s latest report on the MDGs assessed PNG as being ‘far off track’ for achieving all quantifiable goals by 2015.\(^{59}\) The World Bank raised concerns of how ‘little progress [PNG has] made towards the MDGs’, and how

---


'momentum is stalled or negative in most areas, in spite of significant attention and public debate'.

Papua New Guinea’s Critical Constraints to Development

In an April 2012 report, which detailed the critical constraints to PNG’s development, the ADB identified two challenges that PNG faces: ‘ensuring that the recent higher economic growth rates are sustainable in the medium to long-term’, and ‘translating high economic growth into much more inclusive development than has prevailed to date’. The ADB then identified the most critical constraints to inclusive economic growth: weaknesses in governance and institutions, poor infrastructure and infrastructure services, shortages of skilled human capital, and poor access to education and health services. An economic survey identified that, since 2005, law and order, corruption, skilled labour constraints, infrastructure, and land availability are ‘binding constraints’ to PNG’s economic growth. PNG’s rapidly growing population is also contributing to the constraints on development. The Economic Analytical Unit (EAU) of Australia’s Department of Foreign Affairs and Trade (DFAT) identified that ‘[t]he cost of providing social services will continue to rise significantly given the rapid population growth, increasing urbanisation and the growing incidence of HIV/AIDS’.

Weaknesses in Governance and Institutions

‘Weak governance and institutions undermine all economic activity, delivery of public services, credibility of the state, and efforts to improve the population’s well-being’. The ADB raised particular concerns over ‘the low levels of government effectiveness, poor law and order situation, and weak control of corruption’. The 2011 World Governance Index (WGI), with sub-indicators of Peace and Security, Rule of Law, Human Rights, Sustainable Development, and

---

Human Development, ranked PNG as 121st out of 179 countries.67 The UN HDI indicated that PNG is suffering from ‘low human development’ and ranked 153rd out of 187 countries.68 Further, Transparency International’s Corruption Perceptions Index (CPI), which is a measure of perceived corruption in the public sector, indicated that PNG ranked 154th and is as corrupt as Zimbabwe.69 Gender inequality is also problematic for PNG with a UN ranking of 140th, which is only one above Afghanistan.70

Annmaree O’Keeffe summarised the weakness of governance in PNG and the impact on PNG’s development succinctly:

The hand on the tiller of government is often not quite firm enough, never quite steady enough, never quite sure which direction it should be taking the government. Because too frequently it is diverted by power struggles, and the struggles in themselves may be peaceful enough, in terms of the very limited personal injury, even property damage, but the real damage, for now and for the future, is being wreaked on the broader population as basic services are failing the bulk of the population.71

Since independence, PNG has generally been politically stable and has had regular five-yearly elections, peaceful changes of government, no military coups, a functioning parliament, and is ‘one of the few post-colonial states to have maintained an unbroken record of democratic government’.72 However, Stewart Firth has described PNG ‘as the least governable of all Pacific countries’ and the perception of political ‘stability’ does not adequately depict the ‘rough and tumble’ reality of PNG’s Melanesian style of politics.73 The weakness of PNG politics and government has not been, until 2011, from the lack of adherence to the Westminster system or the absence of democracy, but from

---

72 May, Improving development and respecting sovereignty, p. 1.
successive governments’ lack of capacity to govern effectively and the lack of a robust party system.\(^{74}\) In a March 2012 analysis of PNG’s political situation since 2001, Ron May described PNG’s political parties as ‘weak and often short-lived’, where members frequently ‘hopped’ from one party to another, and ‘parties shifted from coalition to coalition to seek political and often material advantage’.\(^{75}\) These characteristics of PNG politics are about political survival, where the government’s efforts are usually unfulfilled because their finite resources cannot match the rhetoric of the opposition; the government is distracted from governing, and the opposition distracted from holding the government to account.\(^{76}\) However, this ‘game’ changed significantly in 2011 when Prime Minister Somare’s opponents triggered events that, according to May, have ‘done serious damage to PNG’s democratic institutions’ and reflected ‘dangerous misunderstandings of the nature of Westminster democracy’.\(^{77}\) May further stated that political behaviour since August 2011 and ‘the pattern of executive dominance…might represent an emerging new style of political behaviour in which the legislature, the judiciary and, ultimately, the rule of law become hostage to whichever group manages to gather majority in parliament’.\(^{78}\)

The Somare and O’Neill-led parties both wanted, if not needed, to be in power before the 2012 national elections to secure voter support, which may have included ‘literally buying votes’; and being in government would have been ‘a crucial advantage’.\(^{79}\) Suggestions from O’Neill supporters of delaying the election prompted Australia’s newly appointed Foreign Minister, Bob Carr, to comment that Australia ‘would have no alternative but to organise the world to condemn and isolate [PNG]’ and ‘would be in a position of having to consider

---


\(^{76}\) Scott, *Re-imagining PNG*, p. 65.

\(^{77}\) May, ‘Papua New Guinea: Where to now?’. These quotes are between times 00:16:08 and 00:17:20 of the podcast.

\(^{78}\) May, ‘Papua New Guinea: Where to now?’. This quote is between times 00:17:22 and 00:17:48 of the podcast.

sanctions’. However, polling began as scheduled in the Southern Highlands, with reports of ‘ballot boxes being destroyed and others being hijacked and stuffed with votes’, which is ‘nothing new when it comes to elections in PNG’.

In an Australian Television interview on 28 June, Michael Somare responded to Peter O’Neill’s comments about Somare that ‘he has got a bruised ego, he is a cranky old man, he has been promising the country that he is retiring for the last 20 years, so nobody believes him any more’, by saying:

I know it all...I am not going to let it go. Peter will go to gaol. I have taken them for contempt of court and I want to tell you that contempt of court has no provision for appeal, and I will make sure I win the election and some of these guys will go to gaol.

The continuing banter and rhetoric seems to indicate that PNG’s turbulent politics is likely to continue well beyond the 2012 elections, regardless of the result and regardless of the promises made to Papua New Guineans. The clash between Somare and O’Neill and their supporters is symbolic of the Machiavellian struggle between PNG’s old and new political orders, and of who will profit.

Yet rather than poor infrastructure, weak governance, regulatory and urban land issues, the PNG Government has assessed that ‘law and order stands out as by far the biggest impediment to business and investment’. PNG faces endemic low-level conflict and tribal fighting, particularly in the Highlands region, which is part of ‘everyday political and social life’. White and Wainwright considered that a ‘young population, insufficient economic opportunities, urban drift, and the weakening of traditional authority structures are contributing factors to PNG’s law and order problems’. Port Moresby and the Southern Highlands ‘are areas of intense interaction between traditional and globalized economic and social dynamics’, where a ‘pervasive gun culture’ and

---

84 Department of National Planning and Monitoring, Papua New Guinea Development Strategic Plan, p. 45.
86 White and Wainwright, Strengthening our neighbour, p. 21.
access to high-powered weaponry ‘has distorted the dynamics of semi-ritualized inter-group conflict’.  

A major problem for PNG is that criminal activity has become more organised and has ‘an increasingly transnational character’. Raskol gangs, which comprise disaffected youth, cause relatively low levels of disorder. However, the latest security assessment from Jane’s stated that the PNG police will struggle ‘to rein in the well armed and increasingly organised criminal gangs’, which are typically Asian in origin and are involved in gun and drug smuggling, prostitution, gambling and other illegal operations. A particularly problematic developmental constraint for PNG is the ongoing violence against the weakest and most vulnerable groups in the community. In PNG’s 2007 Law and Justice White Paper, Minister Kimisopa stated that ‘[b]eneath the symptoms of disorder lie deeper issues regarding masculinity, identity, and socialisation among the young’.  

PNG’s strategic goal, as outlined in the DSP, is to ‘[p]rove a safe, secure and stable environment for all citizens, visitors, communities and businesses to conduct their affairs freely’. The government estimated that current strategies to reduce law and order problems would have benefits that include a 15 billion kina gain in Gross National Income, an additional 600,000 jobs, and considerable social benefits. The converse also applies if the government does not implement successfully these strategies and law and order problems continue to stifle, or even reverse, levels of development and social indicators.  

Corruption is potentially the most problematic of the governance issues for PNG. A former UN Secretary-General remarked that ‘[c]orruption hurts the poor disproportionately by diverting funds intended for development, undermining a government’s ability to provide basic services, feeding inequality and injustice, and discouraging foreign investment and aid’. In a report on the effect of corruption on human development, the UNDP stated that ‘[c]orrupt officials are generally less attracted to small-scale projects which

---

87 Brown et al, ‘Security Issues of the Pacific Islands’.  
88 Scott, Re-imagining PNG, p. 28.  
91 Department of National Planning and Monitoring, Papua New Guinea Development Strategic Plan, p. 45.  
92 Department of National Planning and Monitoring, Papua New Guinea Development Strategic Plan, p. 15.  
involve a large number of actors, and instead prefer to invest in large infrastructure projects that offer greater opportunities for collecting rents’.  

The PNG Government has acknowledged that ‘[c]orruption within the public service remains the greatest cancer within constitutional government and economic and social development’. It is also significant that the government acknowledged that it is ‘often impossible to separate patronage, incompetence, inefficiency, negligence, mismanagement, malpractice and corruption’, and that ‘[c]orruption cannot and should not be excused or ignored with soft explanations that mention culture and wantokism and the village’. Despite this acknowledgment, the path of PNG’s development since independence has irreparably corrupted Melanesian ways. In turn, those in positions of power and government are likely to continue to target rent-seeking opportunities from current and future large infrastructure projects, which will continue to have a long-term detrimental effect on PNG’s development.

**Poor Infrastructure and Infrastructure Services**

The ADB assessed PNG’s key infrastructure, which includes transport, electricity and water supply, as ‘lagging far behind most other major economies in the region’ and ‘the state of most of the infrastructure is very poor and in need of major restoration or upgrade’. DFAT consider that ‘[b]etter transport infrastructure is a critical pre-condition for growth in [PNG]’ and that ‘[t]he current state of transport infrastructure impedes access to markets and services for rural populations and imposes high costs on producers and consumers’. The UN Economic and Social Commission for Asia and the Pacific (ESCAP) 2012 survey concluded that PNG has ‘failed to substantially improve the output and quality of…agricultural exports’ and needs to ‘improve infrastructure for rural agricultural production’ and ‘put more efforts in addressing the often binding constraints to agriculture’.

The ESCAP concluded further that PNG needed to ‘invest significant amounts in social and economic infrastructure’, such as in health and education infrastructure, which would contribute to economic growth and ‘help address increasing unemployment levels, especially among the youth, and ease the flow

---

95 Office of the Secretary for Justice and Attorney General, A Just, Safe and Secure Society, p. xiii.
96 Office of the Secretary for Justice and Attorney General, A Just, Safe and Secure Society, p. xiii.
98 Department of Foreign Affairs and Trade (DFAT), *Papua New Guinea: The Road Ahead*, p. xix.
99 Economic and Social Commission for Asia and the Pacific (ESCAP), *Economic and Social Survey of Asia and the Pacific 2012: Pursuing Shared Prosperity in an Era of Turbulence and High Commodity Prices*, Bangkok, United Nations, May 2012, p. 91.
of urban migration from rural areas'.

According to DFAT, the mostly government-owned service utilities ‘have suffered from a lack of capital investment, insufficient maintenance, bad management and poor operational performance’, which resulted in a lack of clean drinking water, electricity and telecommunications services throughout PNG, especially in rural areas.

Unsurprisingly, PNG has the widest ‘infrastructural development gap’ in the region. Deficiencies in telecommunications, transport and electricity are the most critical of PNG’s key infrastructure components, with ADB assessments such as:

- Inadequate infrastructure constrains economic growth and private investment;
- PNG’s logistics network performs poorly, largely because of its weak transport infrastructure;
- PNG’s road network is inadequate and poorly maintained;
- Road transport costs in PNG are likely to be high enough to act as a critical constraint to doing business in several sectors and provinces;
- PNG’s seaports are inefficient; and
- Lack of access to affordable and reliable electricity is a critical constraint.

**Poor Access to Health Services**

According to the World Health Organization (WHO), PNG has a generalised HIV epidemic, which affects about one percent of the population, and the major health problems ‘have remained largely unchanged in the past fifteen years’. The ADB stated that poor and unequal access to health care ‘is a critical constraint to reducing poverty and inequality’ that ‘can prevent people from accessing economic opportunities’ and ‘adversely affect productivity and

---

100 Economic and Social Commission for Asia and the Pacific (ESCAP), *Economic and Social Survey of Asia and the Pacific* 2012, p. 91.
Manorjan Mohanty’s examination of social protection systems in Pacific Island countries concluded that nearly all have ‘limited formal social protection’ systems and ‘inadequate benefits’ to cover medical care and other social protection mechanisms.  

The future of health and health services in PNG is likely to be an increasing problem as the population continues to grow rapidly, become more mobile, and concentrate in dense peri-urban communities. The combination of the government’s lack of capacity to deliver services, the already poor health services, and emerging life-style-related diseases are a prominent problem in urban areas. In a news report just before the 2012 elections, Australia’s SBS Television reported that ‘[PNG’s] AIDS epidemic remains a major challenge, not helped by the election itself’ and ‘[t]here is an increased risk of spreading HIV as people travel around the country consuming alcohol and often using prostitutes’. However, the government does acknowledge that ‘[the] serious threat of HIV/AIDS combined with a faltering health system, flags severe consequences’. PNG’s HIV/AIDS epidemic is symptomatic of PNG’s development constraints and highlights the government’s lack of capacity to affect positive change, despite the consequences and despite the numerous promises, strategies and availability of large amounts of revenue.

**PNG’s Security and Australia’s National Interests**

As defined earlier, security threats are those that ‘have potential to cause consequences adverse to Australia’s interests’. The Australian Senate Foreign Affairs, Defence and Trade References Committee (FADTRC) concluded that security now extends from the traditional preservation of territorial integrity to a broad range of non-traditional threats to a nation’s human security. PNG’s territorial integrity is not under threat from external sources. However, PNG’s security is under threat from many fronts, most of which are internally driven,

---

becoming increasingly detrimental, and a consequence of PNG’s critical constraints to development. The FADTRC concluded that ‘good human security underpins good domestic security’ and ‘poor human security has serious ramifications for the internal security of the state’.112

In a 2010 independent review of Australia’s aid to PNG, Eric Kwa et al stated that “[m]ore than ever, PNG’s destiny lies in its own hands’, but more significantly that ‘aid will at best have a marginal impact on the country’s development outcomes’.113 PNG is optimistic that the forecast large revenues from the current LNG Project and future extractive resource projects will provide the significant funds necessary to realise the government’s Vision 2050 goals. Given PNG’s lack of significant progress since independence and the prevailing critical constraints to development, Australia’s view of PNG’s future is less optimistic. Although PNG may be in control of its destiny, Graeme Dobell highlighted Australia’s concern that, despite PNG having control, PNG’s destination is uncertain.114 An examination of the promises and expectations linked to the LNG Project and the likely reality, demonstrates the uncertain trajectory that PNG will likely take, and the resultant emerging security threat to Australia’s national interests.

The LNG Project—Expectations and Promises, versus Reality

The ADB expects the current LNG Project will deliver 30 billion dollars of revenue for the PNG Government and landowners over the 30-year project life.115 Accordingly, the DSP stated that ‘PNG is poised at a critical juncture in the nation’s history’.116 The DSP sets out a framework for the government to achieve its primary vision to ‘provide a high quality of life for all Papua New Guineans’.117 However, the envisioned benefits for PNG rely heavily on the

112 Senate Foreign Affairs, Defence and Trade References Committee (FADTRC), Volume II: Security challenges facing Papua New Guinea and the island states of the southwest Pacific, p. 10.
114 Graeme Dobell, PNG’s golden era: political and security challenges in PNG and their implications for Australia, Canberra, Australian Strategic Policy Institute, January 2011, p. 2.
116 Department of National Planning and Monitoring, Papua New Guinea Development Strategic Plan, p. 9.
117 Department of National Planning and Monitoring, Papua New Guinea Development Strategic Plan, pp. 6–9.
unimpeded setup and operation of the LNG project and on the transparent and equitable distribution of the expected large benefits.

**Great Expectations of Large Revenues and Benefits**

A consortium led by ExxonMobil runs the LNG Project. Equity holdings in the project include Esso Highlands Limited, a subsidiary of ExxonMobil, (33.2 percent), Oil Search (29.0 percent), PNG Government (16.6 percent), Santos (13.5 percent), Nippon Oil (4.7 percent), PNG landowners (2.8 percent), and Petromin PNG Holdings (0.2 percent). The project will extract gas reserves in the Southern Highlands and Western provinces and then pipe the gas through the Gulf Province and the Gulf of Papua to facilities near Port Moresby for on-shipment by LNG carriers. The primary phases of the project are the construction phase, which commenced in 2009, and the production phase. ExxonMobil expects the initial phase of the project to cost approximately $15 billion, with the production phase scheduled to commence exporting long-term supply to major Asian customers in early 2014.

Economic impact modelling conducted for ExxonMobil indicated that direct benefits to PNG would include ‘valuable revenue streams for national and provincial governments and landowners through taxes, royalty payments, levies, and through equity participation in the project’, and that indirect benefits would have ‘multiplier effects...on the broader economy’. Individuals, the various communities and the government have very high expectations of receiving tangible benefits from the LNG Project, particularly in terms of benefiting from the financial benefit. Commitments made by the government and ExxonMobil, and its co-venturers, form the basis for many of these expectations.

The resource industry also has high expectations of PNG; there is much wealth for it to extract, now and in the future. If the government can deliver against these expectations then all Papua New Guineans have a brighter future. When US Secretary of State, Hillary Rodham Clinton, visited PNG in November 2010 she stated that PNG’s ‘abundant natural resources’ provided an ‘opportunity not only to be more developed and provide more benefits’ to Papua New Guineans, ‘but to become a strong regional leader and a model for reducing

---

poverty and spurring development’. If PNG, particularly the government, fails to deliver then it could be the beginning of increased instability and internal conflict. Development agency World Vision Australia is concerned that PNG is ‘right on the cusp of a great opportunity or a terrible disaster’. As a strategy to minimise the economic effects of the ‘resource curse’, the government established the Sovereign Wealth Fund (SWF) to receive and distribute the large revenues and dividends expected from the LNG Project. The government intends to use income from the SWF to improve ‘national roads and social infrastructure’ and to ‘underwrite longer-term development as a sustainable source of government revenue’. However, the ADB warned it does not expect the earnings from the LNG Project to be ‘large’ until after 2023 and that ‘authorities will also need to rein in growing public expectations’. The expected outcomes and benefits rely on the LNG Project commencing gas production, unimpeded, and delivering against the agreed supply contracts. The government must, therefore, protect the LNG Project during the construction and production phases and manage expectations, particularly in the Southern Highlands. If the government fails to confront and manage these challenges then World Vision’s forecast of a ‘terrible disaster’ could well beset the country.

The Possible Consequences of Unfulfilled Promises

Prudent economic management, including use of the SWF, will allow PNG to avoid the longer-term macroeconomic aspects of the ‘resource curse’. However, the ‘resource curse’ for PNG goes beyond macroeconomic effects with the more likely, and more pressing, societal effects derived from internal ‘conflict fuelled by [aggressive] competition for the considerable monetary spoils’, which will ‘threaten the very political existence of PNG as a nation’.

---

123 Tim Costello, CEO, World Vision Australia, interview with Firmin Nanol, Port Moresby, ABC Radio Australia, 7 September 2010.
128 Merrell, ‘The Break-up of PNG’. 
This disastrous potential outcome is at odds with the promises and great expectations of the LNG Project and has significant national security implications for PNG. PNG society, particularly in the Southern Highlands, could become increasingly ‘resource-cursed’ as high expectations of monetary spoils and opportunities for tribes and clans to expand their power become more detrimental to PNG’s future.

Risk assessments indicate that clans will ‘use force to extract concessions’ and further benefits or will ‘fight with rival groups over what has already been allocated’ as ‘the LNG Project continues to widen fissures within society and between tribes’, particularly in the Southern Highlands.\textsuperscript{129} If longer-term expectations are not satisfied and if ‘the bonanza anticipated...does not materialise’, there is likely to be ‘growing unrest’ and escalation in levels of violence and damage to LNG Project facilities and national infrastructure.\textsuperscript{130} The World Bank highlighted that the ‘growing disconnect between ambitious expectations...and reality...may lead to increased criminal activity and deteriorating social stability’ as groups seek to increase their power and influence instead of patiently, if note hopelessly, awaiting the promised benefits.\textsuperscript{131}

There are parallels with Bougainville that are worth heeding.\textsuperscript{132} Southern Highlanders are in a particularly powerful and influential position. The LNG Project and its vulnerable infrastructure affords the Highlanders great leverage, particularly noting the government’s equity share, the nation’s business reputation, the promised bright future, and ExxonMobil’s profits are all at stake. The direct monetary spoils and benefits of the LNG Project are attractive to Southern Highlanders. However, a particularly sensitive and long-standing issue was the promised creation of Hela Province. The Hela people in the Southern Highlanders were not seeking to secede, but had a very passionate desire for their own province as recognition of their cultural identity and appropriate political representation. The government legislated for the new province and finalised the electoral issues just in time for the 2012 elections, as a resounding catch cry throughout the Highands was ‘No Hela Province, No


Gas’, which the government and ExxonMobil considered to be a genuine threat.  

James Marabe, a Highlands Member of Parliament, expanded the scope of this threat when he suggested that ‘unless his constituency gets essential services and a better cut of the deal, there could be a repeat of Bougainville’. PNG can ill afford another Bougainville, where militants forced the closure of one of the world’s largest copper mines at Panguna. To protect its national and financial interests, the government, having lost faith in the police and defence forces, engaged mercenaries to quell the violence and to ‘find and kill secessionist leaders’. The mine, operated by Bougainville Copper Limited (BCL), has remained closed for over two decades, which has damaged PNG’s business and investment reputation. BCL’s approach to ‘striking a balance between its operations and the requirements of the host country…eventually alienated its host society’ and its actions in ‘satisfying the demands of PNG, were construed by the locals as neglectful of Bougainvillean[s]’. 

However, the militants on Bougainville were not just expressing their dissatisfaction over compensation, rent or neglect; they were also ‘violent expressions of economic and ethnic nationalism’ and of environmental protest. The Highlands region is, at present, the ‘economic engine of PNG’ and Southern Highlanders ‘hold the view that they are disproportionately contributing to PNG’s wealth’. They also feel, as the Bougainvilleans did, they are ‘denied a fair share of that same wealth’ and that the national government has failed them. ExxonMobil and the government may be following a similar path by alienating their host society and becoming neglectful of Southern Highlanders, which may provide the incentive to disrupt the LNG Project and potentially hold the nation and the essential revenues to ransom.

As investment peaks and completion of various sub-projects signals the revenue-generating production phase, the government and ExxonMobil are unlikely to be as accepting of disruptive locals or ineffective law enforcement. Former PNG Defence Force Commander, Major General Jerry Singirok, warned his ‘greatest fear…is that we are now setting the stage for another Bougainville crisis in [the] Southern Highlands because all the right conditions are there’. However, protection and operation of the LNG Project is vital to PNG’s bright future, it should not be at the cost of internal cohesion, human security and the lives of Papua New Guineans.

PNG is on the threshold of a great opportunity. The LNG Project has the potential to realise immense national wealth and could establish PNG as a strong regional leader and international business partner. The future for Papua New Guineans could be quite bright. However, the significant threat of continuing corrupt behaviour and violence that surrounds the LNG Project is dimming the brightness of that future. There are high expectations of wealth and power that stem from the promised large benefits of the LNG Project—expectations that could also lead to internal conflict and extreme violence that parallel Bougainville.

**Australia and PNG — The Future**

Australian reporting on PNG abounds with negative commentary that uses phrases such as ‘crisis’, ‘instability’, ‘ripe for revolt’ and ‘nationhood squandered’. Papua New Guineans are increasingly aware and dissatisfied with their situation, particularly when measured against the government’s rhetoric, the goals of the Constitution and Vision 2050, and high expectations. However, there has been no mass movement or demonstrations. In response to a question at a National Security College seminar, Papua New Guinea: Where to now?, in March 2012, O’Keeffe stated:

> PNG has continued to actually surprise us by never fulfilling our very negative forecasts. Constantly we think this is it, its game over, and it doesn’t…Maybe this will be the time it goes over…The tragedy is that it may not go over and it will just continue to toddle on because of the resilience of the ordinary Papua New Guinean. But it is not fair on them that they are actually not benefiting from what could be a terrifically fabulous country.

---


142 O’Keeffe, ‘Papua New Guinea: Where to now?’
Responding to the same question, May stated:

The rules are getting increasingly stretched and with more money floating around, increasing cynicism, indicators trending downwards, continuously. There must be a tendency there for things to just get more miserable for most of the people in remote areas and for a lot of the people in towns. That may not produce dramatic tensions, we may not see riots or coups or anything…but the future does not look all that good, despite the large amount of money that is being generated.\textsuperscript{143}

The Starting Point and the Vision

The LNG Project and the associated large revenues could launch PNG along any number of possible developmental trajectories, albeit from a base of previously squandered opportunities and systemic developmental constraints. PNG’s future depends on the government reining in expectations of large benefits, removing the opportunities and incentives to disrupt the LNG Project, and fulfilling their obligation to implement the national strategies of Vision 2050. The government assessed that national development since independence has not progressed well, particularly in delivering services to rural and remote communities, and that history has indicated a lack of clear strategic actions in development plans, corruption and poor governance, poor economic performance, and poor social development.\textsuperscript{144}

The government’s acknowledgment of this poor progress highlighted that it is mature enough to recognise it has failed to deliver the promised bright future and must take action. The Prime Minister’s introduction to Vision 2050 stated that it is a ‘home grown’ initiative.\textsuperscript{145} If the government effectively executes the Vision 2050 plan, a bright future will be realised. However, if, as history indicates, the government does not effectively execute the Vision 2050 plan, then regardless of the rhetoric and the potential wealth from the LNG Project, PNG could proceed along any number of trajectories, some of which could pose an internal security threat to the PNG state that is detrimental to the people of PNG and to Australia’s national interests.

Papua New Guinea’s Possible Trajectories for Development

To allow potential trajectories to evolve and shape outcomes, the forecast year for each of the potential scenarios explored below is 2023, which coincides with just over a decade since the 2012 national elections, the completion of two subsequent national election cycles, and the start of the ADB’s expected ‘large’

\textsuperscript{143} May, ‘Papua New Guinea: Where to now?’
\textsuperscript{144} National Strategic Plan Taskforce, \textit{Papua New Guinea Vision 2050}, p. 1.
\textsuperscript{145} National Strategic Plan Taskforce, \textit{Papua New Guinea Vision 2050}, p. x.
earnings from the LNG Project. The referendum on Bougainville’s independence will have taken place between 2015 and 2020, with the outcome having taken affect. The PNG Government has also had the opportunity to implement and fund many of the strategies of the DSP.

The following scenarios examine possible trajectories that consider positive, neutral and negative outcomes for PNG’s development by 2023, each with an assessment of plausibility and likelihood.

*Positive Trajectory 1—A ‘Bright’ Future*¹⁴⁶

**Governance:** The 2012 national election resulted in a significant shift away from the dominant and previously charismatic elder statesmen and the protagonists of the Somare-O’Neill Constitutional crisis. A new generation of politically aware, environmentally sensitive nationalists with traditional values, dominate a majority party. The 2017 and 2022 elections consolidated on the strength of post-2012 election political parties, with robust and accountable governance and policy formulation. A strong parliamentary opposition continues to hold the government to account on *Vision 2050* strategies. The returning government used the new *Papua New Guinea Development Strategic Plan 2020-2050* as a policy platform and has presented new appropriation bills to parliament to fund the next phase of PNG’s development.

**Corruption, and law and order:** Corruption and law and order problems are well under control as national pride assumes a greater role in society, but still compatible with the essence of traditional Melanesian ways. The second firearms control scheme is a resounding success and instils greater confidence in the capabilities of the police force. Gender equality programs have mitigated negative ‘masculinity’ issues and have reduced violence against women and other vulnerable groups.

**LNG Project and the ‘resource curse’:** The LNG Project has provided an uninterrupted supply of LNG to the original supply contracts in Asia. Revenues have increased significantly, in accordance with the ADB’s forecast, with new supply contracts negotiated. PNG has followed the examples set by Malaysia and Botswana in successfully converting natural resource wealth into rapid and sustained development—avoiding the ‘resource curse’.¹⁴⁷ The government has achieved broad-based delivery of services to all urban and rural centres. Strong economic growth, with equitable and transparent distribution of wealth to all sectors, has resulted in high confidence in the government and public service.

---

¹⁴⁶ In the DSP, Prime Minister Somare promised a ‘bright’ future for all Papua New Guineans.

¹⁴⁷ Gouy, ‘Parting with the past’, p. 9.
Infrastructure, employment and investment: The SWF grew rapidly and provided a high level of funding for national infrastructure projects. Private sector and international business confidence is high, with significant increases in foreign direct investment. The first phase of infrastructure improvements to road, electricity, water supply, and telecommunication services has improved significantly the delivery of health and education services to all provinces and communities. Non-resource sectors achieve high levels of mixed gender employment, with comparable wages to the resource sector. Transportable skills and trades expand employment opportunities and strengthen the non-resource sectors, particularly agriculture, and in the growth of the maritime sector. The ‘youth bulge’ has provided a strong and mobile workforce that ensures enduring skills and capabilities sustain development beyond 2050. Export quality meets Australian and New Zealand standards, which broadens markets and decreases reliance on extractive resource commodities.

Social indicators: Per capita income is well above the UN poverty threshold and allows continued participation in the cash economy, alongside traditional reciprocity practises. Women are an integral part of the cash and formal economies, and hold key positions in the bureaucracy and in parliament. Primary and Secondary education institutions are well established and provide equal and affordable access for boys and girls. The prevalence of communicable diseases has also been reduced significantly. Health programs have lowered the prevalence of HIV/AIDS to below 0.25 percent of the population. Other life-style diseases and causes of morbidity and mortality are also under control, with a return to strong social networks and formal social protection facilities. The population continues to grow at a sustainable rate of 2 percent, as health programs, social networks, education and employment decrease the rate of premature deaths from disease and violence. The UN rated PNG’s human development as 120th out of 190 countries.

National identity: Bougainvileans acknowledge the continued strong performance of the central government and aspirations of secession continue to wane as mainland growth inspires an expansive national spirit. The Panguna mine enters its fifth year of productive operation under Bougainvillean provincial control and Bougainvileans do not regret their earlier decision in 2016 to remain part of PNG. The people of Hela Province are satisfied they are receiving a fair share of the national wealth. Port Moresby is an eco-tourism hub for the South West Pacific and competes strongly with Queensland for market share.
Plausibility: The attributes of this ‘bright future’ scenario reflect the aspirations of the Constitution and Vision 2050. The government promised a bright future for all Papua New Guineans that relied heavily on the revenues from the LNG Project and on removing the critical constraints to development. Systemic corruption, poor governance, and law and order problems are likely to continue for at least the next decade. Removal of all of PNG’s critical constraints to development is, therefore, unlikely and this positive trajectory, while plausible, is unlikely.

Neutral Trajectory—Status Quo and ‘Toddling’ Along

Governance: After the 2012 national elections, Somare and O’Neill continued to disrupt parliamentary and democratic processes and continued to seek endorsement from rent-seeking ‘followers’. Despite genuine promises to their parties, the new generation of political leaders defaulted to the routine practises of ‘party hopping’ to satisfy the demands of their electorates and to seek profitable ministerial portfolios. The 2017 and 2022 elections were marked with the normal levels of violence and accusations of fraudulent electoral activities. The parliamentary opposition fail to hold the government to account and policy decisions rarely occur. The returning government recycled the strategies of the 2010-2030 DSP, because there was no need or incentive to update them.

Corruption, and law and order: Corruption and law and order problems continue to be a critical constraint. Traditional loyalties continue to dominate society, but gang violence and corruption persist. Increasing numbers of unemployed youth join raskol and other criminal gangs. The government uses adherence to Melanesian ways as an excuse for not building a greater sense of national pride across PNG. The cache of weapons from the first, and only, gun ‘buyback’ scheme provided a black market resource for corrupt police officials and further undermined public confidence in the police force. Discrimination and violence against women and other vulnerable groups continues unabated, and remains a problem for inclusive opportunities for development.

LNG Project and the ‘resource curse’: The LNG Project delayed production for over two years while awaiting Supreme Court judgements on land ownership and compensation claims. The government dismissed three of the five judges for biases against ExxonMobil. All parties to the original Asian contracts expected the delay and considered it a routine risk of doing business in PNG. PNG’s business reputation is intact, albeit not a good one. Low revenue levels will not meet the ADB’s original forecast. The government has not converted

---

the initial resource revenues into a basis for sustained development. The SWF continues to capture the resource revenues, but distribution of funds is inequitable, not transparent and not auditable. Despite the promises of the benefits of the LNG Project, the government has failed to deliver any promised services to rural centres, and landowners continue to question, sometimes violently, the destruction of their environment.

**Infrastructure, employment and investment:** The SWF grew slowly but only provided limited funds to large infrastructure projects that portfolio ministers oversaw directly. Foreign investors and entrepreneurs, other than related to extractive resources, continue to ignore PNG. Road, electricity, water supply, and telecommunication services have not improved. Health and education services are still not available to all provinces and communities. Men still dominate employment and generally exclude women from most employment opportunities. Non-resource sectors struggle to attract workers and cannot compete with the higher resource sector wages. Non-resource sectors are poorly developed and do not use the skills and trades attained in the limited employment opportunities. The people in the ‘youth bulge’ have grown up in a society of low expectations and have not developed any sustainable skills or capabilities, except those necessary to participate in gang activities.

**Social indicators:** Per capita income is still relatively low, with many Papua New Guineans still classified by the UN as ‘income poor’ and inclusive employment opportunities are very limited. Landowner and tribal clashes routinely destroy schools and health facilities. The prevalence of communicable diseases has remained steady and the HIV/AIDS epidemic continues to infect about one percent of the population. Social networks and support mechanisms are ineffective and life-style diseases and causes of morbidity and mortality pervasive. The population continues to grow at an unsustainable rate of about 2.5 percent. Violence and disease continue to lead to premature deaths due to a lack of health programs, social networks, education and employment. The UN continues to rank PNG as a country suffering from ‘low human development’.

**National identity:** Bougainvileans took advantage of the opportunity in 2015 to become independent from PNG with a view that continued poor performance of the central government would adversely affect their own future. The Panguna mine recommenced operations in 2020 after long negotiations with a multinational company, with promises that any activities would not involve PNG. The people of Hela Province and the broader Highlands region are still not satisfied they are receiving a fair share of the national wealth, with secessionist debate and violent protests dominating local issues. Tourists and business investors continue to avoid Port Moresby and other urban centres in favour of more attractive and safer destinations in the South West Pacific.
Plausibility: The attributes of this ‘status quo’ scenario highlight PNG could indeed continue to ‘toddle along’. New governments copied the aspirations of Vision 2050 and the Constitution to new strategies to renew their commitment to Papua New Guineans, but still delivered nothing. Successive governments are likely to manage poorly the revenues from the LNG Project and PNG’s critical constraints to development will prevail. Systemic corruption, poor governance, and law and order problems are likely to continue indefinitely, to varying degrees. Removal of all of PNG’s critical constraints to development is, therefore, unlikely and this neutral trajectory is plausible and likely.

Negative Trajectory—Bougainville, Again

Governance: The breakdown of democratic processes before the 2012 national elections set a dangerous precedence and inspired the new generation of political leaders to seek greater opportunities for personal gain. Somare and O’Neill faded from political life as entrepreneurial candidates aggressively lobbied voters and sought potential new sources of ‘rent’. Every ministerial portfolio, of which there has been a significant increase since 2012, has uncontrolled access to the SWF as a means of ‘preparing’ supporters for the next election. The 2017 and 2022 elections were marked with increasing levels of violence and blatant fraudulent electoral activities. The 2022 election was particularly violent with Southern Highlands-style violence emerging across most rural electorates. Parliament sits only once a year to display to the public the most recent alliances. The ‘opposition’ does not bother to attend and the significant increase in ministerial positions ensures that all the government’s self-serving policies pass without debate. Successive governments have not bothered to review the various national strategies.

Corruption, and law and order: PNG has blatant and overt corruption embedded in every aspect of society. Gang membership has overtaken traditional loyalties and criminal activities dominate daily life in urban centres. The ‘youth bubble’ has become a gang bubble and transnational criminal gangs have gained increased influence over service delivery. The defence and police forces are no longer viable for domestic control roles. Imported and looted high-powered weapons are available throughout PNG, as is access to the police and defence armories and ammunition stores. Violence against women and other vulnerable groups is out of control as societal norms take on gang and criminal behaviours. Law and order problems continue to escalate around mining and resource infrastructure, including hostage taking from LNG ships in Port Moresby harbour. Larger groups of heavily armed men camp near access points to all LNG Project facilities awaiting any opportunity to commit violent acts or inflict damage.
LNG Project and the ‘resource curse’: Protestors increased the levels of violence and damage to project and national infrastructure in 2015, which caused ExxonMobil and the government to contract a large international security company to protect land-based and maritime assets. The original Asian customers withdrew contracts in 2016 because of continued delays in completing the construction phase. The LNG Project achieved partial production in 2018. The very low revenue levels have disappointed those that would have received personal benefit, which drives the government’s unconditional support to ExxonMobil’s demands. The effects of the ‘resource curse’ have permeated most of PNG’s society, and formal services and social protections no longer exist. The government continues to ignore the host societies of LNG Project facilities and focuses on the possible personal windfalls of full production capability, at the expense of fellow Papua New Guineans and PNG’s national interests.

Infrastructure, employment and investment: The SWF serves only as a short-term repository and funds for infrastructure projects never appear. Foreign investors rate PNG as an unacceptable risk. Road, electricity, water supply, and telecommunication services have degraded significantly since 2012. Damaged hospitals and schools have not reopened since the extremely violent protests during the 2017 elections. The limited formal employment opportunities only employ men that are associated with urban gang organisations. Non-resource sector employment does not exist. The people in the ‘youth bulge’ have only developed skills in violence, damage and criminal activities.

Social indicators: Per capita income is so low that the UN classifies most Papua New Guineans are living in extreme poverty. The cash economy is only available to those in affluent urban areas, as is education. Communicable diseases, including HIV/AIDS, are out of control as gangs and disaffected men violently abuse women as they travel about the country. Violence and disease cause escalating levels of premature deaths due to the total absence of government services. The UN ranks PNG in the lowest 10 countries for human development.

National identity: The Bougainville secession in 2015 and the benefits flowing to Bougainvilleans from the reopened Panguna mine have motivated Highlanders and other disaffected Papua New Guineans to take charge of their own future from what is an ineffective and unnecessary central government. The people of Hela Province and the broader Highlands region are on the verge of taking violent action against ExxonMobil and the government and to hold LNG production facilities to ransom.

Plausibility: The attributes of this ‘Bougainville, again’ scenario highlight PNG could be in a similar situation to that just before the Bougainville crisis. The only aim of the government is to guarantee the operation of the LNG Project.
The continuing degradation of societal norms and controls, fuelled by high levels of disaffection and disgruntlement, could lead to extreme large-scale violence around LNG Project facilities. The response from the government and the contracted security forces is likely to be disproportionate, which could then lead to further escalation of responses to the level of a war-like crisis in the Highlands region. Negative trends in all of PNG’s social indicators, nonexistent development and highly volatile conditions are possible and this extreme negative trajectory is plausible, but less likely.

**Australia’s National Interests**

Six years ago, *The Economist* stated that ‘[o]f all the failing states of the South Pacific, PNG would be the hardest for the Australians to handle if things were to go seriously wrong’. A year later, Robert Ayson described Australia’s ‘arc of responsibility’ as being more about Australia’s ‘exposure to a mix of neighbourhood weakness and great power strength’ and a ‘sense of its own vulnerability’. By 2009, a priority task for the Australian Defence Force (ADF) was to ‘contribute to stability and security in the South Pacific and East Timor’, which includes conducting military operations to protect Australians, provide disaster relief and humanitarian assistance, and may include stabilisation interventions. Accordingly, Australia is the ‘strategic guarantor’ of the ‘Australian arc’.

The development scenarios postulated above indicate that trajectories that fall between the neutral and negative outcomes are more likely and pose an emerging security threat to Australia’s national interests over the next decade. Australia’s vulnerability to the consequences of potential negative trajectories for PNG’s development, therefore, threatens Australia’s national interests.

**Threats to Australia’s National Interests—What Could Go Seriously Wrong?**

A more traditional strategic concern for Australia was about foreign powers using PNG as a base from which to launch attacks on Australia. However, according to Christopher Chung, ‘the increased influence of non-state actors’ has resulted in a ‘new set of threats…that sit alongside the traditional security

---


151 Department of Defence, *Defending Australia in the Asia Pacific Century*, p. 13.


agenda’. As described by Alan Dupont, the diverse range of non-traditional threats that could emerge from PNG’s critical constraints to development poses ‘complex, interconnected and multidimensional’ threats to Australia’s national interests. Despite the numerous threats of transnational criminal activity and terrorism embedding in fragile states, Peter Urban stated that ‘the real security threat from PNG is likely to come from internal developments…rather than from external agents such as…terrorists or transnational criminals using PNG as a base’.

The emerging threats of serious concern for Australia are, therefore, those that stem directly from PNG’s current HIV/AIDS epidemic or from internal conflict based on economic inequalities, land issues, weak governance, unemployed and alienated youth, urbanisation, inter-group tension, and climate change. The resultant conflicts could take the form of rioting, coups, interracial conflict, violence against women, and, in extreme cases, civil war. These conflicts could also result in widespread availability of small arms, and regional ‘spillover effects’ that include increased forced migration. Disease epidemics and pandemics could consequently erupt in Australia. White and Wainwright stressed that although there have been no ‘large-scale people movements’ from PNG to Australia, it is ‘not a guarantee that such movements could not happen in the future’ as ‘intense population pressures in PNG…could make this a much bigger problem than it has been before’.

These threats to PNG of internal conflict and the potential regional spillover effects are of concern for Australia as control and management could be costly for Australia and potentially threatening to other neighbours, particularly Indonesia. However, the greatest concern for Australia is the outbreak of a civil war of proportions similar to, or larger than, that on Bougainville. Jerry Singirok’s warning that all the right conditions are in place in the Southern Highlands for another Bougainville crisis, should serve as a strong warning to

---

157 Urban, ‘Not in our backyard, on our doorstep’, p. 6.
158 Senate Foreign Affairs, Defence and Trade References Committee (FADTRC), Volume II: Security challenges facing Papua New Guinea and the island states of the southwest Pacific, p. 6.
159 Senate Foreign Affairs, Defence and Trade References Committee (FADTRC), Volume II: Security challenges facing Papua New Guinea and the island states of the southwest Pacific, p. 21.
161 White, Strengthening our neighbour, p. 17.
Australia. If PNG develops along an extremely negative trajectory, then ‘the country could disintegrate into half a dozen lawless and unviable mini-states’, of which the Southern Highlands could be the first and most volatile. The ADF’s priority task of providing humanitarian assistance could very rapidly escalate to a stabilisation intervention in Australia’s closest neighbour, which could draw Australia into a protracted operation that could potentially exceed Australia’s capabilities and limited resources.

**How Can Australia Support PNG to Develop More Effectively?**

This potential situation then draws upon Australia’s consideration of the ‘moral hazard’ of acting as the strategic guarantor for PNG, but allowing PNG the freedom to be reckless, without being reckless to an extent that could be detrimental to Australia’s national interests. Sanu Kainikara has stated that ‘[s]trategic containment of deteriorating situations in the near region and stabilising states that are on the verge of collapse is of utmost importance if Australia is to maintain a positive security posture in the broader region’. However, Australia faces a dilemma when considering how to support PNG to develop more effectively and to contain strategically PNG’s negative development trajectories. Papua New Guineans are likely to see a proactive stance by Australia as ‘infringing upon [PNG’s] sovereignty’. Alternatively, if Australia refrains from supporting PNG or ignores requests for assistance, PNG and the international community are likely to accuse Australia of neglect and of ‘failing to accept its regional responsibilities’.

Despite the expectations on Australia to be involved directly in PNG’s development, Australia and the international community also expect PNG, as an independent nation, to provide an element of self-help. In particular, DFAT warned that continued reliance on donor funding is not a long-term option. Hayward-Jones wrote that ‘[i]f we have learnt anything from the decade that ran from September 11 to the 2011 Arab Spring, it is that efforts to improve governments and governance are most effective when they come from within, rather than being imposed from without’. Previous attempts and strategies

---

162 Crime and Corruption PNG, ‘Exxon Mobil LNG a “very serious threat to national security” says Sandline hero’.
163 White, *Strengthening our neighbour*, p. 18.
166 May, ‘Disorderly Democracy or Dysfunctional State?’, p. 167.
167 May, ‘Disorderly Democracy or Dysfunctional State?’, p. 167.
168 Department of Foreign Affairs and Trade (DFAT), *Papua New Guinea: The Road Ahead*, p. xvi.
by Australia to support PNG’s development have not been fully effective and assumptions that the LNG Project will mitigate all of PNG’s critical constraints to development are naive.

Options and approaches for Australia to support PNG to develop more effectively, therefore, must become ‘more realistic and more creative’ and must acknowledge that ‘pressing need does not justify persisting with failed practice’. Richard Herr and Anthony Bergin stressed that ‘value adding’ can take many forms and that ‘more is expected of...[Australia]...in understanding the closeness of interactions, empathetic support and the indefinable qualities that make for a special relationship’. Although not exhaustive, the following simple strategies, proposed by Hayward-Jones, demonstrate some options for Australia to support PNG and reflect the nature of Australia’s relationship with PNG:

- Helping PNG’s non-resource export sectors achieve Australian and New Zealand standards, which would increase market opportunities;
- Improving service delivery of aid programs by engaging with PNG’s many civil society organisations;
- Helping to address the ‘youth bulge’ by rehabilitating PNG’s universities, increasing funding for vocational skills training, and providing a dedicated scheme of seasonal work in Australia for young Papua New Guinean adults;
- Increasing funding and improving opportunities for Papua New Guineans to attend Australian universities;
- Increasing funding for national sporting exchanges, for both men and women; and
- Increasing the frequency of ‘genuine’ bilateral ministerial visits and talks.\footnote{Hayward-Jones, ‘The future of Papua New Guinea-Australia relations’, p. 15.}\footnote{Richard Herr and Anthony Bergin, Our near abroad: Australia and Pacific islands regionalism, Canberra, Australian Strategic Policy Institute, November 2011, p. 59.}\footnote{Hayward-Jones indicated that current ministerial contact is sporadic and tokenistic; hence, the need for frequent and ‘genuine’ visits and talks.}
Conclusion

Australia’s ‘security and prosperity [are] linked to the security and prosperity of its neighbours’, particularly its closest neighbour, PNG.173 Borgu highlighted that in general, the closer a problem is to Australia, the more engaged are Australia’s interests, the greater are Australia’s responsibilities, and the more effect Australia’s efforts will have.174 Since independence, the PNG government has struggled to fulfil the aspirations of its Constitution and of the many subsequent national strategies. PNG is also ‘far off track’ for achieving any of the UN’s MDGs by 2015. The latest strategy, Vision 2050, promised a bright future for all Papua New Guineans and assumed the LNG Project will provide the large revenues necessary to fund improvements to national infrastructure and the delivery of social services throughout PNG. However, PNG has critical constraints to development that adversely affect the government’s capacity to convert strategic plans and resource wealth into broad-based delivery of basic services.

With a society bound by critical constraints and becoming increasingly ‘resource cursed’, particularly in the Southern Highlands, PNG could develop along any number of trajectories. Likely scenarios indicate development paths that could range from a neutral trajectory, reflecting a generally poor status quo scenario, to an extremely negative trajectory that reflects a total failure of the PNG state, a loss of security and the onset of civil war. White and Wainwright stressed that ‘unless today’s negative trends can be reversed, Australia may find within ten or fifteen years that [its] closest neighbour is a state in acute crisis, whose people live a Hobbesian nightmare of lawless misery, and whose problems threaten to spread to [Australia’s] neighbours’.175 This reflects an extremely negative outcome for PNG, but highlights the potential for PNG’s critical constraints to development to pose an internal security threat to the PNG state that is detrimental to Australia’s national interests.

Australia has a key role to play in supporting PNG’s development and helping to mitigate these critical constraints. However, the nature of that role must change from an authoritative stance to one that takes account of Australia’s capacity, and of Australia’s right to do so.176 Australia is PNG’s ‘strategic guarantor’ and must assert a stabilising influence,177 while also proving it is a

---

174 Borgu, Beyond Bali, p. 21.
175 White, Strengthening our neighbour, p. 18.
regional leader that can listen and understand, and be an active partner in its special relationship with PNG.\footnote{Dobell, ‘Pacific power plays’, p. 86.}
Appendix 1 – Papua New Guinea’s Demographic and Development Statistics

Selected statistics for PNG from AusAID\textsuperscript{179}

<table>
<thead>
<tr>
<th>Statistics</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>6.9 million</td>
</tr>
<tr>
<td>Projected population in 2020</td>
<td>8.5 million</td>
</tr>
<tr>
<td>Under-5 mortality (per 1,000 live births)</td>
<td>68</td>
</tr>
<tr>
<td>Maternal mortality per 100,000</td>
<td>250</td>
</tr>
<tr>
<td>Adult literacy rate (both sexes, percent aged 15 and above)</td>
<td>60.1</td>
</tr>
<tr>
<td>Population with at least secondary education (ratio of female to male rates)</td>
<td>0.508</td>
</tr>
<tr>
<td>Population below $1.25 per day poverty line (PPP) (percent of population)</td>
<td>35.82</td>
</tr>
<tr>
<td>Adolescent fertility rate (women aged 15-19 years, births per 1,000 women)</td>
<td>66.9</td>
</tr>
</tbody>
</table>

**Human Development Index\textsuperscript{180}**

The Human Development Index (HDI) is a composite index published by the United Nations Development Programme (UNDP) that measures average achievement in three basic dimensions of human development: a long and healthy life, knowledge and a decent standard of living. In 2011, the UNDP assessed PNG as follows:

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>HDI Ranking (of 187 countries)</td>
<td>153\textsuperscript{rd}</td>
</tr>
<tr>
<td>HDI Value</td>
<td>0.466</td>
</tr>
<tr>
<td>Life expectancy at birth (years)</td>
<td>62.8</td>
</tr>
<tr>
<td>Mean years of schooling (years)</td>
<td>4.3</td>
</tr>
<tr>
<td>Expected years of schooling (years)</td>
<td>5.8</td>
</tr>
</tbody>
</table>

\textsuperscript{179} Australian Agency for International Development (AusAID), ‘Demographic and development statistics for PNG’.

<table>
<thead>
<tr>
<th>Gross national income (GNI) per capita (constant 2005 PPP $)</th>
<th>2,271</th>
</tr>
</thead>
<tbody>
<tr>
<td>GNI per capita rank minus HDI rank</td>
<td>-12</td>
</tr>
<tr>
<td>Non-income HDI Value</td>
<td>0.475</td>
</tr>
</tbody>
</table>

**World Governance Index**\(^{181}\)

The Forum for a new World Governance used five indicators, 13 sub-indicators and 41 indexes to calculate the 2011 World Governance Index (WGI) for 179 of the 192 UN member states. The following table includes the WGI assessment for PNG.

<table>
<thead>
<tr>
<th>WGI Ranking (of 179 countries)</th>
<th>121(^{st})</th>
</tr>
</thead>
<tbody>
<tr>
<td>WGI Value</td>
<td>0.569</td>
</tr>
<tr>
<td>Indicator:</td>
<td></td>
</tr>
<tr>
<td>Peace and Security</td>
<td>0.893</td>
</tr>
<tr>
<td>Rule of Law</td>
<td>0.358</td>
</tr>
<tr>
<td>Human Rights</td>
<td>0.532</td>
</tr>
<tr>
<td>Sustainable Development</td>
<td>0.582</td>
</tr>
<tr>
<td>Human Development</td>
<td>0.480</td>
</tr>
</tbody>
</table>

**Corruption Perceptions Index**\(^{182}\)

The Corruption Perceptions Index (CPI) ranks countries according to their perceived levels of public-sector corruption. Transparency International used surveys and assessments that address questions of bribery of public officials, kickbacks in public procurement, embezzlement of public funds, and the strength and effectiveness of public-sector anti-corruption efforts to determine a country’s CPI. In 2011, Transparency International ranked PNG 154\(^{th}\) out of 183 countries and territories with a score of 2.2. This CPI ranking is the same as that for Zimbabwe and Laos. New Zealand ranked highest with a score of 9.5.

---


Gender Inequality Index\textsuperscript{183}

The Gender Inequality Index (GII) is a composite index published by the UNDP that reflects inequality in achievements between women and men in three dimensions: reproductive health, empowerment and the labour market. In 2011, the UNDP ranked PNG 140\textsuperscript{th} out of 145 countries with a score of 0.674; Afghanistan was 141\textsuperscript{st} with a score of 0.707.

Appendix 2 – Papua New Guinea’s Eight Aims


1. A rapid increase in the proportion of the economy under the control of Papua New Guinean individuals and groups and in the proportion of personal and property income that goes to Papua New Guineans.

2. More equal distribution of economic benefits, including movement toward equalisation of incomes among people and toward equalisation of services among different areas of the country.

3. Decentralisation of economic activity, planning and government spending, with emphasis on agricultural development, village industry, better internal trade, and more spending channelled to local and area bodies.

4. An emphasis on small-scale artisan, service and business activity, relying where possible on typically Papua New Guinean forms of business activity.

5. A more self-reliant economy, less dependent for its needs on imported goods and services and better able to meet the needs of its people through local production.

6. An increasing capacity for meeting government spending needs from locally raised revenue.

7. A rapid increase in the equal and active participation of women in all forms of economic and social activity.

8. Government control and involvement in those sectors of the economy where control is necessary to achieve the desired kind of development.

184 Turner, Papua New Guinea, p. 188.
Appendix 3 – Papua New Guinea’s National Goals and Directive Principles

Papua New Guinea’s Constitution proclaimed the following National Goals and Directive Principles: 185

**Integral Human Development:** We declare our first goal to be for every person to be dynamically involved in the process of freeing himself or herself from every form of domination or oppression so that each man or woman will have the opportunity to develop as a whole person in relationship with others.

**Equality and Participation:** We declare our second goal to be for all citizens to have an equal opportunity to participate in, and benefit from, the development of our country.

**National Sovereignty and Self-reliance:** We declare our third goal to be for Papua New Guinea to be politically and economically independent, and our economy basically self-reliant.

**Natural Resources and Environment:** We declare our fourth goal to be for Papua New Guinea’s natural resources and environment to be conserved and used for the collective benefit of us all, and be replenished for the benefit of future generations.

**Papua New Guinean Ways:** We declare our fifth goal to be to achieve development primarily through the use of Papua New Guinean forms of social, political and economic organization.

---

List of Acronyms and Abbreviations

ADB  Asian Development Bank
ADF  Australian Defence Force
AIDS Acquired Immune Deficiency Syndrome
ASPI Australian Strategic Policy Institute
AusAID Australian Agency for International Development
BCL Bougainville Copper Limited
CPI Corruption Perceptions Index
DFAT Australia’s Department of Foreign Affairs and Trade
DSP Papua New Guinea Development Strategic Plan 2010-2030
EAU Economic Analytical Unit of Australia’s Department of Foreign Affairs and Trade
ESCAP United Nations Economic and Social Commission for Asia and the Pacific
FADTRC Australian Senate Foreign Affairs, Defence and Trade References Committee
GII Gender Inequality Index
HDI Human Development Index
HIV Human Immunodeficiency Virus
LNG Liquefied Natural Gas
MDG United Nations Millennium Development Goal
MP Member of Parliament
PNG Papua New Guinea
SPI Social Protection Index
SWF Sovereign Wealth Fund
<table>
<thead>
<tr>
<th>Acronym</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>UN</td>
<td>United Nations</td>
</tr>
<tr>
<td>UNDP</td>
<td>United Nations Development Programme</td>
</tr>
<tr>
<td>WGI</td>
<td>World Governance Index</td>
</tr>
<tr>
<td>WHO</td>
<td>World Health Organization</td>
</tr>
</tbody>
</table>