

Background to PNG disaster: the legacy of colonial domination

Richard Phillips
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The death and destruction wrought by the tsunami on the West Sepik coast highlights the legacy of economic backwardness in Papua New Guinea produced by decades of colonial rule and the continued subordination of its economy to the interests of the banks and transnational corporations.

New Guinea and nearby islands were divided up between three colonial powers in the 1880s and 1890s. The Netherlands ruled the western half of New Guinea, while Britain ruled Papua (southern PNG) and Germany controlled eastern New Guinea (northern PNG), New Britain, New Ireland and Bougainville.

One month after the outbreak of World War I in 1914, Australian armed forces seized German New Guinea. This military occupation, one of the first colonial conquests of the world war, was rubber-stamped when the League of Nations granted Australian mandate over the whole territory in 1921. Australian colonial rule was ratified again, this time by the United Nations, following the defeat of Japan in the Pacific in World War II.

Successive Australian governments ruled PNG directly until 1975, when nominal independence was granted. Behind the formal transfer of political power, PNG remains a semi-colony of Australian capitalism, ruled by a thin layer of politicians, senior government officials and businessmen.

Half of the country's economy is owned by Australian corporations, often in partnership with other transnationals. Massive profits have been made from gold, copper, silver, oil, natural gas and other minerals at Panguna, Ok Tedi, Porgera and Lihir. One of the globe's most lucrative copper mines--the Freeport mine--lies across the border in western New Guinea, now annexed by Indonesia and named Irian Jaya.

PNG produces up to 2.7 million ounces or 84 tonnes

of gold per year, so it is one of the largest gold producers in the world. At Porgera, the biggest gold mine in the world outside South Africa, 1.4 million ounces of gold are mined annually. The West Sepik region also produces 100,000 cubic meters of wood a year, making it one of the greatest exporters of timber in PNG.

PNG governments, working under the direction of the international banks and governments in Australia, have conducted a sustained attack on living standards and basic rights. In the early 1990s the government cut the corporate tax rate from 30 percent to 25 percent and lowered the top personal income tax rate from 45 percent to 28 percent. The labour market was deregulated and the official minimum wage cut from 1.50 kina (A\$2.25) to 55 toea (A\$0.83 cents) an hour.

This was followed by a 15 percent devaluation of the kina, the local currency, and a freeze on wages. Royalty taxes paid by mining companies were cut and all laws requiring mining companies to provide training for PNG workers, and build local schools, roads and health clinics were repealed.

So blatant was the political domination of the mining companies that the Australian firm BHP drafted PNG laws preventing native people from taking legal action against its operation at Ok Tedi, where it disgorges 100,000 tonnes of untreated and toxic wastes into the Fly River system every day.

In 1996 a World Bank-IMF 'structural adjustment agreement' was imposed. The then Chan government axed hundreds of public sector jobs, introduced a consumption tax, lowered tariff barriers and ended all subsidies for cash crops such as coffee, copra, cocoa and palm oil. The Keating Labor government in Australia played a key role in forcing PNG to accept the World Bank's terms by refusing to hand over aid

until the agreement was signed.

These measures compounded the country's already serious problems of poverty, malnutrition and health. PNG's infant mortality rate is now one of the worst in the world. More than one child in ten dies before the age of five with over half a million infants dying since 1975 from easily curable diseases such as pneumonia, malaria, measles, whooping cough and neo-natal tetanus.

Bill Skate, PNG's current prime minister, came to power following the resignation of Julius Chan in July 1997. Chan was forced out after hiring a mercenary company, Sandline International, to suppress the ten-year secessionist rebellion on the island of Bougainville which had closed the giant Panguna copper mine. The use of Sandline was opposed by the Australian government. It has since supervised a cease-fire on Bougainville, administered by several hundred Australian troops.

Skate's government is an unstable coalition drawn from the People's National Congress, People's Progress Party, Pangu Pati, People's Democratic Movement and a group of independents. He has maintained the economic and political program of his predecessors: cutting corporate tax rates for mining, timber and other big businesses while slashing social spending and boosting the military and police. Skate's response to the West Sepik disaster has been to curtail the hiring of charter flights and other costs of the relief operation, for budgetary reasons.



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