

# Papua New Guinea in legal battle with mercenary outfit

Peter Symonds  
11 March 1999

The British mercenary company Sandline International is engaged in a series of unprecedented legal moves in Europe, the US and Australia to seize \$US25 million in funds from the Papua New Guinea government, which has refused to make the final payments on a contract signed in 1997 to mount a military operation against separatist guerrillas on Bougainville Island.

Last Friday, Sandline sought to compel the Banque Bruxelles Lambert (BLL) to hand over \$US6 million in agricultural subsidies donated to Papua New Guinea by the European Commission. The money was deposited in the Brussels bank last year in the name of the central bank of PNG under an EC scheme to compensate developing countries for declining agricultural commodity prices.

PNG Prime Minister Bill Skate reacted angrily to Sandline's actions, saying: "First they want to carpet-bomb Bougainville, now they are attempting to take money that is intended to pay for medicine and build hospitals in Papua New Guinea." Sandline has not yet moved against another BLL account holding money destined for victims of the last year's tidal wave disaster in the Aitape area of PNG.

At the end of February, Sandline obtained a court order to freeze the accounts of three PNG diplomatic missions and has warned that it will take similar measures in the US and Australia. Sandline's commercial adviser Michael Grunberg has made further legal threats, warning that comments by Skate that Sandline had been engaged by the former Chan government to "murder Papua New Guineans on Bougainville" for "blood money" were potentially libelous.

Sandline International signed a secret \$36 million contract with the previous PNG government of prime

minister Julius Chan to "conduct offensive operations on Bougainville" in order to "render the BRA [Bougainville Revolutionary Army] militarily ineffective and repossess the Panguna mine". The huge copper mine at Panguna, operated by the British-Australian Rio Tinto mining conglomerate, has been shut since 1989 by the BRA, resulting in a substantial loss of revenue to the PNG government, which is a major share-holder.

Sandline was to provide 70 staff, including aircrew and aircraft engineers, intelligence and equipment operatives, mission operators, and ground, technical and support personnel to operate in conjunction with the PNG Defence Force. Equipment to be supplied included helicopter gunships armed with multiple rocket launchers, transport helicopters, heavy machine guns, automatic grenade launchers, electronic surveillance equipment and large stocks of ammunition.

Details of the contract and the military preparations were leaked in the Australian press. The Australian government put substantial pressure on the Chan government to abandon the deal and encouraged opposition politicians such as Skate and army officers including PNG Defence Force chief Jerry Singarok to challenge Chan. Amid sizeable anti-government protests in the capital Port Moresby, Chan was forced to stand down in March and the Sandline operation was called off.

Australia, the former colonial power in PNG, was not opposed in principle to a military assault on the BRA. Australian governments had supplied equipment and training for the PNG military, which had failed throughout the previous eight years to defeat the BRA. The Sandline operation, however, cut directly across preparations by the Australian and New Zealand governments to negotiate a deal directly with sections

of the BRA leadership to end the fighting and reopen the mine.

Skate, who replaced Chan as Prime Minister, has refused to pay the remaining money owed to Sandline. Last year an international arbitration panel found that the contract was valid under international law and ordered PNG to pay the second half of the fee, plus legal costs. The Skate government is seeking to recover the initial \$18 million paid by Chan to Sandline in a legal action in court in Brisbane, Australia due to begin on March 11.

Sandline's representative Grunberg has been at pains to play down its legal actions, accusing the PNG government of being "unfair and misleading" and failing to meet its obligations. But the entire affair highlights the growing use of these private "guns for hire" by governments and corporations around the world.

Sandline signed the contract with the PNG government but subcontracted out the provision of military personnel to the South African-based Executive Outcomes, which is notorious throughout Africa for its mercenary operations. Executive Outcomes was hired by the Angolan government in 1993 to fight UNITA rebels, receiving in return rich mineral concessions. The company, which has close links to mining and oil corporations, was also involved in shoring up the regime of Valentine Strasser in Sierra Leone and is reportedly active in more than 30 African countries.



To contact the WSWWS and the  
Socialist Equality Party visit:

**[wsws.org/contact](http://wsws.org/contact)**