

Australian firms plunder Papua New Guinea

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A central feature of the Australian government's foreign policy in the Pacific has been the ongoing threat to cut off aid to any of the Pacific Island states that do not agree to implement "good governance" measures, such as economic restructuring and combating corruption.

Australian Prime Minister John Howard declared prior to the Pacific Island Forum in August: "Our very clear message is that we want to help [Pacific Island countries] but a condition of that help has to be rooting out corruption". This was the prelude to Howard's government compelling Papua New Guinea (PNG) into accepting Australian control of two of its key state functions—finance and the police.

But the real meaning of the term 'good governance' has been highlighted by a handful of the 70 submissions to a recently completed Australian Senate Committee. Good governance is a euphemism for political intervention into the affairs of Pacific states in order to guarantee the untrammelled exploitation of the resources and peoples of the region by Australian corporate giants, as well as to protect their tax breaks and legal immunities.

The submissions revealed the social and environmental devastation produced by the activities of Australian mining corporations in PNG. Companies such as BHP-Billiton and Rio Tinto, underpinned by an Australian government statutory body, the Export Finance Insurance Corporation (EFIC), have laid waste to large areas of the country. The livelihoods of tens of thousands of landowners have been destroyed and environmental damage inflicted that will last for decades.

In its submission to the Senate Committee, AIDwatch commented on the impact of the Australian-owned CRA/Rio Tinto Lihir Gold project, located on Lihir Island off the north-east coast of PNG. Lihir is one of the world's richest gold mines. "During its life the mine will dump 98 million tonnes of cyanide-contaminated tailings and 330 million tonnes of waste rock into the ocean, in an area described by ecological studies as one of the richest areas of marine biodiversity on earth," AIDwatch stated.

Each year the \$US1.3 billion Lihir project pumps 110 million cubic metres of waste into the sea through a subterranean pipeline. It also dumps 20 million tonnes of

rock waste a year into the sea from barges.

Both Australia and PNG are signatories to the London Convention, an international treaty that bans the practice of dumping toxic waste in the ocean. Nevertheless the Australian government's EFIC provided the mine with the risk insurance it required to begin the project in 1997. According to the Mineral Policy Institute, EFIC has also given Lihir Gold a US\$250 million guarantee of commercial bank finance. The US equivalent of EFIC, the Overseas Private Investment Corporation, turned down the project on environmental grounds.

The environmental damage perpetrated on the island of Bougainville during the 1980s was also the responsibility of Australian mining interests. Rio Tinto operated the now defunct Panguna copper mine—the world's largest open-cut mine, two kilometres across and half a kilometre deep. Between 1972 and 1988, the mine excavated 300,000 tonnes of ore and water a day. At peak capacity, Panguna accounted for 44 percent of PNG's export earnings and 20 percent of the government's revenue.

According to the Australian Conservation Foundation: "Rio Tinto laid the groundwork for an environmental disaster by dumping waste rock and tailings and emitting chemical and air pollutants without regard for the villagers. The tailings turned the fertile Jaba and Kawerong river valleys into wasteland. Fish and whole forests died and water became non-potable, turning 30 kilometres of the river system into a moonscape. As tailings made their way down the Jaba River to drain into the Empress Augusta Bay, the Bougainvilleans' major food source of fish there was also destroyed. At the same time, Rio Tinto's mine operators dumped chemicals directly into the Kawerong River, leaving the river acidic and copper green. The mine also emitted dust clouds that created upper respiratory infections and asthma in villagers."

As with Lihir, EFIC was crucial in financing the project, providing an \$80 million guarantee of commercial bank finance for the mine. EFIC's predecessor provided the insurance cover against the risk of non-payment for \$26 million of equipment supplied to the mine. Landowners began to sabotage the mining operations after complaints of

inadequate compensation. The actions of Rio Tinto ultimately sparked a civil war on the island that led to the deaths of 10,000 people.

The Ok Tedi mining project is one of the most notorious environmental disasters caused by Australian corporate interests. It was also supported by EFIC with a \$US242 million loan. BHP dumped 80,000 tonnes of tailings (rock waste)—containing copper, zinc, cadmium and lead—directly into the Fly and Ok Tedi Rivers every day for two decades. This has ruined the land upon which thousands of subsistence farmers depend, and poisoned some 2,000 square kilometres of forest. BHP polluted the Ok Tedi River and contaminated a section of the Fly River, PNG's second biggest river system, severely depleting fishing stocks.

Royal Melbourne Institute of Technology Professor Doug Holdway warned in 1999: "We're going to see a lot more damage in the future, not less. If you put 400 million tonnes of tailings down a river system, there should be no surprises that you're going to have significant biological impacts that will last for decades, possibly even centuries".

Due to PNG's dependence on large-scale mining projects for revenue, the national parliament passed legislation in 2001 to "discharge the Company, BHP, the Company's Shareholders... from all and any demands and claims arising directly or indirectly from the operation of the Mine".

This cleared the way for BHP to hand over its 52 percent shareholding to a new entity, the PNG Sustainable Development Program (PSDP), controlled by the PNG government. Through this manoeuvre, BHP-Billiton divested itself of any responsibility for the damage and evaded compensation claims worth billions of dollars.

In similar fashion, EFIC has been able to profit from projects that turn into environmental and social disasters without being accountable.

EFIC is an export credit and investment insurance agency underwriting credit and political risk to corporate giants. The Mineral Policy Institute condemned such agencies as "largely a law unto themselves, minimally scrutinised, and unfortunately involved in a race to the bottom whereby each Export Credit Agency undercuts the next with low standards. Australia's EFIC is no exception".

EFIC, which provided insurance for a massive \$7.2 billion of exports in 2002, operates under a veil of secrecy. It refused to grant the Mineral Policy Institute access to environmental reports on the Lihir project on the grounds that they were exempt from the Freedom of Information Act 1982, due to their commercial nature. So EFIC, which is directly linked to at least three ecological disasters, is immune from public scrutiny.

Even the PNG government department responsible for the environmental monitoring of the Lihir Mine is denied

information by EFIC on the grounds of client confidentiality.

The Senate Committee's hearings, entitled "Pacific engaged—Australia's relations with Papua New Guinea and the island states of the south-west", were intermittently held from October 2002. The final findings were released on August 12, 2003. Chaired by Labor Party Senator Peter Cook, the committee openly supported the Howard government's foreign policy, enthusiastically backed the military intervention into the Solomons and endorsed the call for good governance.

However, as several submissions pointed out, "good governance" has nothing to do with concern for the welfare of the majority of PNG's population.

The *PNG Solidarity Action Group* commented: "The largest portion of the AusAID budget (estimated to be 28 percent in 2002) is dedicated to promoting 'good governance', an utterly patronising concept indeed. A major part of this entails compliance with structural adjustment programs (SAPs), including large-scale privatisation and rationalisation. No part of the AusAID 'governance' budget is directed to monitoring large corporations that profit from SAPs."

By comparison, a small proportion of Australian aid is spent on health, sanitation and education. According to AIDwatch: "In 2000, Australia spent: 4.22 percent of its bilateral aid on basic education; 5.66 percent of its bilateral aid on basic health; and 3.19 percent of its bilateral aid on water and sanitation. This amounts to 13 percent of the total bilateral aid budget, which is tokenistic given the enormity of health, education and water requirements in PNG and the Pacific". A 1999 World Bank report revealed that only 42 percent of the population had access to a clean water supply and 36 percent of the population remains illiterate.

While Australian firms have plundered the resources of PNG, the country's rudimentary social infrastructure has been in a state of ongoing decay. Energy production grew massively between the 1970s and 1990s, culminating in a 20 percent growth rate according to the World Bank, but over the same period energy consumption contracted from 6.7 percent to 2.4 percent. As Australian firms made millions from PNG exports, the general population's access to energy actually fell.



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