Free market blueprint for Australian intervention in PNG

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The Centre for Independent Studies (CIS), a right-wing Australian thinktank, released a report last month entitled "Can Papua New Guinea come back from the brink?", which sets out the economic restructuring agenda for Canberra's increasingly aggressive intervention in the former Australian colony.

The report's author, Helen Hughes, who served as director of economic analysis at the World Bank for 15 years, is an unabashed advocate of "free market" reform. Last year she wrote a paper entitled "Aid has failed the Pacific" arguing that foreign aid had been completely counterproductive: it had fostered corrupt local elites and exacerbated social problems. While hesitating to recommend the "radical solution" of cutting off aid altogether, she nevertheless called on Canberra to tie its aid to drastic economic measures.

This year as 230 Australian officials and police are poised to take over key posts in PNG's police force, courts, finance and planning agencies, customs and civil aviation, Hughes has produced another report, focused on PNG. The argument is similarly dishonest. Hughes points to the country's terrible social conditions and the corrupt practices of the ruling elite but is silent on the role of foreign corporations, facilitated by Canberra, in plundering the country over decades. The reason is obvious: the policies she advocates are aimed at assisting the further penetration of global capital into PNG—a process that will only deepen the divide between rich and poor.

The picture painted in the report is nightmarish. After three years of negative growth, the country registered a growth rate of 2.5 percent in 2003. But, as Hughes points out, the improvement will mean little for the majority of the population. First, it is largely due to a strengthening in world commodity prices and is likely to prove transitory. Second, the population growth meant there was no rise in per capita income. Further, the cost of living rose, while the improved budget figures, praised by the International Monetary Fund (IMF), are due to cutbacks in health and education spending.

The report notes the appalling social indices:

* "Medical facilities range from poor in urban areas to non-existent in rural areas. Health expenditures are $US31 per head of population compared to $US191 in Botswana. During the last decade the number of doctors has not increased from 0.1 per 1,000 people and the number of hospital beds has fallen from 5.5 to 4.0 per 1,000 people. Papua New Guineans can expect to live less than 60 years. The very limited availability of clean water, sewerage and drainage is the principal reason for the low expectation of life.

* "The breakdown of urban water supplies and the lack of water supplies in the country led to rising typhoid and other food and waterborne diseases. Domestic violence, other assaults, gang and clan fighting and motor vehicle accidents have led to growing numbers of physical injuries. Because health services are so few and medicines are so often short in health centres and hospitals, curable diseases and injuries often lead to death even in urban areas."

* With minimal funding for AIDS programs, the disease is not being seriously tackled. "The actual numbers of people with HIV/AIDS infections is thought to be around 40,000. Extrapolations of current infection trends suggest that one to one and a half million Papua New Guineans will be infected with HIV/AIDS by 2015- 2020. Without effective treatment, this could reduce the labour force by a third."

* The picture is no better in education. "[L]ess than half of Papua New Guinea's eligible school age children have been estimated to be in school. Except in urban areas where literacy rates reach 70 percent to 80 percent, adult literacy is probably no higher than 25 percent. Education for girls is substantially lower than for boys, with many parents, notably fathers, still considering schooling for girls a waste of time."

Hughes makes no reference to Australia's role in creating this situation, as colonial ruler until 1975 and then as enforcer of the IMF's structural adjustment programs. Instead, Hughes lays the entire blame for the situation at the feet of the PNG leaders, who were fostered and backed by Canberra, saying: "Such a high proportion of mineral revenues and aid flows has been wasted and stolen by public servants and politicians that little is left to maintain, let alone build new, infrastructure."

There is no doubt that the PNG political and business elite is riddled with corruption but to make them solely responsible is ludicrous. Far from being lavish as Hughes and others claim, Australian aid to PNG has been cut back and tied to particular objectives. For a country of more than five million people, the entire PNG budget is only about 80 percent of that for Australia's Northern Territory, where around 200,000 people live. According to a report by AIDwatch in 2000, Australia spent only 13 percent of its total bilateral aid budget on basic education, health, water and sanitation in PNG.

Moreover, Hughes is careful to omit the role of Australian corporations. While these companies have extracted billions of dollars in profit from mining and other projects, Port Moresby has been forced to slash public spending and carry out structural reforms that have exacerbated unemployment and poverty.

Hughes' argument is that PNG governments have not gone nearly far enough. She defends Canberra's so-called Enhanced Co-operation Program to dispatch Australian officials to oversee the implementation of economic restructuring and "law and order" policies. "The enhanced aid offer is not a step toward re-colonisation," she declares, "but an attempt to fill a gap that should not have been left 30 years ago. It will require considerable Papua New Guinea Government involvement and support to be effective."

Hughes sees the Australian intervention as an opportunity for Canberra to pressure Port Moresby into making a series of far-reaching changes that would further open up the country to foreign investment. These include:

* Eliminating tariff barriers protecting local industry. Welcoming the measures of the previous Morauta government, which sought to halve the average tariff to 10 percent, Hughes is unimpressed at the slow pace of economic reform under the present government of Michael Somare. She advocates the full privatisation of government utilities, saying: "In Papua New Guinea corporatisation and privatisation only entered policy with the Morauta government, but even then faced strong opposition within the ruling political coalition."

* Downsizing the public service, the main employer in PNG. "The 10 percent of public service 'ghosts' who receive salaries but do not come to work, and perhaps another 10 percent of public service employees whose productivity is negligible, would have to be dismissed... All that is needed is the political will to act".

* Touting the country for investment as a new cheap labour platform. While noting that real wages have already been cut, she complains that "awards still specify inappropriate shift, weekend, holiday, long service pay and other on-costs that raise wages and salaries well above productivity so that most attempts to establish internationally competitive, labour-intensive industries have failed".

Wages must be further slashed to be "competitive" in the Asia Pacific region. Hughes calls for the establishment of Free Trade Zones and holds up Malaysia and Singapore as examples where industrial awards were "suspended" for five years in order to boost the profits of "pioneer firms".

* Abolishing communal land ownership—the basis for subsistence agriculture on which the vast majority of the population depends—in order to provide land for private enterprise and agriculture. Just as importantly, such a move would remove the present social safety net provided by villages and create a huge pool of workers with no choice but to accept poorly paid jobs in order to survive.

Hughes claims: "In PNG where 90 percent of people live on the land it is the principal cause of poverty. The smallholder palm oil sector has been crippled by communal land ownership." The beneficiaries of private land ownership would not be the rural poor. The market is a social mechanism for ensuring that wealth and resources are distributed on the basis of profit. Land reform would inevitably see a concentration of land in the hands of large private owners, the dispossession of whole communities and a rapid rise in rural poverty and hardship.

Previous attempts by PNG governments to carry out "land reform" have met widespread resistance. When the World Bank urged Port Moresby to take such a course, students led protests in 1995 and later in 2001 to oppose the measures. In the police crackdown in 2001, five protesters were killed. Prime Minister Mekere Morauta, who carried out a sweeping program of austerity measures, was swept from office in the 2002 elections.

Despite Hughes' feigned concern for the well-being of Papua New Guineans, her policies would lead to greater, not less, social polarisation and provoke further social and political unrest. That is why the Howard government is so preoccupied with "law and order" in PNG and has dispatched Australian police to bolster the country's security forces. In imposing the type of economic measures advocated by Hughes, Canberra will inevitably confront opposition and require a police force on which it can rely.

Hughes' report not only provides the economic program but the hollow justifications for this neo-colonial operation.