Papua New Guinea: Ex-PM O’Neill charged with corruption

John Braddock
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Papua New Guinea’s (PNG) former Prime Minister Peter O'Neill was last month charged with misappropriation, abuse of office and official corruption. The opposition MP was arrested at the Port Moresby airport on May 23 on his return from Australia and bailed to his private residence.

The case stems from a 2013 purchase made by O’Neill as prime minister of two electricity generators from an Israeli company, LR Group, for $US14 million. The parliamentary opposition filed a police complaint about the purchase in 2014. Its revival, following a failed attempt to charge O’Neill on another matter last October, suggests political moves to pursue the former leader. Another case against him from 2016 remains tied up in the courts.

Police allege that O’Neill directed payments in contravention of procurement processes required under the Public Finance Management Act. The purchase was allegedly not approved by the national parliament, and did not go through required tender processes, nor was there legal clearance from the State Solicitors.

O’Neill, who lost power to current Prime Minister James Marape in 2019, claimed the “highly politicised” case was being “influenced and pushed by dark and shadowy figures behind the scenes,” but offered no details. He said the generators were bought to address the chronic problem of power blackouts in Port Moresby and Lae, claiming the purchase was approved in the Supplementary (Appropriation) Act 2013.

O’Neill also asked why Marape, who was finance minister at the time, was not being investigated. In response, Marape claimed that finance ministers were the last in the chain of approvals. He said he would not interfere in the police investigation, and was willing to act as a state witness.

The targeting of O’Neill coincides with the passage through parliament of a bill to establish an Independent Commission Against Corruption. The *Post Courier* declared on June 4 that unanimous support by MPs for the measure would reassure “our donors and bilateral partners” that with corruption made illegal, “good governance with transparency and accountability” will prevail.

A vast gulf separates PNG’s venal ruling elite from the poverty-stricken working class and rural masses. The political establishment is mired in cronyism and corruption. The parliamentary speaker, Job Pomat, was recently forced to step down amid allegations of corruption in his office.

Belden Namah as opposition leader laid the 2014 complaint against O’Neill, but he is now his key political ally. He unsuccessfully sought to withdraw the complaint following last month’s arrest.

The purported concern over corruption is, firstly, a response to deepening popular hostility and O’Neill is a convenient scapegoat.

In 2016, police opened fire on a protest, killing four students, that was demanding O’Neill step down and face fraud charges. Opposition intensified following the 2017 election narrowly won by O’Neill. Police and military units were dispatched to the Highlands to crack down on violence stemming from the election, which was widely regarded as illegitimate.

The government is desperate for foreign investment and aid. As oil and commodity prices have tumbled amid the COVID-19 epidemic, PNG faces a severe budget shortfall. Last month, the *Australian Financial Review* (AFR) reported that Marape is seeking a $US2 billion bailout from international institutions, including the IMF and Asian Development Bank (ADB), to prevent PNG becoming a “failed state.”

Even before the pandemic hit, PNG faced economic

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crises, with government debt near 40 percent of GDP and the 2020 budget in serious difficulty. Investment in the resource sector has been declining with the long-term fall in global commodity prices hitting foreign reserves and government revenue. The partially government-owned Oil Search has announced a cut in oil production from July due to weak prices.

The IMF and ADB are certain to demand brutal attacks on the social position of the working class. A likely devaluation of the PNG kina, currently propped up by the central bank, will send the cost of basic food items skyrocketing and a swathe of cuts in public spending, salaries and wages is expected.

The social disaster is being exacerbated by the global COVID-19 pandemic. While only a handful of cases have so far been officially reported, the country's ramshackle health system, with just 500 doctors and 5,000 hospital beds for the population of 10 million, is in no position to cope with a major outbreak.

Late in his term of office O'Neill made a turn towards Beijing for financial support that has not been changed by Marape. Initially, he entered discussions with China for a total debt restructure funded by Beijing. However, an Australian emergency loan of $440 million last November helped finance the 2020 budget, replacing a similar loan being negotiated with China.

With intensifying crises on both domestic and international fronts, Marape resorted to nationalist demagogy proclaiming a policy to "take back PNG." Speaking to the Sydney-based Lowy Institute last July, he pledged "regime shifts" in the resource industry to "bring more wealth to the people" and free PNG from dependence on Australian aid.

In April this year, the government abruptly announced it would not extend the mining lease on the Porgera goldmine that contributes some 10 percent of the country's total exports. Public pressure has been mounting over the mine, as domestic and international environmental and anti-mining groups have conducted a sustained campaign against its operations.

The move is extremely risky, threatening the mining investments on which the PNG economy heavily depends. The mine's Canadian operator Barrick Gold and Chinese joint venture partner Zijin Mining declared the announcement was "tantamount to nationalisation without due process." While Barrick threatened legal action, Zijin Mining warned the dispute could damage bilateral relations between PNG and China.

As the PNG government is in no position to run mining operations, Marape is likely seeking leverage in negotiations with other major players. He has accused ExxonMobil and Oil Search of holding the fledgling $US13 billion P'nyang gas project "to ransom" over their refusal to meet government demands for a better stake in the deal. He has also raised doubts over another gas project signed with French company Total.

Such nationalist posturing and maneouvring has nothing to do with improving the lot of ordinary people. A small privileged layer of the PNG elite, which reaps considerable wealth through their collaboration with imperialism and services to the transnational corporations, will continue to enrich itself while most people continue to live in abject poverty and economic backwardness.

Australian imperialism remains determined to maintain its dominance over its former colonial possession. Its major companies have investments in PNG worth $A5.8 billion. O'Neill's seizure of power in 2011, in violation of the constitution, was backed by Australia, which regarded him as a bulwark against the expansion of Beijing's influence in the southwest Pacific.

Marape will be closely watched in Canberra. Behind PNG's sordid political intrigues lie sharpening geopolitical tensions. The country's lucrative extractive industries, strategic location and relative size make it critical in the escalating US-led confrontation with China. Australia has intervened before in PNG politics to secure its interests, and is quite capable of doing so again.

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