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Papua New Guinea in 2009

Anti-Chinese Rioting and the Liquefied Natural Gas Deal

ABSTRACT

The year 2009 was challenging for Papua New Guinea. Domestically, the most serious political issues were moves to depose Michael Somare and anti-Chinese rioting in major towns. The economy was in fairly good shape and the long-awaited gas pipeline was finally off the ground.

KEYWORDS: anti-Chinese riots, Michael Somare, gas pipeline, China investments

POLITICS

The most serious domestic political event of 2009 was the anti-Chinese rioting that broke out in major towns throughout Papua New Guinea (PNG) in May. The riots lasted for about a week. Several dozen merchants' shops and kai-bars (fast food outlets) were torched and looted, and at least three ethnic Chinese were killed. The riots were triggered by widespread resentment over the arrival over the past decade of new Chinese migrants from mainland China who operate small businesses displacing indigenous business. These small scale businesses are illegal officially, because they are reserved for nationals (PNG citizens). Many of these Chinese were blamed for taking away jobs and other economic opportunities from nationals. There is evidence to suggest that the police stood by and allowed the rioters to proceed.

It was subsequently revealed that Chinese workers at the Ramu Nickel mine, operated by a Chinese state-owned enterprise and the biggest Chinese investment in PNG, were issued work permits despite not meeting labor laws that stipulate all non-citizens must be proficient in English. The executive director of the Department of Labor and Industrial Relations told a public forum that she was told the orders came from the prime minister's office. Officials announced a parliamentary bipartisan committee to investigate the riots.

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Asian Survey, Vol. 50, Number 1, pp. 247–252. ISSN 0004-4687, electronic ISSN 1533-838X. © 2010 by the Regents of the University of California. All rights reserved. Please direct all requests for permission to photocopy or reproduce article content through the University of California Press's Rights and Permissions website, <http://www.ucpressjournals.com/reprintInfo.asp>. DOI: AS.2010.50.1.247.

However, the chairman of the committee was suddenly replaced in December when it became clear that the government could be seriously embarrassed by his findings that senior politicians and ministers were involved with bringing in Chinese illegally and protecting them from the law.¹

Grand Chief Sir Michael Somare remained strong, with no real challengers to his post. The opposition tried to pass a vote of no confidence in July but with the connivance of the Speaker, Parliament was adjourned until November. Somare's position was strengthened when government members of Parliament (MPs) were allocated US\$46 million in "slush" funds for their constituencies immediately after adjournment. Earlier, Somare tried but failed to get parliamentary approval for four extra ministries. The bill for the extra ministries was voted down 67–14. These ministries were needed to keep Somare's coalition partners happy and stop them from moving to the opposition. Another important vote lost by Somare was a bill offered in March to have three nominated women's seats in Parliament. At present there is only one woman parliamentarian.

The opposition asserted that Somare, 73, who has been prime minister twice before and has held power since 2002, was too old to rule. Rumors of his death overseas in August led to hundreds of telephone calls to radio stations around the country. He was in fact seeking medical treatment for an unspecified problem in Southeast Asia. As in previous years, Somare announced that he was not seeking reelection; most observers in PNG think that his son, Minister for Public Enterprise Arthur Somare, will take over as prime minister if the ruling coalition wins the next general election, due in 2012.

There was one by-election, in November, for the Kandep Open seat held by Don Polye, former minister for Civil Aviation, Transport, and Works, after a successful year-long election petition. The courts found that it was impossible for Polye to have won outright, given that some of the polling stations gave him 100% of the votes in the 2007 elections. In any case, Polye was reelected after a violent by-election in which threats of violence delayed counting. Half a dozen people died in election-related violence, and counting venues had to be moved three times because of a lack of security.

In July, reacting to public demands, Parliament passed legislation creating two new provinces to be carved out from Southern Highlands and Western

1. For details on the cause of the riots, see James Chin, "Contemporary Chinese Community in Papua New Guinea: Old Money versus New Migrants," *Chinese Southern Diaspora Studies* 2 (2008), pp. 117–26.

Highlands by 2012. The Southern Highlands will lose the gas-rich Hela region, while the fertile agriculture area that is Jiwaka will no longer be part of Western Highlands.

High level corruption remains unabated, and many PNG residents cast a dim eye on lavish spending by top officials. Forest Minister Belden Namah was named by the *Samoa Observer* newspaper as the major buyer of prime properties, worth more than \$1.5 million, in the Samoan capital, Apia, a claim he denied. Michael Somare himself was said to have bought property worth \$320,000 in Cairns, Australia, while his son Arthur bought a \$460,000 beach-front property in the same city. The Corruption Perceptions Index (CPI), which measures perceived levels of public-sector corruption in 180 countries, dropped PNG from 151st place in 2008 to 154th in 2009. This puts PNG in the same zone as Côte d'Ivoire, Paraguay, and Yemen.

In the second half of the year, PNG suffered a triple outbreak of dysentery, cholera, and influenza. The crumbling of the health care system, especially in the highlands and rural areas, meant that many people died unnecessarily. The lack of clean water and sanitation were key factors in the quick spread of the diseases. More than 1,000 people died, the majority in the highlands, East Sepik, Madang, and Morobe Provinces.

As in other years, there were lots of scams, but the biggest was an attempt to sell carbon credits in compliance with the new “cap and trade” environmental law. Theo Yasause, director of the Office of Climate Change (OCC), was suspended after the *Economist* reported that he “sold” carbon credits worth millions of kina from 39 different forestry projects.² He claimed that the carbon certificates with his signature were mere “samples.” Such a sale was actually impossible, given that the legislation necessary to sell the credits had not even passed yet.

There was an uproar among the opposition and civil society when an honorary knighthood was awarded to Tiong Hiew King, the Malaysian owner of Rimbunan Hijau (RH), the largest logging company in PNG, during the annual Queen's Birthday Honors List. For years, civil society groups have complained that RH was involved in massive corruption and illegal logging. RH has consistently been implicated in bribing key politicians from all parties. Some observers have dubbed Tiong “Knight of the Chainsaw.”

2. “Last Gasp for the Forest,” *Economist*, September 24, 2009.

Some unhappiness emerged when Port Moresby was ranked 137 out of 140 “worst” cities under the *Economist* Intelligence Unit’s livability survey. Law and order remained a major problem throughout the year, and Lae, the second largest city, suffered a significant increase in crime. One of the most shocking incidents was the beheading of a three-year-old girl by Port Moresby residents who attacked her family because she was a refugee living in a squatter camp. Earlier, villagers in the Eastern Highlands Province beheaded a criminal and publicly displayed his head on a power pylon.

In the Western Highlands Province, a mother drowned her four children, saying she was fed up with her drug-addicted husband. Over 50 prisoners escaped from the Bomana Correctional Institution after wardens failed to show up for work while police were busy guarding the rugby league match between Australia and PNG. Lack of funds and corruption meant the police service deteriorated further, with the police chief publicly saying that chronic underfunding meant the police force was non-functioning. In one telling incident, the police had to use a taxi to respond to a crime scene. In Port Moresby, it was widely believed that members of the police were involved in a spate of “quickie” kidnappings.³ The level of lawlessness reached a new high when Chief Ombudsman Chronox Manek survived an assassination attempt two weeks before Christmas. The Ombudsman Commission is PNG’s top anti-corruption watchdog.

In August, the worst airplane crash in the nation’s history claimed 13 lives, including nine Australians. PNG’s Civil Aviation Authority is continually plagued by underfunding and has failed to properly investigate 19 air crashes since 2000 in which altogether 16 people have died.

POLITICAL ECONOMY

Unlike in the past two years, there was no windfall from high oil and commodities prices, but the economy remained in fairly good shape compared to the late 1990s and early 2000s. The recent worldwide financial meltdown had minimum impact on the PNG economy, and by year end, foreign exchange reserves had reached approximately \$3 billion. Confidence was boosted by the news that a long-awaited gas pipeline was finally moving toward the construction phase after the deal was signed in Texas in early December. The

3. The victims were often young children kidnapped and released quickly, often within 24 hours.

\$15.6 billion liquefied natural gas project is led by ExxonMobil, with PNG's biggest company, Oil Search, as a major participant. This gas will be piped from the Southern Highlands to a liquefaction plant near Port Moresby and shipped to customers already signed up in China, Japan, and Taiwan. It is estimated that once the gas flows, it will inject \$1 billion into the PNG economy annually for the next 30 years.

The government worked most of the year trying to get landowners to approve the pipeline; officials spent a few hundred thousand dollars organizing Benefits Sharing Agreement (BSA) gatherings. Most landowners agreed, although a few are still holding out for better benefits. However, what was agreed may not be the final accord, given the fluid nature of landowners' rights—in many cases, there is dispute over who the real landowner is. Moreover, the government shut out many landowners whom they perceived to be unfriendly to the project.

The excitement over the gas project has already pushed the cost of housing in Port Moresby to astronomical levels, with some apartments going for \$2,000 a week. In the long run, this will force nationals who cannot afford their rent into illegal settlements, leading to more law and order problems.

FOREIGN POLICY

Under Somare, PNG's foreign policy has been geared toward Pacific solidarity (excluding New Zealand and Australia) and toward "Look North," especially to China. China is playing an increasing role in PNG's development and is now the largest investor in the country outside the oil and gas sector. The importance was reflected by the first-ever visit of Chinese Vice Premier Li Keqiang in November. The year saw PNG and China expand military ties significantly, leading Australia, the former colonial administrator, to worry that its influence in PNG is on the wane.

In 2009, Somare tried but failed to get Fiji's suspension lifted from the Pacific Islands Forum (PIF) after Fiji refused to hold elections following a military coup. Somare wanted the PIF to give Fiji more time, but he was strongly opposed by Australia and New Zealand.

One of PNG's biggest foreign policy scandals was finally settled in 2009. In 1999, Taiwan secretly gave \$30 million to two brokers to bribe PNG ministers to cut diplomatic ties with Beijing in favor of Taipei. The two brokers disappeared at the time after failing to win the support of the PNG government.

It is widely believed that at least \$20 million was given to six senior PNG politicians before the deal collapsed. In January 2009, former Taiwan National Security Council General Secretary Chiou I-jen and former Foreign Minister James Huang Chi-fang were charged in Taiwan in connection with the scandal. In May, one of the brokers, a Singaporean, was sentenced and jailed for two years and four months by the Taiwan Supreme Court. Nobody has ever been charged in PNG.

New Zealand Governor-General Sir Anand Satyanand and his wife, Lady Susan Satyanand, paid an official visit to PNG in September, the first such state visit in more than 20 years. Earlier, PNG recalled its high commissioner to the Solomon Islands after he was attacked by relatives of a young girl he got pregnant.

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