



Security Nexus Perspectives

IS THE U.S. RELATIONSHIP WITH AUSTRALIA DETRIMENTAL TO STRATEGIC ASPIRATIONS WITH PAPUA NEW GUINEA?

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The United States partnership with Australia is beyond doubt the most significant in Oceania. As a western nation, Australia holds many of the same values as the U.S. and there are extensive economic, diplomatic and military ties that bind the two countries together. There are, however, three detractors when it comes to adding Papua New Guinea (PNG) to the equation. While they should not affect the quality of the U.S.-Australia relationship, the U.S. should be seen as actively providing remedies to avoid being associated with these pitfalls and if they are serious about their Pacific focus.

Development and Loans

Through their contributions to the World Bank, the Asian Development Bank, International Monetary Fund, and joint multilateral initiatives the U.S. and Australia have contributed to the development of PNG infrastructure for decades. This is not well known by most people and does not affect their perceptions of these nations. However, the educated and politically active segment of the PNG population have less neutral perceptions.

In the 1990s, a lot of funds were pumped into Papua New Guinea, and when development did not advance as expected, the country was labelled as financially insecure and highly corrupt. A new term was born, “Melanesian Paradox” to describe this situation. Many educated Papua New Guineans remember the structural adjustment programs (conditions) that came with the loans in the 1990s that directly resulted in public sector downscaling, privatization, and floating the Kina. While there were positive impacts in the long run, it was initially very chaotic. Those who know about the U.S. and Australia funding these initiatives

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via the World Bank, attribute this chaos and the resulting derogatory international labelling to Australia and the U.S.

Boomerang Aid

While Australia remains very proud of its annual \$1 billion AUD donation to PNG, its aid practices have resulted in the coining of a rather infamous term, “Boomerang Aid.” Aid that is given to PNG is not only tied to accountability and transparency processes, but to Australian contractors. Thus a large portion of the aid comes back to Australia in the form of an economic stimulus package. Of [those that received aid for distribution](#) in 2017, multilateral organizations received most (42%), followed by commercial suppliers (21%), non-governmental organizations (12%), Australian public sector organizations (10%), academic institutions (7%), unspecified partners (5%), and developing country governments (3%).

[Private companies](#) delivering aid to PNG made about \$4 billion AUD between 2004 and 2017. Although aid processes in Australia went through an extensive review and are now more transparent, by 2018, private contractors were still receiving 21% of the aid and Australian institutions dominated the delivery and administration of aid. But transparency and accountability in the Australian aid system is far from adequate. For instance, the Australian government tendered a \$423 million contract to provide housing and security for Australian asylum seekers on PNG’s Manus Island and only invited the unknown [Paladin company](#) to bid. Paladin is registered to a beach shack on Kangaroo Island, has a post box in Singapore, and has been fined 3700 times for failing to meet minimum performance standards!

This behavior [greatly offended PNG](#) because Australia promised that locals would be given 'spin-off' services like security in the lead up to the establishment of the center. PNG’s government sought to terminate Paladin’s contract and open the bidding to local firms. The Immigration Minister said, “Papua New Guinean companies now have the capacity and expertise to do the job and should be given the opportunity to participate.”

It is a common perception in PNG, that if you are an Australian non-governmental organization or business that is providing support and service in the areas targeted by Australia’s ‘Pacific Step Up’ program in the Pacific Islands, you will benefit. The same is not true for PNG organizations.

Implications for U.S. Policy

In 2004, Eric Shibuya of the Asia-Pacific Center for Security Studies in Hawaii published a paper on the relationship between Papua New Guinea and Australia, which outlined how [Australia was always going to be castigated](#) for doing too little and for doing too much when it tries to take a hands-off or more active posture in Oceania. Over the past 16 years, this observation has held true with the Australia-PNG relationship remaining fairly consistent with periods of waning and waxing. However, while the [STEP-UP](#) gears are spinning into action, the general perception in PNG is that Australia is not yet in a higher gear in response to increased Chinese activity in the Pacific.

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The Australia-U.S. relationship has also grown and become stronger, which has been beneficial with regard to spillover effects in the Pacific. Joint projects on the [Manus naval base](#) and bring [power infrastructure](#) to rural areas in PNG are well-regarded examples of this new level of security cooperation.

While PNG does not share Australia's and the U.S.'s concern over China's presence in the region, it has [heeded calls for caution](#) and has taken steps to limit China's digital and maritime footprint. Indeed, Pacific nations on the whole have become more guarded in general towards China, who's aspirations to build a permanent military base in the South Pacific have yet to come to fruition. U.S. strategic messaging on a [free and open Indo-Pacific](#) is definitely sinking in.

Since climate change is in the too hard basket for now, the two most pressing security needs in the Pacific are [drug trafficking](#) from the Americas and China's illegal, unreported, and unregulated [fishing](#), which has wrought tremendous economic and ecological damage throughout the Pacific Islands and beyond. Australia's laudable [Pacific Patrol Boat](#) program and their commitment of federal police to the Pacific transnational crime network are the mainstays of international assistance in response to these dual problems.

Moving forward, U.S. and Australian policy makers must learn from past errors in relation to development loans and boomerang aid, adopt more transparent and accountable behaviors, and seize on this trilateral opportunity to commit to a much stronger joint presence on the ground that makes the Pacific a safer place with improved food security for generations to come.

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