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Papua New Guinea

Overview

Papua New Guinea (PNG) lies in a region of the Southwest Pacific known as Melanesia. It is the most populous Pacific Island nation with about 7 million residents belonging to hundreds of tribes speaking over 800 local languages and dialects. It gained independence in 1975 from an Australian-administered U.N. trusteeship. PNG is a member of the Pacific Islands Forum and the Melanesian Spearhead Group.

The United States has in the past played relatively minor economic and security roles in PNG, although it has some important interests including investment in natural gas production, and cooperation on tuna fishing. China’s expanding influence in PNG and the region is leading to increasing engagement by the United States with PNG, including in coordination with Australia.

Politics

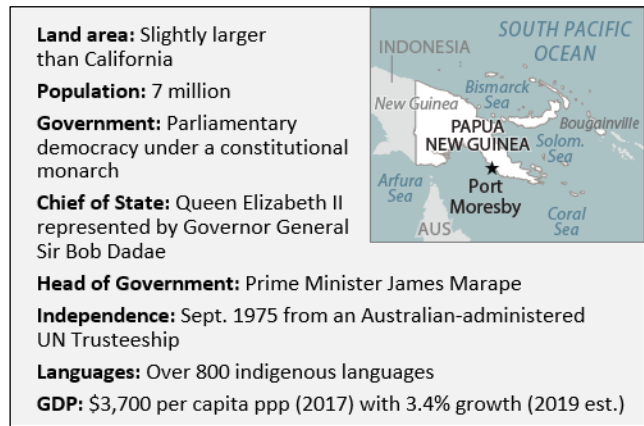
The Independent State of Papua New Guinea is a constitutional monarchy with a parliamentary democracy. James Marape, the son of a Seventh Day Adventist pastor and a leader of the Huli people of PNG’s highlands, was made prime minister following the resignation of former Prime Minister Peter O’Neill in May 2019. Marape led a series of defections from the O’Neill government that prompted his resignation, and defeated O’Neill’s chosen successor in a subsequent leadership vote of 101-8. Marape has called for a review of PNG’s resource laws and some key investment projects, including a recently concluded LNG project with Total and ExxonMobil. Marape also has stated PNG does not need foreign companies operating in the timber export sector and that he wants PNG to be “the richest black Christian nation.” Marape has discussed plans to shift away from traditional partners and engage Indonesia, Philippines, and Singapore “in a bigger way.”

Economy

Papua New Guinea is richly endowed with natural resources, including precious metals, natural gas, timber, and fisheries. The country’s real Gross Domestic Product (GDP) growth rate was 1.6% in 2016, 2.5% in 2017, and is estimated to have been 0.3% in 2018. It is projected to grow to 3.4% in 2019 as the negative impact of a February 2018 earthquake fades. PNG ranks poorly on the United Nations Development Program’s Human Development Index, which measures per capita gross national income, life expectancy, and educational attainment (it is 153rd out of 187 countries). PNG has a serious HIV/AIDS problem and a weak health system. Obstacles to PNG’s economic development include destructive weather, poor infrastructure, lack of government capacity, official corruption, inadequate supply of skilled workers, and unstable commodity prices. Australia (20.1%), Singapore (17.7%), China (17.3%), and Japan (13.4%), are

PNG’s largest export markets. Only about 13% of Papua New Guineans have access to electricity.

Figure 1. Papua New Guinea in Brief



U.S. Relations and Assistance

The United States established diplomatic relations with Papua New Guinea in 1975, when PNG became independent. According to Department of State official statements, PNG, as the most populous Pacific Island country, “is important to peace and security in the Asia-Pacific region” and the two countries “have enjoyed a close friendship” which includes a “cooperative security assistance relationship.”

The Department of Defense 2019 Indo-Pacific Strategy seeks to revitalize U.S. engagement across the Pacific Islands including providing a total of \$7 million in Foreign Military Financing (FMF) for PNG, Fiji, and Tonga in 2018. The U.S. government also provides International Military Education and Training (IMET) assistance to PNG amounting to about \$200,000 annually, focused on promoting democratic values and peacekeeping capabilities in the PNG defense force.

Other U.S. assistance includes HIV/AIDS prevention, care, and treatment, and Pacific Islands regional programs of which Papua New Guinea is a member or recipient. These include the Coral Triangle Initiative on Coral Reefs, Fisheries, and Food Security (CTI-CFF), which aims to sustain marine and coastal resources in the region, and the multilateral South Pacific Tuna Treaty (SPTT). The SPTT, established in 1988, provides access for U.S. tuna fishing vessels to fishing areas in the region, which supplies one-third of the world’s tuna. In exchange, the American Tunaboat Association pays licensing fees to the 14 Pacific Island parties to the SPTT, and the United States provides economic assistance to the Pacific Island parties totaling \$21 million annually. In 2018, at the Asia Pacific Economic Cooperation (APEC) Leaders Meeting in Port Moresby,

Vice President Mike Pence and the leaders of PNG, Australia, Japan, and New Zealand announced plans to collaborate on improving access to electricity through the Papua New Guinea Electrification Partnership, which has a goal of providing electricity to 70% of PNG's population by 2030.

The Trump Administration has proposed a new Pacific Islands Regional foreign assistance program under the FY2020 budget request for foreign operations, which refers to the region as "... a priority area under the Administration's Indo-Pacific Strategy." The regional program would expend \$20.5 million in FY2020 and include activities related to disaster preparedness and the environment, good governance, democracy, and civil society, trade and investment, energy, and information and communications technology. The program would support conservation and natural resource management initiatives in PNG to reduce the primary threats to the country's biodiversity. Australia, Japan, and New Zealand are PNG's principal providers of foreign assistance. Many of China's assistance activities do not meet the standards of "official development assistance" as defined by Organization for Economic Cooperation and Development (OECD).

Bougainville Autonomy

Between 1988 and 1997, an armed secessionist movement in the island province of Bougainville, located in eastern PNG, battled the PNG Defense Forces, resulting in 15,000-20,000 deaths. In 1997, a cease-fire was brokered and, in 1998, the PNG government and Bougainville leaders signed a peace agreement. A regional truce monitoring group consisting of peacekeepers from Australia, New Zealand, Fiji, and Vanuatu and United Nations observers helped to enforce the peace while an interim government was set up. In 2001, the PNG government and Bougainville leaders agreed upon the establishment of the Autonomous Bougainville Government in 2005 and the terms of a referendum on independence. A referendum vote scheduled for October 2019 is expected by some observers to favor independence. This may lead to a deterioration of the security situation if PNG fails to recognize and implement such a result.

Observers say that while there is support for independence, the economic viability of Bougainville as an independent nation is still in doubt. The reopening of the Panguna copper mine, one of the largest in the world until it was shut down in 1989, could potentially provide a key source of income for Bougainville. However, many questions remain regarding its ownership and revenue sharing between PNG and Bougainville.

China and PNG

China's strategic interest in Pacific island countries has been growing in recent years as has its naval capabilities. This has led to growing concern by some in the United States, Australia, and the region. China is expanding its presence and influence in PNG. China and PNG established a comprehensive strategic partnership in 2016. Former Prime Minister O'Neill reportedly met with Chinese President Xi Jinping more than a dozen times and was the first Pacific leader to sign on to China's Belt and Road

Initiative (BRI) in June 2018. China's investments in PNG reportedly exceed \$1.9 billion. China has also reportedly offered \$4 billion in financing for the construction of a national road network in PNG. Some observers believe China is willing to extend more credit than some borrowing nations can afford, raising questions about the development value of some Chinese-financed projects and about whether China could use economic leverage to exert political influence over borrowing nations.

Prime Minister Marape has reportedly stated "We engage the Chinese Government as long as it's fair and friendly to us on our terms." He added, "Whether it be China, New Zealand, Australia, Philippines, Indonesia, I intend to maximize foreign relations in the economy especially trade and commerce, not only politics."

The United States, Australia, New Zealand, and Japan are responding to China's efforts to expand its influence in PNG. This is being done with increased infrastructure and capacity building efforts in PNG, as well as by efforts by Australia and the United States to support PNG's development of the Lombrum naval facility. The United States first established a base at Lombrum, on Manus Island north of the PNG mainland, in 1944 during WWII. Some in the media have described the move to develop Lombrum as seeking to head off Beijing's interest in Manus Island. It was reported that China expanded its deep-water scientific surveys and oceanographic research near Manus Island shortly after the U.S. announced its plans to help PNG to develop the Lombrum facility.

APEC 2018

PNG hosted the APEC Leaders Meeting in Port Moresby on November 17-18, 2018. The meeting was attended by both Vice President Pence and China's President Xi. Vice President Pence made several references to PNG in his speech to the APEC gathering. He first pointed to the importance of American investment in PNG including \$19 billion by ExxonMobil. Pence also spoke of forging new security partnerships with PNG and Australia on their joint initiative at Lombrum Naval Base adding, "We will work with these nations to protect sovereignty and maritime rights of the Pacific Islands as well."

The Environment

PNG is environmentally very biodiverse with habitats as varied as tropical heaths and grasslands, cloud forests, savannas, mangroves, swamp forests and diverse marine environments. It also has glaciers and mountains over 5,000 meters high as well as rare species including birds of paradise, tree kangaroos and flightless cassowaries. PNG's forests and animals are being threatened by mining, logging and land clearing for palm oil plantations. The World Wildlife Fund estimates that between 1972 and 2002, 24% of rainforests were cleared or degraded through logging or subsistence agriculture.

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