

PAPUA NEW GUINEA

Prime Minister Sir Julius Chan stated in his Christmas address that 1994 was the most turbulent, painful, and unpredictable of the nation's nineteen years of independence (*PC*, 28 Dec 1994, 5). Most who witnessed the sudden change of government in August, the volcanic destruction of Rabaul in September, the dramatic collapse of peace talks on war-weary Bougainville in October, the ominous confrontations over provincial government reform, the confusion surrounding the giant Lihir gold project, and the multi-billion-kina environmental lawsuit against the operators of the Ok Tedi mine, would agree. Affecting all of these issues and events was an unprecedented financial crisis, whose impact will be felt for some time.

The early part of the year was dominated by power struggles between dominant members of the ruling coalition, especially between Prime Minister Paias Wingti and Deputy Prime Minister Julius Chan. The ongoing rift between the two leaders had been pushed wide open by Wingti's reelection ploy of September 1993, executed without Chan's knowledge or approval (Wesley-Smith 1994, 455). In January 1994 Wingti strengthened his hand by ousting Chan from the powerful finance portfolio and replacing him with a staunch ally, former Minister for Mining and Petroleum Masket Iangalio (*PC*, 11 Jan 1994, 1). Although obviously unhappy with the reshuffle, Chan had little option but to accept the Foreign Affairs and Trade ministry instead (*PC*, 13 Jan 1994, 3). The extent of the disarray in the coalition

was soon revealed by a controversy over the reappointment of the commander of the defense force.

After Wingti left for visits to Australia and New Zealand in early February, Acting Prime Minister Chan announced that Defence Force Commander Robert Dademo had passed the stipulated retirement age and been replaced by Colonel Lima Dotaona. This cabinet decision was confirmed by Minister for Defence Paul Tohian, Chan's colleague in the Peoples Progress Party. Soon after the announcement, however, staff in Wingti's office indicated that the cabinet had decided in a subsequent meeting to change the compulsory retirement age from fifty to fifty-five and reappoint Dademo. Neither Chan nor Tohian was present when these decisions were made, and they refused to acknowledge Dademo's reappointment (*PC*, 17 Feb 1994, 1). Their dissatisfaction was shared by some in the officer corps who claimed that cabinet's action "undermines the spirit of the Defence Act and the National Constitution" (Dorney 1994a, 20).

The dispute intensified when Dademo and Finance Minister Iangalio accompanied an Australian television news crew to Bougainville. Chan told the press that he had not authorized the journalists' visit to the troubled province, and threatened to deport them. Presumably under orders from Chan, army intelligence officers searched Iangalio when he returned to Port Moresby and confiscated some film from his expatriate adviser. Iangalio in turn led the charge against Chan and his party colleagues, defeating a new attempt in cabinet to dump

Dademo. He told Chan that the television crew had been invited to visit Bougainville by Wingti, and any move against it would "make the prime minister and PNG a laughingstock" (Dorney 1994a, 21). The issue was eventually laid to rest when Wingti returned and declared that the decision to retain Dademo was "final" (PC, 21 Feb 1994, 3). Adding insult to Chan's injury, instead of ordering the television journalists to leave, Wingti invited them to his Mount Hagen home (PC, 18 Feb 1994, 2).

Iangalio and his successor as mining minister, John Kaputin, also disagreed publicly. In April, Iangalio dismissed Bob Needham as head of the Mineral Resources Development Corporation, a move that Kaputin claimed lacked cabinet approval (PC, 14 April 1994, 1). Then in June, when Kaputin surprised everybody by announcing a moratorium on new mining projects, Iangalio told the press that the plan had not been discussed in cabinet and would not be approved if it were (AFR, 7 June 1994, 22). Meanwhile, Chan's Peoples Progress Party and some members of the League for National Advancement were targeting Speaker Bill Skate, accusing him of using his privileged position in Parliament to build his own power base (PC, 2 Aug 1994, 1; 4 Aug 1994, 3).

Under the spirited leadership of Pangu Pati's Chris Haiveta, the parliamentary opposition attacked the fractured Wingti government from the outside. Haiveta produced evidence in Parliament to suggest that Wingti had bashed and attempted to strangle his former wife, Diane Kende-Wingti. He claimed that Kende-Wingti had

told former electoral commissioner Luke Lucas of the attack and also informed him that Wingti was having an affair with Lucas's estranged wife. Most damaging was Haiveta's suggestion that the prime minister had tried to dissuade Lucas from taking action against him by paying Lucas US\$100,000 and arranging for him to be appointed secretary of justice in 1993. Wingti dismissed the claims as "gutter politics" and refused to answer them publicly (PC, 3 March 1994, 1; 1 June 1994, 1).

These attacks may have reduced Wingti's already battered public standing, but the only effective way of challenging his leadership before the 1997 elections was via a parliamentary vote of no confidence. However, Speaker Bill Skate indicated early in the year that he would not allow such a motion. Wingti's snap reelection in September 1993, he argued, had earned him the eighteen months of immunity from such challenges guaranteed by the constitution (PC, 18 Feb 1994, 1). True to his word, Skate refused to accept notice of a motion of no confidence filed by the opposition in June (TPNG, 9 June 1994, 29). Then on 25 August 1994 the Supreme Court decided that Wingti's reelection in September 1993 was unconstitutional and Parliament would have to conduct a new election for prime minister.

The legal challenge to Wingti's reelection spearheaded by Chris Haiveta had been dismissed by the National Court in late 1993, but brought on appeal to the Supreme Court. When the private law firm working for the opposition withdrew its services, its fees unpaid, former

Attorney General Bernard Narokobi agreed to argue the case. He told the court that he accepted the legality of Wingti's resignation on 23 September 1993. However, he noted that Section 142(3) of the constitution requires that an election be held the next sitting day after Parliament is informed of a vacancy. The Speaker knew of the resignation on the twenty-third, but did not inform the house until immediately before conducting the election the next day (*TPNG*, 11 Aug 1994, 4). Apparently dismissing Wingti's case that advice to the Speaker was the same as advice to the house, the five judges ruled unanimously that the actions violated the constitution, its spirit, and its underlying principles.

The Supreme Court decision triggered a frenzy of political activity, as leaders scrambled to position themselves for the election on 30 August. On 29 August Sir Julius Chan formally severed his alliance with Paias Wingti, accusing him of wanting to "hold on to power for power's sake," and of running "a one-man show" (*TPNG*, 1 Sept 1994, 19). He announced a coalition between the Peoples Progress Party, Pangu Pati, and a cluster of smaller parties. At about the same time, rumors began to circulate that members of the Peoples Democratic Movement were seeking an alternative to Wingti as their candidate for prime minister. When Parliament convened the next day, Bill Skate was carrying the flag for what remained of the Wingti camp. Pangu member and former Prime Minister Rabbie Namaliu beat Tom Koraea to become the new Speaker of the house, while Chan easily won the vote for prime minister

with 69 votes to Skate's 32 (*TPNG*, 1 Sept 1994, 1).

Although Chan was able to argue convincingly that Wingti was largely responsible for his own downfall, observers were more skeptical of the new prime minister's ability to "restore and reinvigorate" trust in government. Chan and his party had worked with Wingti for nearly a decade, and the seven ministers reappointed to the new cabinet would have to share some of the responsibility for the "long trail of mismanagement and scandal" that Chan decried. Nor was his new coalition immune from the "unceasing jockeying for positions of power" that he said infected the political process "like a vicious disease" (*TPNG*, 8 Sept 1994, 36). The swearing-in of new ministers had to be delayed while differences among the coalition partners over the spoils of office were sorted out. In the end, the Peoples Progress Party claimed 13 of the 27 cabinet positions, with Pangu, led by Deputy Prime Minister Chris Haiveta, taking 9. Melanesian Alliance party stalwarts John Momis and Bernard Narokobi got the communication and agriculture portfolios respectively, while the National Party was represented by Paul Pora (civil aviation and tourism) and Mathias Ijape (defense). Leader of the League for National Advancement John Nilkare, who had defected from the Wingti camp at the last minute, was conspicuously absent from the lineup (*TPNG*, 8 Sept 1994, 1).

Chan's decisive action on the Bougainville crisis confounded the critics, at least for a while. The Wingti government had begun 1994 under intense pressure to find a solution to the seces-

sionist crisis, then entering its sixth year. Some of the pressure came from the United Nations Commission on Human Rights, which passed a strongly worded resolution on the Bougainville situation in March 1994. It criticized Papua New Guinea for its lack of responsiveness to earlier resolutions and effectively gave the government until 30 September to facilitate the commission's investigation of human rights abuses on the island (Commonwealth of Australia 1994a, 122-124). However, the escalating economic cost of the situation may have been more telling.

The government's very success in the battle for the hearts and minds of Bougainvilleans meant that the costs of the military operation were increasing. The immediate needs of displaced persons emerging from rebel-controlled areas had to be met in government "care centers" even before the costs of restoring infrastructure and normal services could be contemplated. In March, an estimated forty-four thousand people were in care centers, and by June the number had swelled to at least sixty thousand, perhaps close to half of the population of the province (PC, 16 March 1994, 2; 27 June 1994, 1). In August, Minister for Finance Iangalio estimated that the Bougainville operation was costing the government directly between 60 and 80 million kina per year, even before the lost income from the Panguna mine and other export industries was considered (TPNG, 25 Aug 1994, 27).

The government could ill afford these costs as the fiscal crisis (discussed later) deepened during the year.

Indeed, many costs were simply not met. The care centers suffered periodic food shortages, bills for essential supplies remained unpaid, and military operations were constantly hampered by lack of funds. At one point, all of the Defence Force helicopters were out of order, and the chartered helicopters were grounded because the terms of operation for the civilian pilots had expired (TPNG, 9 June 1994, 2). Meanwhile, with no military solution in sight, the death toll continued to rise. In the worst single incident, fourteen people were killed and more than twenty-five wounded when a convoy of trucks was ambushed by rebel forces near Buin in March (PC, 25 March 1994, 1; 28 March 1994, 1).

The first public indication that the government was eager to break the impasse came in February, when Prime Minister Wingti invited Australia to send a parliamentary delegation to the province. Senator Stephen Loosley led the delegation to Bougainville in April and emphasized that a military solution was impossible. He urged instead a ceasefire and a peace and reconciliation conference, and suggested that "sympathetic third party involvement" in the peace process might be helpful (Commonwealth of Australia 1994a, 41-45). More important than its specific recommendations was the delegation's role as "catalyst" and "circuit breaker" (Commonwealth of Australia 1994b, 1474). Even before the delegation's report was released, Prime Minister Wingti announced a huge increase in funding for the security forces in the province, as well as plans to establish a Human Rights Commission and a Police Complaints unit to deal with

allegations of human rights abuse (TPNG, 2 June 1994).

Much of the impetus behind the push for peace in 1994 came from Sir Julius Chan. Soon after he was relegated to the foreign affairs portfolio in February he began to solicit support for a regional peacekeeping force to be deployed on Bougainville. Shortly after this initiative was made public (by the King of Tonga) in the last week of May, secret talks began in Honiara between Papua New Guinea officials and representatives of the Bougainville Interim Government. This was the first time officials had met face-to-face with rebel representatives since 1991, and a "record of proceedings" signed on 11 June established a broad framework for further talks (SMH, 8 June 1994, 3; 14 June 1994, 3). However, the next round was canceled abruptly after a dispute over who should represent the rebel side, and Chan insisted that future talks be with the top officials "calling the tune in Bougainville" (PC, 28 June 1994, 2).

Meanwhile, other government leaders were pursuing a rather different agenda on Bougainville. In the second week of August defense force troops advanced into the rebel heartland and raided the mining town of Panguna. Although Prime Minister Wingti hailed this as a "historic moment" and Finance Minister Iangalio talked about reopening the copper mine, Chan condemned the move and later apologized for it (TPNG, 18 Aug 1994, 1; 25 Aug 1994, 22; PC, 5 Sept 1994, 1). Despite these hostile developments, Commander of the Bougainville Revolutionary Army Sam Kauona met with senior Papua New Guinea officials on

26 and 27 August at the Tamba resort near Honiara. At this time, of course, Chan's political future was uncertain, but three days after he was elected prime minister, he flew to Honiara to meet with Kauona. The result was the Honiara Commitments to Peace on Bougainville signed by Chan and Kauona on 3 September.

The agreement declared peace, provided for a negotiated ceasefire within seven days, the deployment of the regional peacekeeping force "as soon as practically possible" thereafter, the lifting of the blockade, and a pan-Bougainville peace conference to be convened no later than 10 October 1994. The Honiara Commitments were rightly hailed as a major breakthrough. Unlike earlier agreements, this one involved a key figure in the rebel leadership directly, it allowed for the neutral third-party involvement that rebel leaders had long insisted on, and it left the agenda for the proposed peace conference more or less open. Yet the peace conference effectively collapsed soon after it was convened in Arawa on 10 October, when the top leadership of the Bougainville Revolutionary Army, including Kauona, refused to participate.

Perhaps the single most important of the many elements contributing to the breakdown of the peace process was the pace of events (see eg, Spriggs 1994). A comprehensive ceasefire agreement was signed on 8 September, within the seven days agreed to in the Honiara Commitments (PC, 12 Sept 1994, 41). However, it was unrealistic to expect that Kauona would have time to discuss the many detailed provisions of the agreement with his com-

manders before the ceasefire took effect at midnight on 9 September. Evidence suggests that he remained in Honiara and made little effort to do so. Meanwhile, government officials moved at breakneck speed to get the peacekeeping force established and in place in time for the peace conference. The cabinet approved a status-of-forces agreement to allow foreign troops to operate on Papua New Guinea soil (*TPNG*, 2 Sept 1994, 3). Fiji, Tonga, and Vanuatu agreed to provide troops for the force, while Australia and New Zealand agreed to provide funding, training, and logistical support. On 28 September, Chan flew to Fiji to sign a status-of-elements agreement with representatives of participating governments, and shortly afterward the South Pacific Peacekeeping Force began training in Australia (*PC*, 4 Oct 1994, 14-15).

By the end of September, there were clear signs that Sam Kauona was uneasy with the way things were going. Perhaps the most obvious signal was his refusal to accompany Chan to Fiji for the signing ceremony, but his apparent reluctance to return to Bougainville was also cause for concern. At the end of the first week of October, still in Honiara, he warned that Chan was "rushing things" and reportedly requested that the peace conference be postponed to give his side more time to get organized (*PC*, 7 Oct 1994, 1). By this time, however, arrangements were well advanced, and Chan was even sending out invitations to foreign dignitaries to witness the signing of the agreement he assumed would eventuate from the Arawa conference. Long before the conference opened, the top

leadership of the Bougainville Revolutionary Army had lost any semblance of control over the peace agenda (Spriggs 1994, 19-21).

The strength of the peace initiative lay precisely in Chan's careful and conscious attempt to court Kauona and treat him as an equal party to the Honiara agreement. This aspect was increasingly neglected as time went on, perhaps because Chan, distracted by other government business and particularly by the disastrous Rabaul volcanic eruption of 19 September, was less involved in day-to-day developments. Other officials, including the Australian military officers orchestrating the peace-force deployment, were clearly less sensitive to such issues, and elements of the Papua New Guinea security forces may have actively attempted to derail the peace process. Rumors circulated of a plot to assassinate Kauona, rebel President Francis Ona, and Chair of the Interim Government Joseph Kabui, should they appear at the conference, and in the end the leaders made total withdrawal of Papua New Guinea security forces a condition of their participation (*TPNG*, 13 Oct 1994, 1; 20 Oct 1994, 4; Spriggs 1994, 21-22).

Prime Minister Chan, who had staked a great deal on the peace initiative, had little option but to declare the Arawa conference a success (*TPNG*, 17 Nov 1994, 10). At least it had demonstrated the willingness of many leaders to negotiate a settlement with the Port Moresby government (Dorney 1994b; Weeks 1994). On 18 October, the Bougainville Revolutionary Army's "legal advisor" Theodore Miriung, more than a dozen rebel commanders from

the north Nasioi area, and many others signed an agreement to that effect (*TPNG*, 27 Oct 1994, 4). On 25 November, Miriung, Nick Peniai, and Thomas Anis reached agreement with the government regarding the political future of Bougainville. The Charter of Mirigini for a New Bougainville provided for the establishment of a Bougainville Transitional Government by March 1995 and called for the renegotiation of the 1976 Bougainville Agreement, which had set the terms for the settlement of an earlier secessionist crisis (*PC*, 28 Nov 1994, 2). The top leaders of the Bougainville Revolutionary Army, whom Chan now describes as criminals, may have been marginalized by the events of 1994 (*PC*, 2 Nov 1994, 1). However, they retain the ability to disrupt any political settlement that falls short of their expectations.

Both Wingti and Chan encountered secessionist sentiments elsewhere in the country during 1994 as the battle over provincial government reform continued (Wesley-Smith 1994, 451-452). The first major confrontation came in early April, when the premiers of the New Guinea Islands provinces assembled in Kimbe, East New Britain, to consider their latest response to the national government's ongoing reform efforts. The premiers had previously made clear their preference for more autonomy within a united Papua New Guinea, and had threatened to secede if it were not granted. To make the threat more credible on this occasion, copies of the constitution of the proposed Federated Melanesian Republic were made available to the press (*PC*, 7

April 1994, 2). This time, the Wingti government adopted a hard line, threatening to arrest the leaders for sedition if they voted to secede. In an extraordinary move, Communication Minister Martin Thompson ordered the National Broadcasting Commission not to cover the Kimbe meeting in order to avoid inflaming "racial or sectional feelings" (*PC*, 7 April 1994, 1, 3). When the meeting was convened, the premiers appeared to have backed down and secession was not discussed (*IBP*, May 1994, 16).

In early September, the premiers engineered another confrontation with the newly elected Chan government. They demanded "absolute autonomy" for each of the island provinces by 7 December, or independence would be declared on 6 January 1995 (*PC*, 8 Sept 1994, 5). The response of the Chan government, at that time preoccupied with the Bougainville peace initiative, was somewhat confused. At first the prime minister indicated that the issues raised by the premiers were nonnegotiable, but almost immediately he dispatched a senior minister, Arnold Marsipal, to meet with them (*PC*, 9 Sept 1994, 1; 12 Sept 1994, 3). Marsipal's discussions were interrupted by the Rabaul volcanic eruption, but in November the leaders were summoned to Port Moresby for further talks with Deputy Prime Minister Chris Haiveta. A few days earlier Chan had provided some additional incentive for the premiers to attend by authorizing the police to lay treason charges against them (*PC*, 14 Nov 1994, 3; 17 Nov 1994, 1). Both sides appeared satisfied with the results of the talks, and the

island leaders declared that secession was no longer an issue (*PC*, 21 Nov 1994, 5).

The island premiers may not remain satisfied for long if Chan persists in his stated support for the reforms proposed by the Constitutional Commission (*PC*, 18 Nov 1994, 3; 21 Nov 1994, 1). On the other hand, Chan's support must have been warmly welcomed by commission chair Ben Micah. Although the Wingti government had endorsed his proposals at the beginning of the year, the implementing bills were first deferred and later, after Micah completed a grueling tour of the provinces, withdrawn for redrafting. Micah might have expected opposition in the provinces, but he may not have anticipated the difficulty of keeping the national politicians on task. After Provincial Affairs Minister John Nilkare told a meeting of the Premiers Council in July that the issue was still open for debate, Micah urged the cabinet to get on with the reforms. "If they cannot make a decision," he said, "they'd better bloody tell the nation" (*PC*, 29 July 1994, 5).

Even if the massive opposition to provincial government reform could have been overcome in 1994, the cost of implementing the reforms would probably have delayed action. This was a watershed year in Papua New Guinea's economic history, one that, according to Finance Minister Chris Haiveta, brought the country to "the very brink of international bankruptcy" (*TPNG*, 10 Nov 1994, 18). The economy itself remained reasonably buoyant, with the nonmining sector in particular enjoying the benefits of

rising export commodity prices. The problems that emerged in 1994 were the accumulated results of several years of poor macroeconomic management, previously an area of strength for Papua New Guinea. The hallmark of the crisis was a ballooning budgetary deficit, most of it unplanned. The deficit was 233 million kina in 1992 and a further 297 million kina was added in 1993. By mid-1994 another 284 million kina had been accrued, to make a massive accumulated deficit of about 810 million kina (*TPNG*, 10 Nov 1994, 19). Another symptom was a sharp reduction in foreign exchange reserves, which by June were barely adequate to cover one month's worth of imports. By the end of the year, government services were virtually paralyzed by lack of funds, some public servants were not getting paid, and the government owed an estimated A\$200 million to private companies (*TPNG*, 1 Dec 1994, 2).

The rising deficit was partly the result of unrealistic estimates of government revenue built into the 1993 and 1994 budgets. The 1993 budget, for example, assumed continued rapid economic growth driven by foreign investment, and introduced tax concessions to encourage this trend, which did not eventuate, in part because of the uncertainty in the minerals sector generated by other government policies. As a result, government revenue did not rise as rapidly as planned, and the problem was compounded in the 1994 budget, which was similarly optimistic. However, the main difficulty has been on the expenditure side of the equation, where costs have consis-

tently been underestimated. For example, the sum of 10 million kina was earmarked for the Bougainville operation in 1994, when actual costs were more than 60 million kina a year. More important, departments have been able to routinely overspend their budgets, often by considerable amounts (*TPNG*, 13 Oct 1994, 2). In what Haiveta described as "a massive spending binge," government expenditures rose by 14.3 percent in 1992, 18.2 percent in 1993, and an estimated 23 percent in 1994 (*TPNG*, 10 Nov 1994, 19).

Some of these problems were acknowledged by Masket Iangalio when he took over as finance minister in January, but his March minibudget did little to reverse the negative trends. It restored some of the "mosquito taxes" that Finance Minister Chan had removed in 1993, but failed to make a significant dent in government spending (*TPNG*, 10 March 1994, 2). In June, the seriousness of the situation became more apparent when Iangalio tried to negotiate an overseas loan of US\$160 million to cover the budget deficit. Eventually a syndicate of banks headed by the Union Bank of Switzerland agreed to lend US\$90 million, but on condition that it be repaid directly from mining and oil revenues (*PC*, 9 June 1994, 3). Opposition Leader Chris Haiveta decried the deal as a "scandalous and criminal sellout" (*TPNG*, 30 June 1994, 1). In August, however, the government changed, and it was his turn to deal with the crisis.

On 11 September Haiveta announced a 12 percent devaluation of the kina, in part to relieve speculative pressure on foreign reserves, which

had been depleted by US\$120 million in August alone (*PC*, 12 Sept 1994, 1). When currency speculation continued, the Chan government decided on more radical action and announced that the long-standing "hard kina" policy would be abandoned. Instead of being tied to the value of a basket of major currencies, the value of the kina would henceforth be determined largely by market forces. The value of the kina dropped still further after the float, providing an incentive to exporters but increasing the domestic cost of living through higher prices for imports.

In November, the government announced that it would defer the budget until March 1995 and passed a temporary "supply bill" to cover the first three months of the year. The bill introduced a range of revenue-generating measures, foreshadowed the sale of investments in mining and oil projects worth at least 50 million kina, and called for a 7.5 percent cut in public service positions (*TPNG*, 10 Nov 1994, 17-21). According to the critics, much more drastic remedial action was required, especially in the area of government spending. Negotiations were under way at the end of the year for a loan and aid package to cover the projected US\$215 million balance of payments deficit for 1995. The donors, led by the World Bank, were reportedly eager to make the deal contingent on government restructuring, privatization of nonessential services, an end to rural subsidies, and increased investment in education, health, and infrastructure (*SMH*, 16 Jan 1995, 7).

Critics were equally dismayed at the slow progress on the Lihir gold mine, which is expected to play a crucial role

in offsetting declining revenues from other large-scale resource projects. In recent years, a number of government ministers have pursued contradictory policies concerning the ownership structure of the project. Early in 1994, Prime Minister Wingti still seemed to support an earlier commitment to bring the Malaysian Mining Corporation into the deal on favorable terms (PC, 25 March 1994, 55). Finance Minister Masket Iangalio, on the other hand, seemed determined to pursue the ownership option that he had negotiated in late 1993 with the project's developer, Rio Tinto Zinc. Meanwhile, John Kaputin, who had replaced Iangalio as mining minister in January, appeared to side with Wingti, but made his support for landowners and his deep distrust of Rio Tinto clear (PC, 6 May 1994, 1). In April, Iangalio gained the upper hand when he ousted Wingti adviser and architect of the Malaysian deal Bob Needham as director of the Mineral Resources Development Corporation (PR, 18 April 1994, 3). By August, Iangalio's victory seemed complete when Kaputin, swayed by a critical consultant's report, indicated that he would no longer be guided by the Needham plan (TPNG, 21 July 1994, 26).

Soon after assuming power in August, Prime Minister Chan declared his intention to "fast-track" the Lihir project and ruled out any special deal for the Malaysians (PC, 1 Sept 1994, 31). In mid-December, Mining Minister John Giheno announced that the government would take 30 percent of the equity in the project and pass half on to Lihir landowners, who had earlier insisted on 20 percent. Rio Tinto

Zinc and Niugini Mining would take 40 percent and 30 percent respectively (PC, 14 Dec 1994, 1). This agreement appeared to leave the way clear for the issue of a special mining lease early in 1995 and for the public share float to raise some A\$350 million toward developing the A\$900-million project.

By dumping waste and tailings at sea, the Lihir mine may avoid some of the environmental issues that have plagued other large-scale projects in Papua New Guinea. By the end of the year, the fate of the 2.75 billion kina lawsuit brought by landowners on the Fly and Ok Tedi Rivers against Broken Hill Proprietary, the operator of the Ok Tedi copper mine, for environmental damage, remained unclear (PC, 14 Sept 1994, 2). Of more immediate concern for the Chan government was the cost of the natural environmental disaster that displaced more than fifty thousand people and largely destroyed Rabaul in East New Britain in September (TPNG, 22 Sept 1994, 1). The relief effort, known rather euphemistically as Operation Unity, placed a further strain on tight government resources, and a source for the estimated 34 million kina required to rebuild the town had not been identified by year's end (PC, 11 Nov 1994, 3).

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VANUATU

The coalition government of Maxim Carlot Korman consolidated its position during 1994, overcoming opposition maneuvering and an extended strike by public servants. It replaced the district councils with six provincial councils and attempted to improve economic management and reduce irresponsible forestry exploitation.

In January the government replaced

Vanuatu's long-serving representative to the United Nations, Robert Van Lierop, with Jean Ravo. Van Lierop had established a good reputation, and his replacement appeared to reflect concern over his earlier connections with Anglophone opposition politicians. Around the same time *Vanua-scope*, which had been Vanuatu's only privately owned newspaper, closed down after a year of publication, though apparently from poor profitability rather than political pressure.

On 28 February Jimmy Moli Stephens (also spelt Stevens) died at his home on Espiritu Santo, after a long period of ill health. He had been released from jail in 1991, following his imprisonment for leading an abortive secessionist attempt in Espiritu Santo and nearby islands in 1980.

Electing a new national president to replace Fred Timakata, following the completion of his term, was a drawn-out process. The opposition boycotted the first poll on 14 February. They complained that the electoral college had not been given appropriate formal notification, and were hopeful that blocking the process might oblige the holding of early national elections. At a second vote on 16 February, neither candidate gained the required two-thirds majority. Finally, on 2 March, Jean-Marie Léyé was elected president.

The public servants' strike, which had begun on 24 November 1993, continued into April 1994, attracting some support from other employees. The strikers had demanded a 16 per cent pay raise, to compensate for the erosion of their salaries by inflation over the preceding five years. Following a court ruling that the strike was