State-society interaction and the survival of the state: the case of Papua New Guinea and Japan

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DECLARATION

This thesis represents my own work except where otherwise acknowledged.

Kazuhiro Monden
21 October 2008
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ABSTRACT

This thesis deals with questions of how state-society interactions of two different states, a weak state – Papua New Guinea – and a strong state – Japan – have influenced responses to their respective internal and external challenges, particularly those caused by the anarchic and economic competitive nature of the post-Cold War international environment, globalisation and fragmentation. It is also a study of state endeavours for the survival of these two states. The investigation was founded on the view that traditional state explanations of international relations do not satisfactorily account for the complexity of how state-society interactions in these two countries influence their internal and external efforts towards their state survival. The thesis is also innovative in that there have been almost no studies that have researched the two countries, side by side.

Section One of the thesis provides a theoretical framework and explanatory tools – a theoretical framework in international relations through examining globalisation and fragmentation. In exploring the bases for the survival of the state, this thesis investigates the link between domestic political conditions and foreign policy responses by employing the explanatory tools of the state-in-society analysis and foreign policy behaviour analysis. By so doing, the studies presented in this thesis enable the capture of the dynamics of intensified state-society interactions in two different states, and show how these influence the survival of the state. In particular, it considers the difference between a weak state and a strong state. A weak state is limited in its state strength in terms of compliance, government legitimacy and participation and ability to create social cohesion. On the other hand, a state that can maximise its state strength is a strong state. It is argued that both kinds of states have different abilities when responding and adapting to the challenges of globalisation.

Section Two explores domestic and foreign policy in PNG. The first study is a critical examination of the interaction between the state and society in a weak state – PNG. It is argued that a state that is being challenged by domestic social forces is weakened, but also that a weak state is not necessarily synonymous with a weak society. The second
part of Section Two offers a critical and comprehensive examination of the foreign policy responses of PNG and how it has responded to its external challenges. It is shown to be a country with limited available state resources and foreign policy options. Therefore, it is also argued that PNG's foreign policy behaviour must be considered from the point of view of the ongoing need for the survival of the state, that is, ‘friends to all, enemies to none’.

Section Three is a critical examination of how particular social forces penetrate the policy-making of a state in domestic politics and in the foreign policy arena in Japan. It is argued that Japan's hierarchical structure is a fundamental cause for the intensified state-society interaction, and results in certain social forces penetrating the policy-making of the state by gaining proximity to the highest authorities of the state. In domestic politics, it is argued that the penetration of policy-making by certain social forces weakened state capacity, and ultimately resulted in the annihilation of non-conservative politics that led Japan's political transformation in the 1990s. In the foreign policy arena, it is argued that the penetration of policy-making by particular social forces occurred because Japan's Official Development Assistance provides relative material power that the state leaders and elite can mobilise as a powerful diplomatic tool, minimising its foreign policy vulnerability, while maximising its strategic foreign policy objectives. It is therefore argued that Japan’s state-society interactions determine its external responses.

This thesis has shown how state-society interaction in PNG and Japan has influenced various responses for their survival. The studies throughout the thesis show that while the state that is a strong state has greater capacity than a state that is a weak state, a society in a weak state possesses greater resilience and tenaciousness than its counterpart society in a strong state.
### ACRONYMS/GLOSSARY

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
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<tbody>
<tr>
<td>ABC</td>
<td>Australian Broadcasting Corporation</td>
</tr>
<tr>
<td>ADB</td>
<td>Asian Development Bank</td>
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<td>ADF</td>
<td>Australian Defence Force</td>
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<tr>
<td>AEST</td>
<td>Australian Eastern Standard Time</td>
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<tr>
<td>ALP</td>
<td>Australian Labour Party</td>
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<tr>
<td>ANGAU</td>
<td>Australian New Guinea Administrative Unit</td>
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<td>ANU</td>
<td>Australian National University</td>
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<tr>
<td>APEC</td>
<td>Asia-Pacific Economic Cooperation</td>
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<tr>
<td>ASE</td>
<td>Active, Selective Engagement</td>
</tr>
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<td>ASEAN</td>
<td>Association of South East Asian Nations</td>
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<td>AusAID</td>
<td>Australian Agency for International Development</td>
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<td>BCF</td>
<td>Bougainville Copper Foundation</td>
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<td>BCL</td>
<td>Bougainville Copper Limited</td>
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<tr>
<td>BIG</td>
<td>Bougainville Interim Government</td>
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<tr>
<td>BPNG</td>
<td>Bank of Papua New Guinea</td>
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<td>BRA</td>
<td>Bougainville Revolutionary Army</td>
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<td>Bank of South Pacific</td>
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<td>BTG</td>
<td>Bougainville Transitional Government</td>
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<td>CEO</td>
<td>Chief Executive Officer</td>
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<td>CEPG</td>
<td>Commonwealth Eminent Person’s Group</td>
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<td>CGP</td>
<td>Komeito – Clean Government Party</td>
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<td>CHGM</td>
<td>Commonwealth Head of Government Meeting</td>
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<td>CNS</td>
<td>Comprehensive National Security</td>
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<td>CPC</td>
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<td>CPI</td>
<td>Consumer Price Index</td>
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<td>CRA</td>
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<td>DAC</td>
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<td>DEFAT</td>
<td>Australian Department of Foreign Affairs and Trade</td>
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<td>DFRBF</td>
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<td>200 miles Exclusive Economic Zone</td>
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<td>Eastern Highlands Province</td>
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<td>E-IBJ</td>
<td>Export-Import Bank of Japan</td>
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<td>E-ODA</td>
<td>Japan’s Environmental Official Development Assistance</td>
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<td>Eight Point Improvement Plan</td>
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<td>FAO</td>
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<td>FDI</td>
<td>Foreign Direct Investment</td>
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<tr>
<td>FY</td>
<td>Fiscal Year</td>
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<td>FPWP</td>
<td>Foreign Policy White Paper</td>
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<td>GAP</td>
<td>Japan’s Green Aid Plan</td>
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<td>GATT</td>
<td>General Agreement on Tariffs and Trade</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>Abbreviation</td>
<td>Full Form</td>
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<tr>
<td>GG</td>
<td>Governor-General</td>
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<tr>
<td>GNP</td>
<td>Gross National Product</td>
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<tr>
<td>G-7</td>
<td>Group of Seven largest economies</td>
</tr>
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<td>political clique</td>
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<td>HQ</td>
<td>Headquarters</td>
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<td>ICETT</td>
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<td>ICIC</td>
<td>Independent Commitment to International Cooperation</td>
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<td>IDE</td>
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<td>IGO</td>
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<td>Keidanren</td>
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<td>personal connection</td>
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<td>LDP</td>
<td>Japan Liberal Democratic Party</td>
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<td>LLG</td>
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<td>Lower House</td>
<td>Japan’s House of Representative</td>
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<td>MA</td>
<td>Melanesian Alliance</td>
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<td>MAFF</td>
<td>Japan Ministry of Agriculture, Forestry and Fisheries</td>
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<td>MHW</td>
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<td>Japan Ministry of Finance</td>
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<td>Japan Ministry of Foreign Affairs</td>
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<tr>
<td>MP</td>
<td>Member of Parliament</td>
</tr>
<tr>
<td>MSG</td>
<td>Melanesian Spearhead Group</td>
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<tr>
<td>NA</td>
<td>National Alliance</td>
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<td>Non-Allied Movement</td>
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<td>NBC</td>
<td>Papua New Guinea National Broadcasting Corporation</td>
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<tr>
<td>NCD</td>
<td>National Capital District</td>
</tr>
<tr>
<td>NCDC</td>
<td>National Capital District Commission</td>
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<tr>
<td>NCDIC</td>
<td>National Capital District Interim Commission</td>
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<td>NCDS</td>
<td>National Centre for Development Studies, Australian National University</td>
</tr>
<tr>
<td>NEC</td>
<td>National Executive Council</td>
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<td>NEDO</td>
<td>New Energy and Industrial Technology Development Organization</td>
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<td>Shinshinto – New Frontier Party</td>
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<td>NGCB</td>
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<td>NGCBF</td>
<td>National Gaming Control Board Fund</td>
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<td>NGO</td>
<td>National Goals and Direct Principles</td>
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<td>NGO</td>
<td>Non-Governmental Organization</td>
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<td>NGRU</td>
<td>New Guinea Research Unit</td>
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<td>NIO</td>
<td>Papua New Guinea National Intelligence Organization</td>
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<td>NMW</td>
<td>National Minimum Wage</td>
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<td>Abbreviation</td>
<td>Full Form</td>
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<td>NMWB</td>
<td>National Minimum Wage Board</td>
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<td>NMWD</td>
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<td>NPLA</td>
<td>New Panguna Landowners’ Association</td>
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<td>NPT</td>
<td>Nuclear Non-Proliferation Treaty</td>
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<td>NSO</td>
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<td>National Tripartite Consultative Council</td>
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<td>NTT</td>
<td>Nippon Telegraph and Telecommunications</td>
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<td>ODA</td>
<td>Japan Official Development Assistance</td>
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<td>OECD</td>
<td>Organization for Economic Cooperation and Development</td>
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<td>Overseas Economic Cooperation Fund</td>
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<td>OIDA</td>
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<td>OLIPPC</td>
<td>Integrity Law – Organic Law on the Integrity of Political Parties and Candidates</td>
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<td>OTML</td>
<td>Old Tedi Mining Company Limited</td>
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<td>Old Panguna Landowners’ Association</td>
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<td>OPM</td>
<td><em>Organisasi Papua Merdeka</em> – Free Papuan Movement</td>
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<td>PAP</td>
<td>Peoples Action Party</td>
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<td>PATCRA</td>
<td>Papua New Guinea-Australia Trade and Commercial Relations Agreement</td>
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<td>Peoples Democratic Movement</td>
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<td>PEA</td>
<td>PNG Public Employment Association</td>
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<td>PKF</td>
<td>United Nations’ Peace Keeping Force</td>
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<td>United Nations’ Peace Keeping Operation</td>
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<td>PLA</td>
<td>Panguna Landowner’s Association</td>
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<td>PM</td>
<td>Prime Minister</td>
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<td>P-NG</td>
<td>Territories of Papua and New Guinea</td>
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<td>PNG</td>
<td>Papua New Guinea</td>
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<td>PPC</td>
<td>Public Prosecution’s Office</td>
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<td>PPP</td>
<td>Peoples Progress Party</td>
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<td>PRC</td>
<td>People’s Republic of China</td>
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<td>PRE</td>
<td>Proportional Representative Electorates</td>
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<td>Rural Development Program</td>
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<td><em>Shinseito</em> – Renewal Party</td>
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<td>SAS</td>
<td>Special Air Service</td>
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<td>Japan Self-Defence Forces</td>
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<td>Social Democratic Party</td>
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<td>Social Democratic Party of Japan</td>
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<td>Southern Highlands Province</td>
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<td>Southern Highlands Province Government</td>
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<td>SMED</td>
<td>Single Member Electoral Districts</td>
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<td>SPC</td>
<td>South Pacific Commission</td>
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<td>South Pacific Forum</td>
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<td>South Pacific Regional Environmental Programme</td>
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<td>South Pacific Nuclear Free Zone Treaty</td>
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<td>SRC</td>
<td>Salaries and Remuneration Commission</td>
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</tbody>
</table>
SSG  Special Support Grant
TNC  Trans National Company
Tokyo SIS  Tokyo District Prosecution Office’s Special Investigation Squad
TUC  PNG Trade Union Congress
UN  United Nations
UNAMIR  United Nations Assistance Mission in Rwanda
UNCTAD  United Nations Conference on Trade and Development
UNDP  United Nations Development Programme
UNFCCC  United Nations Framework Convention on Climate Change
UNHCR  United Nations High Commission for Refugees
UNSC  United Nations Security Council
UNTAC  United Nations Transitional Authority in Cambodia
UP  United Party
UPNG  University of Papua New Guinea
Upper House  Japan’s House of Councillors
USA  United States of America
USSR  Union of Soviet Socialist Republics
WB  World Bank
WHP  West Highlands Province
WHPG  West Highlands Provincial Government
WNB  West New Britain
WSP  West Sepik Province
WTO  World Trade Organization
WWII  Second World War (1939-1945)
ZEN-NOH  National Federation of Agricultural Cooperative Associations
Zoku  tribe
Zenekon  General constructing firms
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networks of humanity beyond the differences across the oceans around the world. These are the values I aspire to emulate.
INTRODUCTION
Introduction

It was nearly midnight in the middle of February 1999. I was at Port Moresby General Hospital waiting for one of my colleagues to be treated for serious problems with an old gunshot wound she had received few years earlier after being caught up in an armed robbery. I was the only one able to provide safe transportation to the Emergency Ward at the hospital. It was a humid and extremely sticky night, which bothered me. Whilst we waited, I was discussing my field research with my friend, because originally my objective for this thesis was to explore relations between Papua New Guinea and Japan. However, what I would witness next, impacted upon my consciousness and proved to be an inspiration for this thesis. What I witnessed at the hospital was that there seemed to be a breakdown of hospital functions, with overwhelmed patients, some of whom had waited for over 12 hours for emergency treatment. During that time, in a matter of only two hours, I witnessed three infants pass away due to a lack of anti-malaria medicine. That is to say, my friend’s experience showed me the problem of Law and Order, and that the loss of precious lives in three families might have been prevented if the state had been able to provide what it was supposed to do. Despite this, what I also witnessed was remarkable strength and resilience among the people in PNG in actively participating in political issues. It was a major contrast for me, as I am from Japan, which has an extremely low crime rate, while its health services are of the highest quality in the world. In Japan, it seemed that every part of the state's functions worked smoothly, but with extremely low participation in national politics. It is easy to explain this difference as being due to the differences between an industrialised country and a developing country. However, it seemed to me that the cause of this difference might be somewhat deeper and more complex, and involved identifying the various causes and effects of differences between people's lives in PNG and Japan. This, then, required an exploration of whether the government of the state is able to conform to the expectations of the population. That is to say, the focus of such questioning should investigate the interaction between the state and society and how this affects the survival of the state.
Challenges to the survival of the state have diversified between the end of the Cold War in the early 1990s and the present international environment of post-September 11th, 2001. The challenges for the survival of the state have impacted differently on different states. Some states continue to focus on the security threat from nuclear weapons as being a more imperative threat than the possible consequences of global warming that directly threaten the physical existence of some states. However, in terms of state-society interaction, the major challenge to the survival of the state since the early 1990s has been globalisation. Large numbers of scholarly works have emerged with arguments over the decline of the state. From this perspective, as recently discussed, some states were seemingly doomed to become so-called “failed states” because of their dysfunction as a state. And yet, in reality, most states, if not all, have remained intact. This has begged the question of why and how different states are able to survive challenges, where each state possesses different abilities and capacities for its survival. This question becomes even more interesting when comparing, on the one hand, a state that is categorised as a weak state among post-colonial states, with an industrialised state that is categorised as a strong state.

The focus of this thesis is that traditional state explanations of international relations do not satisfactorily account for the complexity of how PNG and Japan have responded to internal and external challenges, whilst surviving as states under the post-Cold War globalised world. This is partly because of misgivings about traditional methods used in the study of international relations. These have been based on determining the categorisation between developing and developed countries, or in this case, between post-colonial and industrialised states. Moreover, there have been few scholarly investigations that have dealt with Papua New Guinea and Japan, side by side. Traditionally, studies of Papua New Guinea and Japan side by side have concentrated on anthropological and historical studies, taking as a particular focus Japan’s involvement during WWII in New Guinea. Furthermore, PNG as a single subject for study in international relations has been neglected by being included as part of a study on the Oceanic region, together with Australia and New Zealand, or as part of a study on the South Pacific region as a whole. This approach has been very evident among Japanese scholarly works. Therefore, a majority of studies have focused narrowly on a
specific time and period under specific circumstances, and have thus neglected a study to identify the place of PNG and Japan in international relations.

In aiming to meet the challenges to the problems outlined above, this thesis is a study of the state-society interactions of a weak state – Papua New Guinea, and a strong state – Japan. It is also a study of the foreign policy responses of these two states in the context of globalisation. This thesis examines the foreign policy responses of the two states, while establishing the link between the domestic political conditions and foreign policy responses of these two states. It is a comprehensive study of how the state-society interactions in a weak state and in a strong state influence and determine the various responses to their individual internal and external challenges. The thesis will provide new insights into the state-society interactions of two distinguished countries, normally designated as a weak state and a strong state.

The thesis is divided into three sections. In Section One, the first chapter, *Nation States, Weak States and Strong States*, provides a theoretical framework and explanatory tools for the four case studies in this thesis in Sections Two and Three. In Chapter One, I will explore a theoretical framework in international relations by critically examining the scholarly discourse between two distinct camps. One argues that the present period of globalisation has seen a significant decline in the function and role of the nation-state. The other argues that the role and function of the nation-state has not declined, but rather it has adapted to the demands and challenges of globalisation. By so doing, I will demonstrate in this thesis that nation-states are not declining, but adjusting in order to meet the challenges of neo-liberal globalisation. Moreover, I will argue that countries and their governments find their place in the international system depending on their relative material power capabilities under the concept of foreign policy behaviour analysis. Chapter One thus explores the globalised world of neo-liberal ideology, free markets and cross-border activities, and the ways these challenge state sovereignty, authority and legitimacy. In Chapter Two, I will identify the explanatory tools for understanding a weak state and a strong state by defining state strengths and capacities under the concept of the state in society approach. A state that can mobilise state resources to create and maintain social cohesion is by definition a strong state – that is,
Japan. On the other hand, a state that has to limit its state capacity is a weak state— that is, PNG.

Given the two separate trajectories of micro level explanatory tools: the state-society approach and foreign policy behaviour analysis, the thesis offers four chapters with case studies in two separate sections. Section Two contains Chapters Three and Four, which focus on case studies in PNG, whilst Section Three contains Chapters Five and Six, which focus on case studies within Japan.

Section Two, *PNG’s Domestic and Foreign Policy, A Weak State and A Strong Society* comprises Chapter Three, *Domestic Challenges to a Weak State – PNG’s Experience,* and Chapter Four, *PNG Foreign Policy: ‘Friends to All, Enemies to None’.* In Chapter Three, I will explore how and why a weak state is not synonymous with a weak society, by critically examining how the government’s failures in its compliance intensified the political contestations and challenges of social forces. I will show how this resulted in some fragmentation in society, even though this society has a tenaciousness that creates social cohesion. As will be shown, PNG can be characterised as a weak state in a strong society. Given the outcome of the study in Chapter Three on how the state-society interaction in a weak state limits a state's ability and capacity, in Chapter Four, I will explore the foreign policy responses of PNG. This will be done by critically examining how the intense interaction between the state and society consumes state resources, thereby limiting its foreign policy options. At the same time, I will consider the consistent pattern of the PNG state’s responses toward the external challenges that it has faced in managing its internal and external conditions. I will also examine the ongoing need for the survival of the state under its characteristic foreign policy principle of ‘friends to all, enemies to none’. Hence, I will show how the PNG state has remained intact.

The critical aspect of this section is that using two micro level explanatory tools – the state-society approach and foreign policy behaviour analysis – allows us to understand how Japan has remained a strong society in a strong state. By so doing, the study illuminates the relative position of power under the hierarchical structure of state-society relations in Japan, and how this is determined by the relative proximity to the centre of power. It is shown that the story is similar in an investigation of the multidimensional roles of Japan’s Official Development Assistance (ODA), which is not only a powerful diplomatic and political tool of Japan, but also a response to Japan’s external challenges.

In Chapter Five, I will explore the state-society interaction in Japan by critically examining how certain social forces penetrated the policy-making processes of the state and led to the political transformation of the 1990s. It is shown that the Liberal Democratic Party (LDP), entrenched for 38 years in government, came to an end. However, it then returned to the centre of power, even strengthening its grip and imposing rules and norms into society. This resulted in the annihilation of non-conservative politics while strengthening conservative politics beyond 1996, while Japan remains a strong state. In Chapter Six, I will explore Japan’s foreign policy behaviour by critically examining how Japan as a strong state has responded to external challenges and demands. The hierarchical structure of the state has meant that the relative position of power within the state is determined by the relative proximity to the centre of power. This has allowed the state to strengthen the government's capacity to impose rules and norms that create and maintain social cohesion. However, a strong state can be vulnerable in terms of its foreign policy behaviour, in particular, its use of force. Hence, Japan’s Official Development Assistance (ODA) has been mobilised and transformed into a powerful and effective diplomatic and political tool for Japan. The ODA has been mobilised for external responses by maximising Japan’s foreign policy options while serving its multidimensional strategic interests and objectives.

The work presented in the four case studies within Sections Two and Three is based on the research inspiration and knowledge that I obtained from my field work in Papua New Guinea in 1999 and in Japan in 2000. It is also based on accessing a wide range of
English and Japanese documentary sources from literature, official material and media. This has strengthened these case studies through access to documentary sources in this area of study that are not available in English.

The case studies also allow us to make a connection between the state-society interactions and the internal/external responses of PNG and Japan. The macro level analysis of these two states in terms of international relations is a deliberate attempt to go beyond the boundaries and concentration of single micro case studies of Papua New Guinea or Japan. As a result, this thesis is not only unique, but is also rich in historical and empirical data, while establishing new insights on a theoretical framework that is often neglected in traditional studies in international relations. At the macro level, the thesis uses the method that identifies the international environment surrounding both states, and allows the establishment of a perspective on challenges that they encounter in their respective external engagement in international relations, and which in turn determines the responses of the two states. At the micro level, employing the state-society approach allowed me to identify how the internal challenges of the two states resulted in one state being designated as weak on the one hand, and strong on the other. Moreover, the micro level analysis with regard to the foreign policy responses of the two states brought new dimensions to the foreign policy analysis of the two states.

The methodological objective of this thesis has thus been to establish the link between the micro and macro data. The thesis provides two separate trajectories of micro level explanatory tools: state-society analysis and foreign policy behaviour analysis. This allows the thesis to retain a broad perspective of the changes that have occurred through the recent history of the two states, while making these approaches applicable to recurrent events.

This analytical framework has necessarily meant that some limits had to be imposed on this thesis. It does not look into specific state-to-state intercourse between PNG and Japan, which, despite my original intentions, is not within the scope of this thesis. However, the scope of this thesis provides a template for future studies of the two countries in terms of international relations. Moreover, the studies documented here and
the approaches taken will allow the theoretical frameworks and the methods used in this thesis to be applied to the analysis of other countries with a wider perspective. Furthermore, the globalisation and fragmentation model can be applied to the analysis of how and in what ways other countries face their respective internal and external challenges, while the state in society model can be applied to the analysis of how other countries have responded to these challenges. Therefore, the study in this thesis not only illuminates our understanding of PNG and Japan, respectively, but also provides a template for future studies of relations between PNG and Japan. This thesis also contributes to the literature on international relations. There is one other limitation of this thesis – the endpoint is the earliest years of the twenty-first century. As a result, the thesis does not cover the five years before its completion.

The conclusion of this thesis revisits the studies of each chapter in the thesis. That is, the use of the explanatory tools – state-society analysis and foreign policy behaviour analysis – to compare how a weak state – PNG, and a strong state – Japan, have responded to internal and external challenges toward their survival in an international environment of globalisation and fragmentation. This comparison provides broad synthetical dimensions of the dynamics of state-society interactions in two different states, which influence and determine the various responses to their individual internal and external challenges.

The study of international relations has been dominated by globalisation, especially since the end of the Cold War in the early 1990s. However, globalisation is not a singular phenomenon, but rather comes with the fragmentation phenomena that have increased the different kinds of challenges to the survival of the state, regardless of the size, strength and weakness of the state. However, the effects and impacts of globalisation and fragmentation are different in each state. Moreover, how individual states can respond to the challenges they face depends upon the strength and weakness of that state.

Before analysing states’ responses to their respective challenges, states must understand the international environment in which they are operating, for the sake of their survival.
Therefore, the next chapter will identify how the international environment of the post-Cold War globalised world has increased the internal and external challenges to the survival of the state, and how different scholars have sought to understand these phenomena.
Section One: Nation States, Weak States and Strong States

Chapter One: Globalisation and the Role of the Nation-State

Chapter Two: State Strengths and Capacities
Chapter One: Globalisation and the Role of the Nation-State

Introduction
The process and forces of present-day globalisation have demanded a diminished or a changed role for national governments. The neo-liberal ideology of free markets has been promoted and there has been an attendant and substantial increase in the autonomy and influence of both domestic and international markets and the interests that adhere to them. It is in this context that the scholarly discourse on globalisation has divided into at least two distinctive camps. The first consists of scholars who argue that the present period of globalisation has seen a significant decline in the function and role of nation-states. Nation-states have lost power. Some in this group seriously entertain the idea that national governments as we now know them will cease to exist. The scholars in a second group disagree with this analysis. They argue that the role and function of nation-states have not declined and that they will not become passé. They argue that nation-states have adapted to the demands and challenges of globalisation. They insist that national governments are very much intact, transforming and effective.

A main assumption of the theorists who believe the state is in decline is that globalisation and cross-border activities via telecommunication technology and the ever more complex and expanding global financial sector have been effective in challenging the role and sovereignty of national governments. Many in this group argue that nation-states are no longer playing a dominant role in world affairs. Transnational actors, such as transnational corporations (TNCs), including manufacturing and financial sector organisations, non-governmental organisations (NGOs), international governmental organisations (IGOs), as well as a variety of civil and criminal organisations, are taking central decision-making and negotiating roles. Those non-state and transnational actors are now operating outside the control of nation-states and outside the territorial boundaries of nation-states. There are also so-called ‘global issues’ that cannot be solved by just one nation state or even by a collection of national governments. Nation-states find that they are:
challenged from both directions: its jurisdiction is questioned in an interdependent world while, from the other end, it faces problems of domestic legitimacy...[and] international society is itself subject to erosion into a wider world society, while these trends are creating new cultural, ethnic, and civilisational pockets of resistance. Thus, the states are declining at both international and domestic level.¹

The process of global economic integration requires populations, societies and nation-states to improve their efficiency, productivity and competitiveness, while rationalising according to a given formula. This is because in the market economy, under global free market capitalism, investors and players (i.e., from individuals to transnational corporations) determine their behaviour in accord with their own economic abilities and interests. If the players decide that a country where they have invested is no longer economically beneficial, they withdraw their capital. While these resources will usually be reinvested in other countries, the government of the country that lost the investment usually has little say in the relocation of capital and production. This is a process that encourages what is known as the ‘race to the bottom’. It encourages national governments to ensure that the cost of production is kept as low as possible and this affects the wages and conditions of workers. These workers and their governments become “...simply, the victims of the market economy.”²


The decline in the power and legitimacy of nation-states is particularly obvious in the case of global production and financial systems. As James N. Rosenau argued:

>[t]he day when states had the capacity to conduct autonomous economic and social policies for the protection of their populations are over [emphasis added], encouraging people to reorient themselves toward those authorities who may be more able to provide protection. Governments not only lose at least a modicum of control and sovereignty with respect to their domestic autonomy, but also have to cope with severe social cleavages generated by the relocation of production organizations.3

There are numerous examples of TNCs replacing the established and usual role of national governments, particularly when they take over the management of industrial relations. TNCs have also used the threat of relocation to advance their own interests. This is evident in a range of areas, including industrial relations, and particularly when TNCs are negotiating favourable taxation policies.4

For some who subscribe to the thesis that the state is in decline, globalisation not only challenges the role of national governments, but even the survival of the state. The state loses both its function and its power. Much of the power enjoyed by nation-states is relocated to private interests, including transnational companies and corporations. The security of citizens is then challenged. Their daily lives are affected not only by low wages,

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3 James N. Rosenau, Along the domestic-foreign Frontier, op. cit., p.104.
modest (even unsafe) working conditions, and lack of employment security, but also in relation to matters such as environmental degradation.

Those who subscribe to the view that the state is in decline define power as the ability “…to affect outcomes where their preferences take precedence over the preferences of others [, and] … power is derived from resources – material or human, or both.” Power is obviously exercised at both the local and the international level. What they then note is that there has been a significant shift in the balance of power between state and non-state actors. A result of the shift in power from the state toward the non-state authorities has led to a changed meaning of security. Those who follow the argument that the state is in decline argue that the assumptions and wisdom of traditional realists in relation to national security is no longer valid. They argue that the concept of human security must now be extended to include the responsibility the state has in relation to what the traditional realist theorist would regard as ‘low politics’. It includes concerns other than military security concerns. The argument is that human security means “…those arrangements providing people with security not just from attack and injury or death at the hands of forces from another state but with security from all sorts of other risks – of long-term environmental degradation, of hunger, of shortages of oil or electricity, of unemployment and penury and even perhaps of preventable disease…” They argue that in these respects the role of the state has “crumbled”.

In addition to the above, the role that has been played by nation-states is now seen as a fundamental obstacle to the progress and expansion of the global free market. Moreover, the traditional role of the state within a definition by ethnic and cultural basis no longer fits the borderless global economy. The nation-state, then, is considerably reduced by the forces and pressure of present-day globalisation:

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Technological advances have made national frontiers more porous. States retain sovereignty, but governments have suffered an erosion in their authority. They are less able, for example, to control the transborder movement of money or information. They face the pressures of globalization at one level and of grassroots movements and, in some cases, demands for devolution if not secession at another. In the extreme case, public order may disintegrate and civil institutions collapse in the face of rampant violence, as in Liberia and Somalia.  

In addition, the rise of supra-territoriality, such as the establishment of the region-state under free market capitalism while expanding the functions of globalisation, challenges the sovereignty of nation-states.  

Both those who subscribe to the thesis that the state is in decline and those who argue that nation-states are adapting to the challenges of globalisation share the view that the process of globalisation increases the power of individuals. Individuals have been encouraged to build a better world through global interdependency and cooperation that reaches beyond national borders and beyond the power of nation-states. This is purported to be the human face of globalisation. Under this assumption, the concept of state sovereignty is no longer effective because:

…there has always been some recognition of a difference between small states and great powers, in the way each behaves to others and in the options available to them in their relations with other states. But there has been a tendency all along to assume a certain uniformity in the nature and effectiveness of the control which each state has over social and economic relations within their respective territorial boundaries. The attributes of domestic sovereignty, in other words, were assumed automatically to go

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8 See, Although, Ohmae’s ‘state survival’ and ‘competitiveness’, is not the one which belong to the realist school that anarchic nature of international relations. His ideas are based on the existence of international order, especially liberal capital economic order. See, Chapter-1. Also, see, Kenichi Ohmae, *The End of the Nation State*, op. cit., pp.2-5; Susan Strange, *The Retreat of the State*, op. cit., pp.42-43; Jan Aart Scholte, ‘Global Capitalism and the State,’ op. cit., p.432.
Those who favour the present free market ideology argue that actors and individuals are exercising their right to free choice, which was not given by the authority of citizenship granted by a sovereign state, but is based on the principle of individual choice nurtured by a neo-liberal economy and free market capitalism. Participation and free choice are to be seen as an individual right. In other words, the right to free choice under free market capitalism has been mobilised by what Susan Strange calls the impersonal forces of the world market. Impersonal forces arise as non-state actors and individuals challenge state sovereignty by pursuing their individual right of free choice. In other words, the legitimacy of state sovereignty has been lost because individuals pursue their rights and exercise their own sovereignty.

The definition of nation-states and the modern state originates from the outcome of the Peace of Westphalia in 1648. Since then the system of nation-states has been referred to as the Westphalia state system. The discourse that has followed on the nature of state sovereignty has been a matter of prolonged dispute. In this thesis, I will define state sovereignty in accordance with the definition used by International Law:

**Internal sovereignty** is the state’s supremacy with respect to all affairs within its borders. **External sovereignty** is the state’s supremacy with respect to its relations with other political units beyond its borders; in particular, its right to the integrity of its territory, and to control crossing of its borders, as well as the right to enter as an

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independent party into economic agreements or military alliances or treaties with other states.\textsuperscript{13}

Under this definition, it is clear that national governments are not losing their control or losing their sovereignty, because impersonal forces cannot possess supremacy over others. This is because the citizens and the people of a nation create a community, which gives legitimacy to a national government through a social contract.

In contrast to those who argue that the nation-state is in decline, there are scholars who insist that the state is adapting to the challenges of our globalised world. Nation-states are seen to have been successfully mobilising their capacity for adaptation and change. They have risen to the challenges that globalisation has presented. Indeed, for some of these scholars, it is clear that nation-states have strengthened their role and bolstered their sovereignty by adjusting, restructuring and meeting the new demands of the present. This means that nation-states are not declining. They are changing their role and the tasks they perform.

Those who argue that nation-states have adapted to globalisation insist that it is wrong, or at the very least premature, to label nation-states as weakened entities. They argue that this underestimates the capability of states. They also argue that national states are not powerless and they are not retreating. The “…shift in tasks [of nation-states] has meant not abandoning the old, but adding and overlaying new functions and institutions.” In other words, states have responded by adapting to meet new challenges needed for the survival of the state.\textsuperscript{14} With regard to the state’s role, states have adapted in response to new challenges by undertaking three major initiatives:

\ldots[\textit{m}odern states have defined themselves...as tax-seekers for the conduct of military affairs...; secondarily as protectors of the national economy and agents of


\textsuperscript{14} Linda Weiss, \textit{The Myth of the Powerless State}, op. cit., p.9.
industrialisation…; thirdly as builders of ‘the nation’ through the expansion of social citizenship…[this] shift in tasks has meant not abandoning the old, but adding and overlaying new functions and institutions.\footnote{Linda Weiss, \textit{The Myth of the Powerless State}, op. cit., p.9.}

In accordance with the argument outlined immediately above, those who argue that the nation-state is in decline have failed to recognise the adaptation undertaken by nation-states. Those who see the state as being in decline have also been accused of too narrowly defining the role of the state. They have seen this role as “influencing the economic welfare of their citizens.” Similarly, Michael Mann warned against this trend in his discourse on the decline and weakening of states by stating that “[w]ith little sense of history, they exaggerate the former strength of nation-states; with little sense of global variety, they exaggerate their current decline; with little sense of their plurality, they down play international relations.” The state theorist Linda Weiss has also recognised that state denial theorists tend to be more popular “…in the very countries where the industrial economy has been seen to suffer more than most, and where the capacity for governing industrial adjustment is at its weakest among the advanced countries.”\footnote{See, Michael Mann, ‘Has globalisation ended the rise and rise of the nation-state?’, in T.V. Paul and John A. Hall, \textit{International Order and the Future of World Politics}, Cambridge University Press, Cambridge, 1999, p.259; Peter Drucker, ‘The Global Economy and the Nation-State’, \textit{Foreign Affairs}, September-October 1997, p.159; James N. Rosenau, \textit{Along the domestic-foreign Frontier}, op. cit., pp.159-173; Linda Weiss, \textit{The Myth of the Powerless State}, op. cit., pp.3 and 9.}

What the ‘state is in decline’ group and the ‘state is adapting’ scholars share is the assumption that the globalisation of capital has moved and shifted the role of the state. Both groups of commentators also recognise that the role of nation-states must now accommodate the considerable political and decision-making space that is being taken up by supernational entities. There is also the need to accommodate the present situation where:

\ldots so far, at least, there is no other institution capable of political integration and effective membership in the world’s political community. In all probability, therefore,
the nation-state will survive the globalisation of the economy and the information revolution that accompanies it.17

Within this nature of international relations, what continues to matter most for the survival of nation-states is that these states must be able to mobilise the resources available to them at any given time in response to both domestic and international challenges. On the international front, the role of the state “… was conceived as bulwark or buffer protecting the domestic economy from harmful exogenous influences…” but it has been adapted to be “…more as helping to adjust the domestic economy to the perceived exigencies of the world economy.”18 However, this adaptation process of the state’s role has no influence in altering uneven inter-state relations between strong states and weak states because:

[s]ome states use their powers to resist adaptation by attempting to force other states to adjust to their interests. Some states seize the new economic environment as an opportunity to control their own adjustment and advance their own economies. Many have adjustment thrust unwillingly to upon them. All, however, reason about state policy from the premise of the world economy.19

It is clear that nation-states have been able to remain intact while they have been changing the tasks and roles they perform. The ability of survival of the state depends on whether the state has an appropriate transformative capacity. This is a capacity that is likely to be different in a strong state than in a weak state.

The transformative capacity of nation-states translates into a number of day-to-day functions, including a government’s ability to impose new rules and norms in order to make domestic adjustments to global competition. The state must also accommodate the demands of supranational institutions. This is a situation that clearly suggests that those who subscribe to the hypothesis that the state is in decline are subscribing to an unsustainable point of view. Nevertheless, is must be noted, as I have recognised above, that some

national governments have greater ability, authority, legitimacy and power to alter their approach and functions (to transform) than others. This means that some national governments have more ability to adjust and transform their activities in accordance with the demands and challenges of contemporary globalisation.

The transformative capacity of nation-states is also quite obviously related to a state’s ability “to adapt to external shocks and pressures by generating ever-new means of governing the process of industrial change.” In line with this view a national government must be able to “…pursue domestic adjustment strategies that, in cooperation with organized economic groups, upgrade or transform the industrial economy.” The state must retain control over economic strategies in cooperation with, rather than in opposition to, non-state actors such as TNCs, including companies engaged in financial sector activity. In other words, those non-state actors are the agents “of transformative states seek to shape and coordinate resources across a broader spectrum”. In short, states must be in a position to impose their new rules, priorities, and norms.20

Under the present neo-liberal ideology, there has been “…the assumption that state capacity is a function of economic openness; that the more open or internationalised an economy, the weaker the state’s capacity to govern industrial change.”21 In other words, national governments of countries where the economy has been fully liberalised have been left with relatively little to control. On the other hand, states that retain some proportion of control of their own regulatory regime are able to coordinate more effectively and swiftly in order to meet new challenges. This situation has reached the point where, in many cases, a weak state has relatively less state capacity because it has had a limit placed on its ability to mobilise national resources. Often, the domestic market has been liberalised in order to attract international investment and often as a condition of receiving foreign development aid. By contrast, the strong state, with its greater capacity to mobilise its resources, has the

19  ibid., p.154.
21 ibid., p.7.
option of retaining a great deal of control over the nation’s market. In this sense, a weak state’s transformative capacity limits its responses to the forces of globalisation. Even when a strong state experiences some domestic and international limits to its options, it often has greater resources from which to fashion its response to challenges than a weak state.

Those scholars who maintain that nation-states have adapted to the demands of contemporary globalisation have offered an attractive argument. It is an argument that I will use when analysing the behaviour of two apparently very different national governments: the government of Japan and the government of PNG. The former is widely understood to be a strong state while the latter is usually referred to as a weak state. PNG is a state that exists in what some now refer to as ‘the arc of instability’. I am particularly interested in the link between the domestic situation in these two countries and the manner in which these conditions play on and condition the state’s response to international challenges and demands.

Many general theories of international relations have limitations in terms of explaining the foreign policy behaviour of nation-states (including the behaviour of both Japan and PNG) because “…[t]hese theories take as their dependent variable not the pattern of outcomes of state interactions, but rather the behaviour of individual states. [Thus,] [t]heories of foreign policy seek to explain what states try to achieve in the external realm and when they try to achieve it.” These theories need further consideration. Globalisation impacts on the foreign policy responses of nation-states differently in the case of a strong state than in the case of a weak state. Therefore, it is critical to ask how different states make their individual foreign policy responses and how they respond differently.

The neoclassical realist theory:

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…explicitly incorporates both external and internal variables, updating and systematizing certain insights drawn from classical realist thought. Its adherents argue that the scope and ambition of a country’s foreign policy is driven first and foremost by its place in the international system and specifically by its relative material power capabilities. This is why they are realist. They argue further, however, that the impact of such power capabilities on foreign policy is indirect and complex, because systemic pressures must be translated through intervening variables at the unit level. This is why they are neoclassical.23

To apply this hypothesis to a strong state – the Japanese state – is more effective than applying it to the foreign policy behaviour of a weak state – PNG. This is because Japan has obvious ‘relative material power capabilities’ that PNG is denied. It is in this context that it is essential to consider the perceptions and understanding of state leaders and elites over the limit and options that they can and cannot mobilise for their state’s responses. It should be remembered that “it is their perceptions of relative power that matter, not simply relative quantities of physical resources or forces in being[,] …means that over the short to medium term countries’ foreign policies may not necessarily track objective material power trends closely or continuously.” The perceptions of national leaders and elites is inextricably bound up with “…the strength and structure of states relative to their societies, because these affect the proportion of national resources that can be allocated to foreign policy [, and] …means that countries with comparable gross capabilities but different states structures are likely to act differently.”24 It is clear that:

… systemic pressures and incentives may shape the broad contours and general direction of foreign policy without being strong or precise enough to determine the specific details of state behaviour. This means that the influence of systemic factors may often be more apparent from a distance than from up close – for example, in significantly limiting the menu of foreign policy choices considered by a state’s leaders at a particular time, rather than in forcing the selection of one particular item on that menu over another.25

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23 Gideon Rose, ‘Neoclassical Realism and Theories of Foreign Policy’, op. cit., p.146.
24 See, ibid., p.147.
25 ibid., p.147.
Two very different states – Japan and PNG – are responding to the challenges generated by present-day globalisation in ways that are both similar and different. Their similar responses are in spite of their own unique histories in terms of their cultures, state formation and economic development, and in spite of their very different positions in the international arena.

**Conclusion**

In this thesis I will argue that nation-states are not declining. They are adjusting in order to meet the challenges presented by the present period of neo-liberal globalisation. I have also argued that the thesis that the state is declining is faced with a fundamental problem. Insufficient attention has been paid to the manner in which nation-states mobilise their transformative capacity in order to meet both domestic and global challenges. It is obvious that different national governments have different transformative capacities, and when considering the capacity for change demonstrated by the national governments of Japan and PNG, it becomes clear that the strong Japanese state has more capacity and opportunity for change and transformation than the relatively weak PNG state.

It is clear that nation-states are in the process of learning and adjusting and that countries and their governments find their place in the international system. This place is closely related to their relative material power capabilities. In addition, there are limitations and constraints on government leaders and national elites, as well as opportunities that may well be seized by these same leaders and elites. An example I will discuss in this thesis is the foreign policy role that was developed for Japan’s Official Development Assistance (ODA) programme. The role of this programme in Japan’s foreign policy responses has been remarkable. Indeed, it has been just as remarkable as the role of state-society interaction in the response of PNG’s national leaders and elites to the demands of globalisation.
Chapter Two: State Strengths and Capacities

Introduction

As I have noted in my previous chapter, in our globalised world, neo-liberal ideology, free markets and cross-border activities have been identified as challenging state sovereignty, authority and legitimacy. This has led national governments to respond in a manner that amounts to a process of adaptation. They have displayed a capacity for change in both their domestic and foreign policy spheres of influence. They have mobilised their national resources, state and non-state, and some states have even been in a position to strengthen their capacity and roles. They have been far from powerless and retreating entities. Others have retained their well-established roles and then added new functions and roles. There is, as I have noted in the previous chapter, a vibrant discourse on the capacity and fate of nation-states. There is also the need to recognise that some states are what has been described as ‘weak’ or ‘broken-backed’ states. They have not been in a position to function effectively. It has been argued that PNG is a weak state in terms of the state’s ability to function in accordance with its expected capability. By contrast, Japan is a strong state. This state is seen to be capable and efficient and it can be credited with having promoted social coherence.

The concept of a strong state or a weak state is informed by the view that “…a state is one organization within a societal area where groups and individuals contest rules and norms.” However, this concept alone is unable to grasp the significance of the internal functioning of states, which means that a ‘state-in-society’ approach can be usefully employed to investigate how “…internal tensions and competition among state sections significantly shape state policies, actors, and capacity.” Under the state-in-society argument, the state is recognised as seeking to maintain its “…legitimacy and order, in part by raising revenue, resisting internal and external threats, coordinating state agencies, and controlling or

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26 The term ‘bagarap’ in Papua New Guinea Pidgin literally means everything is falling apart, but people in PNG use it to describe the destruction (and decay) of the PNG national political and governmental system. Finding from field research, January – March, 1999.
responding to societal pressures.” In undertaking these functions the state is ensuring its own survival, while society as a whole is recognised under the state-in-society approach as being constituted from social forces. These social forces encompass all formal and informal social organisations, groups and units, including the institutions and government of the state, and challenges to the social control of the state. In the process, both the state and social forces seek to impose their own rules and norms by mobilising rewards, sanctions and symbols. However, social challenges are not only taking place between the state and society, but also among social groups. These are challenges that may well weaken the capacity of the state.27

Under a state-in-society approach, the state is defined using an ‘ideal-type definition of the state’. It is presented as “…an organization, composed of numerous agencies led and coordinated by the state’s leadership (extensive authority) that has the ability or authority to make and implement the building rules for all the people as well as the parameters of rule making for other social organizations in a given territory, using force if necessary to have its way.” The state is “…a multifaceted organization with a legitimate monopoly over the use of violence”. It consists of an executive, legislature, judiciary (courts), law enforcement (police), armed forces, and bureaucracy (agents for the implementation of policy) including schools and public enterprises (state-owned, and half-owned even if still subject to direct and indirect control under a state regulatory regime after full privatisation).28


In the scheme I have outlined above, other actors, apart from the state, are included under the rubric of “social forces”. 29 These include individuals, family units, neighbourhood groups, and all the clans, clubs, communities, and trans-national companies which “…have used a variety of sanctions, rewards, and symbols to induce people to behave in their interactions according to certain rules or norms.” In one sense, social forces have a traditional role, whilst on the other hand, they would and can conflict directly with the law of the state. There may also be suspicion and mistrust among individuals and groups, which is associated with a conflict of interest. Rewards and sanctions can then be used to ensure an outcome sought by one group from another. These can be used by those who seek to exercise significant control in a society. 30

When pursuing social control, rewards and sanctions come first, but they are not enough to motivate most social groups. This means that symbolic means are also employed. These include using moral grounds when pursuing social control. Symbolic configurations are defined as “tie[ing] actions together in some meaningful or purposeful way, to transcend through action the specific act itself.” It is a case of “ideology or beliefs or anything else, make manageable a universe, which could otherwise seem overwhelmingly threatening and impenetrable. These ideologies or beliefs etc. may …address cravings and needs, such as salvation, affection, and respect.” Symbolic configurations may represent moral issues and other forms of human need. They are likely to be used together with rewards and sanctions so that there is an integrated “…transcendental purpose to otherwise mundane behaviour needed for survival.” 31

A combination of rewards, sanctions and symbolic configurations “…have constituted the specific institutional arrangements that have distinguished one people’s history of control from that of others. They have marked off one culture from another.” Individuals not only

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need to “…combine available symbols with opportunities to solve mundane needs for food, housing, and the like to create their strategies for survival.” They also need “…a link for the individual from the realm of personal identity and self-serving action (a personal political economy) to the sphere of group identity and collective action (a communal moral economy).” The identities of individuals and their strategies for survival “…rest on concrete foundations; they provide material needs and aspirations, such as jobs, housing, and protection”, and the ability to exercise social control “…rests on the organisational ability to deliver key components for individuals’ strategies of survival.” 32 In this way, the state is what is supposed to provide the necessary resources for survival. However, as Migdal has pointed out:

… [states] have hosted a diversity of rules of the game – one set for this tribe and another for neighbouring tribe, one for this region and another for that. Social control has not been of a piece, but it has frequently been highly fragmented through a territory. The central political and social drama of recent history has been battle pitting the state and organizations allied with it (often from a particular social class) against other social organizations dotting society’s landscape. Although state leaders have aimed for ultimate uniform social control inside its boundaries, diverse heads of these other organizations have striven fiercely to maintain their prerogative. 33

Because of the diversity of social organisations in a society, “…state output is a result of struggles among state sections and with relevant non-state organizations.” Because of this complex network and interaction between the state and society, it is crucially important to look into “how the state is woven into its society.” 34

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33 ibid., pp.27-28.
The root cause of state capacity to provide for the citizens of a given nation is often to be found in the state’s historical development and in the context of a colonial legacy. The latter may well have fostered the view among members of a population that the state is principally “a provider of goods and services”. When a state has limited capacity and limited ability to mobilise resources and so provide an acceptable level of goods and services for the population as a whole, social forces may well pursue their own strategy for survival, and in many case this “…is best achieved by occupying the institutions of the state.” The scholar Bill Standish provides an example of this situation using the PNG experience. In PNG, occupation of the institutions of the state affects the state’s capacity to exercise power in its own right. This is manifest in struggles between national Parliamentarians and elected members of provincial governments. Standish observes the follow circumstance:

In 1995 the parliamentarians took over power within the provinces, gaining control over public expenditure. Since then, public services, already run-down in rural areas, have declined as provinces have received reduced shares of essential operating grants. Meanwhile, MPs [the National Members of Parliament] continue to receive millions of kina in annual discretionary grants appropriately called ‘slush funds’. This system increased the incentive for clans or tribes to seek to elect one of their own as an MP, in order to grab some funds for themselves, so as to have operative roads, schools and health services. With few expectations, MPs redistribute little money to local level councils, yet they are themselves unable to spend it effectively.35

The overall processes of national government are clearly weakened in the above circumstance. It is then the case that a weak state has “inefficient and ineffective services, and internal disorder and random violence”. The state is also weak in terms of its

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administrative capacity. It will “often have low administrative capacity, poor services, ineffective financial managers and tax collectors, and inefficient and wasteful officials[.]”

As I have noted above, social forces seek to pursue their strategy for survival by mobilising a variety of rewards, sanctions and symbols. They may compete with each other or they may compete directly with the state. When the state and/or its institutions are involved in competition between groups, this process may well undermine the capacity of a national government to provide the administration and services expected by its citizens.

I have outlined the requirements for a strong state in the previous chapter and will therefore only briefly re-visit these requirements before I move on to discuss two further and closely related issues in this chapter. When the strength of a state is considered, this is usually done on the basis that a strong state will “…achieve the kinds of change in society that their leaders have sought through state planning, policies and actions [while] to penetrate society, regulate social relationships, extract resources, and appropriate or use resources in determined ways.” The capacity of a state can therefore be recognised and measured by the state’s social control and the ability of state leaders to successfully implement government planning, policies and actions. Resources must also be able to be mobilised, including financial resources, often in the form of taxes. I will now turn my attention to a concept that has been referred to as 'state compliance'.

State compliance measures whether the state is able to “ensure societal compliance with official laws, act decisively, make effective policies, and preserve stability and cohesion.” It is clear that this compliance would be undermined by “limited capabilities of many administrators” who would then reduce a government’s ability to provide services. In PNG, one of the main problems is that there is a duality of law between a customary system/practice and laws implemented by the state. Individual citizens must then decide

37 Joel S. Migdal, Strong Societies and Weak States, op. cit., pp.4-33.
whether they comply with modern laws or with customary laws and expectations. It is often the case that “…compliance with ‘custom’ may mean breaking the law, and vice versa.” In this sense, it could be extremely difficult for state leaders and government officials to convince people that they are wrong, when customary law means they violate state laws. Such cases are not simple. They are complex and difficult to arbitrate.38

Two further issues that are related to and are important to the discussion outlined above, are the issue of participation and that of legitimation. In the case of participation, this is a vehicle for offering “strength [for the state] by organizing the population for specialized tasks in the institutional components of the state's organization.” Leaders must be able to “encourage societal participation in state institutions.” This participation can be measured by representation at state parliament and by using election data as an indicator of popular participation. Using this criterion, participation in PNG would be high. PNG society is fragmented into many different social organisations without major class or ethnic cleavages, but with “… a large number of candidates contesting elections, high voter turnout, high demands made of members of parliament…”39 When it comes to the issue of state legitimacy, a definition offered by Joel Migdal is particularly informative. He argues that:

[t]he most potent factor accounting for the strength of the state, legitimation, is more inclusive than either compliance or participation. It is an acceptance, even approbation, of the state's rules of the game, its social control, as true and right. …
[C]ompliance and participation may result from calculations by individuals of the array of rewards and sanctions at hand, legitimation includes the acceptance of the state's symbolic configuration within which the rewards and sanctions are packaged.

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39 See, Joel S. Migdal, op. cit., p.32; Peter Dauvergne, op. cit., p.2; Ron May, op. cit., pp. 68-69; Peter Larmour, op. cit., p.80.
It indicates people’s approval of the state’s desired social order through their acceptance of the state’s myths.\textsuperscript{40}

In addition to the three issues I have now discussed – compliance, participation and legitimisation – there is what Peter Larmour and Benedict Kerkvliet call “political legitimacy”. It is also a useful measure of state strength. A definition of ‘political legitimacy’ is that it is “a mixture of competence, reciprocity, abiding by the rules, and the appropriate use of coercion or force.” Competence is again referring to the state’s ability to deliver services, protection and order. It has a sense of reciprocity embedded in its core in the sense that people expect benefits in return for taxes paid and support that has been given. For its part a government must understand “how [they] should govern…” It must not use coercion and force beyond what the population would consider to be acceptable and tolerable limits.\textsuperscript{41}

A vital question that follows the discussion above, is the question of “who occupies the institutions of the state…[?].” It is then necessary to ask how representative this group is. Then there is a further issue that should be investigated. This is that in the case of some national governments, the state’s capacity is obviously weak, but the state has been “remarkably resilient”. It has stayed intact “despite poor services, internal disorder, and financial mismanagement”. In addition, there are situations where there is a strong state, but the state is “not immutable strong, and in some areas and sectors they [it] can be remarkably weak.” The former case applies to PNG and the latter to Japan. The Japanese state is a strong state, but it has demonstrated noticeable weaknesses, such as when the state sought to decentralise state power by reforming local level authorities where the patron-client ties proved to be resistant to reform. A further observation, the last in my present list, is that it is critical to have a “dynamic view of state strength and weakness… - one that

\textsuperscript{40} Joel S. Migdal, \textit{Strong Societies and Weak States}, op. cit., pp.32-33.


There are some important similarities in political practice between the strong state of Japan and the weak state of PNG. Both states have had a strong reliance on systems of personal networks and connections. The personal networks and connections in political practices are based on kinship in PNG and \textit{Cone} in Japan. The latter is also concerned with kinship. In modern political practice, these personal connections have been formed on the basis of common interests of patronage and material benefit. Sometimes they also become the basis for creating an expansion of patron-client ties within these societies. This has been a strength in these societies. Personal networks and connections have created extensive consultation and have led to a wider consensus in society. This has promoted social cohesion. However, patron-client relations also lead to marginalisation when they are used to exclude others from seeking political and economic advantage.

The personal networks and connections in PNG are based on a combination of \textit{wantokism} and \textit{big-manship}. These connections are a powerful tool.

In general, the term \textit{Wantok} refers to a person who speaks the same language that is, ‘one-talk’. However, the term also refers to a group of people “from the same tribe, province or even region of the country”. In practice, the term wantok is used “to describe relations of obligation binding relatives, members of the same clan or tribal groups, as well as much looser forms of association.” In this context, wantokism has meant that “[i]n the context of modern institutions, ‘wantokism’ is generally used to describe nepotism.” In this last assumption, the practices of wantokism possess serious consequences for state-society relations, in that “…when the impact of wantokism is to entrench the position of those who for historical or other reasons have gained an initial advantage in the political-
administrative system, wantokism has a great potential for exacerbating ethnic and regional tensions.\textsuperscript{43}

Yet another important feature of the personal connections and networks in PNG is big-manship or the big-man style of leadership. This style of leadership does not represent all forms of leadership in modern PNG society. Nevertheless, it does have a very strong impact on modern PNG society.\textsuperscript{44} The dynamic of this type of leadership:

\ldots revolves around patterns of competitive leadership, prestige building, and the gift economy that shaped the social and political organization of many small-scale, stateless societies. As a status more often achieved than inherited, individual prominence was built up in perpetual compensation with others. The archetypal big-man combined a potent mix of entrepreneurial drive, ingenuity, oratorical skills, and, significantly, generosity. Prestige attached to the manner in which wealth was distributed, rather than its mere accumulation. The strategic exchange of resources provided an important mechanism for manipulating social relations within kinship or lineage associations. The gift economy engendered reciprocal obligations or social debts that served to bind individuals and groups together. In this sense, gifting constituted a fundamental modality of social control.\textsuperscript{45}


\textsuperscript{45} Sinclair Dinnen, \textit{Law and Order in a Weak State}, op. cit., p.190.
It is obvious that a combination of *wantokism* and *big-manship* is a powerful form of personal networking and connections in PNG politics and society. Big-manship demands a hierarchical structure (albeit a relatively fluid hierarchical structure) while the wantokism functions to reinforce big-man style leadership. PNG society in general is fragmented, with more than 700 different ethnic groups, but the combination of *wantokism* and *big-manship* (and other forms of traditional style leadership) have provided social cohesion through the alliances made with other groups. Some recognise that joining a more powerful group ensures a group’s survival. The combination of *wantokism* and *big-manship* in practice, under the modern political system in PNG, is a part of the dynamics of the intensified state-society interaction. This is evident when state leaders, politicians, government administrators and members of the population at large, all the way down to small local groups, seek to gain advantage, usually by extracting resources. It is also the case that the combination of wantokism and big-man style leadership has caused corruption. The powerful combination of wantokism and big-manship has been mobilised for:

...the transfer of resources from the civic to the primordial public realm – is, with some expectations, regarded as corruption only by those who are not beneficiaries. It is expected of politicians that they will reward those who voted for them, and where a sense of nationhood and of loyalty to the state is poorly developed, and expectations of political longevity are low, it is accepted that politicians will squeeze as much as possible out of the state, and will do so within a short time-frame. Moreover, once this pattern of behaviour becomes established among politicians, it is likely to spread within the public services: bureaucrats will tend to favours their *wantoks* in the provision of services or to seek special favours from those to whom services are provided. Such factors largely explain the increasing competition for political office, ... and the increasing politicisation of decision-making.\(^46\)

State leaders and elites have sought to extract state resources in order to increase their prestige. They have extracted resources for their own political and economic benefit, whilst at the same time distributing state resources to members of their wantok.
It is undeniable that personal networks under the combination of wantokism and big-man style leadership have a redistributive role in terms of the wealth and materials in society. These networks function as an important antidote (or at least a complement) to the state’s weakness in terms of its distributive capacity. It is also the case that the interaction that is taking place between the state and society has contributed to creating a consensus among social groups through intense consultation and compromise. On the other hand, the combination of wantokism and big-man style leadership has weakened the PNG state’s capacity by causing corruption in a Western-styled political system.

The dynamics of the intensified state-society interaction in the weak PNG state can also be recognised as operating in the strong Japanese state. This is happening under the Japanese style of personal network – Cone.

Cone is based on personal connections, which are important in smoothing political processes. It is an important part of the dynamics of the intensified state-society interaction in Japan. The most well-known form of this personal connection in Japanese political life can be seen in political circles. There is what is called an ‘iron circle’ of politicians, bureaucrats and keizaikai (the business community). This form of Japanese personal network not only promotes corruption and nepotism, but can also be mobilised for penetrating the policy-making of the state. It can facilitate the extraction of state resources for individual or group political ends. Cone also promotes social cohesion. The latter has done much to ensure that Japan not only has a strong state, but also has a strong society.

The system of personal networking has always been a part of politics as it is practised in Japan – from small communities to national politics. Nevertheless, it has been widely criticised both domestically and externally. It has been seen as a fundamental cause of a culture of corruption and nepotism. Despite widespread views and criticism not only among intellectuals but also among the public, the practices have continued to be an important part

of Japanese politics. The personal networks operating in Japan are based on *mura-shakai*, which means village society. Historically, Japanese society is constituted from villages that became a society in more recent form over a two thousand-year period. Because it has continued to be the core structure of Japanese society, the village society-based personal networking system is an effective structure for political communication – a bottom-up and top-down process. In the process, a family unit at the bottom of the hierarchical structure can have its opinion represented at the village decision-making body. The decision from the village then goes to the area decision-making body, consisting of representatives from villages. From this body a representative goes to a higher political decision-making body. The representative has no power to make a decision based on his or her judgement but functions as a delegate. He/or she is not a trustee. This is the bottom-up process.\(^{47}\)

On the other hand, the top-down process is one where a political decision is relayed to the bottom through each of the above-mentioned political decision units. In this case, the bottom decision-making unit – the family – makes its own decision and then returns feedback to the top (i.e., via the process of bottom-up). Through this overall process, the eventual position will be different from what individual units would have originally intended. This is because the majority’s decision should be a unit’s decision. In this decision-making process, there are intensive personal connections involving people who have their own agendas and interests. Such people often form factions within decision-making units for carrying out *ne-ma-washi*, literally ‘lobby activity’. A distinction between the Western style of political lobby activity and the Japanese *ne-ma-washi* is that political lobbying does not necessarily mean that a lobbyist’s self-interest will be realised. *Ne-ma-washi* aims to make sure that the outcome is based on consensus. Therefore, if any *ne-ma-washi* exists, there is a considerable degree of consensus in the decision-making process.

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ahead of formal discussion and final decisions. Also, *ne-ma-washi* is sometimes used for out-manoeuvring opposition elements, such as snubbing a political enemy by making a secret deal with another. This decision would be made before negotiation talk takes place. This process strengthens Japanese society and promotes and maintains social cohesion and stability.

The practice of personal connections appears in a variety of forms and among different social groups. It has been mobilised to meet challenges and has been used to penetrate the policy-making processes of national governments. It has affected the distribution of state resources and promoted both economic and political interests. It has intensified state-society interaction. There are many other different forms of personal connections, although it is impossible to cover all forms within the limited space of this thesis. Therefore, I will limit discussion to particular forms that are relevant to the case study on Japan in this thesis. In Japan, some of the groups among the notable variety of those who practice personal connections are politicians, bureaucrats and business groups. They use the form of *gaku-batsu*, *kigyo-shudan*, and *habatsu* to mobilise their personal networks. *Gaku-batsu* literally means an academic circle or graduates’ circle. Those who have graduated from the same university have made contacts and maintain them. Later, they use this connection to form a faction not only within society, but also within the institutions and organisations that their members occupy, so that they penetrate the policy-making processes of the state in advancing their interests. *Kigyo-shudan* literally means a business group that has the same or similar interests in business issues, and seeks to protect and maintain these through penetrating the decision-making of the government and institutions of the state. *Habatsu* is the term for personal connection, which refers to factions that are based much more on common individual interests than ideology. These forms of personal connections have been mobilised to penetrate the decision-making of the state. They have been used to extract state resources for their own political ends. The form of *habatsu* in national politics has

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been institutionalised under the one-party domination of the Liberal Democratic Party. This has resulted in national politics operating a one political party model of national politics.49

Given that personal networks are operating in the context of the weak PNG state and in the context of the strong Japanese state, there is a question of whether there are any similarities in the practices of personal networks in the two states. From the point of view of similarities, Japanese factionalism known as habatsu is similar to the connections functioning in the politics of PNG. In the latter context, it is based on a clan or tribal group system, which forms the basis of political factions at higher level political arenas such as provincial and national level governments.50 There are also similarities between Japanese and PNG politics in the manner in which gaku-batsu operates in Japan. In addition, the personal networks in both states possess a redistributive capacity of wealth and resources into society while creating consensus among social groups. As we would expect, personal networks in both PNG and Japan also share similar problems. For example, this form of politics encourages marginalisation in both societies. It is often driven by the elites of society.

A practice similar to the Japanese style of personal network known as gakubatsu can be seen at the University of PNG (UPNG). New generations of elites are emerging from UPNG, where personal network politics is practised using student politics. Student politics on and off the campus of UPNG are based on the factional politics rooted in villages, tribes and at the provincial level. This type of politics has incorporated new rules and norms that have come to operate under the mantle of a modern political system and its practices.51

49 Ezra F. Vogel, Japan as Number One, op. cit; Masao Maruyama, Nihon Seiji Shisoshi Kenkyu (Analysis on Japan’s Political Philosophy), op. cit; Masao Maruyama, Gendai Seiji no Shiso to Koudo: Jo Kan (Modern Political Philosophy and Behaviour: Vol. 1), op. cit; Masao Maruyama, Gendai Seiji no Shiso to Koudo: Ge Kan (Modern Political Philosophy and Behaviour: Vol. 2), op. cit.
50 It should be noted that politics in the National Capital District (NCD) is also a political playground for these factions.
An important difference between the function of personal networks under a weak state and under a strong state is that under a weak state the redistributive role of these networks complements state distributive capacity in areas where the state lacks capacity. However, it has been recognised that the factionalism that is fostered by personal networks, and particularly when it is driven by elites, is always problematic. It is problematic in the following ways:

1. The elite in the community mobilise personal networks for their own individual interests – note the link to nepotism and corruption in a modern political system
2. Individuals in society who do not belong to a personal network are marginalised and this may affect their access to the benefits of redistribution
3. Even those belonging to personal networks do not necessarily obtain benefits of the same magnitude as the elite
4. The elite with personal connections have the capacity to gain and access the benefits of globalisation. This results in the gap between the elite and others in society widening unless the former increases its redistributive role to the latter.

The implications of links between globalisation and personal networks are that personal networks can tend to accelerate globalisation by contributing to people being further interconnected with each other.

Three reasons can be identified as to why PNG’s weak state has not collapsed. As I have argued immediately above, one of these factors is that, as in Japan, patron/client relations are prominent in state/society relations. Two other reasons have been the role of international factors and what some refer to as the 'naturalisation of the state'.

The international environment has empowered weak states. Weak states gain support from the legitimacy afforded their existence by international organisations such as the United Nations. These organisations have maintained and promoted diplomatic recognition. International law has respected the sovereignty of states. Legal conventions such as the Law of the Sea recognise their state boundaries and their right to determination over a
given, clearly defined, territorial area. International organisations also furnish “all sorts of assumptions about how the state should occupy itself”. They give instructions on the basic role of the state, whilst these weak states find they are obliged to at least appear to implement “international norms into practice domestically”. Weak states have also been supported by the international trading system. Foreign aid has also directly and indirectly assisted the survival of weak states by providing and delivering basic public goods and services, including in the areas of health care and education where the capacity of weak states is often dysfunctional.\footnote{See, Joel S. Migdal, ‘Why Do So Many States Stay Intact?’, op. cit., pp.15-16, 17, 20, 21 and 36.} However, even while the international system has supported the survival of weak states, their survival is not solely explained by this situation. As I have indicated above, patron/client networks have played their part. While the support of international organisations is an external factor that has promoted the survival of weak states, patron/client networks have been an internal factor holding weak states back from collapse.

In addition to the two factors above affecting the question of why a weak state does not collapse, there is the 'naturalisation of the state'. This third naturalisation factor takes place in the mind of members of the population. The naturalisation of the state means that “…people consider the state as natural as the landscape around them; they cannot imagine their lives without it.” This is as a result of when “certain areas of state-society interaction can create meaning for people in society”. The naturalisation of the state takes place through “…the generation of the law in the society, the sharing of public rituals between state and society, and the ongoing renegotiation of the rules of informal behaviour in the public sphere.”\footnote{See, ibid., pp.12-13 and 28-36.}

In this sense, the concept of naturalisation overlaps with the view expressed by one of China’s ancient historians, Du Fu (712-770). In Du Fu’s famous work \textit{Chung Wang} (Spring View) he expressed his view of the relationship between war, the state (country), people’s lives and nature:

\begin{quote}
\end{quote}
Though a country be sundered, hills and rivers endure,
And spring comes green again to trees and grasses,
Where petals have been shed like tears,
And lonely birds have sung their grief.
After the war-fires of three months,
One message from home is worth a ton of gold.
I stroke my white hair.
It has grown too thin; To hold the hairpins any more…

In other words, Du Fu’s expression/views can be interpreted as war having destroyed and shattered the country and people’s lives, but nature and the state as an entity would remain intact despite the changing rules and norms. Whoever would be next to rule the country, the state, the role of the state and state organisations remained intact, while the evolution of the generation of law in society, the sharing of public rituals between state and society, and the renegotiation of the rules of informal behaviour in the public sphere all continued and remained intact. What changed was the ruler of the state and the form of government of the state.  

It was in this manner that Japanese people drew on this poet after the end of WWII. Japan was shattered from the war with a great deal of destruction of human life and property. However, the state remained intact. Government services were in chaos, but society was kept almost as it was while the militarist regime was replaced and the Imperial national polity was humanised by the occupied powers. At the same time, the state has remained and the evolution of law and interaction between state and society through public rituals has continued. In other words, the assumption of the naturalisation of the state in the mind of

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54 See, Joel S. Migdal, ‘Why Do So Many States Stay Intact?’, op. cit., pp. 12, 23-36. The original poet of 春 望 杜 甫 (chun wang du fu) in Chinese is: 国 破 山 河 在 (guo po shan he zai); 城 春 草 木 深 (cheng chun cao mu shen); 感 時 花 濛 淚 (gan shi hua jian lei); 恨 別 鳥 驚 心 (hen bie niao jing xin); 烽 火 連 三 月 (feng huo lian san yue); 家 書 抵 萬 金 (jia shu di wan jin); 白 頭 掃 更 短 (bai tou sao geng duan); 潛 欲 不 勝 簪 (hun yu bu sheng zan).
the population can be applied not only to post-colonial states, but it can also be applied to explain why a strong state – Japan – has remained intact. More boldly speaking, it is an idea that can be applied to other non-Western states. In PNG, the naturalisation of the state has taken root in the hearts of much of the population. There are many who are proud of their country, even though they are disappointed in its present form.

Some scholars recognise that weak state capacity in post-colonial states has been further weakened by the forces of globalisation. This is because some post-colonial states have weak state capacity, which limits their capacity to adapt to the challenges of globalisation. In some cases a weak state may even struggle to survive under the forces of globalisation.

A weak post-colonial state can be marginalised by the forces of globalisation. This is a process that is best described by assumptions that have been associated with dependency theory. Using the assumptions from which dependency theory draws, weak states among post-colonial states are in a disadvantaged position in the world system. This has meant that they have had to depend on economic, trade, political, and military assistance from the developed world. This assistance has functioned to ensure that weak states do not collapse. However, the same rules and norms that have been useful in this respect have included “inappropriate development models, and the extraction of food and other critical resources”. This has countered support for the state by weakening the capacity of weak nation-states.  

Inappropriate development models have often meant disregard for local needs while extending the particular interests of international organisations or aid donors. This results in state resources being diverted into areas where they are needed. International organisations and aid donors have been charged with fostering what has come to be considered to be

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inappropriate development, or at the very least they have been seen to foster development that has taken insufficient account of local views and interests. Comments such as the following set out the problem:

[Does Argentina have to cut its public sector to qualify for foreign loans? Yes, according to the IMF – sparking general strikes against the social consequences. It’s the same issue everywhere: trading away democracy in exchange for foreign capital… ...the same struggle for self-determination and sustainability are being waged against World Bank dams, clear-cut logging, cash-crop factory farming, and resources extraction on contested indigenous lands. Most people in these movements are not against trade or industrial development. What they are fighting for is the right of local communities to have a say in how their resources are used, to make sure that the people who live on the land benefit directly from its development. ... In a period of ‘unprecedented prosperity’, people were told they had no choice but to slash public spending, revoke labour laws, rescind environmental protections – deemed illegal trade barriers – defund schools, not build affordable housing. All this was necessary to make us trade ready, investment-friendly, world-competitive.]

While the policies outlined above are promoted as improving the daily lives of developing country citizens, there are many who charge that these policies are weakening the capacity of individuals, societies and states to reproduce a situation that will be in their best interests in today’s globalised world.

Improving efficiency and productivity is seen to come with the rationalisation of economic activity, but this rationalisation has often been put in place at the expense of social programs and at times it has been adopted at the expense of social harmony and coherence. Low-income earners have proved to be the most vulnerable to problems associated with free market rationalisation. While Japanese citizens are considered to be relatively well-off, the same cannot be said for residents of PNG. In PNG, a poverty assessment project carried out by the World Bank and the PNG government in 1996 reported that “the richest 10 per cent of the population accounts for 36 per cent of consumption; the poorest 50 per cent for

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only 19 per cent of total.” Moreover, “[a]pproximately 20 per cent of the population have a consumption level less than the threshold cost of achieving a basic standard of living…” and “…the poor in Port Moresby have become worse off than they were 10 years ago.” There is a very clear indication that the poor of PNG are marginalised from the prosperity of the minority and that their plight has worsened over time.57 Some have argued that globalisation has not benefited developing countries with weak governments. And, as the then the President of the World Bank, James Wolfensohn admitted:

...[p]overty is much more than a matter of income alone…poor seek a sense of well-being…good health, community, and safety…choice and freedom as well as a steady source of income. Well-being is having the chance to grasp new economic opportunities; something the poor feel much less able to do than a decade ago. [Additionally,] corruption is a daily fact of life as the poor try to access public services and mak[e] [a] living.58

Wolfensohn has also asked: “[w]hat use is privatisation if there are no social safety nets to deal with unemployment, [and] no rules to protect the public from private monopoly?” Indeed, privatisation is a strong measure for implementing economic rationalisation. However, this particular strategy very often makes unemployment in developing countries far worse than the already very high levels of unemployment that they are experiencing.59

The rationalisation of economic activities has required restructuring to be undertaken in order to improve efficiency and productivity. Often, restructuring economic activities is pursued through the process of cost cutting measures, which have led to redundancies and

58 J.D. Wolfensohn, ‘for POORER...’ op. cit.
higher levels of unemployment. Redundant workers in economically strong states such as Japan can expect to receive a social security benefit, but in PNG there is no state-funded social safety net system and there are minimal prospects for re-employment. Workers then find they have lost their source of income. This situation has resulted in those who are unable to access their basic necessities pursuing alternative strategies for survival.

It is in part as a result of the above situation that individuals find help in their own communities. It is as a result of the state’s lack of ability to provide services (including economic assistance for those who have lost their jobs) that “…communities turn in on themselves to solve their problems.” They link “with the bisnis of politics where a member from their clan or interest group is in power at either provincial or national level [and so] creates a continuous and cyclical series of relationships and events that distorts resource distribution, condones corrupt practice and cronyism…” 60 Those who are unemployed and those who have little chance of accessing paid employment are obliged to turn to subsistence and the informal economy for support, and/or they take up criminal activities.

PNG has had a serious law and order problem since the late 1980s and this is a situation that has been worsened by the breakdown of traditional socio-cultural values. In the present context:

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\text{crime rises, involves broader socio-economic groups and becomes more sophisticated and harder to control. Desperate communities create their own mechanisms of social order while the government – having already lost control – enacts draconian legislation like the death penalty, use pillage and burn techniques in an attempt to control communities through fear, further destroying public confidence, and continues to inefficiently dominate rules, regulations and contracts – and the cycle reinforced itself.}^{61}
\]


The great number of crimes committed demonstrates how serious the problem of law and order is in PNG. The violent crime rate in PNG is 2,000 crimes per 100,000 population and it is likely that the crime rate will continue to climb. The situation is made worse by the substantial difference between the income of the urban elite and the urban unemployed and rural residents. For some who engage in criminal activity, this means that they earn as much from illicit activities as “the relatively high wages of unskilled labour in the formal sector”. Moreover, “Bomana male prisoners and ex-prisoners say many boys are expelled from home or choose to leave for reason of deprivation and abuse, sexual, physical or emotional. Many of these angry young men with few formal or informal work opportunities to prove their social and economic legitimacy by being initiated into manhood through alcohol and marijuana abuse and such criminal acts as carjacking and armed robbery.”

At the same time, a lack of formal employment opportunity and criminal activity are endemic. Women, who have been marginalised in PNG society, are recognised as having the worst prospects. They are also being dragged into criminal activities. They may well be obliged to work as sex workers. This comes as no surprise, given the limited state capacity for providing education opportunities, and has meant that women have far fewer education opportunities than men. Maxine Pitt has used an illustration of a woman whose husband is an unskilled labourer with earnings that do not support the family that includes five children. She is unskilled herself and has wantok obligations, and is quite likely to begin to work as a prostitute, but her guilty conscience forces her into abuse of alcohol and gambling. A vicious cycle is established and the family must move to an area that has no water supply. Many young women are illiterate and many women are abused by the ‘traditional’ way that men treat them. The mortality rate among “unwanted babies is high”. Pitt’s studies have pointed to the stark choices for women when “many young women who have not been to school and … are all illiterate … resort to prostitution and infant abandonment, and the mortality rate of unwanted babies is high”. At this point the difference between the lives of Japanese women and PNG women is stark.

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62 See, ibid., pp.36-38.
Conclusion

In the first part of this chapter, I have demonstrated that the concept of the state in society is the best approach to investigate the question of how the dynamics of the state-society interaction shapes the capacity of national governments to respond to challenges. I have defined the nation-state as a multifaceted organisation that consists of an executive, legislature, judiciary and other state institutions. It is an entity able to mobilise available state resources and it has a legitimate monopoly on the use of force. States implement social control by mobilising a variety of rewards, sanctions and symbols. They impose rules and norms onto society. On the other hand, a society as a whole consists of a variety of social forces and a significant number of these may mount challenges to the social control sought by the state. The state (and at times other social forces too) will use moral grounds when pursuing control.

The survival of a nation-state can depend on its ability to control its access to resources. It is of course only with resources that a state can fulfil its distributive capacity. It is similarly often the case that when a nation-state is unable to control its access to resources and unable to fulfil the distributive expectations of a population that it is considered to be a weak state. This weakness in state capacity is evident especially among the post-colonial nation-states. It has been recognised that a legacy of colonialism has been a population’s expectation that the role of states is to provide public goods and services. The communication and expectations of international bodies such as the World Bank and the UN play a similar role in today’s world, but weak states have limited capacity to provide. This has meant that social forces have sought to occupy state institutions in order to extract state resources for their own advantage. The state is then further weakened.

The political legitimacy of a state can be measured by the compliance of the population with state sponsored legislation and by the participation of members of the population in domestic politics. Moreover, when states choose to use coercion and force, they must not
go beyond acceptable and tolerable limits of the laws they have promoted and of the population. Legitimacy can also be measured by popularity. It is clear that failure to meet the expectations of the population (compliance), to elicit participation and to engender and nurture political authority and legitimacy will affect the ability of a national government to maintain its rule. This is the situation in both a strong state such as Japan and in the case of a weak state such as PNG.

In PNG there has been intensive state-society interaction. This interaction is fed by personal networks and connections. In PNG, these personal networks and connections are based on wantokism and the big-man style of leadership, but Japan also has a political system that features a vibrant and current system of personal networks and connections. In Japan, Cone comes in the form of gaku-batsu, kigyo-shudan and habatsu and it has a strong redistributive role, whilst also creating a wide consensus among social groups through the use of consultation. However, as I have argued in this chapter, personal networks also lead to marginalisation in a society when they are used to exclude some from competing for political and economic advantage.

In the last part of my chapter, I have briefly discussed the diversion of resources into the economic development strategy required by international bodies such as the World Bank and by other aid donors. The strategy to promote a rational economic order is intended to improve economic competitiveness, efficiency and productivity. This, it is argued, is the best possible response to global economic competition. However, this is a policy that in the context of the weak state of PNG has led to some sections of society being unable to access the resources needed for survival. Individuals who are low-income earners in a weak state are extremely vulnerable. They will often have to depend on subsistence and informal economic activities, some of these being recognised as criminal activities.

The difficulties faced by the most vulnerable in a population that has a weak state are clearly reflected in the three tables below:
Table 2.1: Life Expectancy at Birth in Pacific Island Countries including PNG

Please see print copy for Table 2.1

The figures in this table are from United Nations Development Programme, Human Development Report, various issues Oxford University Press, New York, unless otherwise stated.

Note: *i There is conflict over the numbers for PNG’s life expectancy in 1993. According to a report by UNDP it was 56. On the other hand, according to data by the Australian National University, it was 52. See Chand, C, ‘Health in Papua New Guinea: a stocktake’, Pacific Economic Bulletin: Volume12, Number2, 1997, p.101 Table 4.


*iii The average life expectancy in Port Moresby squatter settlements is less than the national average. This is partly because the majority of residents are younger than 40 years and moved into squatters while they were very young. Additionally, the population density of the squatter settlement area could be estimated to be higher than 1,000 people per square kilometre (the national and the National Capital District’s population densities are 62 people and 815 people respectively). This crowded population and the lower health conditions in squatters may cause life expectancy at squatters to be below the national average. See, Guy, R (ed), Formal and Informal Social safety Nets in Papua New Guinea, National Research Institute, 1997, pp.88-89. For information on population density, see, National Statistical Office, Papua New Guinea Demographic and Health Survey 1996: National Report, Port Moresby, 1997, p.2.


Table 2.2: National Average on Infant Mortality Rates in Papua New Guinea (1960 – 1997)
(Per 1,000 live births)

Please see print copy for Table 2.2

### Table 2.3: Infant Mortality Rate, by Provinces in PNG (1980 and 1991)
(Per 1,000 live births)

<table>
<thead>
<tr>
<th>Province</th>
<th>1980</th>
<th>1991</th>
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Please see print copy for Table 2.3

Section Two: PNG’s Domestic and Foreign Policy

– A Weak State and a Strong Society

Chapter Three: Domestic Challenges to a Weak State – PNG’s Experience

Chapter Four: PNG Foreign Policy – ‘Friends to All, Enemies to None’
Chapter Three: Domestic Challenges to a Weak State – PNG’s Experience

Introduction

This Chapter is a case study of the challenges that domestic social forces can mount against the government of a weak state. I will examine how a PNG government had its political authority and legitimacy challenged in the context of intensive interaction between state and society. I will demonstrate circumstances in which a weak state is not synonymous with a weak society.

Social forces in PNG have challenged the state by attempting to occupy the institutions of government. They did this to enable them to extract and mobilise the state’s resources for their own political ends. Moreover, once state leaders and the elite have achieved their occupation of government institutions, their positions are further strengthened by their incorporation into the systems of the state.

Governments pursue social control through the state’s rules and norms and by using their legitimate monopoly of coercion and force. In response, domestic social forces challenge the social control of the state. The capacity of states can be measured by investigating the extent to which a government can conform to the demands of the population. It can also be measured by how effective the state is in imposing sanctions on its constituents. These include state laws. Social cohesion and domestic stability also signify state capacity, as does the state’s ability to meet the population’s distributive expectations.

In PNG the intense factionalism of the elite has combined with challenges from other domestic social forces to undercut the capacity of governments. In this chapter I will examine, in particular, how the government led by the People’s Democratic Movement Party (PDM) came to lose its authority and legitimacy. This government lasted from 1999 to 2002. My study will show that while PNG has a weak state, it has a strong society.
The first situation I will discuss concerns the rejection of a minimum wage for PNG’s wage-workers in the face of the National Minimum Wage Board’s recommendation (NMWBR) that a pay increase should be adopted.¹

The PDM government that came to power in July 1999 replaced Bill Skate’s government. The latter had lasted for two years. When the PDM came to power there was a high expectation among PNG’s population (some say the highest in PNG’s political history) that this government would restore the country’s economy. The leader of the PDM, Morauta was elected with a massive 99 votes out of 109 MPs on the floor of the Parliament. With a considerable store of legitimacy, this was a government that could be expected to be in a position to adopt a freeze on any rise in the national minimum wage rate.² However, when the PDM government consistently rejected the National Minimum Wage Board’s recommendation of 2000 (NMWBR 2000) it was required to pay a significant political price. The rejection of a wage increase by the PDM government resulted in its failure to conform to the demands of its constituent population, despite the widespread belief that a raise in the National Minimum Wage rate was long overdue. Moreover, the government’s intended policy did not satisfy the demand set by employers of maintaining low wage rates which were within their capacity to pay.

Although the PDM government mobilised both rewards and sanctions in attempting to exert social control over the issues associated with the NMWBR 2000, the controversy over the pay increase by the Salaries and Remuneration Commission (SRC) for the

¹ The Minimum Wage Board was established under the Industrial Relations Act to set the national minimum wage rate. The membership of the Board was comprised of the union, two representative members from the employees, one government representative, one representative from the church, one from community groups and the chairperson from the Department of Labour. Under the Industrial Relations Act, the determination must be drawn with consultation from all representatives, as mentioned previously. All interest groups have an opportunity to submit their own recommendations to the Minimum Wage Board during its hearing period. After the completion of the Minimum Wage Board determination, it is handed to the Industrial Registrar to register the determination and to be gazetted, which makes the determination into a law. Or the Industrial Registrar can refer the determination to the National Executive Council for endorsement if it is required to do so.

constitutional office holders challenged the legitimacy of the PDM government. The government disallowed the increase in the national minimum wage rate, which secured the minimum income for urban and rural unskilled workers and their families. These workers were employed in the formal sector of the PNG economy. Whilst the Salaries and Remuneration Commission approved massive salary increases for state leaders, totalling more than 1.5 million Kina, the government failed to meet the demands of the population. As a result, the PDM government lacked social control and failed to ensure stability and cohesion in society. This became a factor in the PDM government’s loss of authority and legitimacy.

Rather, the PDM government sought to maintain the trivial level of the 1992 national minimum wage rate of 24.68 Kina per week, while offering the promise/reward of undertaking to:

...double the [National Minimum Wage and the National Youth Wage] value to restore their purchasing power to their 1992 level over the three-year period of the Determination as the current National Minimum Wage of K24.68 be increased to K41.14 for year 2000 and K49.37 for the following year and the current Youth

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3 It should be noted that there is no clear definition to distinguish between “skilled” and “unskilled.” According to Levantis’ study on the minimum wage rate and real wage average among the urban workforce in Port Moresby and in Lae, the word “unskilled” does not represent a reality of diverse variety in the workforce. Moreover, “…there is no such thing as an occupation that requires no skill so the description ‘unskilled’ is misleading and in fact refers to positions with low skill requirements. Amongst the multitude of occupations, it is not possible to be rigorous in deciding what skill level should be the critical point which would categorise the unskilled workforces.” See, Theodore Levantis, ‘The urban labour market in Papua New Guinea, post-deregulation’, Pacific Economic Bulletin: Volume 12 Number 2, 1997, p.62.

4 The national minimum wage rate does not apply to the workforce in the ‘informal sector.’ According to the study on the informal sector, which was presented by the Social Services Department at the University of Papua New Guinea in 2003 to the workshop at the Institute of National Affairs in Port Moresby, the informal sector generated an average of 60 Kina per week and a worker in the informal sector supported seven people in his/her family. The informal sector included selling and trading activities without formal process to set up these businesses. Their business funds unusually came from their “wantoks”. It is interesting to note that the workshop revealed that “…about two thirds of the 1,500 respondents [in UPNG’s survey] had up to six years of schooling with 22 percent having had no formal education at all” (see, The National, ‘Information sector desperate for help: 95 percent of participants get no help from authorities’, 20 May 2003). In this sense, the informal sector workforce can be the subject of national minimum wage rate protection, since in some ways they also contributed to the national tax revenue via Valued Added Tax whenever the workforce in the informal sector purchased services/items from the formal sector. In this particular point, it can be argued that the informal sector has been integrated slowly into the bottom of the formal sector since the introduction of VAT.

In August 2000, Minister for the Public Service, Philemon Embel explained the government’s intention that the minimum wage rate must not affect the state of the economy by discouraging investments. He argued that by imposing the minimum wage rate on employers, they might not able to pay their employees and this would result in the loss of jobs. For these reasons, the government’s recommendations were justifiable. The recommendations were: “a national minimum wage rate increase of 5.32 Kina per week for the urban and rural unskilled workers; to maintain the current wage fixation while increasing the wage rate according to the state of economy; to be flexible in accordance with employer’s capacity to pay; the minimum wage rate should be 30 Kina per week; this is the acceptable figure for all industries including the weakest ones such as the Coffee Industry Corporation as recommended 22 Kina per week.”

In response to the government’s position, the Amalgamated General Workers Union sought to increase the national minimum wage rate of K22.96 to K140 per week with an indexation of wages that reflected the Consumer Price Index (CPI). It also sought the establishment of a permanent body that would oversee the implementation of the national minimum wage. These demands were endorsed by other union bodies, such as the Public Employee Association, which also proposed that the national minimum wage should be increased to 29.62 Kina per week, an increase in accordance with the CPI. In this sense, the National Minimum Wage Board Determination 2000 (NMWBD 2000) had conformed to the demands of the population after eight years with no pay rise in the national minimum wage rate. The NMWBD 2000 was especially emphatic about the needs of the minimum wage earners, which had a strong appeal to and significant support from the population.

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6 This government’s intention was made clear by the Deputy Secretary and Planning from the Department of Personal Management, Sioat William at the first hearing of the National Minimum Wage Board. See, Post Courier, ‘Govt plans for a gradual pay rise’, 7 June 2000.


8 This was echoed by the Post-PNG chairman, Moses Taian by giving an example from the ongoing dispute over the pay rise demand from the 26,000 strong teachers that their “wage bill stands at K3 million a fortnight or K78 million a year. It is unrealistic for a 100-200% salary increase, even 60.52% is beyond the capability of the Government to respond effectively.” This is because there is no “creating a productivity indexation mechanism to administer the labour productivity index of workers,
Despite the PDM government’s intended policy that maintaining the 1992 NMW rate would ensure the employers’ capacity to pay, the NMWBD 2000 was handed in to the PNG cabinet, the National Executive Council (NEC) on 1st December 2000. It raised the national minimum wage rate by 150 per cent from 22.96 Kina per week to 62.40 Kina per week, with the minimum wage rate to be increased by K6 per week in 2001 and 2002. According to the statement of the NMWB chairwoman this was because:

> [t]he national minimum wage reflects minimum family needs, sufficient to support a worker with at least four dependents. … The 2000 Minimum Wages Board’s decision to increase the national minimum wage to K60.42 per week simply expressed the value of K22.96 of 1992 in today’s terms, measured against the US dollar. … The increase of K6 in the second and third year is also intended to assist maintain the value and purchasing power of the minimum wage.\(^9\)

The members of the National Minimum Wage Board agreed on the point that the 1992 determination had failed to deliver a wage adjustment that was crucial to minimum wage earners. Therefore, the 2000 National Minimum Wage abolished the national youth minimum wage rate. This also automatically abolished the distinction between age and location in determining the minimum wage rate. The reasons for abolishing the national youth wage rate, and setting one minimum rate regardless of age and location, were that under the 1992 determination, the national minimum wage rate for youth had not stimulated any increase in employment opportunities for youth and that a majority of employers provided their employees with additional allowances, such as basic housing and health care, and additional payments beside wages as non-labour costs.


because the national interest was at stake.\textsuperscript{10}

In early February 2001, Prime Minister Mora uta announced that the NEC would advise the Governor-General to disallow the 2000 NMWD. The government’s decision effectively left the 1992 National Minimum Wage Determination intact, while the NEC ordered the Minister for Labour and Employment to establish the National Tripartite Consultative Council (NTCC). The NTCC was ordered to review the 2000 Determination with an attachment to the NEC’s own recommendations that set a new interim minimum wage, which became a “Common Rule” at 32.91 Kina per week. The national youth minimum wage rate was to be set at 18.51 Kina per week, which covered those up to 18 years of age instead of 21. In addition, the NEC made it clear that a new Minimum Wage Board would not be set up for re-reviewing the 2000 National Minimum Wage determination.\textsuperscript{11}

The government presented three main reasons for the rejection of the 2000 Minimum Wage Determination. They were, first, that the National Minimum Wage Board did not give sufficient consideration to the consequences of a 160 per cent increase in the national minimum wage rate, an increase that might lead to the loss of thousands of jobs in the rural sector. Indeed, they asserted that at least 12,049 out of 21,128 jobs would be lost. The second reason was that the Board did not fulfil the terms of reference. Third, the Board used the US dollar to measure the loss of purchasing power in a comparison between the US dollar and the Kina from 1992 to 2000. The decision by the government to reject the 2000 determination did not result in an immediate direct challenge against the authority and legitimacy of the government. However, the fragility of the situation was about to be reinforced by an event that led to a challenge to the government’s authority and legitimacy from below. This was to be the first step toward the eventual


\textsuperscript{11} The NTCC was made up of representatives from unions, employers and government. Moreover, under the 1992 Minimum Wage Determination, the youth minimum wage rate applied up to 21 years of age. \textit{Post Courier}, ‘Govt rejects new wages’, 5 February 2001. See, \textit{Post Courier}, ‘Cabinet to consider
loss of the PDM government’s legitimacy.¹²

On the morning of 8th February 2001, a week after the NEC’s decision to disallow the 2000 Minimum Wage Determination, the Post Courier newspaper revealed that the SRC had approved a massive wage increases for Members of Parliament, judges, heads of government departments and statutory bodies, and other constitutional office holders at the end of November 2000. This pay rise would cost the state more than 3.4 million Kina in total annually.¹³ According to the 18th SRC report, increases in their annual salaries were as follows.

Table 3.1: Increase in Annual Salaries for Senior Public Office Holders
Unit: Kina

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<td>Unit: Kina</td>
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Please see print copy for Table 3.1

*¹. This is an entertainment allowance for a year. Entitlements and allowances include a vehicle, driver, accommodation and gardener.
*². The annual salaries of the National Court judges and the Heads of central agencies jumped more than K 107,000. No exact figures were available at the time in 2002.


Initially, the Prime Minister was unaware that the first payment under the new SRC decision had already been made. The Prime Minister had advised the NEC to withhold
the decision of the SRC, saying he would seek an independent review of the SRC’s decision to establish if it could be justified under “the country’s capacity to pay”. The government confirmed that all subjects under the new pay rise by the SRC had received the first payment under the new pay rate, which would continue until the Parliament was recalled or reopened in July 2001. The National Parliament had been adjourned since early November 2000 when the grace period of 18 months ended, which was in order to avoid a possibility of a vote of no confidence against the PDM government.14

Given the possibility for a vote of no confidence against the government, the intention of the PDM government was clear – it would not allow recalling the Parliament in order to review the SRC’s decision. Moreover, it was suggested that the SRC members might commit a breach of the Leadership Code. This exposed the Prime Minister in particular, since he seemed unaware of the fact that the SRC decision had been made in the absence of the Speaker of the Parliament, who was also the Chairperson of the SRC, and the Chief Justice, while the Opposition Leader was not involved in this particular decision at the SRC. This meant that the SRC’s decision on pay rises was made by a government minister and two heads of department.15

In response, the government assured some reward, preventing a possible challenge by social forces over the issue of the SRC’s decision. Thus, the Prime Minister insisted that the Parliament, when it returned in July, would consider for modification the membership of the SRC, which would include members of unions, industry, women, and churches. In other words, recalling the Parliament was never considered and had never been an option, because it was necessary to prevent a direct challenge against the PDM government at the Parliament. However, whether the government decided to recall or not, the challenge against the legitimacy of the government was coming to the


15 See, *Post Courier*, ‘Somare: Recall House’, op. cit. The Opposition Leader Bill Skate said that he was not at the SRC when the pay rise was decided. Thus, he accused Prime Minister Morauta of being an indecisive leader. He also suggested that the government could offer some tax incentives to business so that they would have the capacity to pay under the 2000 minimum wage rate. Whether his suggestion was a realistic option for any government at that time was beside the point, but he intended to score political points from the public and he indeed managed to do so. See, *Post Courier*, ‘Opposition: PM is
Challenges against the legitimacy of the PDM government came from a variety of social forces. This was due to a combination of two issues. The first was because the PDM government had disallowed the 2000 National Minimum Wage determination and rejected a new minimum wage rate, which not only provoked interest from the workforce in the formal sector, but was also of concern to the workforce in the informal sector of the economy. The second issue was that the minimum wage controversy was linked with massive wage increases for state “leaders” – Members of Parliament, judges, heads of government departments and statutory bodies, and other constitutional office holders – by the SRC. These two issues were seen by the population as the PDM government rejecting a new minimum wage rate because of the state’s “incapacity to pay”, whilst it was willing and able to deliver a multi-million Kina pay rise to state “leaders”.

Even before the SRC decision was revealed, there was one further case that became the prologue to the challenge against the legitimacy of the PDM government. In the midst of the debate over the National Minimum Wage Rate, it was exposed that the Finance Pacific Executive Chairman, Rimbink Pato received a salary package of 300,000 Kina per month in a total annual salary of K 3.6 million in his five-year contract from August 1999 until August 2004. This revelation of a controversial contract sparked immediate responses and challenges against the government.

The Unions demanded that the government should accept an increase in the national minimum wage rate if it could allow such a massive salary for one contract of an executive at a state institution. This concern was shared by the Business Council of PNG, which proposed that the government should establish an independent review of remuneration packages in the public and semi-public sector because it believed that the Pato case would not be the first or the last. Moreover, non-governmental organisations expressed their concerns directly. They demanded that the government investigate the Pato case, noting that while the economy had not improved the situation of poor, it

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should consider giving a fair pay increase to low paid workers, especially to those at the grassroots.\footnote{See, \textit{Post Courier}, ‘PM not happy with pay rise’, op. cit.}

While NGOs expressed grave concerns, and the economic situation at the grassroots level saw no signs of improvement, Prime Minister Sir Morauta publicly opined that the state of the economy was showing that “things were slowly improving, prices dropping and interest rates were declining.” Moreover, he believed that annual inflation could reach a 13 per cent low, a significant drop from the annual inflation of 22 per cent in 1998. Based on this optimistic perception of the economy, the NEC approved the pay increase deal between the Teachers’ Association and the Teaching Service Commission. It was a government reward that the NEC endorsed the 180 million Kina pay agreement with a 21.2 per cent pay increase for the 60,000 strong public servants nationwide. This was the government’s own strategy for survival, by imposing sanctions that refused the NMWBD 2000, whilst delivering a reward to a part of the social forces, in a move to weaken the tenaciousness of social forces over the challenge over the issue of the NMWBD 2000.\footnote{See, \textit{Post Courier}, ‘PM: Economy is improving’, 7 August 2000; \textit{Post Courier}, ‘Sir Mekere: PNG inflation is falling’, 7 August 2000. The package included two separate components: a 5 per cent general wage adjustment to be paid, backdated to January 1, 2000; and a 2 per cent work value increase for 2000. Two components would be paid in 2000, 2001 and 2002. For more detail, see, \textit{Post Courier}, ‘Teacher deal hailed by PM’, 7 August 2000. Moreover, the agreement was signed by the Public Employees Association and the Department of Personal Management. The agreement was that 21.2 per cent would be paid, with 8 per cent as a general increase and for an improvement in allowances. It should be noted that the PEA originally demanded from the DPM a 40 per cent increase, which was calculated according to the Consumer Price Index from 1996, 1997 and 1998. However, after the affixed with the Valued Added Tax, the increase demand was reduced to 29.2 per cent. For more detail, see, \textit{Post Courier}, ‘K180m pay agreement’, 27 October 2000.}

The reactions from employers were different in nature from those who had been concerned with the rejection of the NMWBD 2000. However, before the government’s announcement on the disallowance of the NMWBD 2000, employers intensified their efforts to convince the government to reject it. The responses from employers were emphatic that the 2000 determination was not only unrealistic, but it would also force
employers to adopt the minimum wage, which was beyond their capacity to pay and could result in the downsizing or closing of business operations and increased unemployment in PNG.

Economists and employers shared the view that the NMWBD 2000 recommendation must be rejected. This is because the minimum wage must be determined by the state. In this sense, the recommendation by the 2000 determination, “if accepted, would reduce the opportunities for employment in PNG generally” and would result in “untold damage” to the PNG economy. Therefore, the minimum wage should surely be increased, but the increase must not be unrealistic and not at the expense and sacrifice of the state of the economy as a whole. Thus, the 2000 National Minimum Wage determination must be rejected. Moreover, it was pointed out that it was wrong to base the decision of the 2000 determination on the need to adjust living standards, while disregarding the principles of capacity to pay and productivity. From their perspective, minimum wages was an unnecessary intervention in the basic principle that a minimum wage should be set by employers and employees, and this had been ignored. Therefore, the 2000 determination diminished the flexibility of business, and indeed the minimum wage rate should be adjusted in light of the capacity of each individual employer. Similarly, the implementation of the 2000 determination would affect rural employment levels, especially in the formal agricultural sector, and business would be downsized while unemployment levels grew. This would result in a rise in crime levels, because people who lost jobs would be “forced into a life of crime to support themselves and their families[,]” which, in turn, would have a direct impact on investment in PNG.19

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19 See, Post Courier, ‘Wage rise will cripple employment – Professor.’ 7 December 2000. The outcry was strongest from the rural sector, the Rural Industries Council, the PNG Chamber of Commerce and the PNG Growers Association. See, Post Courier, ‘Industry reps: Minimum wage will hit rural sector’, 6 December 2000; Post Courier, ‘Grower: Pay rise is a shock to us’, 6 December 2000. Manning agreed that the 2000 determination to increase the minimum wage rate by 270 per cent was quite unrealistic, considering the Consumer Price Index between 1992 and 1999 had gone up by 100 percent, but not over 250 percent. However, the 1992 determination’s wage rate had clearly not followed and adjusted to the reality that people in urban areas face in everyday life in order to purchase food, which is most important. In addition, there was a report that because of fear of the 2000 national minimum wage rate, businesses in rural areas were downsizing their workforce due to the fact that they could not afford the wages under this determination. Also, the PNG Chamber of Commerce accused the Minimum Wage Board, since it did not consider the affordability of wages by employers. See, Post Courier, ‘New wage limit fears increasing’, 12 December 2000; Mike Manning, ‘Wage deal – The time bomb’, op. cit.
Previously, real wage rates in urban areas had been higher than the 1992 minimum wage rate of K29.92 per week, so the 2000 determination would not affect the urban employment rate. From this perspective, the 2000 determination ignored a fundamental aspect of the PNG economy, in that there is a dual economic system in operation:

> [f]or the majority of Papua New Guinean employers the minimum wage concept means nothing. They have all sorts of arrangements with their employees including agreements to be able to sell some of the production of gardens, free rent, accommodation, access to land, food and many others. This is another form of the market in operation. The worker decides what he needs or wants and the employer provides what he can afford in either cash or some other benefit.  

In other words, employees had received benefits above those of the 1992 national minimum wage. Hence, the government needed to take a strong stance to reject the 2000 determination. It was argued that:

> [m]ost importantly the Government should decide what it wants from a wages policy. Does it want to allow the workforce to grow and the economy to grow or does it want to try to force an unrealistically high wage, which will discourage investment and result in the loss of jobs. The choices are between short-term popularity and longer term growth and prosperity.  

The government must thus reject the NMWGBD 2000 in order to ensure the stability and cohesion of the state. In this sense, the disallowance of the NMWGBD 2000 would affect its compliance, resulting in a challenge to the legitimacy of the government. To retain that legitimacy requires the government to provide basic services to society, while it controls and manages the national economy. Therefore, the question was whether the government should accept the NMWBD 2000 if it wanted to retain its legitimacy, or take the risk of rejecting the NMWGBD 2000, and so take the first step toward the government losing legitimacy.

Initial responses and challenges against the government’s decision were expected. They

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21 ibid.
were also somewhat weak. Despite two articles by the Institute of National Affairs attempting to convince the unions to cooperate in finding an “affordable” minimum wage rate, all the major unions rejected the government’s disallowance of the 2000 minimum wage determination. They threatened industrial action nationwide by accusing the government decision of being “a slap in the face for low wage earners”.23

A direct challenge by a variety of social forces against the authority and legitimacy of the PDM government resulted from the link between the two issues of the government’s disallowing the NMWBD 2000 and the SRC’s pay rise decision for constitutional office holders. All major unions reacted with the threat of nationwide industrial action. The determination for the challenge against the government over the SRC pay rise decision was expressed by the President of the National Doctors' Association, Dr. Danaya:

> After rescinding the decision of the Minimum Wages Board, by the NEC, these people have seen it fit to award themselves a pay rise. … It’s a complete insult to minimum wage earners. … They are taking everything from the have nots and giving it to those that already enjoy huge perks and privileges. It’s wrong. … Ordinary workers are trying to survive on meagre wages on a daily basis. The Government may have opened up floodgates here for unions to go in and demand pay increases. They can’t blame anyone but themselves for this happening. Don’t be surprised if it starts from next week. … Leaders and executives have lost vision for the people. … No unions will be stopped now in asking for pay increases.24

The Catholic Bishops’ Conference also shared the view that “…it is unacceptable that the decision makers can overturn decisions that benefit the poor and downtrodden and yet do nothing about those that benefit the rich.” Moreover, “… if what is okay for the goose is okay for the gander, then what is okay for the parliamentarians must be okay

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22 Institute of National Affairs, ‘Minimum wage dispute growing’, op. cit.
23 See, Post Courier, ‘Unions slam wage freeze’, 7 February 2001; Reg McAlister, ‘Challenges before the PNG trade union movement’, op. cit. Manning argued that the 2000 determination would result in the loss of jobs and would mean that union membership numbers would be down. Therefore, it would also be in the best interests of the unions to find some middle ground with employers on the minimum wage rate. See, Mike Manning, ‘Wage deal – The time bomb’, op. cit. Also, see, Institute of National Affairs, ‘Minimum wage dispute growing’, op. cit. Those unions were the Amalgamated General Workers Union, the PNG Commercial Workers Union, the PNG Maritime Workers Industrial Union, the Energy Workers Union, the Airline Employment Association, the PNG Timber and Construction Workers’ Union, and the PNG Trade Union Congress.
for the minimum wage earners.” These emotional responses by a variety of social forces were reinforced by the former Prime Minister Sir Michael Somare. He supported the sentiment of the public against the government’s disallowing the 2000 determination and criticised the government of over-taxing and protecting profitable companies, rather than genuinely protecting weak industries. This, Sir Michael saw as “an insult to the dignity of a Papua New Guinean…” Sir Michael argued that the Prime Minister should recall the Parliament and review the SRC’s decision.25

However, the government responded to Morauta’s call with its decision at the PDM-dominated NEC that it would neither accept the NMWBD 2000 nor recall Parliament to review the SRC’s decision. It did, however, divert responsibility for solving the SRC’s decision on the pay rise, whereby the NEC directed all government bodies to withhold payment to heads of departments and statutory organisations. This now depended on the decision of the Speaker of the Parliament and the Chief Justice. In other words, the PDM government attempted to relieve itself of the challenges over the SRC’s decision. Hence, the government would be able to prevent recalling Parliament to face a vote of no confidence. In this case, the government shifted blame on to the Speaker of the Parliament and the Chief Justice. However, Sir Michael revealed that both the Speaker and the Chief Justice had been absent from the process of making this particular controversial decision.26

The challenge to the government’s authority and legitimacy over the SRC’s decision eventually eased, but the issue of the NMWBD 2000 continued on between the PNG Trade Union Congress (TUC) and the government-backed employers’ associations. At a meeting of the National Tripartite Consultative Council (NTCC), the TUC presented its

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25 See, Post Courier, ‘Unions warn of strike over pay rise for MPs’, 9 February 2001; Daniel Korimbao, ‘Resolve wage issue before things get worse: Bishops’, The National, 8 May 2001 at <http://www.zipworld.com.au/~national/0508/nationfrm4.htm> accessed on 8 May 2001; Post Courier, ‘TUC to push for minimum wage to be paid out’, 13 February 2001; Post Courier, ‘Somare: Recall House’, op. cit; Post Courier, ‘Deferral insults dignity – Chief’, 13 February 2001. At the time that this chapter was written, the PNGTUC argued to the Prime Minister, Sir Michael Somare (from 2002-present, at the time this chapter was written) that his government should endorse the 2001 Minimum Wages Board determination (see, Reg McAlister, ‘Challenges before the PNG trade union movement’, op. cit).

demand that the original decision in the 2000 Minimum Wage Board decision of 60 Kina per week be upheld. The Employers’ Federation, on the other hand, agreed with the government’s interim minimum wage of 32.91 Kina per week, on condition that the principle of incapacity to pay should apply to employers in rural sectors. A week later, the Employers’ Federation came back with a new offer of 40 Kina per week. They also insisted that any employer who could not afford the new agreed minimum wage rate was entitled to claim incapacity to pay in order to meet the minimum wage rate under the guidelines being set by the NTCC rather than the Minimum Wage Tribunal.27

On 1st March 2001, the TUC, which had declined to agree on a resolution process to determine minimum wages, was given the deadline for two options of whether to “… set up a committee outside of the [NTCC] to try to resolve the issue of the national minimum and youth wages, [or] to consider recommending to the [NEC] … setting up of a new [National Minimum Wage] board to look at the whole thing again.” However, the TUC insisted that it did not resile from 60 Kina per week, as the 2000 determination had decided, and the TUC delegation suspended talks on the basis of the principle that the NTCC was not an appropriate body to determine the minimum wage. In addition, the TUC announced that it would withdraw from the Privatisation Commission. Although the TUC claimed that such withdrawal was not in protest against the national minimum wage rate dispute, it warned the government that it may face possible legal action under the Industrial Relations Act against the legitimacy of the government’s decision in disallowing the NMWBD 2000.28

This was the political momentum gained by the TUC as it moved to form its own political party, with representation not only from other unions but also with

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27 See, Post Courier, ‘Unions: K120 stays’, 23 February 2001; Post Courier, ‘Deadlock at wages talks’, 16 February 2001. It was said that the NTCC was completely the wrong body to review the 2000 Minimum Wage Board determination because it is an advisory body and does not have legal power to overturn the decision of the Minimum Wage Board. Only the Minimum Wage Board can review the determination under the Industrial Relations Act. See, Post Courier, ‘wrong forum on pay’, op. cit.

participation from the wider community. It was widely believed that the TUC would not win any of the National Parliament seats in the 2002 General Election, but it could be a political force to unify the fragmented opposition through the minimum wage controversy. Although the Public Employment Association (PEA) did not officially support the TUC, the PEA publicly announced its opposition to the government’s decision to disallow the 2000 determination and against the high pay rises to MPs and constitutional office holders.29

Thus, while the PNG Trade Union Congress by itself would not have been able to undermine the legitimacy of the government, issues over the rejection of the NMWBD 2000 and the SRC decision on a pay rise for state leaders led to challenges by a variety of social forces. The government attempted to utilise multiple rewards and sanctions in order to impose its policy on the population, while state leaders were able to extract a disproportionate share of state resources. In response, the population challenged the government’s authority and legitimacy. They sought to negotiate further on the issue of the minimum wage rate and demanded the recalling of Parliament. The government attempted to create division among social forces by providing rewards for one section while using sanctions against another. However, the PDM government neither achieved nor succeeded in any of its moves. Indeed, it intensified the challenges against its legitimacy while failing to promote social cohesion and stability.

It was against the background of the above situation that the PDM government attempted to shore up its legitimacy and social control by providing basic services and demonstrating efficient management of the domestic economy. The government attempted to re-establish economic stability by pursuing privatisation, with the sale of the Papua New Guinea Banking Cooperation (PNGBC). However, this strategy of enforced privatisation of the PNGBC lacked transparency. It also lacked appropriate strategies for delivering the economic benefits of this privatisation to society. There was a challenge to the government from below. This challenge then intensified after the

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revelation that the revenue from the privatisation of the PNGBC had been diverted into the government’s Free Education policy.

The reward that was claimed to be provided by the government from the process of privatisation was the improvement and restoration of services that had been long neglected. The privatisation was part of a condition that had been set by the International Monetary Fund (IMF), the World Bank (WB) and international aid donors, but the process was manipulated and politicised for short-term financial and political benefits of the PDM government and its members.

There was no serious opposition or visible threats to the privatisation initiative when it was introduced, complete with economic recovery strategies including refinancing in the budget and the rescheduling of international debt repayments. Funds were to be provided by the World Bank, IMF and Asian Development Bank (ADB), New Zealand, Japan and Australia under the 2000 National Budget. However, over the longer term, the PDM government’s justification that privatisation was a necessary pre-condition for economic recovery, did not convince the population at large, with widespread doubt that it would either improve or restore the delivery of services by public enterprises. 30 An opinion survey by the Post Courier newspaper speaks for itself:

Table 3.2: Reader’s Level of Concern by Post Courier

Please see print copy for Table 3.2


*The survey was conducted by the Post Courier Online (appearing on its web-online from 16th March 2000 to 19th September 2000), and the question was to “Rank your concerns regarding privatisation (1 - least concerned, 5 - most concerned ).” At the same time, the Post Courier asked which government enterprises should be privatised: Air Niugini, Post PNG, Telikom, PNGBC, Elcom, or Harbors Board.

The main concern regarding the due process of the privatisation, according to the *Post Courier*, was “concern about where any profits from the sale of Government-owned business will [would] end up.” In other words, this survey shows that there was a lack of public confidence. The results of this survey not only reflected mistrust from the disappearance of K15 million from the National Gaming Control Board (NGBC), as discussed below, but also doubts about “[how] will the funds received from the sale of assets be handled [and] by whom.” Hence, it was strongly urged that the government be transparent leading up to the sale of PNGBC:

> [i]t was inevitable that the whole process of privatisation would attract a great deal of rumour and speculation. The common knowledge of corruption, and the involvement of some of the nation’s leaders in shady deals meant that there is widespread scepticism about the process. It would be very much in the government’s interest to ensure that all deals are completely transparent.[31]

This warning was reinforced by the strongly emphasised view that many benefits and objectives from privatisation included reducing the scope of corruption and giving Papua New Guineans a direct stake in companies, thereby improving transparency and accountability. The resulting delay in privatisation was due to the idea that none of the government public assets would make a substantial financial contribution in terms of reducing public debt and interest rates. At the same time, it was pointed out that emotional arguments put forward by the opponents of privatisation that “the country’s valuable public assets that have been paid for by our taxes, should not be sold off” were invalid. This is because what some called the “country’s valuable public assets” were also evidently subject to “inefficient operation and maladministration”. From that point of view, they were more economic liabilities than benefits to the country. In other words, the country’s valuable public assets were actually imposing more economic

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difficulties on the public.\textsuperscript{32}

However, this logic was not shared by a broad section of the population. Hence, the government was urged to present some sort of compensation as a reward to the people, “in the form of education or health measures is better than subsidy mechanisms such as hiring incentives for employers, as once implemented, subsidies are unusually difficult to remove.” In order to successfully implement privatisation and retain its legitimacy, the government was required to provide rewards that needed to be delivered in the form of general public services instead of services which were due to be privatised. However, given the condition of the PNG economy, this option would not be possible. Thus, it was suggested that giving the public ownership of privatisation by educating “... the public about the benefits and costs of the reforms. In particular, public sector unions should be closely involved in the discussions about implementation of the reforms and the best way to handle the adjustment costs for the labour employed in the enterprises being privatised.” In other words, the government must reward the population by giving them a sense of ownership over the due process of privatisation with maximum transparency, so that possible opposition by social forces against privatisation would be minimal.\textsuperscript{33}

In terms of compliance and meeting the expectations of the population, the PDM government failed in relation to the sale of PNGBC. It was widely held that the Morauta government had failed to gain public support for its privatisation plan and that this failure increased the chances of a challenge by social forces in the period leading up to the 2002 election. As Ron Duncan has noted:

\begin{quote}
[the opposition to the privatisation in Papua New Guinea has been considerable. … it seems that the public was not convinced of the benefits of the reform. In the upcoming election, privatisation is likely to be a major issue. There is a significant danger that attitudes against privatisation will harden and it will be seen as too difficult to carry forward in the next government. Failure to carry through with the privatisation program risks the IMF and World Bank withdrawing their \end{quote}


\textsuperscript{33} See, ibid., pp.9-10.
Despite the likely implications of the government’s failure to meet expectations, the sale of the PNGBC took place within three months from the first public advertising to the signing of the agreement between the PNGBC and the Bank South Pacific (BSP) which won the bid. As May has observed, the sale of the PNGBC was undertaken too rapidly and became a major factor in the increasing public outcry and anger against the PDM government. Moreover, in November 2001, the NEC approved a diversion of approximately 90 million Kina from the sale of the PNGBC into the 150 million Kina budget to subsidise school fees for the 2002 academic year in line with the PDM government’s “free education policy”. Thus, it was warned that:

> [t]he reasons for the seeming collapse in confidence in the PNG economy are not easy to pinpoint. It may be speculated that because cynicism about corruption in the government and in government agencies appears to be running at an all-time high level, trust in the government is at a low level. This lack of trust is making it very difficult to move ahead with privatisation of government businesses. Privatisation is difficult to implement at the best of times. Under present circumstances the privatisation program may be far too ambitious, especially as it is likely to become a key election issue.

The full extent of the process over the sale of the PNGBC was not revealed until the succeeding government under Prime Minister Sir Michael Somare established the Commission of Inquiry into the sale of the Papua New Guinea Banking Corporation (Cooke Commission) in 2003. The report of the Inquiry and findings were submitted to the Parliament on 25th June 2003. According to the findings of the Inquiry, it found that there was no fundamental evidence to suggest a grand conspiracy that any entities or individuals as in the terms of reference defrauded the state in the process of the sale of the PNGBC. However, the Cooke Commission found that there was a “lack of

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35 A comment was made by Professor Ron May at the Papua New Guinea Update 2002, at the Australian National University in November 2002.
transparency with which the sale was conducted” and this resulted in speculation which eventually caused a conspiracy theory. A conspiracy was not proven but there was substantial evidence before the Inquiry that the whole process of the sale of the PNGBC lacked transparency. It was also unclear how the BSP managed to bid successfully for PNGBC when the BSP was smaller in its operational size and capital than the PNGBC.\(^{38}\)

There is no doubt that the government’s sale of the PNGBC undermined its authority and legitimacy in the period before the 2002 National election, and it was in this context that the government faced a further challenge. This further challenge was mounted by PNG Defence Force (PNGDF) soldiers and by students.

In March 2001, members of the PNGDF mounted a stand-off at Murray Barracks. The

\(^{38}\) See, The National, ‘Conspiracy theory based on suspicion,’ op. cit. For a summary of the findings by the Commission of Inquiry into the sale of the Papua New Guinea Banking Corporation, see, The National, ‘Conspiracy theory based on suspicion’, 26 June 2003. Also, for the full terms of reference of the Commission of Inquiry into the sale of the Papua New Guinea Banking Corporation, see Appendix-B. The Commission of Inquiry into the sale of the Papua New Guinea Banking Corporation found that some points were still in question in that: the BSP did not express its interest in bidding for the sale of the PNGBC before the bidding closing date of June 15, 2001; the BSP could only manage around 95 million Kina as equity capital, while it was indeed in no position to negotiate an amalgamation with the Credit Corporation, which is BSP’s majority shareholder; at the BSP board meeting in August 2001, there was an inconsistency in proposing the BSP bid to take over the PNGBC by the BSP Chief Executive Noel Smith, who claimed that Westpac was not the main competitor; the purpose of the visit to the Governor of the Bank of PNG (BPNG) Wilson Kamit and former Prime Minister Morauta by Mr Smith and BSP Chairman Noreo Beangke, upon immediate approval of the BSP bid for the PNGBC, was to seek a “favourable consideration for the BSP”; in addition, “[r]the raising of capital and the awarding of the bid were rushed through in a matter of about three months”; in regard to the letter that was sent from BPNG Governor Wilson Kamit to Westpac, advising it not to bid for the PNGBC sale, the Inquiry found that the explanation which was given by the Governor to the Inquiry was not satisfactory and the Inquiry did not accept his explanation that the PNGBC should be sold to a nationally-owned bank, therefore the BSP was strongly advised to bid for the PNGBC sale; moreover, the Inquiry found that all key decision makers, the Privatisation Commission, the BPNG and the NEC under former Prime Minister Morauta expressed the view that the PNGBC should be sold to a nationally-owned bank, and it was only the BSP that eventually met the required equity for the bid; the Inquiry found that BSP Chairman Noreo Beangke and former PNGBC Managing Director Garth McIlwain, including their own children, were in a position to benefit from the BSP takeover of the PNGBC due to the fact that they together had hold of over 23.3 per cent of the shares of the Credit Corporation which was the major shareholder in the BSP; also, the Inquiry found that five of the new BSP board members after the PNGBC was sold to the BSP were former directors of the BSP and the Credit Corporation before the merger of the BSP and the PNGBC, in other words, they could conspire to control “approximately 60 per cent of the banking market in PNG”. On the other hand, the government did not want Westpac to be able to control 60 percent of the banking market in PNG (see, Moresi Ruahma’a, ‘Central Bank advised Westpac against taking over PNGBC’, The National, 17 January 2003). Also, the letters which were sent from former PNGBC Managing Director Garth McIlwain to BPNG Governor Wilson Kamit, would possibility the Governor could also remove ANZ and the Elders/Cullen/Hanover Group (The National, ‘Conspiracy theory based on
stand-off was a direct result of the government pursuing social control by implementing the recommendations from the Report of the Commonwealth Eminent Persons' Group (CEPG). This group recommended that the PNGDF be downsized. This challenge was then reinforced by the government’s attempt to control the media, including the government’s removal of the Managing Director of the National Broadcasting Corporation (NBC).

The PDM government had attempted to pursue its control over the PNGDF by attempting to implement its downsizing while also failing to make good on the provision of adequate retrenchment packages for the soldiers who lost their positions. And, this was not the first time that PNG governments had failed in relation to issues concerning the PNGDF. As Ron May and other observers have demonstrated, the failure to meet expectations (a failure of compliance) by successive governments had led to frustrations among PNGDF personnel and resulted in the continuing politicisation of the force. However, this frustration had intensified following the Sandline Crisis in 1997. Moreover, the frustrations which had built up among PNGDF personnel over the years provided a well of discontent that could be used to challenge a government at any time.  

Leading up to the June 1997 national election, Prime Minster Sir Julius Chan ordered the PNGDF to carry out Operation ‘High Speed II’, which aimed to pressure the Bougainville Revolutionary Army (BRA) militarily, enabling the government to take advantage of negotiations with the BRA and other rebel groups in Bougainville. However, the operation ended with military and political failure in that a few PNGDF soldiers were captured and criticism over the government handling of Bougainville mounted. As a result, the Chan government contracted Sandline International, which is a company of military mercenaries, in order to quash the leadership of the Bougainville rebels. The contract was publicly exposed, which was followed by the PNGDF commander, Brigadier General Singirok demanding that the Chan government (specifically the Prime Minister, Deputy Prime Minister and Defence Minister) should resign. This was followed by a protest against the Chan government in the NCDC, who led an enquiry into the government’s contract with Sandline International and cleared Prime Minister Chan of involving unlawful conduct of his office. However, Chan lost his seat in the June 1997 election. For more information on the conditions of PNGDF personnel, see, R.J. May, ‘The Military in Papua New Guinea: A ‘Culture of Instability’?’, in R.J. May, (ed.), ‘Arc of Instability’?: Melanesia in the early 2000s, State, Society and Governance in Melanesian Project, the Australian National University, Canberra, 2003, pp.1-7; R.J. May, ‘The PNGDF in Troubled Times’, in R.J. May, State and Society in Papua New Guinea, op. cit., pp.237-245. Specifically, for the role of politicisation in the PNGDF in a historical context, see, R.J. May, ‘Government and the Military in Papua New Guinea’, in R.J. May and Viberto Selochan (eds.), The Military and Democracy in Asia and the Pacific, Crawford House Publishing, Bathurst, 1998, pp.146-175; R.J. May, ‘Challenging the State’, in R.J. May, State and Society in Papua New Guinea, op. cit., pp.254-272. For the conditions of PNGDF personnel, see, R.J. May, ‘The Military in Papua New Guinea: A ‘Culture of Instability’?’, op. cit., pp.1-7; R.J. May, ‘The PNGDF in
It was against this background of government-PNGDF relations that soldiers at the Moem Barracks in Wewak protested their conditions by setting fire to buildings in September 2000. This event was not coincidental, but was part of a series of events that challenged the government’s authority and legitimacy. The soldiers demanded a long overdue pay rise. The government’s neglect of PNGDF soldiers’ conditions had been such that some soldiers had become involved in criminal activities. Indeed, a soldier was killed by the Police during an armed robbery. The latter incident triggered another two clashes between PNGDF soldiers and the Police in 2000. Moved by these events, the government established a Parliamentary Ministerial task force on the PNGDF and its report was handed down in October 2000. In the report, it was recognised that “the institutional breakdown of the Force was the result of years of neglect and mismanagement.” The government then requested the Commonwealth Secretariat for a review of the PNGDF and restructuring began in November 2000.

The Report of the Commonwealth Eminent Persons' Group (CEPG) resulted from the Review of the PNGDF. It was to become a tool for government sanctions, although it should also be noted that the government used rewards as well. It was recommended that a voluntary release scheme would be implemented. It would cost more than 70 million Kina. The CEPG Report was submitted to the NEC in January 2001. According to its recommendations, the ideal strength of the PNGDF would be: Headquarters 85, Defence Supply Agency 100, Defence Training Centre 50, two battalions (725 each) 1450, Maritime Element 50, Air Element 65, with a total of 1,900. In March 2001, the program of restructuring the public service and privatisation among public enterprises had not been fully implemented due to the shortage of funds. However, the PDM government endorsed the PNGDF restructuring proposal by the CEPG, recommending that the PNGDF must be downsized from 4,150 to 1,900, without giving appropriate time for the study of the impact from the implementation of the recommendations and

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securing the required financial resources for the implementation.41

The direct challenge to the PDM government’s endorsement of the CEPG Report began at around 11:30pm on 14th March 2001. This was when about 100 soldiers from the supply company at the Murray Barracks in Port Moresby “walked” into the armoury at the PNGDF HQ, taking weapons and staging a stand-off at the barracks. At one point, there was a report suggesting that at least 1,000 weapons were involved, including those that were used during Operation “Rausim Kwik” against the Sandline Mercenary in 1997. PNGDF Commander, General Carl Marlpo explained that a number of soldiers had “helped themselves” and seized 30 weapons from the armoury. The Commander responded to a question about whether any guards were on duty around the armoury by replying: “[w]hat guards? There are no guards there. You just lock the place and go home. What break-in? There was no break-in. The soldiers just walked in.” If there was a security breach by those soldiers who walked into the armoury, it was caused by long-term neglect by successive governments, which had failed to deliver adequate resources to secure the weapons in the armoury. In other words, this “walk in” could be seen as a direct result of the government’s failure to acquit its responsibilities to the PNGDF.42

The Commander admitted that the action of the soldiers was triggered as a direct result of the Government’s acceptance of the recommendations of the CEPG report. However, at the beginning of the stand-off, there were reports among the mass media that the stand-off incident was a “military mutiny”. The public response was somewhat mixed.


The opinion poll by *The National* the day after the stand-off began shows that opinion was evenly divided. *The National* asked, “[d]o you support the recommendation to trim the Defence Force from 4000 to 1900 men?” There were 156 (47%) responses for No, against 155 responses for Yes (46%) while only 6 were undecided (2%). However, some social forces gathered to materialise these soldiers’ direct challenge against the PDM government, offering broad public support by organising a public protest outside the Barracks. Nevertheless, the soldiers remained within the Barracks.\(^{43}\)

The soldiers involved made a number of demands to the government. These included the expulsion of foreign military personnel and World Bank and IMF officials, the recall of Parliament to discuss army reforms, a retrenchment and retirement package for soldiers, a complete withdrawal of the planned reforms, and an amnesty for all soldiers involved. The petition had a condition attached that it was only to be personally submitted to Prime Minister Morauta by the leader of the soldiers from the stand-off. This was not only a symbolic gesture, but also, in the traditional style of leadership, the recognition of this condition by the Prime Minister would give equal status to the government and the group of soldiers from the stand-off. In other words, the incorporation of the state institution by those soldiers would be partially achieved. Thus, a soldier who attended the handing-over ceremony expressed his view that “…[i]f he [Prime Minister] as the chairperson of the National Executive Council approved the EPG [CEPG] report and revoked it yesterday [on 19 March 2001], then why can’t he come out here in person and receive our petition…”\(^{44}\)


\(\text{\textsuperscript{44}}\) *Post Courier*, ‘Top brass use tact to defuse rumours’, 16 March 2001 at <http://www.postcourier.com.pg/20010316/frhome.htm> accessed on 16 March 2001. For more details on Morauta’s response, see, Thomas Kilala, “Soldiers vent anger on VIPs”, 21 March 2001. The foreign military personnel were namely, Australian Defence Force personnel. The ADF personnel were attached to the PNGDF under the Defence Cooperation program. However, leading up to the stand-off, there was a rumour that the Australian Defence Force personnel were already in PNG to supervise the implementation of the CPEG report. Moreover, in the early stages of the stand-off, it was speculated and reported at one point that 500 Australian Special Air Service troops were ready to be deployed into Port Moresby, while another 200 were already deployed in Madang. *The National*, ‘Soldiers seize weapons from Murray Barracks armoury’, 16 March 2001; *The Australian*, ‘Rebel troops run riot in Port
With confusion over a statement issued through the National Broadcasting Corporation the day before it mentioned the Prime Minister’s attendance at the handing-over ceremony on 20th March 2001, the absence of the Prime Minister resulted in an angry reaction by the soldiers. This forced the Defence Minister, Kilroy Genia to flee the ceremony. Following the incident, the Prime Minister moved swiftly to defuse tension by offering an apology, a promise to withdraw the CPEG recommendations and a grant of amnesty for those involved in the stand-off. The temporary solution over the stand-off and the government’s partial acceptance of the demands from the soldiers succeeded in a complete return of the seized weapons on the morning of 26th March 2001.45

At that point, the government seemed successful in retaining its government authority and legitimacy and regained social control by awarding the reward of amnesty to the soldiers at the stand-off. Yet it intended to continue the reforms of the PNGDF, which was a sanction. What the government did not realise, however, was that significant progress had been made in another challenge against the legitimacy of the PDM government through the stand-off by the PNGDF soldiers. Four days before returning the seized weapons, the soldiers submitted yet another four-point petition with demands from their first petition, except for the amnesty. The reiterated demands were the recall of Parliament and the expulsion of the World Bank and IMF. These two demands were also shared by other social forces. The former could open a direct challenge against the PDM government with a possible no-confidence motion, while the latter would undermine the legitimacy of the PDM government in terms of managing the national economy. As noted earlier, other social forces were already involved in using the stand-off incident to mount a challenge against the PDM government. Thus, the legitimacy of the PDM government was not lost through this incident, but nevertheless, it had created one more reason for social forces to challenge the government.46

Yet another challenge that the PDM government faced was its failure of basic

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compliance in ensuring and delivering freedom of speech. This was the result of two 
points. The government had already directly interfered in media reporting and had 
attempted to manipulate a report. The government had also directly removed media 
personnel.47

The direct interference by the PDM government in media reporting was exposed by the 
dismissal of the managing director of the National Broadcasting Corporation (NBC), 
Bosky Tonny. The government accused the NBC of biased reports during the Murray 
Barracks stand-off in March 2001. This direct government interference was followed by 
the government’s demand for the removal of the editor, Anna Solomon, the Word 
Publishing Managing Editor and Publisher. This arose from Solomon’s article regarding 
the Treasury Secretary Koiari Tarata and Chief Secretary Robert Igara during the 
Murray Barracks stand-off. Moreover, direct control was exercised by the PDM 
government in removing and suspending other journalists who were responsible for 
reports which were not in favour of the government regarding the Murray Barracks 
stand-off. For example, the news director of the NBC, Joseph Ealedona was suspended 
because of an allegation that he authorised two on-air news items that did not favour the 
government. These were the PNGDF soldiers’ stand-off in March 2001, and the 
launching of the PNG Labour Party by Peter Yama. The latter was an outspoken critic 
of the PDM government.48

In October 2001, with a view to the forthcoming June 2002 election and realising the 
importance of the media for the election campaign, Prime Minister Sir Morauta 
attempted to ease the political tension with the media by arguing before journalists at 

47 Although the government’s relationship with the media was neither cooperative nor friendly, 
and often the government criticised media reports about the government, the Prime Minister and his 
ministers nevertheless heavily relied on media information to criticise their political opponents. When the 
Post Courier newspaper wrote a critical report against Prime Minister Morauta about the controversy 
over the alleged connection between the PDM and the Global Construction on the NCD roads upgrade 
projects, Prime Minister Morauta charged the Post Courier with misreporting the facts, and referred to 
the Parliamentary Privilege Committee with an accusation that the “Post Courier dislikes him” (See, Post 
Courier, ‘Post-Courier dislike me – Sir Mekere’, 24 October 2000). However, the incident was not 

48 For more detail, see, Daniel Korimba, ‘NBC MD sacked Tonny sacked’, 1 May 2001; Colin 
Taimbari, ‘Media condemns NBC MD Tonny's sacking’, 2 May 2001; Daniel Korimba, ‘NBC scribe 
the Pacific Islands News Association Conference in Madang that:

[t]he media’s commentary on economic, social and political matters needs to be much better researched and informed[,] ... to have a deeper and broader appreciation of national policy formulation and implementation[,] ... to understand, and to help the public understand why our nation must achieve six objectives - stabilisation of the kina and the budget, removal of obstacles to economic growth and investment, sustaining the peace and achieving a lasting political settlement on Bougainville, restoring the greater institutions of State and rebuilding political stability and integrity. They form a sound and coherent strategy for reconstruction and development[,] ... to have a greater input in debate on national issues. If as much time and effort went into understanding the way in which the six objectives work as a national strategy as goes into reporting politics for its own sake, PNG would be a better place.49

The objective of this speech was clearly to convince those journalists who were present to make a favourable report to the PDM government. It was a miscalculation. Prime Minister Sir Morauta’s six objectives had already failed, which most attending journalists knew.50

In February 2002, a desperate PDM government needed a positive spin in terms of its commitment and success in delivering benefits to the population. The media was given exclusive access to Prime Minister Morauta at the PDM party’s rally in Madang. Paias Wingti, a founder of the PDM party, was also present at the rally. However, Wingti was forced cut his speech short due to angry responses from the crowds against the privatisation programmes under the PDM government and its record of transparency. The report of this incident in the media was swiftly denied by the Secretary General of the PDM party, Dr Jacob Jumogot. He accused the media by saying, “[i]f a media organization deliberately exaggerates or distorts the truth to push through a particular

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viewpoint, that too is a corruption of its journalistic and ethical principles.”

This statement was taken seriously by media personnel because the PDM government was pursuing social control by direct interference in reports and by removing the journalists in media organisations. The latter created a moral obligation among the media to challenge the PDM government. Hence, the legitimacy of the PDM government was further challenged by the media, who displayed a sense of fairness and argued that the government’s direct interference in media reporting was a threat to democracy and freedom of speech.

A challenge to the PDM government by University students was present at each event that took place in the period after it came to power. Moreover, the challenges by students were coherent and consistent in pursuing social control by protesting that the government should comply with its responsibilities, especially the implementation of economic reform programmes.

On 21 June 2001, students from the University of Papua New Guinea (UPNG) and their public supporters marched toward the National Parliament House, and tested their challenge to the PDM government. Of particular concern was the implementation of the land mobilisation reform, together with the implementation of privatisation under the Structural Adjustment Programme as a part of the conditions set by the World Bank, the IMF and the Australian government. However, it must be noted that the land mobilisation plan was probably a rumour that the government had never had any intention of carrying out. Nevertheless, the rumour created a strong and convincing

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51 It was reported that a lawyer, who initiated public outrage when Paia Wingti made a remark about how the sale of PNGBS would benefit the people, belonged to the People’s Labour Party, which was founded by the outspoken opposition MP Peter Yama. However, this was denied by the lawyer. See, The National, ‘PDM denies report Madang rally’, 5 May 2002.

52 The National, ‘Students' protest disrupts schools, services in city’, 22 June 2001 at <http://www.zipworld.com.au/~national/0622/nationfrm2.htm> accessed on 22 June 2001. Australia had commented on the students' protest since the earlier stages of the incident. However, any comments that the Australian Foreign Minister Alexander Downer made during this period did not make the situation better, but he actually spread more suspicion among the public. For example, he made a statement to insist that “[t]he fact is that this is a campaign against the reform program of the Morauta government. If they abandon the reform program, there obviously will be a disaster for Papua New Guinea” (The National, ‘City under siege as protests turn violent’, 27 June 2001). Moreover, Downer either was misinformed or simply did not grasp the situation. He then explained that “[i]f PNG stumbles and the
argument to the students and the population in general, most of whom came from villages where the land was the only thing that they could rely on to provide for their needs in the context of the competition for goods and services promoted by globalisation. However, the emotional reaction to the rumour was the result of a logic gleaned from the government’s decisions over the privatisation of the PNGBC and the downsizing exercise taken in relation to the PNGDF. A convincing reality had been created among the students. The students then presented Prime Minister Morauta with a petition containing four demands, which were: “… suspend the entire privatisation scheme; scrap the customary land registration scheme; and completely sever ties with the World Bank and IMF.” They stated that “if the above are not implemented, the Prime Minister should resign or face a more serious protest with its likely detrimental consequences.” The demands presented by the students confused the government. It had had no intention or plan to implement land mobilisation. This situation resulted in a slow response by the government, which seemed to have lost control.

With the bitter experience that it had failed to respond convincingly to the challenge faced during the PNGDF soldier stand-off, the PDM government was ready to use a coercive measure to quash the challenges to its legitimacy by the student-led protesters. This determination, in turn, resulted in a significant turning point toward loss of political and government legitimacy.

reform program is abandoned, it will be a disaster for the PNG economy and it will be a disaster for the people of PNG. … We’ve [Australian Government] also been very active at senior levels in discussions with the World Bank and the International Monetary Fund to encourage them to adopt a flexible and a sympathetic approach to these frankly difficult reforms” (The National, ‘Canberra backs PNG government on reforms’, 29 June 2001). In addition, although the PDM government had never intended to follow up the possible land mobilisation, a rumour could be created from any kind of source. It could be coincidental, however, that some literature which was published in 2001 about land mobilisation could possibly have sparked yet another challenge against the government of the day. See, L.T. Jones and P.A. McGavin, Land Mobilization in Papua New Guinea, Asia Pacific Press, The Australian National University, Canberra, 2001.

53 From interviews with a number of lecturers at the UPNG and at the National Research Institute during my field research in 1999, most of those interviewed agreed on a view about their attachment to the land that “under the economic hardship, we could easily lose job but we have the land when got back to our village and we can look after the family. The land does not belong to anyone but we, are the one belong to the land.” Interview on “Impact of Globalisation in the South Pacific and PNG,” with a Senior Research Officer of the Economic Studies Division, at the National Research Institute on 18th February 1999. For more detailed analysis on the implications of public suspicion and the cause of the protest by the UNPG students, see, Kevin Pamba, ‘Opinion: The siege mentality’, The National, 26 June 2001. See, John Dau, ‘Students present four demands’, The National, 26 May 2001.
A determined PDM government ordered the deployment of the reinforcement police mobile squad from Mount Hagen into the NCDC against the student protest. On the morning of June 26th 2001, the anti-privatisation protesters outnumbered the police personnel who were deployed to contain and prevent the protest going beyond the UPNG campus. It resulted in three students and one civilian being killed by shots fired by the reinforcement police mobile squad. This incident sparked public outrage and anger against the PDM government and its decision to use the police mobile squad.54

In order to ease the tension among the population, the government attempted to shift the blame to others rather than exposing itself to yet another challenge. The government agreed to establish a Commission of Inquiry into the student unrest in June 2001. Towards the end of the hearing by the Inquiry, the government launched its intended strategy for the survival of its legitimacy. It presented a conspiracy theory that the loss of four lives was the direct result of the instigation of the anti-government rally by an unidentified political group, including politicians and intending politicians. At the Commission of Inquiry, the Chief Secretary of the government, Robert Igara, who was the Chairman of the National Security Advisory Committee, alleged that the NEC received an intelligence report implicating the Opposition Leader Bill Skate, Eastern Highlands Governor Peti Lafanama, lecturers from universities, lawyers and members of NGOs. The report claimed that they conspired in financing the student anti-privatisation and anti-land mobilisation campaign against the government.55

The timing of the Chief Secretary’s allegation against Bill Skate at the Inquiry was problematic since the Inquiry was due to finish in less than two weeks. In other words, there was no extended time to investigate the alleged conspiracy theory, nor could an opportunity be given to those about whom the allegations had been made. Not

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54 For more detail of the June Protest, see, The National, “Chronology of the protest: A CHRONOLOGY of events on the students' anti-privatisation protest”, 27 June 2001 at <http://www.zipworld.com.au/~national/0627/nationfrm27.htm> accessed on 27 June 2001. The police mobile squads were created to replace the Kiap courts in 1966. However, in recent years, it has been their task to pursue armed gangs and criminals. The excessive use of force by the squad has been controversial. See, Sinclair Dinnen, Law and Order in a Weak State: Crime and Politics in Papua New Guinea, op. cit., pp.27 and 37-38.

surprisingly, not only were the allegations dismissed by the Opposition Leader, but also
the government never presented any supporting evidence to prove this specific
allegation before the Inquiry. The allegation never came back into the public domain
again. Indeed, Sir Robert Woods, who was the Commissioner of the Inquiry, sent a
letter to the Opposition Leader stating that all individuals who were accused in the
Chief Secretary’s testimony would not be recorded in the report because there was
simply a lack of evidence and it was based on speculation.56

The PDM government failed on a number of counts in terms of meeting the people’s
expectations and maintaining its political authority and legitimacy. First, the PDM
government had failed to deliver its objective of restoring the economy of the state since
1999. This failure was apparent in the four demands by the students' protest with the
rejection of privatisation, land mobilisation, and the range of policies promoted by the
IMF and the World Bank.

Second, the government failed to impose social control over society. It failed to contain
its coercive measures within the tolerable limit. The loss of four lives became the point
where the government had failed to quash the student protests but had intensified
opposition and challenges to its authority and legitimacy.

Third, the PDM government failed in its own strategy for survival. The government had
sought to ease the challenges to its authority and legitimacy by establishing the
Commission of Inquiry, but instead the latter promoted a conspiracy theory. The
combination of the conspiracy theory plus the loss of four lives was damaging. The
PDM government had failed on three of these vital accounts.

It was against the background of the above that an increasingly insecure PDM
government pursued a strategy for its own survival that was based on mobilising elite
factionalism. A central feature of this strategy involved passing the Gaming Act of
2001. This strategy was expected to grant a retrospective legal immunity for six of the
PDM government’s MPs. These six MPs were facing possible investigation by the

Leadership Tribunal that may well have been followed by criminal charges and prosecution. They were said to have been involved in a corruption case relating to a National Gaming Control Board Funds (NGCBF) controversy that was under investigation by the Ombudsman Commission. It was proposed that the MPs be granted retrospective legal immunity from criminal prosecution backdated to 1999. The PDM government had mobilised their strength in numbers in the National Parliament in order to ensure passage of the Gaming Machines Act. The Act would facilitate the writing off of K15 million of stolen funds that would be legally registered as missing funds from the National Gaming Control Board (NGCB). They justified their actions as necessary for bailing out the NGCB, saving it from possible bankruptcy.57

The PDM government then moved to introduce its reward for the people in order to win back support for its political legitimacy. On 14th June 2001, Prime Minster Morauta announced the government’s intention to ban poker machines completely, while abolishing the gaming industry except horse racing. Such a move would effectively abolish the NGCB. Naturally, the government’s intention was questioned because the abolition of the gaming industry and of the regulatory body would cost the state 74 per cent of its tax revenue, which was the amount the gaming industry generated. This was approximately 1.4 million Kina per week.58

At first, the government’s reward was well received. There was support for a total ban on the pokies. However, the public attached their support to a condition. This was that all missing funds from the NGCB must be identified and accounted for. The National


58 See, Colin Taimbari, ‘Govt will ban poker machines, says PM,’ The National, 15, June, 2001, at
Council of Women President, Susan Setae expressed a concern about the timing of the ban. She stated that “[w]e are grateful that the Prime Minister and Cabinet are now going to take the call of the churches seriously but we hope this is not just an election promise.” This suspicion was echoed not only by the Opposition parties but also by the Trade Union who called the government’s ban on the gaming industry an ‘election gimmick’. It was soon to be proved that the government’s motivation behind the amendments of the National Gaming Act 2001 and the National Gaming Board Act 2001 was to protect bad apples among its members. The government was keen to retain its strength in numbers in the Parliament.59

On 8th August 2001, the amendments to the Gaming Machines Act 2001 and the National Gaming Control Board Act 2001 were introduced to the National Parliament. It was then passed with a simple majority of 70 with one against. As soon as the amendments were introduced, the Leader of Government Business Vincent Auali suspended Section 200 of the Standing Orders, which guaranteed that all Members of Parliament have a minimum of 14 days to examine an amendment to a Bill. Since the Government had a simple majority, the motion to suspend Standing Orders Section 200 was passed.60 In response, the Opposition, Mount Hagen MP, Paul Pora and Mendi MP, Michael Nali attempted to remove the government’s motion by requesting copies of the amendments before the vote took place. The opposition’s move was suppressed by the government chair. Therefore, the reading of the amendments was passed. Southern Highlands Governor, Anderson Agiru did not participate in the vote because he walked out in protest at the lack of debate. However, with the discreitional power of the Speaker of the House, Bernard Narokobi cast a vote on behalf of the Southern Highlands Governor, because the Governor was in the Chamber when the voting took place. Thus, the PDM government coercively passed both the Gaming Machines Act 2001 and the

60 The negative vote was made by the Southern Highlands Governor Anderson Agiru. (Isaac Nicholas, ‘Narokobi moots House of Review,’ The National, 13 August 2001). The Speaker of the House Bernard Narokobi cast a vote on behalf of the Southern Highlands Governor Anderson Agiru using the Speaker’s discretion because the Governor was in the Chamber when the voting took place (Colin Taimbari, ‘Pokies Act amendments are madness: Ombudsman’, The National, 9 August 2001).
National Gaming Control Board Act of 2001 within a matter of thirty minutes.\textsuperscript{61}

The justification for the passage of the amendments, according to Prime Minister Morauta, was to prevent misuse of funds from the NGCB by implementing appropriate checks and balances which had been lacking in the previous gaming act. Moreover, it was stressed that the “housekeeping” amendment included “measures to restore the finances of the Gaming Board”, a deficit of K10 million. In other words, the government attempted to meet its compliance responsibilities in implementing these new laws, with the view that they would deliver transparency over the use of the NGCB funds. At the same time they wanted to be seen to be reducing the deficit and contributing to the recovery of the national economy. However, the other aspect of the Acts was already under scrutiny and led to challenges not only to the legitimacy of the Acts but also against the legitimacy of the PDM government.\textsuperscript{62}

The challenge to the authority and legitimacy of the PDM government was constituted by a variety of social forces including state institutions, community groups and members of the political elite who were not in government. The challenge came in the form of a direct challenge against the legitimacy of the Act itself. The legality of the Act was immediately challenged by the Chief Ombudsman Ila Geno. Geno defined the Gaming Machines Act 2001 as “madness” and as “institutionalised corruption”. Part of the Amendment Bill of the National Gaming Control Board Act was Section 68 (8), which said that:

\begin{quote}
Payments made into and from any of the accounts mentioned in Section 76A(a) or (b) by the National Executive Council, the Minister, the Registrar or his staff or the Board between 20th July 1999 and the coming into force of the Gaming Machine (Amendment) Act 2001 are deemed to have been authorised by this Act and lawfully applied for the purpose of this Act at the time they were made.\textsuperscript{63}
\end{quote}


By reading this, it was clear that Section 68 (8) could be used as a legal ground granting retrospective immunity for those who had committed financial fraud. For this reason, both the Chief Ombudsman and the Public Prosecutor denounced the amendment. The Public Prosecutor condemned the amendment as doing nothing “other than to protect a few individuals from being charged and prosecuted for misconduct in office or wrongful criminal behaviour.” Moreover, the amendment was passed without appropriate consultation with related legal enforcement institutions that would enforce the new law. Therefore, the Public Prosecutor claimed that the “Parliament should never have contemplated nor arrived at passing this law in the manner it did, without consulting relevant institutions such as the Ombudsman Commission, Police and the Public Prosecutor's Office, which are entrusted with the supervision and enforcement of the Leadership Code and the Criminal Law.” On this point, Professor of Law at the University of Papua New Guinea, John Nonggor, who had been a legal adviser to the government, urged that it would be in the best interests of the government that “[i]f anything, this provision may be treated as ambiguous[,] [i]t and parts of Section 67AA need to be amended.”

The challenge was joined by the Speaker of the Parliament, Barnard Narokobi who urged that the House Review Committee should review the amendments and make recommendations on how they could be changed. However, any review recommendations would be ignored by the Parliament, which was dominated by the PDM government with its simple majority. Therefore, the amendments would stand. On the point of the government’s strength in numbers at the Parliament, Narokobi warned the government that “[w]hat we have witnessed in recent times is that the Public Prosecutor and Ombudsman Commission have become additional opposition to the government, and it seems to me these events point to the creation of the House of Review.” Former Prime Minister Sir Michael Somare was more blunt, saying that “I do

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64 It is interesting to note that the day, 20th July 1999 was the date when the PDM party came to government. Thus, any misconduct before this date was still subject to prosecution. Therefore, Bill Skate made a comment that this amendment targeted him and his government before 1999. See, The National, ‘Mr Clean now Mr Corrupt: Skate’, 10 August 2001. Also see, Colin Taimbari, ‘Pokies Act amendments are madness: Ombudsman’, op. cit; Colin Taimbari, ‘Public Prosecutor blasts pokies law amendment’, op. cit.

not want to be branded a crook MP going out to the election[,] but then we have just legislated to protect crooks.’”

The challenge by state institutions and state leaders to the legitimacy and legality of the Act was reinforced by community groups. The Catholic Bishops’ Conference and the Catholic, Lutheran, Seventh-Day and Pentecostal Churches publicly denounced and opposed the amendments of the Gaming Machines Act 2001 and the National Gaming Control Board Act 2001. The Catholic Bishops’ Conference President, Bishop Stephen Reichert expressed his amazement that “… MPs have apparently voted to give retrospective legitimacy to theft and deceit by members of Parliament and employees of the State.” Moreover, with their surprise and outrage over the Acts, church leaders shared similar views on the issue that “[t]his is very clear that our Parliament, the Parliament to make laws to protect the people, is being used to support corruption.” Therefore, they declared their intention for a protest march if the amendments were not reviewed.

In response to the challenge by social forces, the government defended the Acts by explaining that “[c]learly the Ombudsman’s [Ombudsman Commissioner’s] legal advice is different from the advice received by the Government, including advice from the Attorney General.” On 13th August 2001, the Prime Minister denied that the amendment would grant any kind of legal immunity for those who were involved in corruption. As the Prime Minister explained:

None of the people subject to those referrals or prosecutions will escape by reason of this legislation. No one who has applied payments for some purpose, other than the intended purpose, will escape prosecution by reason of the amendment. Nor will anyone escape prosecution, who has misapplied goods e.g. motor vehicles, purchased for the benefit of a public institution such as a health centre or school. No theft or diversion of funds or goods is legitimised. I challenge anyone to refer to me the facts of any specific case of theft or diversion of funds, which will be

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68 Colin Taimbari, ‘Public Prosecutor blasts pokies law amendment’, op. cit.
In other words, any alleged payments or transactions that were made after 20th July 1999 until the Gaming Machines Act of 2001 came into effect, were legitimised as long as they were proved to be legal under the new Acts, even if they were illegal under the previous legal regime. In spite of the possibility that any payments and transactions during that period could be used for health centres or schools, the funds would disappear after they reached either the school or health centre. Such practices for defrauding and misallocation of funds had long been public knowledge.

Moreover, Prime Minister Morauta asserted that “Section 68AA has been particularly targeted for ill-informed comment.” However, if there was a situation that led to “ill-informed comment”, it was clear that it had been created by the government’s own actions in passing the amendments and suspending Section 200 of the Standing Orders giving MPs 14 days to read and to debate the amendments before the vote. The accusation by the Prime Minister did not, however, ease the challenges against the legitimacy of the Acts. Indeed, the effect was quite to the contrary, and the Anglican Churches and Transparency International joined the challenge against the legitimacy of the Acts and the government’s motives. Increasing the challenges against the government, Deputy Prime Minister and Forest Minister, Michael Ogio urged that all critics of the amendments should read the amendment first, and the Ombudsman’s Commissioner, the Public Prosecutor, and the churches and other responsible organisations would appreciate the government’s intention to ban the gaming industry.

On the point of the government’s intention, yet another challenge against the legitimacy of the Acts emerged from the Attorney General. It was revealed that the amendments to

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69 Another part of his statement read: “Money was also paid out in grants, which should have been paid into other accounts. None of this money was stolen. It was money paid out with the approval of the Government, but the source or manner of payment was not strictly in accordance with the law. Those are the problems, which are corrected by the amendment. It is a similar position to a Government, which overspends its budget. A supplementary budget is passed to legalise what were, strictly, illegal payments. It is not best practice, but it is the best that can be done when the payments have already occurred.” See, The National, ‘PM defends pokies law amendments’, 13 August 2001.

the Gaming Machines Act allowed the NGCB to become a gambling operator while it retained its original role as regulator. The Attorney General, Francis Damem provided legal advice to the NGCB Registrar Dr Jacob Jumugot and the Chairman Alfred Daniels on this particular point concerning the amendments of the Gaming Machines Act, but they were ignored. According to The National newspaper, the Attorney General’s advice was that “…the Board should not be given the power to be an operator. It should be allowed to remain a regulator as there are ample regulatory provisions to control and manage the industry consistent with public demand.”71

The Attorney General pointed out that the amendment would risk encouraging the fragmentation of regulatory power over the gaming industry because “…[i]solation or exclusion of the provinces in this matter to which they have legal right to make law over the subject…”. Moreover, the “[d]ual function of the Gaming Control Board as the regulator and a competitor in the industry” meant that the Gaming Control Board would and could abuse its own regulatory power to suppress its competitor as it would impose a “[s]hift in the responsibility for distribution of funds from NEC to the Board where the former is accountable to the public while the latter is accountable only indirectly[.]” This would make due process less transparent because of the “[p]otential risk of a few members becoming too powerful by assuming and exercising delegated powers of the Board[,]” which causes more corruption. As a result, the “…[e]xclusive involvement of the private sector in the initiation of this policy submission and draft amending legislation without initial involvement of policy advisors of government[,]” would and could face possible legal challenge at the courts.72

In response, the Prime Minister attempted to justify why the NGCB was required to be a regulator while it could also be an operator, because “…[t]hese rights are necessary if the Board is to function in a financially viable and accountable way.” Stressing the government’s initial motives that the Acts would deliver transparency while contributing to the recovery of the national economy was no longer a viable justification. Hence, the government attempted to shift the causes of the challenge against the legitimacy of the Acts by releasing an exchange of letters between the

NGCB Chairman and the Registrar. All these letters were dated 1st August 2001, revealing that the Attorney General’s legal advice had been based on the wrong documentation. This exchange of letters had been initiated from the Prime Minister’s Office to the Attorney General, the State Solicitor, the NGCB Chairman and the Registrar, while the Prime Minister was unaware that the NGCB did not involve “… the Office of the Attorney-General sufficiently over time in preparing the board’s proposed amendments to the Gaming Board Act.”

The timing of the revelation was more than a convenience politically to the government. Even if it were a simple fact and if it were not political manipulation, it appeared clear that the Attorney General had given his advice based on the “wrong documentation”, and the truth would never have been known. However, it was clear that if this little mistake by the Attorney General was indeed true, it did not change the fact that the Acts had a legal basis granting retrospective immunity and the NGCB could be a gaming operator with regulatory power. All of this increased the challenge against the legitimacy of the Acts and the way in which these Acts were passed by the government. With a desperate situation at hand, the Prime Minister conceded that the amendments would indeed possibly legalise corruption, but his legal advice from four legal experts, including a Queens’ Counsel from Australia, did not raise any possibility that if the amendment became law, it would legalise corruption. This time, the blame went to those outside of PNG.

The PDM government failed on the issue of the Gaming Machines Act 2001 and the National Gaming Control Board Act 2001 on a number of counts. It failed to ban poker machines and to regulate the industry. Moreover, delivering rewards as the government had promised – that preventing the misuse of NGCB funds would restore the finances of the NGCB, which would then reduce the state’s financial burden – was also not realised. This was because the government’s intention concerning the two Acts lay elsewhere. It was protecting bad apples in order to create cohesion among MPs and the

72 See, ibid.
government. Hence, the government could retain its strength in numbers in the Parliament. By so doing, the government also failed to deliver on this count, as well as failing the democratic institutions of the state by using the amendments of the two Acts that were coercively passed. These actions directly resulted in challenges by a variety of social forces against the legitimacy of the government. In this sense, the PDM government was in total failure in terms of the creation of social cohesion and stability, whilst it also did not manage the national economy. Thus, the PDM government failed in its compliance while it scored yet another point toward losing its legitimacy.

The assumption that the Acts would prevent misuse of NGCB funds proved to be a total failure, as revealed by many cases after the PDM government had lost its legitimacy at the 2002 national election. One such case was when the Chairman of the NGCB, Alfred Daniel was referred to the Public Prosecution Office with a number of allegations soon after the PDM lost the 2002 General Election. One of these referred to “unlawful receipt of reimbursement for expenses related to Manus province which province does not have gaming machines.” This case shows that the Acts did not provide any checks and balances and did not grant any kind of legal powers to the Ombudsman Commission and the Public Persecution Office to pursue this case. Hence, the case was referred to the Public Prosecution Office under the Leadership Code but not under the National Gaming Act.75

The government’s intention to create cohesion among government MPs by rewarding retrospective legal immunity also failed. It did not bring government stability. At the time of the passage of the amendment of the Acts, the PDM government held an absolute majority of 70 MPs. However, at the end of the 2001, the government only retained 48 MPs, after the PDM demanded that its members sign the allegiance document.76

The belief that the Acts would restore the financial status of the NGCB also failed as more misuse of the funds was revealed. In August 2001, Prime Minister Morauta

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revealed the extent of misuse of the NGCB’s funds, claiming that the NGCB was almost bankrupt with a deficit of a total of 21 million Kina, which had occurred from 1995 to 1999 before the PDM had come to government. Moreover, by early October 2001, two government MPs were referred by the Ombudsman Commission to the Public Prosecutor's Office for prosecution under the Leadership Code. Both cases involved the misuse of NGCB funds. The first one involved K193,816 being obtained illegally for personal expenses between November 1998 and January 2000, and the second case involved K10,000. There were another five MPs and one government minister awaiting possible criminal prosecution for abusing the NGCB’s funds. In addition, another twenty MPs, a governor and a high-ranking police officer were under investigation by the Ombudsman Commission for alleged misuse of NGCB funds.77

The Act was supposed to reduce the deficit of the NGCB, but rather it resulted in the government appealing to the public for understanding as it wrote off the K15 million in order to save the NGCB from being declared bankrupt under the Acts. The NGCB funds would never be funds for the national economy; neither would reducing the deficit contribute to the state of the economy, because “[i]t is the most corruptible fund available to politicians. It is a political fund, and you benefit only if you are in government.”78

The challenge by social forces against the government was also intensified through the National Capital District (NCD) Act of 2001. The Act was part of the government’s strategy to pursue social control against other political forces, including the political elite in the NCD. The success over control of the National Capital District Commission (NCDC) by the suspension of the NCDC had set a precedent for the government to be able to pursue its coercive legal control against provincial governments and their political elite. By so doing, the PDM government could extend its control by utilising the elite factionalism that reached into provincial governments. Although the government justified suspending the NCDC and the provincial governments for their

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administrative malpractices and financial mismanagements, this did not, however, prevent the challenge of social forces against the PDM government. This was evident from the controversy surrounding the NCD Road UpGrade Projects. The government extended its social control over the NCDC and intensified political contestation at the NCD. This resulted in challenges by the political elite against the legitimacy of the PDM government.

The National Capital District Act of 2001 became a precedent to the government pursuing its coercive legal control by suspending individual provincial governors/administrations, which would force them to join the PDM party. Those suspended governments were the NCDC, and the Enga, Fly River and Western Highland provincial governments. However, the PDM government’s coercive control succeeded only in Enga Governor Peter Ipatas joining. By October 2001, the National Court ordered the reinstatement of the suspended NCDC, which was followed by the Supreme Court decision on the suspension of Southern Highlands Governor, Anderson Agiru that the suspension was “unconstitutional and invalid”. In response to the Supreme Court decision, the government argued that it had followed procedure under Section 51 of the Organic Law on Provincial and Local Level Governments for the withdrawal of powers from Provincial and Local Level Governments.79 The Prime Minister defended the government action by stressing that:

…if the withdrawal of powers is wrong, it is not the Government's fault. Maybe Section 51 is wrong, because that is exactly what we followed. … The reports [on the provincial governments] did come to Cabinet, so the Government was only abiding by the Constitution passed by this Parliament. If [the withdrawal of powers] is declared unconstitutional, then we do have a problem... [M]aybe we

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have to look at the constitutionality of Section 51.80

In order to realise a change to the legislation, the government needed the numbers that it had mastered when the Parliament passed the National Capital District Act of 2001. It aimed at the membership of the NCDC by excluding the political power base for the Opposition Leader, the NCD regional MP Bill Skate and the NCD Governor, Philip Taku by replacing them with a National Executive Council appointed governing committee. In other words, the PDM government was able to control NCDC affairs with its annual budget of K 90 million.81

The potential opportunities were enormous for accessing NCD resources given that the power to extract them came through the control of the NCDC. However, such power would result in a potential cause for intensifying political contestation at the NCD. Nevertheless, on 10th October, this became a reality as the PDM massed its own number (37) against 18 who opposed the amendment to the NCDC Act to remove all politicians from the NCDC. They would be replaced with the six members of the governing committee who were neither elected by the public, nor were they MPs or councillors, but were appointed by the NEC. This completed the PDM government’s control over the NCDC, but it was the beginning of a strong challenge by social forces, particularly by the political elite.82

The challenge to the legitimacy of the PDM government and its passage of the NCDC Act 2001 came not only from removed NCD MP Bill Skate and NCD Governor Phillip Taku, but also from an unlikely member of the political elite, Moresby South MP Lady Carol Kidu. This was because the PDM government had abused its power in using the “Kidu Report” for reforming the NCD in order to justify the NCDC Act 2001.

The Kidu Report had been drafted under Lady Kidu’s chairwomanship at the NCD Reform Committee from September 1999 in order to find an alternative political and

82  See, ibid.
administrative structure for the NCD. According to Provincial Affairs Minister Iairo Lasaro, the amendment of the NCD Act 2001 was based on recommendations from the findings of the NCD Reform Committee. This was clearly rejected by Lady Kidu because of the recommendations from the Kidu Committee, which had been abused by the government for diverting attention from their true political intentions. These were that the PDM government should have control over the NCD while extending its political colony into the governing body that was the NCDC.

According to Kidu, the changes in the NCD Act 2001 were not based on her committee's recommendations and the recommendations opposed to the various changes under the NCD Act 2001. According to Kidu, “…the interim committee was not to control the NCD and was not supposed to be the future system of NCDC and that politicians should be made ex-officio members only…” Moreover, it was questioned whether the intention and motive behind the amendments by the government was “…too little, too late... in a great big rush and the timing is way out.” By this point, the government was unaware of the intense challenge against its legitimacy by members of the political elite including Bill Skate, Lady Kidu, Sir Michael Somare and Anderson Agiru, who all opposed the amendment in the strongest terms.⁸³

In addition, the name of Lady Kidu was not only politically abused by the PDM government for political convenience to justify the amended NCDC Act, but this approach also endangered the lives of Kidu and her family, who were threatened by opposition groups against the amended NCDC Act. This was because the recommendations in “the Kidu Report”, which was tabled by her NCD Reform Committee, became a “political football”.⁸⁴ Kidu challenged both the government and the opposition by describing the political situation surrounding the NCDC Act:

…”[t]he fact remains that NCD and its resources have been misused by both sides of the present political battle to control the city before the 2002 elections. I have

been a neutral lone voice calling for social justice and now I am a convenient scapegoat for both sides. Hopefully, the truth will come out in the end. … None of those people have actually read the report. They do not know the contents of the report but are using it for their own political reasons. … I know for a fact that many Ministers have no idea of the full contents of the so-called Kidu Report nor do the Opposition members.  

While presenting a copy of the Kidu Report, Lady Kidu renewed her criticism that both sides of politics had misused the Kidu Report as a means to justify their own political manoeuvring over control of the NCDC. What came out to the public was stunning. The report recommended preventing the situation that the PDM government had created by the NCD Act 2001. The key points of the Kidu Report were:

- An interim measure to appoint a Board of Directors to work with the city management and Provincial Affairs Department with the specific task of analysing the report and drafting a new NCDC Act before the next elections;
- The situation under suspension with an appointed administrator had continued for too long and was open to political abuse;
- The interim Board of Directors should be the Reform Committee;
- Draw a code of conduct and a separation of political and administrative powers;
- The creation of a new open electorate for Motu Koita, which should include all settlements on traditional land;
- The Motu Koita chairman be guaranteed the ceremonial position of Lord Mayor of the city while the regional member would be the chairman of the National Capital Authority;
- Each open electorate should have three wards with three councillors elected from each ward while the elected councillors there would be councillors to represent the business sector, churches, women and youth.

Lady Kidu revealed that since the submission of her report to the Provincial Affairs

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86 It should be noted that Lady Kidu has devoted part of her life to the cause of the Motu, Koitabu and Koiari people so as to continue the work of her late husband, Sir Buri Kidu who was then the first PNG Chief Justice, in his efforts for these people. Thus, Lady Kidu brushed aside any suggestion that the government and opposition should express concern over issues involving the Motu, Koitabu and Koiari people as “absolute rubbish. Both sides have had plenty of time to do something about the situation of the Motu Koita people and both sides have done nothing to improve their situation nor give them the self determination they deserve, They have left them in a state of political dependency with no real political voice and are now trying to pull them from one side to another because they need the support of the Motu Koita people.” See, Margaret Daure, ‘Parliament hijacked report: Lady Kidu’, op. cit.
Minister in June 2000, neither side of politics had ever submitted any input on the report’s recommendations. With intensified lobbying for the debate of the report’s recommendations at the Parliament led the debate on schedule during the Parliament Session in November 2000 when the Parliament introduced the Organic Law on the Integrity of Political Parties and the Candidates Bill. Lady Kidu summarised the situation surrounding the NCD Act and ongoing political contestation:

Many people do not realise that NCD does not have a clearly defined system of government. … The apparent lack of interest in the future government and management of our nation's capital makes me doubt the genuineness of both sides in the present battle. This battle has been about the control of resources not about bringing better government services to the people of this city.87

Kidu had offered damning criticism.

The case of the NCD Road Up-Grade project was the best example of how members of the government elite manipulated the NCD in order to access the state resources they extracted for themselves. It became clear that this was a case under the PDM government appointed NCD governing committee. However, this government monopoly over access to NCD resources led to the later challenge against the PDM government by the political elite.

Preventing the revelation of such practices under PDM government control over the NCDC, at the appeal hearing against the National Court’s decision of the reinstatement of suspended National Capital District Governor Philip Taku and his administration, the government lawyer, Professor John Nonggorr, argued before the appeal that the reinstatement of Governor Philip Taku might have a social impact. This impact would be a loss of jobs in the NCDC through the cancellation of the construction contract on the road upgrade project in the NCDC which had been already implemented. Moreover, the road upgrade project under the PDM government controlled NCDC was controversial because of questions asked over the due process of awarding projects.88

The intensified allegations came at the height of the political contest over the control of the NCDC, and while the authority and legitimacy of the PDM government were already significantly challenged by other events. On 4th October 2001, the newly reinstated NCDC Governor Taku revealed that the NCDC was K1 million in deficit on its own operating account and that the main operating account was in overdraft to the tune of 813,124.84 Kina. In addition, the education trust account was 131,363.62 Kina in credit, while the road infrastructure account had only K685.76 Kina left. However, before the suspension of the NCDC government and its replacement by government appointees, the balance on the main operating account of the NCD totalled K11 million, while for the education trust the account was K24 million in surplus.89 This information was followed by the revelation of specific spending by the NCDC on road infrastructure. According to *The National*, Governor Taku explained that the NCDC spent 75 million Kina and “… [o]f the total budget of K112 million for the NCDC in 2000 most of it, … about 80 per cent, was spent on road infrastructure. … The total amount for road projects to date, including those carried over from 2000, is 156,202,472 Kina. Total payment made to date is 66,330,15 Kina and the outstanding amount for road infrastructure projects to date is 89,872,271 Kina.” This revelation came with information about a suspicious deal with a specific construction company called Global Construction. The company was alone awarded a massive contract as follows: 78,724,585 Kina for the Wards and Cameron Roads, 9,778,231 Kina for the Taurama Road project and 58,697,881 Kina for the Southern Arterial Road. In comparison, other contractors’ numbers were relatively small. For example, Hebou Construction was awarded a contract of 16,781,170 Kina for Gabaka Street, and a contract for Hanuabada, Tatana and Rainbow Roads to the amount or 8,413,882 Kina; and Curtain Bros (PNG) Ltd had a contract for the Healy Parade project, which cost 17,891,284 Kina. Moreover, Governor Taku added that a few cheques had been issued manually, which included a cheque for a payment of K2.5 million. This massive payout for one particular company led to direct challenges against the PDM government.90


The first challenge came from the President of the Port Moresby Chamber of Commerce and Industry. He sent a letter dated back to August 5th 2001 questioning the transparency in the tendering process which awarded the road upgrade projects. During the same week, after the passage of the amendment on the NCDC Act, the concerns in relation to the lack of transparency in the tendering process, led the Opposition Leader Bill Skate to charge Prime Minister Morauta in Parliament. The allegation was that Global Construction was awarded the projects within five days of their submission of a project proposal, while there were no public tenders. Global Construction was not only able to bypass the normal tendering process for a stake in the K 70 million project, but it was able to do so because of the direct intervention by Morauta and the NEC. According to *The National*, this evidence was based on documents submitted by the Opposition Leader to the Parliament, which showed that Global Construction proposed two separate upgrade projects: the first project was worth an estimated cost of K 9,778,231 for the Taurama Road, and the second project was estimated to cost K 58,697,880 for the upgrade of the Southern Arterial Access Road.  

The project proposals were submitted and approved by the special NEC meeting on 19th May 2000 and this was followed by:

**On July 16, 2001**  
The Managing Director of Global Construction, Francis Awesa submitted a proposal to the Provincial Affairs Minister Iairo Lasaro for the Southern Arterial Access Road upgrade project.

**On July 18, 2001**  
The National Capital District Commission provided a ‘Letter of Acceptance’ to Global Construction.

**On July 19, 2001**  
The legal officer, Joe Aisa signed the contract on behalf of the National Capital District Commission, thus the contract with Global Construction became legally binding. Then the contract was approved by the NEC with the signatures of the Chairman of the NEC, Sir Mekere and the NEC Secretary Winnie Kiap.  

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92 It should be noted that the approved contract had a note that “… the contract prices be calculated using those rates used in the Wards Road Reconstruction project and the rate may be adjusted according to a formula agreed between the parties.” See for detail, Colin Taimbari, ‘Storm over Skate’s
With this background, the letter from Prime Minister Morauta, dated 3rd July 2001, had requested the immediate and smooth release of the counterpart funding for the roads upgrade projects in the NCD. The report in *The National* quoted a part of the letter:

> Consistent with the policy, I would be grateful if you would direct your Department to release to the NCDC K3 million for June 2001, and than K4 million in each calendar month. Funds should be transferred on or before the 15th of each month so that the NCDC can make payments to the contractors on time. I would be grateful if you would ensure that the Secretary for the Department immediately implements the above process to ensure the important infrastructure work being undertaken by the NCDC continues.93

In response, the Prime Minister insisted that the letter was for urban infrastructure development and its funding was a priority of the government, whose policy applied to all provincial administrations and provinces including the NCDC and the NCD. In addition, Global Construction was awarded three projects and not two projects as they initially proposed.

The unusual speed in awarding contracts, combined with a lack of public tendering process and tendering to one particular company, created public suspicion and speculation about the corruption and cronyism in the NCDC under the PDM government’s control. This view was reinforced by new allegations of a link between the PDM government and Global Construction. The key link connecting all parties was the Central Supply and Tenders Board (CSTB). The alleged link was made and revealed by the Usino Bundai MP Peter Yama. The allegation was revealed after Prime Minster Morauta announced the NEC’s approval of K 114 million worth of road infrastructure projects in Madang, West Sepik, and Western Highlands provinces. Yama challenged the government by asserting that the CSTB had lost its impartiality, independence and professionalism because the political interests of the PDM had infiltrated the CSTB, so that the latter was effectively under the influence of the PDM. Yama alleged that, under

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the influence of the PDM, a member of the CSTB awarded Global Construction a number of projects including the road maintenance project for the Kassam Pass to Kainantu section of the Highlands Highway, which was worth K15.5 million.94

This particular allegation, however, turned out to be false after the members of the CSTB responded publicly to denounce the allegation, and the fact that the contract referred to by Peter Yama did not exist. One member of the CSTB did not sign the statement, which suggested that “[t]he CSTB is limited to awarding contracts worth K5 million and less. Any more than that was usually referred to the National Executive Council for final approval. The composition of the present board had been reviewed in September 1999 by the current government [the Morauta led PDM government].” The statement signed by the CSTB cleared the board itself, except for one member. This brought the suspicions of corruption and cronyism back to square one, where the allegations had started, so the challenge against the government was never eased but instead it intensified.95

It was in the context of the above that an editorial in *The National* offered a solution to prevent any worsening of the PDM government’s public relations. The editorial stated that:

> It seems to us that there is a simple solution. If there is no connection between Global Construction and the present government [PDM], then that fact should be made clear to the public. If on the other hand there are some connections between the two, that fact should also be made public. It’s a simple matter of transparency. And it is of concern, because the Supply and Tenders Board, responsible for deciding on multi-million kina contracts, has itself now been accused of bias and favouritism over the awarding of tenders.96

The solution was simple, but whether the PDM government would be able to follow this advice and so ease the challenge to its authority and legitimacy, was a different

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question. Although a number of allegations over the NCD roads upgrade projects were not sufficiently proved as alleged, what the allegations had demonstrated was the failure of compliance by the PDM government. The government failed to restore transparency and political stability to the NCD, whilst also failing to uphold its own social control over the NCD. The government was challenged not only by various social forces, including the political elite, but it was also indirectly challenged by the law. It was the court case that triggered a domino effect on the revelation of alleged deals over the NCD road upgrade projects, while the government attempted to clear the allegations. Moreover, it was also revealed that the PDM controlled NCDC went on a spending spree, resulting in the NCDC finance being in deficit, which was a clear failure of economic management. Hence, the PDM government was not successful either in the government’s coercive legal control against provincial governments and their political elite, nor in extending its control by utilising elite factionalism in provincial governments.

The PDM had long sought control by engineering political dominance. The strategy was clearly evident on a range of occasions, but none so obviously as when the Party attempted to form a grand coalition with six other political parties in November 2000. The parties were to be forced to sign a pact that they would maintain the government until the 2002 General Election. There was an attempt to amend the Organic Law on the Integrity of Political Parties and Candidates (2000) that would require coalition partners and individual MPs to vote in line with their own Party’s decisions. This blatant domination of PNG politics by the PDM served to highlight the influence of one political leader in particular. This was Paias Wingti, the founder of the PDM party.

Paias Wingti was particularly keen to engage in “Big Man” politics, and the involvement in and influence of Wingti on the PDM party was obvious. This was despite Wingti not being a member of the PNG parliament or a public office holder and although Wingti kept a low profile, there were always suggestions that he was a force behind the Morauta government. When Morauta was endorsed as the new Prime Minister, it was at Wingti’s house. Morauta admitted that he had been consulting with Wingti, but he described his relationship with him as follows: “Paias Wingti and I have
been friends for a very long time. It’s just like I am friendly with Michael Somare and Julius Chan … [and] … Paias Wingti’s role in PDM is no different to Chan’s role to PPP or Somare’s role to National Alliance.”

Frequent appearances were made by Wingti when the PDM government announced its controversial political strategy of “the Free Education Policy” in November 2001. On this occasion and others, Wingti appeared to the public when there were opportunities to show he was a “Big-Man”. For example, he distributed school fees to individual schools. He also appeared when Prime Minster Morauta needed to make political manoeuvres inside and outside the Parliament, like reshuffling the cabinet and making sure the balance at the Parliament favoured the PDM. As Morauta admitted: “He’s [Wingti] got very experienced political brains and they will continue to be used. … Paias is a very clever tactician.” In other words, Wingti continued to use his best political skills to tighten the grip of the PDM party over PNG politics.

Wingti had been popular in his native province, the Western Highlands province where he was the Provincial Governor until he lost the contest in 1997, although he regained the Governorship at the 2002 General Election. However, he had been unpopular, or perhaps more correctly, he had not been popular. Wingti was the sort of MP that people either liked or disliked, primarily because of his political style in that he was politically Machiavellian, if I may use a Western political analogy. He was a master of PNG’s Big Man politics. Thus, more longstanding MPs trusted him less than MPs who were first time parliamentarians. However, Morauta described this as being that some “[p]eople are just jealous and scared of him. That’s all.” Indeed, the Western Highland Governor Fr Robert Lak, who already felt threatened by Wingti’s increasing influence on the national government, urged Paias Wingti to retire from politics before the 2002 General

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Election.\textsuperscript{100}

Wingti also advised Morauta on important political decisions. This influence was evident when Sir Michael Somare, who was then the Minister of Foreign Affairs and Bougainville Affairs, was removed by Morauta in an arrogant manner in December 2000. At that time Morauta was reshuffling his cabinet to punish MPs who did not vote for his first attempt to pass the amendment of the Organic Law on the Integrity of Political Parties and Candidates (the Integrity Law) in November 2000 and his 2001 Budget. A week before the expulsion of his cabinet members as a punishment, it was reported that he had a consultation with Paias Wingti over the weekend in Australia, and it was presumed that removing Sir Michael Somare had been decided.\textsuperscript{101} This cabinet reshuffle and sacking of two ministers, including Sir Michael Somare, was described by Wingti as being good for political stability and good for the stability of the government:

\begin{quote}
It is good that the Prime Minister has gotten rid of them. I was asked for my opinion and I spoke my piece of mind and said get rid of them. As far as I am concerned they are a cancer to the party. As founding leader of the party I won’t allow the party and this country to be destroyed by self-serving politicians.\textsuperscript{102}
\end{quote}

Wingti denied an accusation by former Deputy Prime Minister Mao Zeming, who was removed from the PDM and who claimed that Wingti was the one manipulating the Prime Minister:

\begin{quote}
…giving opinion and advice when I’m asked to by the prime minister or any member of the party. When I’m asked as founding leader of the party I do give my opinion or advice but the ultimate decision rests with the prime minister and the party caucus. I can’t say I don’t have influence, my advice does have some influence.\textsuperscript{103}
\end{quote}

\textsuperscript{103} ibid.
At this point, it was no surprise when there was a rumour that it was Paias Wingti who had the idea to suspend the NCDC and other provincial governments and administrations in order to punish them if they did not cooperate with the PDM led Government.\textsuperscript{104}

After Wingti’s clear involvement and consistent appearances in public concerning the free education program, which was another pork-barrelling practice by the PDM led Morauta government, Morauta himself became increasingly unpopular. However, before Wingti declared his decision to contest the Western Highland Governor’s seat at the 2002 General Election, he suggested that Morauta should be the Prime Minister post-2002 General Election, and he predicted his own role as follows:

\begin{quote}
If I am able to help the Prime Minister and the party from outside, organise his political strategy and management, maybe that’s what I’ll do. If I am able to help him from inside, then that’s another thing, but I’ll assess it more carefully as I’ve been Prime Minister three times and running in elections and taking risks, you know I am also careful about my reputation. So it’s something that I’ll think about it over time.\textsuperscript{105}
\end{quote}

This statement shows yet another aspect of the duality of the PNG political system in that Wingti was a Party founder but had no constitutional power to decide who should be the next Prime Minister. However, with his strong confidence in his party, the PDM would come back as the government and he would “advise” the party that Morauta should be Prime Minister. Nevertheless, it seemed that Wingti did not consider the possibility of a need to form a coalition government. In addition, Prime Minister Morauta admitted Wingti’s influence on the PDM party: “I am open to suggestions and help but in the end, I decide for the country.” In other words, Morauta must face the challenges by the rival political elite.

In March 2001, Sir Michael Somare, as party leader of the National Alliance, declared

\begin{flushleft}
\textsuperscript{104} An example of how the public forum sees Paias Wingti if not the debate was politically manipulated. For example, see, \textit{Post Courier}, ‘Wingti is best’, 12 December 2000; \textit{Post Courier}, ‘Wingti ‘best’ man to make big mess’, 3 January 2001.
\textsuperscript{105} \textit{The National}, ‘Sir Mekere should stay on as PM after polls: Wingti’, 18 June 2001.
\end{flushleft}
“Political War” against the ruling PDM party, and addressed his party members in East Sepik by saying that “[w]e must take up the challenges and go out as a unifying force to kill PDM in the elections and form a new National Alliance government.” 106 In response, the Deputy Prime Minister Michael Ogio said that:

…[Sir Michael’s] alliance is doomed to failure… While the PDM can proudly stand on our record of having policies acceptable by the vast majority of Papua New Guineans, and of pulling the nation back from the brink of financial disaster, unfortunately, the record of Sir Michael is not an exalted one[,] … He has not proven to be a good party leader, on past records he does not put the party first. He left the party he founded over disputes between himself and the Pangu Party over the running of the business arm, Damai, … to start the National Alliance. 107

The irony of these remarks is that what Michael Ogio wished for did not happen but rather the outcome of the 2002 General Election became exactly the opposite of what he had said about Sir Michael. Moreover, Ogio did not expect that something would go wrong against his PDM party a year later from when he made this response about Sir Michael. This was in March 2001.

The PDM had retained one experienced MP from Sir Michael’s National Alliance party, Sir Moi Avei, who had challenged Sir Michael’s leadership in the National Alliance party. After Sir Moi Avei had lost the leadership challenge against Sir Michael, he left the NA and joined the Melanesian Alliance under the leadership of the National Parliament Speaker Barnard Narakobi. One year after Sir Michael Somare declared political war against the PDM led Government, one incident exposed what was supposed to be only a “few disgruntled soldiers’ revolt” at the Murray Barracks in Port Moresby in March 2001. This was not only not a minority’s actions within the PNGDF but also against the PDM led Government, which had been exposed in the public spotlight about its members’ involvement in a number of alleged corruptions. 108

On 10th March 2002, the soldiers at Moem Barracks staged a stand-off. This was triggered by frustration and anger against officers at the Moem Barracks, where the soldiers were claiming to scrap the EPG report based retrenchment plan of the PNGDF. However, the soldiers requested Sir Michael Somare to step in while refusing direct talks with the PDM led government. The government had promised the soldiers from Murray Barracks that it would honour their petition in April 2001, and then ignored all demands. This request by the soldiers at the Moem Barracks came to have increasingly wider implications for political conflict between Sir Michael Somare and the PDM led government under Prime Minister Morauta. It was an expected political outcome from this stand-off incident that Sir Michael Somare gained wider public support while increasing his political popularity by using his influence to settle this stand-off. On the other hand, not only had the PDM led government become unpopular, but this also caused major political damage toward Prime Minister Morauta himself.109

Another former Prime Minister, Sir Julius Chan and his People’s Progress Party (PPP) formed another part of PNG’s political elite who challenged the legitimacy of the PDM government. The Parliament Leader Michael Nali was removed from government when he created the possibility of a no confidence motion against Morauta. He argued that the public had lost confidence in the PDM government because of what appeared to be the rise of white-collar crime by junior and lower ranking bureaucrats, while ordinary people struggled with their lives. He also particularly pointed out that the sale of the BNGBC should be last in priority for privatisation. Although Prime Minister Morauta agreed with some of the points that Sir Julius had made about how low investment in PNG should be blamed for the hardship of low earners, he did not make any remarks regarding privatisation or corruption under his government.110

This harmony came to an end when the PPP officially declared that it was joining the Opposition, which had just completed the transition of its leadership from Bill Skate to Sir Michael Somare in May 2001. Sir Julius made it clear to the PDM that “[t]he PPP

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will find its place in the sun ... in the sun! Not in the backyard of the Government.” He argued that the PPP would work with any parties after the 2002 General Election with or without the PDM. However, this was all changed when Sir Julius delivered his first challenge against the ruling PDM party regarding their free education policy, which PNG did not have the capacity to pay under the current economic situation. This was repeated in a much stronger way:

...[a]t a time when the nation cries out for job creation, crime reduction, improvement in income levels, the Government of today throws out the cash to address its own priorities. Buying support. Staying in power. Attending to the needs of its cronies, rather than the needs of the people. Pandering to the whims of the greed merchants. Making high sounding and noble promises while at the same time plundering the nation's limited financial reserves. They themselves are thereby destroying the means to deliver on those promises.

A response from Prime Minister Morauta was never made to Sir Julius’ specific statement in 2001. However, a response from Morauta seemed to be made almost five months later, just less than two months before the 2002 General Election, in May 2002. Sir Julius was repeating his criticism of the economic credentials of the ruling PDM government, in particular regarding privatisation, the sale of BNGBC and Valued Added Tax. Prime Minister Morauta rejected Julius Chan’s criticisms: “[Julius Chan] needs to wake up before he says anything because he seems to be talking about Skate’s time.” The response from the Prime Minister to Sir Julius might well be described as being a ‘hitback’ rather than a response to a political debate. The Prime Minister might have been feeling some political frustration because he recognised that his PDM and himself were losing public support. In addition, Sir Julius contested the seat of New Ireland, but he lost the contest at the 2002 General Election.

Under the PDM led government, there were other major political players who had political conflicts with the PDM party and Wingti, its founder. There were the Highland governors, the former Prime Minister Bill Skate, the Central Province regional MP Ted

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Diro, and the founder of the People’s Labour Party Peter Yama. Each of their political agendas was different, but their objective to be a part of the government as the winning side was a common interest. However, their outrage and fear over the PDM’s ambition towards one party dominated politics was also a factor that drove them against the PDM leading up to the 2002 General Election.

Since the PDM had withdrawn executive power from the NCDC, it also used the same power to suspend all Highlands’ provincial governments and administrations under the pretence of an investigation into alleged corruption. However, this was a political tactic employed by the PDM led government to suspend provincial governments and administrations in order to force them to join the PDM party. A clear example was the case in Enga Province, where the provincial government and administration were suspended by the NEC and executive power was restored only after Enga Governor Peter Iptas joined the PDM.114

These major players took a clear political message to the public that the general election in June 2002 would be war against the PDM and Wingti. Indeed, throughout the 2002 General Election campaign, these major players were the driving forces against the PDM led Morauta government. After the 2002 General Election, the Somare government was formed under Sir Michael Somare (National Alliance), the People’s Progress Party of Sir Julius Chan, Ted Diro and his People’s Action Party, Bill Skate, and Peter Yama and his PLP; that is, all players except the PDM.

PDM party domination in PNG politics was not only rejected by a variety of social forces, but it was also challenged by the rival political elite. Because politics in PNG is dominated by the Melanesian way of factional politics, party loyalty and cohesion are first in line, while the ideology of a political party is not a primary concern of politicians. What was most important for the political elite, was that they should be in a position to access state institutions for the extraction of resources. In other words, once

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the government seemed to be losing its authority and legitimacy, the political elite moved their support elsewhere.

Polling in the 2002 General Election began on 15th June 2002 and would last until all election writs were returned to the Governor-General on 29th July. Chaos marked the election and it was widely expected that isolated and systematic vote rigging and large-scale manipulation of the election process would take place. In November 2001, the PDM government had revealed its incentive and reward for the population. It was a 150 million Kina budget for school fee subsidies for the 2002 school year. Its composition was 10 percent compulsory fees to be paid by parents, while approximately 90 million Kina would be diverted from the revenue of the PNGBC privatisation to meet the remainder of the fees. However, this government strategy was immediately challenged. The Opposition Leader Sir Michael Somare warned voters that “education does not come free” because there were other areas of the budget that had had funds diverted from them in order to pay for school fees. This warning was echoed by others, including students, teachers and the church. Admittedly, the government announced that the free education subsidy would not cover all the costs of education. Nevertheless, it was clear to the public that it was a part of election pork-barrelling. In response, the opinion poll by *The National* newspaper revealed that 90 per cent (190) of respondents rejected the politicians’ involvement in distributing education subsidy cheques. And the involvement of Wingti intensified opposition to the initiative.

There were also serious questions surrounding the common roll, which began with direct intervention by the government who prevented the Governor-General from issuing writs for the June 2002 Election, and by the government obtaining a stay order from the National Court on 3rd April 2002. It was widely believed that the common roll

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for the 2002 Election contained significant numbers of “ghost names”. The government, however, sought to delay issuing the writs in order to engineer the electoral system and process for its own political benefit. Thus, the Electoral Commissioner challenged the government.117

Issues surrounding the common roll continued, particularly the issue of “ghost names”. In May 2002, an independent candidate for the NCD requested the release of the common roll by the Electoral Commission. It was delayed, and on the eve of voting beginning, Prime Minster Morauta revealed that high numbers of ghost names were on the common roll. For example, in a comparison between the common roll for 2002, the 2000 census and the 1997 common roll, an electorate in the NCD had 1794 eligible voters while the number of people of voting age in the 2000 census was 1020. However, the claim by the Prime Minister was proved to be inaccurate following an investigation carried out by the Electoral Commission under the supervision of the Australian Electoral Commission. Although there was concern, the earlier move by the PDM government to extend the issue of the election writs clearly showed that the government was attempting to incorporate state institutional processes in the election by re-engineering it.118

The most intense contests were held in six Highlands provinces. One of them was a Southern Highlands province, where the contest was so intense that a state of emergency was declared that effectively gave the PDM government, through its executive power, the opportunity to declare a halt to the whole 2002 election. As was expected, a number of Highland provinces faced violence during the June-July polling for the 2002 Election. At one stage, the winners of three seats in Southern Highland provinces were declared, but later it was revealed that those three winners were declared

either by a non-returning officer or in the presence of the officer at gunpoint. As Standish observed, these practices throughout the election in the Highland provinces were not isolated cases and he described this as a “ganpoin vo1”\textsuperscript{119}: 

At premier’s hill in town (Kundiawa) earlier in the afternoon, a prominent Open candidate had pressured the presiding officer to allow multiple voting by his supporters. According to the official, the candidate showed a pistol in his jacket pocket and forced the clerks to accept his wishes … The second team at Kuglame operated independently some 30 meters away. Finger dye was not being used and there seemed little if any attempt to find the names on the roll. Some women told me after they left that their fingers were unmarked and they would go and vote again at Bamug. Like naughty schoolgirls, they showed some delight at beating the system.\textsuperscript{120}

Widespread violence and the incapacity of the government to provide adequate responses to the challenges against state legitimacy by seeking to incorporate the elections as an institution of the state by any means, resulted in six Southern Highland seats out of nine being declared by the Electoral Commission to be null and void. That is, the election failed. Thus, the Southern Highland Provinces, which are rich in natural resources, had no individual representatives for their six seats – Kagua-Erave, Imbonggu, Komo-Magarima, Koroba-Lake Kopiago, Tari-Pori and the Southern Highlands Provincial seat. By November 2002, fresh elections for those six seats could not be held until April 2003 because of the cancellation of K4.2 million for the new election and serious concerns about law and order in the provinces. Therefore, the government failed in its compliance to deliver the necessary safety measures to ensure the security of the polling process. It had created a shortage of finances by diverting state resources for the PDM’s political benefit, such as 150 million Kina for the Free Education policy, which could well have been spent on the election process.\textsuperscript{121}


\textsuperscript{120} Post Courier, ‘Block voting, intimidation reigned’, 19 July 2002.

The voting process in most electorates was transparent and free from violence, except for the NCD and the Highlands provinces. However, there was wide reporting of the systematic abuse of political position and office by individual MPs.

It was clear from the outcome of the June 2002 Election that the PDM government had not only totally lost its authority and legitimacy, but had also failed in its strategy to survive challenges from below and from the Opposition political elite. This is evident from the PDM’s massive defeat, which reduced its number and strength from 47 to 12 and resulted in the loss of almost all cabinet ministers (see Table 3.3).

Despite the absence of six representatives from the Southern Highland region, on 6th August 2002, the outcome of the June 2002 General Election gave the opportunity to Sir Michael Somare to be elected as the 7th Prime Minister of Papua New Guinea with 88 votes. This was his third time as PM of PNG.122

The transition to the Somare government was unexpectedly completed without any major political challenges from the PDM or any other political elite. Leading up to the transition, after the PDM recognised that it could not manipulate numbers for forming the government, a last minute political manoeuvre was nevertheless initiated by former Prime Minister Morauta and his party. If he resigned as party leader, he could influence voting for the selection of the Speaker of the Parliament and the Prime Minister, who

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might be in favour of the PDM forming government.  

Table 3.3: Change of Political Balance after the June/July 2002 Election

<table>
<thead>
<tr>
<th>Party</th>
<th>Change in 2002</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>NA</td>
<td>+</td>
<td></td>
</tr>
<tr>
<td>PDM</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Other Parties</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Independents</td>
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<td></td>
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</tbody>
</table>


It is interesting to note that Bill Skate, who was replaced by Morauta and his PDM party March 2000. The General Election was held in July 2007.

in 1999, successfully returned by being appointed as the Speaker of the Parliament. In addition, it was ironic that Morauta was elected as Prime Minister in 1999 to restore the economy of PNG, which had been completely undermined under the then Prime Minister Bill Skate, and then renewed a record of fiscal deficit of over 800 million Kina compared to over 5,700 million Kina under the Bill Skate government. Thus, the PDM government, with its failure of compliance was not only unable to conform to the expectation of the population in restoring the national economy, but it also destabilised the economy. Hence, the PDM government weakened the PNG state.

Conclusion
In this chapter I have examined how PNG’s Morauta PDM government lost its authority and legitimacy. Intensive interaction between the state and society led to the demise of this government, while the PNG state itself remained intact, though significantly weakened, by the same challenges. These challenges from below came from a variety of social forces that were responding to policies and events that the Morauta PDM government had created and promoted. I have offered a series of case studies in this chapter that demonstrate that in the case of PNG, a weak state is not synonymous with a weak society. PNG has a weak state with a strong society.

The nature of PNG politics is fundamentally tied to a realpolitik approach. Individual political actors behave according to their own best interest rather than operate within the rules and norms set out by the state and its institutions including the government of the day. As I have noted earlier in this chapter – party allegiance is a questionable concept. However, even with this situation in mind, the Morauta PDM government proved to be particularly fallible. This government had displayed a consistent disregard for popular requests. It rejected the minimum wage increase while it allowed government leaders to significantly increase their salaries; it rejected soldiers’ demands for improved pay and

conditions; and the government had ignored anti-privatisation protests which were to end in tragedy when students and one other civilian lost their lives. The Morauta PDM government insisted on downsizing the PNGDF and it oversaw a situation where the common roll for the 2002 Election was widely accepted as having been manipulated. In the end, its Education Policy announced prior to the 2002 Election was obviously insufficient reward for a long-suffering populace.

A consequence of the PDM government’s failure to meet the expectations of PNG’s citizens led to persistent and continual challenges to the government’s authority and legitimacy. In addition, the fragmentation and politics of PNG society and the fragmentation of the PNG elite did much to promote a situation where the government was weakened while social forces displayed a relative strength. It is a situation that not only ended the PDM’s rule in 2002, but one that has also limited PNG’s foreign policy options. It is with the latter point in mind that in my next chapter I will investigate how the PNG state has responded to external challenges.
Chapter Four: PNG Foreign Policy – ‘Friends to All, Enemies to None’

Introduction
In this chapter I will offer a series of case studies that have allowed me to outline and discuss PNG’s foreign policy behaviour during the 1990s. This chapter is a study of how the PNG state has responded to external challenges while taking account of the country’s limited state resources and limited foreign policy options. I will argue that PNG’s foreign policy behaviour must be considered from the point of view of the ongoing need for the survival of the state, and that this has led to an overarching and consistent foreign policy principle of being ‘friends to all and enemies to none’.

As I showed in the previous chapter, the internal politics of the PNG state have been based on extensive interaction between the state and society. Such domestic interaction has been accompanied by the mobilisation of state resources by the national elite for their own political end. It is also a situation that has limited the extent to which the state is able to respond to external challenges.

Since 1974, even before independence, PNG pursued its national interest under its loosely stated policy of ‘Universalism’. Universalism later developed into the ‘friends to all and enemies to none’ approach. This happened after PNG’s first independent foreign policy principles were announced in 1975. Both principles became part of the first comprehensive foreign policy adopted by PNG of ‘Active, Selective Engagement (ASE)’. This doctrine was outlined in its first Foreign Policy White Paper in November 1981. The basic principles of this have informed the near consensus approach of PNG foreign policy and diplomacy since then. It is a policy that identifies short and long-term national interests. As well, it has encouraged PNG to develop various associated policies such as ‘independent commitment to international cooperation’ (1985-1988), ‘Look North’ (1992-1994) and ‘Look North and Work the Pacific’ (1994-1997).

PNG affairs are also unusual in that when the state leaders mobilise foreign policy and diplomatic interests for their own domestic political benefit in the short-term, they usually succeed politically. However, this domestic advantage does not automatically
translate into diplomatic success in either the short or the long-term. Critically, the price for diplomatic failure from this type of action by state leaders is far greater than the immediate return. In other words, a move or action which is politically successful at home and that advances short-term interests and domestic political returns, can easily sacrifice critical long-term foreign policy strategy. The effect can partially or entirely undermine the overall foreign policy goals of stable inter/intra-regional relations. And, it has serious widespread diplomatic consequences. Being highly dependent, PNG has little freedom of movement on the international stage. When there has been any kind of short-term political shift away from the principle of PNG foreign policy of ‘friends to all and enemies to none,’ the situation has quickly deteriorated.

It was perhaps inevitable that in the period leading up to independence, future state leaders and the elite would seek to break away from the historical constraints experienced by their country. However, despite an enormous domestic effort through the development of the Eight Point Improvement Plan of 1972 and the National Goals and Directive Principles of 1975, the reality that surrounded PNG did not favour the achievement of PNG becoming truly independent. It is in this context that PNG sought to pursue its national interests under a policy of ‘Universalism’. The policy was based on the principle of ‘friends to all and enemies to none’. It was made public in 1975.

This policy and principle constituted the ‘Active, Selective Engagement (ASE)’ doctrine under PNG’s first Foreign Policy White Paper of 1981. Successive governments have developed various associated policies as responses to external challenges. These policy responses included the ‘independent commitment to international cooperation’ (1985-1988), ‘Look North’ (1992-1994) and ‘Look North and Work the Pacific’ (1994-1997). Although successive governments that developed these new foreign policy initiatives faced internal political challenges, they minimised the risk of playing with PNG’s foreign policy principle as a matter of survival for the PNG state.

The development of the official version of Papua New Guinea’s foreign policy did not
begin until the country gained full independence in September 1975. This was when Australia formally handed over to PNG’s newly established government all sovereign powers including foreign affairs. However, from both the philosophical and realpolitik points of view, the first Prime Minister of PNG, Michael Somare (who, between 1975 and 1980, was to head the first Somare government) had already indicated that the key word for the future of PNG’s foreign policy was ‘universalism’.\(^{125}\)

In realpolitik terms, PNG’s early foreign policy was more or less pursuing the co-existence of interests of the newly independent state by maintaining dependency relations, with Australia in particular. This was partly a necessary consequence of some factors involved in the process of PNG’s independence. The immediate factors arose from PNG’s domestic context, notably the uniqueness of PNG’s independence where the majority of PNG’s population had not demanded independence, but rather this had been given by Australia. It was also given without allowing PNG the time to prepare fully for its independence. The gaining of full independence did not mean the reduction of economic dependency and this led to concern. Concerns over the implications for PNG’s state of dependency and possible future PNG foreign policy choices, were expressed by Edward Wolfers in May 1975, nine months before the country’s independence:

> [t]he Papua New Guinea government is faced with the difficulties posed by increasing dependence upon foreign donors, lenders and investors...mounting regional tensions requiring increased government expenditures...and demands...that Papua New Guinea become truly independent.\(^{126}\)

Given this reality faced by the newly independent state, PNG developed the Eight Point Improvement Plan of 1972 (EPIP) and the National Goals and Directive Principles of 1975 (NGDP) as PNG’s earliest foreign policy responses for lessening its dependent

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\(^{126}\) Edward P. Wolfers, (ed.), *Australia’s Northern Neighbours: Independent or Dependent?*, op. cit., p.5
nature.\textsuperscript{127}

The Eight Point Improvement Plan of 1972 (EPIP) was based on the idea of “socio-economic philosophy”. It particularly emphasised self-reliance and “the Aims implicitly criticized colonial settler affluence; strategies of uneven development; colonial over-centralization and preference for large-scale development; economic and financial dependence on the colonial metro-pole; colonial sexism; and the colonial preference for capitalist economic forms.” Because of the coincidence of these messages in the Eight Point Aims, not just a majority but “many observers believed or feared that…[PNG] was about to take off in a socialist direction…”\textsuperscript{128}

The Eight Aims sought to raise awareness and convince the majority of the population who lived in villages, but in reality, critics of the Eight Aims argued that: “[d]esultory discussions about mobilizing the people for self-reliance petered out; the government relied for its support on ‘pork barrel’ politics, opportunist political alliances, and the colonial-style administration…[and] nothing was done to develop the crucial political resources.” Thus, the post-independence PNG government undertook a review of the Eight Aims in order to find practical ways for national development by reversing ‘the actual economic priorities’. This was because of concern that if the Eight Aims were indeed implemented to the letter, newly independent PNG could have become a socialist state. The consequences of this could have been great.\textsuperscript{129}

As a consequence of strong resistance against the reality of PNG’s dependency nature, the key ideas of the Eight Aims largely influenced the development of the National Goals and Directive Principles of 1975 (NGDP). The NGDP in PNG’s Independent Constitution of 1975 included the earliest PNG foreign policy blueprint that spelled out


and emphasised ‘self-reliance’, which later sounded increasingly idealistic. This was because dependence rather than self-reliance increasingly became the reality. Nevertheless, the NGDP strongly stressed the importance of self-reliance as fundamental to maintaining PNG’s national sovereignty under its third directive principle as follows:

“National sovereignty and self-reliance[;] we declare our third goal to be for Papua New Guinea to be politically and economically independent, and our economy basically self-reliant.” Moreover, the specific directive principles strongly argued for a rejection of dependency especially on the foreign direct investments and assistance:

- Our leaders to be committed to these National Goals and Directive Principles, to ensure that their freedom to make decisions is not restricted by obligations to or relationship with others, and to make all of their decisions in the national interest: and

- Citizens and governmental bodies to have control of the bulk of economic enterprise and production; and

- Strict control of foreign investment capital and wise assessment of foreign ideas and values so that these will be subordinate to the goal of national sovereignty and self-reliance, and in particular for the entry of foreign capital to be geared to internal social and economic policies and to the integrity of the Nation and the People; and

- The State to take effective measures to control and actively participate in the national economy, and in particular to control major enterprises engaged in the exploitation of natural resources; and

- Economic development to take place primarily by the use of skills and resources available in the country either from citizens or the State and not in dependence on imported skills and resources; and

- The constant recognition of our sovereignty, which must not be undermined by dependence on foreign assistance of any sort, and in particular for no investment, military or foreign-aid agreement or understanding to be entered into that imperils our self-reliance and self-respect, or our commitment to these National Goals and Directives Principles, that may lead to substantial dependence upon or
influence by any country, investor, lender or donor.

Despite the strong resistance to any form of dependency laid out in the NGDP, and since the NGDP is part of the constitution, the constitution almost effectively denounced and prohibited any association and activity that further encouraged PNG’s dependency. It discourages any development processes or plans that risk increasing dependency, which is to say, as the NGDP puts it, “imperils our self-reliance and self-respect, or our commitment to these National Goals and Directives Principles, or that may lead to substantial dependence upon or influence by any country, investor, lender or donor.” In other words, the NGDP comprehensively went against the idea of a PNG state that was dependent. Understandably, its hope, wish and ultimate goal for PNG’s national development was that it be self-reliant so that the country would be truly independent.130

However, the reality did go against the ideas of the NGDP. As Stephen P. Pokawin observed, reality was not so favourable to the implementation of the NGDP, and most subjects and parties (i.e., institutions in both public services and private sectors) that had responsibilities for implementing the NGDP’s objectives, “either attempted to operate under the new directive issued by the government or utilized their expertise to exploit the loopholes to escape the restrictions placed on their operations.” Furthermore, “lack of political will and initiative from both leaders and population” was partly to blame for the failure to implement the spirit of the NGDP, which was to be self-reliant, not ‘dependent’.131

Contrary to the NGDP then, the reality of the international context – this was the height of the Cold War – meant that there would be no great advantage to PNG pursuing an overall foreign policy that was very different from that of its former colonial master, Australia, or Australia’s allies (i.e., the Western bloc). The then High Commissioner of Papua New Guinea to Australia, Oala Oala-Rarua, presented his perceptions of future PNG foreign policy in relation to its dependency in the following manner:

[a]s an independent country, Papua New Guinea will have to face up to the economic realities within Papua New Guinea as well as the harsh realities of the international situation. However, Papua New Guinea cannot pursue a realistic and independent foreign policy towards Australia without an economic structure that can relate to, and support, that choice of orientation. The Australian colonial legacy can also be held substantially responsible for the present internal social and political domestic problems that are being faced, such as secessionist movements, urban unemployment, and urban unrest. Australia has left these problems with us, and they inevitably will inhibit Papua New Guinea’s capability to devise truly independent and meaningful policies towards Australia.132

Because of the legacy of PNG’s colonial past, of dependency on Australia, PNG was ill-equipped to establish any truly independent foreign policy. It had been left with few options for its own foreign policy choices even before full independence. According to Mortimer, early PNG foreign policy development was that “the Papua New Guinea government had no power to plot a course different to that pursued by the metropolitan power.” Therefore, understanding the seriousness of the consequences of its dependency, Chief Minister and later Prime Minister, Michael Somare urged, during a speech in June 1974 that PNG needs an approach of “universalism”.133

After independence in September 1975, the universalism approach was clearly seen in PNG’s foreign policy and diplomatic objectives. These objectives were: “to maintain friendly relations with neighbouring states; to formulate and implement overseas trade policies; to encourage overseas assistance; to protect Papua New Guinea’s interests and nationals overseas.” Prime Minister Michael Somare, who attended the ceremony for PNG’s admission to the United Nations in October 1975, emphasised the necessity of the ‘universalism’ approach in the context of the practical situation that the newly independent PNG and its diplomacy faced. Somare clearly expressed the view that the relationship with Australia would remain as a ‘special one’. Other areas of external concern for PNG arose first in the South Pacific, with efforts to realise a nuclear free

zone in the South Pacific in cooperation with New Zealand and Fiji, yet at the same time PNG also needed to build strong ties with its Southeast Asian neighbours. Given these particular and special interests that PNG had, Somare therefore stressed that PNG’s external relationships could be “…best described as ‘universalist’”.

Somare explained this by reinforcing his earlier view that the central need for PNG diplomacy was to diversify its relationship as much as possible, so that “[w]ith very few exceptions – being those countries with social or racial policies that are unacceptable to us – we will recognize every government that wishes to recognize us.” The exception would be if PNG were forced to choose “…sides in regional, ideological or internal conflict”. In other words, these were the basic guidelines for PNG foreign policy in the face of external challenges. Foreign policy should follow the universalism approach. The idea of the universalism approach was later spelled out by Minister for Defence and Foreign Affairs, Albert Maori Kiki who said that “[u]niversalism to Papua New Guinea means taking the middle path without veering to either side on questions relating to political ideologies, creeds or governmental systems.” Therefore the universalism approach aimed to:

…establish[ing] friendly relations with as many countries possible and to be hostile to none. We do not believe it is in the interests of the people of this country that we be restricted in our foreign relations by the rivalries of great powers or by a commitment to one side or another in ideological struggles which do not concern us.

This statement was somewhat unique in PNG foreign policy history and was an early official statement using the universalist approach in combination with the idea of

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friends to all and enemies to none’. Moreover, PNG foreign policy and diplomacy should be able to develop “…Papua New Guinea’s capacity to influence external events as being like a capacity to create ripples, which grow smaller the further they travel from the centre[.]” While Kiki described universalism as “walking the middle path”, Somare insistently repeated it as being to ‘make no enemies in international relations’. The goal was to maximise PNG’s foreign policy options in order to pursue all available diplomatic options and yet also to pursue sources of foreign aid, investments and any form of cooperation while so doing. In this way, PNG would develop its capacity to influence external events. However, universalism failed to cushion PNG from being in the middle of ideological and power struggles in international relations without having set clear directions and objectives. Such demands limited PNG’s foreign policy resources and its foreign policy options.

The discussion above has traced the history of PNG’s universalism policy. However, this was an approach that was limited in part by PNG governments’ lack of a major aspect of realpolitik. What state leaders such as Somare and Kiki perceived in relation to how and what PNG should respond to in the face of external challenges, did not necessarily mean that their views were shared by the population. Therefore, in the early stages of independence, the government experienced difficulties in balancing its foreign policy responses to external challenges with challenges coming from below.

Moreover, in the period immediately following independence, PNG’s relations with Australia were dominated by securing vital aid sources for PNG. It was an approach that limited PNG’s foreign policy options whilst it successfully secured Australian aid. The latter provided the PNG government with more state resources that could be made available for the country’s foreign policy response. In 1975, soon after independence, PNG held consultations with Australia for future aid programmes while negotiating over social service and trade agreements. This was followed by PNG reaching a new long-term aid programme with Australia, while earlier Prime Minister Somare had


rejected the recommendations from the Commission of Enquiry into the Standardisation of Selected Imports by arguing that it would “damage Papua New Guinea’s traditional trading partners.” Moreover, PNG realised the importance of Australia’s untied aid to PNG when Japan threatened to withdraw its tied aid project if PNG did not comply with the agreed requirement for the project. By 1978, Australian aid was contributing almost 40% of PNG’s national budget. Hence, Donald Denoon observed that a clear sign of PNG’s foreign policy dilemma was that “…it was quite impossible for Papua New Guinea to pursue a foreign policy at variance with that of Australia. Dependence upon Australia continued to be the cornerstone – if not the whole edifice – of the foreign policy of the independent country.” In other words, it was natural that the PNG foreign policy responses would have been limited, without any significant independent approach other than universalism. Nevertheless, there was some flexibility in terms of searching for PNG’s own place in international relations while pursuing any interests that secured the survival of the PNG state.138

A further limitation of the universalism approach derived from PNG’s relations with Indonesia, in particular, with regard to the West Papuan border issue. Strong public interest in West Papua was seen as early as 1968, when the House of Assembly passed a motion against the treatment of refugees from West Papua. This was partly reinforced by the view in the PNG population that overlapping their situation leading up to independence was West Papua’s experience of forceful integration into Indonesia under the manipulated UN sponsored Act of Free Choice in 1969. As a result, cross-border activities by West Papuan refugees, who were mostly fleeing from the fear of Indonesian oppression by PNG’s Melanesian neighbour and Organisasi Papua Merdeka – Free Papuan Movement (OPM) guerrilla activities against Indonesian forces, gained strong and consistent grassroots support among people in PNG society.139

Moreover, the Indonesian military invasion of Timor-Leste (East Timor) in November 1975 led to challenges related to the government’s handling of its diplomacy in the face of Indonesia’s military imperialism over West Papua and Timor-Leste. For example, Deputy Leader of the Opposition, Paul Langro revealed that there was deep public sympathy toward the OPM fighters and their cause. In fact, a government minister, Pita Lus argued that “[t]he Government, through the United Nations, must fight hard by letting the world know what has been happening on this side of the world.” Given these views of the West Papuan issue, this fear and emotional response against Indonesia was reinforced in the wake of the Indonesian invasion of Timor-Leste in 1975. The chairman of the Law Reform Commission, Bernard Narakobi then demanded the government’s participation in a UN peace-keeping operation in Timor-Leste, by arguing that if Indonesia’s justification for its invasion of Timor-Leste was under the pretext of restoring stability into it, such justification could be used in the context of political instability in PNG. In response, Prime Minister Somare attempted to assure the public that the fear of possible intervention by Indonesia into PNG was groundless. He explained that:

I want to make it absolutely clear that Indonesia had been prepared…to strongly support the motion in the United Nations for United Nations intervention to supervise an orderly decolonisation in Portuguese Timor. Indonesia took unilateral action after a United Nations decision on the matter was postponed because of intervention from countries outside the region.

Somare’s attempt to overcome the fear of many people in PNG with regard to Indonesia was based on representing Indonesia as a country that was friendly to PNG and the OPM as a hostile force in relation to the legitimate government of Indonesia. However his attempt simply fuelled public scepticism. Moreover, public scepticism was then reinforced by Australia’s inaction with regard to Indonesia. As a result, the university

140  Narakobi’s view was supported by the Deputy Leader of the Opposition, the National Union of Students and the Women’s Action Group. See, James Griffin, ‘July – December 1975’, in C. Moore and M. Kooyman (eds.), A Papua New Guinea Political Chronicle, op. cit., pp.257-258.
students demonstrated against the Indonesian Embassy in 1976, and the following year, the students submitted a petition to the leaders of the South Pacific Forum gaining support for the West Papuans. In 1977, a number of MPs sought to recognise the West Papuans’ cause for struggle by attempting to pass a motion that the National Parliament recognised the OPM. However, issues over Indonesian aggression in West Papua and Timor-Leste did not translate into serious social challenges that might undermine government legitimacy. Nevertheless, the manoeuvrability of post-Independence PNG diplomacy in the 1970s over the border issue with Indonesia was clearly and demonstrably limited.  

In 1977, prior to the June 1977 National Election, Somare visited Jakarta and met with President Suharto to discuss the West Papuan border issue, but there was no clear outcome over the repatriation of people who had crossed the West Papuan border, including members of the OPM. This was a rather disappointing result for the government but Somare was able to prevent any public challenge against his government. However, following the Indonesian National Elections of 1977, approximately three hundred West Papuans crossed the border into PNG, following publicity about an allegation that a West Sepik Province villager had been shot by Indonesian soldiers. In response, Prime Minister Somare both denied any such knowledge of the allegation and then repatriated the refugees.  

The problem of a lack of clear guidelines for an official policy toward the West Papuan border situation became evident in the so-called ‘Diro affair’. The commander of the PNGDF, Brigadier-General Ted Diro held a meeting with Seth Rumkorem who was a

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commander of the OPM. Diro claimed that he saw, with this meeting, an opportunity to
gather information about the border situation and then inform the Defence Minister. The
government became aware of the serious implications of this meeting for its relationship
with Indonesia. Diro was “reprimanded” and lost his post. It was later revealed that an
element of the PNGDF was about to remove Diro as commander of the PNGDF and
move to force the government to reconsider its policy toward the border issue.  

In June 1978, the government deployed an element of the PNGDF and a police mobile
squad detachment to the border area between PNG and West Papua, preventing OPM
members from escaping from the Indonesian military operation against the OPM by
crossing the border into PNG territory. During this operation, Indonesian forces pursued
OPM forces into PNG territory and laid a PNG village to waste. This was followed by
an incident when the OPM announced the creation of a West Papuan provisional
government, which would include West Papuans who also held PNG citizenship. This
led an Indonesian diplomat in Port Moresby to suggest that Indonesia could have
invaded PNG under certain conditions – it was rather obvious that he was referring to
the border situation. In response, PNG launched a formal protest to Jakarta with a
request to repost the diplomat, while PNG Foreign Minister Ebia Olewale visited
Jakarta, followed by a visit to Timor-Leste.

In July 1978, as Indonesia widened its military operation against the OPM in response
to the abduction of Indonesian government personnel in May 1978, approximately
1,000 refugees entered PNG territory. In response, Somare sought to put pressure on
Indonesia indirectly via ASEAN, by discussing the matter with Singapore Prime
Minister Lee Kuan Yew. However, a major principle of ASEAN is its policy of non-
intervention into the domestic affairs of member states. This was followed by yet
another incident, where two members of the OPM military command, who sought to
meet with Somare, were arrested by the police for their illegal entry into West Sepik

was “to blow the Waigani building and take a few of the political leaders, Somare and his advisers,
hostage. And then commence some dialogue in order to get the Government to start thinking seriously
about their policies and what to do with Indonesia.” See, Sean Dorney, Papua New Guinea: people,
politics and history since 1975, op. cit., p.200.


Province. The PNG government rejected demands by the Indonesian government for the deportation of these two OPM members while it sought to remove them as asylum seekers with assistance from the UN High Commission for Refugees (UNHCR). Subsequently, the Indonesian government withdrew its deportation demands and did not seek an extradition treaty with PNG. It did, however, signal a review and a renewal of its border agreement with PNG. PNG Foreign Minister, Ebia Olewale admitted that the border issue had become politically sensitive, both domestically and in terms of its relations with Indonesia but that PNG would continue to follow a “humanitarian principle”. In June 1979, the Indonesian President, President Suharto visited PNG leading up to the signing of new border treaty in December 1979. As Pokawin observed, the treaty is “…ironical then for Papua New Guinea to deny France’s similar claim over its Pacific territories [and] [o]n the question of decolonisation in the Pacific the West Irian issue betrays Papua New Guinea’s position as the champion of self-determination.”

Moreover, PNG faced other difficulties in its foreign policy ideology and in the harsh reality of diplomacy. For example, despite PNG’s heavy reliance on aid sources and trade relations with Australia, Prime Minister Somare expressed the possibility of reconsidering PNG’s trade links with Australia and New Zealand, so paving the way to strengthen its trade links with other Pacific countries. Also, PNG committed to building a nuclear-free zone, together with New Zealand and Fiji. This became problematic when France offered postgraduate scholarships and the opening of its diplomatic mission in Port Moresby in 1975. This led to speculation that PNG would withdraw a vehement paper for the Conference for a Nuclear-Free Pacific or whether it would withdraw from accepting the French offer and incur Australia’s displeasure toward a nuclear-free Pacific concept. Ultimately the paper was withdrawn because it had not been approved by Foreign Affairs. Moreover, in 1977, the admission of the Ugandan dictator, Idi Amin to the Commonwealth Prime Ministers’ Conference contradicted the universalism principle, which exposed the inconsistencies between Prime Minister

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Somare and his Foreign Minister Sir Maori Kiki over the issue. This was further reinforced by PNG’s Ambassador to the United Nations, Paulias Matane who criticised his Department in this regard.147

Therefore, there were criticisms about the idea of universalism, which appeared to lack a practical basis to inform PNG’s diplomacy and its foreign policy responses and instead led to a rather reactionary approach to external events without setting foreign policy objectives. Hegarty critically assessed the universalism approach as follows:

> [i]t is perfectly understandable for a new state to want to avoid international friction [and] ... the reluctance of the present regime to commit itself to a Third World bloc given its belief that the special Australian relationship provides it with a counterweight in negotiation with foreign investors. But in that case “universalism” scarcely conceals its real international orientation. As well, “universalism” offers no guide to policy on such issues as the ... Indonesian invasion of Timor, nor is it likely to offer inspiration in dealing with an Indonesia perturbed by the operations of a guerrilla force along their common border.148

Nevertheless, PNG was diversifying and maximising as many possibilities for its diplomatic and economic links as it could. For its bilateral relations, PNG secured a loan of over A$18 million from the USA in 1975. At the same time, the USSR ambassador to Australia expressed Moscow’s desire to open formal diplomatic and trade links with PNG with offers of financial aid and technical aid in exchange for PNG’s primary resources. Moreover, Foreign Minister Sir Maori Kiki visited the Peoples’ Republic of China (PRC) as a future export market and source of aid. In late 1975, discussions with a PRC trade delegation discussed PRC importation of copper, cocoa, timber, palm oil, coffee and coconut oil from PNG, and a PNG delegation obtained a permit to export four million super feet of timber to the PRC. In addition, the Finance Minster Julius Chan visited Hong Kong and Taiwan to search for investors, followed by reciprocal visits by delegations from those two economies.149

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In the area of PNG’s multilateral relations, at the sixth South Pacific Forum (SPF) meeting of 1975 in Tonga, PNG expressed its strong desire for a realisation of regional cooperation and endorsed the concept of the 200 miles Exclusive Economic Zone (EEZ) under the Law of the Sea convention. In 1977, PNG hosted the SPF meeting. The main agenda items were the establishment of what later became the Forum Fisheries Agency (FFA) and the issue of US membership. At the meeting PNG suggested a dialogue with ASEAN, while it stressed that PNG’s foreign policy priority was a commitment to the Pacific. In the following year, at the SPF meeting in Niue, PNG and Fiji opposed possible membership of the USA into its FFA on the grounds that it was “signalling the country’s first major independent step in its foreign policy.” In 1979, Foreign Minister Ebia Olewale, at the South Pacific Forum meeting in the Solomon Islands and at the 19th South Pacific Conference in Papeete, argued for self-determination for the French Pacific territories. As well, and perhaps partly because of PNG’s increasing influence in Pacific affairs, its vast sea resources and its official opposition to the US desire for membership of the FFA, the US Ambassador to the United Nations visited PNG but without any significant diplomatic outcome.  

It was against the background of the development of the universalist approach in PNG foreign policy that in 1979 the first Somare government sought to draw up PNG’s first Foreign Policy White Paper (FPWP). Despite a change of government from the Somare government to the five-party coalition government under the Prime Ministership of Sir Julius Chan in March 1980, the latter continued the previous government’s initiatives. The White Paper was subsequently approved by the new government under Prime Minster Michael Somare in 1982.

The FPWP was introduced with the sound of a new foreign policy approach. This was called the Active, Selective Engagement (ASE) approach and was initially intended to replace the ‘universalism’ approach by promoting “a break with the foreign policy of the period of self-government and early Independence, Universalism.” However, it

turned out that the ASE approach functioned to reinforce the existing universalism approach and practices by integrating this into the ASE in a systematic and consistent and practical way. Therefore, as Peter King noted, the ASE contained a strong message that “…realism must now be the order of the day.” In this way, the ASE was critical of universalism, which lacked a formulated approach to foreign policy, and it contained basic approaches that identified both the short and long-term national interests that PNG must maintain through its foreign policy and diplomacy.¹⁵¹ Fundamental parts of the ASE were:

> [t]he basic approach involves – identifying issues, opportunities and problems which seem likely to be relevant to Papua New Guinea’s national interests; - selecting those issues and actors (including governments, international organizations, multinational corporations, etc.) which affect us and which we, sometimes only with the support of others, can affect; - analysing the relative advantages and disadvantages of alternative courses of actions or inactions; and - engaging actively with the issues and actors selected to secure our national interests.¹⁵²

However, the ASE did not dismiss the spirit of universalism, which had become a philosophical foundation for PNG’s foreign policy, but the ASE offered a practical side. Nevertheless, the FPWP was a major PNG foreign policy development that became the first comprehensive indigenous foreign policy outline. Foreign Minister, Noel Levi stressed that PNG’s primary concern includes, “…our immediate neighbours, Australia, Indonesia and Solomon Islands and our major economic partners.”¹⁵³ Those areas of primary concern, which included the principles and objectives of PNG’s foreign policy and diplomacy, were:

- Protection of Papua New Guinea’s territorial sovereignty, integrity and independence;
- Maintenance and promotion of a secure and stable Papua New Guinea;
- Provision of basic needs for the country’s people in regard to shelter, food, health,

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education and employment;

- Pursuit of prosperous and stable economic, social, cultural and political development for Papua New Guinea;
- Protection and promotion of justice, equality, and freedom of belief, expression and association; and
- Pursuit and promotion – through bilateral, regional and international co-operation – of the foregoing principles and objectives for all peoples, in particular the alienable right to self-determination of all peoples, as well as the promotion of international peace, stability and understanding.\textsuperscript{154}

The emphasis on PNG’s primary concerns under the FPWP was because the ASE recognised that “Papua New Guinea’s voice and ability to create an impact had been diminished.”\textsuperscript{155}

Under the ASE, PNG foreign policy aimed to strengthen relations with South Pacific regional organisations such as the South Pacific Forum and establish closer relationships with ASEAN nations. This included some emphasis on PNG’s relationship with Indonesia, particularly in terms of the border development programme. More broadly, PNG sought to continue its opposition against colonial powers and racist regimes and to explore possibilities for observing the Non-Aligned Movement, as well as diversifying trade links with China and South Korea, and maintaining PNG’s special relations with Australia. Hence, the ASE laid out “the broad objectives of an on-going foreign policy process”. Given this direction, Prime Minister Chan and Foreign Minister Levi urged other South Pacific states to consider the creation of a new political alliance so that together they could have a greater voice in international relations.\textsuperscript{156}

Under the ASE, 1980 began with the deployment of the PNGDF in a military intervention in the Santo rebellion in Vanuatu, which was a triumphant diplomatic move, revealing independence in PNG foreign policy. Minister for Foreign Affairs Levi

attended at the ASEAN foreign ministers’ meeting in Manila as a special observer. In 1981, Deputy Prime Minister Iambakey Okuk visited the PRC to seek technical aid, but this was cancelled as a consequence of his visit to Taiwan. The latter showed little change under the ASE with regard to PNG’s policy on the so-called two Chinas issue. Meanwhile, the West Papuan issue and concomitantly, PNG’s relations with Indonesia, posed serious challenges to PNG and its ASE initiative. In 1981, the South Pacific Human Rights Tribunal, under the chairmanship of Bernard Narokobi, had its first hearing at the University of Papua New Guinea and indicted the Indonesian government for human rights violations of West Papuan refugees. In response, the PNG government attempted to deport those West Papuans who testified at the Tribunal, and this was followed by two other cases of deportation. The government also tried to reduce public support for the West Papuans, in particular the OPM, by revealing that the OPM had sought military aid from the USSR.157

Leading up to the June/July 1982 national election, Deputy Prime Minister Iambakey Okuk sought to bring the West Papuan issue into the election by attacking Indonesia’s transmigration policy that aimed at outnumbering the West Papuans. At the same time, he urged his government to recognise the OPM. This had the effect of attracting strong criticism from the Indonesian diplomatic mission in PNG: “[o]ne has to understand the nature of international politics if one would become a leader of a certain nation.” Moreover, a lack of policy dialogue that dealt with foreign policy issues such as committees at the Parliament and a “poorly informed public” meant that the FPWP was unable to attract serious public interest and debate. For the matter of the survival of the PNG state, therefore, the reality and realism of the FPWP and the ASE, especially in relation to the West Papua issue, meant that the FPWP treated the issue as Indonesia’s “internal matter”. Hence, the PNG government cannot fail “…to distinguish between ethnic sentiment and national interest.”158

In my discussion above I have described and analysed the limitations of universalism insofar as it lacks *realpolitik* – it was this that created the government's difficulties in balancing its response to external and internal challenges.

There was a change of government from Chan to Somare, whose Pangu Party gained a massive winning margin at the June/July 1982 National Elections. The new Minister for Foreign Affairs and Trade, Rabbie Namaliu was sure that the FPWP of 1981 was “a non-partisan document” and “acceptable to the present government”. Despite the ASE’s direction and PNG’s traditional philosophy of ‘friends to all and enemies to none’, PNG’s relations with its most populous neighbour, Indonesia had worsened. In 1983, it was reported that the Trans-Irian Highway had three sections that trespassed on the Western Province in PNG sovereign territory, and it seemed likely that such trespass was deliberate for the purpose of military use against the OPM.\(^{159}\)

In 1983, the review report on PNG’s defence policy raised concerns over Indonesia’s transmigration programme in West Papua, whereby it would resettle 700,000 people from other areas of Indonesia over the next six years. However, this was an underestimation and Foreign Affairs later estimated that the numbers of transmigrants would be more than ten million in total. Fear and mistrust over Indonesia’s intention over the transmigration programme led Defence Minister Epel Tito to publicly declare that Indonesia’s transmigration programme was a prologue to a possible Indonesian invasion of PNG. In response, the government moved to give exclusive power to its National Intelligence Organization to monitor the border situation, while Foreign Affairs’ responsibility for border control was transferred to Provincial Affairs.\(^{160}\)


\(^{160}\) Tito was removed from the Defence portfolio to being Minister for Media. See, Peter King,
In the following year, PNG’s relations with Indonesia hit an all-time low. It began with an incident across the PNG-Indonesian border where members of the OPM attempted to seize the provincial parliament in Jayapura. This led Indonesian forces into hot pursuit, combining use of Air Force planes against OPM members who fled into PNG territory. Eventually the number of refugees grew to 7,000 by June and to 11,000 by October 1984. Moreover, the President of the OPM, James Nyaro was interviewed by a crew from the Australian Broadcasting Cooperation (ABC) television in PNG territory. As soon as the PNG government became aware of this incident, it requested the ABC not to air the interview, but it went to air nevertheless. The incident led to the PNG government’s tough response to the ABC that it would not renew the ABC’s working permit in PNG. This was not all that PNG faced in terms of having a hard time easing the border issue with Indonesia. In spite of intensified exchanges of diplomatic notes between Jakarta and Port Moresby over Indonesia’s border violations in both land and air, Jakarta denied all accusations. As a result, PNG demanded that Indonesia recall its defence attaché from PNG. The situation was eventually settled by an agreement to review the 1979 border agreement between the two countries. After that the PNG government signalled to Jakarta that it was willing to repatriate refugees if Indonesia gave firm assurances of the safety of refugees. However, Indonesia responded with a condition that it would only accept PNG’s proposals if there were no third party presence, such as the UNHCR. This led to strong protests by social forces in PNG, including university students and NGOs, while Indonesian forces continued to repeatedly violate PNG sovereignty, including damaging property.161

In 1984, the situation on the West Papuan border was again untenable for the PNG government. It resulted in Foreign Minister Rabbie Namaliu raising the Indonesian military operation and its border violations not only at the ASEAN meeting in Jakarta, but also at the United Nations. The most notable incident was when Indonesian members of a joint verification team looking at refugee camps were attacked at one


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camp. This led to strong protests in Jakarta against the PNG diplomatic mission. The tense situation surrounding the West Papua border eased after the Indonesian government agreed to the UNHCR’s presence during the repatriation of refugees, while qualified political refugees under UNHCR supervision were able to stay. Nevertheless, the PNG government forcefully repatriated twelve refugees in 1985, and this led to a rampage by refugees in Vanimo while refugees also received strong support from PNG’s political leaders. The OPM had revealed its tactics. It had deliberately provoked the PNG government by threatening villagers on the PNG side of the border area. They did this in order to attract attention to their cause. They wanted their cause to be internationalised. In response to this situation, under Fr John Momis, who was acting Prime Minister when Prime Minister Somare was attending to the CHOGM, the NEC endorsed a new refugee policy that involved the relocation of refugees into inland PNG, while internationalising the issue by inviting third countries to participate in their resettlement. However, because of concerns about Indonesia's reaction, PNG sought to gain better links with Indonesia by building close ties with ASEAN. When Prime Minister Somare returned, he rebuffed the NEC’s decision on the internationalisation of the West Papuan refugee issue and this temporarily saved PNG’s diplomatic course from confronting Australia’s approach. Thus, once again, the West Papua issue showed the limitations of PNG’s foreign policy behaviour and the diplomatic options that the government was able take in terms of independent initiatives over the situation. However, with guidance of the ASE, PNG was able to respond to these challenges and pursue an optimal outcome while preventing any further worsening relations of with Indonesia.

By November 1985, Paias Wingti, who had been the Deputy Prime Minister under the third Somare government earlier that year, became the Leader of the Opposition. He then succeeded with a motion of no confidence against the Somare government and

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became Prime Minister. This government was to last from 1985 to 1988. Under the Wingti government, PNG faced old and new external challenges and this situation led to the adoption of a new PNG foreign policy initiative, which was “Independent Commitment to International Cooperation” (ICIC).164

The ICIC was based on universalism, ‘friends to all, enemies to none’ and ‘Active and Selective Engagement (ASE)’. Using this, Wingti’s new foreign policy initiative aimed to build relations with various international and regional groupings such as the Melanesian Spearhead Group (MSG), the Association of Southeast Asian Nations (ASEAN) and the Non-Aligned Movement (NAM). Since the ASE policy was not so different from previous approaches, Wingti was able to stress that:

...initiatives which the Government has taken and those which we planned are consistent with, and assisted in implementation by, the basic approach toward foreign policy making which has been followed by successive Papua New Guinea governments: Active and selective engagement. This Government’s particular priority is to explore opportunities for giving expression and practical effect to our independent commitment to international co-operation, in accordance with shared national interests.165

Although additional initiatives under the ICIC aimed to improve and diversify PNG’s national interests through international organisations, old issues that had limited her foreign policy behaviour continued. However, the Wingti government also attempted to break this constraint. In November 1985, the government announced a new approach to the issue of West Papua. It was announced that there would be no future “compulsory repatriation”. In the following year, the Wingti government acceded to the UN Convention on Refugees of 1951 and to the Protocol of 1967 on the Status of Refugees. Given its reservations on significant parts of both the Convention and Protocol, it is not surprising that PNG policy on refugees took a new direction. In other words, PNG’s treatment of West Papuan refugees was set out according to the Convention and Protocol that there would be no compulsory repatriation and following the procedure of the UNHCR that refugees could now seek resettlement in third countries. However, the

number of 10,000 West Papuan refugees remained static. This government move was followed by the signing of the Treaty of Mutual Respect, Cooperation and Friendship with Indonesia in October 1986. The treaty was the first comprehensive agreement over the two countries’ borders, with PNG’s clear diplomatic interest that “…to deny a casus belli to Indonesia, and also to get PNG closer to ASEAN through Indonesia, appeared to policy makers to justify that self-denying ordinance.”

While PNG’s relations with Indonesia seemed to move in a friendly way as the government set about resolving the refugee issue, national elections were held in June/July 1987. Wingti was returned as Prime Minister and installed his 2nd government. However, it did not begin well. A number of corruption cases were revealed. The first damaging corruption case involved the forestry industry. It was revealed before the Barnett Inquiry that Ted Diro, who was Minister for Forestry between November 1985 and December 1986, was involved in illegal practices and abuse of his office, including receiving foreign funds for his party and election campaign. This was followed by yet another revelation that Diro, who was then the Foreign Minister, illegally obtained K20,000 from the Vanuatu government and US$ 139,400 from the Indonesian Army General Benny Murdani, also for the election campaign. Although Diro resigned from the cabinet in November 1987, it led to rumours of coups on two occasions. These coup rumours – that Diro’s resignation might provoke Papuan Officers to lead a military takeover of state leaders – were denied by the senior ranks of the PNGDF. Another rumour was of a possible military mutiny against PNGDF Commander, General Tony Huai. The latter case was because of Huai’s close association with the Indonesian Army, whereby he made an unauthorised trip to Indonesia and met the Indonesian Army General, Benny Murdani. He then leaked details on the progress of negotiations with Australia over defence provisions in a Joint Declaration of Principles Guiding Relations Between Papua New Guinea and Australia (JDP).  

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167 Ted Diro, who was the first local Army officer, had been the head of the PNGDF since
One can only speculate as to what serious implications might have occurred if the JDP of December 1987 had included a mutual defence pact, whereby one nation being attacked would require an automatic response by the other signatory nation. This was believed to have been the strong wish of the Wingti government as well as the Australian Defence Minister, Kim Beazley. On the other hand, the Australian Foreign Minister Bill Hayden urged all sides not to provoke Indonesia and increase its suspicions about Australia and PNG. The outcome was as clear as both PNG and Australia could make without provocation of Indonesia:

*t*he two Governments will consult, at the request of either, about matters affecting their common security interests. In the event of external armed attack threatening the national sovereignty of either country, such consultation would be conducted for the purpose of each Government deciding what measures should be taken, jointly or separately, in relations to that attack.168

It was thus very clear that the Wingti government recognised the need for steps to be taken to formalise the relationship with Australia, especially since a result of Australia’s domestic economic situation was a reduction of its aid to PNG. In late 1986, PNG relations with Australia were dominated by the issue of Australian aid, after the Australian government made a unilateral cut of A$10 million. More worryingly, this was followed by another notice of a future annual cut in Australian aid to PNG by between A$15 million and A$45 million. For a matter of survival, this led the Wingti government to recognise the need to search alternative aid sources, including Japan, even if that meant accepting Japan’s tied aid. Japan’s tied aid had previously been rejected by successive governments, but it became attractive to PNG due to the reduction in Australian aid. The latter was also moving toward project-tied aid.169

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The Wingti government and its ministers also understood that special relations with Australia must be equal. As Saffu has observed, the perception of ministers in the Wingti government was that “[m]embers of the younger political generation, the post-independence generation, were in the majority in Wingti’s cabinet, and took a more radical (in Third World terms, more nationalistic) line...” on PNG foreign policy behaviour. Hence, PNG moved to ratify the Treaty of Amity and Cooperation of ASEAN, while it also joined the Melanesian Spearhead Group (MSG) along with the Solomon Islands and Vanuatu. Also, it voiced support for the Kanaks’ cause for a referendum in New Caledonia. Another notable event was that PNG opposed Vanuatu’s move to invite Libya into the Pacific, while PNG itself was divided in the debate over the whether she should allow the USSR access to her fisheries resources.\(^{170}\)

In contrast to past successive governments, which had been unable to express clear active principles, PNG’s foreign policy behaviour was now clear. Hence, Wingti introduced his new foreign policy initiative, Independent Commitment to International Co-operation with an approach of Continuity and Change, by which was meant:

\[\ldots\text{continuity is not just a matter of keeping on doing what has been done before. It is often a matter of adapting to rapidly changing situations, of building on achievements, and of developing existing arrangements and arrangements to meet fresh challenges and needs in new conditions.}\]\(^{171}\)

In other words, PNG needed to be more flexible than ever before in order to diversify its relations, rather increasing its dependence on Australia. Thus, Wingti’s initiative in concluding treaties with both Australia and Indonesia was a necessary step to ensure

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PNG’s own security, rather than continuing the unclear situation that had been evident in earlier governments, particularly with regard to West Papuan issues. As Wingti explained, “[t]aken together, the three arrangements… - with Indonesia, Australia and our fellow Melanesian states – have helped to transform international relations in our region[,] [t]hey give practical effects to the saying that diplomacy and international co-operation are Papua New Guinea’s best means of maintaining security and our first lines of defence.” Moreover, Wingti revealed his new initiative of advancing PNG’s relations with the Non-Aligned Movement, which “…is also an expression of our concern to see that we are doing all we can to further interests which we share with other newly-independent, and developing countries whose governments and people want to stay away out of the arms race, see no advantage in becoming involved in rivalry between the super powers, and hope to limit the likelihood of war.”

The statement was still a continuation of the principle of ‘friends to all, enemies to none’, while PNG’s new foreign policy initiatives were developed in order to make its foreign policy responses to external challenges more flexible and adaptable to the international environment surrounding PNG. Hence, the Wingti government might be seen as the first government to take a truly independent foreign policy approach while pursuing the survival of the PNG state.

However, much domestic political turmoil and serious allegations against several ministers in the Wingti government and also against the PM himself, led to a change of government in June 1988 under the new Prime Ministership of Rabbie Namaliu. He succeeded in implementing most of the previous government’s foreign policy initiatives (especially regarding the border issue with Indonesia), except for Wingti’s rhetoric about “the notion of ethnic bloc politics with the [South Pacific] Forum…”, which was not honoured. Instead, Namaliu launched new foreign policy initiatives, inspired by the tension between Australia and Fiji, in which PNG could play the role of mediator as the “third power in the South Pacific”.

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However, a serious challenge to the survival of the PNG state came from within. It happened in the wake of the Bougainville crisis. The genesis of the Bougainville secession movement began in 1975 when separatists were displeased about a foreign-owned company that was extracting the island’s rich copper resources with unsatisfactory compensation, which led to the declaration of the island’s independence. However, this was settled when significant power was given to the Bougainvilleans to control mining revenue through the national government in a form of a budget in the North Solomons’ provincial government. Moreover, a new agreement was agreed between Bougainvilleans and Bougainville Copper Ltd (BCL).

In 1988, there was a dispute between the Old Panguna Landowners’ Association (OPLA) and the militant and younger members among the landowners under a New Panguna Landowners’ Association (NPLA), which demanded 10 billion Kina as compensation for environmental damages by the BCL which had ignored demands. This dispute resulted in sabotage against the Panguna mines, BCL personnel and the NPLA, and eventually it escalated and broadened day by day until the conflict spread across all the Bougainville Islands, directly challenging the PNGDF and the police on the islands. In 1989, the crisis escalated and affected PNG’s economy such that “…forty per cent of the country’s annual foreign exchange earnings and seventeen per cent of government revenue” was lost. Moreover, the demands eventually led to the independence of Bougainville. The General Secretary of the NPLA, Francis Ona walked out of the negotiations, responding to a report that concluded that the Jaba River was not polluted, and he formed the Bougainville Revolutionary Army (BRA).\(^{174}\)

This resulted in the situation escalating in the Islands and a call for a tough response among government ranks. In response to the escalation of the Bougainville situation, the government declared it would take a military option against the militants in the Islands. However, the national government imposed an economic blockade on the Islands after

the BRA’s declaration of independence for Bougainville in May 1990. The BRA initially sought recognition from Australia but when it recognised that such international recognition for its independence was not forthcoming, the BRA moved to threaten inviting the USSR, which was itself on the way to collapse. The blockade was effective, however, and the international environment was helpful to the PNG government in that the BRA could not materialise this threat in order to gain recognition for its independence. Hence, this forced the BRA to attend peace talks in July 1990 and resulted in the Endeavour Accord of August 1990. The national government attempted to re-establish its foothold in the Islands while waiting for some decrease in grassroots support for the BRA, as basic services in the Islands collapsed. As well, the national government employed the tactic of using opposing factions in the Islands against the BRA and its supporters. Nevertheless, the nightmare of the crisis continued as gross violations of human rights by the police and the PNGDF attracted widespread media attention.\(^\text{175}\)

Once the Prime Minister realised that the situation was going nowhere, he initiated peace talks with the BRA. In 1991, following the Endeavour Accord, further peace talks were held in Honiara in the Solomon Islands, resulting in the Honiara Declaration of 24th January 1991. Restoration of government and civilian services were agreed upon, as well as the establishment of the Bougainville Interim Government (BIG). However, the BRA rejected the first shipment, except for medicine and fuel. Moreover, it was reported that Iroquois helicopters, which had been donated by Australia under the JDP agreement to the PNGDF, were used for military operations, as well as for disposing “the bodies of executed rebel suspects”. This of course resulted in strong criticism at home and abroad.\(^\text{176}\)

However, it also showed how relations between PNG and Australia became closer than


ever, especially in the area of defence and security. In 1990, PNG and Australia reviewed their Defence Cooperation Agreement, which was followed by an increase in the Australian defence aid budget to PNG. This enabled the PNG government to increase numbers in the PNGDF from 2,000 to 5,200. With PNG facing challenges both externally and internally, a Development Cooperation Treaty between PNG and Australia lasting from 1991-1996 was signed in 1989, while the two countries also renegotiated the PNG-Australia Trade and Commercial Relations Agreement (PATCRA). This ensured the protection of Australian investments in PNG in the case of an internal crisis in PNG. Moreover, Australian aid to PNG became subject to scrutiny by the Australian National Audit Office, which reported the ineffectiveness of Australian aid to PNG, which had reached A$3.7 billion since 1975. This was followed by Australia’s Joint Standing Parliamentary Committee on Foreign Affairs, Defence and Trade finding that it shared the view of the Australian National Audit report that Australian aid should be tied so that it “would increase the degree of Australian involvement in PNG affairs.”

The Bougainville Crisis also had an unexpected effect on the West Papuan issue and PNG’s relations with Indonesia. Despite Indonesian forces crossing the PNG border and five West Papuans being found in PNG territory, PNG strongly protested against Jakarta in 1989 and its continued military incursions in 1990. The PNG government deployed a police mobile squad to destroy the OPM bases in PNG territory. This move by the PNG government was supported by those such as Justice Minister Bernard Narokobi, who demanded that Indonesia and the OPM “confine” the fighting within West Papua, a view also supported by Foreign Minister Michael Somare. They believed that the government should not allow the OPM to “exploit” PNG for their operations. It seemed that perceptions of the secession movement were changing. Therefore, the government sought Indonesia’s military assistance, including weapons and technical cooperation for the PNGDF in planning the civic action programme. For this reason, the long-resisted policy on having a joint border patrol with Indonesian forces was agreed

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upon and implemented.\textsuperscript{178}

On the other hand, differences with another immediate neighbour of PNG, the Solomon Islands, became clear over the Bougainville situation. The Namaliu government had signed a boundary agreement in 1989 with the Solomon Islands to define the maritime and seabed boundary and traditional rights for the residents around the border. However, the relationship became bitter when the PNG government formally protested to Honiara about the existence of the BRA’s facilities across the Solomon Islands. This was denied by the Solomon Islands government and the Solomon Islands Opposition Leader put forward ideas about Bougainville’s independence.\textsuperscript{179}

Nevertheless, PNG foreign policy was again concentrated on the survival of the state by diversifying its external relations. This led to the establishment of the USSR diplomatic mission in Port Moresby in 1988 and the signing of the Status Force Agreement of 1989 with the USA. That Agreement was followed by negotiations on the US’s Economic Cooperation Agreement, and the Investment Promotion and Protection Agreements with Malaysia in 1989. PNG also signed a technical assistance agreement with Israel. Moreover, PNG received US$710 million from the World Bank as a result of combined efforts by PNG’s international friends in 1990. One further example of PNG foreign policy diversifying was that PNG finally officially accepted the One China policy, but still maintained close trade links with Taiwan.\textsuperscript{180}

Despite the new initiatives undertaken by the Namaliu government to develop or portray PNG as a mediator or the “third power in the South Pacific”, it became difficult to achieve this in the wake of the Bougainville Crisis at home. Although the Namaliu government did not survive the June 1992 national elections, the challenges within PNG proved that the PNG principle of 'friends to all, enemies to none' was vital to secure her survival, even in response to the challenges within her.


Although Wingti was re-elected and formed a second Wingti government that lasted from 1992 to 1994, the legitimacy of his second government proved to be fragile. His government’s authority was challenged by issues surrounding Bougainville. Nevertheless, the Wingti government was able to expand PNG’s relations externally. At the end of the day, the Bougainville situation had not undermined the survival of the PNG state per se, but it did affect the survival of the second Wingti government.

Under the new Prime Ministership of Paias Wingti after the June 1992 national elections, a new PNG foreign policy initiative was announced. This was the “Look North” policy. The Look North policy sought to employ new policy objectives by changing the focus (rather than the actual policy and priorities) of existing and past foreign policy and diplomatic practices. In other words, a number of key PNG national interests had been remembered as vital for PNG’s survival in the global context. The Look North policy cannot be taken literally. It was a flexible policy in the sense that it covered a wide range of PNG’s national interests. It was spelled out in the PNG Mission Statement 1994 as follows:

After 16 years of independence, Papua New Guinea has sought to broaden its relationships making commercial, strategic and aid arrangements with Indonesia, Pacific Island Nations, Japan, USA, and South East Asia. Nevertheless officially the relationship with Australia remains central for both countries.181

The Wingti government sought to continue to diversify PNG’s diplomatic and economic links. As the 'Pacific Century' was approaching, PNG applied for membership of the Asia-Pacific Economic Co-operation (APEC) in November 1993. At the same time, PNG attended the ASEAN Security Forum at the ASEAN Ministerial Meeting in Singapore as an observer, and signed a Memorandum of Understanding with Malaysia and Indonesia respectively in 1993.

One of the advances in PNG diplomacy followed the “Look North” initiative. It was the joining of the Non-Aligned Movement in September 1992. This diplomatic move
allowed PNG to gain wider support from various regional forums including ASEAN, the Non-Aligned Movement, and the Melanesian Spearhead Group, for its proposed “Opportunity and Participation by the Third World in the Global Economy” at the UN. Moreover, PNG’s regional commitment to the South Pacific was once more a focus of the Wingti government, in particular, the issue of the Kanaks. In July 1993, the MSG meeting in Rabaul endorsed self-determination for the Kanaks in New Caledonia. This policy had been advocated by Wingti during his previous government.

The challenge to the PNG state by the Bougainville situation also continued. In 1992, the government maintained its economic blockade while restoring the national government’s influence through “interim authorities.” Prime Minister Wingti was critical of the previous government’s response to the BRA and demanded “unconditional surrender” from the organisation. Wingti’s hardline policy on the Bougainville situation again raised policy contradictions, given PNG’s position on the Kanaks’ right for their self-determination, just as previous governments had taken contradictory stances toward the West Papuan issue and their policy toward the Kanaks. Thus, when the Indonesian army again vigorously pursued OPM members in 1992, the PNG government did not protest as it had previously done, and indeed PNG signed a status force agreement with Indonesia in January 1992. Moreover, Wingti’s attitude towards Bougainville also made PNG’s relations with the Solomon Islands uneasy. In March and September 1992, PNGDF soldiers killed Solomon Islands’ villagers. That led to formal protests from the Solomon Islands’ government, which were discussed at the UN Security Council. The latter suggested that the two countries should settle the dispute between them.182

A major breakthrough occurred when the newly appointed Foreign Minister, Sir Julius Chan achieved the Tamba Accord in August 1994, negotiating with the BRA for a ceasefire. This was followed by successful agreement on an immediate ceasefire, lifting the government blockade, deployment of a South Pacific Peacekeeping Force and plans to hold a peace conference for future comprehensive talks by October that year.

However, at the same time, Prime Minister Wingti ordered Operation High Speed, in which PNGDF troops moved to regain the Panguna mine site, and which ended with some casualties after Wingti's triumphant demand that the BRA should surrender.\textsuperscript{183}

As a result of this international environment and the challenges surrounding PNG for the survival of the PNG state in maintaining its territorial integrity, the Wingti government introduced the Internal Security Bill of 1993. The Act was passed in the Parliament without significant debate and led to intensified challenges against the legitimacy of the Wingti government. The Act was supposedly a focus for “the cabinet to declare any organization as terrorist and to identify members, supporters, and sympathizers.” In this case the definition of terrorism was “the use of violence for political ends or any use of violence for the purpose of putting the public or any section of the public in fear.” The government stressed that the Act would only deal and apply to the Bougainville situation, and such similar situations in the future. However, it was obvious that the Act had serious implications, including its potential to be abused by the state and its agents including the government. Therefore, a variety of social forces challenged the government's move and the legitimacy of the Act in the Supreme Court. It ruled that the Act was unconstitutional.\textsuperscript{184}

Thus, the Wingti government sought social control in both internal and external dimensions. Internally, it pursued a hardline policy toward Bougainville while being successfully re-elected. However, in spite of its re-election the government was challenged with regard to the Bougainville issue, and it was challenged over the implementation of its Internal Security Act. The effect, as I have argued above, was that the Bougainville situation did not undermine the survival of the PNG state per se, but it did affect the survival of the Wingti government.

The Wingti government faced an imminent vote of no confidence and so Wingti resigned in September 1993. He did this without informing the public but in


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collaboration with the Governor-General and the Speaker of the Parliament. The day after his sudden resignation he was nominated to the Prime Ministership and was successfully elected on the floor of the Parliament. This was the strategy for survival of the Wingti government. It meant that he and his government could obtain another 18 months’ period of grace from the vote of no confidence. However, Wingti’s strategy for survival was ruled out by the Supreme Court. His re-election was invalid and the move itself unconstitutional. Wingti lost his Prime Ministership. He was replaced by Sir Julius Chan, who was the Deputy Prime Minister.  

By 1994 the PNG economy had been hit by a recession. This was due to the devaluation of the Kina after the government’s decision to end the country’s hard currency policy. There was a decline in budget revenue drawn from PNG mineral export earnings. It accounted for 70% of PNG’s total exports. The budget deficit had reached 10.8% by the middle of 1994. Given this economic situation, Prime Minister Sir Julius Chan sought to explore all of PNG’s possible foreign policy options. One option was to settle the Bougainville situation. A number of attempts were made by the Chan government using both political and military options, including the hiring of foreign mercenaries. The latter option was taken by the Chan government and became known as the Sandline Affair. It turned out to be an option that was to create a variety of challenges at home and abroad. Nevertheless, the PNG state remained intact with Bougainville continuing to be part of PNG, but the Chan government, like the Wingti government before it, failed to survive the challenges that the Bougainville issue had brought on its authority.  

Because of the matter of survival of the PNG state, past successive governments had retained the ‘active and selective engagement’ policy with the initial blueprint policy of the universalist approach alongside the principle of ‘friends of all and enemies to none.’ In July 1996, the Minister for Foreign Affairs and Trade, Kilroy Genia emphasised this point when he said: “… Minister outlines the developing stages of the foreign policy of

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PNG from Universalism to Active and Selective Engagement which remains quite appropriate to the present day.”

In addition to those three key principles of PNG foreign policy, the Chan government re-prioritised PNG’s foreign policy objectives by introducing two additional concepts. One was to ‘take a global view’, meaning to take a more active role in the area of PNG’s core national interests by ‘Look North and Work the Pacific’. This reinforced its core relationships not only with PNG’s traditional neighbours in the North, specifically Indonesia, ASEAN and China, but also with its Pacific neighbours, especially the Solomon Islands and the MSG. The second was that the relationship with Australia remained as important as ever, but new objectives meant that PNG should take active initiatives rather than being a passive recipient, especially with regard to the Bougainville crisis, and should not be left behind by the new Australian foreign policy initiative that ‘put Asia first.’

The concept to ‘take a Global view’ was appropriate given the international environment surrounding PNG, especially in an increasingly competitive economic environment. The PNG economic condition worsened. In response, the Chan government actively diversified its multilateral and bilateral relationships by exploring new trade links and increasing its aid sources as successive governments had done. Now this was more urgent and critical for the survival of the PNG state than ever before. Therefore, PNG joining the World Trade Organization in 1995, was one of many ways in which PNG

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188 With the Chan government’s initiative to close relations with regional forums, the Foreign Minister Kilory Genia signalled PNG’s intention to be a full member of ASEAN. See, Ronald Hideo Hayashida, ‘Papua New Guinea in 1996: problems in the homestretch’, Asian Survey, Vol. XXXVII, No. 2, February 1997, p.203. The summary of the statement spelled out that although “Australia and PNG enjoy a close and constructive relations...some of the arrangements under the JDP [the Joint Declaration of Principles] need a relook at and/or review.” Moreover, the PNG government was concerned about “continued criticism of [PNG] government policy in so far as the Bougainville crisis is concerned by certain leaders in Australia.” See Papua New Guinea Department of Foreign Affairs and Trade, Reinforcing Papua New Guinea’s Core Relationship: Summary of the Foreign Policy statement delivered by the Minister, Hon. Kilroy Genia to the National Parliament on 31 July, 1996, op. cit., p.4. Also, see, See, Papua New Guinea Department of Foreign Affairs and Trade, Reinforcing Papua New Guinea’s Core Relationship: Summary of the Foreign Policy statement delivered by the Minister, Hon. Kilroy Genia to the National Parliament on 31 July, 1996, op. cit., pp.2-4.
needed to integrate into the world economy and pursue her economic interests. Moreover, given the state of the PNG economy, aid was also critical to PNG. Therefore, PNG requested and was able to receive a K200 million loan from the World Bank and the IMF with a structural adjustment requirement. In addition, the Australian Reserve Bank provided a K40 million loan, and Japan’s Export-Import Bank provided US$190 million. Despite this diversification of aid sources, Australia remained the single biggest aid donor to PNG. Thus, in 1996, PNG signed a new aid programme agreement with Australia wherein it would receive a total of A$319 million between 1997-2001.\footnote{See, Ronald Hideo Hayashida, ‘Papua New Guinea in 1995: restructuring and retrenchment’, Asian Survey, Vol. XXXVI, No. 2, February 1996, p.156; Ronald Hideo Hayashida, ‘Papua New Guinea in 1996: problems in the homestretch’, op. cit., p.203.}

The Look North initiative was more in the area of PNG’s trade interests. Hence, PNG actively explored its economic interests. Throughout 1995, PNG negotiated with Japan, South Korea and Taiwan for their access to her fisheries resources, as well as a trade agreement with Fiji and a possible long-term loan from Taiwan. The last resulted in a strong protest by the PRC, which led Chan to reassure the PRC that PNG was committed to the One China policy. Prime Minister Chan was also actively involved in securing and renewing PNG’s trade links with Japan and the Philippines in February 1995. In Japan, Chan expressed the wish to advance PNG relations with Japan to the next level, so that Japan would not only become the second biggest aid donor to PNG, but the two countries would be further tied in the link between APEC and the South Pacific. Moreover, during his visit to the Philippines, Chan proposed a trade arrangement between APEC and the Pacific Island countries.\footnote{See, Ronald Hideo Hayashida, ibid, 1996, p.156; Ronald Hideo Hayashida, ibid, 1997, p.202.}

By ‘taking the global view’, PNG opposed the indefinite extension of the Nuclear Non-Proliferation Treaty, since it would result in justifying the existing nuclear presence in the Pacific, while it also supported the UN Comprehensive Nuclear Test Ban Treaty. Moreover, this active involvement and increase in its influence were evident with regard to its strong opposition to French nuclear testing in the South Pacific, while concomitantly it pursued the realisation of a comprehensive South Pacific Nuclear Free Zone.\footnote{See, Ronald Hideo Hayashida, ‘Papua New Guinea in 1995: restructuring and retrenchment’,}
At the MSG meeting in August 1995, PNG and the other member states endorsed the Lakatoro Declaration that called for dialogue over French nuclear testing. This was followed by the SPF meeting in September 1995, which denounced French nuclear testing. Prime Minister Chan, as the chairman at the meeting, expressed a condemnation on behalf of PNG and other SPF member states, and the PNG government lodged a formal protest against France. In the following year, at the SPF meeting in Suva in March 1996, France, the US and Britain signed the South Pacific Nuclear Free Zone Treaty. In addition, PNG also protested against the PRC’s nuclear tests and proposed a complete ban on ships with nuclear weapons in the Pacific at the SPF meeting in the Marshall Islands in September 1996. In addition to the initiative of ‘work the Pacific’, PNG, at the MSG meeting in 1995, proposed the establishment of a regional support unit as a rapid deployment force for future mutual disaster assistance, peace and security, and infrastructure development. At the MSG meeting in the following year, PNG sought to reconcile its relations with Honiara, but the Operation High Speed II, which had included a hot pursuit policy into the Solomon Islands’ sovereign territory by the PNGDF against BRA members, constrained the success of that initiative.192

Despite efforts being made by Prime Minister Chan through his personal involvement in attempting to settle the Bougainville situation, the initiative failed with no significant progress. In response, Chan took a drastic option for the survival of the state, even though it was believed this was an option that never should have been taken.

Although the agreement from the Tamba Accord of August 1994 was implemented by a ceasefire, the economic blockade was lifted, and the South Pacific Peacekeeping Force from Fiji, Tonga and Vanuatu was deployed in Bougainville, it failed in less than one year. At the end of August 1994, newly-appointed Prime Minster Chan made it clear that his priority was to solve the Bougainville conflict. Hence, he held a conference with a BRA General, Sam Kauona in Honiara, which led the Honiara Commitment to hold a

\[\text{See, Ronald Hideo Hayashida, ibid, 1996, p.156; Ronald Hideo Hayashida, ibid, 1997, pp.202-203.}\]
peace conference in Arawa. At the Arawa peace talks, Prime Minister Chan was expected to make an agreement for a permanent peace agreement, but his hope was diminished when none of the top BRA commanders attended. This resulted in the withdrawal of the Pacific Peacekeeping Force, and Bougainville once again returned to disorder and violence, including approximately 2,000 refugees.¹⁹³

However, divisions among the BRA started to emerge when one of the BRA leaders, Theodore Miriung, who attended the Arawa Peace Conference, continued to hold negotiations with the national government. This resulted in the establishment by April 1995 of the Bougainville Transitional Government (BTG), under the agreement of the Mirigini Charter of November 1994. This was followed by the Waigani Communiqué of May 1995 granting a general amnesty for the main BRA leadership, but it was unable to persuade those Bougainville Interim Government (BIG) and BRA leaders to participate in peace talks under the national government. Hence, the Australian government organised talks in Cairns in September 1995, which were attended by the BTG – Bougainville national MPs and the BRA – and the BIG which was established under the Endeavour Accord of 1990. The Cairns talks, however, produced no progress but members of the BRA and the BIG were shot by an unidentified party when they were returning to Bougainville via the Solomon Islands.¹⁹⁴

In December 1995, Prime Minister Chan and his government were absent from the second Cairns meeting under UN and Commonwealth sponsorship. As Dorney described, “[t]he PNG Government had nobody there but Sir Julius was given cassette tapes of what was said … Chan became convinced of two things – one, that there was no softening in the rebel position; and, two, that Miriung [Premier of the BTG] was not the one who would solve the Bougainville problem for him.” Therefore, the Chan government revoked its ceasefire agreement and resumed military operations, which resulted in the failure of Operation High Speed II. This had a disastrous outcome for the PNGDF with the incident of the Kangu Beach massacre of September 1996.¹⁹⁵

¹⁹⁵  See, Sean Dorney, The Sandline Affair, op. cit., p.56, 140-143.
In the background leading up to the Sandline Crisis, Prime Minister Chan, his Defence Minister Ijape and the PNGDF Commander Jerry Singirok were already in contact with Sandline International for possible assistance with military operations against the BRA. Initially, Singirok followed the government’s initiative of employing Sandline International, partly because of frustrations over inadequate resources for the PNGDF such as the inability to purchase helicopters for Operation High Speed II. However, Singirok recognised that the contract with Sandline could undermine the role of the PNGDF and become a direct challenge against the PNG state. Another reason for Singirok to oppose the contract was due to the Cabinet’s decision in January 1997 that the PNGDF Rapid Reaction Force Unit would come under police command. This might well have appeared as a direct challenge against Singirok’s authority as the PNGDF Commander and against the institution of the armed force by civilians. Thus, Operation Rausim Kwik was initiated against Sandline International personnel on 16 March 1997, and was followed by Singirok’s radio address, which revealed all the details about the Sandline contract when he went to air on 17th March 1997. The statement by Singirok included a demand to Prime Minister Chan, Finance Minister Haiveta and Defence Minister Ijape to step aside.\(^{196}\)

This event resulted not only in serious challenges to the authority and legitimacy of the Chan government, but also to the survival of the PNG state. It was clear that Singirok’s radio statement caused much concern. The world market responded by selling stocks and shares that related to PNG, especially resource-related stocks and shares, while the PNG Kina was devalued. Although the last remaining personnel from Sandline International were deported from PNG on 21\(^{st}\) March 1997, challenges by social forces continued until disorder and rioting reached a level where protesters and supporters besieged Parliament House on 25\(^{th}\) March. The siege of Parliament House resulted in

Prime Minister Chan, Finance Minister Haiveta and Defence Minister Ijape resigning on 26th March 1997.  

The result of the Sandline Crisis led to new external challenges for the PNG state, especially regarding its relations with Australia. As Australia had been the single largest aid donor to PNG and as its former colonial master, it began to review the situation in PNG. At the South Pacific Forum Economic and Finance Ministers' Meeting in Cairns in August 1997, a briefing paper prepared for Australia’s Treasurer Peter Costello revealed Australia’s negative views toward PNG. It became increasingly clear that Australia was going to review its whole relationship with PNG as a result of the Sandline Crisis. This consisted of a series of serious public and professional discussions on Australian aid to PNG at the Joint Standing Committee on Foreign Affairs, Defence and Trade at the Australian Parliament. With economic priority for its domestic economy by Australia’s Coalition Government, a reduction in Australian budget support to PNG was already an option. The last one would be a difficult challenge for PNG given its economic situation, not to mention how the Sandline Crisis had damaged investors’ confidence in PNG’s key export sector.

Thus, the Sandline Crisis not only resulted in new external challenges to PNG’s state for its survival but also damaged the earlier successful diversification of PNG’s economic relations and policies for restoring its economy and trading relations. Nevertheless, the PNG state with its territorial integrity, remained intact. However, as I have already noted, the Chan government failed to survive the domestic challenges it was obliged to face.

The Commission of Inquiry into the engagement of Sandline International uncovered major corrupt deals but cleared Chan. However, Sir Julius Chan lost his seat at the June 1997 national elections. From the results of the election, the people expected Sir Michael Somare to be the new Prime Minister – the nation’s founding father would be the right one for this troubled time – but it emerged that Port Moresby Regional MP Bill Skate became the new Prime Minister in July 1997, with support from Chan, Haiveta

and Paias Wingti. However, this would presage new challenges for the survival of the PNG state.

In my argument so far in this chapter, I have demonstrated that PNG was limited in its foreign policy options, including limitations from insufficient capacity to mobilise state resources beyond its immediate concerns. Nevertheless, PNG retained its own foreign policy principle of ‘friends to all, enemies to none’. This principle has been flexibly interpreted but contains a realist point of view. The doctrine requires that PNG carefully assess its options and responses to external challenges in order to secure national interests rather than short-term domestic political interests. The former secures the survival of PNG state, whereas the latter is only useful for the promotion of a particular government.

However, when state leaders and the elite have gone against PNG’s overarching foreign policy principle of ‘friends to all and enemies to none’, there has been the capacity to do serious diplomatic damage to the survival of the PNG state. The Bill Skate government (1997-1999) continued the practice of attempting to gain short-term financial benefit to offset the compounding effects of a cumulation of lax budgetary and fiscal management. In so doing, it partially, although not entirely, undermined its long-standing foreign policy initiatives together with PNG’s policy of neutrality encapsulated in the slogan ‘friends to all and enemies to none.’ A total disaster for the survival of the PNG state was only avoided when a new government was elected under the Prime Ministership of Sir Mekere Morauta, who successfully restored PNG’s foreign policy principles. However, in time, the new Morauta government also fell into the trap of sacrificing foreign policy principles for the survival of their government. It failed to balance internal and external challenges and demands.

The Skate government brought renewed attention to PNG’s economic position at a time of far-reaching maladministration of its fiscal and financial position. The Skate government was beset by crisis. For example, in public health spending, much of the budget was increasingly used to cover administrative costs. While there were increases in some health workers’ salaries, such increases made very little impact on the overall
situation. Most salaries for health workers had been left outstanding for a considerable period. The maintenance costs for facilities and spending associated with cooperative aid projects with international aid donors, known as counter-budget items, were not being met. Health expenditure in the development budget between 1997 and 1999 grew such that in 1997 it was approximately 1.5 per cent of total gross expenditure on investment in priority sectors. In 1998, it was just above 2 per cent and in 1999 was just below 3 per cent. But health expenditure in the development budget did not necessarily go towards assisting services or operating and maintenance costs, which could improve the effectiveness of public health programs. The conflict with the World Bank and the IMF had worsened public health spending on critical programs due to the prolonged shortage of budget funds. In combination with this situation, the already implemented decentralisation program across the whole public health sector resulted in a considerable number of aid posts closing due to a lack of funds.

The Skate government also sought to solve a highly politically charged Bougainville conflict. It was partly Skate and his government’s attempt to achieve social control by realising a conformance of the people that was ending the 10 years conflict in Bougainville Islands. As has been shown, successive governments had tried to settle the conflict since 1989, first by military means and then, after persistent failure, by mobilising all available political and diplomatic resources. The switch occurred partly because the consequences of the conflict threatened ultimately to undermine the integrity of the PNG state by creating serious implications for its economic

198 See, C. Hunt and A. Mawuli and M. Gumoi and C. Yala and O. Sanida, ‘Public investment policy in Papua New Guinea’, Pacific Economic Bulletin Volume14 Number2, 1999, Figure2, p.26. In addition, this situation was continuing even under the 2000 budget, of which one of the main priorities was increasing health spending. According to the World Bank, public expenditure on health in PNG between 1990 to 1997 was 2.8 per cent of GDP. The percentage of central government total expenditure on health between 1981 and 1990 was 9.3 per cent, decreasing between 1991 to 1995 to 8.3 percent (World Development report 1997, TableA.3, p.200). Additionally, per capita public expenditure on health in PNG, at US$ 26 per annum in 1994, is relatively low when compared with Fiji, which spent US$ 45 per annum on per capita public expenditure on health. (C. Chand, ‘Health in Papua New Guinea: a stocktake’, Pacific Economic Bulletin: Volume12, Number2, 1997, p.102 Table 5). But one per cent was taken from health expenditure, while at the same time, the population in PNG had dramatically increased. The total population was 2.4 million in 1970, 2.7 million in 1975, 3.1 million in 1980, and by 1998, it increased to 4.6 million (World Development Report 1999/2000, p.235 Table3; the United Nations Development Programme, Human Development Report 1997, Oxford University Press, New York, p.177; the United Nations Development Programme, Human Development Report 1999, Oxford University Press, New York, 1999, p.199). Moreover, UNDP estimated that the total population of PNG will reach 6.5 million by 2015 (the United Nations Development Programme, Human Development Report 1999,
development. This issue came to a climax in 1997 with the ‘Sandline Affair’, which not only involved complex domestic political agendas and corrupt deals but also threatened a major security destabilisation of the region. Yet Bill Skate’s government made a millstone for itself in settling the Bougainville conflict under the Burnham Truce Agreement in October 1997.\textsuperscript{199}

In addition to the background given above, Skate’s government coincided with increasing pressure from international financial organisations and Australian aid agencies to rectify its economic and financial management. Prime Minister Bill Skate and his government displayed strong opposition to almost every condition that was imposed on PNG by the IMF and the World Bank (WB) in exchange for financial assistance. Skate’s strong opposition against the conditionality of the IMF and the WB was predictable.

Alongside an already problematic relationship with IMF/WB, the Skate government hired a controversial former WB employee as the government’s chief economic adviser. Dr. Pirouz Hamidian-Rad, who was the head of the World Bank field office in PNG, was hired against WB regulations. Dr. Hamidian-Rad was known in PNG as the ‘million man.’ The name highlighted his controversial K7 million contract with the Skate government. This lucrative contract was coupled with the activities of his firm, known as IKUB (I Kick Your Butt) Consulting. It was a combination of a series of related economic factors that caused the deadlock between the Skate government, the IMF and the WB. Officially, the deadlock was due to the contract between the PNG government and Hamidian-Rad, because as a former WB employee he had breached the Bank’s internal regulation of a minimum two years’ separation from the former host country, which in this case of course was PNG. However, it is not known to what extent the Hamidian-Rad affair influenced the decision of the IMF and the WB to withhold desperately needed financial assistance to PNG. Observers argued, “Dr. Hamidian-Rad’s appointment created tension between the World Bank and the International


As a consequence of the deadlock, the Skate government sought US$ 120 million in financial loans from the European-based international private bank ‘the Kredit Bank’, which they failed to secure. This resulted in a massive blow-out of PNG’s domestic borrowing and budget deficit from 1998 onward. Compounding the economic difficulties in 1997, PNG experienced two natural disasters. The highland region was in crisis, being affected by both severe frost and one of most serious droughts in its history. PNG’s economic performance had also been infected by the flow-on effects from the Asian Currency Crisis in late 1997, which had hit hard some of PNG’s major aid donors and trade partners, particularly Japan and South Korea. The Skate government’s budget blow-out greatly exacerbated this tension.\footnote{The identity of the ‘Kredit Bank’ is not clear. However, the following descriptions have been reported: “a European syndicate of banks led by the Kredit Bank of Netherlands” (Pacific Island Monthly March 1999, p.22), “the Kredit Banking Corp. of Europe” (Pacific Island Monthly May 1999, p.28) and “the Kredit Bank of Belgium” (Pacific Island Monthly September 1999 p.36). See Sam Vulum, ‘PNG still searching for multi-million dollar lender’ in Pacific Island Monthly: March 1999, pp.22-23: The National. ‘Hamidian-Rad says PNG economy picking up’, Pacific Island Monthly: May 1999, p.28: Sam Vulum, ‘PNG back in Australia’s fold’, Pacific Island Monthly: September 1999, pp.36-37. Moreover, the direct impact of the Asian Currency Crisis in 1997 on PNG’s total deficit blow-out must be taken into serious account. It can be cautiously argued that the Asian Crisis affected not only some of PNG’s major trade and aid donors but also affected PNG’s trade performance. For more on the financial implications, see the Australian Agency for International Development, The Economy of Papua New Guinea – Macroeconomic Policies: Implications for Growth and Development in the Informal Sector (International Development Issues No. 53), Economic Insights Pty Ltd, June 1999, Canberra, pp.62-64.}

The Skate government still sought to maintain its social control so that it was in a position governed by the political tactic of mobilising PNG’s newly-established sense of nationalism and public sentiment against the IMF/WB. Although the Skate government desperately needed to provide rewards to the population for the government strategy for survival, nevertheless, the Skate government’s legitimacy in opposing external challenges partly prevented it being reconciled with traditional sources of
financial aid. As a result, when state leaders and the government sacrificed a major PNG foreign policy commitment in order to gain a short-term financial benefit as a strategy for the survival of the government, it imperilled the long-term integrity of the PNG state.\textsuperscript{202}

On 29\textsuperscript{th} June 1999, PM Bill Skate and his Foreign Minister Roy Yaki made a secret diplomatic deal with Taiwan that aimed to gain a financial assistance package of US$ 2.5 billion in exchange for giving Taiwan full diplomatic recognition. In effect it called for the abandonment of the country’s ‘One China’ policy, one of PNG’s major foreign policy commitments, and a central issue in the stability of the region. The policy was also critical of PNG’s major aid donor – Australia – as China is one of its major trading partners. Since 1976, the ‘One China’ policy had framed PNG’s longstanding foreign policy in the region. It had been a non-negotiable core in PNG’s bilateral relations with the People’s Republic of China (PRC). Moreover, PNG had supported the policy at multilateral levels through the United Nations and Asia-Pacific Economic Cooperation (APEC) agreements. Therefore, a move to abandon the ‘One China’ policy would seriously damage PNG’s bilateral relations not only with the PRC, but also with Australia. Moreover, it had the potential to promote strategic instability and uncertainty in the whole South Pacific region. PNG could gain a short-term financial advantage from its Taiwan deal but the deal came with massive diplomatic and long-term economic costs to the country.\textsuperscript{203}

PNG Foreign Minister Yaki exchanged diplomatic notes on the deal and later made a diplomatic communiqué announcing the “partnership” with his Taiwanese counterpart on 5\textsuperscript{th} July 1999. However, the US$ 2.5 billion that would lift PNG out of its financial problems was promised, but never arrived. Furthermore, on 7\textsuperscript{th} July 1999, Skate made an unexpected move when he announced his resignation. The newly christened ‘former

\textsuperscript{202} Even after Bill Skate resigned as Prime Minister, sentiment against the operations of the World Bank and the IMF in PNG continued. As I have demonstrated in the previous chapter, such sentiments and frustrations led to challenges by social forces against the legitimacy of the PDM government, which replaced the Skate government. This was especially the case on the issue of privatisation, the Murray Barracks stand-off by PNGDF soldiers in March 2001 and the Anti-Privatisation Protest in June 2001.

Prime Minister’ Bill Skate argued in his pre-resignation announcement regarding his decision on the Taiwanese deal that “I think the decision made on behalf of the people of Papua New Guinea is to look north, friends to all and enemies to none.” Indeed, the announcement included two pillars of longstanding PNG foreign policy approaches: those of “friends to all and enemies to none” and “Look North.” But the diplomatic outcomes and consequences of the Taiwanese deal soon showed that in fact the deal as a whole went against these two pillars.204

The Taiwan event had also underlined the unique relations between PNG and Australia. When the deal was reported publicly on 6th July 1999, the PRC immediately condemned PNG’s deal with Taiwan and threatened to sever diplomatic relations with PNG. It also lobbied Australia, which did not deny using its influence to reverse the decision by the Skate government. A spokesperson for the Australian Department of Foreign Affairs and Trade insisted that PNG change its decision, expressing the view that “[w]e are firmly opposed to any country with diplomatic relations with mainland China having any official exchanges with Taiwanese authorities and developing any official relations with Taiwan.”205 The response from the Skate government was predictable; the newly-resigned Skate accused Australia of dictating foreign policy decisions of a sovereign country:

I am sad to say that Australia thinks that PNG is their state. Australians think that they can continue dictating to us. …Papua New Guinea is a…sovereign state, they must respect us. Australians are equally trading with Taiwan and why shouldn’t we go further and strengthen our relationship in that friendship.206

The conflict between Australia-PRC and PNG-Taiwan reached a stage of high diplomatic tension after Australia’s continuous and direct vocal opposition to the Taiwanese deal. Taiwan responded as follows:

204 Later the deal was put off because “Normal procedures for opening diplomatic relations with other countries, which had applied since independence, were not followed in the case of Taiwan.” See, ‘Special Report: Diplomatic tug-of-war reveals Australia’s neo-colonialist tendencies’ op. cit., p. 10; *Pacific Island Monthly*, ‘Special Report: ‘Wonderful two years’ – Skate’, August 1999, p.9.


This has never happened before that any country, other than communist China, voiced its opposition when countries switched their diplomatic recognition from Beijing to Taipei. …It [Canberra] should keep hands out of the ties between PNG and us. We’ll convey our complaints through proper channels.\(^\text{207}\)

The day after this, the Taiwanese protested over Canberra’s stance. Taiwan was reportedly drafting trade sanction measures against Australia, including changing its sourcing of iron ore imports from Australia to PNG. Moreover, it seemed that Taiwan and the PRC well understood the unique relationship between PNG and Australia. The\(^\text{208}\) Taipei Times expressed its displeasure against the Australian intervention by saying that “Australia is especially sensitive in this case because its patron-client relationship with PNG is so notorious that China will take all actions by PNG as actions by Canberra.”

Morauta, who was then the most likely next prime minister of PNG, made clear but cautious remarks about the deal in an interview on ABC radio when he said that “[a]s a new government I have flexibility to review everything, including that. …It’s something I’d have to be very careful about because it’s not just between Papua New Guinea and Taiwan. There are regional and international implications and I’d have to be mindful and sensitive to that.” In other words, in the worst case scenario, PNG could take itself into isolation, which would mean ‘enemy to all and friend to none’.

There was every chance that the PRC and Australia would take aggressive diplomatic steps to reverse the Taiwanese deal. What both the PRC and Australia could have done to PNG is a far more serious issue than what actually occurred. As the Australian Foreign Minister Alexander Downer implied, in a none-too-subtle manner, if PNG did not reverse its decision, it would have to reconsider how its national interests would be best served and who its friends were:

\(^\text{208}\) PNG does not export iron ore according to the report that appeared in the article. See, The National, ‘Diplomatic tug-war over PNG’s Recognition of Taiwan’, 9 July 1999. In addition, it should be noted that Australia was directly involved with the PRC for a possible natural gas deal at that time. Agence France-Presse, ‘Mind your own business, Taiwan warns Canberra’, op. cit., p.8.
Papua New Guinea is an independent country, we can’t stop them doing what they are doing...but that doesn’t preclude us from having an opinion. …It is in Papua New Guinea's interests...that at a very difficult time they maintain their export market. …it [the Taiwanese deal] will put off for the time being re-engagement with the IMF and the World Bank. We would like to see that re-engagement take place.\textsuperscript{210}

One thing was clear: that PNG would be internationally isolated if it did not revert to the ‘One China’ policy and it was unlikely that PNG could survive without international aid. Such considerations lie at the heart of the \textit{realpolitik} of the world in which PNG exists. Moreover, it is not being overly contentious to suggest that the Skate government’s domestically oriented and politically self-benefiting diplomacy nearly eventuated in a foreign policy disaster for PNG as a whole. Instead of making PNG more independent, it certainly brought about an erosion of the country’s sovereignty by strengthening the resolve of the country’s major aid donors to increase their demands to the PNG government to improve its transparency on governance. Donors subsequently sought to marginalise political influences on the administrative aid process by moving away from budgetary aid toward program aid. And even though aid flows have very often been affected by domestic political and economic instability, for quite some time, the reactions to Skate’s foreign policy adventures were dramatic.\textsuperscript{211}

The Taiwanese deal showed the implications and consequences for PNG’s foreign policy and diplomacy of exchanging short-term interests for long-term foreign policy interests. In defence of Skate, he was in an impossible position. He had to balance the populist basis of his electoral and parliamentary support with the increasing determination of aid donors to call for even greater controls. More specifically, a temporary major foreign policy shift (i.e., abandoning the ‘One China’ policy, which had been PNG’s long-term foreign policy interest), in order to secure the deal with

\textsuperscript{210} Mary-Louise O’Callaghan, ‘China targets Downer on PNG’, \textit{The Australian}, 7 July 1999, p.1.

\textsuperscript{211} For example, the PNG national budget had two main forms of expenditure: recurrent and development. The development budget included a Public Investment Program (PIP), a Rural Development Fund (RDF) and District Support Grants (DSGs). About 65 per cent of the PIP budget in 1999 was funded by bilateral and multilateral donors; of that about 60 per cent of funds go to counter-budget or specific aid projects (C. Hunt and A. Mawuli and M. Gumoi and C. Yala and O. Sanida, ‘Public
Taiwan (i.e., short-term financial interest) had the consequence of a two-year conflict with the WB and IMF, and temporary marginalised PNG, leaving only Taiwan as a source of foreign aid. But Skate’s brinkmanship was doomed from the start. Having only one most likely insecure source of foreign aid was unrealistic, considering the actual commitment required for PNG’s financial situation at that time and at the present. How Skate imagined that he would succeed with the deal is therefore a puzzling question.

The election of a Morauta government that was to last from 1999 to 2002 signalled the restoration of longstanding PNG foreign policy objectives and priorities. The newly-elected Prime Minister Sir Mekere Morauta, who took office almost a week after the resignation of his predecessor, quickly indicated a possible review on the Taiwanese deal that would “restor[e] normal relations with PNG’s traditional sources of development finance.” He also expressed a desire to meet with the Chinese President at APEC in September 1999. In a diplomatically and politically inspired move, with a week-long review process of the Taiwanese deal, Sir Mekere declared the deal invalid on legal and technical grounds relating to diplomatic protocols. The foreign policy implications and diplomatic outcomes of the reversal of the Taiwanese deal by the new government clearly showed that the Skate government attempt at exchanging short-term interest for long-term foreign policy interest was not seen to be in the best interests of the state of PNG.212

The PRC responded by being diplomatic to PNG sensibilities in its favourable reaction to the new government’s decision to return to the ‘One China’ policy. It avoided blaming the Skate government by claiming that the whole saga had originated in Taiwan. It was a Taiwanese diplomatic plot against the PRC. PRC authorities then noted that “plots to split the motherland are bound to fail completely…” Meanwhile, the

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Australian Foreign Minister Alexander Downer, on a state visit to the PRC on July 11th 1999, was disingenuous when he commented on the decision by the Morauta government. He denied any suggestions that Australia had ever acted in the PRC’s interest or on its behalf by pressuring the Morauta government to write off the Taiwanese deal:

We had some discussion about the issue but they simply asked for my assessment of the situation in PNG, and that was two days before the final resolution of who was to be the prime minister[,] …I told the Chinese at the time it was very hard to predict how it would turn out. …They didn’t ever lobby me or ask me to do anything for them and that was a matter they’ve had to deal with PNG not through a third country.213

The Taiwanese government appeared on the surface to display neither bitterness nor any sense of being ambushed by the decision of the Morauta government to reverse the deal. Publicly, it adopted a conciliatory position in its statement, saying rather cryptically that “[w]e will not of our volition sever ties with Papua New Guinea [.]” But clearly it had suffered a dramatic diplomatic reversal. Nonetheless, it would have little to gain from being vindictive. Taiwanese calculations of the national interests involved would have indicated that the ploy had but a small chance of success.214

Having taken over the government from Skate, Morauta made it clear that the ‘realities’ of PNG’s position must be considered. He announced his government’s immediate objectives in what was known as Morauta’s plan of action.215 These objectives were to:

- Restore stability, integrity, confidence and trust in the public service.
- Stabilise the national currency (Kina) as soon as possible and allow it to regain its lost respect in the international community.
- Stop the rapid increase in prices of even the basic goods and services.
- Devise the right monetary and fiscal policy mechanisms that will halt the

accessed on 26 May 2003.

214 See, ibid.
215 Franzalbert Joku, ‘Suddenly, new hope for economy: enter the technocrat and businessman’,
currency falling further.

- Reopen dialogue with the World Bank and the International Monetary fund soon.
- Approach fellow Asia Pacific Economic Cooperation (APEC) leaders at the next summit in New Zealand in September [1999] for support and cooperation.
- Stabilise and strengthen the budget formulation, revenue collection and expenditure processes.
- Step up business investment and business growth.
- Resource development and increased investment in agriculture projects.
- Speedy resolution to the political conflicts in Bougainville.

The action plan clearly dominated the priorities for PNG foreign policy and the limits placed on the country’s foreign policy behaviour. In relation to the Taiwan issue Morauta noted that:

> [t]he One China policy that Papua New Guinea has followed since independent remained intact…In reaffirming the One China policy, my government remains grateful to the people of Taiwan for their friendship, and their continued support…[a]nd within this framework, the Government will do its utmost to develop that relationship with Taiwan to the fullest extent possible. I want to assure the people and Government of Taiwan that we remain friends in the region, and we recognize the help and the assistance that they have given to Papua New Guinea.  

Mindful of continuing economic ties with Taiwan, however, he was careful to the point of being obsequious about maintaining ties. In the interest of its own existence, therefore, PNG’s foreign policy returned to ‘friends to all and enemies to none.’

The tenuous nature of PNG’s foreign policy continued. However, Morauta was to experience continuing difficulties in dealing with constant international pressures and

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balancing them with domestic demands and constraints. Pressure was exerted not only by the WB and the IMF, and other aid donors such as Japan and the EU, but also by Australia. The latter has often been perceived to be more damning than helpful in improving PNG’s situation. Morauta severely compromised PNG’s sovereignty through his economic policies and his involvement in Australia’s notorious Pacific solution. Morauta agreed to continuing and increasing demands from Australia for greater control of PNG economic policy, while receiving increased financial injection from Australia by allowing the Australian government to use Manus Island as an immigration detention centre, a move that appears to contravene the PNG Constitution. In this sense, the Morauta government had not only discovered the difficulty of balancing domestic and foreign policy demands, but had also learnt the lessons of marginalisation as it applies to a small dependent country.217

The failure to maintain the fine balance between the degree of dependency on Australia and Australia’s interference in PNG’s domestic affairs was to contribute to Morauta and his PDM Party failing to entrench their government’s position. The Australian government’s heavy interference in and even manipulation of certain PNG domestic and international policies promoted challenges to the authority of the Morauta government from a variety of social forces in PNG society.218

By 2002, Sir Rabbi Namaliu was keen to stress that the relationship between PNG and Australia would “…only work effectively if there are no signs that colonial era

attitudes, or a big brother approach, have crept back into the relationship. … I worry that many people in Papua New Guinea believe that is happening[.]” It seemed in the eyes of the population in PNG that Canberra had taken sides in PNG domestic politics despite intensifying social challenges against the legitimacy of the Morauta government.\(^{219}\) Namaliu noted that:

\[M]\ any well informed people in our community believe that has happened in recent years, and even during the current political developments - both during and since the National Elections, … Australia, and its diplomatic mission in Papua New Guinea, is entitled to be keenly interested in the outcome of the elections, and the formation of the next government. Keenly interested, certainly, but actively participating never[.] … All diplomatic missions here are interested in the elections, and the formation of the next government. They are entitled to even be somewhat bewildered, given the shambles the elections degenerated into because of corruption, fraud, and the destruction of ballot papers.\(^{220}\)

When the Morauta government went to the 2002 election, it found it had to demonstrate that policies such as privatisation and restructuring programmes did not result from actions ‘a big brother’ demanded of PNG.\(^{221}\) This failure gave ammunition to other political players in PNG to bring the Morauta government and the ruling Peoples Democratic Movement party down in the 2002 General Election. An observer noted that:

\[ ...\] the character of the Morauta Government changed. From a tentative beginning, it began to test its own strengths, and it was not long before ministerial heads began to roll and portfolios changed hands with approximately the same regularity as they had done during the Skate era. The Australians may well have viewed this peculiarity of PNG politics with acute dismay, hoping against hope for more signs of stability, of adherence to the recipes of the World Bank and the International Monetary Fund and international economic norms generally. By the time the elections came around, Sir Mekere's Government was rocked with

\(^{220}\) The National, ‘Sir Rabbie warns of slipping PNG-Aust ties’, op. cit.
dissension and crippled by the individual scandals of too many of its core members.\textsuperscript{222}

In the end, whatever the view of the Australian government toward the Morauta government, Morauta also fell into the trap of sacrificing the foreign policy principle of ‘friends to all, enemies to none.’ This long-term foreign policy commitment was exchanged for the short-term interest of the Morauta government. Despite Morauta’s claims to be a champion of economic management, events soon proved that he would also fail in this arena. The end of the Morauta Government coincided with the National Budget deficit reaching, for PNG, an unsustainable level of between K 550 million and K 650 million. For all his economic ability, he could not overcome the structural problems of PNG’s domestic and international position.\textsuperscript{223}

\textbf{Conclusion}

Since independence in 1975, PNG has adopted a fundamental and consistent foreign policy position based on the epithet that the country is ‘friends to all and enemies to none’. As my discussions in this chapter have shown, it is a principle that is hard to sustain in practice. It has limitations, particularly when it is applied to PNG’s relations with Australia and Indonesia. Nevertheless, as I have demonstrated, the consistency of the principle of friends to all and enemies to none has been remarkable. It is a principle that has sustained the survival of the PNG state. Successive PNG governments have followed this basic approach while initiating and expanding various different policies. These have included the policies of: Active, Selective Engagement; Independent Commitment to International Cooperation; Third Power in the South Pacific, which was

\textsuperscript{222} ibid.

limited to PNG’s own internal challenge in the Bougainville Crisis; Look North, which reinforced PNG’s desire to engage with Asian neighbours, particularly with Indonesia; and Take a Global View but Look North and Work the Pacific. The last was successfully implemented by diversifying PNG’s economic and trade links, but was hampered by internal challenges, particularly those promoted by the Sandline Crisis of 1997.

In spite of the list of foreign policy initiatives outlined above, PNG has had limited foreign policy options. It has had to survive in a harsh global environment where it can ill afford to get offside with its powerful neighbours. The geo-political ambitions of Australia and Indonesia or in this regard, China and Taiwan, have all done their part in giving PNG little room for manoeuvre. Such realism is a hard taskmaster for PNG governments. It often means trying to achieve a fine balance, not only between the nations in the region, but also between domestic and foreign policy. In this situation, it is all but inevitable that PNG will confront more crises of the kind I have listed and discussed in this chapter. Populist pressures from within PNG are unlikely to abate and governments continue to face an international situation where the doctrines of pre-emption and neo-liberal governance have contributed to instability in a range of developing countries. Being friends to all is not a naive principle for PNG. It is a fact of life. It is a matter of survival in today’s globalised world.
Section Three: Japan’s Domestic and Foreign Policy
– A Strong State and a Strong Society

Chapter Five: A Strong Society with a Strong State – Challenges and Particular Interests Penetrating Government Policy-making

Chapter Six: Japan’s Foreign Policy – Japan’s Official Development Assistance is Used as a Political Tool
Chapter Five: A Strong Society with a Strong State – Challenges and Particular Interests Penetrating Government Policy-making

Introduction
In this chapter, I will explore the interaction between state and society in Japan. I will argue that Japan has been a strong society with a strong state. In Japan, state-society relations are hierarchical. The relative position of power within the state is determined by the relative proximity to the highest authorities of the state. This has meant that certain social forces have sought to occupy the institutions of the state. As in the case of PNG, the domestic elite are penetrating the policy-making of the state in order to extract state resources for their own political and economic interests. This weakens state capacity, but in Japan it does this at the same time as it strengthens the ability of the government to impose the rules and norms that create and maintain social cohesion, albeit with some vulnerability in terms of foreign policy as will be shown in the next chapter.

The focus of my argument in this chapter is on the question of how Japan has responded to internal and external challenges while remaining a strong society with a strong state. It is in this context that I will examine how certain social forces have penetrated the policy-making of the state.

In the first section of this chapter, I have begun by noting that the relative position of power under the hierarchical structure of the state is determined by the relative proximity to the centre of power. This is the nature of Japan’s state-society relations. Under these conditions, the LDP and particularly one of its political factions, the Takeshita faction, has sought to occupy the institutions of the state and to extract state resources for individual political and economic ends. Members of the elite have penetrated the policy-making of the state and it is in this context that a series of political scandals intensified social challenges and resulted in Japan’s political transformation in the 1990s. This transformation led to the annihilation of non-conservative political interests.
Post-WWII Japan has been a strong society in a significant state even when there have been major challenges to the institutions of the state. Japan has retained the hierarchical structure of the state and as I have noted, the relative position of power under post-WWII Japan’s democracy is determined by the relative proximity to the highest authorities of the state. In this sense, state leaders have sought to establish and to maintain one party domination of the Japanese Diet. The domination of the Liberal Democratic Party (LDP) began in 1955.

When social forces penetrate the policy-making of the institution of the state, the state is inevitably weakened and the state’s weakened capacity in turn leads to failures in the government meeting the expectations of the public. This then results in the intensification of challenges by social forces to the authority and legitimacy of the government. However, in Japan these challenges have not altered the nature of state-society relations, as will be shown below.

In the early 1990s, the frequent exposure of political scandals and widespread corruption involving state leaders and the elite led to challenges to the authority and legitimacy of the government under the LDP’s one party rule. This led to seij fushin (political distrust) among the population and resulted in political fragmentation. In other words, despite 38 years of LDP rule, it was failing to meet the expectations of the Japanese public. This led to three significant consequences: the LDP’s loss of authority and legitimacy while nevertheless continuing to occupy government; the annihilation of non-conservative political forces; and strengthened conservative politics under LDP rule.

A political transformation of the conservative political order of 1996 was a direct result of a flurry of political scandals in the early 1990s. These scandals, which will be discussed at length below, included: the Recruit scandal; the Kyowa scandal; the Sagawa kyubin scandal; the Nihon Kominto scandal; and the Zenekon scandal, all under
the LDP one party domination. These scandals not only exposed the LDP government’s consistent failure to meet public expectations, but also how particular social forces such as the LDP, its Takeshita faction and those private institutions involved in the scandals, penetrated the policy-making of the state. Moreover, they weakened the capacity and ability of the institutions of the state to respond to both internal and external challenges. They also led to more intense social challenges within the LDP. Eventually, these intensified challenges within the LDP led to temporary fragmentation of the party.

One particular elite group – the former Takeshita faction of the LDP – even continued to penetrate the policy-making of the non-LDP Hosokawa coalition government. The coalition government was a fundamentally conservative entity that was mainly formed by former LDP MPs alongside all former opposition parties. This coalition collapsed and with this collapse, the LDP was able to re-penetrate the policy-making of the state. Moreover, the coalition that had collapsed had relied on support from the socialist Murayama party and this situation had resulted in diminishing the distinction between conservative and socialist politics. This consequence strengthened the LDP’s position.

After the LDP returned to power in October 1996, the party needed to respond to the expectations of the population in order to re-establish its authority and legitimacy. With constant revelations of scandals involving government bureaucracies, there were significant problems to be addressed. Successive LDP governments then sought to transform Japan’s hypertrophied bureaucracy by implementing administrative reforms, including privatisation of the postal system. In 2005, under Prime Minister Koizumi, an attempt to implement privatisation of the postal service met with intensified challenges by the postal tribal MPs in the LDP. These are the particular social forces that penetrated the policy-making of state institutions. In response, Koizumi challenged the postal tribal MPs and the interest groups that mobilised all available resources by dissolving the Lower House for the national election. This resulted not only in Koizumi’s successful bid to implement his reforms but also strengthened his legitimacy and the legitimacy of the LDP to occupy the institutions of the state. Thus, with continuing weakness of political opposition against LDP rule, the LDP was able to retain its grip on the governing of the state while imposing new rules and norms and
creating social cohesion in society. Japan remained a strong society in a strong state.

As I have been arguing, Japan’s status as a strong society with a strong state is due to the country’s inherently instituted hierarchical structure. It has been imposed on Japanese society for centuries. Under this hierarchical structure, social forces can effectively impose their rules and norms on to society in accord with their proximity to the highest authorities of the state. State leaders and the country’s political elite as a whole have sought to pursue control by occupying the closest place to the centre of power within the institutions of the state. It is the same principle that meant, under the imperial system, that the relative position of power within the hierarchy was determined by “the relative proximity to the emperor”.¹

A notable example for this hypothesis was presented by Maruyama’s work on Japanese fascism and ultranationalism. According to Maruyama, Japanese ultranationalism and fascism were imposed from the top down, rather than being based on mass movements from the bottom up, as had been the case in their counterparts in Germany under the Nazis or Italy under the Fascists. The hierarchical structure of the state made it possible for state leaders to reorganise the balance of power under this hierarchical structure of state and society. They sought to impose their norms and rules on to society, establishing a monoculture by creating moral and emotional cohesion in society while they mobilised coercive forms that suppressed and excluded everything that did not fit into their norms and rules.² That approach has been maintained in post-WWII Japan, albeit for different ends. The relative position of power within the hierarchy under post-WWII democracy is determined by the relative proximity to the highest authorities of the state.

Japan remains as a strong society in a strong state under the one political party domination of the LDP, which occupied and entrenched itself at the centre of power for 38 years while successfully penetrating the policy-making of the state. However, this did not prevent major social challenges from occurring when the LDP failed to meet the

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¹ See, Masao Maruyama, Gendaiseiji no shisou to koudou: zouho ban (Political philosophy and behaviour of the modern politics: enlarged edition), Mirai Sha, Tokyo, 1964, p.23.
expectations of the population at large. To show this, next I will discuss some of the major scandals that arose in the late 1980s and early 1990s.

The Recruit Scandal, exposed by an investigative report by the *Asahi Shinbun* in June 1988, eventually forced Prime Minister Takeshita Noboru to resign in April 1989. This scandal was one of the biggest corruption cases then known to the Japanese public and it revealed “sei-kan-zai no uchaku”, ‘corruption among politicians-bureaucrats-business’. It was followed by *Zenekon oshoku* (a general construction firms’ scandal) of 1993. These scandals revealed the particular social forces that enabled the Liberal Democratic Party (LDP) and its political factions to penetrate the policy-making of the institutions of the state, and in particular, to extract state resources for their own political ends. The Recruit Scandal led to challenges by a variety of social forces against the legitimacy of the LDP as the sole ruling party. At the same time, the LDP sought to entrench its occupation of the institutions of the state. On the other hand, even though the LDP lost its legitimacy, a former LDP political faction continued to penetrate the policy-making of the non-LDP government. This resulted in the transformation of the political landscape, although eventually the LDP returned to centre stage, and the non-conservative political parties were marginalised or destroyed.

In the Recruit scandal, the LDP not only failed in its compliance with the law and the expectations of the people, but it also allowed Recruit Cosmos to penetrate the policy-making of the state so that it could extract state resources. For the LDP, it was for their own political ends, while for Recruit Cosmos, it was for business opportunities and personal ambition.

Recruit Cosmos, the biggest job advertising company in Japan, penetrated the policy-making of the institutions of the state by distributing its own unlisted stock shares at far below their market value to state leaders and the elite, securing the company’s interests in the job advertisement market. Recruit Cosmos “…sold shares of its unlisted stock to 76 selected investors at 1,200 [yen] – 3,000 [yen] per share so that, when the stock began to be traded on the over-the-counter market in 1986, its price shot up to about 5,000 [yen] per share[,] …thus [some state leaders and elites] earned quick profits of up
to 100 million [yen], or about $800,000, by selling off all of their shares.”\(^3\) In other words, this was a scandal that revealed a particular social force that sought to extract state resources by penetrating the policy-making of the state institution. Recruit Cosmos was the company where:

> [a]n ambitious business executive, Ezoe Hromasa, frustrated outside the mainstream of elite society, sought to buy his way inside. Using time honoured but questionable practices, he provided politicians, bureaucrats, and intellectuals with “loans” of low priced stocks and other gifts.\(^4\)

Those state leaders and members of the elite who received the shares were spread across four groups in eight separate bribery cases. These bribery cases were, first, ‘the politicians’ bribery case’, involving two politicians, one of whom was the Chief Cabinet Secretary in the Takeshita government. The second was ‘the Ministry of Labour bribery case’, involving an administrative vice-minister and a head of section. The third was ‘the Ministry of Education bribery case’, involving an administrative vice-minister, and the fourth was ‘the Nippon Telecommunication Company (NTT) bribery case’, which involved the Chief Executive Officer and two executives of the NTT. In addition, politicians who received shares but were not prosecuted were the then Prime Minister, Takeshita, the deputy Prime Minister and Minister for Finance, Miyazaya Kiichi, and former Prime Minister Nakasone Yasuhiro.\(^5\)

In response, Prime Minister Takeshita sought to comply with the expectations of the public by appointing Hasegawa Takashi as the Minister for Justice, as he was believed to be “clean”. Hasegawa declared to the population that his desire to comply with their expectations would result in effective and tight investigations, but he was forced to resign three days later on 30\(^{th}\) December 1988 after it was revealed that he had also received a donation from Recruit Cosmos. His resignation was followed by the resignation of the Minister for the Economic Planning Agency, Harada Ken who had


also received political donations from the company. The Takeshita government was obviously continuing to fail in meeting the expectations of the population.  

This scandal exposed the successful Recruit Cosmos and Ezoe penetration of the policy-making of the state for private business interests and for the furthering of personal ambition. It exposed not only the Takeshita government’s failure of compliance with the law and with the expectations of the people, but also the LDP’s failure of compliance and conformance with society. The failures of compliance by the government and the LDP intensified challenges against the legitimacy of the institutions of the state. However, the scandal had not shelved its ability and capacity to impose new rules and norms. Thus, it sought to impose a long-awaited consumption tax. However, that just added another ground for contest, intensifying social challenges against the legitimacy of the consumption tax and the legitimacy of LDP one party dominated politics.

The late 1980s were a time when the Japanese economy reached its peak of economic success. Therefore, it was natural that the population would expect that their economic situation would be eased rather than tightened using implements such as a new tax. In 1989, for example, the continuing economic boom was evident – the Tokyo stock exchange recorded a value of 500 trillion yen, while a real estate value of the Chiyoda Ward in Tokyo alone was speculated to be more than the entire real estate of Canada. Moreover, Japanese companies were buying assets overseas, which led to criticisms of Japanese buying power. Despite this record economic boom, the population “…watched political leaders fatten themselves on donations generated by profits from inflated land prices far beyond their reach and they watched public spending increase; yet they were told at the same time that taxes had to be raised.” Thus, the evidence and aftermath of the Recruit scandal reinforced this dissatisfaction of the population. In other words, the government and the LDP continued failing to meet their responsibilities. In response, the opposition parties, with strong backing from public opinion, challenged the state

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leaders and elite members of the government and the LDP. They demanded that former Prime Minister Nakasone answer the question of his involvement over the Recruit scandal. The government and the LDP responded by refusing the demand, which in turn led the opposition parties to boycott the budget session, so delaying the session and the passage of the budget. This was reinforced by the approval rating of the Takeshita government, which hit a record low of below 5%.  

Given these intensified social challenges by the opposition parties and population against the legitimacy of the Takeshita government, Prime Minister Takeshita responded by aiming to ease these challenges. He admitted receiving 151 million yen from Recruit Cosmos while promising that “I would expect that it would be no other donations or receive from the Recruit Cosmos.” However, on 22nd April, Asahi Shinbun revealed that Takeshita’s personal secretary had received 50 million yen. These revelations led to Takeshita’s resignation on 25th April 1989. Thus, the Takeshita government lost its legitimacy as being the centre of power of the government.

The challenges by social forces against the legitimacy of those LDP MPs who had received illegal donations from Recruit continued. The former cabinet secretary Fujinami Takao (under the Nakasone government) was arrested in May 1989, which was followed by summoning Nakasone as a witness for questioning over his involvement in the Recruit scandal at the budgetary committee of the Lower House. The LDP responded by seeking to ease these social challenges by appointing a credible leader who might be seen as able to meet its conformance to public expectations. However, it could not appoint any of the factional leaders who were implicated in the scandal, such as Miyazawa Kiichi and Abe Shintaro. Thus, in a measure aimed at restoration of public confidence, Uno Sosuke, who belonged to the Nakasone faction, became Prime Minister. He was strongly mandated by the Takeshita faction – Keiseikai – that was originally formed from the Tanaka faction, which was the power base of the former Prime Minister Tanaka Kakuei (1972-1974) who had been arrested for his

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9 Masumi Ishikawa, Sengo seiji shi (post-war political history), Iwanami Shoten, Tokyo, 1997, p.175.
involvement in the Lockheed scandal in 1976.\textsuperscript{10}

However, immediately after taking office, Prime Minister Uno was revealed as being involved in a sex scandal. Inevitably this led to social challenges, particularly by women’s rights organisations, strongly backed by female voters. In a combination of social challenges as a result of the government’s and the LDP’s failure in their compliance to the people because of the Recruit scandal, the consumption tax and the sex scandal of the Prime Minister, the LDP then lost 30 seats at the July 1989 Upper House Election, resulting in Uno taking responsibility for the defeat and resigning.\textsuperscript{11}

The LDP was still able to impose its rules and norms through the government of the state and through its entrenched MPs who occupied the institutions of the state. However, this also demonstrated the serious nature of how Recruit Cosmos had penetrated the state institutions and their policy-making. Moreover, the LDP and the Takeshita government were able to impose the consumption tax as new rules and norms into society, but this just reinforced the social challenges against the legitimacy of the government and the LDP. Thus, the loss of the July 1989 Upper House election was probably unavoidable, even if Uno had not been involved in his own sex scandal. Nevertheless, the LDP continued to hold its grip at the centre of the state authorities while maintaining its one party domination rule, whilst reluctantly recognising that it needed to comply more closely with the expectations of the population.

Given the loss of the July 1989 Upper house election, the LDP sought to regain its legitimacy by installing Kaifu Toshiki as a reformist leader and a Mr. Clean. After the February 1990 Lower House election, this government implemented new rules and norms, particularly with respect to political reforms. However, these political reforms intensified the challenges by not only opposition parties but also from within society.


This was also followed by a strategy by the LDP for its survival in order to regain its legitimacy as the only ruling party while it sought to ease social challenges. The Kaifu government and the LDP challenged the opposition parties by claiming that they were not clean either. In October 1989, the Japan Socialist Party (JSP) and the Komeito (the Clean Government party) were shown to be involved in separate scandals. Members of the JSP were involved in the so-called the *pachinko* industry scandal, whereby JSP’s donations came from industry, while the Komeito was also shown to have hidden certain funding. Taking this opportunity, the government and the LDP sought to damage the credibility of the JSP and wipe out popular support for the JSP, which had won the July 1989 Upper House election. Thus, the government and the LDP established a parliamentary investigation committee similar to the one that had been established by the opposition in response to the Recruit scandal. However, when the scandals appeared to include MPs from the LDP, the LDP-led investigation into the scandals came to an abrupt halt.\(^\text{12}\) This certainly helped to regain some legitimacy for the Kaifu government. The Kaifu government then dissolved the Lower House and sought to regain what the LDP lost at the 1989 Upper House election. It also sought to obtain a mandate from the population for the consumption tax.

There was a relatively high participation rate in the February 1990 Lower House election because the issues under consideration included the consumption tax. There was a 73.31% voter turnout. The challenges by both the media and the general population to the legitimacy of the one party domination by the LDP resulted in the LDP losing 18 seats. However, the LDP had managed to retain 275 seats and so they secured an absolute majority in the Lower House and on all permanent Diet committees. After 11 further MPs joined the LDP in the wake of the Lower House election, the LDP had a total of 286 seats. On the other hand, and despite its involvement in the *pachinko* industry scandal, the JSP had successfully raised its number of MPs from 86 to 136.\(^\text{13}\)


A notable outcome of the 1990 Lower House election was that the result not only gave power to the opposition party but also to the powerful LDP Takeshita faction. Post-election, Kaifu was openly challenged by major factional leaders for the top post of President of the LDP who could be Prime Minister under the absolute majority of the LDP in both Houses of the Diet. For the survival of his premiership and in order to form a stable second Kaifu cabinet, Kaifu needed support from the 107 members of the Takeshita faction. Thus, Kaifu made a deal with the Takeshita faction by giving the secretary general’s post to Ozawa Ichiro, while allocating six cabinet posts to the Takeshita faction.\textsuperscript{14} Prime Minister Kaifu, with his 52\% public approval rating and full support from the powerful Takeshita faction, was able to maintain cohesion within the LDP. This gave Kaifu the legitimacy and all available resources to pursue both his government’s and the LDP’s social controls. Kaifu successfully managed to defeat the oppositions’ motion on the abolition of the consumption tax in both the Upper and the Lower houses; and “[o]f 70 bills proposed by the Kaifu cabinet to the 1990 regular Diet session, 66 became law.” As a result, Kaifu’s approval rating reached 63\% at one point in 1990. However, his high level of support from the population did not last long. After inconsistent and seemingly weak responses against external challenges that came with the Iraqi invasion of Kuwait in 1990 and the failure of its attempt to deploy the SDF as a part of Japan’s response to the US request, Kaifu’s approval rating declined to 33\%.\textsuperscript{15}

While internal and external challenges intensified against the Kaifu government, it sought to realise political reform as a means of regaining government approval and legitimacy. However, Kaifu miscalculated the limitations of absolute domination by the Takeshita faction, which would result in his failure to realise political reform, as well as the failure of his government’s compliance with the expectations of the people and social forces.

With limitations imposed on the Kaifu government, the Takeshita faction controlled the policy-making of the LDP. These limitations exposed Kaifu’s inability to respond to challenges and so impose a new electoral system. In response, Kaifu threatened with a trump card of the dissolution of the Diet, and this in turn led to the withdrawal of

\textsuperscript{14} Steven Hunziker and Ikuro Kamimura, Kakuei Tanaka, op. cit., pp.184.
support from the Takeshita faction for the Kaifu government. Kaifu’s government failed to enact political reform.

The Kaifu government needed the support of the Takeshita faction more than ever before responding to the expectations of the people and realising its political reforms. However, despite strong public support, the reforms were challenged by social forces including both opposition parties and within the LDP. Interestingly, political reform had been initiated under the Takeshita cabinet, which had established its political reform committee in 1989. It had submitted a political reform charter that recommended single-member electoral districts (SMED) and proportional representation electorates (PRE), as well as strict guidelines for political donations and fundraising. This was succeeded by the Uno cabinet, which established the 8th Electoral System Council in 1989 and recommended to the Kaifu cabinet in April 1990 both the SMED and PRE while strongly emphasising the need for restrictions on political donations and fundraising.16

However, the combination of the SMED and PRE resulted in challenges against Prime Minister Kaifu because of fear among both the LDP and opposition MPs that the combination would result in “unfairly reducing their numbers of seats.” Nevertheless, in June 1991, the Kaifu cabinet made a decision to change the electoral system to the PRE. This was followed by the submission of the bill to the Diet in July. Kaifu was deeply aware that his political mandate from the population largely depended on the success of the realisation of the political reforms and passage of the related bills, while at the same time, his cabinet’s strategy for survival depended on the support of the Takeshita faction.17

In response, both the LDP and the opposition strongly challenged the legitimacy of the bills from the Political Reform Special Committee and the bills were withdrawn. Prime Minister Kaifu responded by threatening the dissolution of the Lower House “without consulting his key protégés within the Takeshita faction”, which opposed the

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dissolution while withdrawing its support to Kaifu’s bid to continue his Presidency of the LDP. In October, Prime Minister Kaifu, leading up to the expiry of his term as President of the LDP, which automatically decides the Premiership under the LDP’s majority at the Diet, announced his intention not to bid for the LDP’s top post. Hence, the Takeshita faction backed Miyazawa Kiichi to replace Kaifu on 5th November 1991.

Thus, the Kaifu government failed while the Takeshita faction continued to occupy the centre of power. However, it is important to note that the LDP was losing its legitimacy as the solo ruling party because of consistent failures in its compliance. Nevertheless, the Miyazawa government faced similar limits to those faced by the Kaifu government, in particular, the domination of the Takeshita faction.

The continuation of the Takeshita faction’s domination over the affairs of the LDP with the greatest number of MPs at the Diet, extended to penetrate the policy-making of the state. For example, the way in which Miyazawa was elected as President of the LDP, which made him Prime Minister, meant that Miyazawa faced the same challenges that his predecessor Kaifu had faced at the end of his term, especially in relation to the realisation of political reform bills. However, the important difference was that Kaifu had had strong popular backing from the electorate, and had not been involved in any scandals, whereas Miyazawa had been named and implicated in the Recruit scandal. This was soon reinforced by the eruption of the Kyowa scandal.

The Miyazawa government, which took office in late 1991, faced three major challenges. First, the challenge from the Takeshita faction that influenced Miyazawa’s Premiership by penetrating the policy-making of the state and so constraining the Miyazawa government. This weakened Miyazawa’s ability and capacity to maintain

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19 During the course of the selection of the new LDP president, the acting president of the Takeshita faction, Ozawa Ichiro summoned Miyazawa, Watanabe Michio and Mitsuzuka Hiroshi for interviews. This was followed by a meeting between Ozawa, Kanemaru Shin and Takeshita Noboru making a recommendation to the general meeting of the Takeshita faction, which endorsed their decision supporting Miyazawa. See, Steven Hunziker and Ikuro Kamimura, Kakuei Tanaka: a political biography of modern Japan, op. cit., pp.38-39.
cohesion in the LDP. Second, Miyazawa’s weakness meant he was unable to respond swiftly and decisively to challenges such as the eruption of the Kyowa scandal. Third, weakness over imposing his rules and norms into the LDP and into society because of the Takeshita faction’s dominance resulted in a weak response to external challenges over international cooperation. These weaknesses would eventually result in the end of 38 years of LDP one party domination.

The first and foremost important challenge that Miyazawa faced was its relationship with the Takeshita faction. Moreover, Miyazawa’s personal differences with Kanemaru and Takeshita also made his Premiership weak. For example, at the LDP Presidential election, an undisclosed number of MPs belonging to the Takeshita faction voted for Miyazawa’s rival candidates in order to ensure that Miyazawa remained weak, so that the faction could tighten its grip on the Miyazawa government. In other words, it was a strategy for the Takeshita faction’s penetration of policy-making of the state by weakening the legitimacy of the Miyazawa government.

The second challenge that the Miyazawa government faced was the Kyowa scandal, which not only weakened the future of the Miyazawa government but also intensified social challenges against the legitimacy of the government. In July 1991, it had been reported that the steel manufacturer Kyowa had bribed Abe Fumio, then Minister for the Development Agency for Hokkaido and Okinawa, in order to win a resort development project bid in Hokkaido. In response, the opposition parties summoned the former Prime Minister, Suzuki Zenko (1980-1982) and the former Minister for Management and Coordination Agency, Shiozaki. The former Premier, Suzuki was alleged to have received 230 million yen through Abe, while Shiozaki was alleged to have received 20 million yen for his role in bridging relations between Kyowa and Marubeni (the general trading company), which had made a dummy bid for the resort development. Both Suzuki and Shiozaki and other implicated MPs belonged to the Miyazawa faction. Not surprisingly, this resulted in challenges by the opposition parties and the people over Miyazawa’s legitimacy in tackling political reforms. However, the impact of the challenges from the scandal did not immediately translate into disapproval of the

government. Thus, Miyazawa’s approval rating was 55% while disapproval for him was at 24.5% at the end of 1991. On the other hand, the Kyowa scandal forced Miyazawa to respond with conformance to public expectations as quickly as possible since the political reforms appeared essential for the survival of his government and ultimately for the survival of the LDP.\textsuperscript{22}

Third, together with the above challenges, Miyazawa faced another challenge, which was the passage of the International Peace Keeping Operation and Cooperation (PKO) bill. The PKO bill resulted in intensified public debate and social challenges against the deployment of the SDF and allowing them to participate in the Peace Keeping Forces’ mission (PKF), which would become unconstitutional. Hence, the opposition parties, led by the Social Democratic Party of Japan (SDJP – renamed JSP since April 1991), the Democratic Socialist Party and the Komeito, with strong opposition from its women’s section at the Sokagakkai, succeeded in limiting the initial intentions of including the PKF mission. Nevertheless, the PKO bill was passed in the Lower House on 15\textsuperscript{th} June 1992, following intense public debate and challenges from both the general population and opposition political parties.\textsuperscript{23}

Given these challenges, the government was unable to maintain cohesion within the LDP because the Takeshita faction dominated the LDP. The Kyowa scandal weakened its legitimacy and its ability to tackle political reform and so the government was unable to follow through on reforms and policies that the public wanted. Moreover, Japan’s participation in the PKO continued to be limited because of the government's inability to impose new rules and norms as it wished. Not surprisingly, public concerns were reflected in the July 1992 Upper House election.

The results from the July 1992 Upper House election were alarming for the LDP and directly challenged the one party domination of the LDP. Nevertheless, the LDP

\textsuperscript{23} See, Tomohito Shinoda, ‘Taigai seisaku kettei no akuta- to shiteno Ozawa Ichiro (Ozawa Ichiro as an actor of Japan’s foreign policy determinants)’, in Kouhei Hashimoto (ed.), \textit{Nihon no gaiko seisaku kettei youin: domestic determinants of Japanese Foreign policy}, PHP Kenkyu jyo, Tokyo, 1999, pp.39-
managed to retain its majority and sought again to regain its legitimacy. However, this was not to be, because voter turnout had hit a record low, which meant the population did not mandate either the LDP or the opposition parties. Thus, it was a sign of seiji fushin (public distrust).

In detail, then, as soon as the PKO Law came into force in July 1992, voters judged the conformance of the government through the Upper House election. Out of 252 seats at the Upper House, 127 were dissolved and contested. The result was that the LDP won 69 seats making a total of 108 seats. The JSP only won 22 seats making a total of 72 seats. Komeito gained 14, giving it 24 seats in total; the Japan Communist Party (JCP) gained four, making its total seats 11; and the Democratic Socialist Party gained four giving it a total of eight seats.24

Although the LDP retained its majority, the dissatisfaction of the population was visible. First, the Komeito, which had increased to 24 seats in total, was able to mobilise its own political power base and backbone that came from the Sokagakkai – the Buddhist organisation. Hence, it had stable, collective votes and urged members to go to the poll, unlike the LDP supporters who were fragmented. In other words, it challenged the legitimacy of LDP one party domination by mobilising what the Komeito was able to mobilise, thereby winning extra seats. Second, a remarkable outcome was achieved by the Japan New Party (JNP), which was established in May 1992 led by Hosokawa Morihiro, former LDP Lower House MP who once belonged to the Tanaka faction, which later became the Takeshita faction in 1987, by its gain of four seats. This was a strong sign to the existing parties, especially the LDP and the JSP, that people were not satisfied with these parties because of their consistent failures of compliance.25

Moreover, these signs were reinforced by the lowest participation in an Upper House election in history, with voter turnout at only 50.7%. In other words, despite the low

voter turnout, a new party and Komeito both managed to win seats, which meant that there was serious opposition to both the LDP and the JSP. One cause of the low participation was that voting was held on the first Sunday of the first week of the schools’ summer vacations. Nevertheless, it was a significant sign that this silent vote of opposition to the legitimacy of the LDP one party domination, existing political parties and MPs meant seiji fishin. But this was would soon be followed by a bigger scandal than previously and one which would result in the end of the LDP’s one party domination and the beginning of the Japanese political transformation.26

In failing to grasp the implications of the July 1992 Upper House election, the LDP lost the legitimacy of its 38 years of rule but it remained in government in the form of a coalition. The Tokyo Sagawa Kyubin (Tokyo Sagawa) scandal, involving a private delivery company, soon followed. This scandal not only exposed a company’s malpractice over years and its links with the LDP and mobs, but it also exposed how it penetrated the policy-making of the state through its connections with the powerful Takeshita faction. This was soon reinforced by the Zenekon (general construction firms) scandal, which exposed how certain social forces in the Takeshita faction and those private companies, and even a mob leader, penetrated the policy-making of the institutions of the state. The link was exposed through Kanemaru Shinn, the former vice-president of the LDP and a confidante of two past Prime Ministers (Tanaka and Takeshita) and the head of the Takeshita faction. Kanemaru’s involvement in these scandals and the exposure of links between the Takeshita faction under the leadership of Kanemaru, Watanabe of the Tokyo Sagawa and the mob leader Ishi intensified the social challenges, which resulted in the end of the LDP’s 38 years of single rule.

In February 1992, the former President of the Tokyo Sagawa Kyubin (Tokyo Sagawa), Watanabe Hiroyasu was arrested for the misappropriation of company funds of over 9.5 billion yen, including funds that were transferred to the Yakuza (3rd biggest mob) syndicate, Inagawa-kai under Ishi Susumu. However, during the course of the investigation, led by the Tokyo District Prosecution Office’s Special Investigation

Squad (Tokyo SIS), Watanabe admitted that the Tokyo Sagawa had donated over 2,150 million yen to more than 10 MPs in the LDP. In addition, leading up to the February 1990 election, Watanabe illegally contributed 500 million yen to Kanemaru in January 1990. The latter was revealed by *Asahi Shinbun* on 22nd August. In response, while admitting to receiving illegal funds from Watanabe, Kanemaru sought to lessen the impact on the party by resigning as Deputy Prime Minister and Deputy Secretary-General of the LDP on 27th August. If this had been the only revelation, the allegations would have been put to rest. However, it was not an isolated case. It was the beginning of the exposure of how certain social forces within the Takeshita faction had, under the leadership of Kanemaru, been linked with Watanabe of the Tokyo Sagawa and the mob leader Ishi. They in turn had been able to influence the policy-making of the institutions of the state. This eventually resulted in the LDP’s loss of its legitimacy on its one party rule.

Kanemaru’s illegal acceptance of the 500 million yen immediately led to investigations by the Tokyo SIS, which sought to interview him. However, this was refused by Kanemaru, and ended with a deal between his lawyer and the Tokyo District Prosecution Office that Kanemaru would only receive a summary indictment in exchange for pleading guilty to receiving illegal donations. Without attending court, Kanemaru was sentenced to a 200,000 yen fine on 28th August. At the same time, the Tokyo SIS also investigated illegal political funds from the Sagawa Kyubin group to the Governor of Niigata Prefecture, Kaneko Kiyoshi, during the election for Governor of the Niigata Prefecture when he was the LDP candidate in 1989. Kaneko had received 100 million yen but declared that it was a legitimate political donation from the LDP’s Niigata Prefecture branch. He was indicted, along with his two confidantes, at the Niigata District Court on 28th October 1992. This not only exposed how the Tokyo Sagawa penetrated the institutions of the state but also revealed the clear distinction between the treatment of the two, Kanemaru and Kaneko, despite the similar crimes in

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27 The same Special Investigation Squad investigated and eventually arrested former Prime Minister Tanaka in the Lockheed scandal in 1976. For more detail about the Special Investigation Squad and Tanaka’s case and the Zenecon scandal, see, Chalmers Johnson, *Japan, who governs?*, op. cit., pp.222-224.

28 See, Steven Hunziker and Ikuro Kamimura, *KAKUEI TANAKA*, op. cit., p.186; Gergory W. Noble, ‘Japan in 1992: just another aging Superpower?’, op. cit., p.3; Masumi Ishikawa, *Sengo seiji shi*
which they were involved. Naturally, this added further pressure from public opinion.29

In response to whether this was the right punishment for Kanemaru, it was seen as “a cutting-corners investigation in favour of a political power broker [i.e., Kanemaru]”. This perception was widely shared not only by the people but also by local leaders and the professional elite. For example, the “[l]ocal assemblies passed resolutions condemning him and demanding a complete investigation.” Moreover, Sato Michio, the chief processor of the Sapporo High Public Prosecution Office, published an article in *Asahi Shinbun* on 29th August condemning the way the Kanemaru case was handled by his counterpart in Tokyo. The scandal and seemingly weak response by the prosecution office also led to an alarming response by elements of the SDF, which published an article arguing the necessity of a revolution or a coup d’état to respond to this injustice and change the corrupt political system. This was a similar tone to the one that brought Japan into WWII after two failed coup d’etats at the beginning of the 1930s.30

The LDP responded forcefully to these intensified challenges against its legitimacy, and in particular against members of the Takeshita faction. It threatened to sue the public prosecutors for defamation. Its MPs, especially those who were in the Takeshita faction, had been implicated in receiving a part of the 500 million from Tokyo Sagawa to Kanemaru, after the latter had admitted to the Tokyo SIS investigation that he distributed these illegal funds to candidates of the Takeshita faction leading up to the 1990 election campaign. Although all the implicated MPs were interviewed, the investigation came to a dead end. Nevertheless, this desperate act for its survival just intensified the challenges against the LDP’s legitimacy. In response, the opposition parties not only boycotted a Diet session, demanding that Takeshita and Kanemaru appear before the Diet to testify over their involvement in the Sagawa scandal, but also some of its own MPs condemned the idea of suing prosecutors by their own party, the LDP, as ridiculous. Importantly, this showed the division within the LDP between the

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Takeshita faction and other factions, revealing that cohesion within the party was weakening. Nevertheless, the scandal continued and exposed the link with the Yakuza syndicate.\textsuperscript{31}

Yet another scandal arose, which exposed intensified social challenges against the legitimacy of the LDP and its Takeshita faction, while exposing how Yakuza had penetrated the policy-making of the state. This also resulted in the disintegration of the Takeshita faction after Kanemaru was forced to quit his political career. Therefore, the scandals brought the LDP to the verge of falling from its dominant role.

The first hearing in the case of the former CEO of the Tokyo Sagawa, Watanabe Hiroyasu, on the charge of his misappropriation of company funds, was held on 22\textsuperscript{nd} September 1992. There, Kanemaru’s connection with the Yakuza syndicate, Inagawakai and its head, Ishi Susumu was revealed. The revelation immediately intensified the challenges by social forces against the legitimacy of the LDP itself. The link was that in 1987, Kanemaru, who was then Deputy Secretary-General of the LDP and head of the Takeshita faction, under advice from the then President of the Tokyo Sagawa Watanabe Hiroyasu, requested Ishi to intervene in the ultranationalists’ public criticism of Takeshita over Takeshita’s bid to be the Secretary-General of the LDP. Moreover, Ishi was an important investor in the Tokyo Sagawa.\textsuperscript{32}

The way Takeshita treated former Prime Minister Tanaka Kakuei and took over the Tanaka faction, bringing it into Takeshita’s own Keiseikai, resulted in a smear campaign by the Nihon Kominto – an ultranationalist and rightwing group from Takamatsu. They went to the middle of Tokyo and, using more than 20 “loudspeaker trucks”, argued in public places that “[t]here is no one but Mr. Takeshita who is equal to the prime ministership…let’s make Mr. Takeshita prime minister because he is good at


making money.” Then, Takeshita visited Tanaka and soon after that the smear campaign was stopped, which was followed by personal thanks from Kanemaru to Ishi at their meeting in December 1990. Watanabe owned Ishi, which resulted in Watanabe’s massive illegal lending and financial activities with Ishi. Thus, the new scandal demonstrated how Yakuza had gained influence over the policy-making of the state by helping Takeshita to become the President of the LDP, and thus to being Prime Minister.

This revelation not only intensified future social challenges against the Miyazawa cabinet and the LDP but also increased the imperatives of some LDP members, such as the former Prime Minister Nakasone Yasuhiro, who was implicated in the Recruit scandal. However, the magnitude of the Sagawa scandal clearly exceeded the earlier controversies. Hence, Nakasone warned LDP members at a meeting on 5th October 1992, “…in the face of back-to-back scandals, that political reform was vital to the LDP’s survival.” Hence, the Miyazawa cabinet sought to meet the expectations of the people by finally passing the supplementary budget to stimulate the dying economy – in contrast to the previous decades of the miracle economy, the growth in 1992 had been only 1.5%. It introduced new measures for political reforms reducing “the minimum disparity across districts in the ration of votes to seat was brought back under 3:1” and returned the number of Lower House seats from 495 to 511. Other reforms set some restrictions on political donations. However, this response by the Miyazawa cabinet came too little, too late and new challenges to the LDP’s one party domination were now coming from within the LDP.

The intensified challenges brought over the Sagawa scandal and the Nihon Kominto scandal eventually forced the resignation of Kanemaru from his political career on 14th October 1992. This resulted in internal factional power struggles in the Takeshita faction and led to the formation of factions within the Takeshita faction. On 18th

33 Steven Hunziker and Ikuro Kamimura, KAKUEI TANAKA, op. cit., p.185.
35 Steven Hunziker and Ikuro Kamimura, KAKUEI TANAKA, op. cit., p.188.
December 1992, the Takeshita faction was divided between the Hata faction, led by Hata Tsutomu and including Ozawa Ichiro, 35 other LDP Lower House MPs and nine Upper House MPs, and the Obuchi faction, led by Obuchi Keizo and including Hashimoto Ryutaro, 32 Lower House MPs and 34 Upper House MPs.37

Thus, the LDP had lost its own cohesion. In other words, no leaders in the LDP were able to recover cohesion within the LDP for the survival of the party and the continuation of its entrenched role in the government. This was reinforced by yet another scandal whereby tax evasion by Kanemaru led to the exposure of the *Zenekon* scandal, which resulted in the disintegration of the LDP, which in turn had major implications for the July 1993 Lower House election.

The *Zenekon* scandal not only exposed yet more external influences on the policy-making of the state through the Takeshita faction in the LDP, but it also weakened the LDP’s one party domination. As a result, one of the factions from the already disintegrated Takeshita faction, split from the LDP, further lessening the legitimacy of the LDP’s one party domination. Moreover, this defection resulted not only in the weakening of the LDP's capacity to govern, but also led to a no confidence motion against the Miyazawa government.

In March 1993, the Tokyo SIS arrested Kanemaru and his personal secretary for their personal tax evasion of an amount of 1.85 billion yen – the total amount of tax evaded was 1.04 billion yen. It also raided Kanemaru’s properties, including his son’s apartment block, following more allegations of tax evasion, and turned up evidence that Kanemaru had 4.3 billion yen in personal undeclared assets. Moreover, Kanemaru’s arrest and large files of documentation relating to illegal payments and political contributions by major general construction firms – *Zenekon* – resulted in the exposure of the *Zenekon oshoku* (general construction firms’ scandal – *Zenekon scandal*).38

The Zenekon scandal spread into four major bribery cases that were bigger than the Recruit scandal. First, the Sendai bribery case where the Mayor of Sendai, Ishi Toru, received 140 million yen from various Zenekon within a matter of eight months in 1992. Second, the Ibaragi bribery case where the Governor of Ibaragi Prefecture, Takeuchi Fujio received 95 million yen from Zenekon for his direct intervention in Zenekon’s bid to win various public works in his prefecture between 1990 and 1994. Third, the Miyagi bribery case where the Governor of Miyagi Prefecture, Honma Shuntaro, who was the only non-LDP member but was elected after the Recruit scandal with strong support from non-LDP parties including the JCP, was arrested for receiving 20 million yen from Zenekon, while also receiving 100 million yen from Dishowa seishi (paper company) over a golf course development project. Fourth, the Seikai bribery case (politician bribery case), where former Minister for Construction, Nakamura Kishiro was arrested in 1994 for his role in intervening to prevent a possible criminal charge by the Fair Trade Commission brought against the Zenekon cartels and for this he was rewarded with 10 million yen.39

The magnitude of the Zenekon scandal not only clearly exposed how certain social forces had penetrated the policy-making of state institutions, but also it confirmed a long-held awareness by the Japanese public that public infrastructure spending is indeed ‘pork barrel’ for gaining or maintaining political power in the Diet. The LDP, in particular, used public infrastructure funds to maintain its political status as the ruling party and reinforced public distrust (Seiji fushin) against the legitimacy of the LDP. Following these intensified challenges against the legitimacy of the LDP by a variety of social forces, it was a group of LDP MPs that took the opportunity to penetrate the policy-making of the state by defecting from the LDP so that they could form a non-LDP coalition government after the July 1993 Lower House election.

There was no recipe to prevent fresh corruption cases against the LDP being exposed to the people, which intensified the challenges, and the end result was the biggest political disaster in the history of the LDP since the end of the 1955 system.

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As a consequence of the prolonged and yet continuing revelations of the Kanemaru-related scandals, the Miyazawa cabinet was unable to maintain cohesion within the LDP, especially concerning the rivalry within the Takeshita faction. Although Prime Minister Miyazawa promised publicly to ensure political reforms during the Diet session of 1992, his LDP Secretary-General Kajiyama Seiroku, who belonged to the Obuchi faction in the Takeshita faction, contradicted him. He argued that the reforms would not take place until after the next Upper House election, due in 1994. In response, on 18th June 1993, the opposition parties and the reformists from the LDP, led in particular by Hata Tsutomu and Ozawa Ichiro, who led another split faction from the Takeshita faction, successfully passed a motion of no confidence against the Miyazawa cabinet by 255 to 220 votes. The votes against included 34 from the Hata faction with four other LDP MPs, while 16 were absent. With limited options available, Prime Minister Miyazawa responded immediately by dissolving the Lower House, and set the Lower House election for 18th July 1993.40

Moreover, the Hata faction, which had voted for the no confidence motion, defected from the LDP and formed its own political party, the Shinseito (Renewal Party), while another 10 defected members from the LDP formed the Sakigake (Harbinger Party) led by Takemura Masayoshi. These two new parties made pre-election agreements with Hosokawa’s New Party. Thus, the battle lines were drawn that threatened the survival of the LDP in government and indeed the survival of the 1955 system.

Nevertheless, the Japanese state remained intact in that society was not so much divided but rather was challenging the legitimacy of the LDP’s one party domination since 1955, while the institutions of the state continued to impose their own rules and norms on society. However, the centre of power was going to change with the outcome of the July 1993 Lower House election that would form the basis for the next 10 years of Japanese political landscape.

Given the background leading up to the July 1993 election, it is not surprising that the

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40 See, Hunziker and Ikuro Kamimura, KAKUEI TANAKA, op. cit., pp.189-190; Gergory W.
outcome resulted in the end of LDP domination, which had lasted since 1955. However, while the LDP partially lost its place in the government, it stayed in opposition less than 11 months. Nevertheless, this was enough time to change the Japanese political landscape. Moreover, the outcome of the election and the following development created the basis for conservative domination of Japanese politics.

Table 5.1: Result of the July 1993 Lower House Election

<table>
<thead>
<tr>
<th>Party</th>
<th>Seats</th>
</tr>
</thead>
<tbody>
<tr>
<td>LDP</td>
<td>296</td>
</tr>
<tr>
<td>Renewal Party</td>
<td>7</td>
</tr>
<tr>
<td>Harbinger Party</td>
<td>5</td>
</tr>
<tr>
<td>JNP</td>
<td>6</td>
</tr>
</tbody>
</table>


The LDP had already lost strength in pre-election numbers because of the defections from its own ranks, but nevertheless it retained some pre-election strength and added one more seat. The table shows that despite the scandals and the revolt within the LDP, it even won one seat and was able to remain the largest party, as its share of votes was 36.6 %. However, it did not actually have a sufficient mandate to govern in its own right.

On the other hand, a notable outcome of the election was the role of the “new parties”, that is, the Shinseito (Renewal Party), the Sakigake (Harbinger Party) and the Japan New Party (JNP). All the new parties increased their seats, even the Renewal Party,

which, despite its LDP heritage, increased from 36 to 55 seats. The Harbinger Party also added 3 seats. Remarkably, the JNP, which had not held any seats in the Lower House before the election, won a massive 35 seats. The Komeito (Clean Party) also increased its numbers to 51. However, the SDPJ lost nearly half of its pre-election seats, with the number of seats reduced from 134 to 70. This was because it made a “…feeble attempt to offer what voters were looking for and establish a new identity for itself [while] the party not only failed to catch disillusioned LDP supporters, it also failed to retain many of its own supporters.”

In other words, the people sought change in the political landscape by voting for the new parties and non-LDP except the SDJP. Yet there was no clear winner.

The LDP was unable to raise the numbers it needed to govern its own right. In terms of seat numbers, the opposition parties could form a coalition government but it would be a difficult task to consolidate numerous political differences. This was particularly the case given that the parties of former LDP members – the Renewal Party, Harbinger Party and JNP – were fundamentally conservative and together controlled 103 seats. Interestingly, by combining the LDP’s 223 and the three parties’ 103 seats, it was simply that the conservatives won an absolute majority of 326 seats. In other words, Japanese politics shifted toward more conservative directions than in the past. However, the outcome of the election had its own problems determining what the people sought. This was because of the low participation in the election, with voter turnout at a low 68% (see Table 5.2).

Table 5.2: Comparison of Abstentions between Political Parties in the Share of Votes

<table>
<thead>
<tr>
<th>Political Party</th>
<th>Share of Votes</th>
</tr>
</thead>
<tbody>
<tr>
<td>LDP</td>
<td>223</td>
</tr>
<tr>
<td>Renewal Party</td>
<td>103</td>
</tr>
<tr>
<td>Harbinger Party</td>
<td>103</td>
</tr>
<tr>
<td>JNP</td>
<td></td>
</tr>
<tr>
<td>Total Conservative</td>
<td>326</td>
</tr>
</tbody>
</table>

As the table shows, if there were a clear winner of the election, it would be the abstentions at 32%. What these abstentions meant, as Ishikawa pointed out, was that the people expected “…a government with the LDP continuing to play a central, if somewhat less powerful, role. … for voters to believe this election would bring effective change to an obviously corrupt and entrenched parliamentary system, … [thus] abstentions absorbed this slack of disillusioned voters.”

In other words, there were more protest votes against the existing political system and existing political parties than for the LDP’s one party domination. Therefore, the combination of the abstentions at 32% of the absolute share of the vote, and what other political parties other than the LDP gained from the election, meant that it was a clear sign of the loss of the LDP’s legitimacy to govern solely in its own right.

Another notable outcome of the July 1993 election was that it was the first step toward strengthening conservative politics, with the following political development: the SDPJ joined the government ranks with its own Prime Minister, thus dissolving the distinction between conservative politics and the opposition. This eventually led to the decimation of non-conservative politics. Nevertheless, this pattern continued until the opposition formed the Democratic Party of Japan (DPJ) in April 1996, which effectively destroyed the politics of the left but completed the Japanese political transformation into conservative domination.

In response to the outcome of the July 1993 election, the LDP sought to form a coalition but failed to attract any of its possible partners. Moreover, the JNP, which held the balance of power leading up to the formation of the new government, criticised the Renewal Party and Harbinger Party because of their origins. Nevertheless, it was the end of 38 years of LDP one party domination. The JNP joined non-LDP ranks with a swift move by the Secretary-General of the Renewal Party, Ozawa Ichiro, who struck a

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deal with the JNP that Hosokawa would be Prime Minister when the JNP joined the non-LDP coalition.43

Thus, the Hosokawa cabinet was formed as a non-LDP cabinet on 9th August 1993, with the Japanese Socialist Party (SDPJ), the Komeito (Clean Government Party), the Democratic Socialist Party (DSP), the Federation of Democratic Socialists (FDP), the Japan New Party (JNP), the Renewal Party (Shinseito) and the Harbinger Party (Sakigake). Moreover, it maintained around 70% national approval rating, although its highest record was 75.7%, which broke the previous record under the then Prime Minister Tanaka Kakuei in 1972. With these high expectations and support from the people, it sought to impose new rules and norms for creating new social cohesion in society while conforming to the expectations of the people.44

However, the Renewal Party, which was formed by the defected LDP MPs and former Takeshita faction led by Ozawa, continued to mobilise its strategy of penetrating the policy-making of the institutions of the state and so weakened the cohesion within the coalition government. This put constraints on the Hosokawa coalition government.

The strength of the Hosokawa coalition government was the unified objective for the passage of the political reform bills in conformance with the people's goals, and it was this that gave additional strength to Hosokawa with a record high public approval rating. On the other hand, it had more weakness than strength because of the intensified challenges and conflicts among the fragmented coalition partners. Most of the coalition government MPs, with the exception of the former LDP MPs in the Renewal Party and the Harbinger Party, had neither experience in government nor connections with Japan’s complex and powerful bureaucracy. However, it was able to conform to the expectations of the people in terms of realising political reforms and creating social cohesion in society, but it failed to become entrenched in the highest authorities of the

44 The Japan Times, ‘New Koizumi Cabinet Wins Record 86.3% Public Support’, 29 April 2001, at <http://search.japantimes.co.jp/cgi-bin/md20010429a1.html>, accessed on 26 June 2007; Hunziker and Ikuro Kamimura, KAKUEI TANAKA, op. cit., p.193; Masumi Ishikawa, ‘New heights, louder message:
As a result of the weakness of the Hosokawa coalition government, it is not surprising that passage of the political reform bills was slow and sections were shelved in order to achieve compromises. Some coalition partners, for example, strongly resisted the single-member district system. Nevertheless, the bills were passed in both the Lower and Upper Houses on 29th January 1994. The Lower House membership was to be reduced to 500, formed from 300 under the single-member district (SMD) and 200 under the political parties’ proportional share of the vote in 11 regional blocks – proportional representation (PR). Moreover, the longstanding issue of the liberalisation of Japan’s rice market was also passed. But this was challenged by a variety of social forces not only in the LDP but also from within its coalition partners. Nevertheless, again, the people supported the government’s move, thus Japan concluded the GATT Uruguay Round, importing rice as an equal amount of 4% to 8% of domestic rice consumption.45

However, this exposed the government’s weakness and led to intensified challenges over the introduction of a welfare tax that sought to stimulate the economy. The government used the reward of abolishing the 3% consumption tax while imposing a sanction that introduced a 7% welfare tax. In other words, the new tax would mean an increase of 4% from 3% on the consumption tax. Inevitably, this resulted not only in challenges from members of the coalition but it also damaged relations with its biggest coalition partner, the SDPJ. This resulted in the withdrawal of the plan the day after Prime Minister Hosokawa revealed it.46

The Hosokawa coalition government did not last long, unsurprisingly. On 8th April 1994, Prime Minister Hosokawa resigned because of allegations that he received a loan

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of 100 million yen from the Tokyo Sagawa and because of his involvement in a corruption case dating back to when he was Governor of the Kumamoto Prefecture.\textsuperscript{47}

On 25\textsuperscript{th} April 1994, Hosokawa was replaced by Hata Tsutomu, then a breakaway MP from the LDP and leader of the Renewal Party, but he was unable to maintain cohesion among the coalition partners. This resulted in the withdrawal of the Harbinger Party from the coalition and was closely followed by the SDPJ’s withdrawal. Although it passed the annual budget bill, this government resigned on 25\textsuperscript{th} June 1994.

Thus, despite the Hosokawa coalition government enjoying record high public approval and support, it was nevertheless unable to entrench itself as the government of the state. This was because of the fragmented nature of the coalition government among the different political parties, while the government was also weak in imposing its own rules and norms. This weakness led to challenges not only from the opposition and the LDP but also from within the coalition itself. Also, certain social forces such as Ozawa and the Hata led Renewal Party, with members of the former Takeshita faction, penetrated the policy-making of the Hosokawa government and also caused the end of the coalition government. Nevertheless, it conformed to the expectations of the people by imposing new rules and norms such as the passage of the political reform bills. It also created social cohesion in society but failed to create it within its own government. Unfortunately for the population, their expectations were not fulfilled, although it was fortunate for the LDP who could now seek to return to the centre of power.

With the collapse of the non-LDP coalition, the LDP did not allow the opportunity slip away. It responded swiftly by offering the Premiership to the SDJP’s Murayama Tomiichi. This was a strategy by the LDP to re-penetrate the policy-making of the state and occupy the key positions of decision-making in the institutions of the state. Hence, the LDP could again become the closest authority to the centre of power. In other words, the Murayama government was dominated by the LDP. This made the Murayama coalition government weak and this limited its legitimacy. Moreover, the SDJP needed to abandon its ideological agendas and differences if it were to conform to

the expectations of the people. Hence, the SDJP accepted conservative rules and norms. This eventually diminished the distinctions between conservative and socialist policies, while strengthening conservative politics.

Two factors made this purely opportunistic and yet previously unthinkable political coalition realisable. First, the LDP was strongly determined to return to the ruling side. Even if its party president could not be Prime Minister, it could control the majority of policy committees within the cabinet and at the Diet, so that it could virtually control the government and the institutions of government. Second, the anti-coalition against Ichiro Ozawa, a renegade member of the LDP who left the LDP with his Takeshita faction, united the LDP, the SDJP and the Harbinger Party. Ozawa was seen as the real fixer behind the fall of the LDP from their ruling position in 1993. Therefore, both the Harbinger Party and the SDJP mistrusted Ozawa due to his personal influence over policy matters during the Hosokawa and Hata coalition governments and his ambition in creating a two-party system like the United States that could wipe small parties and the SDJP off the Japanese political map.48

It was no surprise then, that on 10th December 1994, Ozawa and the former Prime Minister Kaifu, who had defected from the LDP over the LDP decision backing Murayama Prime Minister, formed Shinshinto (New Frontier Party – NFP). The NFP included the Renewal Party, the JNP, members from the Liberal Democrats and the Komeito, and the Democratic Socialist Party, which had 176 MPs in the Lower House and 36 MPs in the Upper House.49 This made the NFP the second biggest party in numbers. However, the NFP was unable to either directly challenge or threaten the legitimacy of the Murayama government or its coalition formation.

However, this formation just added to the LDP’s legitimacy in government because the LDP was a conservative party whereas the NFP was a collection of renegade members of the LDP. There were conservatives in the opposition but the NFP was not in

49 Michael Blaker, ‘Japan in 1994: out with the old, in with the new?’, op. cit., p.3.
government whereas the LDP was. It was able to penetrate the policy-making of the institutions of the state, which weakened the Murayama government. This reduced the capacity and ability of the Murayama coalition government to respond to both expected and unexpected challenges.

The challenges the Murayama government faced were partly because of its choice of a socialist Prime Minister. However, what functioned to limit the Murayama government’s ability to respond to expected and unexpected challenges was its vulnerability to a state bureaucracy that had been penetrated by groups long associated with the LDP.

The Murayama government faced challenges to the SDPJ’s policy positions in relation to defence, the Constitution, fiscal policy and the UN led PKO. Murayama swiftly responded by clarifying these challenges, maintaining the Japan-US Security Treaty and recognising that the SDF was within the constitution while in the first year of government. It also increased consumption tax to 5% and passed a related bill for defining single-member districts. Fortunately, this proved the Murayama government was capable to govern the state of affairs as a credible government. Unfortunately, for both the traditional SDJP supporters and the non-political parties’ supporters, the Murayama government also showed that it was not different from the conservative LDP. Nevertheless, Murayama was able to impose new rules and norms on to society while maintaining social cohesion. However, this feat was more difficult to maintain once his government was obliged to face unexpected challenges.

The first unexpected challenge came in the form of the Great Hanshin Awaji Earthquake on 17th January 1995. This resulted in over 6,000 deaths with over 42,000 injured and more than 300,000 who had to be evacuated. The second unexpected challenge was on 20th March 1995 when Aum Shinrikyo struck the Tokyo subway network with a poison gas resulting in 12 deaths and more than 5,500 injured. The response by the Murayama government to both incidents was swift but the two disasters

50 Ibid., pp.2 and 6-7.
exposed not only the limitations of the Murayama coalition government but also the limitations of Japan’s ability and capacity to coordinate immediate responses using a huge, unwieldy and complex bureaucratic state. If there was any neglect at this point, it had been caused by 38 years of LDP one party domination, which had allowed politicians and bureaucrats to increase their role in the institutions of the state. By entrenching their position for extracting state resources for political ends, they had sought to improve their effectiveness in dealing with such unexpected challenges.

Nevertheless, Japan did not lose social cohesion while the government maintained its state capacity to distribute resources for reconstruction of the areas damaged by the earthquake. It also managed to mobilise all available state resources, arresting those involved in the poison gas attack. Moreover, the Murayama government showed its resilience through its capacity to respond to these unexpected challenges. However, the LDP had penetrated and occupied important positions in state institutions whereas Murayama’s SDJP and the socialists had not. The voters saw this otherwise at the July 1995 Upper House election.

Although the Murayama government showed remarkable resilience and strength in responding to challenges, they were berated internally and externally by a variety of social forces for their slow response. Moreover, this also proved that it was credible to govern the state’s affairs by abandoning the long held policies of the SDPJ. Whether the SDJP and the LDP were able to retain their legitimacy as the government was tested at the July 1995 Upper House election. However, the result was not only disastrous to Murayama but also to his SDPJ.

As Table 5.3 shows, the SDJP lost seven seats and the LDP lost 20 seats, while the NFP gained a massive 24 seats and even the JCP added two seats. This devastating result led Murayama to offer his resignation because the outcome seemed to him to be a rejection of his government. Importantly, participation in this election was at a new historic low of 44.52% voter turnout.52 Thus, it was a response and judgement by the people to reject conservative and socialist politics. In other words, it was a protest by the people over

52 See, Masumi Ishikawa, ‘New heights, louder message: abstentions in Japan’s national election,
the SDJP, which had been jolted by losing half its seats at the July 1993 Lower House Election but nonetheless came into government to pursue its political ends. The LDP also lost seats because the people rejected the LDP’s decision to allow the SDJP into the government and rejected the reality of the LDP’s penetration of the policy-making of the state.

Table 5.3: Result of the July 1995 Upper House Election

<table>
<thead>
<tr>
<th>Party</th>
<th>Seats</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>Komeito</em></td>
<td>14</td>
</tr>
<tr>
<td>Democratic Socialist Party</td>
<td>5</td>
</tr>
<tr>
<td>JNP</td>
<td>4</td>
</tr>
</tbody>
</table>

Note: *Komeito (14), Democratic Socialist Party (5), JNP (4).


Moreover, the election emphasised how the centre of power was occupied by the LDP, which penetrated the policy-making of the state by re-entrenching the institutions of the state. In other words, it was just a return to LDP-dominated politics, rather than a genuine coalition government. This was the judgement by the people in rejecting both the SDJP and the LDP. Yet another interpretation could be that the low participation meant that people might well be aware that national politics had not altered since 1993 when the LDP lost its legitimacy to be in government. The people expected not only political reforms but also real and evident change of the political landscape for the good. However, in reality, instead of a credible alternative opposition growing, conservative politics virtually overpowered such alternatives. Moreover, the structure of the state had also not altered in terms of the expectations of the people, while they had been struggling with economic recession since late 1991.

In other words, the SDJP led government had its own weakness in that it abandoned...
ideological agendas and differences. It was because the centre of power was occupied neither by the SDJP nor Murayama but rather by the LDP. Although they were in opposition for about two years, the Hosokawa and Hata non-LDP governments could not alter the fundamental structure of the state. The LDP’s total entrenchment in the policy-making of the state led to the demise of distinctions between the conservatives and the socialists and eventually resulted in the loss of the SDJP’s legitimacy as a political party. With or without intention by the LDP and conservatives in the former Hosokawa coalition government, developments in Japanese politics strengthened conservative politics. If this became the order of the day in Japanese politics so as to maintain social cohesion in society, while the institutions of the state were able to impose their rules and norms, then the conservatives would have to be allowed to grow while the LDP returned to its central role with its own Prime Minister.

Since the end of the 1955 system of LDP one party domination in 1993, the population had given a clear signal that it favoured change in the Japanese political landscape. This lent support to the non-LDP Hosokawa coalition government. This did not last long, however, because the majority of the parties in its ranks were from the LDP. In other words, except for their objective of implementing political reforms, they shared no ideologies or long-term policy goals but rather intensified seeking to penetrate the policy-making of the institutions of the state. Hence, its inevitable collapse led to the return of the LDP to the centre of power. By forming a coalition government with the SDJP, the LDP was once again allowed to take up its central role. This move resulted in the eventual annihilation of non-conservative politics at the October 1996 Lower House election, and transformed Japanese politics into conservative domination.

Having experienced a stunning defeat at the 1995 Upper House election held on January 1996, Murayama resigned. Unsurprisingly, the LDP, which was the biggest party in both the Lower and Upper Houses of the Diet, elected Hashimoto Ryutaro as the LDP President in September 1995. He replaced Kono Yohei through the familiar process of contests among the factional leaders who bid to win the ticket to occupy the highest authority of the institutions of the state, that is, Prime Minister.\footnote{Michael Blaker, ‘Japan in 1995: A Year of Natural and Other Disasters’, op. cit., p.47.} Ceremonially, the LDP
Presidential election was followed by the nomination and election of the new Prime Minister on 11th January 1996, which resulted in Hashimoto becoming the first LDP Prime Minister at the return of the LDP to the unquestioned centre of power.

In developments within the opposition parties leading up to the October 1996 Lower House Election, Kan Naoto and Hatoyama Yukio, both from the Harbinger Party, left and formed a new party called the Democratic Party of Japan (DPJ) on 28th September 1996. The DPJ was yet another collection of opposition members and MPs from the LDP that included “reformist-minded” MPs from the LDP and the Social Democratic Party (formally SDPJ), a familiar pattern from 1993 politics. Nevertheless, it gained early high expectation and support. This was largely because of Kan Naoto who, as Minister for Health and Welfare (MWH), revealed internal documents proving criminal negligence and cover-up for more than 15 years by the Green Cross, which had sold contaminated blood coagulants infecting over 2,000 people and causing over 400 deaths. This had been covered up by MWH officials and associated academics.54 However, the role that Kan played in gaining justice for the victims did not wholly translate into a good performance by the DPJ at the October 1996 election.

Given the background leading up to the October 1996 Lower House election, the result was a stunning victory for the LDP and Hashimoto, returning the LDP to the centre of power in its own right. The LDP gained 239 of the 500 seats in the Lower House, which resulted in giving the LDP the upper hand over the other parties. In other words, the LDP could form government with a single coalition partner of its choice. On the other hand, with the loss of its own identity by participating in the government, the SDP lost half of its seats with a drop from 30 to 15, while the NFP lost four seats and the newly-formed DPJ just retained its original strength of 52 seats. In other words, non-conservative political parties were annihilated (see Table 5.4).

The political landscape of the post-1996 House of Representative election was a first

step toward the process of ‘seikai-saihen’, ‘changing the Japanese political landscape’. With victory in its hands, the LDP sought to establish a coalition government but none of the parties were willing to participate because the outcome of the election had proved that their decision to be part of the government had clearly caused their loss. Therefore, Hashimoto formed his government from the LDP alone since it backed “one party domination”. The LDP’s traditional way was used to distribute cabinet portfolios. The Obuchi faction with 88 MPs received six portfolios, the Miyazawa faction with 72 MPs occupied five, the Mitsuzuka faction with 83 MPs occupied four portfolios, the Watanabe faction with 68 MPs occupied four, and the Komoto faction with 21 MPs got one portfolio in the Hashimoto cabinet.\(^{55}\) Thus, this marked not only the LDP return to the centre of power, where it was able to penetrate the policy-making of the state, but also the fact that non-conservative political parties were destroyed.

Table 5.4: Result of the October 1996 Lower House Election

<table>
<thead>
<tr>
<th>Party</th>
<th>Portfolio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Obuchi faction</td>
<td>6</td>
</tr>
<tr>
<td>Miyazawa faction</td>
<td>5</td>
</tr>
<tr>
<td>Mitsuzuka faction</td>
<td>4</td>
</tr>
<tr>
<td>Watanabe faction</td>
<td>4</td>
</tr>
<tr>
<td>Komoto faction</td>
<td>1</td>
</tr>
</tbody>
</table>


It was not merely that the LDP returned to the centre of power as in pre-1993 but the political developments of the early 1990s ended with the annihilation of non-conservative politics in Japan. Indeed, this saw a return to a trend that was set in 1993,

when non-conservative political parties were unable to gain an opportunity to take government even though all parties except the JCP unified against the LDP. The fundamental problem of the LDP pre-1993 was that it sought to occupy the institutions of the state on its own rather than seeking to form a coalition. However, this had changed when it gave the Premiership to the SDJP’s Murayama. Nevertheless, as I have demonstrated, the LDP was still able to occupy the necessary positions of the institutions of the state, thus extracting state resources under the Murayama coalition government. Moreover, this increased the LDP’s legitimacy as the ruling party, which was not necessarily the people’s choice.

The political landscape of Japan had changed. It had moved to a point where conservative domination was at the expense of the annihilation of the non-conservative political parties. Only the LDP and the JCP did not alter their policies in significant ways nor were they broken up. They had also not been obliged to join the ranks of government by abandoning their longstanding policies. All the parties except the LDP and the JCP were collections of opposition groups who did not share subscription to long-term, effective and alternative solutions to challenges such as the need to ensure the recovery of the troubled Japanese economy.

It was no surprise that the NFP exposed its weakness based on being a grand coalition that integrated collections of opposition parties without necessary cohesion on the many policy aspects and interests that each minor party represented. The NFP was disbanded in 1997. Some members then rejoined the LDP, some joined the DPJ and the majority formed the Liberal Party (LP) under the leadership of Ozawa Ichiro. However, the Liberal Party joined the LDP’s Obuchi government in early 1999, but when Ozawa decided to withdraw his party from the coalition with the LDP in 2000, defections from the party’s ranks resulted. The New Conservative Party was formed and then eventually joined the LDP in 2003. Ozawa and LP members joined the DPJ in 2003.56

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The DPJ regrouped in the late 1990s with two former Prime Ministers, Hosokawa Morihiro and Hata Tsutomu, and their own small parties. They eventually united with these two Prime Ministers’ former protégé, Ozawa in 2003. At the end of the 1990s, the DPJ was still regarded as a weak party, which might be unable to be a true alternative to the LDP because its policies were virtually the same. Hence, Japanese politics seemed to have stopped since the time when the LDP lost power in 1993. Moreover, the DPJ had been incapable of taking power from the LDP as it was fundamentally similar to the LDP and would be unable to attract non-LDP votes. Thus, it is clear that what the DPJ needed and was searching for was to distinguish itself from the LDP if it were to convince voters that it would be an appropriate alternative party to the LDP.57

The LDP has continued to retain its grip on governing the state while it has imposed new rules and norms creating social cohesion in society even as Japan’s economy has struggled to recover during the late 1990s and early 2000s. The LDP has been able to form government either by itself or with a coalition partner of its own choice. This trend has continued with the LDP leading successive governments led by: Obuchi Keizo (1998-2000), Mori Yoshiro (2000-2001) and Koizumi Junichiro (2001-2006). Koizumi handed his leadership over to his successor Abe Shinzo on 26th September 2006.

On April 26th 2001, Koizumi Junichiro was elected on the floor of the Diet and became Prime Minister of Japan for the next five years. What nobody predicted was his strong desire to push not only economic reforms but also long delayed and resisted postal

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privatisation. He had come after the disastrous Mori Yoshiro\textsuperscript{58} as Prime Minister, who had with questionable process replaced Obuchi Keizo who had nearly restored the economy.\textsuperscript{59} Moreover, Koizumi’s popularity was a record high of 86.3%, which was more than 10% greater than the previous record held by the former Prime Minister Hosokawa.\textsuperscript{60}

Successive LDP governments had sought to implement administrative reform. They had done this since 1997. However, it was not until Prime Minister Koizumi came to office that thoroughgoing reform was implemented. Koizumi’s desire to initiate the postal reform was opposed by many – not only in the opposition parties but also within the LDP. They were continuing to represent the bureaucrats’ interests. In response, Koizumi challenged these social forces.

Initially, the resisters won against Koizumi’s attempt to impose new rules and norms regarding postal privatisation. After intensified debate over postal privatisation, the Koizumi government introduced the postal privatisation bills into the Lower House in July 2005. The bills were rejected by the opposition parties and 37 members of the LDP helped to defeat the bills. This was soon followed by the defeat of the bills at the Upper

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\textsuperscript{58} Mori Yoshiro (2000-2001) was chosen to replace Obuchi as President of the LDP, hence he became Prime Minister. However, Mori was a liability for the LDP. This was because of his remark on Japan being a “divine nation”, which was used in pre-war nationalist slogans, while he continued playing golf when the USS submarine Greenville rapidly surfaced and sunk the Japanese fishing training ship Ehime Maru and killed nine Japanese crew, teachers and High school students off the coast of Hawaii on 9th February 2001. See, Edward J. Lincoln, ‘Japan in 2000: the year that could have been but was not’, op. cit., p.52; \textit{The Japan Times}, ‘Mori increasingly under fire: Golf course fiasco fuels calls for prime minister to step down’, 16 February 2001, at <http://search.japantimes.co.jp/cgi-bin/nn20010216a1.html>, accessed on 20 April 2007.

\textsuperscript{59} Obuchi suffered a massive stroke on 2nd April 2000 and passed away on 14 May 2000. Prime Minister Obuchi maintained the 1996 conservative order without blinking, while moving Japan’s troubled economy forward through his resilient and patient moves. These implemented a spontaneous economic stimulus to programs and resulted in producing signs for economic recovery. Japan’s economic growth was less than 1% on average between 1995 and 1998; however, GDP growth picked up to 4% just before Prime Minister Obuchi passed away. But this was going to worsen under the Prime Minister Mori Yoshiro, who was selected through the LDP’s traditional but questionable practice of throne behind the door. After Mori took office, GDP growth decreased to 2.2%, and the unemployment rate rose to 4.8%, a record high, while the Nikket average that had once recorded over 38,000 yen in 1989, hit 12,000 yen at the beginning of 2001. See, Keizo Nabeshima, ‘The LDP just doesn’t get it’, \textit{The Japan Times}, 9 March 2001, at http://search.japantimes.co.jp/cgi-bin/eo20010309kn.html, accessed on 20 April 2007; Edward J. Lincoln, ‘Japan in 2001: a depressing year’, \textit{Asian Survey}, vol. XLII, No. 1, January/February 2002, pp.52, 71-73.

\textsuperscript{60} Also, see, the section on the Hosokawa coalition government in this chapter. \textit{The Japan Times}, ‘New Koizumi Cabinet Wins Record 86.3% Public Support’, op. cit.
House on 8th August 2005, again with the help of 22 LDP rebels together with the opposition, which gave 125 votes against the Koizumi led coalition government of 108 votes, while eight LDP MPs did not vote. However, Koizumi swiftly and coercively responded while mobilising all available resources. In response to the defeat of the bills at the Upper House on 8th August 2005, Koizumi swiftly dissolved the Lower House immediately after this defeat. Koizumi then coercively dismissed the Minister for Agriculture, Forestry and Fisheries Shimamura Yoshinobu, who refused to sign the edict for the dissolution of the Lower House, together with two cabinet ministers who voted against the bills. On 11th September 2005, Koizumi announced a Lower House election.61

Koizumi expressed his desire to impose new rules and norms not only on the population, which had already given a mandate by its public approval rating, but also on those social forces who opposed the bills including his own LDP renegades. Thus, he declared that his decision on the dissolution of the Lower House was: “…so to speak, a ‘Postal Dissolution’. I want to clearly ask all the people whether [they are] for or against postal privatisation. … If the LDP and New Komeito cannot win a majority [at the election], I will step down.”62 Moreover, Koizumi and his LDP hierarchy retaliated by either withdrawing the rebel LDP MPs’ official endorsement of their candidacies or deploying counter candidates to the electorates of those who voted against the bills.

With a good voter turnout of 67.51% and a record high of 8.96 million voters casting their votes through absentee ballots, the outcome of the 11th September 2005 Lower House election resulted in a massive win for the LDP and its coalition partner Komeito. This meant that Koizumi not only gained a clear mandate for his government but also for his reforms and postal privatisation. The population had clearly rejected incapable opposition parties including the DPJ. Thus, Koizumi’s LDP gained 290 seats while the Komeito won 30 seats. This gave Koizumi a total of 320 seats. This was much more significant than the 243 seats the LDP had won in the previous diet election. The DPJ was reduced to 65 seats, New Komeito to 21 seats. The coalition partner Komeito won 30 seats. This gave Koizumi a total of 320 seats. This was much more
than a simple majority in the Lower House.63

Conclusion

The situation in Japan where state leaders and the elite have sought to occupy the institutions of the state by penetrating the policy-making of government led to a series of political scandals that dominated Japanese politics during the 1980s and 1990s. This constant exposure to scandals intensified challenges to the authority and legitimacy of governments and to the authority of the LDP’s system of one party domination. This in turn resulted in the conservative political order of 1996 annihilating non-conservative forces in Japanese politics. It is somewhat ironic that scandals during the LDP’s reign served to strengthen the LDP’s grip on political power and social control.

The conservative political order of 1996 came into being as a result of the scandals evident in Japanese political circles. These scandals included the Recruit scandal; the Kyowa scandal; the Sagawa kyubin scandal; the Nihon Kominto scandal; and the Zenekon scandal. All these scandals demonstrated how certain social forces such as the LDP, and particularly the Takeshita faction within the LDP, in the company of private institutions, penetrated the policy-making of the state. Eventually, the institutions of the state were weakened and this weakness of the institutions of the state led to the LDP losing its authority and legitimacy. After 38 years of one party government, the party was denied government in its own right. However, the Takeshita faction of the LDP continued to exercise considerable power. It continued to penetrate the policy-making of the Hosokawa coalition government, which was dominated by conservative (often former LDP) MPs. The result of this situation was that the LDP government returned to power in coalition with the Murayama led socialist party. This situation in turn weakened the Murayama socialist government and diminished the distinction between conservative and socialist politics. The next thing that happened was that at the October 1996 Lower House election, non-conservative elements in Japanese politics were annihilated and the LDP’s position was strengthened and further entrenched. The LDP has continued to penetrate the policy-making of Japan’s state institutions.

63 *The Japan Times*, ‘Koizumi’s LDP wins big: Party on track for 300 seats; DPL gets drubbing’,
Successive LDP governments have sought to transform the hypertrophied Japanese bureaucracy by implementing administrative reforms that have included the privatisation of the Japanese postal system. In 2005, the Koizumi government attempted to implement postal privatisation, but met intensified challenges from groups within and outside of his own party who opposed this administrative reform. In response, Koizumi mobilised all available power at his disposal, including dissolving the Lower House of the Japanese Parliament. Koizumi won the subsequent election convincingly and so increased his authority and legitimacy. His government was now in a position to impose its administrative reform programme and its preferred rules and norms on Japanese society.

op. cit.
Chapter Six: Japan’s Foreign Policy – Japan’s Official Development Assistance is Used as a Political Tool

Introduction
In this chapter, I will investigate Japan’s foreign policy behaviour to explore the ways in which the strong state acts for its society in response to external challenges and demands. In Japan, state-society relations are hierarchical. The relative position of the power within the state is determined by the relative proximity to the highest authorities of the state. This has meant that certain social forces have sought to occupy the institutions of the state. As in the case of PNG, the domestic elite determine the policy-making of the state in order to extract state resources for their own political and economic interests. However, in Japan, this has tended to strengthen the ability of the government to impose rules and norms that create and maintain social cohesion. Nevertheless, the strong state has proved to be vulnerable in terms of its foreign policy behaviour. Options have been limited in response to external pressures and interests, in particular in relation to the use of force. Therefore, Japan’s Official Development Assistance (ODA)\(^64\) has been mobilised to be used as the country’s most effective political tool. The ODA has been transformed to meet Japan’s external challenges by not only maximising Japan’s foreign policy options, but also by serving its multidimensional strategic interests and objectives.

The Japanese Official Development Assistance (ODA) has been one of Japan’s most effective diplomatic tools. It has provided a material power that state leaders and elite can mobilise when Japanese governments respond to external challenges. It has been mobilised and used to serve Japan’s multidimensional strategic objectives. Since the end of WWII, Japan’s foreign policy options have been limited by the absence of the

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\(^64\) The definition of the Official Development Assistance is, according to the definition of the Development Assistance Committee of the OECD, that: “grants or loans to countries and territories on Part I of the DAC List of aid recipients (developing countries) and multilateral agencies active in development that are: undertaken by the official sector with the promotion of economic development and welfare as the main objective; at concessional financial terms (if a loan, having a grant element of at least 25\%). In addition to financial flows, technical co-operation is included in aid. Grants, loans and credits for military purpose are excluded.” See, Organization for Economic Co-operation and Development, Development Assistance Committee, International Development Statistics CD-ROM, 2006 Edition, 2005 Development Co-operation Report: Technical Notes, Organization for Economic Co-operation and
use of force. Japan’s security has therefore largely depended on the USA. This situation has meant that Japan’s foreign policy responses have been vulnerable. However, this situation has not deterred Japan’s leaders and elite from seeking to maximise their country’s foreign policy choices and its options.

Japan’s post-WWII foreign policy has had not one, but two major and unique conditions that have limited foreign policy options. They have been Article 9 of Japan’s pacifist constitution and Japan’s foreign policy principles spelled out under the Yoshida Doctrine.

Article 9 of the Japanese Constitution (Showa kenpo) of 1947 has not only humanised the symbolism of the Emperor by defining the sovereign as belonging to the people but also renounced the right to the use of force to settle international disputes. Article 9 of Chapter II of the Japanese Constitution states that:

Aspiring sincerely to an international peace based on justice and order, the Japanese people forever renounce war as a sovereign right of the nation and the threat or use of force as a means of settling international disputes. In order to accomplish the aim of the preceding paragraph, land, sea, and air forces as well as other war potential, will never be maintained. The right of belligerency of the state will not be recognized.65

The announcement of the Truman Doctrine of March 1947, followed by the rise of Communist China after 1949 and the beginning of the Cold War and the war on the Korean Peninsula, resulted in a major policy shift in the US-led Occupational Force and made Japan’s rearmament increasingly likely. Japan’s subsequent limited rearmament allowed for the establishment of a 75,000 strong National Police Reserve Corps and for 8,000 additional personnel for the Maritime Safety Corps.66 This rearmament took place with the signing of the San Francisco Peace Treaty in 1951 and Japan also signed the Treaty of Mutual Cooperation and Security (An Po) with the US at the same time. The

66 The Police Reserve Corps was later reorganised into the Self-Defence Force in 1954.
rearmament and the signing of the Security Treaty appeared to make Article 9 of the constitution merely nominal. However, rearmament was strictly for self-defence purposes. Japan’s self-defence forces were not allowed to be deployed beyond its border until 1990 when Japan engaged in limited participation in the logistics of the Gulf War. The advantage Japan gained from its limited use of force in the international arena was that the country could mobilise all available state resources for post-war reconstruction, economic recovery and to fund what, by the 1970s and 1980s, was to become Japan’s economic prosperity.

With virtually no military option in Japan’s post-WWII foreign policy, Japan’s security treaty with the US was crucial to maintaining national security. This, however, became another limit to Japan’s foreign policy options. This was spelled out by the Prime Minister Shigeru Yoshida (the first Yoshida Cabinet was from 1946 to 1947 and the second from 1948 to 1954) in the immediate post-war period in what later became known as the Yoshida Doctrine. It was a blueprint that gave direction to Japan’s relations with the US.

Yoshida believed that Japan should return to its rightful place in international relations. At a time of ideological conflict between Communism and anti-Communism, Japan must take its place in the latter group. In reality, her national security could only be secured by a strong military alliance with the US. Hence, Japan needed to recognise the Japan-US Security Pact.

Given these two fundamental limits on Japan’s foreign policy options, Japan needed to take a fresh approach. It was Japan’s Economic Cooperation (EC) that later became the Official Development Assistance (ODA), which was mobilised and transformed to become Japan’s most effective diplomatic tool. It has served as a vehicle for promoting Japan’s foreign policy interests and options.

War reparations directed post-WWII Japan’s immediate diplomatic priority of rejoining the international community. It was in this context that Japan’s state leaders and elite deliberately formulated economic cooperation as a strategic tool for achieving foreign
policy priorities. It was also a means for mobilising Japan’s economic recovery while promoting Japanese exports. The settling of war reparations was strategically crucial for Japan’s rebuilding of friendly relations with its Asian neighbours.

67 From the beginning of the war reparation process, it was also utilised for domestic economic adjustment and promotion of its exports. The Ministry for International Trade and Industry (MITI) was responsible for the promotion of export industries, technological imports, and industrial development, and established its own special procurement office. Meanwhile, the MOF established the Export Bank of Japan in 1950, which later became the Export-Import Bank of Japan (EIBJ) in 1951, providing government funds for export industries and for importing key strategic raw materials. This was soon followed by the establishment of the Japan Development Bank in 1951, which provided one of Japan’s biggest financial resources for the strategic industrial sector and their infrastructure projects. Serving Japan’s exports promotion while it assisted Japan’s domestic economic adjustments led to Japan’s first strategic aid project with an iron ore development project in India in 1951. The project was strategic because the iron ore was in high demand for post-war Japan’s reconstruction. See, Sumi Kazuo, ODA Enjo no gengitsu (the reality of ODA), Iwanami Shoten, 1997, Tokyo, p128; David Arase, Buying Power: the political economy of Japan’s foreign aid, Lynne Rienner Publisher, Boulder, Colorado, 1995, p.23

68 In 1948, the Japanese government formed the Reparation Agency, which was to comply with its reparation obligations under Section 11 of the Potsdam declaration of July 26th, 1945. The process of settling Japan’s war reparation obligations was begun when Japan signed the Peace Treaty of San Francisco in 1951. In 1955, the temporary reparation information room in the Asian bureau at the Ministry of Foreign Affairs (MFA) was given charge of general negotiations with reparation payments to claimants. Japan’s war reparation payments were divided into two categories that would make up the basic structure of future Japan’s economic aid. First, ‘Baisho’ refers to reparation, which was direct compensation for Japanese aggression during the war and was provided in the form of Japanese capital goods exports. Second, ‘jun-baisho’, ‘associate-reparation’ was established aiming to providing goods. Baisho was provided to Burma, Indonesia, the Philippines and South Vietnam, which did not renounce their reparation claims. On the other hand, jun-baisho was created to prevent future reparation claims. The associate-reparation was a combination of grant financial programs and technical cooperation, which was provided to the countries that renounced their war reparation claims. Laos and Cambodia received grant finances and technical cooperation in exchange for renouncing war reparations and compensation claims against Japan. For Thailand, much aid was provided to compensate for the special Yen and the Imperial Army postal saving, which Thailand was owed for goods procured by Japanese armed forces in Thailand during the war. Associate-reparations in Singapore and Malaysia were supposed to compensate for the massacres of Chinese in both countries by the Japanese army. For South Korea and Micronesia, they were utilised to resolve or to prevent future claims by both countries. Additionally, Burma received jun-baisho, which was politically designed to balance reparation payments going to Indonesia and the Philippines. Japan officially announced its war reparation payments complete in 1976. However, there are still a number of war compensation claims pending from individual victims of Japan’s aggressions during the war to this date. It should be noted that there are growing issues in Japan’s war compensation for Korea, the Philippines, Thailand and Taiwan, related to the so-called “comfort women” in those three countries. In the case of Taiwan, some comfort women have made compensation claims, but there are also compensation claims for their Japanese army postal saving deposits made during the Japanese colonial era. This latter claim is under negotiation between Japan and Taiwan but so far no settlement has been reached. (See, David Arase, Buying Power, op. cit., pp.16, and 24-34; Sumi Kazuo, ODA Enjo no gengitsu (the reality of ODA), op. cit., pp.20 and 128-129; Bruce M. Koppel and Robert M. Orr Jr., (ed.), Japan’s Foreign Aid: Power and Policy in a New Era, Westview Press, Boulder, 1993, pp.53-54 and 57-58.). For more details on Japan’s reparation to Thailand, see, Prasert Chittiwatanapong, ‘Perspectives on Japan’s ODA Relations with Thailand’, in Bruce M. Koppel and Robert M. Orr Jr., (ed.), Japan’s Foreign Aid: Power and Policy in a New Era, op. cit., pp.91-110. Also reparation to Burma, see David I. Steinberg, Japanese Economic Assistance to Burma: Aid in the Tarenagashi Manner?’, in Bruce M. Koppel and Robert M. Orr Jr., (ed.), Japan’s Foreign Aid: Power and Policy in a New Era, op. cit., pp.135-162.
During the 1950s, the Japanese war reparations were, as I have noted above, transformed into the Economic Cooperation that supported the country’s domestic economic demands and led to the establishment of Yen loans, so that by 1956 Japan had recovered its full sovereignty and returned to the international community. Japan’s diplomatic relations with the Soviet Union were restored with the signing of a Joint Communiqué and this was soon followed by admission to the United Nations and joining the General Agreement on Tariffs and Trade (GATT). In response to Japan’s new external challenges, Prime Minister Kishi Nobusuke defined Japan’s first official post-war foreign policy as faithful membership in the UN; membership in the Western alliance; and membership in Asia. The policy was broad. Nevertheless, it was well suited to Japan’s need to adjust to international challenges.

In time, state leaders and the elite sought to utilise Japan’s EC in more systematic and effective ways and this led to the country’s fragmented aid administrations and jurisdictions being reorganised and re-institutionalised. The government established a think-tank, Ajia keizai kenkyujyo (the Institute of Developing Economies – IDE) that analysed Asian economies. This was followed by the Japan External Trade Organization (JETRO) that increased the capacity to gather information about overseas markets and those countries which had potential to receive Japanese aid. The establishment of the Overseas Economic Cooperation Fund (OECF) in 1961 aimed to mobilise state resources more effectively with coordination between government, ministries and the private sector. This resulted in the emergence of Japan’s aid administrative structure, the Yon shocho taisei (three ministries and an agency) system: MOFA with the Overseas Technical Cooperation Agency (OTCA) which later became the Japan Technical Cooperation Agency (JICA); MITI with its research arm IDE; MOF with its EIB; and the Economic Planning Agency with the OECF.

Japan’s aid began its multidimensional life with the creation of two distinct institutions of the state - the OECF, which mobilises Japan’s state financial resources and the OCTA, which mobilises Japan’s technical and human resources. At the same time, the EC was employed in the new role of providing Yen loan assistance as a means of

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69 Gaimusho, *Waga gaiko no kinkyo (recent development on Japan’s diplomacy)*, Gaimusho,
expanding Japanese companies through securing overseas markets. The Yen loans were strategically provided to those recipient countries seen to offer Japan potential trade, economic and resources interests. Japan’s EC was then further strategically expanded when it became Japan’s Official Development Assistance in the 1960s.

The new role allowed state leaders to maximise Japan’s foreign policy options. Japan’s new challenges in the 1960s were multidimensional. With the high growth since the end of the 1950s (see Appendix-D, E, F), Japan’s new external challenges came with joining the Development Assistance Committee (DAC) under the Organization for Economic Cooperation and Development (OEEC) in 1961. This required that Japan’s obligations conformed to international norms and rules over the standard of Japan’s Economic Cooperation (EC) under the OEEC, later the Organization for Economic and Cooperation for Development (OECD).70

Japan thus needed to mobilise its state resources in a new way. Not only was the EC transformed into the ODA as part of its compliance to the requirements of the DAC, but also it transformed its powerful diplomatic tools by diversifying how to mobilise its state resources. At the same time, the ODA retained much of the nature of the Economic Cooperation. In other words, state leaders mobilised the ODA responding to internal economic challenges and to broader international security and economic challenges. Thus, Japan as a member of the Western Alliance, began to distribute and increase its ODA allocation to major strategic areas such as India, Egypt and Cuba. This was part of a coordinated counter-response by the Western Alliance against the expansion of foreign aid by the Communist block into these major strategic areas.

The use of the ODA was also reinforced by the demands of Third World countries in

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70 Japan’s post-WWII high economic growth began with the Kammu boom (1955-1957). After a year of recession, the Iwato boom began in 1959 when the average of the real growth rate of GNP was 10.4 percent. This was followed by the Izanagi boom, which recorded 11.54 percent. In 1965, the per capita GNP was US$ 919 but it became US$1,949 by 1970. Also, Japan’s trade balance turned into a surplus in 1965 and this surplus totalled US$3.5 billion by 1969. In the early 1960s, economic growth was further accelerated by the 10-year National Income-Doubling Plan under Prime Minister Ikeda Hayato. The fact was that when the plan was revealed, the target was already achievable. However, this high economic growth demanded new markets for Japan’s exports. See, Shigeto Tsuru, *Japan’s Capitalism: creative defeat and beyond*, Cambridge University Press, New York, 1993, pp.120 and 182;
the context of the UN’s Development Decade programme promoted at the 1961 General Assembly. The programme required that all high income countries transfer one per cent of their GNP to developing countries. Domestically, the OECF sought to expand its spending from 1966 by providing non-project commodity loans and by providing Yen loans for emergency commodity imports by recipient countries. It resulted in the provision of food grain assistance. The MFA merged the Japan Overseas Volunteers Corps into the OTCA, sought to establish capital grant assistance and dispatched the volunteers under the technical aid programme. Moreover, at a multilateral level, Japan’s failed 1950s idea of establishing an Asian regional bank, was realised by the establishment of the Asian Development Bank (ADB) in 1965 with Japan as the second biggest contributor and holding voting power next to the US. Japan had increased its aid to developing countries to be one per cent of its GNP. This was followed by the GATT Kennedy Round of 1967, when Japan established its food aid agreement and responded by starting its grant aid in the form of food aid under the GATT Kennedy Round of 1968. Also, Japan officially responded at the UN Conference on Trade and Development (UNCTAD) in 1968. In 1969, Japan began its general grant aid, together with technical aid and Yen loans as part of Japan’s conformance to the international community, and at the same time, expanded Japan’s economic and security interests.71

In the 1970s, Japan’s state leaders sought to establish a policy that could formulate its ODA to maximise its flexibility on Japan’s foreign policy options and choices in response to several priorities. These included securing Japan’s resource needs and its commitment to the international community, and resulted in Japan’s ODA becoming a part of the comprehensive national security. After the oil shock of 1973, Japan’s ODA was mobilised to secure natural resources to satisfy its own economic needs as part of Japan’s response to growing resources nationalism in the Third World. Moreover, it also responded to challenges from the international community to reduce its commercial orientation while increasing its aid commitment to developing countries. Therefore,

David Arase, Buying Power, op. cit., pp.23 and 54.
state leaders sought to respond to these challenges not only by increasing the ODA budget but also by diversifying the way Japan could mobilise its state resources, establishing more channels for ODA to develop.

Full scale use of Japan’s ODA for its strategic purposes throughout the 1970s was already indicated by reports and discussions from the government’s own study committee, *Taigai Keizai Kyoryoku Shingikai* (Overseas Economic Cooperation Committee – OECC). The OECC submitted various new aid studies between 1969 and 1976, and strongly recommended compliance with the DAC’s requirements over its untied rate in order to secure and gain international trust for Japan. On the other hand, it strongly urged that Japan’s technical aid must be off limit from untied aid but it must be strongly tied by projects designed by Japanese firms which would give “Japanese flavours”, so that Japanese consulting firms would be competitive in bidding processes. This was supported by the Industrial Structure Council of the MITI that recommended upgrading Japan’s industrial structure by mobilising the ODA. It argued that “…Japan’s growing current account surplus should be used to finance outward direct investment that would improve the competitiveness of Japan’s industrial firms and enhance Japan’s economic security and influence” by moving “…Japanese industries to developing countries in order to upgrade Japan’s industrial structure.” In other words, the OECC and individual ministries set to mobilise Japan’s ODA for multidimensional uses, adding new strategic objectives for Japan’s responses to its external challenges.

One of new external challenges that Japan faced in the 1970s was the Third World’s resource nationalism, together with the increasing influence of their voice. The 1970s were highlighted by the event of the first oil crisis as a consequence of the 4th Middle East War and the Third UN Law of the Sea Conference, settling disputes over access and jurisdictions of the coastal state within their maritime boundaries. In response, Japan dramatically expanded its regional allocation into Africa, the Pacific Islands, Latin America and the Middle East, in order to secure stable supplies of natural resources. At the same time, individual ministries developed their own specific targets to secure access to the resources. For example, the MAFF established fisheries grant aid

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partly in the form of access fees to fishing zones while funding fisheries-related projects that directly assisted Japanese firms' operations in recipient countries.\(^73\)

In 1974, growing anti-Japanese sentiment among the nations of South East Asia meant that Prime Minister Tanaka Kakuei was greeted by mass protests during his visit to Jakarta and Bangkok. It was an inevitable reaction from people in South East Asian countries, who believed that Japan’s aid, including its war reparations, did not trickle down to society. Moreover, Japan’s aid had only brought negative perceptions of how Japan’s aid supported dictatorships in the region and also contributed to increasing environmental destruction. Thus, Japan needed to offer an urgent and swift response because of the strategic importance of South East Asian countries to Japan. That strategic importance was not only related to diplomatic relations, but also Japan’s economy and trade, and its role as a part of the Western Alliance security interests in the region. In response, Prime Minister Fukuda Takeo introduced new aid initiatives in 1974 under the Fukuda Doctrine that increased aid to ASEAN countries with at US$1 billion for ASEAN regional projects, including lowering tariffs against imports from these countries, in particular, agricultural imports.\(^74\)

With these new strategically important roles for Japan’s ODA, state leaders and the elite expanded the ODA financially with additional state resources. In terms of additional resources for the ODA expansion, Japan completed the three pillars of its ODA, which comprised the Yen loans, technical aid and general grant aid. Japan’s ODA also reorganised its institutional arrangements to meet the multidimensional challenges. This

\(^73\) The main point of the dispute was over “… the status and size of the territorial sea and contiguous zones and the jurisdiction of the coastal state over resources within these areas” and whether “the coastal states enclosing open sea within national boundaries”. The latter was opposed by Japan but supported by newly independent Third World countries. See, Sandra Tarte, *Japan’s Aid Diplomacy and the Pacific Islands: Pacific Policy Paper 26*, Asia Pacific Press, National Centre for Development Studies, 1998, pp.23-24.

led to the establishment of the Japan Cooperation Agency for overseeing technical aid. This was in line with the recommendations by the OECC while Japan was responding to the GATT Kennedy Round of 1968 by adding increased grant aid for food production under the grant food aid category, in particular providing agricultural machinery, chemicals and fertilizers. Moreover, the ODA was expanded financially. Prime Minister Fukuda introduced Japan’s ODA doubling plan in 1977, achieving the target in three years. This was aimed at improving Japan’s image and preventing damage to its international prestige, while also conforming to Japan’s requirements within the international donor community. Thus, state leaders and the elite needed to formulate the ODA’s multidimensional roles into a concept that became the Comprehensive National Security.75

In the context of Japan’s limit on the use of force under its pacifist constitution and its dependence on the US security umbrella, the US withdrawal from Vietnam added new challenges for Japan’s foreign policy options. Japanese state leaders diversified their ODA commitment into the countries bordering the areas of conflict. They did this under Japan’s 1978 security policy guideline. The state leaders and elite sought to mobilise the full-scale use of state resources in order to comply and conform with the Japan-US security alliance while the resources were needed to secure Japan’s vital economic interests at home and abroad. Hence, Japan’s ODA gained its legitimacy as Japan’s diplomatic tool while the comprehensive national security policy rationalised existing and ongoing projects that the ODA undertook. In other words, the ODA was to be utilised not only to secure Japan’s economic interests, but also the country’s security interests.76

With the external challenges of the 1970s, Prime Minister Ohira Masayoshi (1978-1980) had established the Comprehensive National Security Study Group in 1979. The state leaders and elite had sought to find a policy that demonstrated Japan’s multidimensional responses to both increasingly complex external and internal

75 See, Kouhei Hashimoto, ‘Nihon no enjoy seisaku ketti youinn (domestic determinants of Japanese aid)’, op. cit., p.348; Alan Rix, Japan’s Economic Aid: policy-making and politics, op. cit., pp.42.
challenges by formulating its economic interests and foreign policy objectives in order to maximise its foreign policy choices and options. Prime Minister Suzuki Zenko (1980-1982) then established the Ministerial Council of Comprehensive Security. In 1981 the Ministerial Council spelled out the first official definition of ‘the comprehensive national security’ with regards to Japan’s ODA and its objectives, stating that:

…[a]lthough the objective of Japan’s economic cooperation is stabilizing and improving the people’s welfare in the developing countries, the government will implement the economic cooperation on the basis of Japan’s own initiatives which will be determined by taking into account diplomatic, political and economic considerations in order that Japan can ensure and maintain its own comprehensive national security.77

It was Prime Minister Ohira who linked the economic role of Japan’s ODA and its new dimension, defining an objective of strategic assistance or aid as “…promoting the conceptualisation of comprehensive national security and initiating aid to countries bordering areas of conflict.” This new dimension of Japan’s ODA as Japan’s strategic aid was reinforced by Prime Minister Suzuki, who clarified ‘countries bordering areas of conflict’ as “…areas which are important to the maintenance of peace and stability of the world, which served as one rationale for the globalisation of political aid to Third World areas beyond the Asia Pacific region.” Therefore, Japan’s strategic aid, in the pursuit of diplomatic interests, went to Turkey, Egypt, Sudan and Lebanon, as part of its share of the Western burden, supporting US security goals.78 As Robert Orr has argued, “‘strategic aid’ …is to a much greater extent driven by pressure from the United States.”79 Yasutomo argues that during the 1970s and 1980s, Japan mobilised its ODA to support the security interests of its Western allies. In the 1990s, however, Japan mobilised it more effectively and flexibly for its own interests and purposes. Additionally, Yasutomo has argued that in the early 1990s Japan’s ODA was such that

78 D. T. Yasutomo, The Manner of Giving: Strategic Aid and Japanese Foreign Policy, op. cit., p.111.
Japan stood “...tall as the champion and protector of democratisation, arms control, economic liberalisation, and the preservation of the global environment” instead of remaining merely an economic machine or Japan Inc. The development of Japan’s ODA since the late 1980s has been explained by a statement that Japan’s:

...aid diplomacy evolved from a minor component of Japan’s foreign economic policy to a pillar of its future role in the world. Aid diplomacy does not constitute the totality of Japan’s diplomacy, but at times and in certain circumstances, it has come close. As a result, ODA policy can no longer be understood in one-dimensional terms. It is a diverse, multi-dimensional policy tool within multiple objectives.

One question which arises from this assertion is, ‘Was aid really one-dimensional and in favour of Japanese economic interests?’ Under the comprehensive national security, Japan mobilised the ODA, maximising its economic role in the 1980s and 1990s. Therefore, it was no surprise that the government introduced combined FDI and ODA schemes for restructuring Japanese industries, as a result of Japan’s economic performance and massive surplus in both national budget and trade terms. This was partly due to the high appreciation of the Yen since the early 1970s, which resulted in Japanese exports losing their international competitiveness. In the strategy for the survival of Japanese exports and its domestic industrial adjustment, the combined ODA and FDI aimed to continue:

...exports promotion in higher-value-added areas such as construction services, capital goods, and financial services. It also meant the speedy and effective relocation of lower-value-added Japanese manufacturing through FDI, which would free production factors for higher-value-added activities. ... it entailed

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81 Ibid., p.16.
82 The exchange rate was 360 yen against the US dollar in 1971 and 265 yen in 1973, which was even accelerated after the Plaza Accord of September 1985 to allow appreciation of the Japanese Yen. This resulted in a rate of 243 yen in September 1985, 153 yen in September 1986 and it became 135 yen in September 1987. This appreciation of the yen was reinforced by the “...rise of real wages in Japan as the high-growth period progressed shifting the comparative advantage of labour-intensive product.” See, Koichi Hamada and Hugh T. Patrick, ‘Japan and International Monetary Regime’, in Takashi Inoguchi and Daniel I. Okimoto (eds.), *The political Economy of Japan volume 2: the changing international context*, Stanford University Press, Stanford, 1988, pp.120-122; Shigeto Tsuru, *Japan’s Capitalism*, op. cit., p.193.
import liberalization to allow “reverse-imports” (gyaku yunyu), that is, the importation of finished goods as well as industrial parts and components produced overseas by Japanese firms. Procurement of these cheaper parts would make Japanese industry more competitive. … [T]his a horizontal division of labour and for the first time Japan would be importing a significant amount of manufactured goods from Asia, even though much of it would be made by Japanese subsidiaries and affiliates.\textsuperscript{83}

With this strategy, Japan rapidly expanded its FDI after 1985 because of the high appreciation of the yen, which gave Japan additional state resources to mobilise the ODA as a transformative capacity to move weak industries overseas. As a result, Japan’s FDI from 1985 to 1986 was 34.5 billion US dollars in total, and by 1989 this had grown to 67.5 billion US dollars. This was linked with the rapid expansion of the ODA budget in order to shift Japan’s industrial structure to confront the trade challenges where Japanese exports were losing their international competitiveness.\textsuperscript{84}

Table 6.1: Quinquennial Average of Japan’s Foreign Direct Investments
(Unit: billion US dollars)

<table>
<thead>
<tr>
<th>Year</th>
<th>Investment (billion US dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1985</td>
<td>34.5</td>
</tr>
<tr>
<td>1986</td>
<td>67.5</td>
</tr>
</tbody>
</table>


Ironically, the strategy for the survival of Japanese industries was set to contribute to the restructuring and shifting of Japanese industries while it increased the ODA budget. However, this rapid expansion of the ODA additionally served two main objectives. First, it improved Japan’s international contribution and second, it eased Japan’s massive trade imbalances with the US and the EU. Moreover, the expansion of Japan’s ODA, linked with the promotion of FDI, gave more economic influence to Japan as it strengthened its role as an economic power, reflecting inevitable links with its commercial orientation. Therefore, Japan’s ODA added a new role in becoming Japan’s

\textsuperscript{83} David Arase, Buying Power, op. cit., pp.207-208.

strategic aid while retaining and strengthening its traditional role.

Table 6.2: Japan’s ODA 1977-1989 (net disbursement)

Please see print copy for Table 6.2


However, there are still questions to be answered. Was aid multidimensional in terms of its political and diplomatic interests? Is it in Japan’s interests to add multiple political and diplomatic dimensions to its aid program? Did Japanese aid become ‘multi-dimensional’ in the sense that political and diplomatic dimensions were added? Given the Japanese economic situation in the 1990s after the economic bubble burst, there are mixed answers to these questions. Certainly Japan has struggled to deal with the domestic deficit in both public and private sectors while it was also having difficulties conforming to international pressure on economic liberalisation. At the same time, increasing international connectedness led to the decision to tackle so-called global issues: participating to build a new world order; accelerating global disarmament; promoting economic globalisation; promoting global human rights; and reduction of global inequality by mobilising Japan’s state resources including its ODA. With these internal and external challenges that Japan faced in the early 1990s, it is little wonder that Japan’s ODA was mobilised for Japan’s economic recovery in the 1990s while it served multidimensional roles as its external responses. As Yasutomo argued:

*Japan’s approach appears to be a return to the old concept of “economic*
cooperation,” with the blending of ODA and Export Import Bank funds and private flows. …[This] will bolster criticism of Japan’s aid policy as being one which is commercially and profit oriented. … Japan’s policy reflects a pragmatic assessment of the current debt problem. …[in] Tokyo’s perspective, ODA is not enough to solve the crisis. …[T]he solution …requires the mobilisation bilaterally and multilaterally - of all appropriate resources, from overseas direct investment and other official flows to ODA, non governmental organizations and the Tokyo capital market.85

Thus the three distinct concerns affecting state leaders were first, internal challenges to politics and the economy; second, external challenges that concerned foreign policy, economic relations and security concerns; and, third, external pressure, notably from the US. External challenges meant that Japan needed to respond by expanding its ODA because it had become the second largest economy. Hence, Japan needed to take a greater share of the burden and, in particular, to take more international responsibility for world development and transferring wealth to developing countries. After the late 1980s especially, when Japan was recognised as a world economic power, the debate on international responsibility and pacifist leadership began.86

Japan had responded to its internal challenges by mobilising its ODA and by shifting weak industries off shore in order to improve the competitiveness of Japanese industries. Some weak industries that were relocated off shore, particularly into Asian countries, then received Japanese ODA funding. Japan’s ODA had been founded on the basis of promoting overseas markets and supporting effective foreign direct investment (FDI) for Japanese TNCs in developing nations. It is also the case that Japan’s ODA has politicised Japanese diplomatic relations with other industrialised nations, particularly with the US. It was used to build up the Western and US alliances by providing aid in order to stabilise the politics of recipient countries, including Cold War dictatorships. Japan then mobilised its ODA during the first Gulf War in 1991, and also utilised it for Cambodian reconstruction, and in the Somalia, Bosnian and India-Pakistan conflicts.

As I have demonstrated throughout this section, Japan’s aid served Japan’s diplomatic and strategic interests. It has been a very effective foreign relations tool.

In the 1990s yet another role was added to the ODA brief. It was kokusaikoken (international contribution or cooperation). It led to Japan providing ODA to Iran, China, India-Pakistan, and Myanmar, and to the provision of funds to countries in distress in the wake of the Asian Financial Crisis. The kokusaikoken approach also added a further dimension to Japan’s ODA. This was Environmental ODA (E-ODA).

The concept of Kokusaikoken had been established by Prime Minister Takeshita Noboru in 1988 when he announced his new foreign policy initiative Sekai ni koken suru Nihon (Japan that contributes to the world). This initiative consisted of three pillars: the ODA; international cultural exchange; and cooperation for peace. The last one became the policy basis to expand Japan’s ODA contributions to five areas in particular. They were diplomatic solutions for regional conflicts, contributing to Japan’s human and financial resources for UN Peace Keeping Operations (PKO), relief contributions for refugees

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from conflict zones, providing resources for reconstruction in conflict areas, and finally the promotion of the disarmament and non-proliferation of weapons of mass-destruction.\textsuperscript{87}

The Iraqi invasion of Kuwait in 1990 was followed by a US request to Japan to contribute human resources (with some thought of a military commitment) to the Multinational Force (MNF). This raised a new challenge. Hampered by Japan’s pacifist constitution, the ODA alone was unable to deal with the magnitude of the challenges. The result was that Japan provided $2 billion to the MNF, followed by an additional $9 billion as a response to the US request to cover operational costs and another $500 million to offset exchange rate loss. In the end there was not less than $11.5 billion in total contribution to the MNF operation alone without mentioning Japan’s own initiative for the reconstruction of Kuwait after the war. Meanwhile, mounting criticism at home and abroad over Japan having direct security concerns in the area in terms of relying on Middle East oil, led to the deployment of transportation resources and three minesweepers from the SDF. However, the criticism did not ease. In response, Prime Minister Kaifu Toshiki introduced the UN Peace Cooperation Bill of 1990, which was defeated. It was then followed by the UN Peace Keeping Operation and Cooperation Bill of 1991, which became the PKO Cooperation Act.\textsuperscript{88}

The challenges that Japan faced in relation to its response to the Gulf War and the intense criticisms of Japan’s response to the situation, led the Kaifu cabinet and state leaders to recognise a need to adjust the scope of the ODA. They put forward the International Cooperation Act that centralised all ODA activities directly under the initiative of the Diet. This challenged established bureaucratic interests.\textsuperscript{89} The move by

\textsuperscript{87} Tetsuya Umemoto, ‘Anzenhosho to kokusaikoken (national security and international cooperation)’, in Atsushi Kusano and Tetsuya Umemoto (eds.), Gendai Nihon gaiko no bundan (an analysis of Japan’s contemporary diplomacy), University of Tokyo Press, Tokyo, 1995, p.132.

\textsuperscript{88} Also, criticisms included that Japan’s ODA used tax payers’ money to contribute to the regime of Saddam Hussein to stay in power; that Japan is not the US’ wallet; and that it should not only contribute financially but say what it needs to say with its own independent opinion. See, Kouhei Hashimoto, ‘Nihon no enjoy seisaku ketti youin (domestic determinants of Japanese aid)’, op. cit., pp.357-359; Bruce M. Koppel and Robert M. Orr, Jr. ‘Power and Policy in Japan’s Foreign Aid’, op. cit., p.360; Tetsuya Umemoto, ‘Anzenhosho to kokusaikoken (national security and international cooperation)’, op. cit., pp.132-133; Mayumi Itoh, Globalization of Japan, op. cit., pp.156-157.

\textsuperscript{89} As I have mentioned elsewhere in this section, Japan’s economic cooperation and its ODA have been under the direct control of four ministries and one agency, which have ultimate administrative
state leaders to centralise the ODA marginalised existing bureaucratic power over the ODA but would also effect their loss of considerable state resources. The intervention by the MFA led four ministries and an agency prevented them from extracting state resources via the ODA. In 1991 four guidelines were announced:

(1) trend in military expenditure by the recipient countries from the viewpoint that the developing countries are expected to allocate their own financial, human and other resources appropriate to their economic and social development and to make full use of such resources, (2) trend in development, production, etc. of mass destructive weapons by the recipient countries from the viewpoint of strengthening the efforts by the international community for prevention of proliferation of mass destructive weapons such as atomic weapons and missiles, (3) trend in the export and import of weapons by the recipient countries from the viewpoint of not promoting international conflicts, (4) efforts for promoting democratisation and introduction of a market-oriented economy and situation on securing basic human rights and freedom by the recipient countries.

These four guidelines were officially made the core of the ODA Charter of 1992. However, the ODA Charter had no “…legal status, and can be applied flexibly [and] in practice this has meant balancing the competing goals of promoting foreign economic interests and supporting the United States[.]” Nevertheless, the new role for the ODA met the expectations of kokusaikoken.

With the ODA Charter and the PKO Cooperation Act, additional state resources were provided that state leaders could mobilise if needed. These two developments also added new roles to the ODA. Hence, in 1992, Japan was able to respond to the Peace Keeping Operation in Cambodia under the UN Transitional Authority in Cambodia

jurisdiction.

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92 Sandra Tarte, Japan’s Aid Diplomacy and the Pacific Islands, op. cit., p.33.
(UNTAC). This was followed by a deployment to Mozambique in March 1993 for six months and to the Golan Heights between 1996 and 1998. Moreover, in 1997, the ODA was mobilised for Japan’s response to the crisis in Cambodia. Tokyo suspended its ODA to Cambodia after the coup attempt by Co-Prime Minister Hun Sen in 1997, while the ODA was reinstituted after Hun Sen agreed during the national election of July 1998 that he could not have maintained his presence without Japan’s ODA. In addition, during the 1990s, Japan had expanded its contribution to multilateral organisations including the UN, IMF, World Bank, the ADB and other international developmental agencies. All of this was a part of Japan’s bid to gain a permanent seat on the UN Security Council.93

In the 1990s, the strategic use of the ODA was mobilised as Japan’s response to countries that were perceived to threaten international stability. Japan was able to respond to the US demand to suspend its aid to Iran while being able to secure Japan’s own national interests. Japan also responded to the Chinese nuclear tests and to nuclear tests by India and Pakistan and contributed to a number of further projects including the reconstruction of Kuwait after the Iraqi war and the UN’s peace keeping in Cambodia.

In the next section of this chapter, I will outline a series of case studies. These studies demonstrate the politics of Japanese aid to Iran, China, India, Pakistan and Myanmar. Japan provided its first Yen loan to the hydroelectric project in Iran in 1993. It was a part of Japan’s response to promoting democratisation through the realisation of economic development and free markets. However, in 1995, the Clinton administration imposed economic sanctions on Iran because of its record of supporting terrorism and transferring its nuclear technology. Japan suspended the second phase of the Yen loan to Iran indefinitely. Initially, and in spite of the fact that Iran provided approximately 10 per cent of the country’s oil source, Japan delayed the second Yen loan and subsequently suspended it until 2000.94

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94 It was suspended until 1999 when Foreign Minister Takamura visited Iran. This concluded with providing the 2nd phase of the Yen loan, delayed due to the long suspension of construction of a dam as part of the hydroelectric project, as it could undermine the safety of residents. See, Sandra Tarte, *Japan’s Aid Diplomacy and the Pacific Islands*, op. cit., p.33; Gaimusho, *Gaiko seisho 2000 (diplomatic blue
Another example of use of the ODA in Japan’s foreign policy response was when Japan suspended its aid to China on two occasions in the late 1980s and 1990s. The first case was Japan’s response to the Tiananmen Square Incident of 1989. The government was persuaded by the G-7 countries and the US to suspend aid to China, albeit reluctantly. However, Japan lifted this suspension of aid in 1990 when domestic groups within Japan lobbied to restart Yen loans to China. Given Japan’s special relationship with China since the normalisation of the two countries’ relations in 1979, China has been an important destination for Japan’s Yen loans and bilateral aid, while it has also been an important aid source for Chinese economic development. Hence, Japan was vulnerable in its foreign policy response by mobilising its ODA as a sanction against China’s human rights abuse.95

The second case also exposed Japan’s vulnerability in its foreign policy response, although it was able to respond rather swiftly but appropriately. Japan suspended the grant aid to China in 1995 as its response to two Chinese nuclear tests but the suspended funds were just one per cent of Japan’s total aid into China. Whilst there was wider consensus among politicians at the Diet and the cabinet even for the suspension of Yen loans, the MFA nevertheless proposed suspending only grant aid, arising from its concerns over the consequences of the suspension of aid to the overall Japan-China relationship. Moreover, international pressure on China to postpone its testing because the conclusion of the Nuclear Nonproliferation Treaty (NPT) was near, worked in favour of Japan’s response.96 Nevertheless, Japan’s suspension of the aid programme to China in 1995 was significant in terms of Japan’s independent initiative that mobilised

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the ODA into “…an important instance of the translation of the words the 1992 ODA Charter into action.”

Japan’s strategic use of the ODA as a response to unwanted nuclear testing also resulted in the suspension of the country’s aid to both India and Pakistan in 1998. This the first time that Japan took the initiative on its own, before any external challenges came to its response. However, Japan’s response in relation to Pakistan was particularly important because Japan is a major donor to Pakistan. Pakistan’s economy would suffer more than India’s when Japanese aid was withheld.

On 11th May 1998, India carried out three underground nuclear tests. In response, the Japanese Ambassador to India lodged a formal protest to the Indian government. This was followed by the Foreign Minister Obuchi Keizo summoning the Indian Ambassador to Tokyo to express Japan’s deep regret over India’s nuclear test. Japan suspended all grant aid except emergency and humanitarian programmes; postponed an invitation to India to attend the World Bank meeting in Tokyo held for the friends of India’s economic development; and strengthened restrictions on Japan’s exports to India. This swift response was partly due to three factors: the fact that the MFA and the government were able to use the case from its previous response against Chinese tests; wider public support from both the general public and political parties to its response; and it was also partly due to the Hashimoto cabinet’s desire to bring up the issue at the G-8 summit in Birmingham, England. Nevertheless, India continued its 4th test on 15th May 1998, leading to Japan’s suspension of its Yen loan and a request to all international development financial institutions to restrict their new loans to India.

However, Japan’s coercive response against India’s nuclear test was somewhat different from its response to Pakistan because of the way in which the strategic use of the ODA had to consult with Japan’s foreign policy options.

Pakistan responded to India’s test by carrying out its own nuclear test. When this

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happened, Japan also moved to suspend its aid, including its loans to Pakistan. Japan’s initial response to Pakistan’s nuclear test was rather decisive because, as noted earlier, the significance of Japan’s ODA presence in Pakistan meant that it relied on Japanese foreign aid to a much greater extent than did its rival India. Thus, India only relied on foreign aid for 4 per cent of its national budget, whereas Pakistan relied on foreign aid for 8 per cent. Moreover, Japan had been Pakistan’s largest aid donor in 1997, providing $271 million in the form of grants and Yen loans. Japan maintained a diplomatic dialogue with Pakistan even as the latter’s economy contracted dramatically in the wake of the test. The Pakistan government then assured Prime Minister Hashimoto that it would impose its own unilateral moratorium on nuclear testing and that it would not transfer its nuclear technology to third countries. However, the MFA insisted that what they expected from both India and Pakistan was that both countries should sign the UN’s Comprehensive Test Ban Treaty (CTBT) while following South Africa, Argentina and Brazil in abandoning nuclear weapons. However, as Jain has argued, such sanctions and Japan’s coercive responses left bitterness among both India’s and Pakistan’s diplomatic circles, while Japan needed to come to terms with the fact that they are nuclear powers. Although Japan’s ultimate foreign policy objective was to persuade both India and Pakistan to sign the CTBT or to abandon their nuclear arsenals, this had not been realised in the 1990s. However, Japan’s responses to both India and Pakistan again demonstrated its use of the ODA as a strategic tool. In this case it was a powerful foreign policy tool.99

Yet another strategic use of the ODA concerned Myanmar (Burma). This case was not being party to sanctions against Myanmar, but was Japan’s strategic response to Myanmar’s movement toward China. In this case, Japan was indirectly reacting to a foreign relations move by China.

In 1998, Japan restarted its Yen loan to Myanmar (Burma), which had been suspended, including the Yen loan to the Rangoon International Airport Expansion project, since

1988 in response to the coup d’état by the military junta (the State Law and Order Restoration Council – SLORC),\(^{100}\) which has suppressed democratisation ever since. Nevertheless, Japan continued to provide humanitarian and emergency assistance to Myanmar on a case by case basis. The reasoning behind the idea of restarting the Yen loans was publicly stated as a consequence of concerns for the safety and security of visitors because of the deterioration of the airport facilities. However, in reality, it was Japan’s strategic decision to counteract Myanmar’s move closer to China. China had approached the military junta in Myanmar, which had also expressed the desire in 1996 for China to become an alternative aid source. This was reinforced by the comment by Rangoon to Tokyo in February 1997 that it no longer needed the Yen loans. The response from Tokyo was immediate. Tokyo sent three representatives, one from the MFA in April, one from the Prime Minister’s Office in June, and the Parliamentary Vice-Minister for Foreign Affairs in August. All of them relayed Tokyo’s insistence for democratisation in Myanmar, which had requested that Tokyo restart a partial Yen loan. The request was virtually approved by the *yoto-santo seisaku chyosei kaigi* (three ruling parties’ policy caucus – LDP, Social Democratic Party and Harbinger Party) with the release of a 2.5 billion Yen loan in February 1998.\(^{101}\)

The above examples of the strategic use of Japan’s ODA at the bilateral level has demonstrated not only that Japan is able to mobilise its ODA to facilitate foreign policy ends, but it has also provided a means whereby Japan can respond to international issues. I will now consider two further incidents where Japan’s use of its ODA for foreign policy purposes was clearly evident. The first is Japan’s response to the 1997/8 Asian Financial Crisis and the second is Japan’s response to environmental issues. The latter involved *kankyo* ODA (Environmental ODA – E-ODA) which added a new role to Japan’s ODA arsenal.

The Japanese response to the Asian Financial Crisis was at its own initiative. However, this initiative was somewhat limited by Japan’s relations with the United States. The

\(^{100}\) The SLORC changed its name to the SPDC – the State Peace and Development Council in 1997.

Asian Financial Crisis of the late 1990s destabilised a number of Asian economies both economically and politically. The crisis would not only threaten the capacity of these countries to repay Japanese financial institutions but also Japan’s ongoing trade with these countries. It was also clear that economic instability could result in political instability in the region. Japan’s bilateral response was swift. It immediately announced a $19 billion contribution to the IMF’s rescue packages. Japan also contributed to the international rescue programme for Thailand ($4 billion), Indonesia ($15 billion) and Malaysia and South Korea, while the ODA Yen loans were mobilised to provide $4.6 billion. In addition, Japan proposed the establishment of an Asian Monetary Fund (AMF) concept, which was then opposed by the US and the IMF. This was partly due to the US’s concern that an AMF would not only undermine the role of the IMF but also that the new organisation could “…undermine the U.S. dollar as the de facto international currency, [it] in part, continues to underpin American hegemony in the post-Cold War era.”102 It was nevertheless important for some Asian countries, as was evident in Malaysian Prime Minister Mahathir’s call for affected Asian countries to increase their interest in Japan’s AMF concept. On the other hand, Japan’s Prime Minister Obuchi Keizo responded more positively to the US than to its Asian neighbours by asserting in response to the call for an AMF that there was no urgency in realising the AMF concept.103

The Japanese government and its ODA faced new challenges in responding to the Asian Financial Crisis by using its own initiative, but its fundamental foreign policy principle of not undermining its relations with the US limited its role. This was evident when Japan was unable to take a leadership role in establishing the AMF. Nevertheless, the ODA was mobilised not only as Japan’s kokusaikoken by financial means, but also to protect the country’s vital economic, trade and security interests in the Asian region.

A new aid initiative adopted by the Japanese government during the 1990s was the kankyo ODA (E-ODA). It added a new role to Japan’s ODA. It also provided a new avenue for state leaders and other elite who were able to mobilise and extract state

resources. Leaders and the elite sought to penetrate the policy-making of the E-ODA, namely, the MITI, the OECF and the Export-Import Bank of Japan (E-IBJ), the MAFF and the private sector led by Keidanren. It is also worth noting that E-ODA was in charge of strategic aid that would promote Japan’s energy and resource security.

Japan’s environmental concerns had begun with its own industrial pollution problems, in the 1970s and 1980s. This was when pollution became a domestic political issue. Internationally, with the rise of so-called green politics and diplomacy in the 1980s there were new challenges to Japan and its ODA, which came under intense scrutiny over its impact on existing aid programmes and projects, particularly infrastructure projects such as dams, logging related projects, and fisheries.104 Japan’s interests were seen to lie in the country securing its necessary natural resources while environmental protection initiatives were now to be observed. This situation encouraged certain social forces (i.e. bureaucratic interests) to penetrate the policy-making of the E-ODA.

In response, at the Ache summit in 1989, Japan announced a new aid initiative that committed 300 billion Yen from 1989 to 1991. It met the target within two years. This was followed by the announcement of a new target at the UN Conference on Environment and Development (UNCED) in Rio de Janeiro (the Earth Summit) that Japan would provide between 900 billion Yen and 1,000 billion Yen for the next five years. Yet, the latter target was achieved within four years, with 280 billion Yen in 1992, 228 billion Yen in 1993, 194 billion Yen in 1994, 276 billion Yen in 1995, which came to a total of 980 billion Yen. At the policy level at the Ache summit, Japan’s policy was presented as giving emphasis on: “…forest conservation and related research programs, especially for tropical rain forest; … emphasis on capacity building in ODA recipient countries; and …the enhancement of environmental considerations in its assistance programs.”105 At the following London summit in 1991, a new role was

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104 See, Yoko Kitazawa, Kurashi no nakano dai san sekai (Third World in our daily life), Seibun sha, Tokyo, 1989; Kazuo Sumi, ODA Enjo no gengitsu (the reality of ODA), op. cit; Atsushi Kusano, Nihon no ronno (Japan’s debate), op. cit; Atsushi Kusano, ODA, I’cho Nisen-Okuyen no yukue (ODA: 1 billion 2 hundreds million yen’s whereabouts?), op. cit; Alan Rix, Japan’s foreign aid challenge: policy reform and aid leadership, op. cit; David Arase, Buying Power, op. cit; Sandra Tarte, Japan’s Aid Diplomacy and the Pacific Islands, op. cit.

added to the ODA, which linked the issues of poverty, population growth, and environmental degradation. At the UNCED in 1992, Japan adopted the UN Framework Convention on Climate Change (UNFCCC) and the Convention on Biological Diversity. This adoption of the international conventions on environment led to environmental issues becoming one of the four guidelines in the ODA Charter of 1992, as I have mentioned previously, and eventually resulted in the passage of the Basic Environmental Law of 1993.

However, this increase in the volume of Japan’s ODA, as it considered environmental protection in recipient countries, exposed some incompatibility, especially given that the nature of much of Japan’s ODA had a commercial orientation. There are clear links between Japan’s new environmental initiatives, the ODA and bureaucratic jurisdiction over Japanese TNCs’ activities overseas, according to Basic Environmental Law. As Dauvergne pointed out: “…[t]he State shall make efforts to take necessary measures e.g., providing information to corporations, so that the corporations can properly consider global environmental conservation etc. in the areas outside Japan where these corporations conduct their business.” A clear pattern in Japan’s ODA emerged, with policy formulation being drawn up by the bureaucracy after careful consideration of the interests of their jurisdictions. This was followed by the private sector’s adjustment to new rules and norms that were eventually endorsed by the government and the Diet. Nevertheless, the ODA and its new environmental aid were the new state resources that state institutions could mobilise for their jurisdictional interests. It was inevitable that conflicts of interest grew between the MITI and the Environment Agency (EA) so that the:

…tension between the principle belief of “economic growth” and “development,” and “environmental protection”[…], … [n]evertheless, both camps had reached an agreement, however reluctantly, on the importance of a new world view of “sustainable development” and the belief in the causal effect of greenhouse gases

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Early bureaucratic moves on environmental issues were initiated under the orders of Prime Minister Suzuki Zenko, who established a Discussion Group on Global Scale Environmental Problems under the leadership of the EA in 1980. This group concentrated on sustainable development issues rather than Japan’s own commercial aspects. Nevertheless, in 1991, the EA established a division that specifically dealt with global environmental issues by guiding Japanese TNCs overseas in their activities and environmental impacts. Also, in cooperation with the National Institute for Environmental Studies under the EA, the Environmental Resource Accounting was established to measure “economic activities on foreign countries and the global environment, and...the impact of global environmental change on domestic economic activities.” With the opportunity that the EA was given to access state resources via environmental aid, its aid budget increased 36 per cent from 1990 from 1991, while since 1990 its global environmental division had drawn up environmental guidelines for Japanese TNCs.

The Third Conference of Parties to the UNFCCC in 1997 resulted in new environmental initiatives for Japan alongside the Kyoto Protocol on Global Climate Change. Such initiatives boosted the EA’s profile and legitimated its policy-making involvement. In 2001, the EA was upgraded to the Ministry of the Environment (MoE) under the Central Government Reform of 2001. While the MoE’s role in Japan’s environmental diplomacy was expanded by continuing to actively undertake environmental assessment studies of Japan’s TNCs abroad and other environmental impacts, there was little change in its direct control over the ODA budget. This included the JICA for technical and grant aid, the Japan Bank for International Cooperation (JBIC) for Yen and other

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111 Alan Rix, Japan’s foreign aid challenge: policy reform and aid leadership, op. cit., p.125; Peter
official loans.

It was probably inevitable that the E-ODA would be mobilised as an element of Japan’s strategic aid while also serving the country’s international obligations and complementing *kokusaikoken* – its non-military role. Japan’s E-ODA, under the umbrella of comprehensive national security, maintains the nature of Japan’s ODA with its commercial elements while it mobilises all available state resources, thus securing sources of natural resources and markets for its exports and investments.

**Table 6.3: Japan’s ODA in the Field of the Environment and its Proportion to the Total Amount**

Please see print copy for Table 6.3

Note: * Provisional figure.

The E-ODA is a part of Japan’s strategic aid that looks into new opportunities for Japanese industries. Japan’s environmental aid initiatives in conjunction with technological transfer eventually resulted in agreement to the 1997 Kyoto Protocol on Climate Change. This Protocol legitimised Japan’s new industrial structural adjustment. Japan also exported its own pollution to, and extraction of resources from, developing countries. Internally, the E-ODA is a part of Japan’s state resources that state leaders and the elite can mobilise to extract state resources for personal advantage and this has inevitably led to certain social forces attempting to penetrate the policy-making of both the ODA and the E-ODA.

The foreign policy-making processes of the ODA and E-ODA have been penetrated by certain social forces, including politicians, bureaucrats, and private sector interests such as influential private companies and their political lobby groups. This is the so-called ‘iron circle’ – politicians, bureaucrats and the private sector – who have challenged the policy-making of governments. One of their primary interests is their bureaucratic jurisdiction, which provides opportunity and power through close proximity to the centre of power. The policy-making of Japan’s ODA has been based on yon shocho (three ministries and an agency) system: the MFA; MITI; MOF; and EPA, which were established in order to prevent jurisdictional conflicts and to solve conflicts. In addition, those ministries and agencies are deeply sensitive about their jurisdictions over the private sector, especially jurisdiction in policy-making in the Yen Dominated Loans area. It is no surprise that this complicated jurisdiction among Japanese ministries is confusing to foreign diplomats and bureaucrats who have to deal with Japanese bureaucrats.\(^{112}\) There is also another ministry that has sought to penetrate the policy-making process because it lost the bid to be one of the main players – that is, MAFF (Ministry of Agriculture, Forestry and Fisheries). Most notably, the Fisheries Agency of MAFF has played a key role in Japan’s aid with regard to fisheries aid programmes.

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\(^{112}\) In an interview with a high-ranking official from a South Pacific Island country, he expressed his view that “it [is] very hard to negotiate with Japanese bureaucrats because it is so difficult to identify my own direct counterparts who have appropriate authority to have a talk with my holding authority,” and that “even if we can contact related Japanese bureaucrats who seem to be involved in the issue, they often say that the matter of concern should be discussed with the private companies because it does not lie within the bureaucracy’s jurisdiction.” Interview with a diplomat at the Embassy in Tokyo on 21st July.
The MAFF is well known for its aggressive pursuit of fisheries interests. Moreover, its Forest Agency also has strong interests in influencing the policy-making of the ODA.\footnote{For more information about Japan’s ODA and the activities and involvements of the Fisheries Agency with regards to fisheries aid, see, Sandra Tarte, \textit{Japan’s Aid Diplomacy and the Pacific Islands}, op. cit. And, for more information about how the Forestry Agency, the MITI and Japanese TNCs have involved Japan’s ODA projects in the forest industries in developing countries, see, Peter Dauvergne, \textit{Shadows in the Forest}, op. cit.}

The private sector consists of ‘\textit{keizai-kai}’ – the business community. Individual industries have their own lobbying groups nationwide. Their main objective and tasks are to protect their own business interests and to maintain good relations with their bureaucratic counterparts in government ministries and agencies that have jurisdiction over regulation and control over the areas in which the private industries operate.

At the micro level, Japan’s ODA policy-making has institutional arrangements among the ministries, politicians and the private sector regarding routine procedures. However, it is easy to fall into the trap of concentrating solely on the influence of the LDP on Japan’s aid policy-making. The LDP is not a monolithic organisation nor do Diet members always follow the party line. The Diet members of the LDP are more likely to follow the line of \textit{zoku} (policy-tribes) to which the LDP members belong. The \textit{zoku giin} (policy-tribal politician) is defined as one that “…concerns itself specifically with the sector in question, monitoring development and influencing it through supporting legislative proposals by the bureaucrats[,] [and] [f]ormer ministers and parliamentary vice-ministers also often become members of the \textit{zoku} relating to the ministry they served.”\footnote{Karel van Wolferen, \textit{The Enigma of Japanese Power: people and politics in a stateless nation}, op. cit., p.154.} Yet another group is \textit{habatsu} (faction) which is a political grouping. They challenge each other in pursuing social control, which results in the intensification of interaction between them. This intensification leads \textit{habatsu seiji} (factional politics) and intensifies the power struggle within the LDP. These factional politics extend to penetrating the aid policy-making process. Individual tribes and factions in the LDP have their own interests in relation to aid policy and some factions represent the interests of particular ministries. It is interesting to note that the power relations between LDP factions and ministries are equal because many LDP Diet members have

\footnote{Karel van Wolferen, \textit{The Enigma of Japanese Power: people and politics in a stateless nation}, op. cit., p.154.}
It is against the background of these social forces that I have discussed above that the MAFF has penetrated the policy-making of the state in order to extract state resources for its institutional interests. It has both jurisdictional and political interests. It was the MAFF that penetrated the policy-making process of the establishment of the JICA by using all available resources in pursuing its social control. In 1976, Japan’s economic cooperation was undergoing institutional changes in transforming to the ODA, which expanded its volume and the resources available to the ministries involved. The MAFF, which was previously marginalised from the policy-making process of economic cooperation, sought to gain direct access to the state resources of the ODA.

In 1976, the economic cooperation system had a new institution added, which was the establishment of the Japan International Cooperation Agency (JICA). This created an additional contesting ground for social forces (i.e., MITI, MOFA, MOF, MAFF, politicians and the private sector) as they sought to extract state resources, while it was also Japan’s response to external challenges. JICA was established by merging the OTCA and the Japan Emigration Service (JEMIS), while MITI sought to centralise the ODA under its jurisdiction of JETRO and MAFF, who in turn sought to gain a stake in the ODA by using the Overseas Agricultural Development Foundation (OADF). In the process, Prime Minister Tanaka Kakuei proposed establishing a centralised aid agency under the cabinet (i.e., it would fall under the jurisdiction of the Prime Minister’s Office), which was opposed by the MOF who sought to retain its jurisdiction over the Yen loans under its EIB and OECF and its control over budget matters. This resulted in conflicts between MOFA, MITI and MAFF over the matter of who would control technical and grant aid. Initially, all three ministries sought to establish a new

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116 The JEMIS was created for the repatriation of the Japanese from Japan’s former occupied areas and resettle them overseas. See, Alan Rix, *Japan’s Economic Aid: policy-making and politics*, op. cit., pp.52-77; David Arase, *Buying Power*, op. cit., p.74; Kouhei Hashimoto, ‘Nihon no enjoy seisaku ketti youinn (domestic determinants of Japanese aid)’, op. cit., p.349.
centralised agency but this was rejected by the Administrative Management Agency. This, however, resulted in the creation of JICA and the sharing of its jurisdiction with MITI, which would retain its say on industrial technical related matters. Nevertheless, the winner was MAFF, which increased its influence by accessing additional state resources from both MOFA and MITI via JICA. This had not previously been MAFF’s preferred option.117

The establishment of JICA proved the strength of the institutions of the state in that all interested ministries and politicians, in particular the agriculture Zoku-giin (policy tribe), mobilised opposition against the passage of the JICA Bill, which:

...brought out more than anything else the parochialism of the party system on aid questions. Because its passage through the House of Councillors ran very close to the suspension of the Diet session, some hard bargaining was necessary to force the bill through on time, according to Sakurauchi Yoshino, a former Minister of Agriculture and strong supporter of the MAF scheme. One interesting result of the debate was ‘supplementary resolution to the JICA bill’, supported by all parties except the JCP [Japan Communist Party]. It was an unabashed concession to the desire by opposition parties and some elements of the LDP to calm domestic opposition to JICA, and clearly expressed pro forma compromises on the role of private enterprise in aid, JICA relations with other agencies, MFA [MOFA] relations with other ministries, aid and Japanese agricultural policy, and inconsistencies in staff conditions.118

In other words, social forces that were entrenched in the institutions of the state influenced the process of the establishment of JICA and sought to extract state resources for their own individual interests. It was therefore inevitable that “…the policy debate took place outside of the Diet, thereby excluding the opposition parties and citizen’s groups that might have favoured more radical change.”119

Although the clear winner was the MAFF, the challenge between the three ministries led to other ministries seeking to access the now huge ODA budget drawn from state

117  Alan Rix, Japan’s Economic Aid: policy-making and politics, op. cit., pp.51, 52-55 and 56-62.
118  ibid., p.72.
119  David Arase, Buying Power, op. cit., p.73.
resources. This resulted in the establishment of ODA-related sub-organisations under individual ministries’ jurisdictions. These were: the MITI, which established the Japan Overseas Development Corporation (JODC) to promote FDI for small and medium-sized industry; the International Development Centre under six ministries in 1971; the Japan Foundation under the MOFA and ME in 1972; the Japan Cooperation Centre for the Middle East under the MITI in 1973; the Japan Transport Consultants Association under the MOT in 1973; the Japan Fisheries Cooperation Foundation under the MAFF in 1973; the Japan Institute of Middle Eastern Economies in 1974; the Association for Promotion of International Cooperation under the MOFA in 1975; and the Agricultural Development Consultants Association under the MAFF in 1977. 

Competition among the ministries over their jurisdictions and over the establishment of the JICA clearly helped the MAFF not only to gain prestige in relation to policy matters under its jurisdiction, but also to gain access to massive state resources that it could mobilise for its own institutional interests.

Yet another example of how social forces can penetrate the policy-making of Japan’s ODA involved the MAFF’s lobby groups. These were the National Federation of Agricultural Cooperative Associations (ZEN-NOH) and the Central Union of Agricultural Co-operatives (JA-ZENCHU), which penetrated state policy-making in order to extract state resources for emergency rice aid to PNG and Indonesia.

Emergency rice aid to PNG and Indonesia under the humanitarian (emergency) aid program in 1998 was utilised to solve a domestic political demand to reduce “come amari”, the ‘rice surplus’, due to Japan’s four years of good harvests from 1994 to 1998. This excessive rice stock caused a 13.1% decline in the price on the domestic rice market in 1997, when 3,700,000 tons of reserve rice was recorded, compared with a price rise in 1996. The situation was further affected by the price devaluation on the global rice market. These combined circumstances resulted in political pressure from rice farmers on politicians and bureaucrats to take action over the excessive rice surplus.

120 Those six ministries are MOFA, MITI, MAFF, MOC, MOT and MPT. The IDC was established to provide technical training for human resources development. The Japan Foundation was created to provide cultural exchange programmes. See, David Arase, Buying Power, op. cit., pp.73-74.
Rice stockpiles are required by “Shokuryo kanri ho”, the ‘Food Control Act’, which states that part of each new rice harvest shall be reserved, but that after one year, these stockpiles shall be sold into the domestic market. This national rice reserve programme was originally established under the Food Control Act of 1942, which was part of Japan’s war efforts to supply food to the Japanese Armed forces overseas. This Act was retained with no change after 1945, and was mobilised to secure a stable food supply for the hungry population when serious food shortages occurred after millions of Japanese nationals returned from former Japanese-occupied areas when the war ended.

However, this reserve system has been criticised at home and abroad as a subsidy for farmers and a protectionist regime. This is because the government directly purchases rice from farmers at a set price recommended by the Rice Price Deliberation Council, which is dominated by members of two powerful agricultural organisations, namely the National Federation of Agricultural Cooperative Associations (ZEN-NOH) and the Central Union of Agricultural Co-operatives (JA-ZENCHU). Both organisations are strong farmer lobby groups and have been a strong political support for conservative members of government. They have delivered millions of votes to the LDP in all elections.

The JA-ZENCHU called on the national government to recycle the rice stockpiles as food aid and to establish an organisation for a World Food Reserve to prepare for a world food crisis with the participation of the major rice producer states. The head of the section for rice and wheat of the JA-ZENCHU declared that this is ‘kokusai koken’ to save and to help countries that may encounter starvation. In reality, the proposal

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121 Parts of the Food Control Act were amended in 1995.
123 For the background to how Japan came to strengthen its protectionism over agriculture after the oil shock in the early 1970s, see, Komiya Ryutaro, and Itoh Motoshige, ‘Japan’s International Trade and Trade Policy, 1955-1984’, in Inoguchi Takashi and Daniel I. Okimoto, (ed.), The Political Economy of Japan: Volume 2, op. cit., p.211. Also, a classic example of the political influence of the JA-Zenchu can be found from an incident in 1984 when the Hokkaido branch of JA-Zenchu forced members of the Keidanren (Federation of Economic Organization) to resign after members of Keidanren recommended the liberalisation of the agricultural market. See, Daniel I. Okimoto, ‘Political Inclusivity: The Domestic Structure of Trade’, in Inoguchi Takashi and Daniel I. Okimoto, (ed.), The Political Economy of Japan: Volume 2, op. cit., p.335. On the connection between the LDP and farmers, see Inoguchi Takashi, ‘The Idea and Structures of Foreign Policy: Looking Ahead with Caution’, in Inoguchi Takashi and Daniel I.
aimed to prevent the release of excessive amounts of stockpiled rice onto the world market. The response from the appropriate authorities, the Food Agencies\textsuperscript{124} that had responsibility for implementing rice controls, and the Ministry of Foreign Affairs, which had jurisdiction over the aid program, was not enthusiastic because the budget for food aid had been tightened by fiscal reforms and because of WTO restrictions on the use of food stockpiles for aid.\textsuperscript{125}

The National Federation of Agricultural Cooperative Associations and the Central Union of Agricultural Co-operatives via the MAFF had penetrated the policy-making of emergency food aid under humanitarian assistance in order to pursue their political interests abroad. They were able to dispose their food stockpiles as aid despite WTO restrictions, and still managed to provide rice to both Indonesia and PNG. Yet another social force had sought to penetrate the policy-making of the E-ODA.

The E-ODA is a relatively new aid entity that state leaders and social forces have been able to mobilise. This has inevitably resulted in certain social forces seeking to penetrate policy-making. These social forces are the MITI, the OECF and the Export-Import Bank of Japan (E-IBJ), the MAFF and the private sector led by Keidanren. For its part, the MITI moved early in the development of the E-ODA when seeking to penetrate its policy-making. It was at the end of the 1980s that the MITI moved to maximise its access to additional state resources through new environmental aid programs. The advantage of the MITI over other rival ministries and agencies, such as the EA, was that it was well connected with business under its jurisdictional responsibility over issues on resources and energy development. This advantage meant that MITI was able to mobilise its own resources, such as its research institutions for technological transfer, and could provide “…technological solutions and corporate technology exports to tackle global warming and promote energy conservation and

\textsuperscript{124} The Food Agency was set up in 1942.

alternative energy sources.”¹²⁶

The link between Japan’s energy security and environmental issues was reinforced following the Iraqi invasion of Kuwait in 1990 and then the Gulf War of 1991. Japan depends heavily on oil imports from the Middle East. In response, the MITI mobilised its own resources, which had been established after the oil shocks of the 1970s. MITI’s resources included the Energy Conservation Centre, which had been established in 1978 promoting energy efficiency and reduction of fuel consumption. Another of MITI’s resources was the New Energy and Industrial Technology Development Organization (NEDO), established in 1980 with the private sector for research and development into alternative energy as a means of reducing Japan’s energy dependence on imports. In addition to MITI’s existing arms, in 1990 the International Centre for Environmental Technology Transfer (ICETT) was established specifically to develop the transfer of Japanese pollution reduction environmental technologies to developing countries. In addition, the Research Institute of Innovation Technology for the Earth (RITE) was established in 1990 for the specific purpose of developing industrial technologies.¹²⁷

In 1991, MITI revealed its Green Aid Plan (GAP) of 2.7 billion Yen within ten years, to be provided in the form of grants, loans and technical assistance. This resulted in the expansion of Japan’s ODA with the establishment of so-called “environmental aid” totalling $7 billion (1992-1996), which was provided to China and Thailand in 1992, to Indonesia from 1993, to the Philippines and Malaysia in 1994, India from 1995, and Vietnam from 1999. The MITI’s GAP focused on the improvement of energy efficiency in these countries because it “…attempted to shape Asia’s future energy path through the diffusion of conservation technologies in line with Japan’s energy security interest” by Japan transferring “…equipment designed to improve industrial energy efficiency through capturing and reutilising waste heat from process in chemical, cement, and steel

¹²⁶  Peter Dauvergne, Shadows in the Forest, op. cit., p.27.
It was under the above regime that Thailand hosted a number of projects, including the Electricity Energy Efficiency Promotion Project and the Flue Gas Desulphurisation Plant for the Mae Moh Power Plant, while the Philippines received the Calaca I Coal-fired Thermal Plant Environmental Improvement Project, and China received approximately $171 million between 1993 and 1997 for 14 projects. These projects were provided in conjunction with the Yen loans by the OECF and export credit scheme under the Export-Import Bank of Japan.\textsuperscript{129}

Other social forces that penetrated the policy-making of the E-ODA were the OECF and the Export-Import Bank of Japan (E-IBJ). The OECF began its environmental considerations with the development in 1989 of environmental guidelines that are applied before a project is approved. The Export-Import Bank of Japan also developed its own environmental guidelines in the same year and strengthened these further in 1991. However, Dauvergne has argued that the environmental guidelines of both the OECF and the E-IBJ appeared “largely cosmetic”, because neither set of guidelines were strictly enforced and indeed the relevant guidelines were replete with problems, including:

\begin{quote}
secret rules, weak penalties, vague lines of accountability, and few, if any, examples of applications rejected for environmental reasons all suggest that bank’s [E-IBJ] environmental record has serious shortcomings. An intuitive, precursory assessment is that the bank is more concerned with avoiding environmental scandals and public embarrassment than with genuine reviews of loan applications.\textsuperscript{130}
\end{quote}

The environmental guidelines of the OECF adopted “the OECD’s recommendations

\textsuperscript{130}  Peter Dauvergne, \textit{Shadows in the Forest}, op. cit., pp.29 also see, 28-29.
relating to its environmental protection, the OECF’s environmental guidelines aimed to assist developing countries’ self-help efforts to manage their own development in an environmentally sound way.\textsuperscript{131} In reality, the E-ODA retained the nature of the ODA in that it was commercially oriented. Therefore, resources available for the E-ODA did not represent a genuine commitment to environmental protection. Thus, it exposed the incompatibility of the E-ODA. The reach of the E-ODA included existing programs and projects that were reclassified “…such as ‘infrastructure development’ or ‘irrigation and flood control’ to ‘environmental projects’”. These were relatively small compared with 70 per cent of E-ODA loans offered by 1995. Japan then increased the share of Yen loans for the E-ODA. In 2003, as Table 6.4 shows, the share of Yen loans was 83.95%, while grant aid was 5.73% and technical cooperation was 7.37% of total expenditure for the E-ODA.\textsuperscript{132}

In 1999, the Export-Import Bank of Japan and the OECF merged to establish the Japanese Bank for International Cooperation (JBIC). Thus, the OECF and Export-Import Bank of Japan (E-IBJ) penetrated the policy-making of the state and of the E-ODA by providing massive state financial resources for Japanese TNCs not only to extract these state resources but also to develop their technologies, making them internationally competitive in this area. These developments surrounding the E-ODA seem to expose old issues relating to the commercial nature of Japan’s ODA. It also demonstrates that the new E-ODA had become a part of Japan’s ODA’s multidimensional role.

Given the above background of the E-ODA, it is no surprise that the response of the private sector, led by the Keidanren (Japan Federation of Economic Organization), was to launch its own initiative by adopting the Global Environment Charter (GEC) in April 1991 ahead of any government move. The GEC encouraged its member companies and Japanese companies to be responsible for their environmental impact. This was followed by the establishment of the Keidanren Nature Conservation Fund in 1992, which provided resources to NGOs and private companies for conservation activities. However, it was no coincidence that the Keidanren responded as good corporate

\textsuperscript{131} Hiroshi Ohta, ‘Japanese Environmental Foreign Policy’, op. cit., p.112.
citizens, but rather it was part of a response that Keidanren initiated as a means of adjusting to the new environmental world order. Causes of environmental degradation by TNCs’ activities had already been identified in the 1980s by the OECD’s recommendations and its guidelines for TNCs’ activities in relation to their environmental impact. This was followed by the establishment of the OECD’s Environmental Performance Review in 1992.133

Table 6.4: Aid by Type in Japan’s Environmental Aid (2003)

Please see print copy for table 6.4

Note: *Provisional figure.

132 Peter Dauvergne, Shadows in the Forest, op. cit., p.25.
An observation made in relation to the nature of Japan’s ODA continues to be valid today:

Japan knows that its economic success and security in the future depends on continued successful participation in the international system. As the world around her has changed, however, Japan is now challenged to articulate a vision of her international role – not simply as an accumulation of economic transactions – but something more. As Japan and the international community seek to discover what the role is, it is clear that ODA has been an important thread from which the cloth of international relations for Japan has been sewn. It is likely to remain an important thread in the future. ¹³⁴

It now only remains to be pointed out that in addition to the Japanese government’s need to conform to external demands and challenges, there has been a need for Japan to significantly stimulate its consumer demand. This has been required in order to pull the economy out of a long-lasting and serious depression. However, Japan was unable to pull itself out of recession using either the policies of the ODA or by implementing domestic restructuring of the government’s administrative apparatus.

Conclusion
I have used my argument in this chapter of my thesis to demonstrate that Japan has been a strong society with a strong state. Japan’s state-society relations are based on a hierarchical structure. A relative position of power within the state is determined by proximity to the highest authorities of the state. This has meant that certain social forces seek to penetrate the policy-making of state institutions in order to pursue their interests. This weakens the state’s capacity in the short term. However, it has strengthened the state’s ability to impose new rules and norms on Japanese society and so promote social cohesion. Japan remains a strong state in a strong society. However, this strong state has proved to be somewhat vulnerable in terms of the scope of its foreign policy choices. This is because in the period since WWII Japan has been limited by being denied the use of force as an external response and by the country’s security dependence on the

USA under the principle of the Japanese Anglo-American Alliance. On the other hand, Japan’s ODA has proved to be a powerful strategic, diplomatic and economic tool. It has been used by Japanese governments when responding to their country’s external challenges and interests. It has maximised Japan’s foreign policy options.

Not only have Japan’s domestic politics proved to be vulnerable to penetration by special interests seeking political and/or economic gain, the country’s foreign policy has also been vulnerable. It has been vulnerable through its limitations. This vulnerability began with the parameters and limits set by the Allies at the end of WWII Japan. These parameters and limits were enshrined in the country’s pacifist constitution that renounced the use of force as a means or responding to foreign policy demands and interests. However, this limiting situation has been offset to a considerable extent by Japanese governments’ and Japanese elites’ use of what has been a powerful diplomatic tool and strategic aid. This is Japan’s ODA. As my discussion in this chapter has demonstrated, the role of the ODA has been maximised and expanded over time.

Japan’s ODA had its origin in the war reparations that followed World War II. In the 1950s, the war reparations were mobilised to settle war compensation issues with Japan’s Asian neighbours. This served Japan’s diplomatic requirements and objectives. The settling of war reparations was a pre-condition for Japan’s return to the international community, as was Japan taking a share of the burden of what was to become the Cold War containment policy arraigned against the communist threat in the Asia Pacific region. The reparation programmes were also to secure raw materials for Japan’s post-war reconstruction and markets for Japan’s exports. War reparations were extended to become Japan’s Economic Cooperation (EC) programme. The strategic use of the EC then continued throughout the 1960s until it was transformed into the Official Development Assistance (ODA).

During the 1970s, the role of the ODA became increasingly multidimensional as Japan’s ODA was required to respond to Third World resource nationalism, while at the same time taking up its country’s international responsibilities in terms of providing developing countries with development funding. It was during this period that Japan
increased its untied aid and its commitment to funding development. It was also the case that the United States’ loss of the war in Vietnam triggered further expansion of the use of ODA as a diplomatic tool because Japan was obliged to share the Western burden of supporting US security goals. It was in this context that Japan’s leaders developed the concept of the Comprehensive National Security (CNS) which formulated a new security role for the ODA. This new role was to reside alongside its established functions.

By the 1990s, Japan faced new external challenges. Japan’s government was required to respond to global environmental issues and once again the ODA was used. The E-ODA was established. It was also during the 1990s that the Japanese government provided aid to China, India, Pakistan and Myanmar in a form that very clearly demonstrated ODA’s function as a political, diplomatic, strategic, and economic foreign policy tool. It was these same considerations that informed ODA’s role in responding to the Asian Financial Crisis of 1997/8. The discussion I have presented in this chapter has left no doubt that Japan’s ODA is a powerful diplomatic tool that has been used to maximise the country’s foreign policy options and to pursue strategic and economic interests.
CONCLUSION
Conclusion

As I have argued throughout this thesis, nation-states are not declining, as has been claimed by some scholars, but rather are adjusting in order to meet the challenges presented by neo-liberal globalisation. However, consistent challenges from globalisation have intensified state-society interactions in the two distinctive states of Papua New Guinea and Japan. Both states are categorised according to their state capacities and ability. PNG is a weak state in a strong society, while Japan is a strong society with a strong state. Both states have not only survived and remained intact under harsh present neo-liberal globalisation but the research has revealed that they possess remarkable and unique capacities and abilities in the ways in which they have responded to their respective internal and external challenges for their state survival.

In this conclusion, I will draw together the findings of each chapter in this thesis. While so doing, I will draw attention to what this thesis has demonstrated, what has been learned from the studies in this thesis, what are the limits to each study and the contributions of each study to the literature. This will allow us to compare how a weak state – PNG – and a strong state – Japan – have responded to internal and external challenges to their survival under the international environment.

In Chapter One, I explored the extent to which nation-states are declining. I argued that they are adjusting in order to meet the challenges presented by the current period of neo-liberal globalisation. I found that the widely promoted thesis that the state is declining is faced with a fundamental problem, insofar as insufficient attention has been paid to the manner in which nation-states mobilise their transformative capacity in order to meet both domestic and global challenges. Rather, different national governments have different transformative capacities, and when considering the capacity for change demonstrated by the national governments of Japan and PNG, it becomes clear that the strong Japanese state has more capacity and opportunity for change and transforming than the relatively weak PNG state.
As well, I found that present-day globalisation challenges a weak state – PNG – as much as it does a strong state – Japan. These challenges have led to a diminished and/or a changed role of for national governments. In particular, the neo-liberal ideology of free markets has been widely promoted, and there has been an attendant and substantial increase in the autonomy and influence of both domestic and international markets and the interests that adhere to them. Thus, I have demonstrated that nation-states are in the process of learning and adjusting, as the countries and their governments find their place in the international system. This place is closely related to their relative material power capacities. In addition, there are limits and constraints on government leaders and national elites, and there are opportunities that may well be seized by these same leaders and elites. An example I discussed in this thesis is the foreign policy role that was developed for Japan’s Official Development Assistance (ODA) programme – in Chapter Six. The role of this programme in Japan’s foreign policy responses has been remarkable. Indeed, it has been as remarkable as the role of state-society interaction in the response of PNG’s national leaders and elites to the demands of globalisation – in Chapters Three and Four.

Thus, the globalised world neo-liberal ideology, free markets, and cross-border activities have been identified as challenging state sovereignty, authority and legitimacy. This has led national governments to respond in a manner that amounts to a process of adaptation. They have displayed a capacity for change in both their domestic and foreign policy spheres of influence. They have mobilised their national resources, state and non-state, and some states have been in a position to strengthen their capacity and roles. They have been far from powerless and retreating entities, as characterised by some scholars. Other countries have retained their well-established roles and then added new functions and roles. As I noted in Chapter One, a vibrant discourse exists on the capacity and fate of nation-states. There is also the need to recognise that some states are what has been described as ‘weak’ or ‘broken-backed’ states, and it has been asserted that they have not been in a position to function effectively. It has been argued that PNG is a weak state in terms of the state’s ability to function in accordance with its expected capability. By contrast, Japan has a strong state. The state is seen to be capable and efficient and it can be credited with having promoted social coherence.
Keeping in mind these findings from the first chapter, I argued in Chapter Two that the concept of the state in society is the best approach to investigate the question of how the dynamics of the state-society interaction shapes the capacity of national governments to respond to challenges. I have defined the nation-state as a multifaceted organisation that consists of an executive, legislature, judiciary and other state institutions. It is an entity able to mobilise available state resources and it has a legitimate monopoly on the use of force. States implement social control by mobilising a variety of rewards, sanctions and symbols. They impose rules and norms onto society. On the other hand, a society as a whole consists of a variety of social forces and a significant number of these may mount challenges to the social control sought by the state. The state (and at times other social forces too) will use moral grounds when pursuing control.

As I found in Chapter Two, the survival of a nation-state can be dependent on its ability to control its access to resources. It is of course only with resources that a state can fulfil its distributive capacity. It is similarly often the case that when a nation-state is unable to control its access to resources and unable to fulfil the distributive expectations of a population that it is considered to be a weak state. This weakness in state capacity is evident especially among the post-colonial nation-states. It has been recognised that a legacy of colonialism has been a population’s expectation that the role of states is to provide public goods and services. The communication and expectations of international bodies such as the World Bank and the UN play a similar role in today’s world, but weak states have limited capacity to provide and this has meant that social forces have sought to occupy state institutions in order to extract state resources for their own advantage. The state is then further weakened.

The political legitimacy of a state can be measured by the compliance of the population with state sponsored legislation and by the participation of the population in domestic politics. Moreover, when states choose to use coercion and force they must not go beyond acceptable and tolerable limits of the laws they have promoted and of the population. Legitimacy can also be measured by popularity. It is clear that failure to meet the expectations of the population (compliance), to elicit participation and to
engender and nurture political authority and legitimacy will affect the ability of a national government to maintain its rule. This is the situation in both a strong state such as Japan and in the case of a weak state such as PNG.

In PNG, there has been intensive state-society interaction. This interaction is nurtured by personal networks and connections. In PNG, these personal networks and connections are based on *wantokism* and the big-man style of leadership, but Japan also has a political system that features a vibrant and current system of personal networks and connections. In Japan, *Cone* comes in the form of *gaku-batsu*, *kigyo-shudan* and *habatsu* and has a strong re-distributive role while also creating a wide consensus among social groups through the use of consultation. However, as I have argued in this chapter, personal networks can also lead to marginalisation in a society when they are used to exclude some from competing for political and economic advantage.

In the last part of Chapter Two, I briefly discussed the diversion of resources into the economic development strategy required by international bodies such as the World Bank and by other aid donors. The strategy to promote a rational economic order is intended to improve economic competitiveness, efficiency and productivity. This, it is argued, is the best possible response to global economic competition. However, as my study in this chapter found, this is a policy that in the context of the weak state of PNG has led to some sections of society being unable to access the resources needed for survival. Individuals who are low-income earners in a weak state are extremely vulnerable. They will often have to depend on subsistence and informal economic activities, some of these being recognised as criminal activities.

Chapter Three illustrated a case study of the challenges that domestic social forces can mount against the government of a weak state. I examined how PNG’s Morauta PDM government lost its authority and legitimacy when it was challenged in the context of intensive interaction between state and society. I argued that a weak state is not synonymous with a weak society. In this chapter, I have found that intensive interaction between a state and a society led to the demise of this government while the PNG state itself remained intact, albeit weakened by the same challenges. These challenges from
below came from a variety of social forces that were responding to policies and events that the Morauta PDM government had created and promoted. I offered a series of case studies in this chapter demonstrating that in the case of PNG, a weak state is not synonymous with a weak society but rather, it has a weak state with a strong society.

The nature of PNG politics is fundamentally tied to a *realpolitik* approach. Individual political actors behave according to their own best interest rather than operate within the rules and norms set out by the state and its institutions, including the government of the day. As I noted earlier – party allegiance is a questionable concept. However, even with this situation in mind, the Morauta PDM government proved to be particularly fallible. This government had displayed a consistent disregard for popular requests. It rejected the minimum wage increase, while it allowed government leaders to significantly increase their salaries; it rejected soldiers’ demands for improved pay and conditions; and the government had ignored anti-privatisation protests which were to end in tragedy when students and one other civilian lost their lives. The Morauta PDM government insisted on downsizing the PNGDF and it oversaw a situation where the common roll for the 2002 election was widely accepted as having been manipulated. In the end, its Education Policy announced prior to the forthcoming 2002 election was widely perceived as insufficient reward for a long-suffering populace.

A consequence of the PDM government’s failure to meet the expectations of PNG’s citizens led to persistent and continual challenges to the government’s authority and legitimacy. At the same time, the fragmentation and politics of PNG society and the fragmentation of PNG elites did much to promote a situation where the government was weakened while social forces displayed a relative strength. It is a situation that not only ended the PDM’s rule in 2002, but one that has also limited PNG’s foreign policy options.

It is with the latter point in mind that in Chapter Four, I offered a series of case studies that allowed me to outline and discuss PNG’s foreign policy behaviour, particularly during the 1990s, while taking account of the country’s limited state resources and limited foreign policy options. I found that PNG’s foreign policy behaviour must be
considered from the point of view of the ongoing need for the survival of the state, and that this, in turn, has led to an overarching and consistent foreign policy principle of being ‘friends to all and enemies to none’.

As I have illustrated in Chapter Three, the internal politics of the PNG state have been based on extensive interaction between state and society. Such domestic interaction has been accompanied by the mobilisation of state resources by the national elites for their own political ends. It is also a situation that has limited the extent to which the state has been able to respond to external challenges. Having these limits in PNG’s domestic politics, since independence in 1975, PNG has adopted a fundamental and consistent foreign policy position based on the epithet that the country is ‘friends to all and enemies to none’. As my discussion throughout Chapter Four showed, it is a principle that is hard to sustain in practice. It has limits, particularly when it is applied to PNG’s relations with Australia and Indonesia. Nevertheless, the consistency of the principle of ‘friends to all and enemies to none’ has been remarkable. It is a principle that has sustained the survival of the PNG state. Successive PNG governments have followed this basic approach while initiating and expanding various different policies. These have included the policies of: Active, Selective Engagement; Independent Commitment to International Cooperation; Third Power in the South Pacific, which was limited to PNG’s own internal challenges from the Bougainville Crisis; Look North, which reinforced PNG’s desire to engage with Asian neighbours, particularly with Indonesia; and Take a Global View but Look North and Work the Pacific. The last was successfully implemented by diversifying PNG’s economic and trade links, but was hampered by internal challenges, particularly those promoted by the Sandline Crisis of 1997.

In spite of the above list of foreign policy initiatives, PNG has had limited foreign policy options. It has had to survive in a harsh global environment where it can ill afford to get offside with its powerful neighbours. As well, I showed that PNG affairs are also unusual in that when state leaders have mobilised foreign policy and diplomatic interests for their own domestic political benefits in the short-term, they have usually succeeded politically. However, this domestic advantage does not automatically
translate into diplomatic success in either the short or the long-term. In other words, a move or action that is politically successful at home and that advances short-term interests and domestic political returns, can easily sacrifice critical long-term foreign policy strategy. The effect can partially or entirely undermine overall foreign policy goals of stable inter/intra-regional relations, with serious widespread diplomatic consequences. Being highly dependent, PNG has little freedom of movement on the international stage. When there has been any kind of short-term political shift away from the principle of PNG foreign policy of ‘friends to all and enemies to none,’ the situation has quickly deteriorated. Hence, being friends to all is not a naïve principle for PNG, it is a fact of life. It is a matter of survival in today’s globalised world.

In Section Three, I presented two case studies on Japan. Chapter Five illustrated Japan’s state and society interaction in domestic politics, while Chapter Six investigated Japan’s external responses. In Chapter Five, I explored the interaction between state and society in Japan. I argued that Japan has been a strong society with a strong state. I illustrated how Japan’s state-society relations are hierarchical. The relative position of power within the state is determined by the relative proximity to the highest authorities of the state. This has meant that certain social forces have sought to occupy the institutions of the state. As in the case of PNG in Section Two, the domestic elites are penetrating the policy-making of the state in order to extract state resources for their own political and economic interests. This weakens state capacity. However, as I found in my two case studies presented in Section Three, it does this at the same time as it strengthens the ability of the government to impose rules and norms that create and maintain social cohesion, albeit with some vulnerability in terms of foreign policy, as was shown in Chapter Six.

The focus of my argument in Chapters Five and Six is on the question of how Japan has responded to internal and external challenges while remaining a strong society with a strong state. It is in this context that I examined how certain social forces have penetrated the policy-making of the state. By so doing, I have found through my study in Chapter Five, that scandals during the reign of the Liberal Democratic Party (LDP) served to strengthen the LDP’s grip on political power and social control. State leaders
and the elite have sought to occupy the institutions of the state by penetrating the policy-making of government, which led to a series of political scandals that dominated Japanese politics during the 1980s and 1990s. This constant exposure to scandals intensified challenges to the authority and legitimacy of governments and to the authority of the LDP’s system of one party domination. This in turn resulted in the conservative political order of 1996 annihilating non-conservative forces in Japanese politics.

The situation came about in a paradoxical fashion and as a result of the scandals evident in Japanese political circles. These scandals included the Recruit scandal; the Kyowa scandal; the Sagawa kyubin scandal; the Nihon Kominto scandal; and the Zenekon scandal. All these scandals demonstrated how certain social forces such as the LDP, and particularly the Takeshita faction within the LDP, in the company of private institutions, penetrated the policy-making of the state. Eventually, the institutions of the state were weakened and this weakness of the institutions of the state led to the LDP losing its authority and legitimacy. After 38 years of one-party government, the party was denied government in its own right. However, the Takeshita faction of the LDP continued to exercise considerable power. It continued to penetrate the policy-making of the Hosokawa coalition government, which was dominated by conservative (often former LDP) MPs. The result of this situation was that the LDP government returned to power in coalition with the Murayama-led socialist party. This situation in turn weakened the Murayama socialist government and diminished the distinction between conservative and socialist politics. The next thing that happened was that at the October 1996 Lower House election, non-conservative elements in Japanese politics were annihilated and the LDP’s position was strengthened and further entrenched. The LDP has continued to penetrate the policy-making of Japan’s state institutions.

Successive LDP governments have sought to transform Japan’s hypertrophied bureaucracy by implementing administrative reforms, including the privatisation of the Japanese postal system. In 2005, the Koizumi government attempted to implement postal privatisation, but met intensified challenges from groups within and outside of his own party, who opposed this major administrative reform. In response, Koizumi
mobilised all available power at his disposal, including dissolving the Lower House of the Japanese Parliament. Koizumi won the subsequent election convincingly and so increased his authority and legitimacy. His government was now in a position to impose its administrative reform programme and its preferred rules and norms on Japanese society. Thereby, Japan has remained a strong society with a strong state.

However, the strong state has proved to be vulnerable in terms of its foreign policy behaviour. Therefore, in Chapter Six, I focused my attention on Japan’s foreign policy behaviour to explore the ways in which the strong state acts for its society in response to external challenges and demands. In this study, I found that not only have Japan’s domestic politics proved to be vulnerable to penetration by special interests seeking political and/or economic gain, but the country’s foreign policy has also been vulnerable. It has been vulnerable through its limitations. This vulnerability began with the parameters and limits set for Japan by the Allies at the end of WWII. These parameters and limits were enshrined in the country’s pacifist constitution that renounced the use of force as a means or responding to foreign policy demands and interests. However, this limiting situation has been offset to a considerable extent by Japanese governments’ and Japanese elites’ use of what has been a powerful diplomatic tool and strategic aid. This is Japan’s ODA. The ODA has been transformed to meet Japan’s external challenges by not only maximising Japan’s foreign policy options, but also by serving its multidimensional strategic interests and objectives. As my discussion in Chapter Six demonstrated, the role of the ODA has been maximised and expanded over time.

Japan’s ODA owes its origin to the war reparations that followed World War II. In the 1950s, war reparations were mobilised to settle war compensation issues with Japan’s Asian neighbours. This served Japan’s diplomatic requirements and objectives. The settling of war reparations was a pre-condition for Japan’s return to the international community, as was Japan taking a share of the burden of what was to become the Cold War containment policy arraigned against the communist threat in the Asia Pacific region. The reparation programmes were also to secure raw materials for Japan’s post-war reconstruction, and markets for Japan’s exports. War reparations were extended to
become Japan’s Economic Cooperation (EC) programme. The strategic use of the EC then continued throughout the 1960s until it was transformed into the Official Development Assistance (ODA).

During the 1970s, the role of the ODA became increasingly multidimensional as Japan’s ODA was required to respond to Third World resource nationalism, while at the same time taking up its country’s international responsibilities in terms of providing developing countries with development funding. It was during this period that Japan increased its untied aid and its commitment to funding development. It was also the case that the United States’ loss of the war in Vietnam triggered further expansion of the use of the ODA as a diplomatic tool because Japan was obliged to share the Western burden of supporting US security goals. It was in this context that Japan’s leaders developed the concept of the Comprehensive National Security (CNS) which formulated a new security role for the ODA. This new role was to reside alongside its established functions.

By the 1990s, Japan faced new external challenges. Japan’s government was required to respond to global environmental issues and once again the ODA was used. The E-ODA was established. It was also during the 1990s that the Japanese government provided aid to China, India, Pakistan and Myanmar in a form that very clearly demonstrated ODA’s function as a political, diplomatic, strategic, and economic foreign policy tool. It was these same considerations that informed ODA’s role in responding to the Asian Financial Crisis of 1997/8. Thus, the discussion and studies that I have presented throughout Chapter Six found that Japan’s ODA is a powerful diplomatic tool that has been used to maximise the country’s foreign policy options and to pursue its multidimensional strategic and economic interests.

This thesis has sought to understand how the dynamics of the state-society interaction shapes the capacity of national governments to respond to the challenges of globalisation, particularly in light of debates over the weakening of the state. The studies throughout this thesis suggest that the link between a weak state and a strong state is that both states have limits imposed by the international environment, their
historical development and their dependent nature on other strong states. Future research investigating the intercourse between a weak state – PNG – and a strong state – Japan – would generate further insights into how the two states’ relations influence the state-society interactions of both states and how certain social forces have a role to play in the policy-making of both states over the internal and external responses of both weak and strong states. Therefore, a future study may fill a further gap in studies on the Asia-Pacific and in international relations studies.

The comparison between the weak state – PNG – and the strong state – Japan – under the explanatory tools of the state-society analysis and foreign policy behaviour analysis, allows us to understand the link between the state-society interaction and the foreign policy responses of two fundamentally different states. The intensified state-society interaction caused by governments’ failures of compliance to the people limits the state's ability and capacity. Moreover, this study has not only uncovered these links but has also identified how the international environment affects the state-society interaction at the micro level, which in turn influences the internal and external responses of the state at the macro level. In this sense, when internal and external challenges toward both weak and strong states are increased, then the limits and conditions would also be expected to increase. Therefore, the chances for the survival of the state could be jeopardised. As a result, it would be expected that we should be able to point to more weak states or even failed states now than in the early 1990s.

By contrast, as I have demonstrated in this thesis, especially through the case studies in Sections Two and Three, both a weak state and a strong state have not only been proven to be resilient against new challenges, but also weak states are not ‘failed states’. Rather, this thesis has demonstrated the remarkable survival capacity of states. Therefore, this thesis has strengthened the argument that states are neither declining nor diminishing, but instead are responding to their internal and external challenges for their ongoing survival. Thus, PNG as a weak state in a strong society and Japan as a strong society with a strong state continue to remain intact as long as the state-society interactions in both state are rather intensified.
Intensified state-society interactions may weaken state capacity in the short term but in the long term, they allow a society to gain a strength that complements the weaknesses and limitations of the state. This is a better recipe for a healthy democracy than the superficial ‘triumph of Western liberal democracy’. Indeed, the latter may enable a state to collapse in dramatic fashion, like some African states. By contrast, the former adds to a society’s strength in a state that continues to survive under changing internal and external challenges. In this sense, both PNG and Japan belong to the former. In other words, on the one hand it is evident that both the weak state – PNG – and the strong state – Japan – continue to possess limits on their capacity and ability in their respective state functions. On the other hand, however, the intensified state-society interactions in both PNG and Japan complement the state. Hence, PNG continues to survive as it has a strong society, while Japan remains as a strong state rather than a strong society.
APPENDIXES

APPENDIX – A

Chart of the gap between rich and poor under Globalisation

The poor in developed nations live in worse economic conditions than the rich in developing nations.

The gap between the rich in developed nations and the poor in developing nations has widened. The poor in developing nations are more marginalised from the world than ever before.
APPENDIX – B

The terms of reference of the Commission of Inquiry into
the sale of the PNBGC to BSP

KNOW you that I, MICHAEL THOMAS SOMARE, Prime Minister of Papua New Guinea, reposing confidence in your integrity and ability do, by virtue of the powers conferred by Section 2 of the Commissions of Inquiry Act (Chapter 31) and all other powers enabling me, hereby appoint-MARSHALL COOKE QC to be Chief Commissioner and you PATRICK KOLTA and CYPRIAN WAROKRA to be Commissioners to Enquire into and report on the following matters:

1. Whether, in the performance of its functions and the exercise to its powers, particularly in the sale of PNGBC, the Privatization Commission has failed to comply with the provisions of the Privatization Act 1999 and with relevant policies and directions from the National Executive Council concerning but not limited to the following:

(a) whether proper procedures were followed by the Commission and the National Executive Council leading to the declaration of Finance Pacific Limited to be a privatized enterprise on 28 March 2001;
(b) whether in the formulation of policies relating to privatization, consideration was given to, and provisions made for, the welfare of employees of enterprises to be privatized, including provisions relating to housing and superannuating.

2. Whether the consultants and advisers appointed by the Privatization Commission in relation to the sale of PNGBC had sufficient relevant expertise in the field.

3. Whether, in the bidding process relating to the sale of PNGBC, there has been illegal or improper conduct by any person, company, business, legal entity or agency, particularly but not limited to the following:

(a) whether there were any conflicts of interest on the part of Commissioners or staff of the Privatization Commission and the bidders;
(b) whether there were any disclosures of information to any of the bidders, inappropriate activities and directions that affected the bidding process or any inappropriate exclusion of bidders;
(c) whether the methodology and process of evaluation of bids was appropriate;
(d) whether any person exerted undue pressure on the selection process and valuation of bids;
(e) whether any discussions took place between Commissioners or employees of the National Executive Council in relation to any preferred bidder and whether such discussions were inappropriate;
(f) whether the Privatization Commission conspired with the Governor of the Bank of Papua New Guinea to obstruct the tender process by stopping or discouraging certain Banks from participating in the tender process;
(g) whether the Privatization Commission conspired with the Governor of the Bank of Papua New Guinea and the Chairman of PNGBC to devise a process to obstruct the tender process so that BSP merged with PNGBC.

4. Whether there were any imprudent, improper or illegal actions taken by the National Executive Council, the Privatization Commission, the Governor of the Bank of Papua New Guinea or the
management of PNGBC, prior to the merger with BSP, in relation to the merger, particularly but not limited to the following:

(a) whether the merger of BSP and PNGBC was effected in accordance with the Companies Act 1997 and other relevant laws;
(b) whether the corporate financial position of BSP as a business concern complied with the tender requirements of the Privatization Commission;
(c) whether the Privatization Commission, in respect to the tender for PNGBC, obtained and considered a fully audited financial statement on the corporate financial position of BSP;
(d) whether the corporate financial position of BSP as a business concern had, or did not have, the highest financial strength measured against profitability and asset base over the trading period of 5 years prior to the merger, to enable the Privatization Commission to award, or not to award, it the tender to purchase PNGBC for a sum of K130 million.
(e) whether the Privatization Commission used the approved formula to determine the net value of PNGBC.

5. Whether there was any irregularity, illegality or collusion in the provision of capital by NASFUND, POSF, Mineral Resources Development Corporation Ltd, Credit Corporation Ltd to BSP to enable it to purchase 49% of PNGBC, particularly but not limited to the following:

(a) whether the Chairman and Board Members of NASFUND and POSF conspired with the Chairman and Directors of PNGBC and the Chairman and Directors of BSP to arrange the provision by NASFUND and POSF of capital to BSP to enable BSP to purchase 49% PNGBC.
(b) whether the Chairman and Board Members of Petroleum Resources Kutubu Ltd or Mineral Resources Development Corporation Limited conspired with the Chairman and Board members of PNGBC and the Chairman and Board Members of BSP to arrange the provision by Petroleum Resources Development Corporation Limited of capital to BSP to enable BSP to purchase 49% of PNGBC.
(c) whether the appointment of the Managing Director of POSF, Mr. Ces Iewago, to be Chairman of Credit Corporation Ltd was improperly made in consideration of the provision of capital by POSF to BSP;
(d) whether the appointment of the Chairman of NASFUND, Mr. John Jeffrey as Director of BSP was improperly made in consideration of the provision of capital by NASFUND to BSP.

6. Whether there were any improper or illegal actions taken by or on behalf of the Governor of the Bank of Papua New Guinea in relation to PNG Teachers Savings and Loan Society Ltd to prevent its participation in the merger of BSP and PNGBC, particularly but not limited to the following:

(a) whether the Governor of the Bank of Papua New Guinea had knowledge that PNG Teachers Savings and Loans Society was the major share-holder in BSP during the two years preceding the date of the merger;
(b) whether the Governor of the Bank of Papua New Guinea acted without lawful grounds in having PNG Teachers Savings and Loans Society placed under administration to be managed by Deloitte Touche Tohmatsu;
(c) whether the placing of PNG Teachers Savings and Loan Society under administration was deliberately done to prevent the Society from participation on the negotiations relative to the sale of PNGBC to BSP and from negotiating a higher percentage of shareholding in the sale of PNGBC to BSP.
(d) whether the conduct of the Governor of the Bank of Papua New Guinea in these matters amounts to illegal or fraudulent conduct.

7. Whether, during the period from the date of the appointment of Mr. Garth McIlwain as Chairman of PNGBC until the merger with BSP, the banking operations of PNGBC were conducted so as to disrupt the normal trading activity and reduce the net value of PNGBC substantially, particularly but not limited to the following:

(a) what number of loans were written off during that period and what were the reasons for writing off those loans;
(b) whether any loans of magnitude sufficient to cause disruption to the PNGBC's normal trading were made during this period;
(c) what number of National Staff members were terminated during the period, whether these were experienced staff members and whether they were replaced with experienced personnel;
(d) whether the Chairman and Board of PNGBC disposed of assets of Finance Pacific Ltd. (including Finance Pacific Insurance, Finance Investments and their subsidiary companies) with the approval of the Privatization Commission and at prices below the net value of these assets after their sale;
(e) Whether any actions taken so as to reduce the net value of PNGBC amounted to fraud or other criminal behaviour.

8. Whether there is a need for a revision of procedures and/or amendment of the law in relation to privatization. And I fix the quorum for meetings of the Commission as the Chairman and one other Commissioner. And I direct that the inquiry be held in the National Capital, or at such other place or places in Papua New Guinea or elsewhere as to you may appear necessary and expedient. And I further direct that the inquiry shall be held in private, any evidence that in the course of your inquiry you, in your absolute discretion, consider needs to be given in private in accordance with Section 2(5) of the Commissions of Inquiry Act. And I further direct that you shall commence the inquiry without delay and proceed therein with all dispatch and render to me your final report on or before 31 January 2003.

Dated this Thursday, Seventeenth October 2002.

Prime Minister

APPENDIX – C

Ministers returned and lost after the June/July 2002 General Election in PNG

Ministers who returned:
Sir Mekere Morauta (Moresby North West), Prime Minister
Sir Moi Avei (Kairuku-Hiri), Bougainville Affairs Minister
Charlie Benjamin (Manus Open), Lands Minister
Chris Haiveta (Gulf), Minister for Mining
Andrew Kumbakor (Nuku), Minister for Finance and Rural Development

Ministers who lost their seats were as follows:1
1. Michael Ogio, Deputy Prime Minister and Minister for Forests
   Implicated in a corruption case on the Kiunga-Aiambak logging project and the ASB Timber (PNG) Ltd controversy2
2. Sir John Kaputin (Rabaul), Special Envoy on multilateral financial relationships
3. William Ebenosi (Kiriwina/Goodenough), Social Welfare and Development
4. Kilroy Genia (Abau), Provincial Affairs/Local Level Govt
5. Dr John Waiko (Sohe), Foreign Affairs
   Being involved in a conflict of interest regarding the suspending deportation of businessman Philip Lee who has business interests with Dr Waiko3
6. Tukepe Masani (Huon), Trade/Industry
7. Alfred Pogo (Finschhafen), Works
8. Ginson Saonu (Kabwum), Housing
9. Mathias Karani (Lufa), Defence
10. Muki Taranupi (Obura-Wonenara), Education
11. Ludger Mond (Sinasina-Yanggomul), Civil Aviation
12. John Kamb (Kerowagi), Communication
   The Ombudsman Commission referred to the Leadership Tribunal for his involvement in misusing funds from the National Gaming Control Board4 but later was cleared by the Leadership Tribunal5
13. Puri Ruing (Dei), Justice
14. Simeon Wai (Karamui-Nomane), Agriculture/Livestock
15. Tommy Tomscoll (Middle Ramu), Health
16. Sir Pita Lus (Maprik), Culture/Tourism
17. Vincent Auali (Tambul-Nebilyer), Privatisation

4 The National, ‘Waieng referred to Public Prosecutor’, op. cit.
Had been referred to public prosecution office for his involvement in misusing funds from the National Gaming Control Board\textsuperscript{6}

18. Ron Ganarafö (Daulo), Fisheries

19. Dr Fabian Pok, LABOUR and Employment Minister

High degree of allegations against Dr Fabian Pok involving a K2 million defraud case of the National Provident Fund (NPF)\textsuperscript{7}

\textsuperscript{6} Daniel Korimbao, ‘CJ asked to appoint tribunal for eight MPs’, op. cit.

APPENDIX – D

Japan’s GNP Growth (1955-1992)

Please see print copy for Appendix D

Source: Ichiro Yano (ed.), Nihon Kokuse zue 94/95 Dai 52 han (Nippon, a charted survey of Japan), Nihon Kokusei sha, Tokyo, p. 592.
APPENDIX – E

Selected Social indicators for Japan (1935-1992)

Note: * Okinawa is not included before 1971; ** The figures from 1989 include former mutual saving banks, hence, pre-1989 figures are not continuous.
Source: Ichiro Yano (ed.), *Nihon Kokuse zue 94/95 Dai 52 han* (Nippon, a charted survey of Japan), Nihon Kokusei sha, Tokyo, p. 598.

Please see print copy for Appendix E
APPENDIX – F

Japan’s Trade: Export and Import (1935-1993)

Please see print copy for Appendix F

Note: The figures before 1945 do not include Korea and Taiwan.
Source: Ichiro Yano (ed.), Nihon Kokuse zue 94/95 Dai 52 han (Nippon, a charted survey of Japan), Nihon Kokusei sha, Tokyo, p. 597.
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<http://www.pm.gov.pg/pmsoffice/pmsoffice.nsf/>

The Department of Treasury of Papua New Guinea, < http://www.treasury.gov.pg/>


Interviews

I conducted in depth, open-ended, confidential interviews in PNG (January 1999 to March 1999) and in Japan (July 2000 to September 2000) respectively. The interview questionnaires were submitted to the interviewee prior to the appointment. The time frame for the interviews was between two and three hours. Most interviews required copious note taking on my part, with the consent of the interviewees. However, the questionnaires' format was often abandoned due to a request by an interviewee for an off the record discussion. I have maintained confidentiality at all times. I am indebted to those individuals and organizations that gave me opportunities to access valuable information and knowledge.

In PNG:

A senior officer: the National Forest Service, PNG Forest Management Authority

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Joe KenKen Mok (Assistant Secretary of Bilateral Programs Branch): Department of Treasury and Corporate Affairs Office of National Planning and Implementation (ONPI), Foreign Aid Management Division

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Kenzo Iwakami (Assistant Resident Representative): Japan International Cooperation Agency, Papua New Guinea Office

Koji Edagawa (Second Secretary): Embassy of Japan in Port Moresby

L. Joel Opnai (Executive Manager): Fisheries Management and Industry Support, National Fisheries Authority of PNG

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Vohn Lecai (Technical Officer): Modern History Department of the National War Museum, the National War Museum

In Japan:

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Kei Jinnai (Regional Officer – Oceania): Southwest Asia and Oceania Division, Regional Department II, Japan International Cooperation Agency

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Tetsuya Takahashi (Associate Professor): University of Tokyo

Yoichi Kibata (Professor): University of Tokyo