2003

'Friend to one, enemy to many?': The time of foreign policy struggle in Papua New Guinea under the Bill Skate government

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Publication Details

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This paper focuses on diplomatic events in PNG at the end of Bill Skate's Government, examining in particular his decision to switch diplomatic recognition from Beijing to Taipei in 1999. This case study shows that the immediate practical consequences of abandoning long-term foreign policy interests for short-term domestic political considerations can have serious implications for a marginalised state such as PNG. While a shift in policy was averted, PNG very nearly lost its reputation for neutrality and very nearly brought diplomatic isolation onto itself, not to mention the wrath of China and Australia. Such ad hoc foreign policy realignment undermines PNG's established foreign policy encapsulated in the principle of 'friends to all and enemies to none,' which very nearly became 'friend to one, enemy to many.'

Keywords
papua, guinea, under, bill, skate, friend, government, one, enemy, many, time, foreign, policy, struggle

Disciplines
Arts and Humanities | Law

Publication Details

This journal article is available at Research Online: http://ro.uow.edu.au/lhapapers/278
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Abstract
Since independence in 1975 Papua New Guinea (PNG) has adopted as its fundamental foreign policy position the principle that the country is ‘friends to all and enemies to none.’ When PNG foreign policy shifts from this principle the realist foundations of the Country’s international relationships are challenged. Under the administration of Bill Skate from 1997-1999 such a shift came close to being realized as Papua New Guinean political players used foreign policy and diplomatic interests to justify or extend their domestic political and electoral interests.

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Introduction
PNG foreign policy has been based ultimately on the interests and survival of the state. It is because of PNG’s dependent nature, its experiences of pre- and post-WW II colonisation by foreign powers, and the Realpolitik of international relations under war-time Japanese occupation, that the people obeyed whoever was more powerful. Such Realpolitik came about because survival demanded co-operation.\(^1\) PNG has been subjected to a succession of overlords, first the Germans, then the Australians and the Japanese.\(^2\) It was Australia, however, that strengthened PNG’s dependent nature under a single centralised colonial administration from 1949 until virtually 1975.\(^3\)

Since 1974, before independence, PNG has pursued its national interest under its loosely stated policy of ‘Universalism.’ Universalism later developed into the ‘friends to all and enemies to none’ approach after PNG’s first independent foreign policy principles were announced in 1975. Both became part of the first comprehensive foreign policy adopted by PNG of ‘Active, Selective Engagement (ASE)’ and this doctrine was outlined in its first Foreign Policy White Paper in November 1981.\(^4\) The basic principles of which have informed

\(^4\) The fundamental parts of ASE are: (1) the basic approach involves – identifying issues, opportunities and problems which seems likely to be relevant to Papua New Guinea’s national interests. (2) selecting those issues and actors (including governments, international organizations, multinational corporations, etc.) which affect PNG and which PNG, sometimes only with the support of others, can affect (3) analysing the relative advantages and disadvantages of alternative courses of actions or inactions; (4) engaging actively with the issues and actors selected to secure our national interests. See, Peter King, ‘the Foreign Policy White Paper of 1981: a critique’, in King, Peter, Lee., Wendy, and Warakai., Vincent, From Rhetoric to reality?: Papua New Guinea’s Eight point plans and national goals after a decade, University of Papua New Guinea Press, 1985, p274.
the near consensus approach of PNG foreign policy and diplomacy since. It is a policy that identifies short and long-term national interests. It also 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).

Despite PNG foreign policy being one of the country’s most stable policies, it is not always immune from major political interference by political players. An example of a highly politically charged policy is the Bougainville conflict. Since 1989, successive governments tried to settle the conflict 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 ultimately threatened to undermine the integrity of the PNG State by creating serious implications for its economic development. This issue came to a head 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, which made such a millstone for itself in settling the Bougainville conflict under the Burnham Truce Agreement in October 1997, sacrificed a major PNG foreign

5 These intentions and objectives were defined in the ASE and have been adapted and pursued by later successive governments.


policy commitment in order to gain a short-term financial benefit. It appears that the policy change was initiated for the survival of the government, while it imperilled the long-term integrity of the state.

PNG affairs are unusual in that when political players mobilise foreign policy and diplomatic interests for their own domestic political benefits, they may more often than usual succeed politically in the short-term at home. But such domestic advantage does not automatically translate into diplomatic success in either the short or the long-term. Critically, the price for diplomatic failure from these kinds of actions by political players is far greater than the immediate returns from success. In other words, a move, which is politically successful at home, that advances short-term interests and limited 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. And it has serious widespread diplomatic consequences. Being highly dependent PNG has little freedom of movement on the international stage. When there is any kind of short-term political shift against the principal PNG foreign policy of ‘friends to all and enemies to none,’ the situation quickly becomes a matter of survival, as this case study demonstrates.

This paper will focus on diplomatic events in PNG in the concluding months of Bill Skate’s Government by examining in particular his decision to switch diplomatic recognition from Beijing to Taipei in 1999. This case study shows that the immediate practical consequences of foregoing long term foreign policy interests for short term domestic political considerations can have serious implications for a marginalised state such as PNG. While a shift in policy was averted, PNG came close to losing its reputation for neutrality and very nearly brought diplomatic isolation onto itself, not to mention the wrath of China and Australia. Such ad hoc foreign policy realignment undermines the
established foreign policy of ‘friends to all and enemies to none’ and PNG very nearly became ‘friend to one, enemy to many.’


The Bill Skate government (1997-1999), attempted 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 and PNG’s policy of neutrality encapsulated in the slogan ‘friends to all and enemies to none.’ 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 International Monetary Fund (IMF) and the World Bank (WB) for releasing financial assistance, which was coordinated with the assistance of other major aid donors. Skate’s strong opposition against the conditionality of the IMF and the WB was predictable. It was a position governed by the political tactic of mobilising PNG’s newly established sense of nationalism and public sentiment against the IMF and the WB.\(^8\) Hence, it was largely for the Skate government’s domestic political consumption. But, it was diplomatically risky and costly. It was almost from the start guaranteed to be futile.

Alongside an already problematic situation, the Skate government hired a controversial former WB employee as the government’s chief economic

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\(^8\) Even after Bill Skate resigned as the Prime Minister, there have been questions about the operations of the World Bank and the IMF in PNG. Such sentiments and frustrations exploded in June 2001. There was a demonstration against the World Bank’s structural adjustment plans and the rumoured land mobilisation plan of the Morauta Government, which were combined with a demonstration against a proposal for downsizing Papua New Guinea Defence Force. Downsizing would mean only half of existing numbers (from 4200 to 1500) under the recommendation of a Commonwealth Eminent Persons Group. This demonstration against the Morauta Government which succeeded the Skate Government, ended up with 3 students dead and a demonstrator being shot by a Special Mobil Police Squad from the Highlands Region. R.J. May (ed), *Arc of Instability’?: Melanesia in the early 2000s*, Macmillan Brown Centre for Pacific Studies, University of Canterbury, Christchurch, 2003, p3, and also see, Anthony Siaguru, *In-House in Papua New Guinea with Anthony Siaguru*, Asia Pacific Press,
adviser. Dr. Pirouz Hamidian-Rad who was the head of the World Bank field office to PNG was hired against WB policy. Dr. Hamidian-Rad was known in PNG as ‘million man.’ The name highlighted his controversial K7 million contract with the Skate government, as its chief economic adviser. 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 a former WB employee that 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. Some observers argued that:

Dr. Hamidian-Rad’s appointment created tension between the World Bank and the International Monetary Fund and the Papua New Guinea Government and resulted in the refusal by these international agencies to forward previously agreed loans to Papua New Guinea.  

As a consequence of the deadlock, the Skate government went to the European based international private bank ‘the Kredit Bank’ seeking US$ 120 million

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11 The identity of ‘Kredit Bank’ is not clear. However there have been reports that it was “a European syndicate of banks led by the Kredit Bank of Netherlands” (Pacific Island Monthly March 1999, p22), “the Kredit Banking Corp. of Europe” (Pacific Island Monthly May 1999, p28) and “the Kredit Bank of Belgium” (Pacific Island Monthly September 1999, p36). See, Sam Vulum, ‘PNG still searching for multi-million dollar lender’ in Pacific Island Monthly: March 1999, Fiji Times Limited, Sydney, 1999,
in financial loans, which they failed to secure. It was later to result in a massive blow out in PNG’s domestic borrowing and indirectly to its 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 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, which had hit hard some of PNG’s major aid donors and trade partners, particularly Japan and South Korea. The Skate government’s budget blowout greatly exacerbated this tension.12

On 29 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 billion13 from Taiwan in exchange for giving it full diplomatic recognition. In effect it called for the abandonment of 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 to PNG’s major aid donor - Australia, as China is one of its major trading partners. Since 1976, the ‘One China’ policy has framed PNG’s long-standing foreign policies in the region. In its bilateral relations with the People’s Republic of China (PRC) it is a non-negotiable core. Moreover, PNG has 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 with not only the PRC but with Australia. Moreover, it could bring strategic instabilities and

uncertainty into the whole South Pacific region.\textsuperscript{14} Although, PNG could gain a short-term financial advantage this deal came with massive diplomatic and long-term economic costs to PNG.

Although Foreign Minister Yaki exchanged diplomatic notes on the deal and later made a diplomatic communiqué announcing the “partnership” with his Taiwanese counterpart on 5 July 1999, the US$ 2.5 billion that would lift PNG out of its financial problems was promised, but never arrived.\textsuperscript{15} Furthermore, on 7 July 1999, Skate made an unexpected move when he announced his resignation. The newly christened ‘former Prime Minister’ Bill Skate argued in his pre-resignation announcement regarding his decision on the Taiwanese deal:

\textit{“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.”}\textsuperscript{16}

Indeed the announcement included an almost obligatory reference to the two long standing pillars of PNG foreign policy: “friends to all and enemies to none” and “Look North.” But the diplomatic outcomes and consequences from the Taiwanese deal proved that Skate’s decisions on behalf of his immediate domestic political benefits had undermined longstanding PNG foreign policy. In other words, despite the reference, the whole deal was against these two pillars of PNG foreign policy.

The event also showed the unique relations between PNG and Australia. When the deal was reported publicly on 6 July 1999, the PRC immediately


\textsuperscript{15} 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’ in \textit{Pacific Island Monthly: August 1999}, Fiji Times Limited, Sydney, 1999, p10.

condemned PNG’s deal with Taiwan and threatened to sever diplomatic relations with PNG. Importantly, it lobbied Australia, which did not deny using its influence to reverse the decision of the Skate government. A spokesperson for the Australian Department of Foreign Affairs and Trade insisted PNG change its decision, by noting:

“We are firmly opposed to any country with diplomatic relations with mainland China [i.e., PRC] having any official exchanges with Taiwanese authorities and developing any official relations with Taiwan.”

The response from Skate in his newly acquired position as PNG’s interim government was predictable. Appealing to populist and nationalist sensibilities the PM accused Australia of dictating the 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.”

Thus the deal did not only undermine PNG’s bilateral relations with PRC but also with Australia, which has strongly committed itself to the ‘One China Policy’, since 1972. It further affected regional stability in the South Pacific by creating unnecessary diplomatic competition and tensions between PRC and Taiwan so that South Pacific Island countries became a diplomatic war zone.

over the issue of Taiwan gaining diplomatic recognition. 21 A sign of conflict between Australia and the PRC versus PNG and Taiwan was the stage of high diplomatic tension between Australia and Taiwan. After continuous Australian direct vocal opposition against the Taiwanese deal, Taiwan responded as follows:

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 [its] hands out of the ties between PNG and us. We'll convey our complaints through proper channels. 22

The day after this Taiwanese protest against Canberra, Taiwan was reportedly drafting trade sanction measures against Australia, including allegedly changing its iron ore imports from Australia to PNG. How PNG could have fulfilled Taiwan’s iron ore needs is another question. 23 Moreover, it seemed that Taiwan and PRC understood well the unique relations between PNG and Australia. As The Taipei Times said:

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. 24

In the short time before the Prime Ministership of PNG was settled, Sir Mekere Morauta, who was by then the most likely opposing candidate for the next Prime Minister made clear his view in cautious remarks regarding the deal. In an interview with Australian Broadcasting Corporation (ABC) radio he said:

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23 It should be noted that PNG does not export iron ore according to a report appearing in the article. See, ‘Diplomatic tug-war over PNG’s Recognition of Taiwan’, The National, July 9 1999.
24 Australian was directly involved with the PRC for its possible natural gas deal at that time. Agence France-Presse, ‘Mind your own business, Taiwan warns Canberra’, The Australian, July 7 1999, p8.
“As 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 a worst-case scenario, PNG could bring itself into isolation and could have become ‘enemy to many and friend to one’.

It is not being overly contentious to suggest that the Skate government’s domestic oriented and political self-benefiting diplomacy nearly eventuated in foreign policy disaster for the nation as a whole. Instead of making PNG more independent it certainly brought about an important erosion of sovereignty by strengthening the resolve of the Country’s major aid donors to tighten the conditions of their assistance. There was a very significant shift towards more use of tied 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.

Skate brought renewed attention to PNG’s economic position at a time of far reaching maladministration of its finances. His administration 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 worker’s salaries, such increases made very little impact on the

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26 The aim was to marginalise political influences to the administrative process in foreign aid by moving to more program and conditioned aid.
27 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 investment policy in Papua New Guinea’ in Pacific Economic Bulletin Volume14 Number2, National Centre for Development Studies, Canberra, 1999, pp25-27).
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 to 1999 grew such that in 1997 it was approximately 1.5 per cent of total gross expenditure on investment in priority sectors.\textsuperscript{28} In 1998, it was just above 2 percent and in 1999 was just below 3 per cent.\textsuperscript{29} But health expenditure in the development budget did not necessary go to 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.\textsuperscript{30}

The foreign policy and diplomatic implications of the Taiwanese deal show the implications and consequences for PNG’s foreign policy and diplomacy of exchanging short-term interest for long-term foreign policy goals. The


\textsuperscript{30} 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 to 1990 was 9.3 per cent decreasing between 1991 to 1995 to 8.3 percent (\textit{World Development report 1997}, TableA.3, p200). 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’ in \textit{Pacific Economic Bulletin: Volume12, Number2}, 1997, Canberra National Centre for Development Studies, Table5, p102). But one per cent was taken from health expenditure, while at the same time, the population in PNG has dramatically increased. The total population was 2.4 million in 1970, 2.7 million in 1975, 3.1 million in 1980, by 1998, it increased to 4.6 million. (\textit{World Development Report 1999/2000}, Table3, p235, and the United Nations Development Programme, \textit{Human Development Report 1997}, Oxford University Press, New York, p177, and the United Nations Development Programme, \textit{Human Development Report 1999}, Oxford University Press, New York, 1999, p199). Moreover, UNDP estimated that the total population of PNG will reached 6.5 million by
proposed deal undermined the legitimacy of the PNG State. 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. It is possible that the major foreign policy shift of abandoning PNG’s “One China Policy” in order to secure a deal with Taiwan was a direct consequence of two years of conflicts with the WB and the IMF. The combined effect of such was that PNG was temporarily even more marginalised and Taiwan was left as its only possible source of foreign aid. But Skate’s brinkmanship was doomed from the start. Having only one most likely insecure source of foreign aid was and is unrealistic, given PNG’s financial situation at that time and in the present. How Skate imagined that he would succeed with the deal is therefore a central issue.

There was every guarantee that the PRC and Australia would take aggressive diplomatic steps to reverse the Taiwanese deal. What both the PRC and Australian could do to PNG is a far more serious issue than what they would probably have done. As the Australian Foreign Minister Alexander Downer implied, in a none too subtle reminder, 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:

“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.”

One thing was clear, PNG would be internationally isolated if it did not retain its ‘One China Policy,’ and it was highly unlikely that PNG could survive without international aid.

Such considerations lie at the heart of the realpolitik of the world in which PNG exists. Hence, in less than a week after the resignation of Skate, the newly elected Prime Minister Sir Mekere Morauta indicated a speedy review of the Taiwanese deal and “restoring normal relations with PNG’s traditional sources of development finance.” He also expressed an interest in meeting with the Chinese President at the September 1999 APEC meeting.

In a diplomatically and politically inspired move, Sir Mekere announced the invalidation of the deal with Taiwan on the grounds of legality and the technicalities of diplomatic protocol. Foreign policy implications and the diplomatic outcome from reversing the Taiwanese deal by the new Morauta government clearly show that Skate’s attempt at exchanging short-term interests for long-term foreign policy goals was not in the best interests of the state.

The PRC responded by being diplomatic to PNG sensibilities in its favourable reaction to the new government’s decision that returned to the “One China Policy.” It avoided blaming Skate or PNG by claiming that the whole saga originated in a Taiwanese diplomatic plot against the PRC:

“The Chinese government expresses a high degree of appreciation for the wise decision, …[t]he Taiwanese authorities’ plots to spilt the motherland are bound to fail completely…”

Meanwhile, the Australian Foreign Minister Alexander Downer, on a state visit to the PRC on July 11 1999, was little more than disingenuous in his comments 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.”

The Taiwanese government appeared on the surface to display neither bitterness, nor any sense of being ambushed by the decision of 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 had little to gain from being indicative of its true feelings. Taiwanese calculations of the national interests involved would have indicated that the ploy had but a small chance of success.

The Skate government intended to secure its own political survival by potentially sacrificing the survival, if not of the state of PNG at the very least its international legitimacy, for the promise of financial aid. Immediately after the appointment of Sir Mekere Morauta as Prime Minister, it became clear that the ‘realities’ of PNG’s position were apparent to him. He announced his government’s immediate objectives in what was known as Morauta’s plan of action. 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 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 summits in New Zealand in September [1999] for support and cooperation.
- Stabilise and the strengthen 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 shows clearly what are the priorities for PNG foreign policy in negotiating its international relations. Moreover, as PM Sir Mekere clearly identified the fine balance of PNG foreign policy on the issue:

“The One China policy that Papua New Guinea has followed since independence remained intact, …[i]n 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 [PNG] 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.”

But mindful of the continuing economic ties with Taiwan he was careful to the point of being obsequious in 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 would remain however. Sir Mekere Morauta would experience continuing difficulties in dealing with constant international pressures and balancing them with domestic constraints. Pressure was exerted, not only from the WB and the IMF and other aid donors
such as Japan and the EU, but more particularly by increased pressure from Australia. This scenario was more damming than helpful to improving his political situation. The failure to maintain the fine balance between the degree of dependency upon Australia and Australia’s interference to PNG’s domestic affairs, did in fact partly cost Sir Mekere his Prime Ministership. In this sense, it can be argued that the Morauta Government restored the foreign policy principle of ‘friends to all and enemies to none.’ But it failed to restore the fine balance between accepting demands from the international friends of PNG and convincing the PNG public that its government was still sovereign. He had to demonstrate that his policies such as privatisation and restructuring programmes did not result from actions ‘a big brother’ demanded of PNG. 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.’ The long-term foreign policy commitment was exchanged for the short-term interest of the Morauta Government’s survival. Despite Sir Mekere Morauta’s claims to be a champion of economic management, events soon proved that he would also fail. The end of the Morauta Government coincided with the National Budget deficit reaching, for PNG, an unsustainable level of between K550 million to K650

40 It was that public perception toward Sir Mekere was worsening. At less than a week ahead of the polls in 2002 PNG General Election polling, on June 24 2002. ‘Four Corners’ an investigative TV programme of Australian Broadcasting Cooperation (ABC) reported an allegation involving a former senior World Bank official to PNG. He claimed that he was expelled by the Morauta Government because he resisted pressure from both the Morauta Government and the Australian Government to “lower the bar” on the bank’s requirement for releasing the US$ 200 million fund to PNG. (Australian Broadcasting Cooperation, Four Corners, ‘The Insider’, June 24, 2002, at http://www.abc.net.au/4corners/stories/s590512.htm, accessed on May 5 2004).
million.\textsuperscript{43} For all his economic ability he could not overcome the structural problems of PNG’s political economy.\textsuperscript{44}

**Conclusion**

Since independence in 1975 PNG has adopted a fundamental foreign policy position based on the epithet that the country is ‘friends to all and enemies to none.’ As this paper has shown it is a principle that is hard to sustain in practice. Nonetheless, PNG has few options. It has to survive in a harsh environment where it can ill afford to get offside with its powerful neighbours. The geo-political ambitions of Australia, China and Taiwan give it little room for manoeuvre. Such realism is a hard taskmaster for PNG. It often means


trying to achieve a fine balance, not only between the nations in the region, but also between domestic and foreign policy. It is inevitable that PNG will confront more crises of the kind discussed in this paper. Its populist pressures are unlikely to abate and it faces an international situation where the doctrines of pre-emption and neo-liberal governance will contribute to instability. Being friends to all is not a naive principle for PNG; it is a fact of life. When PNG foreign policy shifts from this principle the foundations of the country’s international relationships are challenged. It is tempting to blame Skate’s ineptitude for the Taiwan crisis, but to do so is to forget the growing sense of nationalism in PNG and the difficulties that arise from the policies followed by the IMF and World Bank and how to reconcile the two. Another challenge comes from the internal dynamics of politics as practiced by political players in Port Moresby and Waigani and how they mobilise foreign policy agendas in pursuit of domestic political agendas.

Under the administration of Bill Skate from 1997-1999 the temptations of brinkmanship and populism came close to being realized as Papua New Guinean political players sought to use short term foreign policy and diplomatic manoeuvres to justify or extend their domestic political and electoral interests.

In this light, Skate’s action has been shown to be a rather desperate move with little or no chance of long term success. Thus the question arises, despite numerous occasions when domestic interests encourage, political interference in PNG foreign policy and diplomacy for short-term considerations, how is its foreign policy so stable? It may be partly because PNG has clearly identified her national interests in the short and long term as part of comprehensive foreign policy approach. This approach dates back to the Foreign Policy White Paper of 1981 and its realist philosophical principle of ‘friends to all and also discovered the difficulty of balancing domestic and foreign policy demands. He had also learnt the lessons of marginalisation as it applies to a small dependent country.
enemies to none.’ Invoking the meaning of the words requires a strong sense of judgement not a literal mindset. But a small semi dependent nation like PNG has little alternative. It is PNG’s recipe for survival in the world of realpolitik.