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## **PMIZ—Promise and Plight**

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### **Abstract**

The Pacific Marine Industrial Zone (PMIZ) project on the Madang coast is a bold venture with the goal of establishing a Special Economic Zone that can provide income and employment through on-shore processing of Papua New Guinea's extensive tuna resource. The project will operate as a private zonal authority with its own regulations. According to the loan agreement with the Chinese Exim Bank, a major part of the project must go to a Chinese developer using Chinese technology, labour and equipment. The PNG media and voices at meetings in the vicinity of the proposed zone have raised concerns about the conditions of the project and its possible environmental and social impact. The research for this paper seeks to clarify plans for the PMIZ and to seek opinions among the people affected. The study reveals a number of issues that call for further clarification, and identifies areas where the local communities and the Church might work to bring about just and peaceful development.

**Key words:** Pacific Marine Industrial Zone – PMIZ , Madang, Special Economic Zones – SEZ, development

### **Introduction**

The proposed Pacific Marine Industrial Zone (PMIZ) has received considerable publicity in the PNG media during 2011, particularly an event where three senior Government Ministers attended a public forum at Alexishafen on 29 April, which developed into a verbal brawl with racial put downs and accusations that the project is a “con job” (Matbob 2011, ABC Radio Australia 2011, Rait man 2011). Some local people are saying that the PMIZ has been imposed on them without proper consultation, and they are fearful of the social, economic and environmental impacts PMIZ will bring.

With these concerns in mind Caritas Australia asked for a report that would seek out the facts of the plan for PMIZ through consultation with relevant members of the Government agencies; clarify how a Church owned and run plantation had become a Special Economic Zone; and seek the opinions of people affected, so as to propose areas of concern where the church and community representatives might intervene to help bring about a just and peaceful outcome. This paper summarises findings from that research, conducted over three weeks in November 2011.

### **Special Economic Zones**

Special Economic Zones (SEZ) are designated areas that provide policies and

infrastructure attractive to export-oriented investment. SEZs have relatively high-quality physical infrastructure such as roads, electricity, and telecommunications. They also offer clear, streamlined custom clearance procedures (for both imports and exports) and reduced business entry and operating costs that boost an investment's competitiveness and encourage firms to locate there.

In 2009, according to the International Finance Corporation (IFC), it was estimated that 3,500 SEZs are operating in 130 countries. Of these, there are more than 2,300 zones in 119 developing and transition countries, clustered mainly in Asia and the Pacific and the Americas, employing 66 million workers--40 million in China alone (International Finance Corporation 2011, p. 2).

SEZs are one way that countries can attract investment. To be successful, however, they need to be supported by the appropriate legislative and regulatory frameworks that protect local interests while ensuring the development agency and investors meet international best practice. It is argued that a well functioning zone has the potential to provide thousands of much needed jobs in PNG.

Best practice SEZs bring new skills and technologies to their host country. However, a report from the International Labour Organization, notes how there may be difficulties regarding hours of work, overtime and wages, occupational health and safety, leave, provision of food and night transport, social security and the special needs of women workers (International Labour Organization 2003). These can be complicated by the foreign management of many zone enterprises unfamiliar with the country and its culture.

### **An SEZ in Madang**

The PMIZ planned for a site near Madang will be the first SEZ in PNG. The idea behind PMIZ is that if PNG could value add to its extensive fisheries resource by on-shore processing, that could bring economic benefits to the country to the tune of US\$1 billion or about K2.5 billion apart from other direct and indirect businesses and spin-off opportunities to Papua New Guineans.

The concept of setting up an SEZ in Madang came originally from the RD Tuna Company, which has been established near the town since 1995. When it became available, RD bought the former Vidar plantation, mainly because it would provide a chance for wharf facilities. RD sold 216 hectares of the land to the Government, along with the idea of a Marine Industrial Zone.

Finance for Phase 1 construction of what has been called a Marine Park will come through a concessional loan between the PNG Government and the Government of the People's Republic of China. However the PNG Government has yet to commit K11 million as counterpart funding to trigger drawdown of the Chinese Exim Bank loan of US\$95 million for Phase 1 of the Project.

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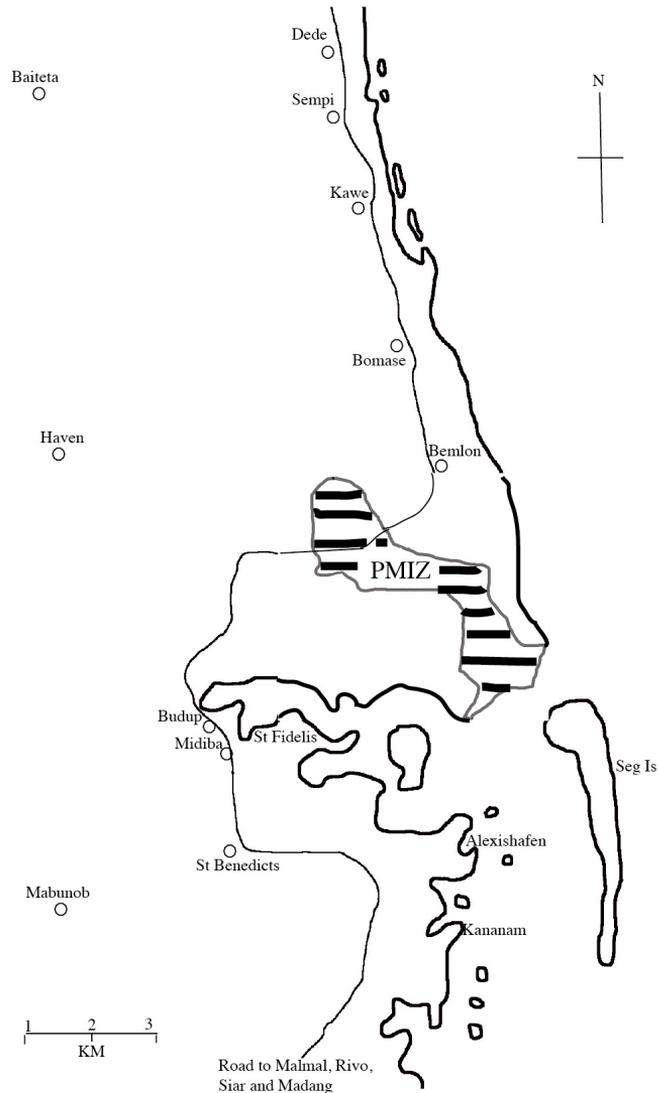
**Environmental impact**

The PMIZ project will involve the construction of drainage, bridges, roads, staff housing, a commercial complex, cool storage, wastewater treatment plant, communication and utilities facilities, a fuel depot, administration buildings, a residential complex, a container terminal, and a fish port and cannery. A landfill into the sea and construction of a wharf and pier will have considerable environmental impact. The Environmental Impact Statement for the Department of Commerce and Industry (2010) identifies a number of issues including degradation of water quality, destruction of habitat and subsequent loss of species, oil spills and toxic contamination, noise, dust, and machinery emissions.

**Social impact**

The Environmental Impact Statement for the Department of Commerce and Industry (2010) makes mention of human and health issues including, public health risks as a result of sewage disposal, welfare related losses of subsistence use of land, recreation and local economic opportunities, destruction of cultural sites, tourism potential and aesthetic values of the area, transmittable diseases, law and order issues, and migration and population issues. A social-economic assessment by Mell Consultants was presented to the PMIZ National Management Committee in 2011, but was not accepted by the Committee.

A recent report funded by the European Union (Hamilton, Lewis and Campling, 2011, pp. 70-72) notes a number of potential social issues including internal clan issues between clan leaders and younger members, eviction and relocation of settlers, cultural tensions, pressure on land and existing infrastructure, sex work with associated risks, and effects on local fishing activity. Many of these issues are being felt already to some extent by the local people.



Map of North Coast and PMIZ

### Research

The information provided above derives from Government and Company sources. What are the local people thinking? From newspaper reports and blogs it appears that there are differences of opinion about the benefits and problems associated with PMIZ development (*Post Courier* Editorial 4 April 2011, PMIZ Watcher 2011a).

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## Method

The researchers met to plan the project during the week of 26<sup>th</sup> July 2011. A literature and newspaper review followed. The authors formed a team for interviewing between 1-8 November 2011. Interviewees were chosen because they held key positions in organisations associated with the PMIZ project or because they represented groups in the project impact communities. The research team conducted 25 semi structured key informant interviews (21 with men and 4 with women) and 7 group interviews involving 39 people—26 female and 13 male. Two of the group interviews were mixed, the others being exclusively male or female. There was one interview with a male youth, the rest of those interviewed were adults. One interview was by phone. The interviews where consent to record was given were transcribed and analysed. Analysis was done through manual thematic coding of transcribed scripts. Personal names are not given in this text because of the sensitive nature of some responses.

## A historical note on Vidar plantation

The 860 hectares at Vidar and Maiwara was initially given to Madang Catholic Archdiocese by the German administration in 1905 under freehold title. In the early 1980s, problems arose when customary landowners wanted their land back. Instead of doing that, in 1996, the procurator of the Madang Archdiocese handed the plantation over to the Madang Provincial Government (Tseraha 2000). Local people were led to believe that they would get the land back from the Government to do business. However, the Sheriff's Office under a court order brought about by the bankruptcy of ZZZ fishing company, auctioned the land in 1997 and RD Tuna bid K3 million for it. So legally the land is still under freehold title and RD Tuna is the principal landowner, with the National Government (under the title of Madang Marine Park Holdings Ltd.) now owning the 216 hectares marked for PMIZ.

Legally PMIZ and belongs to the State, but people still feel a sense of ownership. A government officer expressed a sentiment felt by many when he said, "It's a foreign law. If we had our own law it would be better because it would follow our culture and custom. Personally I think they have a right to complain because in Papua New Guinea we are all landowners."

## Possible benefits

How do people see the benefits from the proposed project? Many people note the opportunity for employment. The RD Tuna management said that they give a chance for paid employment to many young people who otherwise might be on the streets. Additional opportunities for employment would expand this benefit already initiated. Once fully operational PMIZ is expected to generate 40,000 direct and indirect jobs.

People also mention spin-off benefits. These could be trucking, catering, fresh food marketing, etc. A government officer added a word of caution saying how

such benefits will depend on how well they are managed and profits reinvested. He noted how revenue from the already existing clearing and fencing projects had gone mostly into buying beer and hiring cars, with little or none of the income being reinvested.

Some observed that it appears to be a minority who are to gain and that there will be little benefit for the common people. “Many people, especially those who think they can gain are the ones who are well off a little bit—they want the project to be on. Many people at the grass-roots will lose, not because the project is there but because their *wantoks* want to own the spin offs” (Church Worker, Madang).

Women especially question how much spin-off benefits such as trucking or earth moving will benefit them. The women say that it appears that the Government stands to benefit more than the local people. They also fear the influx of outsiders, as one group of women said, “We will lose and become like the dogs of those from elsewhere.”

### **Possible problems**

In our interviews people raised a number of problems or difficulties that they were experiencing at this present time, or that they anticipated for the future. They are presented here under fourteen points.

#### ***1. Land issues.***

Because the land was freehold since the time of German occupation, sold, auctioned and then sold again to the PNG Government, legally the government “owns” the land under question and those people in the vicinity of the project are referred to by the Government as “impact area people”. However, many local people disagree with that designation. Some Kananam people claim to be the true landowners (*papa graun*). However, Rempi people, particularly those from around Bomase also claim to be the original owners. For the moment the main highway at the site provides a reference point with Kananam people claiming one side and the Rempi people the other.

#### ***2. Settlers***

Local people fear that if the project is as large as predicted there would be thousands of workers and that they would not be housed within the project premises, but look for places to settle in the vicinity. Women feel particularly threatened by the prospect of outsiders moving in. One woman at Rempi spoke out as follows, “When the project begins it will bring more settlements and more trouble. Already there is trouble with the settlements in town and when the project comes it will be the same.”

#### ***3. Political Issues***

There are many political issues associated with the project. The O’Neill-Namah government has supported the project through the Minister of Commerce and Industry, Charles Abel. However, Ken Fairweather of the Sumkar Open electorate opposes present plans. There are also issues with communication

between different levels of Government, national, provincial and local. One hears that most of the decisions to date have been made at a national level in Port Moresby, with little consultation with provincial or local authorities.

#### **4. Law and order**

“Beautiful Madang” has also been promoted as a safe haven for tourists. The situation is shifting with residents lamenting that the law and order situation has changed for the worse. Women at Alexishafen were scathing in their evaluation of the male leaders and what they referred to as the “sickness” of corruption and patronage. “They [the leaders] won’t come and defend their community because they gave them a full cup of ice cream to eat and they don’t want to talk any more. The ice cream tasted good and they go and sit at Vidar and consume it and become “fat cats”, and the poor common people are left to cry. Sometime it will provoke a civil war, and we don’t want a civil war here.”

#### **5. Alcohol and drugs**

Misuse of alcohol and drugs impacts the law and order situation. “There are many problems with drugs and home brew such as *yawa*. Under the influence young men say bad things, argue and fight, and chase after the women” (Women at Rempì). People can see social problems occurring at this point and worry about them getting out of hand if there would be more money and more workers, particularly those from other parts. Health workers at Alexishafen have noticed the connection between pay weekends, drunkenness and accidents requiring medical attention.

#### **6. Prostitution**

Mothers at Alexishafen were not happy that with fish not as easy to catch as before, some women go sell themselves (“... *go salim as bilong mipela* ...”) for fish. The fish might provide food for the family or be sold at the market for K20. They also were concerned that the exchange for fish involves very young girls.

#### **7. Mixed race children**

Several interviewees spoke about mixed-race children from Papua New Guinea and Asian unions. The mothers at Alexishafen seemed concerned for the children implying that they might suffer some form of discrimination. “We can’t deny that now ten year old girls get pregnant and have Asian babies, there are many Asian babies here in Kananam. You mothers can’t deny it. These children will suffer and we have to think about the lives of these children” (Mother at Alexishafen). The women say it is hard to stop the girls because they as mothers can’t provide the money and other attractive items that the girls have access to on the boats.

#### **8. Health including HIV & AIDS**

Staff at the Alexishafen Health Centre administered by the Catholic Health Services are concerned that there is a sense of being overworked and their facilities stretched to capacity already and they fear they will be unable to cope with an influx of more people unless they can extend facilities and have more

staff. The maternity unit at the Health Centre has 100+ deliveries a month. There is a VCT Centre at the Health Centre. So far numbers testing positive for HIV are relatively low in comparison with other parts of PNG such as Port Moresby or Mount Hagen.

### **9. Pollution and environment**

People feel that with the proposed commercial and industrial developments environmental change is inevitable. The Rempí women sum up the feeling, “We think that the sea will be ruined. Now we get our food there but it will be difficult later. Later our children will use fishing lines and nets and dive for nothing as it will be the time to eat money.” We were struck by the way some local people spoke about destruction or changes to the environment, not so much out of concern for the environment, but wondering how they could get monetary compensation as a result.

### **10. Fishing and access to the sea**

Government documents sighted in November note current contracts for an “under water sea lease survey and hydrographical survey” (Secretary for Commerce and Industry 2011). Reference to an under water sea lease have raised questions as to who owns the sea bed and whether and how the sea bed can be leased or alienated from its current owners. Ownership and right to the sea and the seabed is still unclear and this will be a significant issue as the project develops

### **11. Chinese and others**

In our interviews we noticed frequent negative comments about “Asians”, particularly Chinese, referred to in rather derogatory terms as *kongkong* in Tok Pidgin (ABC Asia Pacific News 2011). It is unclear how much personal experience people have had with Chinese developers or whether it is a form of xenophobia. We heard comments such as, “We don’t like Asians, we don’t want the same thing here as is happening at Basamuk” (Kananam leader). Basamuk is the Bay near Madang with an outlet into the sea from the Ramu-Nickel mine. It is possible that the sentiments do not refer to all Asian people, such as those associated with logging operations (Malaysian) road construction (Korean), but rather spring from feelings linked to the unpopular Ramu-Nickel mining operation.

### **12. Cultural change**

When asked about “culture” people most often say that it no longer exists because they equate it with traditional rituals and ways of life. Others realise that culture does not end, but changes, and that there are benefits and down sides to “development.” “People will change as they adopt the lifestyle of towns and cities with dance halls and social clubs. It is part of development. There is not much we can do, but I do see the negative effects. I am very concerned that it will also cause the downfall of Christian values (Male leader from Rempí). Without traditional values or Christian values some wonder what resources they will be able to call upon to deal with problems that arise.

### **13. Resettlement**

Government officers insist that there will be no resettlement because the land bought for PMIZ has been freehold land for almost 100 years and that there are no “land owners” as such—only the neighbouring people who are referred to as the “impact area people.” With this understanding there are no landowners who have a right to resettlement, only illegal settlers who can be evicted. People who had formerly worked for the mission and for RD Tuna, residing in the Nukuru and Mos Damon areas within the boundaries of PMIZ were given compensation for loss of their gardens and fruit trees and told to go and live elsewhere. Those who did not move were forcibly evicted on 21<sup>st</sup> October 2011.

### **14. Divided groups**

The local people are far from united. There is a major cultural and historical division between those who identify with Rempi and those who identify with Kananam. However, within those two major divisions there are many sub-groups associated with particular villages or those vying for access to benefits. It is difficult to define clear divisions and groupings because of intermarriage and shifting internal politics.

Leaders of the Kananam Investment Limited (KIL) claim to be an umbrella company representing the interests of all the Kananam people. However, clans within the Kananam area are divided partly because some are more affected than others by the proposed developments and some voice stronger claims to be land owners. They refer to it commonly as *pulim taitim* – literally to pull and to tighten – which is an image of struggle or tension. On the Rempi side there is REHAMB Holding Company (the term coming from a combination of Rempi-Haven-Midiba), but people from Bomase do not feel represented, yet they are the people nearest to the PMIZ project. Aside from internal politics, women generally feel left out. The women at Alexishafen spoke strongly about the effects of division. “When PMIZ comes we will break our own necks and lie around stinking like dead frogs.”

### **Participation and involvement**

Development in Papua New Guinea is ideally a cooperative venture between the Government, Landowners and Developers. However it appears that the people have lost trust in the government due to communication breakdowns, and they sense that they are being fooled with short-term benefits (Basse 2011, p. 41). People see a pattern of negotiations and agreements being signed in Port Moresby with little or no involvement of the people who claim to be land owners or those impacted by the project.

One strategy to involve people has been the formation of Incorporated Land Groups (ILGs), however the ILGs generally lack accountability and transparency for the landowners they are intended to represent. At the time of our research, word was circulating that the Department of Commerce and Industry was dissatisfied with manner of selecting leaders for the umbrella groups such as REHAMB and KIL and that they were ordering a fresh election

for more representative leadership. Instead of finding a way to make present ILGs more representative, there seems a tendency to form new breakaway groups.

### **Three parties: government, landowners, and developers**

#### ***Government***

The National Government through the Department of Commerce and Industry is pushing ahead with the project having signed a loan agreement including counterpart funding. So far there are no MOUs established with the local people and legislation for the Act establishing the SEZ is still pending. The National Government has set up a National Management Committee based in Port Moresby, and a Project Implementation Office based in Madang.

At the Provincial Government level there seems little involvement in the project. An officer at the Madang office of the Department of Commerce and Industry told us that they were not involved in PMIZ as yet and that the initiative is with the National Department and the National Government.

#### ***Landowners***

The Government considers itself to be the principal landowner of portion 1350, the area planned for the initial development of PMIZ. Impacted neighbouring people can liaise with the National Government through a Coordinating unit being set up in Madang, and through the so-called land-owner companies such as KIL and REHAMB that can link with the Project Management Team.

However, there appear to be difficulties in communication between the Government established bodies and local leaders, and between local leaders and the majority of local people, particularly women and youth. With the divided groups it is doubtful that the ILG's speak for the collective voice of the people.

#### ***Developer***

This project, though partly funded by the Government of PNG, and authorized by the National Minister responsible for commerce and industry matters, will operate as private Zonal Authority with a managing director. According to the loan agreement 70 per cent of the project must go to a Chinese developer (China Shenyang International Economic and Technical Cooperation Corporation) using Chinese technology, labour and equipment. Once operating there will be no local or national taxes, but the proposed PMIZ Bill (point 111) directs that 3% of the gross income of the zone go to the National Government, and 2% to the Municipality where the enterprise is located (presumably the Provincial Government). The remainder (95%) will be income for the business enterprises within the zone.

#### **Church**

There are a number of churches in the area, but there are several reasons why the Catholic Church needs to be considered in PMIZ development. Firstly, at

present the majority of the local impact area population are Catholic; secondly most of the facilities in the area such as schools, vocational training, and health services are with the Catholic agency; thirdly, Alexishafen represents the founding of the Church for the northern part of mainland New Guinea, fourthly, the Church has a historical link through its previous ownership of the Vidar plantation, and fifthly, from the perspective of the social teaching of the Church there is a mission to promote integral human development in situations of social change and social concern.

Church workers are trying to become involved, but some encounter difficulties. "The Church must do something – but what? I feel the pain of the people and I wanted to help them. So I got involved with widows and youths, but they didn't accept me. When I wanted to work with them, they said, "You give it to us as compensation." "You took our land so now you must give us project money in return" (Church Worker).

Some respondents put very strong demands on the Church. "The Church convinced people to *wok sol* (work for a spiritual motive) so they would go to heaven. However, for the Church to be in this to the tune of millions of kina is an injustice. Maybe they say they use the money to run institutions for other people's benefit but they fail to see that they sacrifice me. We become marginalised. I think the Catholic Church knows who are the rightful landowners but they are not saying clearly whom they got the land from and now we have arguments over who are the landowners. If the Church had not had the ground in the first place the people would be alright now" (Male leader Bomase).

The Catholic Archbishop of Madang realises that there are issues associated with land, human rights and social concerns. He and his staff are working with local groups to sublease some of the land that still belongs to the Church in a way that local people can use the land, but not lose it as happened with Vidar.

## Discussion

The Special Economic Zone to be set up near Madang will be the first of its kind for Papua New Guinea, so there are many unknowns. We do not know how well it will function or when. A recent report sponsored by the European Union predicts limited prospects and an extended time frame for the project (Hamilton, Lewis & Campling 2011, p. 37).

A reasonable prediction, based on available information, is that there is unlikely to be more than one tuna processing plant on the site for the next five years in PMIZ, and limited prospects for additional plants up to ten years into the future. As noted, construction of the Niugini Tuna Ltd. is geared to commence with the signing of the Project Agreement, and will be able to use the existing RD facilities for unloading fish, freight etc. without waiting for the Phase 1 PMIZ infrastructure which may not be in place for another four years. It is reasonable to expect that potential new investors would hold off making firm commitments until the

infrastructure is completed, socio-economic issues have been resolved, and the SEZ is demonstrably functional.

Considering the experience of SEZs in other countries, there is no guarantee as to who will benefit. The plan sounds fine on paper, but implementation could be a totally different matter. Some local people have been taken on a tour of Subic Bay in the Philippines, but they did not look into the conditions of the workers there. We see already considerable delay in the implementation of the PMIZ project. Legislation for the Act establishing the SEZ is still pending so there might well be further changes.

An Environmental Impact Statement (Department of Commerce and Industry 2010) identified a number of environmental effects of the project (PMIZ Watcher 2011b). To date there has been no Social Impact Assessment or Social Mapping recognised by both the Government and the local people.

Local people expect benefits from the project, but until now these amount to little more than K500, 000 cash given to two umbrella companies, training in business management, and talk about “spin-off” business opportunities such as trucking, catering and food sales. Going on current experience, it appears that one of the most profitable businesses might be beer and liquor sales. Some raise the question whether spin-off benefits are sufficient, or rather whether local people should be considered “partners” in the project. Despite the agreement that 70 per cent of the development should use Chinese technology labour and equipment, the Government must surely be aware of PNG people’s sensitivity about foreigners doing work that PNG nationals are capable of doing (PMIZ Watcher 2011c).

Trust is a major issue, and rumours of corruption abound. Land issues will no doubt continue and might well intensify with the arrival of more settlers. Will land development outside PMIZ proceed in an orderly way or will it get out of control through subleasing or land grabbing? Apart from the land, there is need for clarification on underwater lease issues. How will the project affect people’s access to the sea and fishing grounds?

At times it seems that people are almost eager for environmental damage that could be the grounds for compensation claims. One would hope that a genuine concern for the environment will prevail. There will be environmental damage and hopefully there will be just compensation. However, attitudes will need to change since from past experience, cash payments are seldom invested, but often end up funding political campaigns or being used in mass displays of conspicuous consumption (hire-cars and beer parties).

The fragmentation within the local communities does not augur well for the future as mistrust and infighting could distract attention from fruitful development. Divisions among the land owners will detract from their capacity to deal constructively with the Government and the Developers. More could be done for young people and women, who feel excluded.

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The Church is in the middle of these developments and has the prophetic task of promoting the ideals of integral human development and the common good. Most institutions in the area such as schools and health facilities are Church run. Based on the comparative advantage of the Church to administer such facilities, it may be to the advantage of the Province to support the Church to develop those facilities and assist more people. That will require better consultation than has been the case until now.

Many of the people we spoke to are disillusioned and disappointed by the development they have experienced with RD Tuna and wonder if future development will bring more of the same.

The common feeling is summed up by a leader from Rempi. "In the beginning, for most of us, we viewed PMIZ as an opportunity. But, if the interest and the well being of the people are not built properly into the development of this project and if they are going to be left out, marginalized, pushed aside, only to be given the *pipia* (rubbish) or whatever, it will create a problem. My biggest fear is that people will eventually rebel against such things, and in a sense they are doing it now. They will rebel against it. So it is in the interest of everyone that the people's interests are properly catered for in this whole project. So in the end, the people should be in a situation to say, okay, we can give up a bit of this because we can see in the long term it'll benefit us. They should be in a position to do that, when at the moment, they don't even know and they can't even make those decisions. And that's the thing that is unfortunate about this project."

## Conclusion

Development is how we manage change, so much depends on the model of development adopted. So far PMIZ appears to be following a top-down model of development in line with economic rationalism, with change coming through externally directed forces. Information is supplied to beneficiaries for their acceptance and in order to gain approval and social license. Too often this involves "ground-breaking" ceremonies, without the necessary "ground-work". At the moment most of the major decisions are taken in Port Moresby with little apparent consideration for the people in Madang.

SEZs have been operating in a number of countries for over a decade, and PNG might well benefit by learning from their experience so as hopefully to avoid some of the problems and reap some of the benefits. Following from the Joint Communique with key stakeholders of Madang Province (20<sup>th</sup> September 2011) that acknowledges social, economic and environmental impacts of the project, the PNG Government needs to ensure that there is an accurate Social Impact Assessment of PMIZ, including comprehensive Social Mapping of the Impact Area Communities.

The Catholic Church administers most of the current education and health facilities in the vicinity of the project. So, it would be expected that project developers and the Government will consult with the Church on how best to

develop those facilities to cope well with the new needs occasioned by the project. In turn, faced with increased community fragmentation, the Church in conjunction with other NGOs would do well to facilitate community-based encounters to discuss and address social issues identified by the communities.

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