

Senate, Monday 2 April 2001

COMMITTEES: Foreign Affairs, Defence and Trade Committee: Joint: Report

Senator GIBBS (Queensland) (4.44 p.m.) —On behalf of the Joint Standing Committee on Foreign Affairs, Defence and Trade, I present the report of the committee entitled *Second Australian government loan to Papua New Guinea*.

Ordered that the report be printed.

Senator GIBBS —I seek leave to move a motion in relation to the report.

Leave granted.

Senator GIBBS —I move:

That the Senate take note of the report.

A second loan to Papua New Guinea was granted by the Australian government in December last year. The International Monetary Agreements Act requires the Joint Standing Committee on Foreign Affairs, Defence and Trade to examine the national interest statements issued by the Treasurer in relation to all loans made under that act. The committee must report on the matter within two months of the tabling in parliament of a national interest statement. As the Senate will recall, the first loan to PNG—equivalent to \$US80 million—was the subject of a report presented by the committee in October last year. The national interest statement for the second loan—equivalent to \$US30 million, in three equal tranches—was in many respects a much more informative document than the first one and incorporated many of the committee's suggestions for improvement.

Before I continue with the matter of the second loan, I would like to draw attention to the serious situation that erupted in PNG just as the committee was considering its report on the loan matter. The latest crisis was an attack by renegade Papua New Guinea Defence Force soldiers on the armoury at Murray Barracks which resulted in the looting of a large number of automatic weapons. This attack was apparently prompted by the leaked Commonwealth Eminent Persons Group report on restructuring and 'downsizing' the Papua New Guinea Defence Force. It forced Sir Mekere Morauta to announce that the restructuring proposals would not be implemented and that an amnesty had been granted to the rebels. This was a very dangerous development which had serious implications for democratic processes in Papua New Guinea. The most recent news reports from Port Moresby have been somewhat reassuring. However, although the stolen weapons have now been returned, the rebel soldiers and students have demanded the recall of parliament and the removal of foreign influences, such as the 'unnecessary' Australian and New Zealand military advisers, and cancellation of the economic reforms required by the World Bank and the IMF.

The Treasurer's recent announcement that the second tranche of the \$US30 million loan had been released demonstrates the Australian government's confidence in the reform program of Sir Mekere Morauta. It also illustrates the importance of maintaining the momentum of the ambitious economic, political and institutional reform program commenced by the Morauta government in 1999. To do otherwise would jeopardise the gains already made and would risk letting Papua New Guinea slide into chaos by default. Despite a few setbacks, including a temporary rift with the World Bank, the reform program is largely on track and therefore should continue to be given support by the international community.

Although the report I have presented today considered the proposed reform of the Papua New Guinea Defence Force as part of its overall review of the bilateral relationship, the main focus of our inquiry was the second Australian government loan to PNG in the context of the IMF and World Bank structural adjustment program. In essence, the weight of evidence presented to the committee led to the conclusion that granting the second loan was clearly in Australia's national interest.

However, some criticisms remain. In our report on the first loan we recommended that the International Monetary Agreements Act be amended to enable the committee to be involved before future loans are executed. Our second report has again expressed concern at the timing of the referral of the national interest statement to the committee and has reaffirmed the recommendation to amend the act to enable the committee to be involved earlier in the process. While acknowledging that prompt responses are essential in circumstances of acute regional difficulties—such as the Asian financial crisis several years ago—the committee remains of the view that a mechanism should be found which provides effective parliamentary scrutiny of the loans. We believe that such a mechanism need not delay the loan approval process unduly, nor compromise Australia's ability to act swiftly in conjunction with the international financial institutions. When future loans under the act are being considered, the committee suggests that the relevant Commonwealth agencies provide a confidential briefing to the committee on the draft of the proposed national interest statement and the terms of the loan. This should be arranged well before the statement has been finalised and before the loan is executed.

In conclusion, I wish to express the committee's gratitude to the organisations and individuals who contributed to the review: the High Commissioner for Papua New Guinea, Treasury, the Department of Foreign Affairs and Trade, AusAID, the Australia-Papua New Guinea Business Council and the Australian National University. I also thank my colleagues on the committee, and the secretariat, for their contributions to this short but important inquiry. I commend the report to the Senate.

Question resolved in the affirmative.