

The Parliament of the Commonwealth of Australia

**Joint Standing Committee on Foreign Affairs,
Defence and Trade**

**PAPUA NEW GUINEA UPDATE
Report on Proceedings of a Seminar
11 and 12 November 1996, Canberra**

February 1997

RECOMMENDATIONS

The Committee recommends that:

- 1 the Australian Government and/or the legal profession provide assistance in the areas of legal information and research; and
- 2 the Australian Parliament assist the Parliament of Papua New Guinea in the development of its committee system. (Para 1.16)
- 3 the efficacy of establishing a free trade agreement between Australia and Papua New Guinea, similar to the *Australia New Zealand Closer Economic Relations - Trade Agreement*, be given further consideration by both governments. (Para 2.24)
- 4 Austrade pursue with the Papua New Guinea Department of Mining and Petroleum the feasibility of introducing standardised contracts for new resource development projects. At the time of their individual negotiation, regard should be given to the concerns of local communities and individual landholders. (Para 2.31)
- 5 the Department of Foreign Affairs and Trade, and Austrade, examine the mechanisms through which Australia might provide input to formulation of a code of conduct for business in Papua New Guinea, and work within those forums to achieve action through the appropriate government agencies in Papua New Guinea. (Para 2.36)
- 6 the Australian Government maintain dialogue on defence matters with their political and official counterparts in Papua New Guinea at all levels in order to enhance understanding in both countries of mutual and differing strategic interests and to assist the PNGDF in the training and discipline of its force. (Para 3.10)
- 7 the Australian Government and the Department of Defence continue to encourage the Papua New Guinea Defence Force to adopt guidelines consistent with legal and human rights principles, particularly when deploying PNGDF personnel on civilian tasks; and
- 8 encourage and, where appropriate, provide assistance to, the PNGDF's training programs designed to equip armed forces personnel with the capabilities and skills essential to the effective use of the armed forces in restoring law and order to where civil unrest has occurred. (Para 3.44)
- 9 the Australian Government encourage the Government of Papua New Guinea to consider inviting international observers from either the International Committee of the Red Cross or the International Commission of Jurists to be stationed on Bougainville. (Para 4.39)

- 10 **AusAID, in consultation with the Government of Papua New Guinea, develop a follow up to the customs project. (Para 5.18)**
- 11 **AusAID examine the levels of support provided to non-government organisations and community groups in Papua New Guinea, with particular reference to facilitating access to funding by local organisations and increasing cooperation between government and non-government organisations in Papua New Guinea. (Para 5.53)**
- 12 **AusAID consider ways in which greater flexibility can be built into the design, delivery and modification of assistance programs and projects without jeopardising the necessary accountability standards, in order to minimise the burdens imposed on the PNG administration by reporting and other bureaucratic requirements. (Para 5.59)**
- 13 **the Australian Department of Employment, Education, Training and Youth Affairs encourage the development of more courses in Melanesian studies in Australian universities and the inclusion of Papua New Guinea in Australian school curricula and fund a position in Australian-Papua New Guinea studies at the University of Papua New Guinea. (Para 6.5)**
- 14 **the Australian Government recognise the significance of Papua New Guinea in its foreign policy priorities and acknowledge through the maintenance of the AusAID and Defence Cooperation Programs the unique challenges that Papua New Guinea faces in building its administrative capacity, in developing its infrastructure, particularly in health, education and employment generation, in improving law and order and in resolving the Bougainville crisis peacefully. (Para 6.14)**

THE SEMINAR

It is five years since the Joint Committee on Foreign Affairs, Defence and Trade tabled its report on *Australia's Relations with Papua New Guinea*. Since that time much has changed - the governments in both countries have changed, the Cold War has brought about changes to the balance of international relations, ASEAN has grown as an important multilateral, regional arrangement, the World Bank has instituted a program of structural adjustment in Papua New Guinea, the changes in the aid program between Australia and PNG from budget support to program or project aid have reached a half way point in the transition between the two systems and the tragedy of Bougainville has appeared to be close to settlement and reverted to violence and stalemate once again.

Events in PNG receive considerable media reporting in Australia, and there are too few opportunities for exchanges of information about developments in that country. To improve the level of dialogue about PNG, and in the light of the above developments, the Committee deemed it important to revisit the matters raised in the 1991 report and review the current state of the relationship between Australia and its nearest neighbour. The Committee decided to hold a seminar over a day and a half in November 1996 in Canberra. As much as possible, people and organisations who had participated in the original inquiry were asked to attend. However given the constraints of a two day seminar by comparison with a full parliamentary inquiry, it was inevitable that some areas of the 1991 inquiry could not be covered. The seminar was to be an overview and an update.

The seminar was very well attended by a large number of PNG citizens, friends and experts - many members of the diplomatic corps accredited to PNG, public servants, academics, students, representatives of Non-Government Organisations and members of the Joint Committee. The participants included the Papua New Guinean High Commissioner, Brigadier General Kenneth Noga, the Parliamentary Secretary to the Minister for Foreign Affairs, Hon Andrew Thomson, MP and Vice Admiral David Leach, President of the Australia-Papua New Guinea Friendship Association. In all, over a hundred people participated over the two days. The Committee is most grateful to all those people who gave of their valuable time to attend.

The seminar produced some lively debate and considerable consensus and raised issues of Australia's response to Papua New Guinea, especially in relation to the aid program, Bougainville and our cultural relationships. Many of the issues raised in 1991 remain intractable or uncertain - employment, investment in and expansion of the formal work sector, education and health levels and the war on Bougainville. In some areas of economic and political reform there has been notable progress. It would appear that the cultural relations between Australia and PNG are still unbalanced and in need of more concerted attention.

Given the limitations of the process, the Committee has sought to confine its recommendations to a minimum; however it believes that some matters emerged from the meeting that warrant consideration by the Government. The Committee also notes that this was not a full inquiry and that therefore many views could not be thoroughly tested. The views of the participants are quoted but they are not necessarily those of the Committee.

A seminar on such a scale required considerable preparation and the Committee would like to thank secretariat staff, including Ms Zoe Smith, and especially Ms Jan Fuhrman.

SECTION 1

POLITICAL ISSUES

Political reform and constitutional change

[There is] ... a need to ensure that Australians discuss constitutional change and political developments in Papua New Guinea with due regard for the sovereign independence of a neighbouring state...

The peaceful manner in which ... politically contentious legislation [the Organic Law] has been passed, amended and brought into effect is testimony to the roots developed by Papua New Guinea's home grown constitution. The energy with which candidates are preparing themselves for the 1997 national elections is evidence of the success with which democracy has been transplanted.¹

1.1 The Committee's interest in Papua New Guinea remains today what it was in 1991; a view encompassed in the Joint Declaration of Principles, one of 'mutual respect for one another's independence, sovereignty and equality'² and yet one where Australia is interested in the welfare, prosperity and stability of Papua New Guinea as our closest neighbour.

1.2 The Committee's 1991 report presented a discussion, largely conducted by Papua New Guineans themselves,³ about the need for changes to the constitution and political reform. The discussion revolved around two issues: the weakness of the party system leading to the frequent use of the no confidence motion, the high turnover of members at each election and allegations of corruption; and the creation, through the Organic Law of 1977, of a system of provincial governments in the 19 provinces of PNG. This arrangement was variously described as 'costly and confusing duplication ... which have inhibited speedy decision making'⁴ and multiplied the possibilities for corrupt practices⁵ and a system 'intended to take account of the diversity of the population, maintain some closeness between government and the people and ease the pressures for secession in particular regions...'⁶

1 Wolfers, Transcript, pp. 21-22.

2 Joint Committee on Foreign Affairs, Defence and Trade (JCFADT), *Australia's Relations with Papua New Guinea*, December 1991, p. 36.

3 The report quoted comments from Prime Minister Namaliu, former Prime Minister Somare, Yaw Saffu of the University of PNG, Sir Anthony Siaguru, Mr Hesingut, MP, Chair of a parliamentary committee into Provincial Government as well as Tos Barnett, chair of the inquiry into the forestry industry and Anthony Regan from the University of PNG. Other comment was made by Australian academics and the Department of Foreign Affairs and Trade.

4 The report talked about 20 separate bureaucracies employing 50,000 public servants consuming 42 per cent of total government expenditure on goods and services, a decline in the standard of administration and subsequent public disenchantment with the political system. JCFADT, op.cit. p. 33.

5 *ibid.*, p. 32.

6 *ibid.*

1.3 At the time of writing the last report, constitutional reform was suggested or planned in a number of areas:

- the abolition of the provincial assemblies and their replacement with greater funds to local councils;
- the prohibition of the use of the no-confidence motion for a period of 18 months grace after the election of the Prime Minister following a general election;
- the application of the Leadership Code to the members of the provincial assemblies;
- amendments aimed at strengthening and enhancing the integrity of political parties by tying ministerial appointment to political allegiance;
- amendments to the electoral law, including an increase in nomination fees for candidates, a minimum age for candidates, voter identification cards and simultaneous elections for national and provincial elections.⁷

1.4 The years since the 1991 report have been years of political reform and economic structural adjustment in Papua New Guinea.

1.5 Papua New Guinea addressed the problem of the duplicating layers and the cost of government through the establishment in 1992 of an all party parliamentary committee, chaired by Mr Ben Micah, to investigate possible reform. This committee became a Constitutional Review Commission in 1994 and the recommendations, made in 1993, have been recast into draft constitutional amendments. It recommended that the provincial assemblies be abolished and that the provincial administration be headed by the local national member of parliament. The provincial 'assemblies' would remain, but as 'authorities' headed by the regional MP as Governor. These new authorities would comprise national and local level politicians. The new Organic Law further provided for the establishment of interim Joint Provincial Planning and Budget Priorities Committees, supported by similar committees at the district level, to determine expenditure priorities for the guaranteed grant, development funding.⁸ These amendments and the repeal of the old Organic Law were passed on 27 June 1995 by a vote of 85 to 15.⁹ The changes have done away with a whole tier of government.

1.6 It appears that there will not necessarily be cost savings as a result of these changes. In the first year, the expenditure on the provinces remained the same and the expenditure in the national budget increased from 50 to 200 million kina.¹⁰ The 'number of parliamentarians who hold executive office at the national or provincial level may now total as many as 46 from a total of 109 - that is 27 ministers plus 19 governors'.¹¹ However, the changes will have the effect of centralising both control and responsibility¹² and, it is hoped,

7 *ibid.*, p. 34-35.

8 Exhibit No. 31.

9 Exhibit No. 28, p. 13.

10 *ibid.*, p. 14.

11 Wolfers, Transcript, p. 22.

12 Woolner acknowledges the traditional concerns about regional secessionism, to combat which the provincial system was established in 1977, but he notes that the change hopes to stem the diversion of

of simplifying the structures. While resources¹³ and skilled personnel will remain scarce, effective national planning may be enhanced. It remains to be seen whether the changes fulfil the aim of improving the delivery of goods and services to the people, especially to the 85 per cent of people in rural areas.¹⁴

1.7 On 18 July 1991, the Namaliu Government secured an amendment to section 145 (3) (Motions of No Confidence) of the Constitution to extend the period in which a newly elected government is immune from a no confidence motion from six to 18 months. The subsequent Wingti and Chan governments have benefited from the change which is considered to have enhanced government stability in a parliamentary system characterised by loose coalitions and fluid party allegiances.¹⁵ The Leadership Code has specifically been retained within the new Organic Law under section 120 and it continues to apply to the provincial level of government as do the powers of the Ombudsman Commission.

1.8 The weaknesses of the political party structure in PNG: its fluidity and inherent instability, the shifting of party allegiances for material or financial benefits and the large number of independents, have been addressed by the Constitutional Review Commission (CRC) in its interim report of 1 August 1996. Recommendations, related to the regulation of political parties in order to increase their stability and integrity - legislation to limit the number of political parties and laws requiring defecting members of parties to resign their seats and recontest with the new party - are still under consideration. These suggestions are controversial as they undermine the democratic nature of the process. Members of parliament firstly represent their constituents, not their parties.¹⁶

1.9 Proposals for tightening the rules covering elections have also been introduced. In December 1996, the Deputy Prime Minister, Chris Haiveta, announced amendments to the Organic Law on National Elections and the Organic Law on Provincial and Local Governments as part of its electoral reform prior to the 1997 general election. The proposed changes include elections for all levels of government to be held simultaneously and candidates only able to nominate for one level, the doubling of the nomination fee from K1000 to K2000, making the fee non-refundable regardless of the election result and a voter identification system.¹⁷

1.10 In 1991 a number of Papua New Guineans and other observers were critical of the use of the Electoral Development Fund (EDF). While its intention, to give the national member of parliament a chance to be seen to be delivering development, was seen as an integral part of the Melanesian tradition, doubts were expressed by the Chief Ombudsman at the time, Mr Charles Maino, about the development value of much of its application. He was concerned in particular about the failure of many MPs to supply the mandatory information

funds away from the Provincial budgets, to centralise financial authority and subject development expenditure to national ministerial control. Exhibit No. 28, p. 14.

13 Significantly affected by structural adjustment programs - see Section 5.

14 Wolfers, Transcript, p. 22.

15 Exhibit No. 31.

16 Hassall, Transcript, p. 27.

17 Exhibit No. 31.

concerning its use.¹⁸ In the 1991 report, Mr Anthony Regan assessed the EDF in the following terms:

Some no doubt do bring useful developments. But this comes back to the point that I was making about the nature of the parliamentary system in Papua New Guinea. Where the individual parliamentarian gets back, discretionary funds are one of the very few ways where they can use government funds to build support. ... But the imperatives of the political system make it very hard for any politician to put the money into a sensible project.¹⁹

1.11 Since the 1991 report was written, the Electoral Development Fund has increased from an annual entitlement of 100,000 kina in 1991 to 300,000 kina in 1996. Such practices draw resources and funds away from line departments with subsequent overlaps or gaps in services. Derek Woolner observes in his paper that the EDF:

[B]oth reflects and reinforces the weakness of the state in comparison with the strength of local society. The people, therefore, now have low expectations of the state, and grant it little legitimacy or authority.²⁰

1.12 At the seminar, Professor Wolfers agreed that public respect for the law in PNG was declining. He cited the state's declining ability to meet 'important public needs', threats to law and order, the Bougainville crisis and the impact of the demands of international financial institutions on the capacity of the government to meet public demands.²¹

1.13 The work of the Constitutional Review Commission is not yet complete. Professor Hassall made the comment at the seminar that recent legislative and constitutional reform seemed to be rushed and that insufficient attention appeared to be paid to a consideration and possible incorporation of custom and traditional forms of Melanesian organisation in the reforms.²²

1.14 For all the discussions of the reforms and the need for reforms, a number of speakers at the seminar stressed the positive achievements of Papua New Guinea's political development. Professor Wolfers argued that the rule of law has generally prevailed and has been used to resolve a number of crises, and:

...respect for the constitution remains strong and widespread ... Even as governments change, Papua New Guinea's international obligations continue to be honoured, laws are changed in orderly ways and important policies remain in place. ... [T]he apparent instability of much parliamentary politics has, on occasion, been a kind of political pressure valve. ... In conclusion, foreign critics of political development in countries like Papua New Guinea are often better

18 JCFADT, op.cit. p. 30.

19 *ibid.*

20 Exhibit No. 28, p. 10.

21 Wolfers, Transcript, p. 24.

22 Hassall, Transcript, pp. 28-29.

informed about them than any other, including their own. ... [T]hey tend to compare corruption in developing countries with text book models rather than realities of their own...²³

1.15 Professor Hassall believed that the Constitution of Papua New Guinea was 'widely regarded as being an overwhelming success' despite 'ongoing challenges'.²⁴ He noted the independence of a number of key democratic institutions - the Auditor-General, the Electoral Boundaries Commission, the Electoral Commission, the Judicial and Legal Services Commission, the Law Reform Commission, the Ombudsman Commission, the Public Prosecutor, the Public Solicitor and the Public Services Commission. The danger for these institutions is that they are underfunded and therefore their capacity to pursue maladministration is curtailed.

1.16 Recommendations were made at the seminar to assist Papua New Guinea in the reform process. The Committee endorses these recommendations that:

- 1 the Australian Government and/or the legal profession provide assistance in the areas of legal information and research; and**
- 2 the Australian Parliament assist the Parliament of Papua New Guinea in the development of its committee system.**

23 Wolfers, Transcript, pp. 24-25.

24 Hassall, Transcript, p. 25.

SECTION 2

ECONOMIC ISSUES

Introduction

2.1 In his opening remarks, His Excellency, Brigadier General Noga described the relationship between PNG and Australia as central to PNG's relationship with the rest of the world, both within the region and far beyond it:

We consider Australia as a very important part of our relationship with the rest of the world. ... In fact, we think that it is a key to our relationship with the rest of the world, both within our region and far beyond our region.¹

2.2 During the seminar, the underlying network of regional relationships applying to Australia and PNG was not discussed directly, although our common interests in regional stability, trade and development cooperation were central to the contributions of several speakers. This section examines economic issues relevant to the bilateral relationship, and Section 3 considers strategic and defence issues.

Regional forums

2.3 PNG's membership and participation in regional forums remains a fundamental feature of its foreign policy objectives. These forums are used to promote PNG's national interests as well as common interests shared with its neighbours.

2.4 Since independence, PNG has pursued its interests through participation in a number of regional groupings, such as the South Pacific Forum. PNG's recent membership of APEC underlined its interest in pursuing mutual interests through regional forums, a process which accelerated in the 1980s with a series of regional treaties. The Treaty of Mutual Respect and Co-operation with Indonesia was signed in 1987, as was The Joint Declaration of Principles (with Australia). In 1988, PNG signed The Agreed Principles of Co-operation among Independent States in Melanesia. Since then, PNG has also gained access to ASEAN's Treaty of Amity and Co-operation, the first non-member country to do so, and has enjoyed special observer status with ASEAN for more than ten years. At the other end of the scale, the Melanesian Spearhead Group was established in 1988 to formalise PNG's relations with the Solomon Islands and Vanuatu. Since then, however, its importance appears to have diminished.²

1 Noga, Transcript, p. 15.

2 JCFADT, op.cit. p. 213.

The PNG economy

2.5 PNG has been described as 'a Third World country with low per capita income, little infrastructure and social indicators which are worse than those of smaller South West Pacific island states'. Living conditions for many in PNG have declined since independence, with GDP per capita falling in six of the last 14 years. In 1990, the year after the Panguna mine closed, GDP per capita was two per cent lower than in 1980. Although barely 50 per cent of the population has any schooling, only one third of high school leavers are able to find a job in the formal economy.³

2.6 In the rural sector, conditions have been difficult for some time. In 1995, around 85 per cent of people in PNG derived their subsistence from farming, combined with growing small quantities of cash crops for income. World commodity prices for such crops (predominantly coffee, copra and cocoa) have declined by as much as 60 per cent since the mid 1980s, which has discouraged agricultural investment. Ownership of traditional lands has allowed many communities to sell their timber resources to foreign logging companies, too often leading to stripping the resources and poor returns to the owners. PNG's administrative incapacity to manage its resource areas has adversely affected local communities, and has cost the Government millions in potential revenue collections.⁴

The Committee's 1991 report

2.7 Economic issues were given significant coverage in the Committee's 1991 report *Australia's Relations with Papua New Guinea*. The report recommended that the opportunities offered in the non-mining sectors of the economy should be seized by Australian investors from the private sector, and urged greater recognition of the market access to be gained for Australian goods and services in ASEAN countries through the avenue of PNG.

2.8 The Committee saw potential for increased trade by encouraging investment in value-added manufactures and by facilitating the links, for example, between PNG and North Queensland, (combined tourism promotions, integrated manufacturing ventures such as food processing, and activities able to take advantage of the lower labour costs in PNG). Indeed, the report recommended a study of the feasibility of establishing a free trade agreement between the two countries, similar to CER (New Zealand).⁵

2.9 The 1991 report included the following recommendations in relation to economic issues:

- transmission to PNG of relevant records of Australian business representatives in PNG who, as a result of corrupt or illegal domestic business practices, had come to the attention of Australian authorities (Recommendation 30);

3 Exhibit No. 28, pp. 14-15.

4 *ibid.*, p. 18.

5 JCFADT, *op.cit.* pp. 102-3, 113, 118.

- promotion of the interchange of business managers between Australia and PNG and sharing of information between professional organisations and institutes (Recommendations 31 and 32);
- establishment of a unit within DEET to develop links between tertiary institutions in both countries to foster economic research (Recommendation 33);
- enlistment of PNG as a member of the Cairns Group of nations and the opening of a PNG Consulate in Cairns (Recommendations 34 and 35);
- examination of the feasibility of a CER-type agreement between the two countries (Recommendation 36); and
- development, by Austrade, PNG Business Council and the PNG Department of Trade, of investment seminars for the manufacturing, processing or agricultural sectors (Recommendation 37).

Trade and investment

2.10 Australia remains PNG's dominant trade and investment partner. Australia is both PNG's largest export market (at approximately 36 per cent by value) and its largest source of imports (approximately 46 per cent).⁶ PNG merchandise imports in 1995 were K1.66 billion, of which Australian business supplied close to 50 per cent. It is the resources sector which generates most business for Australia, although the bilateral trade relationship has been in PNG's favour since 1992. In 1994-95, Australia's exports to PNG totalled \$A930.6m and imports totalled \$A1124.7m.⁷ PNG relies on a narrow range of export commodities for the bulk of its revenues, as can be seen in Table 2.1 which includes projections to 2001.

2.11 Inward investment drives the PNG economy, with Malaysia as the principal source, followed by Australia and Singapore. Australian investment continues to favour the resources sector, with the Lihir gold mine in New Ireland being the latest major new project. A map of PNG's current mining and petroleum projects is shown in Appendix 5.

2.12 PNG is Australia's 11th most important ETM market (elaborately transformed manufactures) and is serviced by literally hundreds of Australian companies. This underlines the importance of the PNG market to a wide range of Australian suppliers of goods and services. For example, Chevron is actively pursuing a \$1.2 billion gas pipeline project from PNG to north Queensland.⁸

6 Exhibit No. 1, p. 1.

7 Exhibit No. 4, p. 1.

8 *ibid.*, pp. 1-2; Ryan, Transcript, p. 37.

Table 2.1: Value of PNG's Main Export Commodities (K Million)

	1994*	1995#	1996#	1997#	1998#	1999#	2000@	2001@
Mineral Exports								
Gold	702	848	881	734	969	1016	1046	1077
Silver	10	10	10	10	10	10	10	10
Copper	367	739	612	606	590	529	545	561
Petroleum	703	694	704	589	653	576	593	611
	1782	2291	2207	1939	2222	2131	2194	2259
Agricultural Exports								
Copra	15	19	18	19	24	30	32	34
Cocoa	29	42	48	54	62	72	80	88
Coffee	205	261	282	307	324	347	365	380
Palm Oil	77	120	115	109	112	118	124	130
Rubber	3	5	5	5	5	5	5	5
Tea	4	5	6	6	7	8	8	8
Copra Oil	20	27	27	31	36	40	42	44
Logs	483	437	564	606	648	695	720	745
Other	43	60	63	66	70	73	80	85
	879	976	1128	1203	1288	1388	1456	1519
Total	2661	3267	3335	3142	3510	3519	3650	3778

Key: * (Bank of PNG data)
 # (Projections by PNG Department of Finance)
 @ (Projections by C&L)

Source: Austrade, Exhibit No. 4, p. 4

2.13 Throughout the 1990s the trade and investment relationship has remained relatively static, although Australian exports to PNG grew by 4.4 per cent annually from 1990 to 1995. PNG is Australia's 17th largest trading partner and 18th largest export market, with bilateral trade totalling \$A2.1 billion. In 1995-96 Australia's exports to PNG were valued at \$A924 million, while our imports totalled \$A1.17 billion.⁹ With the exception of the mining and petroleum sector, our commercial links with PNG have been inevitably influenced by PNG's macroeconomic instability. Unsustainable budget deficits between 1990 and 1993, resulting in a foreign exchange crisis in 1994, were a significant disincentive to the Australian and international investment community.¹⁰

Queensland and Northern Territory initiatives

2.14 Queensland has capitalised on its proximity to the PNG market, becoming the largest State exporter at \$A357 million as at June 1996. A major trade delegation of Queensland Government and private sector representatives visited PNG in early 1995, following up several visits by Queensland ministers in 1994.

2.15 A PNG Consulate was opened in Cairns in 1994, and in May 1995 Prime Minister Chan and Premier Borbidge signed an amended Memorandum of Understanding on Business Cooperation. The State Government established a South Pacific trade promotion service in 1994 which has promoted feasibility studies of the tourist potential of the eastern Papuan

9 Exhibit No. 1, p. 2.

10 Laurie, Transcript, p. 34.

islands. The Northern Territory sent a trade delegation to PNG in December 1995 and has expanded air service agreements with PNG.¹¹

Development cooperation and international loans

2.16 One of the central issues facing the PNG Government in tackling economic reform is the lack of foreign exchange reserves and hence the need to refinance debt through overseas loans funded by the World Bank, the International Monetary Fund (IMF) and the Asian Development Bank. Investment by countries like Australia through development assistance and loans has been conditional upon PNG achieving structural adjustment of the PNG economy by increasing public expenditure on health, education and infrastructure, and instituting fiscal reform by reducing public service numbers, removing restrictions on pricing, trade and investment decisions and improving public information on the performance of government fiscal policy.¹² However, uncertainty over PNG's commitment to the economic reform program it had agreed with the World Bank, the IMF and the Japanese Export-Import Bank in mid-1995 had a negative effect on PNG's attractiveness as a destination for foreign investment.¹³

2.17 Development cooperation issues still dominate the Australia PNG relationship, and assistance provided either in the form of loans or bilateral aid assistance represents a major contribution to the PNG economy. During the year from September 1994, Australia allocated \$A111 million for loans to PNG, in addition to development assistance provided under the Development Cooperation Program. As part of an international consortium of lending authorities, Australia's contribution was \$A66 million in 1995, on condition that PNG met World Bank conditions for the loan.¹⁴

2.18 It was announced recently that the World Bank has finally approved the issue to the PNG Government of the second tranche (approximately 50 per cent) of a loan worth \$US50 million in total. The loan is crucial to the Government's structural adjustment program and was delayed after the World Bank raised concerns about logging practices of Asian companies and the inadequate level of funds directed towards key infrastructure areas.¹⁵

2.19 Section 5 of this report discusses in more detail social issues and development cooperation between Australia and PNG.

Australian policy perspectives

2.20 The seminar highlighted several issues which are as relevant today as they were when the Committee reported in 1991, as well as areas of current concern. Australia has encouraged PNG to implement fully the World Bank and IMF programs as a means of addressing macroeconomic and structural barriers. The Australian Government has also

11 Exhibit No. 1, pp. 2-3.

12 Exhibit No. 28, p. 17.

13 Laurie, Transcript, p. 34; Ray, Transcript, p. 40. The stevedoring industry is one recent example of activities confined to PNG national companies: see Mackay, Transcript, p. 38.

14 Exhibit No. 28, p. 17.

15 AAP, 12 January 1997.

sought to improve dialogue through regular bilateral consultations at Ministerial and official levels, and by means of PNG's membership of APEC and the WTO.¹⁶

2.21 The PNG/Australia Trade and Commercial Relations Agreement (PATCRA) provides the formal framework for bilateral trade and investment. For some time now the PNG Government has taken the position that PATCRA was not meeting the objective of increasing trade and investment. Australia's response has been to point to the critical factors affecting investment: taxation regimes, repatriation of earnings, wage rates, inflation and financial stability. Both governments have, however, agreed that improvements in bilateral trade would flow mainly from improvements in macroeconomic performance rather than fine-tuning of PATCRA, given the virtual free access (not reciprocal) for PNG goods not subject to excise to the Australian market, which PATCRA ensures. Another inhibiting factor has been the 'reserved activities' schedule developed by PNG, which prevents foreign investment in a wide range of sectors in PNG.¹⁷

2.22 Structural barriers and policies which have hindered the development of a competitive export oriented private sector have included high tariff levels, import bans, a large and expensive public sector, small and fragmented markets, acute skills shortages and poor transport infrastructure.¹⁸ According to Treasury, the continued implementation of the economic reform program agreed in 1995 with the World Bank and the IMF is the best way for PNG to achieve broad-based and sustainable economic development.¹⁹

2.23 The possibility of a CER-type arrangement with PNG, similar to the one with New Zealand,²⁰ has been canvassed from time to time, and was one of the recommendations of the Committee's 1991 report. Although Australia would probably support such an initiative, since it would guarantee free trade of goods in both directions, DFAT considered PNG may not be as enthusiastic in supporting such a move, and the PNG High Commissioner was sceptical of the benefits to PNG in light of its very small manufacturing exports sector.²¹ The Australia-PNG Business Council (APNGBC) encouraged the Australian Government to take a long-term view of the bilateral trade and investment relationship and declared its support for the CER free trade proposal recommended in the 1991 report (Recommendation 36).²²

2.24 The Committee recommends that:

- 3 the efficacy of establishing a free trade agreement between Australia and Papua New Guinea, similar to the *Australia New Zealand Closer Economic Relations - Trade Agreement*, be given further consideration by both governments.**

16 Exhibit No.1, p. 2.

17 Laurie, Transcript, p. 35; Exhibit No. 1, p. 2.

18 Ray, Transcript, p. 41.

19 *ibid.*, p. 40.

20 In 1983, the governments of Australia and New Zealand established a free trade agreement (*Australia New Zealand Closer Economic Relations - Trade Agreement*) which sets out the terms for enhanced bilateral economic relations.

21 Laurie, Transcript, p. 35; Noga, Transcript, p. 50.

22 Mackay, Transcript, p. 39.

Internal security and economic development

2.25 The links between internal security and economic development were underlined in one of the documents presented to the seminar. The PNG Defence Minister indicated in June 1996 that improved internal security is a prerequisite for PNG's economic, political and social development.²³ The inhibiting power of security problems, political instability and bureaucratic inefficiency in relation to economic development was recognised by the Committee in 1991.²⁴ This theme was evident in one of the papers delivered at a 1993 conference held by the Australian Defence Studies Centre of the Australian Defence Force Academy:

The economic security of Papua New Guinea has advanced considerably since the notable setback with the closure of the Panguna mine on Bougainville island ... in May 1989. But the potential for marked deterioration in economic security remains. ... Successful management of mineral and hydrocarbon resources development in Papua New Guinea provides a key means for promoting economic security in Papua New Guinea.²⁵

2.26 The disincentive effects produced by uncertainty about investment security and political stability were referred to by the APNGBC in the following terms:

Because of the political considerations and the security of investment considerations outside of the specific very large projects ... there is very little Australian investment going into Papua New Guinea. Up until 1975, we supplied the majority of investment. ... Since Bougainville 1989, there has been active disinvestment on the part of smaller companies and reliance on trade as the factor to stay in business with Papua New Guinea.²⁶

Australian investment in PNG

2.27 Australian investment in PNG is predominantly focussed on the resources sector, where Australian companies have large investments, particularly in mining operations. Although many of the mines have significant Australian share holdings and Australian management and technical inputs, they are not Australian owned. To date, there has been little Australian investment in the non-resources sector of the PNG economy.²⁷

2.28 The APNGBC has had a significant role in promoting and facilitating business investment in PNG. The Committee recommended in 1991 that Austrade, in conjunction with the Council and the PNG Department of Trade and Industry develop investment seminars targeted towards non-mining sectors of the PNG economy.²⁸

23 Exhibit No. 11, p. 18.

24 JCFADT, op.cit. pp. 123-5.

25 P A McGavin, in Exhibit No. 9, pp. 167 & 179.

26 Mackay, Transcript, p. 37.

27 Exhibit No. 28, p. 22.

28 JCFADT, op.cit. p. 129.

2.29 According to Westpac, some elements of the private business sector in Australia perceive investment in PNG as a far riskier proposition there than other locations for a number of reasons including lack of infrastructure, law and order problems, business corruption and poor health and education services. Added to these is the difficulty of finding joint venture partners for new development projects and the overall shrinking of trade and investment outside the mining sector.²⁹ Mining companies operating in PNG, Placer Niugini and CRA, expressed concern about the level of demand for companies to provide services which the PNG Government is unable to provide, such as roads and housing in some locations. If this burden increases in the future, companies will find it increasingly expensive to operate in PNG. Hence, Placer Limited sought increased direction of Australian Government aid towards infrastructure development, in order to relieve the burden on Australian companies in PNG.³⁰ This aspect is considered in Section 5 of this report.

Standard contracts

2.30 The seminar discussed briefly the efficacy of developing some forms of standardised contract which would facilitate negotiations with landowners for future resource development projects. The version used in Indonesia, with which Placer Limited is familiar, was cited as a model which may be useful in the PNG context, if pursued with the PNG Department of Mining and Petroleum.³¹ A note of caution was sounded however by Professor Nelson, who stated that achievement of a uniform contract may not necessarily be desirable and would not be possible without a 'much stronger, aggressive, efficient central government'.³² The Committee believes that, while there is value in standardising contracts, these should take account of the interests of local people, their concerns about their land and their aspirations.

2.31 The Committee recommends that:

- 4 Austrade pursue with the Papua New Guinea Department of Mining and Petroleum the feasibility of introducing standardised contracts for new resource development projects. At the time of their individual negotiation, regard should be given to the concerns of local communities and individual landholders.**

Environmental and social considerations

2.32 Management of compensation demands in the wake of prospecting, logging and mining operations continues to be a topical issue, with important implications for encouraging or discouraging major new investment.³³ The importance of environmental standards in safeguarding areas subject to agricultural, mining and gas/petroleum development was re-affirmed during the seminar, acknowledging the lessons learned by the Ok Tedi experience and the impacts of logging operations, for example.

29 Alexander, Transcript, p. 41.

30 Hundy, Transcript, p. 42. Deterioration of the Highlands Highway was cited as a prime example of poor infrastructure having significant impacts on the viability of development projects.

31 *ibid.*, p. 45.

32 Nelson, Transcript, p. 46.

33 Laurie, Transcript, pp. 34-35.

2.33 Placer Limited reported encouraging progress in establishing consultative forums leading to greater transparency in mining operations in terms of environmental impacts. The most recent example is the Porgera mine in Enga Province, where Placer expects the level of information provided about its mining activities to allay fears about environmental and other damage. Indeed, the Porgera mine project includes a sizeable consultation unit comprising people experienced in field work, community relations and anthropology, which recognises that mining is not simply a technical engineering operation but involves community relations. Placer informed the seminar of a regular community relations forum in Port Moresby attended by mining and petroleum companies and a new faculty at the University of Technology which offers courses for training community relations officers.³⁴

2.34 Whereas some discussion at the seminar pointed to adverse social impacts as a consequence of mining and logging operations, for example dislocation of traditional village life, other comment focussed on the positive benefits to rural populations (including those who have migrated to the regional mining sites) through cash compensation and access to health and education facilities.³⁵ Throughout PNG reconciling the understanding of village people to the changed environment following economic development is a major challenge. Both government and Australian investors need greater awareness of the advantages of adequate consultation.

Business ethics

2.35 Investment sources have been concerned about the need to establish proper standards of business ethics. In July 1996 at a forum on ethics and business in Port Moresby, the national and expatriate business communities registered such a view and urged the framing of a code of conduct for ethical businesses to be formulated as a matter of urgency.³⁶ Professor Wolfers referred to the well-known problem associated with questionable business practices adopted by some Australian operators in PNG, and called for Australia as the more developed trade partner to take responsibility for guiding the conduct of Australian businesses operating in PNG.³⁷ In similar vein, the APNGBC, one of the participants in the Port Moresby forum, supported formulation of a code of business ethics, and suggested that the newly-established Transparency International PNG should be the responsible agency.³⁸ Input from the Australian end could be facilitated by government collaboration with either the appropriate bilateral business councils or specific industry councils.

34 Hundy, Transcript, pp. 45 & 49.

35 Postma, Hiatt, Balazo, Transcript, pp. 46-50.

36 Laurie, Transcript, p. 34.

37 Wolfers, Transcript, p. 47.

38 Mackay, Transcript, p. 47.

2.36 The Committee recommends that:

- 5 the Department of Foreign Affairs and Trade, and Austrade, examine the mechanisms through which Australia might provide input to formulation of a code of conduct for business in Papua New Guinea, and work within those forums to achieve action through the appropriate government agencies in Papua New Guinea.**

SECTION 3

STRATEGIC ISSUES AND DEFENCE COOPERATION

Introduction

3.1 The Committee's 1991 report drew attention to the origins of PNG's strategic importance as a natural barrier and defence zone to the north-east of Australia. The strategic importance of a politically stable PNG was underlined in the Department of Defence's submission to the 1991 inquiry, which highlighted PNG's geographic location, the implications for Australia's defence if PNG were controlled or threatened by a hostile power, the importance of PNG as an export market and target for Australian investment, and the presence of large numbers of Australian nationals in PNG.¹

3.2 After the Second World War, Australia invested heavily in maintaining defence forces and establishing defence infrastructure in PNG. Much of it remains key infrastructure for the Papua New Guinea Defence Force (PNGDF) to this day. As Mr Hugh White explained at the seminar, the close strategic links that continue to exist between Australia and PNG extend into the immediate region because of our common interest in regional stability:

After independence, there was a very strong expectation that that close strategic relationship would continue - and I think that was a strong expectation from both sides. From Australia's point of view, it was based on the same sort of enduring strategic interests that have motivated ...[earlier]... connections and engagements ... not just in relationship to Papua New Guinea but to the whole archipelago that stretches across the north of our continent and around to the east, we have an interest in countries being friendly and strong.²

3.3 At a conference organised jointly by the Australia-Papua New Guinea Friendship Association and the NSW Branch of the Australian Institute of International Affairs in June 1996, a message from the Australian Minister for Defence described the defence relationship between Australia and Papua New Guinea in the following terms:

Our defence relationship is extremely important to both of us. It is a longstanding one built on shared interests and tried and tested friendship. ... A mature relationship brings a responsibility to work together. ... Australia's security clearly benefits from a secure and prosperous PNG protecting our north-eastern approaches. However in

1 JCFADT, op.cit. p. 158.

2 White, Transcript, p. 52.

pursuing a close defence relationship, we also add to the network of strategic alliances developing in the Asia-Pacific region.³

3.4 This theme was echoed at the same conference by the Secretary to the PNG Department of the Prime Minister and National Executive Council, who said:

The strategic importance of each country to the other is the cornerstone of the security relationship. The nature of the relationship will of course continue to evolve as Papua New Guinea develops stronger links with other countries, and as Australia develops a sense of strategic partnership with the broader Southeast Asian region. Despite these developments, the abiding strategic importance of the two countries to each other in our opinion remains strong.⁴

3.5 The proximity to Australia of the island chain of PNG, lying as it does astride our northern and north-eastern approaches, combined with the circumstance of its shared border with Indonesia, mean that it is in Australia's interests to foster a 'cohesive, unified, non-secessionist Papua New Guinea' according to Professor Dibb, who added that fragmentation would involve all sorts of potential geopolitical problems.⁵ As previously stated, the basic realities of geography and Australia's status as a major trading nation mean that Australia's primary defence interests lie in preserving friendly relations with the chain of states stretching from Malaysia through Indonesia and PNG to New Zealand.

3.6 Modern weapons technology has, to some extent, reduced the significance of PNG as a potential base for direct attacks on Australia. Nevertheless, Mr O'Connor argued that Australia's interests lie not only in preventing such attacks but also in preserving access to bases in PNG from which our forces could be deployed in defence of the sea-air gap to our north.⁶

The changing defence relationship

3.7 A conference sponsored by the Australian Defence Studies Centre at the end of 1993 highlighted the dynamic nature of the defence relationship between Australia and PNG:

If Australia is to manage its strategic relationship with PNG effectively in the future, it needs to adopt a quite different approach to defining its strategic interests there. It must put aside graduated threat scenarios and focus on the dynamics of the current and prospective security challenges that PNG itself is facing. ... [Australia] must recognise that there are key thresholds beyond which because of resource constraints, competing strategic priorities, political

3 Hon I McLachlan, MP, message incorporated into conference proceedings, 'Papua New Guinea: Security and Defence in the Nineties and Beyond 2000', Exhibit No. 11, p. 3.

4 W N Levi, CBE, 'Papua New Guinea's Strategic Outlook', 28 June 1996, Exhibit No.11, p. 55.

5 Dibb, Transcript, p. 56.

6 O'Connor, Transcript, p. 59.

sensitivities, or the conflicting nature of PNG's own actions it should not go.⁷

3.8 The changing nature of the interaction between the two was highlighted by the Department of Defence at a conference in 1996:

...the relationship we had in 1942 had undergone an extraordinary qualitative change by 1975. And the relationship we have now is enormously different to that of 1975. ... I would expect our relationship in twenty years' time to be significantly different again. ... At times ... [PNG and Australia] have both retreated to erroneous national stereotypes as a way of explaining change.⁸

It was further explained that Australia needs to recognise that the PNGDF is a Melanesian institution, not an Australian one, and that 'we need to be careful that our concept of what a defence force should look like does not impair our ability to view the PNGDF objectively...'.⁹

3.9 Attendance of the PNG Defence Minister and the Commander of the PNGDF at conferences of this type is a useful mechanism for maintaining high-level dialogue between the two countries at both political and official levels. Such meetings significantly increase the understanding between governments of mutual and differing strategic interests.

3.10 The Committee recommends that:

- 6 the Australian Government maintain dialogue on defence matters with their political and official counterparts in Papua New Guinea at all levels in order to enhance understanding in both countries of mutual and differing strategic interests and to assist the PNGDF in the training and discipline of its force.**

3.11 Figure 3.1 shows PNG, with particular reference to its borders with neighbouring countries. Clearly, the strategic importance of the relationship with Indonesia is a priority for PNG.

3.12 As Mr W N Levi, Secretary of the PNG Department of the Prime Minister and National Executive Council has said:

Firstly, ...[Indonesia]... is the most populous and potentially most powerful neighbour with a rapidly industrialising economy and a large armed force. And secondly, it is the only country with which we share a common land border. ...[However] Indonesia's primary interest is to promote a strategically stable regional environment in which rapid

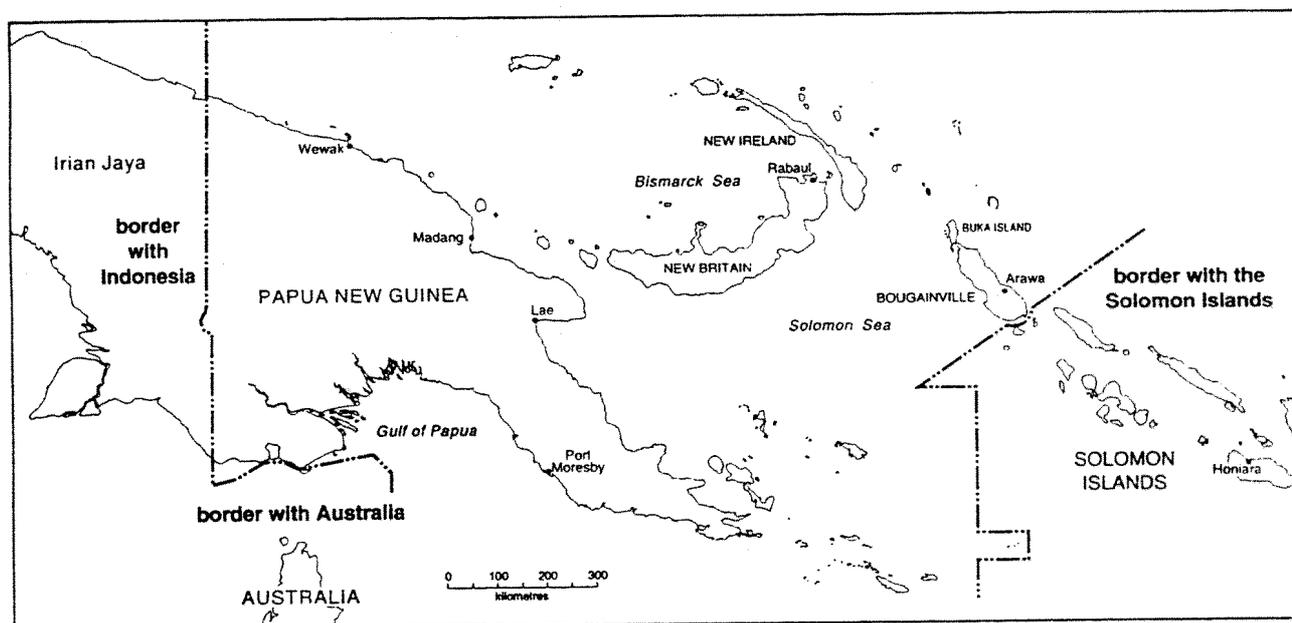
7 S Woodman, in Exhibit No. 9, p. 41.

8 Exhibit No. 11, p. 72.

9 Exhibit No. 11, p. 73.

economic growth can be sustained. It is most unlikely that Indonesia would have any territorial designs on PNG.¹⁰

Figure 3.1: Papua New Guinea and its Immediate Neighbours



Source: Exhibit No. 8, Strategic and Defence Studies Centre, ANU, p.xii.

3.13 Strategic developments in the Solomon Islands are most likely to affect PNG's security interests. The Bougainville crisis has led the Solomon Islands to improve its maritime border security and the bilateral relationship will continue to be influenced heavily by events associated with the secessionist movement on Bougainville. According to Mr Levi, Solomon Islands territory will continue to be used by the BRA rebels to promote their activities across the border, and the border with PNG remains potentially the most volatile area of tension in the South Pacific.¹¹

3.14 Recent media reports indicated that PNG and the Solomon Islands had held discussions about joint surveillance by PNGDF and the Solomon Island's Police Field Force of the Bougainville/Solomon Islands border, which has been the source of simmering tensions between PNG and its neighbour for some years as a result of allegedly repeated border incursions by PNGDF operations personnel.¹²

Papua New Guinea Defence Force

3.15 The Committee's 1991 report described the PNGDF as having a proud and honourable tradition, undermined by the neglect of successive governments during the 1980s, when morale was all but destroyed. The report cited budget cuts, static pay rates, deteriorating physical conditions, imposition of a ceiling on military personnel, and planned

10 Levi, in Exhibit No. 11, pp. 62-63.

11 *ibid.*, pp. 64-65.

12 Reuter International News, 8 January 1997; M-L O'Callaghan, *The Australian*, 10 January 1997, p. 10.

relocation of several units as contributing to the PNGDF's problems. The report also referred to constant intervention and politicisation of the senior ranks of the Force, a series of ad hoc involvements in domestic security actions for which the PNGDF was not trained, and a series of breakdowns in discipline which were not rigorously pursued, as further evidence of deteriorating morale during that period.¹³

3.16 In the 1991 report, the Committee made three recommendations on specific aspects of the PNGDF, mainly in connection with the Australia/PNG Defence Cooperation Program. These recommendations focussed on the ADF engineers' program in the Southern Highlands, cooperation between the PNGDF and the RPNGC, and training of PNGDF personnel in civilian tasks.¹⁴

3.17 It is clear that military (external threat) security is only one part of the wider security issue: the total picture includes economic, social, political, cultural, environmental and other factors as well. This stance was taken, for example, by Brigadier General Singirok, Commander of the PNGDF, at the June 1996 conference.¹⁵ As he explained:

[PNG's] ...strategic assessment indicates that we do not expect any major external threat in the foreseeable future but acknowledge[s] that the general deterioration of law and order poses a very distinct danger to our national stability and sovereignty. This recognition therefore shifts our attention principally to concerns about internal or domestic threat sources.¹⁶

3.18 In essence, PNG's security revolves around the themes of internal security, law and order, nation-building and greater cooperation with civilian authorities. PNG's defence policies are largely determined by the following:

- prevailing economic conditions which dictate the shape and form of the defence budget;
- deterioration of internal security, requiring increased cooperation between the PNGDF and the RPNGC; and
- the national government's direction to divert national resources to rural areas, requiring decentralisation of the PNGDF presence to the regions.¹⁷

PNG Defence 'White Paper'

3.19 The 1996 Defence White Paper, *Defence in National Development*, explains how the traditional functions of defence will be managed in conjunction with the increased emphasis the Government has placed on nation building and economic development. The paper recognises that there are no identifiable external threats to PNG security in the short to medium term, calls for continued focus on regional forums and rules out entering into

13 JCFADT, op.cit. pp. 163-165.

14 *ibid.*, pp. 174,177 and 179 (Recommendations 41-44).

15 Singirok, Exhibit No. 11, pp. 25-26.

16 *ibid.*, p. 26.

17 *ibid.*, p. 27.

security pacts. The paper is a result of the first comprehensive defence policy review since 1988. **Part 1** of the White Paper (Policy Guidance) provides the policy framework for the future development of the PNGDF, and states that, while keeping in mind the mandated roles and function of the Defence Force, its structure in the medium term must be based on:

- effective demonstration and management of territorial sovereignty;
- effective involvement in internal security requirements; and
- effective contribution to nation building.¹⁸

3.20 **Part 2** of the White Paper (Defence in National Development) advocates a shift from the traditional civic action tasks to national surveillance and resource protection activities, and decentralisation of Defence tasks through establishment of Regional Engineer Bases and Forward Operating Bases. **Part 3** (International Security Interests) describes the links between defence and foreign policy, and highlights the importance of bilateral agreements and defence cooperation arrangements. **Part 4** (Force Capability) calls for the establishment of a small, balanced and responsive force and the creation of a third para-military battalion whose primary task would be resource protection. **Part 5** (Defence Management) highlights the need for rationalisation of training, human resource development and systems development, and eradication of duplication between the Defence Department and the PNGDF. **Part 6** (Defence Funding) criticises the defence budget cuts over the last decade and calls for increased and consistent budgetary allocations for the PNGDF, from the current 3.3 per cent of GNP to around 5 per cent, in order to rebuild force operational capabilities and preparedness. Priority is to be given to operational requirements and capital investment programs. Bougainville operations will be allocated a separate budget.

3.21 The seminar broadly agreed that a major overhaul of the PNGDF is long overdue, and noted the shift in emphasis towards meeting the challenges posed by growing internal instability notwithstanding the PNGDF's primary task of protecting the nation's integrity and sovereignty:

It is clear to everybody, both outside and within Papua New Guinea, including it would be fair to say within the Papua New Guinea Defence Force, that there has to be a restructuring process. It has to be a more balanced force. ... It still bears a lot of the hallmarks in its structure, equipment and so on, of the inheritance from Australia and it has a tendency to be preoccupied with external threats.¹⁹

3.22 Rationalisation of the Force structure and organisation to permit redeployment of resources to priority areas (internal security operations, counter terrorist operations and restoration of law and order) places emphasis on raising the third para-military battalion, joint operations and training with the RPNGC, and enforcement of the EEZ.

18 Exhibit No. 26, p. 4.

19 Dibb, Transcript, p. 57.

Defence Cooperation Program

3.23 Australia's defence ties with PNG are determined by the Joint Declaration of Principles Guiding Relations Between Papua New Guinea and Australia²⁰ and the Defence Cooperation Program. Through these mechanisms, Australia supplies training, equipment and advice to PNG. The most recent security agreement, the Agreed Statement on Security Cooperation Between Australia and Papua New Guinea, issued in September 1991, focuses on the need to provide internal security.²¹

3.24 After PNG gained independence in 1975, there was a mutual expectation that the strong defence relationship would endure through, firstly, Australia's continued acceptance of a degree of responsibility for PNG's external security and, secondly, assistance in developing the PNGDF as an independent defence force. The first of these elements was regarded as being self-evident and it was not until 1987 that PNG sought amendment to the joint declaration of principles, giving formal effect to a security undertaking between Australia and PNG. The second element has a longer history, resulting in considerable investment of Australian resources in training, equipment and infrastructure development for the PNGDF. Since independence, Australian taxpayers have spent nearly half a billion dollars on the PNGDF and, according to the Department of Defence, 'from neither side do we regard the results as being particularly satisfactory'.²²

3.25 The Bougainville crisis has accentuated concerns about the value for money received in return for up to \$20 million to \$25 million each year in Australian defence aid, and the effectiveness of the PNGDF. Partly for this reason, the level of Australian assistance has shrunk in the last few years to around \$12 million. Together with the PNGDF's preoccupation with Bougainville, this fiscal reduction has had the effect of severely limiting the combined exercise program with the ADF.²³

3.26 One of the points made by Mr O'Connor was that, in offering assistance to resolve security problems in PNG, care should be exercised by Australian authorities because our capacity to do so is 'limited by ... an institutional ignorance of Papua New Guinea and a predisposition to an increasingly offensive paternalism'.²⁴ Establishment of high level dialogue along the lines recommended in para 3.10 above would help to alleviate misunderstanding of the respective defence interests and desired assistance outcomes.

3.27 Professor Dibb voiced some concern about the lessons to be learned by both sides from past experience with the DCP. He indicated that, apart from overly large or ambitious programs such as the Air Training Squadron, certain expectations had built up over time and greater emphasis in future should be given to setting appropriate training objectives than to funding large projects. Clear understanding of objectives by both partners in the Program is essential for its success.²⁵

20 see Exhibit No. 9, Appendix 1.

21 Exhibit No. 28, p. 22; the Agreed Statement is reproduced as Appendix 3 of Exhibit No. 9.

22 White, Transcript, p. 53

23 *ibid.*, pp. 54 & 60.

24 O'Connor, Transcript, p. 61.

25 Dibb, Transcript, p. 56.

3.28 It is noted that the PNG Defence White Paper called for better coordination and management of defence assistance provided by Australia, New Zealand and the United States in order to achieve the objective of developing professional personnel for a capable defence force. The White Paper recognised the importance of the DCP, Australia's largest defence cooperation commitment in the Asia-Pacific region, in providing financial assistance grants, military training and advice to PNG. However, the White Paper also indicated that there were critical areas where the DCP has been out of step with PNG defence requirements in recent times, and endorsed a shift in priorities towards the PNGDF's high priority requirements for self-sufficiency and modernisation. The priorities were listed as:

- development of military capability;
- development of indigenous training capability; and
- professional manpower development.²⁶

3.29 In order to ensure that both PNG and Australia derive mutual benefit from the DCP, it is essential that the high level dialogue referred to in Recommendation 6 above include discussions of the objectives of the Program for both countries.

Future role and structure of the PNGDF

3.30 The functions of the PNGDF are set down in the Constitution, which provides that the Defence Force has a role not only as an armed force to defend PNG's sovereignty against external aggression, but also as an important element in the internal security and national development of PNG.²⁷

3.31 During his presentation to the Seminar, Professor Dibb referred to his recent involvement in the preparation of a discussion paper on the future role and structure of the PNGDF. The paper was commissioned by the PNG Minister for Defence as part of the input to PNG's 1996 Defence White Paper, *Defence in National Development*.²⁸

3.32 While there were substantial areas of agreement between the ideas expressed in the discussion paper and the subsequent Defence White Paper, there were also significant areas of divergence, according to Professor Dibb. One of the parameters imposed at the time the discussion paper was commissioned was that there would be no increase in the Defence budget. The White Paper foreshadowed, however, an increase in budget allocation to around 5 per cent of GNP, as previously mentioned. The current Defence budget is around \$54 million per year, not including the \$14 million allocated for Bougainville operations.²⁹

3.33 In the executive summary of the discussion paper, Professor Dibb described the need for restructuring the PNGDF in the following terms:

The operational effectiveness of the PNGDF can be greatly improved from within existing resources by restructuring the Defence force. The PNGDF has not changed much in its basic shape and structure

26 Exhibit No. 26, pp. 35-36.

27 Section 202, cited in Exhibit No. 8, p. 16.

28 Dibb and Nicholas, 'Restructuring the Papua New Guinea Defence Force', SDSC, 1996, listed as Exhibit No. 8.

29 Dibb, Transcript, p. 58.

since Independence and yet the tasks demanded of it (including internal security) have changed.³⁰

3.34 Professor Dibb identified a number of basic strategic factors which should determine PNG's defence requirements and hence the structure and operational characteristics of the PNGDF. The lack of an identifiable external threat, PNG's geographic location in one of the least troubled areas in the world, a foreign policy based on 'selective engagement' with its neighbours, and a focus on regional institutions such as the ASEAN Regional Forum and APEC, have all contributed to a stable strategic outlook for PNG. Hence, according to Professor Dibb, the PNGDF should be structured to meet only low-level challenges to national security that could occur with relatively short warning:

Papua New Guinea needs to be able to demonstrate its sovereignty by, for example, patrolling its borders and conducting surveillance of its valuable maritime resources. It should be able to deal with internal security situations ... and it needs to be able to contribute effectively to national development in order that pressure on [PNG's] human and physical resources does not cause a further deterioration in internal security.³¹

3.35 The above considerations were apparent also in the address by the Hon Mathias Ijape MP, Minister for Defence, PNG to the conference in June 1996 mentioned previously. He said that, given PNG's policy of selective engagement as part of the overall security umbrella, the nation's priority is to focus on threats to internal security:

Like so many other developing countries, Papua New Guinea faces the prospects of political and social discontentment resulting from the perceived failure by the state to fulfil political, social and economic aspirations of the people. ...The Bougainville crisis, the continuing law and order problems and landowner grievances against large resource development projects are manifestations of people expressing their dissatisfaction over what they perceive to be the state's failure to grant their desired political and economic concessions. ...

The unique feature of PNG's defence and security focus is that we cannot isolate military security from politics, economics and social security. That is one of the fundamental reasons why the government has called for the [PNGDF] to be constructively involved in nation-building tasks.³²

3.36 Low level threat contingencies are most likely to range from terrorism to limited military intervention with short warning lead times. In these situations, a potential aggressor is likely to attack specific targets in remote parts of PNG where PNGDF resources are likely to be stretched. The threat of insurgency, of which Bougainville is a fully developed example, will probably become a major security concern in the future, arising from 'any or a

30 Exhibit No. 8, p. 2.

31 *ibid.*, pp. 17 & 25.

32 Exhibit No. 11, pp. 17-18.

combination of secessionist aspirations, aimed at more socio-economic and political concessions and subversive motives'. Medium level threat scenarios such as armed border confrontations are credible, but less likely possibilities, in the short to medium term.³³ The PNG Defence Minister recognised at the June conference that the most likely foreseeable scenario would be 'limited and regionalised conflicts with only marginalised effects' and 'any threat to PNG's security from states outside of PNG's immediate area of strategic interests remains very limited'.³⁴

3.37 The Dibb recommendations for reducing the PNGDF, savings designed to fund various restructuring proposals, were not adopted in the White Paper. According to Professor Dibb, there is some doubt about how the restructuring and assets proposals contained in the White Paper will be financed.³⁵

Protection of resources

3.38 The seminar clearly recognised, as did the PNG Defence White Paper, the importance for PNG of protecting its natural resources on land and particularly in the 200 mile EEZ, where protection of fishing rights, and oil mineral and gas deposits, is a priority. This strategy requires the PNGDF to acquire the capacity to monitor and analyse intelligence data, although it need not imply highly sophisticated technology such as over-the-horizon radar, nor a strong maritime combat capacity.³⁶

Relationship between the PNG Defence Force and the Police

3.39 The debate still continues about the mechanisms for handling security problems in PNG. In its 1991 report, the Committee discussed the role of the National Security Council and the implementation of internal security policy by, primarily, the Royal Papua New Guinea Constabulary (RPNGC) supplemented by the PNGDF when national development and stability are threatened. The report concluded that the use of both forces to quell civil unrest had created tensions within PNG society, and highlighted the long-standing rivalry between the RPNGC and the PNGDF. Those tensions had stemmed from a number of causes, including the respective employment/operational conditions, the longer traditions surrounding the RPNGC, public esteem differences, separate training regimes for the two forces and the questions surrounding the use of the PNGDF in resolving civil disturbances.³⁷

3.40 The Committee's 1991 report encouraged the integration of the PNGDF and the RPNGC 'for the defined and limited purposes of joint training and logistical support'. The Committee also recommended that the PNG Government develop strict guidelines for the deployment of the PNGDF on civilian tasks to avoid 'the dangers inherent in armies doing police work'. The Committee also recommended that within the ambit of the Defence Cooperation Program, enhanced emphasis be applied to the training of the PNGDF for civilian tasks, and Australia offer to continue its role in recruit and officer training.³⁸

33 *ibid.*, p. 67-69.

34 *ibid.*, p. 17.

35 Dibb, Transcript, p. 58.

36 Dibb and White, Transcript, pp. 61-2.

37 JCFADT, *op.cit.* p. 170-171.

38 *ibid.*, pp. 177 & 179.

3.41 The PNG Constitution and the Defence Act sanction the PNGDF's involvement in combating civil disaster, the restoration of public order, call-out to assist civil authorities in national emergencies and national development functions of a civil nature through the Defence Civic Action Program.³⁹ As Professor Dibb explained, the PNG Government is looking at moving the PNGDF out of its inherited fixed barracks locations into more regional and decentralised locations for national development tasks such as improving village water supplies, health control measures and building schools and other modest construction projects.⁴⁰

3.42 The seminar confirmed that the potential problems involved in police/military overlap had not diminished, and that it was for the PNG Government to decide on how to deploy the two forces. There was no support for amalgamation of the police force and the PNGDF, for reasons linked to the essential difference in a democracy between the minimum use of force and the combat use of force. Indeed, PNG's Minister for Defence had clearly rejected amalgamation arguments on these and other grounds when he stated at the June conference that 'to amalgamate and have a para-military force purely as a cost saving exercise at the expense of Papua New Guinea's sovereignty and deterrence posture may be strategically unsound. The government recognises this and will not rush into any ill-advised reforms'.⁴¹

3.43 Nevertheless, there was broad support at the seminar for the sharing of support functions within constraints imposed by acute sensitivities still existing between the two forces.⁴² The Australian Government's approach on PNGDF involvement in security is broadly to encourage the use of armed forces personnel within a proper legal and human rights framework. Further, the Department of Defence is continuing to encourage the adoption of appropriate training regimes for armed service personnel involved in resolving civil disturbances. Doubt was expressed, however, about the degree of achievement in this area to date.⁴³

3.44 The Committee recommends that:

- 7 the Australian Government and the Department of Defence continue to encourage the Papua New Guinea Defence Force to adopt guidelines consistent with legal and human rights principles, particularly when deploying PNGDF personnel on civilian tasks; and**

39 Exhibit No. 8, p. 16; Exhibit No. 11, p. 19.

40 Dibb, Transcript, p. 64.

41 Exhibit No. 11, p. 19.

42 Dibb, Transcript, p. 63.

43 White, Transcript, pp. 62-63.

- 8 encourage and, where appropriate, provide assistance to, the PNGDF's training programs designed to equip armed forces personnel with the capabilities and skills essential to the effective use of the armed forces in restoring law and order to where civil unrest has occurred.**

3.45 The issue of law and order in PNG is discussed further in Section 5 of this report.

Bougainville

3.46 Discussion of defence and security issues at the seminar frequently included references to the war on Bougainville, which has been a severe test of the security and stability of PNG for the past nine years. Recent newspaper reports of civilian murders in the Siwai District have emphasised the degree to which the Bougainville crisis has exposed the inadequacy of the PNGDF and have in turn focussed attention on the bilateral defence relationship because of Australia's annual contribution of defence aid to PNG. One article in *The Australian* on 13 December 1996 described an attack which resulted in the death of 11 civilians:

... the attack fits with a pattern of payback and revenge killings that have been rife in the Siwai, which sits just below the central Bougainville stronghold of the BRA [Bougainville Revolutionary Army], for at least five years.⁴⁴

The article also indicated that although 'a senior PNGDF source' on Bougainville denied any PNGDF involvement in the attack, the source conceded that it could have involved some PNGDF personnel as unauthorised 'private soldiers'. There have been persistent reports of 'vicious' attacks by the PNGDF and resistance forces, including mortar bombardments, on civilians.

3.47 Access to Bougainville is controlled by the PNGDF, which has prevented outside observers from visiting and, therefore, verifying or discounting many of these reports. However, the Siwai and Malapita attacks have been confirmed by the arrival of casualties in the neighbouring Solomon Islands.

3.48 The disastrous PNGDF push into central Bougainville last year (Operation High Speed II), when the BRA forced the PNGDF to retreat in a conventional confrontation, also represented a reversal of PNG's previous policy of acknowledging that a military solution on Bougainville was not possible, a stance long held by PNG's close allies. It also heightened rebel confidence at that time and correspondingly diminished morale in the PNGDF. In September 1996, one of the worst incidents of the war took place when local resistance fighters, allied with the PNGDF and allegedly armed by them, turned on a company of PNG troops camped at Kangu Beach in south Bougainville, joining forces with BRA elements to attack and mutilate 12 PNGDF personnel. A further five personnel were captured and held prisoner at a BRA camp. Serious discipline problems emerged as a result of the PNGDF inquiry into the incident, which entirely blamed the PNGDF company. It was revealed that heavy drug and alcohol consumption combined with 'unacceptable behaviour towards the local population' had provoked the attack and left the men in no fit state to defend themselves.

44 M-L O'Callaghan, *The Australian*, 13 December 1996, p. 12.

In October, Theodore Miriung, the Premier of the Transitional Government, and a strong advocate of negotiated settlement, was assassinated in his wife's village. Within hours, evidence of PNGDF involvement began to surface. An independent coroner's report subsequently confirmed that up to 10 members of the PNGDF were implicated in the murder.⁴⁵

3.49 The complex issue of Bougainville is discussed further in Section 4 of this report.

45 *ibid.*

SECTION 4

BOUGAINVILLE

The 1991 JCFADT report

4.1 In 1991, the Bougainville crisis was three years old. It was then described by the Committee to be 'intractable', a conflict between 'land issues and economic development'.¹ The calls for secession by the Bougainville Revolutionary Army (BRA) were also seen as threatening the fragmentation of the whole nation, something which was non-negotiable to the Papua New Guinea government.

4.2 Australia's concern with Bougainville was described at the time as twofold: Australian concern for the integrity of Papua New Guinea and the stability of the area; and Australian involvement both through the Australian mining company which was central to the dispute and through the training and supply of the Papua New Guinea Defence Forces. In particular, it had to be recognised that the Australian role in the establishment of Bougainville Copper Limited (BCL) was seen as contributing to the genesis of the dispute, in the failure to recognise adequately the aspirations of local communities and landholders. The publicity associated with the supply of helicopters and the failure of the early attempts at resolution² had, by the time of writing the report, led to rather too assiduous caution on the part of Australia in playing any role in finding a solution to the crisis.

4.3 In 1991, the level of suffering amongst the ordinary people of Bougainville brought about by a cycle of killing and counter killing, by the deprivations caused by a total blockade of the island and by the complete destruction of its infrastructure was very serious. The Committee believed that finding a solution to the problem was imperative.³

4.4 Therefore, the Committee recommended in the 1991 report that: the blockade should be lifted; humanitarian aid should be delivered to Bougainville, particularly with the assistance of NGOs; that guidelines for the supply of military equipment should be clarified and strengthened; and that Australia should encourage the Government of Papua New Guinea to investigate human rights abuses.

The Australian Parliamentary Delegation to Bougainville, 1994

4.5 In 1994 a delegation of Members of Parliament, led by the then Chairman of the Joint Standing Committee on Foreign Affairs Defence and Trade, Senator Stephen Loosley, and including Rt Hon Ian Sinclair, MP, Senator Vicki Bourne, Senator Paul Calvert, Mr Peter Knott, MP, and Margaret Swieringa (Secretary) was invited to 'make an assessment of the

1 JCFADT, op.cit. pp. 183-185.

2 In 1990 talks were held on the New Zealand ship the *Endeavour*, resulting in the Endeavour Accords. In 1991 the Honiara Declaration was signed outlining a program for the restoration of services. The success was limited and no agreement on further talks could be reached. *ibid.* p. 189-190.

3 *ibid.*, p. 190.

general situation on Bougainville with particular reference to: progress towards and prospects for a political solution; rehabilitation and reconstruction needs and the role Australia could play in meeting them; and the human rights situation'.⁴

4.6 The visit was an invaluable one which provided an understanding of the hardships and deprivations of life on Bougainville and made clear to the members the overwhelming view of Bougainvillians that an end to the fighting was their only objective. Human rights abuses were clearly a frequent occurrence, perpetrated by both sides of the conflict. However, in 1994 the Papua New Guinea Defence Force had begun a regime of protection of people in care centres which was, at that time, winning support away from the BRA and overcoming their reputation for indiscipline gained in the initial stages of the conflict. People repeatedly told the delegation that their fear of the BRA was greater than their fear of the PNGDF.⁵ The people in the care centres, by far the majority of the population, weary as they were of the banality and restrictions of the directionless life in the centres, had chosen that over the uncertainties and violence of continuing war.

4.7 The delegation concluded that there could be no military solution to the conflict on Bougainville and, equally, that secession through force of arms was not an option. The 1994 report made a series of recommendations:

- that the policy of restoration and reconciliation should be vigorously pursued and financially supported;
- that the Prime Minister and Ministers of PNG should visit the province to give leadership in the process of reconciliation and peace;
- that a timetable for a peaceful resolution be set in place which included all sides;
- that a ceasefire be negotiated;
- that humanitarian assistance be delivered to all Bougainvillians;
- that the province should be opened to NGOs, the media, other visiting missions and church people;
- that the flow of arms across the border should be stemmed; and
- that human rights abuses should be investigated, possibly through third party international assistance such as the International Commission of Jurists (ICJ), and through the establishment of a national Human Rights Commission.

The report of the delegation visit was tabled in the Australian and Papua New Guinea Parliaments on 9 June 1994.

4 *Bougainville: A Pacific Solution, Report of the Visit of the Australian Parliamentary Delegation to Bougainville, 18-22 April 1994*, p. v.

5 The delegation's view was confirmed by Mr Anthony Regan who put the view to the seminar that the behaviour of the security forces on Bougainville in 1989 fuelled what was a limited conflict and turned it into a secessionist movement. In 1989 and early 1990 the BRA commanded widespread support. However, the inability of the BRA to govern and the subsequent anarchy and chaos on Bougainville in 1990 and 1991 led to a request from local leaders for the return of the army. Transcript, p. 67.

The Bougainville Peace Conference

4.8 Sir Julius Chan made Bougainville a priority when he became PNG Foreign Minister. Throughout 1994, progress towards peace was substantial. After preliminary talks in Honiara, a ceasefire agreement was signed on 3 September 1994 by the Prime Minister of Papua New Guinea, then Sir Julius Chan and the Commander of the BRA, Mr Sam Kauona. Most significant was the peace conference at Arawa on 10 October. Despite the failure of the leadership of the BRA to attend, the majority of the population participated in its proceedings and supported its objectives. Importantly, the north Nasioi peace committee which had operated for a year prior to the Arawa conference, led by Theodore Miriung along with 15,000 Nasioi speaking people, emerged to join and support the conference.

4.9 It was this committee and Mr Miriung himself which formed the nucleus of the Bougainville Transitional Government (BTG). It was established after negotiations in November and December 1994 with North Nasioi representatives, the leaders of the Interim Authorities and finally with the Prime Minister. These negotiations produced the Mirigini Charter. It established the Bougainville Transitional Government in April 1995. Changes were made to the constitution of the North Solomons Provincial Government. The BTG derives its powers from the *Organic Law on Provincial Governments, 1990*, and subsequently the new *Organic Law on Provincial Government and Local Level Governments, 1995*. This was a part elected, part nominated body. It represents over 100,000 people, including the Interim Authorities, chiefs from many parts of the province, women's organisations, the north Nasioi, the resistance fighters, surrendered elements from the BRA as well as many ordinary people.⁶ Its mandate expires in July 1997 on the return of writs for the national election.

4.10 An effective momentum for peace had been established: violence was at its lowest during 1994 and 1995; Theodore Miriung spoke eloquently on behalf of the Bougainvillian people, enunciating their war weariness and their desire for peace. Having spent six years within the BRA area, he was capable of bridging the two sides of the conflict, if the suspicion of both sides could be allayed:

People at heart want independence. ... But it is the duty of leaders to try and see if that is good for the people, without suppressing it. But let it be discussed, not for the benefit of the leaders, but for the benefit of those who think that some miracle can come just by using the words. ... Talk about it, understand and find a solution.

Our avowed and immediate aim is about peace. Both the BRA and the national security forces [must] put down their guns. We talk about peace but on the basis of what I call humility. National Government leaders have to admit that National Government policies have had effects and have caused armed conflict and BRA and Interim Government leaders must admit that they have made mistakes.

The Bougainville Transitional Government objective is positive: We are talking about life; we are talking about beauty; we are talking about happiness, peace. That is why, in the end, we will win. They

6 Exhibit No. 14, p. 39.

are talking about death; they are talking about guns. Guns mean death, destruction and there is no hope.

The people of Bougainville, the men, women and children in the village, are tired of fighting. They are tired of living without certain necessities of life. They are tired of living out of their normal habitat in the village, the peaceful village. The peace of mind and the assurance that the next day will be the same as today.⁷

4.11 Suspicion and impatience eroded the goodwill and reversed the momentum very quickly. In September 1995, members of the BRA leadership, on the appearance of an army helicopter as they were taking off for and returning from talks in Cairns, believed they were about to be attacked. They became less cooperative in the implementation of agreements and less willing to continue talks.

4.12 Whether this was the whole reason is doubtful. As a result of the 'peaceful' period during 1994 and 1995 the BRA controlled area had shrunk to one third or less of the island. More and more people were joining in reconciliation ceremonies and coming out of the bush.⁸ It seems therefore a factor in the BRA's lack of cooperation might have been the BRA's failure to win back the support of the north Nasioi and the belief that conflict was the only way to proceed.⁹

4.13 In the first three months of 1996, BRA attacks on the security forces resulted in the deaths of 12 military and police personnel. The national government, impatient for a resolution and disillusioned by the revival of BRA military action, began military operations in July 1996.

[T]hey [the BRA] goaded the national government into a response, into lifting the ceasefire and launching Operation High Speed. ... I suspect that the BRA recognised that their best hope of winning back popular support was to push the army into an offensive operation because, under the pressure of offensive operations, the army tends to lose control and to take it out on the civilians...¹⁰

4.14 Violence has escalated. In March 1996 the ceasefire was lifted. Operation High Speed, an army offensive on Bougainville, took place between 2 and 9 July. In September, 12 members of the PNGDF were killed at Kangu Beach in south Bougainville and a further five members of the forces were taken hostage and are still being held. The BRA has threatened to kill the hostages. On 12 October the BTG Premier of the province, Theodore Miriung, was assassinated. The initial inquiry into the assassination suggests that it was PNGDF soldiers and resistance fighters who were responsible for the Premier's death.

7 Taken from a special broadcast on the life of Theodore Miriung presented by PNG television after his assassination. Film shown at the seminar.

8 This was very evident to the 1994 parliamentary delegation who were privileged to witness a reconciliation ceremony in Tonu, when dozens of BRA fighters were received back into the community. Report of a Visit of the Parliamentary Delegation, op.cit. pp. 19-20.

9 Regan, Transcript, p. 69.

10 ibid.

Amnesty International

4.15 It is the view of the Committee that the war on Bougainville is itself an abuse of human rights. The Australian parliamentary delegation which visited Bougainville in 1994 were told again and again of the harm and misery the continuation of the war imposed on the lives of the ordinary people. On the release of the report of the delegation visit to Bougainville, the then Chairman, Senator Loosley described it in the following terms:

[War] is dirty, miserable and grinding; it causes pain, suffering and impoverishment. Egos become bound up with the issues; fear and suspicion replace trust and reason; retribution becomes endemic; it is a cycle that is most difficult to break.¹¹

4.16 Throughout the whole period of this seven year war, killing and payback killing have continued with impunity. Much of this has been documented in the JSCFADT 1991 report and particularly in the 1993 Amnesty International Report, *Papua New Guinea, Under the Barrel of a Gun: Bougainville 1991-1993*.¹² The Committee believes that these abuses need to be condemned but also to be investigated and punished.

4.17 In 1996 the situation had deteriorated. Amnesty International visited Papua New Guinea in June and July 1996, including 10 days on the island of Buka adjacent to Bougainville. Their report is not yet final. However, the Amnesty representative at the seminar reported that preliminary findings suggested that there was continuing evidence of very serious human rights violations - extrajudicial executions, illegal executions by military forces, disappearances and continuing serious abuses by the BRA. The Amnesty researcher also reported that people were frightened and reluctant to provide information, that they suffered harassment when they did speak to the Amnesty representative.¹³ Amnesty believed that the lack of systematic follow up to reports of human rights violations encouraged their repetition and that the failure to follow up cases was not because of the lack of an independent judiciary but a failure of political will.

4.18 It should be noted, however, that there have been two investigations into recent incidents on Bougainville. A military inquiry was held into the massacre on Kangu Beach. It concluded that the massacre was the result of indiscipline on the part of the PNGDF and their mistreatment of the civilian population. An independent inquiry was held into the assassination of Theodore Miriung, conducted by a judge from Sri Lanka, Justice Thirunavakkarasu Sutherland. At the end of that inquiry the judge made comments to the press that there appeared to be involvement on the part of the PNG defence forces in the death of Premier Miriung. The full report of the inquiry has been presented to the Prime Minister, Sir Julius Chan, who has passed it on to the Attorney General for consideration. It has not been tabled in the PNG Parliament or responded to as yet.

4.19 These inquiries have demonstrated an openness that will be an important element in any reconciliation process on Bougainville. At the time of writing, the findings of the

11 Speech by Senator S Loosley to the National Press Club, on the occasion of the tabling of the Report of the Visit of the Parliamentary Delegation, 9 June 1994.

12 This report is Appendix 6 in the Report of the Visit of the Parliamentary Delegation, op.cit. p. 83.

13 Simpson, Transcript, p. 75.

Miriung inquiry have yet to be followed up with prosecutions. The Committee believes that it is important that the Government of Papua New Guinea demonstrate that the avenue of the courts is an alternative to the use of the gun to redress grievances.

4.20 At the seminar, Amnesty reiterated and the Committee endorses the concerns and recommendations expressed in the 1991 report about the need to develop strict guidelines for the deployment of PNGDF for civilian tasks and increased training to reflect these guidelines and to enhance the command and control structure of the PNGDF. It is notable that the PNG government has made greatest strides towards peace when the PNGDF has been most disciplined and most involved in the reconstruction process on Bougainville.

Prospects for the future

4.21 There is a tendency within Australia to lump all secessionist disputes in one category and attribute automatic sympathy to the minority seeking independence.¹⁴ However, the Universal Declaration on Human Rights talks about rebellion as a last resort against tyranny and oppression in the absence of a rule of law, the underlying assumption in the caveat of 'the last resort' being that rebellion can so easily lead to anarchy, chaos and war which are a prime source of human misery. Mr O'Connor stressed to the seminar that 'every government has a fundamental responsibility to provide security. It is not permissible for a government to withdraw security forces, especially in the face of a threat.'¹⁵

4.22 In Papua New Guinea it is important to remember that prior to the uprising in 1989, Bougainville was governed by a democratically elected provincial government, that Papua New Guinea itself was and is a democratic state operating under a freely negotiated constitution and that it is an open society with a free press. Bougainville did not suffer intolerable oppression for which there was no redress available through constitutional means. The withdrawal of the security forces in 1990 left a vacuum, an anarchy, so bad as to lead to pleas for their return. The Committee believes that the rebellion of the BRA needs to be put in that perspective.

4.23 Professor Wolfers told the seminar that:

[Papua New Guinea] is also a democratic country where the government is under enormous pressure from diverse parts of the country ... for the distribution of goods and services and where the

14 The Committee considered this issue in some detail in its 1994 report on human rights. The Committee noted that the United Nations, while recognising the right to self determination as part of the decolonisation process, was equally concerned to preserve the integrity of new states. The Committee concluded that 'post Cold War disputes are often internal and they often involve a minority's claim to independence in the face of oppression and persecution. Many of these claims are based on legitimate grievances caused by partisan or ill-advised policies which exclude significant groups of people from full participation in the national life or which prevent reasonable expression of cultural heritage in the name of national homogeneity and majority hegemony. ... Nevertheless, such conflicts are rarely tales of simple oppression. Agitation against the Government on the part of opportunistic politicians exploiting the fears of minorities is not unknown. Where manipulation of a minority occurs and particularly where it is accompanied by violence, the outcomes are often to the detriment of the whole society, the minority and the majority'. JSCFADT, *A Review of Australia's Efforts to Promote and Protect Human Rights, 1994*, p. 213.

15 O'Connor, Transcript, p. 89.

stress of the Bougainville situation is being felt by people throughout the country...

Part of the difficulty that the government has faced for its many shortcomings has been the difficulty of finding people with whom it can negotiate, people who can actually deliver results and people who represent some kind of structure or organisation.¹⁶

4.24 The PNG High Commissioner, Brigadier-General Kenneth Noga, put the dilemma and the frustrations of the government to the seminar:

Our position is quite clear: our wish is to secure peace with the BRA and sit down with them to come to a settled solution. Of course, it will have to be a political settled solution. That is what we have been trying to do. Over the nine years that we have pursued the crisis on Bougainville, that is exactly what we have done. ... [W]e have talked about it with Australia, we have talked about it with the UN, we have talked about it with the communities in Europe, and even in our own South Pacific community. ... [W]e have signed about 13 agreements with the BRA to basically try to get peace with them. ... One of the biggest problems ... is ... [with] the leadership of the BRA. The BRA leadership have never cooperated with any of us. ... All the agreements and treaties we have signed with them, they have [put] their name to them but they have never honoured them.¹⁷

4.25 Any examination of the ebb and flow of the conflict on Bougainville would suggest that the PNG Government should return to the strategies that were developed under Sir Julius Chan in 1994-95. This was not without its frustrations or its setbacks but it was the most peaceful period of the conflict so far and the time when most of the BRA support was whittled away.

4.26 There is ample evidence and general consensus that the option of the military offensive to defeat the BRA has been both ineffective and counterproductive.¹⁸ Not only does the terrain prevent military success, but the exercise has been expensive in resource terms, has demoralised the PNG troops and caused civilian casualties, leading to fear and disaffection. However, in 1994-95, the army was used in a defensive role and for the reconstruction of the services on the island. At the seminar this was put in terms of supporting the moderates against the extremes. Mr Tony Regan lists the most likely strategies for peace in the following terms:

- working towards traditional reconciliation;
- weakening the support for the extreme BRA/BIG leadership by encouraging the widest range of contacts by chiefs, women's organisations, security force

16 Wolfers, Transcript, p. 88.

17 Noga, Transcript, p. 91.

18 Mr Michael O'Connor did note that, while he agreed with the overall proposition that a military solution was not viable, 'given the intransigence of elements of the BRA, that some element of military activity is going to be part of the total solution'. Transcript, p. 89.

members etc. with chiefs, BRA commanders and ordinary people in BRA controlled areas.¹⁹

4.27 In essence, the process outlined by Mr Regan of supporting the moderates means support for the Bougainville Transitional Government, support for the efforts of the women's organisations and support for the churches.

The role of women in the peace process

4.28 Sr Veronica Brady reported to the seminar on the Women's Conference which was held in September 1996 in Arawa, which she had attended. It was attended by 700 women all with church affiliations - the Roman Catholic Church, the Uniting Church and the Seventh Day Adventists. Sr Brady was impressed by the common sense that the women at the forum displayed and by their capacity to put aside their differences to achieve their common aim - an end to the war.²⁰

4.29 The women of Bougainville are educated, determined, courageous and, traditionally, quite powerful within Bougainvillian society. They have been working towards peace for some years now. When the parliamentary delegation visited Bougainville in 1994, it was impressed by the commitment and determination of the women to restore life on the island to something more normal. Then they talked of the importance of reconciliation, of persuading the men and boys out of the bush, to return to school and to rebuild the gardens and the villages. Despite the dangers and the difficulties they have been moving around the island creating the link and the reassurance between communities. It is a vital role in rebuilding trust.

4.30 The women at the Arawa conference came from all sides of the conflict. Sr Brady presented three recommendations from the forum:

- Third party involvement to bring together the opposing sides and encourage a negotiated, peaceful settlement;
- Direct involvement of the International Committee²¹ of the Red Cross and other NGOs to supply humanitarian assistance;
- All military forces to be replaced by civilian forces and the restoration of the rule of law as soon as possible.²²

4.31 Many of the women attended a further conference in Australia in October 1996 and subsequently met with members of the Committee. They presented a position paper to the Committee for a staged resolution to the conflict.²³ This proposal spanning 4 to 5 years included a United Nations peacekeeping force, the reconstruction and rebuilding of the services on the island, including a judiciary system and the investigation of human rights

19 Exhibit No. 14., p. 3.

20 Brady, Transcript, p. 72.

21 The forum probably intended the International Federation of the Red Cross, which is the humanitarian relief agency. See Butt, Transcript, p. 85.

22 Brady, Transcript, p. 74.

23 See Exhibit No. 15.

violations, elections for Bougainvillian leaders and an act of self-determination at the final stage.²⁴

The role of the churches

4.32 The role of the churches has always been important on Bougainville. Now they have begun to play an important role in the reconciliation process²⁵ and in the reconstruction of social infrastructure, particularly in the reestablishment of schools and medical facilities. The Catholic Church and the Uniting Church have been particularly prominent. They have the organisational structure to be deliverers of assistance. Nevertheless the developments so far are small. The jungle has overgrown buildings, transportation is virtually non-existent, and, as far as education is concerned, so many grown adolescents have missed their schooling that the age range in a primary classroom is from the normal age to 19 years of age.²⁶

The role of the PNGDF

4.33 The role of the PNGDF is perhaps the most contentious and yet perhaps the most vital to the success or failure of the peace process. There appears to be a direct ratio between the behaviour and discipline of the defence forces and the progress towards peace. Of course they do not operate in isolation and they are under enormous pressure, as a number of speakers at the seminar noted. Professor O'Collins, who had spent 18 years at the University of Papua New Guinea reported that she had spoken to police returning from Bougainville, some former students. They had great difficulty making the adjustment to civilian duties after the traumas and dangers of Bougainville:

... [T]hey said that on Bougainville if you wanted to live you shot first. Then they came back and were meant to go into the police force and use minimum force. I can remember one man saying to me that he had the 'hard knot' in his heart and it stayed there for six to 12 months, and he was meant to forget about it and go back to normal duties.²⁷

Mr Sinclair added that:

[T]he PNG Defence Force must be in a very difficult psychological position. ... In some instances these soldiers have been there for 12 months; they have been over there repeatedly, with some having three and sometimes more commitments there.²⁸

Lt Col. Morrison told the seminar that Bougainville created a tremendous dilemma for the Papua New Guinea Defence Force:

[I]f something is not done to restore the overall health of that Papua New Guinea Defence Force in the short term, we are going to do long-

24 *ibid.*

25 The conference of the 700 women at Arawa in September was organised through the churches. Brady, Transcript, p. 72.

26 *ibid.*, p. 79-80.

27 O'Collins, Transcript, p. 78.

28 Sinclair, Transcript, p. 83.

term damage to that force. ... I would say that it is emotionally and physically in need of repairing.²⁹

4.34 The damage was described in detail as a result of the prolonged pressure. Even as early as 1991 the Committee had noted that the conflict on Bougainville had shown up the weaknesses of the command structure and in the training of the forces.³⁰ Mr Regan noted that throughout 1996, the army was 'behaving more like an army of occupation in a hostile land than like the winner of hearts and minds as they have in the past'.³¹ Sr Veronica Brady reported of her experiences at the September women's conference at Arawa that the security forces appeared to be hostile to the conference and out of sympathy with the Transitional Government.³² She did not believe that the security forces provided security.³³

4.35 Nevertheless, most speakers at the seminar concurred on the need for a review of the role and the operation of the PNGDF on Bougainville. Mr O'Connor warned of the dangers of mixing the roles of the police and the military; that their role need to be kept distinct.³⁴ Mr Regan believed that the review must reassert and reemploy the role the PNGDF played in 1991 to 1993, which was largely constructive though not without blemish. Mr Newsom agreed and specified the rebuilding of civil society; that the army had significant skills that can be used in the building of houses, infrastructure etc.³⁵ The role of the army in reconstruction and in the transfer of such skills to the local people was the most positive action it could take.

4.36 In the light of these needs and this suggested role for the PNGDF, perhaps Australia could also review aspects of the Defence Cooperation Program.³⁶ In particular it was suggested that Australia should reconsider its training - overall training, training the PNGDF in peacemaking, training the PNGDF in relation to human rights.³⁷

4.37 Should then the PNGDF be withdrawn? There was a difference of opinion about the need to retain the presence of the PNGDF. There were calls for the withdrawal of the troops from a couple of speakers, including the women's groups in their recommendations for a staged program for peace;³⁸ however most believed that any premature withdrawal would see a repetition of the dangers of 1990.

4.38 The possibility of withdrawal of the Papua New Guinea Defence Force was also canvassed in the paper presented by Mr Regan.³⁹ He concluded that the various options under which the National Government might consider a withdrawal were probably not open

29 Morrison, Transcript, p. 90.

30 Simpson, Transcript, p. 76.

31 Regan, Transcript, p. 69.

32 Premier Theodore Miriung was initially turned away at gunpoint and the house occupied by the Australian delegation was broken into and recording equipment stolen. Brady, Transcript, p. 73.

33 *ibid.*

34 O'Connor, Transcript, p. 88.

35 Newsem, Transcript, p. 86.

36 Simpson, Transcript, p. 78.

37 Regan, Transcript, p. 71.

38 see Exhibit No 15.

39 Exhibit No. 14.

to serious consideration at this point.⁴⁰ Many of the arguments for this view have been put already, including:

- the wish of the majority of the population for the retention of the PNGDF;
- the responsibility of a national government not to abandon legitimate authority in the face of a threat to the population;
- the danger to the moderate leaders of Bougainville should the PNG Government abandon Bougainville to the BRA/BIG forces;
- the history of anarchy and violence under the BRA leadership in 1990;
- the unwillingness of the BRA/BIG to share power;
- the obstacles to setting up a peacekeeping force in the absence of a peace agreement;⁴¹ and
- Mr Regan also put the view that there was no constitutional mechanism for the ceding of territory.⁴²

International observers - the ICRC, ICJ

4.39 If, as appears likely, the Papua New Guinea Government would not agree to the withdrawal of its own troops in favour of an international peacekeeping force, the question of international observers, such as the ICRC or the ICJ, in addition to the national defence forces, is worthy of consideration. This would give greater protection to the population and encourage greater discipline in the defence forces. Therefore the Committee recommends that:

- 9 the Australian Government encourage the Government of Papua New Guinea to consider inviting international observers from either the International Committee of the Red Cross or the International Commission of Jurists to be stationed on Bougainville.**

Constitutional change - autonomy

4.40 All speakers at the seminar acknowledged the desire of the Bougainvillians for increased autonomy. The High Commissioner for Papua New Guinea, Brigadier-General Noga, himself noted this and accepted it as a possible part of a negotiated settlement.⁴³ While not a simple matter *vis a vis* the new constitutional status of the other provinces of Papua New Guinea, it appears to be a possible and viable part of any settlement. Mr Regan argued that special political arrangements for Bougainville might be an effective strategy: that Papua New Guineans would accept a special case for Bougainville as the price of peace and that the spillover effects to other provinces would be minimal and that it would enhance the position of the moderate leadership on Bougainville, who currently have the support of the majority of

40 *ibid.*, pp. 56-58.

41 This lesson was learned at great cost to the United Nations in both Bosnia and Somalia.

42 The Constitution of PNG, s2, provides a mechanism for the addition of territory but there is no mechanism for the ceding of territory. Exhibit No 14, p. 57.

43 Noga, Transcript, p. 92.

the population.⁴⁴ The Committee believes that the important role of the Bougainville Transitional Government must be supported to ensure a resolution to the conflict.

4.41 In conclusion, the Committee urges that note be taken of the recommendations of the women's conference at Arawa (see paragraphs 4.28-4.31). Furthermore, the Committee reiterates the recommendations of the 1994 Delegation report that a military solution is not possible and therefore a ceasefire should be negotiated as soon as possible so that peacebuilding can continue: in this there is a need to improve conditions in the care centres and return people to their villages; a need to address health, education and the reconstruction of infrastructure; and, above all, a need to proceed as quickly as possible with the reconciliation process.

44 This support is likely to decline in the absence of a political settlement that recognises some form of independent decision making for the province. Exhibit No. 14, pp. 58-59.

SECTION 5

SOCIAL ISSUES

Social change - urbanisation, employment, environmental protection and law and order

5.1 In 1991 the Committee considered the development of Papua New Guinea since independence in the light of Australia's legacy to its former colony and the ongoing responsibility Australia felt to continue to aid PNG through its development phase. At the time of writing that report it was a remarkably short period of 16 years since independence. The time frame is important: it seems to the Committee that there is a tendency to forget how new an independent nation PNG is, when critical judgements are being made.

5.2 The 1991 report summed up the period in the following terms:

...Papua New Guinea has a rapidly expanding and urbanising population. It is, therefore, a struggle to build an education system to cater for the growing population. Illiteracy remains high. There are too few skilled Papua New Guineans who can manage and implement the development policies of the government. And yet, despite the shortage of skilled labour, there is also high unemployment which creates frustration and lawlessness. Health services do not keep pace with the growth of population. The environment too is under pressure from the expansion of industry, especially in the mining and forestry sectors.¹

Five years later, many of the problems remain and some situations have deteriorated. Most problems involve a complex interlinking of factors. All have implications for the nature and delivery of Australian aid to Papua New Guinea.

Employment

5.3 Mr Murray Proctor of AusAID described an employment situation little changed in its fundamentals since 1991. Urban unemployment exceeds 30 per cent. There are 50,000 new entrants to the workforce each year. Employment in the private sector, three quarters of formal employment, has decreased; public sector employment is static and likely to fall as a result of structural adjustment policies. Moreover non-mining private investment has fallen from thirteen and a half per cent in 1980 to less than eight per cent in 1994. Investment is constrained by poor levels of infrastructure, high costs and cultural factors such as access to land and levels of violence. The predominant sector is still subsistence agriculture, involving 80 per cent of the population, although this has less and less appeal to young, educated Papua

1 JCFADT, op.cit. p. 39.

New Guineans. Large investment goes into enclave mining development, and, while this accounts for 30 per cent of GDP, it provides only three per cent of employment.²

5.4 Mr Proctor concluded that there was a need for growth in rural employment, particularly in cash cropping and support industries and in the small business sector. The education curricula, infrastructure and the availability of finance needed to be directed to that end.

Urbanisation

5.5 Urbanisation is a feature of almost all developing societies. In Papua New Guinea this is taking place very rapidly, placing strain on urban infrastructure: roads, housing, water supply and electricity as well as health, education and policing services. People move in the expectation of higher incomes and better opportunities but often find, as in PNG's larger towns, squatter settlements, unemployment and criminal gangs.

Law and order

5.6 The level of violence in Papua New Guinea is a constant source of media interest. However, increasing crime rates in times of rapid economic and social change are not unusual. The seminar was told that crime in PNG resulted from the impact of economic development, growing social cleavages and the general weakness of the Papua New Guinea state in delivering basic services. Crime took the form of violence against women, gang crime, tribal fighting and corruption. It increasingly and disturbingly involved the use of high powered and sophisticated firearms.³ The trade in drugs for firearms, especially across the Torres Strait, a problem noted in the 1991 report, continues to create particular concern.

5.7 Mr Dinnen reported to the seminar that 42 per cent of all serious recorded crime occurred in Port Moresby and another 24 per cent occurred in certain parts of the highlands.⁴ In June 1996, the RPNGC Police Commissioner told a Sydney seminar on security that 76 per cent of all reported crime was committed by people under the age of twenty.⁵ He outlined the economic and social reasons for the level of crime in PNG in the same terms as those stated above. However, he added a number of insights: the decline in the customary sanctions traditionally applied by village 'big men' and yet at the same time the continuation of the custom of payback; the loss to the police force of experience through resignations and early retirements; the rapid expansion of the population; the lack of unemployment benefits, old age pensions, medicare or training schemes. He was particularly concerned about the local manufacture of firearms as well as their importation. Finally, he noted that police were vulnerable to criminals; 'there were,' he said 'more police killed on duty in PNG than in Australia, New Zealand and Fiji combined'.⁶

5.8 Since independence, there has also been a decline in the number of police available to the community. In 1975 there was one police officer to 476 civilians; in 1996,

2 Proctor, Transcript, pp. 117-118.

3 Dinnen, Transcript, p. 121.

4 *ibid.*

5 Exhibit No. 11, containing the paper given by Robert Nenta, OBE, QPM, Commissioner of Police, RPNGC, p. 34.

6 *ibid.*, pp. 31-35.

the ratio is one police officer to 800 people. If account is taken of administrative duties, leave or absentees, the numbers of police actually involved in policing at any one time is 700 officers in the population of 4,000,000 or 1.9 policemen per police station.⁷ This shortage of resources is unlikely to improve at a time of stringent national budgets as part of the structural adjustment program.

5.9 However, to gain some perspective on the extent and nature of violence in PNG, it is useful to look also at the paper presented by Ms Bernice Masterson to the Australia-Papua New Guinea Friendship Association/Australian Institute of International Affairs Seminar held in Sydney in June 1996.⁸ Ms Masterson, a former officer with the Victoria Police, has worked as a consultant to the AusAID police training project since 1993.

5.10 Ms Masterson put the view that while the problems were very complex and difficult, the media coverage of violence in Papua New Guinea was sensationalised and did not do justice to the real achievements of the RPNGC. If law and order were to be judged by the usual measures of trends in crimes and clearance rates then the situation was less dramatic than that presented by the press. A cautious⁹ examination of the statistics for reported serious crime suggested that there was a 'steadying trend' and 'not inconsistent with other places'.¹⁰ Clearance rates for particular crimes were similar to Australian statistics.¹¹

5.11 That having been said, crime is a serious issue for PNG. The rate of homicide and rape is high¹² and the RPNGC has deficiencies in the areas of discipline and skills and it is constrained by inadequate budget support.

5.12 In 1988, AusAID, formerly AIDAB, began an assistance project with the Royal Papua New Guinea Constabulary (RPNGC) to strengthen the force. The first phase of the project from 1988 to 1992 cost \$28 million; the second phase from 1993 over five years has been allocated \$78 million.¹³ The police training project was established to assist in overcoming the deficiencies facing the force in the aftermath of independence. Ms Masterson quoted Sean Dorney at the seminar:

The police force that Australia handed to PNG at self-government was the most crippled of any government agency. In the year of Independence police responsibility covered only ten per cent of the land area and forty percent of the population. [And] ... the force faced 'major problems' because of inexperienced and untrained staff.¹⁴

Also quoted was the former PNG Police Commissioner, David Tasion:

7 Dinnen, Transcript, p. 123.

8 Exhibit No. 11.

9 Ms Masterton warned that all statistics should be treated with caution. *ibid.*, p. 46.

10 Between 1992 and 1995 numbers of reported serious crimes were: 10,639; 12,059; 10,679 and 13,106. *ibid.*, p. 47.

11 In 1994-95 in South Australia, the clearance rate for assault was 60 per cent and for property crimes, 15 per cent. In PNG the clearance rate for assault was 52 per cent and for break and enter, 22 per cent. *ibid.*

12 On a comparison with Victorian figures homicide is three times greater and rape 50 per cent higher. *ibid.*

13 *ibid.*, pp. 41-42.

14 *ibid.*, p. 43.

The police force started losing its effectiveness in both planning and management. It was not until the early to mid-eighties that we started picking up again.¹⁵

5.13 Police Commissioner Nenta noted that the Prime Minister had designated 1996 the Year of Law Enforcement in an effort to focus attention on the police force and to encourage community support for its work. Other efforts are being made to develop better community relations through neighbourhood watch programs and auxiliary policing which seeks to use and strengthen the structures that exist at the community level. The churches also provide an avenue for combating raskol gangs and developing processes of reconciliation between gang members and the local community.¹⁶ Mr Dinnen believed these community based approaches offered greater prospects of success than the more punitive approaches.

Border issues: Torres Strait

5.14 For the Australian Customs Service, the border between Australia and Papua New Guinea is one of its most important. The Torres Strait is the narrowest border between Australia and any of its neighbours, in places only three kilometres wide; Papua New Guinea is our closest neighbour. Border management is complicated by the Torres Strait Treaty which gives free passage to movements of traditional inhabitants and Torres Strait Islanders through the Strait. These movements inevitably make the control of illegal movements more difficult.

5.15 The Australian Customs Service is concerned about the illegal movement of people and the trade in drugs and guns across the Strait. In particular, the tightening of the gun laws in Australia has created an environment for an increase in this trade.¹⁷

5.16 The Australian Customs Service has increased the amount of its resources deployed in the area. It has provided:

- a new helicopter available under the Coastwatch contract;
- more frequent flights by fixed wing aircraft;
- a greater emphasis on electronic surveillance;
- a new customs vessel, the *Wari*, which will operate in the Torres Strait region for up to 300 days a year; and
- a community awareness program under the customs watch banner.¹⁸

5.17 In the 1991 report, the Torres Strait Islanders expressed strong concerns that the provisions of the treaty were being abused and that this posed a threat to health, quarantine and immigration.¹⁹ At the time of writing that report, the Australian Customs Service was managing a five year aid project to 'improve the capability, operations and self-image of the [PNG] Bureau of Customs and Excise staff. The success of that project was marred by the

15 *ibid.*, p. 44.

16 Exhibit 17.

17 Jones, Transcript, p. 129.

18 *ibid.*, p. 128.

19 JCFADT, *op.cit.* pp. 204-205.

restructuring of the Bureau shortly after the project was completed in 1992 and the consequent loss of expertise.²⁰

5.18 Mr Jones of the Australian Customs Service told the seminar that the contacts between the services had been comparatively limited. Given the stated loss of expertise in the PNG Customs Bureau and the concern expressed both by Australians at the seminar and by the PNG Police Commissioner about the guns for drugs trade, the Committee recommends that:

- 10 AusAID, in consultation with the Government of Papua New Guinea, develop a follow up to the customs project.**

Social change - education, health and women's development

Health

5.19 In the 1991 report, the Committee noted that, in the 1970s, 96 per cent of the population were within two hours walk of medical assistance, but that this expansion of health services had slowed during the 1980s. At the time of writing that report the Government of Papua New Guinea had increased spending on the sector but had not been able to stem the decline in per capita expenditure on health.²¹ This long period of decline has been exacerbated by the need for control of government expenditure, the rising costs of wages and a level of 'chaos' created by changes in provincial government arrangements.²² The seminar was told that the health status of the PNG population has been deteriorating, that:

[I]nfant mortality has risen from ... 72 per 1,000 live births in 1980 up to the order of some 82 per 1,000 live births in 1990. On average one in eight children die before reaching the age of five. Maternal mortality rates have been estimated at 800 in 100,000. ... Infectious diseases now cause about 40 per cent of deaths. Tuberculosis is a growing problem for both children and adults, with the detected incidence of the disease rising about 50 per cent from 1991 to 1994.²³

There are also significant variations from region to region; there are much poorer statistics in rural districts than in urban areas.

5.20 Real per capita expenditure on health has grown by 25 per cent although the sector's share has fallen as a ratio of national expenditure by approximately two per cent to eight per cent.²⁴ The problems in the sector included the availability of pharmaceutical supplies, the adequacy in the supervision and guidance of health workers, the closure or deterioration of health facilities and the lack of serviceable equipment.²⁵ One anecdote, offered in another context, nevertheless illustrated the problems starkly:

20 Jones, Transcript, p. 127.

21 JCFADT, op.cit. p. 56.

22 Proctor, Transcript, p. 144.

23 Caldwell, Transcript, p. 130.

24 *ibid.*

25 *ibid.*, p. 129.

In 1993 we [AusAID] funded an emergency vaccination program with UNICEF of children in PNG because the vaccination services had collapsed. There was no money for health care patrols, there was no petrol for the cars and there was not much money for the vaccines.²⁶

5.21 The PNG Government has recognised the problem and has developed a five year national health plan, with particular emphasis on rural health. Moreover, one of the conditions of the World Bank loan is that adequate funding continue in the social sectors; at least 25 per cent of its second tranche is to fund the social sector.²⁷

5.22 The development of projects to replace budget support has also focused on the health sector as one of three priority areas for Australian aid. Aid to the health sector is expected to rise 25 per cent by the end of the treaty period and to include training of medical officers, strengthening the management capacity in five major hospitals, reproductive health, HIV/AIDS and a child survival program.²⁸ According to AusAID, the immediate programs for implementation in the next twelve months are:

- programs for women's and children's health;
- the strengthening of rural health services;
- the provision of technical assistance to strengthen the National Department of Health in its new responsibilities;
- pharmaceuticals supply and distribution; and
- medical equipment maintenance and management.²⁹

Education

5.23 Indicators in the education sector are also low by world standards, whether judged by entry rates, retention rates or literacy levels. Here, as in the health sector, progress is complicated by high costs.³⁰ AusAID reported to the seminar that:

Only 76 per cent of eligible children have access to grade 1.³¹ Of these, 45 per cent would probably be expected to drop out over grades 1 to 6. For every 100 students enrolling in primary grades, only one student might be expected to make it into higher education under the current system. The 1994 UNDP figures on adult literacy suggested rates of only 38 per cent for women and 65 per cent for men. Half the labour force has less than primary school education and only four per cent have completed full secondary schooling. ... [H]igher education

26 Proctor, Transcript, pp. 143-144.

27 Caldwell, Transcript, p. 131.

28 *ibid.*

29 *ibid.*

30 These costs both in the health and education sectors, according to AusAID, and confirmed by Mr McKay of the Australia-Papua New Guinea Business Council (see Transcript p. 139) are largely in the area of wages. This, according to the 1991 report was a legacy of decisions made in the last years of Australian administration. JCFADT, *op.cit.* pp. 90-91, especially Table 6.2.

31 To put this statistic into context, however, it should be recalled that at the time of independence, only 20 years ago, the figure of access to primary education was 25 per cent. There has been a threefold increase in 20 years. *ibid.* pp. 10-11.

consumes about 35 per cent of the education budget but serves only two per cent of the student population.³²

One inhibition to the expansion of education was the cost; a figure of 50 kina per course³³ was cited as prohibitive in the rural areas where subsistence farming was the norm.

5.24 The weaknesses in this sector have an impact on the overall capacity of PNG, especially in the capacity of the middle range of the bureaucracy to deliver further government programs. The 1991 report also addressed the problems of education and the way in which that impacted in the development process. The report commented:

In the failures of the education system lie many of the explanations of the problems of development in Papua New Guinea - the shortage of skilled labour, the difficulty of implementing government policy, the rates of youth unemployment and lawlessness.³⁴

5.25 Most speakers at the seminar stressed the importance of primary education and in particular rural education. Particular concern was expressed about the literacy levels among women as women were the prime educators of children and the suggestion was made that adult literacy classes in rural areas might be a useful adjunct to the formal education programs.³⁵

5.26 The reforms proposed by the Government of Papua New Guinea are directed at universal primary education and literacy. Australia's aid program is to supply \$35 million in this financial year to teacher training, materials for school infrastructure, support for technical education and programs to improve female participation.³⁶

5.27 In 1991, the Committee recommended that the Department of Employment, Education and Training establish a unit within its International Division with the specific objective of developing links between tertiary institutions in Australia and Papua New Guinea, particularly teacher training institutions. Through these links the department should seek to facilitate both programs of training and exchange among both staff and students, supporting and extending the work of the International Development Program. This recommendation was not taken up by the Government at the time; instead, due to resource constraints, it suggested that the establishment of a PNG Studies Centre at an Australian university. In a letter to the seminar that position was reiterated by the current Minister for Employment, Education, Training and Youth Affairs, Senator the Hon Amanda Vanstone.

Women's development

5.28 It is a truism to say that development assistance given to women affects not only their own health and welfare but that of their children as well. In her submission to the seminar, Professor O'Collins stated that:

32 Caldwell, Transcript, pp. 131-132.

33 O'Collins, Transcript, p. 135.

34 JCFADT, op.cit. p. 45.

35 Leach, Transcript, p. 142.

36 Caldwell, Transcript, p. 132.

There are clear links between the adequacy of women's access to education and health services and their involvement in economic, political and social development.³⁷

5.29 Women's development has lagged behind that of men in Papua New Guinea. In 1991, the report listed a number of areas of disadvantage which had been put to the members by a group of prominent Papua New Guinean women during the Committee's visit. These concerns included:

- the traditional subservience of women to men;
- a lack of representation in Parliament;
- a lack of educational opportunity for girls;
- serious problems of domestic violence;
- high cash prices for the traditional bride price; and
- a need for better family planning information, especially as the traditional separation of men and women was breaking down.³⁸

5.30 Professor O'Collins drew the attention of the seminar to the continuation of the problems women experienced. She provided anecdotal evidence of the cultural norms which made it difficult for women to persuade men to assist them in getting to medical clinics for family planning sessions, or the necessity of a young girl dropping out of school when her mother dies in childbirth.³⁹ As well as geographic distance and social inaccessibility, women were held back by illiteracy. Women's literacy rates were half that of men. Their health indicators were particularly poor (see paragraphs 5.19 - 5.23).

5.31 However, a number of programs and organisations have been established to address some of these problems. Through the Department of Home Affairs and Youth, the Government initiated a Development of Women's Opportunities Project with a budget of K196,000 in 1991. It was a three year program which sought to establish a women's network, training programs in agriculture, health and management. Women were also represented on the National Council of Women, the national YWCA, the Family Planning Association, the Commission for Higher Education, the Women's Unit in the National Broadcasting Commission and the Law Reform Commission.⁴⁰

5.32 Since 1991, there has been much activity through projects aimed at women's development - greater access by women to education and business opportunities, micro-credit schemes, literacy programs and community based development projects. Professor O'Collins believed that despite all the problems, many of them urgent, it was worth focusing on the achievements. Women's groups have gained in stature and confidence.⁴¹

37 Exhibit No. 20, p. 5.

38 JCFADT, op.cit. p. 54

39 O'Collins, Transcript, p. 134.

40 JCFADT, op.cit. pp. 53-55.

41 Exhibit No. 20, p. 5.

Australian development cooperation

5.33 The final segment of the seminar covered Australia's development cooperation relationship with PNG. Presentations were made by AusAID, ACFOA and a representative formerly with the International Women's Development Agency.

The 1991 JCFADT report

5.34 The Committee's 1991 report devoted more time and attention to development assistance (commonly called aid) than to any other element of the terms of reference for the original inquiry. This was perhaps inevitable, given that development assistance has dominated the Australia-PNG relationship up to the present day. In 1991 the Committee strongly recommended replacement of budget support by program aid, supplemented where necessary by project aid. The choice of program areas was to be based on sound long term economic and social policies and determined after close consultation between the two countries. The capacity for NGOs to deliver cost-effective project aid was supported, and the Committee recommended that financial support for these organisations should be increased.⁴²

Implementation of program aid

5.35 Program aid is a form of development assistance associated with direct funding of a sector, for example, education, health or the police service, rather than individual projects. The 1991 report recognised that program aid has the desirable attributes of budget support (maximising control by the recipient country) while providing openness and accountability for Australia.⁴³

5.36 The Committee envisaged in 1991 that implementation of Australian program aid in PNG would comprise the following elements:

- objectives agreed by both countries;
- monitoring of efficiency and effectiveness;
- participation by NGOs, where appropriate;
- long-term rather than short-term funding; and
- project aid within a program area, if necessary.⁴⁴

42 JCFADT, op.cit. p. 131.

43 *ibid.*, p. 148.

44 *ibid.*, pp. 143-144.

Change in the aid relationship

5.37 While aid continues to be central to the bilateral relationship, Mr Davis of AusAID explained how the aid component of that relationship has changed since the Committee's report in 1991. He highlighted some of the innovative approaches AusAID is now taking in the delivery and management of programmed aid, the impacts that have been observed and prospects for the future.

5.38 The volume of aid to PNG, totalling just over \$300 million this year, represents a substantial decrease in real terms both as a proportion of the Australian aid budget and the PNG budget. The aid treaty with PNG sets the parameters for phasing out direct budget support completely by the year 2000.⁴⁵

5.39 The shift to program aid involves fundamental changes in the way Australia interacts with PNG, and the selection of delivery mechanisms. Extensive formal and informal dialogue with the PNG Government has been necessary to develop agreed strategies and activities. These negotiations involve considerable administrative complexity and absorb large amounts of scarce management capacity, as the Committee's earlier report predicted. Jointly Australia and PNG have agreed on six sectors as the focus for Australian aid: health, education, law and justice, transport and communications, natural resources and the private sector. Recently, the PNG Government requested an increased emphasis on improving delivery of basic services to rural communities, particularly in the areas of primary health care, basic education and road maintenance. In addition, the PNG Government has highlighted the importance of the private sector for future planning.⁴⁶

Performance indicators

5.40 Development of performance benchmarks has been an important part of inter-government discussions on program aid, parameters for which were agreed in 1995. Performance measured against these benchmarks may result in changes to the shape and level of funding. Quarterly meetings between AusAID and PNG agencies are used to identify, develop, implement and monitor activities within each of the six sectors. Within that context, AusAID is conscious of the dangers of establishing new facilities or services that are beyond the capacity of the PNG Government to maintain after the initial stages have been completed. Sectoral support is designed to be integrated into PNG's own management systems.

5.41 As well as standard project approaches, AusAID is increasingly channelling funding through trust accounts and rolling programs involving various agencies within PNG, as a means of strengthening local financial management and budgeting skills. In line with the recommendations of the 1991 report, AusAID is moving towards overall sector investment funding (SIF) with flexibility to encompass a mix of: projects, advisory assistance, commodities assistance, short-term operational/maintenance assistance, rolling programs or trust accounts. Closer involvement of PNG agencies in planning, implementation and review of activities is a key element of shared responsibility for program outcomes.⁴⁷

45 Davis, Transcript, p. 145.

46 *ibid.*, pp. 145-146.

47 *ibid.*, p. 147.

Administrative capacity in PNG

5.42 As Mr Davis pointed out, to meet the challenges raised by the rapid growth and complex nature of the PNG program, 'innovation and flexibility are obviously required':

Within our own system, the volume of program aid has grown much more rapidly than the resources that we have available in Canberra and Port Moresby have grown to administer it. While the program has grown from \$35 million in 1991-92 to \$155 million in 1996-97, a factor of 4.4 times, overall staffing has grown by a factor of 2.8. More importantly, there have been ... increased demands on the Papua New Guinea bureaucracy to administer the program.⁴⁸

To address these concerns, AusAID is attempting to strengthen capacities at both the central planning level and in the individual line departments/agencies. In order to support the necessary level of ongoing policy dialogue, the efficiency of the associated administrative processes needs to be continually improved.

5.43 AusAID is also looking at giving more attention to the 'front end' of aid activities ie to the design and development phases of programmed aid, as well as to increasing the effectiveness of contracting and tendering procedures. Within the bounds of Commonwealth purchasing policy, PNG enterprises are being involved to the maximum extent possible in supply and tendering activities.⁴⁹

5.44 In the transition to program aid, now almost halfway completed, there is evidence 'on the ground' of significant outcomes under joint responsibility arrangements, for example in upgraded school facilities, numbers of children immunised and training provided to doctors and nursing staff.⁵⁰ However, for sustainable development to be achieved, infrastructure improvements must be pursued further. Through AusAID, Australia has continued to assist central PNG agencies with high levels of technical and policy advice on management and financial systems. Environmental protection is one of the important fields in which extensive training opportunities have been provided through program aid, with the long term objective of enabling the PNG Government to deliver these services without donor support. At the broad policy level, Australia has devoted considerable attention to supporting sound macroeconomic and good governance approaches, and other reforms being pursued by PNG in conjunction with the World Bank and other international financial institutions.

5.45 Early in 1997 AusAID will be conducting a comprehensive review of program effectiveness, as well as cross-sectoral aspects, as a basis for determining effective strategies for the future. AusAID is increasingly adopting a sector-wide focus and is placing greater emphasis on program rather than project activity. In 1998, the next joint review of the aid treaty between Australia and PNG will be conducted as the basis for future action. As Mr Davis indicated at the seminar:

48 *ibid.*

49 *ibid.*, pp. 147-148.

50 *ibid.*, p. 148.

Beyond the year 2000, the future of our aid program to PNG will depend on AusAID's and the Papua New Guinea government's record in implementing program aid, and on the parliament's and the community's views on the value of aid in maintaining a strong relationship with Papua New Guinea. Continued scrutiny of the aid program, as has occurred during this seminar, is an essential element of that decision-making process post-2000.⁵¹

Some suggested approaches to future development assistance

5.46 Australia's relationship with PNG goes far beyond that of donor and recipient of development assistance. As ACFOA indicated, Australia has played a major part in establishing all the key institutions in PNG (police, public service, army and education systems) and therefore must bear some of the responsibility for the current situation in PNG, both its positive and negative aspects, and for finding the necessary solutions to the problems. One way for this to be achieved is to strengthen the local communities at all levels, not simply in government agencies. ACFOA believes too that the focus of Australian aid should be 'human development, creating the context where communities can expand their choices and capabilities to improve their own situation - their income, health, education, physical environment and freedom'.⁵²

5.47 AusAID used the health and education sectors to demonstrate the extent of problems facing the PNG authorities. The paradox for the health sector is that a decline in the health status of the population has occurred while the reported number of health facilities and personnel have in fact grown. This is partly due to a fall in the health sector's share of national expenditure compared with other sectors. The focus for Australian aid is now shifting towards ensuring low cost primary and preventive health programs, institutional support and enhancement of cross-sector services. In relation to failures in the health system, Mr Caldwell said:

The distribution and quality of the health service is poor, with so many cross-sector services, such as pharmaceutical supply and equipment maintenance, functioning poorly. Health care facilities, in terms of both maintenance and standards, are inadequate.

...[T]he overall breakdown of the health service has probably fallen disproportionately on rural services, which service over 80 per cent of the population. It has to some extent shifted the burden to the hospital system. The end result is that the failure of the primary health care service has placed increased demands on the more expensive tertiary and curative health care system.⁵³

51 *ibid*, p. 149.

52 Armstrong, Transcript, p. 150.

53 Caldwell, Transcript, p. 131.

Focus on community-based solutions

5.48 Effective coordination and cooperation between government and non-government agencies will be necessary to provide a cost effective and workable health delivery system.

Health will require a sustained effort at all levels of the delivery system, requiring a combined and coordinated approach not only by the public [authorities] but by the church groups, by the community and by private agencies if they are to put in place a cost-effective and ... sustainable health delivery system that meets PNG's priority needs.⁵⁴

5.49 AusAID acknowledged that it will take 10 years or more to bring about sustainable, lasting change in the health and education sectors, requiring long-term commitment by external agencies in providing the necessary support during the developmental phases of agreed assistance programs.⁵⁵ Over the next 12 months, major projects supported by AusAID will cover fields such as women's and children's health, strengthening rural health services, provision of technical assistance to assist the PNG Department of Health, pharmaceuticals supply, and maintenance and management of medical equipment.⁵⁶

5.50 ACFOA sees universal community education, principally a focus on literacy and numeracy skills, as a vital strategy for ensuring long-term success for development assistance programs:

We are training people for tertiary education systems; we are not training people for village and community life.

...Let us develop a program that will direct more of our contribution to the community sector by concentrating on community capacity building, community education and basic community health services in the hands of the people. Let us direct more of our contribution to education of women and children, literacy training, community awareness programs, environmental programs, and exposure programs for Australians and Papua New Guineans.⁵⁷

5.51 ACFOA saw the primary mechanism for such a program as the development of links between the Australian community (Australian local government and community organisations) and PNG village and community groups. This theme was continued by Ms Postma of ACFOA, who highlighted the work at grassroots level of NGOs and church groups in establishing extensive networks, particularly in relation to women's issues. She drew on her earlier work with the International Women's Development Agency in presenting her comments to the seminar, and noted the PNG Government's budget support for women's development in areas such as maternal health care and education, support for the National Council of Women and the Office of Women's Affairs. Lack of resources is, however, a

54 *ibid.*, p. 133.

55 *ibid.*

56 *ibid.*, p. 131.

57 Armstrong, Transcript, pp. 150 & 152.

continuing problem for the PNG Government in attempting to respond to local community needs. Ensuring the involvement of those communities in identifying and solving their own problems presents another difficult challenge, and NGOs are working steadily in this direction. Nevertheless, the potential for far greater cooperation between PNG government agencies and NGOs has not been fully realised, and the capacity for government to adopt some of the low-cost models utilised by NGOs has been similarly neglected.⁵⁸

5.52 It is a matter of concern that the statistics in health and education continue to be so unfavourable, particularly in the areas of respiratory and infectious diseases and immunisation.

5.53 The Committee appreciates the importance of support provided by AusAID to NGOs, and recommends that:

- 11 AusAID examine the levels of support provided to non-government organisations and community groups in Papua New Guinea, with particular reference to facilitating access to funding by local organisations and increasing cooperation between government and non-government organisations in Papua New Guinea.**

Flexibility and accountability

5.54 The need for greater flexibility and innovation in the design, delivery and accountability of development assistance projects was raised by several participants. According to Ms Postma, accountability places heavy burdens on NGO project managers to produce reports, to the detriment of their field activities. Similarly, NGOs do not have the time or documentation skills to promote their efforts and to gain recognition for the valuable field work being undertaken. As Ms Postma indicated, this presents a particular difficulty for women's organisations because not many women have received formal education.⁵⁹

5.55 Coordination of the efforts of Papua New Guinean and Australian NGOs is another area upon which AusAID should focus more attention.⁶⁰ Professor O'Collins made a similar point in her presentation, indicating that the real challenge for Australian development assistance in social sector programs is how we coordinate with PNG initiatives, other donor agencies and the NGO groups. In health and education particularly, key considerations are accessibility, adequacy and appropriateness of the programs, and the multifaceted or overlapping nature of factors affecting the success or otherwise of specific initiatives.⁶¹

5.56 Minimising the bureaucratic burden on project managers is seen as one of the ways in which effective delivery of assistance can be optimised. Professor O'Collins cited examples of where the paperwork necessary to modify project activities and to obtain funds approvals presented a major hurdle on the ground. She considered flexibility in the form of

58 Postma, Transcript, pp. 153-155.

59 *ibid.*, p. 156.

60 *ibid.*, p. 157.

61 O'Collins, Transcript, p. 134.

discretionary funds for project managers would simplify the processes without compromising accountability.⁶²

5.57 Professor O'Collins also cautioned Australian officials against using the seriousness of the problems facing PNG as an excuse for adopting a superior stance in consultations on development assistance, when consulting with PNG officers.⁶³ This view was also supported by Mr Anthony Regan, who felt that the solutions to PNG's problems ultimately must come from within PNG:

We need to reorient Australian thinking, to try and facilitate that process in what ever small ways we can, rather than to find the solutions ourselves.⁶⁴

5.58 The Hon Andrew Thomson, MP, Parliamentary Secretary to the Minister for Foreign Affairs, drew the attention of the seminar to the pressure being exerted by the Australian community for increased focus on accountability in relation to funds allocated to overseas development assistance. This aspect will be closely considered in the preparations for renegotiation of the aid treaty with PNG, which is due in 1998.⁶⁵

5.59 The Committee recommends that:

- 12 AusAID consider ways in which greater flexibility can be built into the design, delivery and modification of assistance programs and projects without jeopardising the necessary accountability standards, in order to minimise the burdens imposed on the PNG administration by reporting and other bureaucratic requirements.**

62 *ibid.*, p. 135.

63 *ibid.*, pp. 135-136.

64 Regan, Transcript, p. 159.

65 Thomson, Transcript, p. 158.

SECTION 6

THE AUSTRALIA-PAPUA NEW GUINEA RELATIONSHIP

Cultural issues

6.1 The Committee expressed particular concern about the relationship between Australia and PNG in its 1991 report. That report stated:

Central to the argument of this report is the view that the relationship between Australia and Papua New Guinea has weakened over time, especially at the individual level; that the understanding the people of each country have of the other is not as deep or as thorough as it should be for such close neighbours. It is a cultural trade imbalance. Papua New Guineans know much more of us than we know of them. The fault lies particularly with Australians. Apart from those people whose connections with Papua New Guinea go back to pre-independence days and the small group who deal with the relationship at an official level, there are few in Australia who know or understand Papua New Guinea well. Papua New Guinea does not figure in Australian school curricula, there are few cultural, sporting or tourist links and the media in Australia present a narrow and sensationalised view of Papua New Guinea as a violent and disintegrating society.¹

6.2 It would appear that this perception of weakening ties remains. Professor Nelson lamented a 'declining interest in and knowledge of Papua New Guinea in Australia'.² Both the colonial experience and the service of Australian soldiers in PNG during the Second World War extended, personalised and reinforced our ties with the people of Papua New Guinea. However, as Professor Nelson explained, those Australians who fought in Papua New Guinea are now over 70 and in PNG there are only 150,000 people over 60, while there are 2 million people under 20, born after the war.

6.3 Furthermore 30,000 Australians were living in PNG in 1971; now there are 5,000. There has been a reversal of the flow of people with a growing number of Papua New Guineans in Australia now: 15,000 from a base of almost zero at independence.³ Where Australian teachers in large numbers once taught in PNG, now there are very few. Papua New Guineans come to Australia to study. This year 1,105 PNG students were furthering their

1 JCFADT, *op.cit.* p. 77.

2 Nelson, Transcript, p. 93.

3 *ibid.*, p. 94.

education in Australia, 569 of them in tertiary courses.⁴ This decline in Australians working in PNG is no doubt an inevitable consequence of PNG's growing independence and therefore to be welcomed. However, the lack of contact has consequences for the knowledge, understanding and sympathy that is a product of personal relationships.

6.4 More serious, yet perhaps connected, has been the decline in academic study and research. Professor Nelson told the seminar that neither at the University of Papua New Guinea nor the Australian National University was there the level of research once carried out on PNG affairs. Nor is Australian history taught in Papua New Guinea. This was considered lamentable given that 'Australia can fund posts in Australian studies in the United States, in Ireland and England'.⁵

6.5 The Committee recommends that in order to encourage more post graduate research in Papua New Guinean and Pacific studies:

13 the Australian Department of Employment, Education, Training and Youth Affairs encourage the development of more courses in Melanesian studies in Australian universities and the inclusion of Papua New Guinea in Australian school curricula and fund a position in Australian-Papua New Guinea studies at the University of Papua New Guinea.

6.6 A somewhat different perspective on the relationship was given by the Department of Foreign Affairs and Trade. They portrayed the relationship as dynamic and constituted of a lot of activity. Those involved included state governments, especially in Queensland and the Northern Territory, universities such as the ANU and the UNSW and institutions such as the Australian Museum in Sydney and the South Australian Museum.⁶ Sporting links were particularly important, a huge connection being rugby league.

6.7 The Australia-South Pacific (ASP) 2000 program had been established to use the 2000 Olympics to engage the South Pacific region in a variety of ways - through sporting, cultural, youth and visits components. Beyond this program there are numerous other activities - Australian encouragement for Papua New Guinean participation in the Clean Up the World campaign, the Asia Pacific Triennial visual arts exhibition, participation by Papua New Guinea in the cultural diversity conference in 1995. Papua New Guinea also has a seat at both the Sport and Recreation Ministers' Council and the Cultural Ministers' Council.

6.8 Other initiatives include ecotourism training, regional tours of Questacon (the interactive science exhibition) and the application of the Rock Eisteddfod concept within PNG.⁷

4 *ibid.*, p. 95.

5 *ibid.*, p. 97.

6 Quinn, Transcript, p. 98.

7 *ibid.*, p. 101.

6.9 The Overseas Services Bureau also told the seminar that its program in Papua New Guinea attracted the largest numbers of its volunteers - 55 currently and that of those, 20 per cent had sought to extend their placement.⁸

6.10 Media relations were an area both in 1991 and at the November seminar that drew some criticism - the dominance of Australian media within PNG and the narrow and sensationalised reporting by the Australian media of developments in Papua New Guinea; there was too much that was negative focusing on Bougainville, violence and the Ok Tedi dispute to the exclusion of any positive developments.

Conclusion

6.11 It would appear that Australia's relationship with Papua New Guinea is still somewhat ambivalent; one that is so close that the two countries take each other for granted and yet one that has levels of affection and sympathy and knowledge coming from shared experiences that are the basis of long-standing, firm friendships. However, it is not an automatic friendship. The two countries are vastly different in geography, in culture, in economic development and lifestyles.

6.12 As the Committee noted in 1991, PNG's period as an independent nation is still remarkably short. In times when many nations have fallen apart and despite a number of particularly difficult crises, it has maintained its national unity. It faces great challenges at the moment on almost all fronts, education, health, the forestry industry, the mining industry, employment, commercial development, bureaucratic capacity, the level of violence, political reform and national unity. Great changes are having to be absorbed very rapidly - urbanisation, structural adjustment, the decline of subsistence agriculture and village life. The imbalance in the relationship between Australia and PNG because of the latter's former colonial status and its current development stage are inhibitions. The desire for independence of action in the face of great and continuing needs is particularly difficult.

6.13 The challenge for Australia is to recognise with as much sensitivity as possible both the desire to shake off dependence and the need for continuing assistance. The Committee believes that the concern for Papua New Guinea's prosperity remains genuine and broad based; the commitment to consult and assist in any way possible remains fundamental. As in 1991 it is 'only to be hoped that, as Papua New Guinea becomes more independent, the human, the individual and the cultural contacts are not lost'.⁹

8 Jessen, Transcript, p. 104.

9 JCFADT, op.cit. p. 224.

6.14 In conclusion, the Committee recommends that:

- 14 **the Australian Government recognise the significance of Papua New Guinea in its foreign policy priorities and acknowledge through the maintenance of the AusAID and Defence Cooperation Programs the unique challenges that PNG faces in building its administrative capacity, in developing its infrastructure, particularly in health, education and employment generation, in improving law and order and in resolving the Bougainville crisis peacefully.**

Ian Sinclair, MP
Chairman