

Introduction

Origin of the inquiry

- 1.1 On 28 August 2000, the National Interest Statement (NIS) for an Australian Government loan of \$A133.2 million (equivalent to \$US80 million) to Papua New Guinea (PNG) was tabled in both Houses of the Parliament. The text of the NIS can be found at Appendix A.¹
- 1.2 This loan was executed on 21 June 2000 under the provisions of section 8C of the *International Monetary Agreements Act 1947*, as amended by the *International Monetary Agreements Amendment Act 1998* (the Act).
- 1.3 Section 8D of the amending Act prescribes that an NIS is to be tabled in each House of the Parliament for agreements entered into under section 8C.
- 1.4 Section 8E prescribes that an NIS shall include:
 - a description in as much detail as practicable of the nature and terms of an agreement made under section 8D, and
 - the reasons why the agreement is in Australia's national interest, with reference particularly to foreign policy, trade and economic interests.
- 1.5 Section 8F of this Act prescribes that an NIS tabled under section 8D shall stand referred for inquiry and report within two months to the Joint Standing Committee on Foreign Affairs, Defence and Trade.²

1 See *Journals of the Senate*, No 133, 28 August 2000, p. 3127, and *Votes and Proceedings*, House of Representatives, No 131, 28 August 2000, p. P1482.

2 Referral of loans to this Committee was one of the amendments moved to the Bill for this Act: see *Hansard*, House of Representatives, 26 March 1998, p. P1670.

The inquiry process

- 1.6 The inquiry was advertised in *The Weekend Australian* on 2/3 September 2000. That advertisement drew attention to the time frame of two months for the inquiry, and called for submissions by Friday, 15 September 2000. Those submissions that were received are listed in Appendix B.³
- 1.7 On Tuesday, 12 September 2000, a public hearing was held in Canberra to take evidence on this loan. The witnesses who gave evidence at that hearing are listed in Appendix C.
- 1.8 Additional reference and other material received during the course of this inquiry is listed at Appendix D.

Structure of this Report

- 1.9 In Chapter 2, there will be a brief consideration of the current situation in PNG, together with some assessment of the Australian-PNG relationship. The following major issues are discussed in Chapter 3:
- the terms and conditions of this loan;
 - the International Monetary Fund's role in PNG obtaining the loan;
 - PNG's reform program;
 - trade and investment matters, and
 - whether this agreement is in Australia's national interest.
- 1.10 Chapter 4 examines the views expressed by a number of witnesses during this inquiry on a range of issues related to this loan, and the Australia-PNG relationship generally.
- 1.11 The Committee's conclusions and its recommendation are set out in Chapter 5.

Previous committee reports on PNG

- 1.12 Since 1973, under various names, this Committee has tabled a number of reports on PNG and issues related to that country. Since 1996, the Joint

3 See *The Weekend Australian*, 2/3 September 2000, p. 10.

Standing Committee on Treaties has also addressed matters relating to PNG in three of its reports. The reports by both Committees are listed in Appendix E.

