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GOVERNMENT RESPONSE  
TO  
THE REPORT OF THE JOINT STANDING COMMITTEE  
ON FOREIGN AFFAIRS, DEFENCE AND TRADE  
PAPUA NEW GUINEA UPDATE

PRESENTED BY

THE HON. ALEXANDER DOWNER MP  
MINISTER FOR FOREIGN AFFAIRS

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<p style="text-align: center;"><b>GOVERNMENT RESPONSE TO COMMITTEE RECOMMENDATIONS</b></p>
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## BILATERAL RELATIONS

***Recommendation 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.

### RESPONSE

Our relations with Papua New Guinea are a key concern of the Government. A united, stable and prosperous PNG is a primary Australian foreign policy objective not least because we share a common border.

In addition our substantial trade and investment ties with PNG coupled with the presence of upwards of 10,000 Australians in PNG underlines the importance of PNG to Australia.

Through the Treaty of Development Cooperation, Australia has made a strong commitment to assist Papua New Guinea in the challenge of nation building. In 1996-97 Papua New Guinea will receive about \$319.5 million in development assistance. It remains by far the largest recipient of Australian development assistance. The aid program aims to help Papua New Guinea achieve self-reliance through broad-based and sustainable development. Its approach is to help Papua New Guinean organisations build their planning and administrative capacity and to extend the provision of basic services to rural areas, especially to women and children. Priority areas within the program are health, education, transport and communications, law and justice, renewable resources and the private sector.

In relation to the Bougainville crisis, restoration of essential services on the island is seen by all parties as a key to the peace process. Total Australian assistance committed for Bougainville reconstruction since 1991 now exceeds \$28 million. About \$11 million has already been spent; \$15 million is already programmed for rehabilitation of schools and health facilities which are under construction. Australian assistance includes \$4 million towards an International Federation of Red Cross and Red Crescent Societies relief package.

A new program currently being developed aims to support the peace process by strengthening the capacity of the Bougainville Transitional Government and local Councils of Elders in service delivery and conflict resolution in Bougainville. AusAID has funded a number of non-governmental organisations which are directly involved in conflict resolution and peace building among Bougainvillean communities.

The Defence Co-operation (DC) Program seeks to improve the management, leadership and basic military skills of the PNG Defence Force, with the aim of creating a more professional and well-disciplined force. DC, through the presence of an ADF engineering unit at Mendi, also contributes to nation building. Australia recognises that the most effective way to improve the skills base of the PNG Defence Force is through training. The DC program is therefore focused on the provision of training, and the sponsorship of ADF personnel in advisory positions within the PNG Defence Force. The DC programme is currently being reviewed by Australia and PNG, but training is expected to remain a top priority for both countries.

The Sandline mercenary crisis had the unwelcome short term effect of forcing bilateral relations between Australia and Papua New Guinea to a low point. But it demonstrated also

the substantial influence we can have when we vigorously and consistently pursue issues of fundamental importance to us. It had the benefit also of forcing Australia to re-examine closely this important bilateral relationship. The Government has taken the opportunity to re-establish relations on a more mature, forward looking basis.

The Government has worked hard in recent months to reinvigorate the relationship. Mr Downer conducted a very successful visit to PNG in late August, discussing a range of key issues with Prime Minister Skate, Foreign Minister Genia and other PNG leaders. He emphasised our determination to work with PNG on issues such as assisting PNG to meet its economic reform and development priorities, better use of the Defence Cooperation program to improve the effectiveness of the PNGDF, and peace and reconstruction on Bougainville. In addition, a strong Australian Government delegation led by Mr Downer attended the 1997 Australia-PNG Ministerial Forum held in October. The delegation included four ministers and two junior members of the executive. One of the ministers, Senator Parer, extended his stay in Papua New Guinea beyond the Forum to visit Australian mining interests in the country. Other high level contact, including both telephone conversations and meetings between Mr Howard and Mr Skate have underlined Australia's determination to work closely with PNG on matters of interest to us both.

The Australian Government responded quickly to Papua New Guinea's request for assistance to combat the effects of the drought. An AusAID sponsored rapid assessment team undertook a survey of the worst affected areas of the country on the basis of which it advised the PNG Government of the type of response required. The RAAF has been delivering relief supplies to the worst affected areas inaccessible by road and Australian funds have been channelled through NGOs for assistance in the areas of water supply, agricultural recovery, health supplementary feeding, and monitoring. The Australian Government has assured Papua New Guinea that it will do whatever is necessary to support PNG's own efforts to alleviate the impact of the drought.

A further example of the Government's efforts to work in partnership with Papua New Guinea is our facilitation of the Bougainville peace talks involving the PNG Government and the Bougainvillean parties.

### **DEVELOPMENT COOPERATION**

***Recommendation 1*** the Australian Government and/or the legal profession provide assistance in the areas of legal information and research;

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

***Recommendation 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.

***Recommendation 12*** AusAID consider ways in which greater flexibility can be built into the design, delivery and modification of assistance programs

### **RESPONSE**

The overall objective of Papua New Guinea-Australia development cooperation in the law and justice sector is to improve access to legal and judicial services and increase the

responsiveness of the justice system to community needs. Projects are currently under development to strengthen the Attorney-General's Department, National Judicial Staff Service, Ombudsman's Commission and the proposed Human Rights Commission.

Specific assistance in the area of legal information will be provided through a project to increase access to the laws of Papua New Guinea by assisting publication of the laws and a range of information on the legal system. In summary, the project would provide assistance for the production of:

- . the current statutory and case law in an accessible form, and establish systems to support regular updating and distribution;
- . informed and comprehensive analyses of key areas of Papua New Guinea law in an appropriate and cost effective way; and
- . straightforward texts that explain the major laws and legal processes which impact upon them.

AusAID is conducting an evaluation of the customs project (as part of a broader evaluation of institutional strengthening projects in Papua New Guinea). The evaluation will involve liaison with the Government of Papua New Guinea and the Australian Customs Service and will consider the value of a follow up project. To date, the Government of Papua New Guinea has not requested further assistance in the customs area. AusAID would give serious consideration to any such request in the future.

AusAID has been working to set up a non-governmental organisation support scheme (the Community Development Scheme) under the Papua New Guinea bilateral program. The aim of the scheme is to promote sustainable development at the community level through the provision of appropriate financial and technical support to Papua New Guinean non-government organisations. It is also expected to foster interaction and mutual links between Papua New Guinean and Australian non-government organisations. The scheme design has been submitted to Papua New Guinea Government authorities for approval.

Opportunities also exist for non-government organisations to participate in AusAID funded projects such as the Women's and Children's Health Project, the Rural Health Program and the National Forestry and Conservation Action Plan.

AusAID is conscious of the need for flexibility to meet the challenges raised by the rapid growth and complex nature of the Papua New Guinea program. AusAID's programs are designed in consultation with the relevant agencies of the government of Papua New Guinea. The programs aim to strengthen the administrative capacities of those agencies and are designed so as not to impose administrative burdens beyond the agencies' capacities. Regular sector meetings with Papua New Guinean agencies provide opportunities for these kinds of issues to be raised and addressed.

AusAID is also developing innovative program delivery mechanisms such as trust accounts and sector investment funding within agreed policy frameworks. These approaches allow for a greater degree of flexibility in the planning and implementation of aid-funded activities. Rather than imposing additional bureaucratic burdens on the Papua New Guinea administration, these mechanisms aim to use existing Government of Papua New Guinea systems and to promote a sense of local program ownership.

## TRADE AND ECONOMIC RELATIONS

**Recommendation 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.

**Recommendation 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.

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

### RESPONSE

The Government shares the view of the Committee on the importance of Australia's economic relationship with Papua New Guinea and the need for Australian businesses to maintain and enhance their presence in Papua New Guinea.

While the current commercial framework, PATCRA, provides non-reciprocal duty free access for almost all PNG exports to Australia, the Government is prepared to explore further means to stimulate the trade and economic relationship. Our recent efforts to improve the commercial relationship have focused mainly on PNG's implementation of the World Bank and IMF programs, and the market liberalisation and macroeconomic stipulations measures these contain. For example, this is a centrepiece of the Minister for Trade, Mr Fischer's, Market Development Task Force Strategy and Trade Outcomes and Objectives Statement. The possibility of moving towards a more comprehensive free trade agreement, along the lines of CER, may improve as Papua New Guinea moves to a more liberal trade and economic system, but as yet it is not considered appropriate to push for a CER-type agreement.

The PNG Chamber of Mines and Petroleum, which counts amongst its membership almost all Australian resource companies active in PNG, has been asked by Austrade to refer the basic Indonesian-style standard contract to Chamber members and seek their views. A positive response by Chamber members could form the basis of an Austrade-sponsored submission to the PNG Department of Mines and Energy as recommended by the Joint Standing Committee on Foreign Affairs, Defence and Trade.

It should be noted that the Minerals Council of Australia has developed the Australian Minerals Industry Code for Environmental Management, which is a voluntary code guiding minerals companies, wherever they operate, towards effective environmental management. The Code obliges signatories to identify stakeholders, including local communities and landowners, and to provide them with information on proposals and operations. A number of Australian resource companies active in PNG are signatories to the Code.

The Australian Government supports the promotion of honesty, integrity, transparency and accountability in public and private dealings involving Government and Business in PNG. In this regard, the Australian Government, through AusAID, supports the activities of the newly established chapter of Transparency International (TI) in PNG. A possible Code of Conduct

for business was raised by the head of the PNG chapter of TI, Sir Anthony Siaguru, at the Ethics in Business Forum held in PNG in August 1996.

At the business level, Austrade will continue to work closely with the Australia/PNG Business Council and the Business Council of PNG to have such a Code accepted and practiced by Council members.

### **DEFENCE COOPERATION**

***Recommendation 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.

***Recommendation 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

***Recommendation 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

### **RESPONSE**

Over the past 12 months a dialogue on defence matters has continued between Ministers, and with all levels of the PNGDF and the PNG Department of Defence. Key topics of discussion have included the Joint Review of Defence Cooperation and reshaping the defence relationship to better meet the needs of both PNG and Australia. Obviously we are concerned that despite this dialogue PNG chose to hire mercenaries without consulting Australia or the rest of the region and seriously underestimated our likely response to this development.

This crisis has, however, created the opportunity for a fundamental reappraisal of the overall bilateral relationship and the conditions for working with PNG to 're-engineer' aspects of it. This review will build on the work already commenced as part of a longer standing review of Defence Cooperation.

A key aspect of our longer term strategy will be the introduction of a new three-tiered dialogue structure for formal Australia-PNG defence contacts which is aimed at improving communication and the management of the defence relationship. This concept, endorsed at the Ministerial meeting held in Brisbane in November 1996 by the PNG and Australian Ministers for Defence, provides for a structure of regular meetings between Defence Ministers, senior ADF and Departmental personnel. It does not preclude ad hoc meetings on an as needs or opportunity basis.

In the course of regular dialogue, Defence and other Departments have consistently encouraged the adoption of guidelines by the PNGDF which are consistent with legal and human rights. The Australian Government has made representations to the PNG Government through the Australian High Commission in Port Moresby on allegations of human rights violations by the PNGDF which have been confirmed.

The need for such guidelines is reinforced at the working level by ADF training provided to PNGDF personnel both in PNG and in Australia. The training is based on ADF doctrine and, therefore, promotes and is consistent with international legal and human rights principles. Some of the courses attended by PNGDF students also have specific training modules on human rights. In addition, through exchange postings to ADF units, PNGDF personnel are exposed to on-the-job training that reinforces these principles.

Part of the training conducted in PNG aims to develop basic military skills and discipline that will assist the PNGDF in the performance of their duties under the Constitution. This includes their role in assisting the police in the maintenance of law and order. For example, the ADF is conducting training for PNGDF junior non-commissioned officers prior to their deployment on election duties. The training aims to provide basic skills for control of those under their command and therefore improve levels of discipline and the PNGDF's capacity to perform their law and order duties during the election period. We will be considering the implications of recent events in our review of the defence relationship.

In September, Defence Minister McLachlan and his PNG counterpart, Mao Zeming, agreed to a new framework for defence cooperation activities between Australia and Papua New Guinea. A key focus in the new defence partnership will be training assistance, in particular training which aims to develop leadership and discipline within the PNGDF.

### BOUGAINVILLE

***Recommendation 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

#### RESPONSE

Organisations such as the International Committee of the Red Cross and the International Commission of Jurists could play a useful role in any Bougainville peace process, though at this stage it is too early to define what that role would be. The Australian Government supports the Bougainville Peace Strategy as developed by the PNG Government. This strategy focuses on the central importance of the Bougainville Transitional Government (the BTG) and the strengthening of the role and function of traditional sources of authority (Councils of Elders). The participation of international organisations in this process is envisaged by the strategy once talks have taken place to establish the ground rules for their involvement. We see the current period as a window of opportunity to further the peace process, and reach the kind of agreement where international organisations could make a valuable contribution. Within this context, some form of agreement must be established among the people of Bougainville before external monitoring can take place.

### PARLIAMENTARY RELATIONS

***Recommendation 2*** the Australian Parliament assist the Parliament of Papua New Guinea in the development of its committee system.

#### RESPONSE

Arrangements currently exist to facilitate regular liaison between Australian and PNG parliamentary committees, and the Australian and PNG Parliamentary Group is another means of developing contacts between the parliaments of both countries. The Government



notes the advice of the Speaker of the House of Representatives and the President of the Senate, that the matter of assistance to the PNG Parliament in the development of its committee system is one for the Australian Parliament to decide.

### EDUCATION LINKS

***Recommendation 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 studies in Australian school curricula and fund a position in Australia-Papua New Guinea studies at the University of Papua New Guinea.

### RESPONSE

Decisions regarding the structure and content of university courses are matters over which the Commonwealth has no direct control or influence. The Commonwealth provides operating funds for universities in the form of a block grant and does not earmark operating funds for particular faculties or disciplines. There is no mechanism within current funding arrangements for directing support towards institutions which teach any particular field of study.

In recent years Commonwealth, State and Territory governments have collaborated to develop curriculum framework documents in eight agreed learning areas, including studies of society and environment. The documents are being used in some form in all State and Territory education systems. The studies of society and environment framework documents aim to expand student's knowledge and understanding of their own society, other societies, local and global environments and relationships between environments and societies so that they become informed, responsible and active citizens.

In relation to the recommendation that the Commonwealth Government fund a position in Australia-Papua New Guinea studies at the University of Papua New Guinea, unfortunately operating grants are paid to Australian higher education institutions and the Higher Education Funding Act does not allow for funding of positions at overseas universities.