

AUSTRALIA PAPUA NEW GUINEA BUSINESS COUNCIL

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5 March 2001

The Hon David Jull, MP
Chairman
Foreign Affairs Sub-Committee
Joint Standing Committee on Foreign Affairs, Defence and Trade
Parliament House
CANBERRA ACT 2600

Dear Mr Jull

Re: THE AUSTRALIAN NATIONAL INTEREST STATEMENT –
LOAN TO PAPUA NEW GUINEA.

The Australia Papua New Guinea Business Council notes the national interest statement on the occasion of the 14 December loan agreement between Australia and Papua New Guinea.

The Australian Business Community has an interest in the Australia - Papua New Guinea relationship for a number of specific reasons and welcomes the opportunity to place these on the record with the committee.

The reasons Australian companies are interested in the relationship are commercial and social in nature.

Commercially, if there is a good relationship at the government level, Australian companies believe there is less risk in making an investment in Papua New Guinea and less risk in conducting trade than elsewhere. There is also a belief that the Australian Government will be more active in making representations to the Government of Papua New Guinea during difficult times. Examples of this aspect would include non-payment of government debts and market access considerations where treaty (eg PATCRA) conditions apply.

Socially, Australian companies are very alert to the wellbeing of all employees. Serious concern is felt for the well being and safety in the work place for Papua New Guineans employed. At the present moment, there are special concerns about Australian citizens employed in Papua New Guinea because of the current level of law and order problems.

THE STATEMENT

Australian business looked to the statement for clarity of definition of the national interest so as to reinforce, or to modify, its beliefs. The clarity expected would assist greatly in informing Australian Boards of Directors how they might expect the Australian Government to act in a number of different circumstances. In turn, this would lead to investment decisions formulated in the knowledge, broad though it may be, that should a specific event occur then it could be predicted that the Australian Government would act in a particular manner.

This does not imply that business expected there to be an exhaustive set of prescriptions nor for the national interest to be tailored to business concerns alone. Rather, it expected broad guidelines that were clear signals pointing towards a range of action points that may be expected to occur.

There are a number of very positive statements made in the latest statement that was absent from the earlier statement. Accordingly, it is clearer to the business community as to what the Australian National Interest, in its relationship with Papua New Guinea, actually is.

The Australia Papua New Guinea Business Council is clear that there is a need for the Papua New Guinea Government to maintain the integrity of the relationship with the World Bank and IMF. A co-operative approach to further consolidation of economic management is a clear signal to the business community there is an intention to create an economy that is transparent and progressive.

It is understood that the statement before the committee refers specifically to the December loan but it again stated that, in the opinion of the Council, the national interest should not be a single-issue matter else it would twist and turn more often than yachts in a regatta. Nobody would know where they were.

It is a credit that this statement is a much more visionary platform against which longer term issues may be judged than the earlier statement.

There are two important matters that the Council would like to comment on with respect to this statement.

The first is the statement that Papua New Guinea was a “**former colonial possession**” of Australia. I believe there is a technical inaccuracy there. Going on, there is then a link statement that this lends a “**moral dimension**” to the relationship absent from other ties – presumably to other countries.

When it comes to providing assistance to lower income countries it is probably true that the moral dimension is the same regardless of previous political connections. Else one remains in a time warp that makes it impossible to adapt and adjust to changes in circumstances.

The reality is that Papua New Guinea is a very close neighbour from a geographical perspective and it is preferable that it becomes a higher income country than remain a lower income country for many different reasons.

The second matter is the statement that “**..the loan also contributes to a further strengthening of investor and donor confidence in the PNG economy by providing additional assurance to financial markets that PNG’s adjustment program has broad international support**”.

There are truisms in the statement that can’t be objected to, however, the overall impression given is, in our opinion, too emphatic. Papua New Guinea is at a point where the results of the adjustments and agreed steps taken within Papua New Guinea to comply with the World Bank and IMF adjustment program are to be delivered. Primarily these refer to privatisation of a number of state owned enterprises and adjustments within the public service through reduction of staff numbers and budgetary issues.

Until these changes are demonstrably working it is probably an overstatement that investor confidence will be “further strengthened”. It would be better to say that *‘investor confidence will be supported with the present decline being arrested, pending the outcome of the adjustment program’*.

The Australia Papua New Guinea Business Council welcomes the continued willingness of the Australian Government to assist Papua New Guinea with its program of development, including through special interest loans. The opportunity to participate in these hearings is also welcomed as a positive demonstration of the benefits of considering all viewpoints where the national interest is concerned.

Yours sincerely

Chris Mackay
Executive Director