

House of Representatives, Monday 2 April 2001

COMMITTEES: Foreign Affairs, Defence and Trade Committee: Report

Mr JULL (Fadden) (12.50 p.m.) —On behalf of the Parliamentary Joint Committee on Foreign Affairs, Defence and Trade, I present the committee's report on the Second Australian Government Loan to Papua New Guinea.

Ordered that the report be printed.

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

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

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

Although the report I have presented today did consider the proposed reform of the PNGDF as part of an overall review of the bilateral relationship, the main focus of our inquiry was the second Australian government loan to PNG in the context of the IMF and World Bank's structural adjustment program. In essence, the weight of evidence presented to the committee led to the conclusion that granting the second loan was clearly in Australia's national interest. However, some criticisms remain. In our report on the first loan, we recommended that the International Monetary Agreements Act be amended to enable the committee to be involved before future loans are executed. Our second report has again expressed concern at the timing of the referral of the national interest statement to the committee and has reaffirmed the

recommendation to amend the act to enable the committee to be involved earlier in the process.

While acknowledging that prompt responses are essential in circumstances of acute regional difficulties, such as the Asian financial crisis several years ago, the committee remains of the view that a mechanism should be found which provides effective parliamentary scrutiny of the loans. We believe that such a mechanism need not delay the loan approval process unduly, nor compromise Australia's ability to act swiftly in conjunction with the international financial institutions. When future loans under the act are being considered, the committee suggests that the relevant Commonwealth agencies provide a confidential briefing to the committee on the draft of the proposed national interest statement and the terms of the loan. This should be arranged well before the statement has been finalised and before the loan is executed.

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

Mr HOLLIS (Throsby) (12.55 p.m.) —As recent events have shown, the Australia-Papua New Guinea relationship has to be handled with sensitivity on both sides. While respecting PNG sovereignty, we also have a right to comment on events in PNG, especially as it is in both our interests to have a peaceful and stable PNG. The report tabled today is the result of the Joint Standing Committee on Foreign Affairs, Defence and Trade inquiry into the national interest statement—as is required under the International Monetary Agreements Act—on the second loan to PNG under the act. As the chairman has said, the statement for the second loan was in many respects a much more informative document than the first one and incorporated many of the committee's suggestions for improvement.

This loan is in Australia's interest as it contributes to a stable, prosperous and increasingly self-sufficient PNG. There was concern when the PNG government recently decided not to renew the visa of the World Bank's resident coordinator in Port Moresby. Not unnaturally, this caused speculation in Australia and elsewhere about the integrity of the structural adjustment program for PNG instituted by the IMF-World Bank, as well as Australia's involvement in the major PNG-Australia gas pipeline project for which Prime Minister Morauta has sought Australian financial assistance of up to \$650 million.

I support the efforts of the Morauta government, which since coming to office in July 1999 has been dedicated to restoring Papua New Guinea's economic management. Political reform remains an important but sensitive element of the PNG government reform program and it will be many years, perhaps decades, before the full effects of the political and economic reforms will be fully felt in that country. But there have been a number of significant developments since the committee's previous inquiry. There have been the government's budget and political integrity legislation passed last year. But PNG, like many other countries, is subject to the vagaries of international trade and it is disappointing that the low level of commodity export prices has continued.

Until the law and order situation is fully under control, PNG will bear an unnecessary cost and image problem. While respecting PNG's right to decide if they want tourism or not, and at what level, I note tourism could be an income generator. I respect the view that the PNG people do not want foreigners to come and gawk at them, and also that they do not want to go the way of many island nations in the Pacific and see their culture and lifestyle destroyed by pandering to the tourist dollar. Perhaps there is a balance, but forget tourism until the law and order issue is solved.

If only a portion of the money that has been spent on defence and the defence forces had been spent in building up an adequately trained and properly paid police force, perhaps the law and order issue would not be the problem it is today. Even though the dissident PNG defence force members have handed in weapons, the government is yet to respond to their concerns. Perhaps in the early days of independence too many people in Australia and PNG wanted the PNG defence force to resemble the Australian Army; a price for this is being paid today. The recent defence force uprising, encouraged by some well-known politicians, has been bad for the Prime Minister's image and authority, and disastrous for PNG's international standing. It has eroded the government's standing in the community. Bougainville has been a drain on PNG finances for too long. Hopefully this costly conflict in financial terms and human life will soon reach a peaceful conclusion.

I agree that if the role of the committee is to be meaningful the International Monetary Agreement Act should be amended to enable the committee to be involved before future loans are executed. Effective parliamentary scrutiny of the loans need not delay the loan approval process. Too many bureaucrats convince ministers that security will delay the process—and this is not only in Treasury. At the least, when future loans under the act are being considered, the committee suggests that the relevant Commonwealth agencies provide a confidential briefing to the committee on the draft of the proposed national interest statement and the terms of the loans. This should be arranged well before the statement has been finalised and before a loan is executed. I commend the report to the House.

Mr DEPUTY SPEAKER (Mr Nehl)—The time allotted for statements on this report has expired. Does the member for Fadden wish to move a motion in connection with the report to enable it to be debated on a future occasion?

Mr JULL (Fadden) —I move:

That the House take note of the report.

I seek leave to continue my remarks later.

Leave granted.

Mr DEPUTY SPEAKER —In accordance with standing order 102B, the debate is adjourned. The resumption of the debate will be made an order of the day for the next sitting and the member will have leave to continue speaking when the debate is resumed.