

**JOINT STANDING COMMITTEE ON FOREIGN AFFAIRS DEFENCE AND
TRADE**

SEMINAR ON PAPUA NEW GUINEA

Parliament House, Canberra

Monday, 11 November 1996

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Seminar commenced at 9.16 a.m.

Mr TAYLOR—Ladies and gentlemen, thank you very much for attending this morning. The Papua New Guinea High Commissioner will be here very shortly. Rather than get too far behind, we should start proceedings. I am Bill Taylor, the Chairman of the Foreign Affairs Subcommittee of the Joint Standing Committee on Foreign Affairs, Defence and Trade, which is sponsoring this seminar. This is the second of such seminars that we have had in the last few months. We had a very successful one some months ago on aid. As a result of that seminar, we produced a report which was tabled and debated in the parliament, and we plan to do exactly the same with this seminar on Papua New Guinea.

As I have said, I am the Chairman of the Foreign Affairs Subcommittee. Senator David MacGibbon is the Chairman of the Defence Subcommittee, and Ian Sinclair is the chairman of the Joint Standing Committee on Foreign Affairs and Trade. There will shortly be some brief opening remarks from Ian Sinclair. I would also like to introduce Admiral David Leach, who is the President of the Australia-Papua New Guinea Friendship Association, and he will also be making some brief comments.

His Excellency Ken Noga, the High Commissioner for Papua New Guinea, has just joined us. I will now invite Ian Sinclair to make some opening remarks, followed by the High Commissioner and then Admiral Leach.

Mr SINCLAIR—Thank you. The concept of having this type of a forum is not new, although our committee has only tried it for the third time. We tried it last year in a seminar in which we were participants on aid to Africa. This year we tried a wider one with Bill Armstrong, who I am glad to welcome here again as chair on aid generally, and today the seminar is on Papua New Guinea.

We hope that in this forum we might be able to both follow up on the two reports—the one that was published in December 1991 on Australia's relations with Papua

New Guinea and the one that was published in April 1994 on Bougainville, the Pacific Solution. Since then a great deal has occurred, both in Papua New Guinea and within the province of Bougainville. There has been a change of government. There have been all sorts of events both in Australia and in Papua New Guinea which impact on our relationship with them.

What I wanted to say in opening was three things. The first is that Australia's relations with Papua New Guinea are unique. Not only are we geographically close; we have a unique relationship that ensued from the initial custodianship that we had for New Guinea and then in a colonial relationship. Australia's colonial partnership with Papua New Guinea was never the same as the European powers. Our relationship was always one which was seen as a transitional vehicle so that we would help Papua New Guinea to her own independence and self-government, and that of course was achieved in the mid-1970s.

Since then many events have brought us closer together. One that impacts on our relationship and one that certainly causes a good deal of debate and is never easy to control is the impact of the Australian media. One thing that is remarkable in that sense is rugby league, which is as popular as any other event in Papua New Guinea. As somebody who happens to be a rugby union player, I do not know whether that is for the good or the bad. Just look at the way they are carrying on at the moment with John Quayle. I gather he is about to offer his resignation today.

I think there are events here within our rugby league that are difficult, but it is through the media that there is a commonality between Australia and PNG that we need to always have in mind, that what happens here is immediately reflected in PNG. Sadly, what happens there is not always reflected back here, and in the second part of what I would like to say one of the real concerns that I think as Australians we must have is that the younger generation of Australians do not have the awareness of our special relationship to the degree that perhaps those who are over 35 or 40 do. I am delighted to see Tom Critchley here. In the days when Tom Critchley was so closely involved in PNG, there is little doubt that every Australian knew of the events in that country. And it does concern me that young people who now are so much more conscious of our relationship with countries overseas really do not see and know Papua New Guinea or have the concern for Papua New Guinea that I think it deserves.

The third thing that I wanted to say is really related to where we go as a country. I think all of us deplore the racial debate that has been generated in this country in the last little while, but it is important that we understand that Australia does have a future not just within our own country but in this global village of which we are increasingly a part, and certainly with Asia. And so, too, has Papua New Guinea. As you all know, next week the President of the United States is going to visit Australia. Two weeks ago we had a visit from the German defence minister. There are many countries which are recognising from other parts of the world the importance of Asia for the future. Certainly with the APEC

meeting there is a new emphasis, and I think it is important that we register that Papua New Guinea's role is not peculiarly with Australia but also with Asia. And I think the challenges for Papua New Guinea are to try and ensure that she too can play an effective role in the economic growth and development and the opportunities and social development that flow from that.

But, having outlined a few of those things, I think it is time for us to bring down a balance sheet and look at the pluses and look at the minuses. On the pluses, I think we have all been delighted that democracy has thrived and survived in a society where there are so many different language groups, where communications are so difficult and where obviously the feeling of one country is not as significant as wantok. And I think it is important that we find a way by which we can continue to help in that development of democracy, for it is a very worthwhile flower, and I think Australia can feel justifiably proud of the role that we have played in helping its development.

On the negative side, sadly, there are so many worries. With a curfew introduced last Friday night, with the shoot-out that occurred near the headquarters of the PNG government only the week before, with the continuing worries about law and order in the various communities around PNG, there is worry about the wellbeing of the people. I think, in that sense, we have got to look at education, we have got to look at how we can provide help as friends and neighbours and perhaps show the signposts to the people of Papua New Guinea to try and ensure that the difficulties of law and order do not prevail. I am sure that jobs and education are the two keys to overcoming the problems—the causes of the problem rather than just the symptoms, which we need to address. I hope some of that will be identified and we can have some worthwhile discussion on it in the next little while.

The other major issue is, of course, the subject of our second report, and that is the question of Bougainville. We will no doubt have time to discuss and look at aspects of where we go and where PNG goes and where the people of Bougainville go for the future. It is a very important part of the present public perception of PNG and I must admit that, like many, I had rather hoped that, with the election of Sir Julius Chan as Prime Minister, there was to be a new impetus in the process of reconciliation between the people of Bougainville and certainly the BRA and the government. That that has not occurred is a tragedy, and the deaths and the people in the CARE centres and the fact that reconstruction is still lagging so much behind are major concerns. I hope we can spend some time looking at what might be ways by which we can overcome that problem. It is worth commenting that, of course, it was the original licence given to BCL on Bougainville that generated some of the original high expectations which are, in part, some of the causes behind the difficulties there. As the committee which Senator Bourne, Margaret Swieringa and I were part of found in our visit, we really need to put the future development of that copper resource to one side until the other problems of the island are set in place. Above all, there needs to be a ceasefire so that we can go somewhere from there.

The aspect of that which worries me is that there are so many other rich resources in PNG, and trying to come to worthwhile and secure ways by which they can be developed is obviously another matter. Indeed, even today, I see that there are talks of where gold is going and that is a very significant resource which one hopes can be dealt with on a sensible basis and not just by way of some commercial transaction, having in mind the interests of the people of PNG.

I have identified some of the worries because we all know that next year there will be another federal election in PNG. Sir Julius Chan and his government will be going to the polls. From that, of course, we need to look at where they are going constitutionally, and where we are going on trade and investment. Each of those issues is set down within this report. I welcome each of you, as did the chair of the Foreign Affairs subcommittee and hope that out of today we can come to some positive suggestions as to ways by which Australia can help PNG and, hopefully, that the enormous opportunities that are there for people of that beautiful spot so close to our far north can be realised. I welcome you, and I wish this seminar well.

CHAIR—Thank you very much.

Brig. Gen. NOGA—Mr Chairman, Ms Taylor, the Honourable Ian Sinclair, David Leach, members of the committee, distinguished guests, ladies and gentlemen. May I thank you for inviting me along to join you in this seminar and to participate in it. It is an honour and I am very grateful for that.

On behalf of Papua New Guinea I would just say one or two words mainly to support Ian Sinclair very much because that is the way that we in Papua New Guinea also value our relationship with Australia. We consider Australia as a very important part of our relationship with the rest of the world. In fact, we consider our relationship with Australia as a special relationship and one that is very important to us. 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.

As the honourable Ian Sinclair has indicated, we see our friendship with Australia as unique. It is unique not only because of the way we began together as a colony and a coloniser, but because of the way we grew from that colonial past to the partnership that we have today. That partnership remains a very strong one and that is why we place a lot of emphasis on it in the way we conduct our policy, the way we foster our relationship with Australia, and in the way that we look up to Australia in the development of our country.

In fact, Australia has played a large part in Papua New Guinea's development since the colonial days and our independence some 21 years ago. In no small way Australian has contributed to Papua New Guinea's progress. Let me assure the seminar here that a large part of Papua New Guinea's successful development has been due to the contribution that

Australia has made to Papua New Guinea, whether it is in monetary terms, or in manpower from Australia that participates with us in Papua New Guinea. Mind you, there are a large number of Australians still there. And there are a large number of Australian investments in Papua New Guinea. In fact, the major investor in Papua New Guinea is Australia.

The influence of Australia remains significant and very influential in Papua New Guinea. One of the major things that contributes to that influence is your media. Whatever you say about Papua New Guinea, whether it is positive or negative, reverberates all over the world. So if there is bad news about us in Australia, there is bad news about us all over the rest of the world too. If there is good news about us here in Australia, the same applies to all over the world. So in a way Australia plays a key role in Papua New Guinea's interests, whether it is a mutual interest or a national interest that we foresee as a contribution to the future development of our nation.

In short, Australia will continue to be a very significant and important part of Papua New Guinea's position here in our part of the world. It will also continue to be a key to our continued progress and our future in this part of the world. So while the media may have its way of saying what it likes to say, it has to recognise that it has some responsibility to observe in saying what it wishes to say about Papua New Guinea.

In fact, on my appointment as High Commissioner—and I am only a new man in my job as I have only been in it for six months now—before I came here, apart from being briefed on how to run the High Commission, I was told in a formal way that it was a very important relationship, and that in the office that I hold at the moment I must look after our overall diplomatic effort.

The High Commission here is, in fact, the top diplomatic post for my country. I am honoured to have it. I was told before I came here by my Prime Minister, who put it quite simply, and he said, 'Ken, you are going to a country that is very important to Papua New Guinea. Make sure that you advance the importance of our relationship with them.' I share in that instruction. I also personally think it is a very important relationship between Australia and Papua New Guinea. I support that relationship. So maybe I am a sort of a convert, nevertheless it is a relationship that my country also considers to be a very important one.

The relationship that we have had over the years is a very enjoyable one. We have not found any way that you have let us down. I want to let you know that Papua New Guinea and the people of Papua New Guinea are very grateful for that. We will continue to be grateful as you continue to help us along the road into the future, as you have since independence.

In closing these preliminary comments, I wish to say a few things in addition to what I have said. Firstly, on the pluses and the minuses, I just want to concur with the

right honourable Mr Ian Sinclair. We do have our successes. Our main success is self-evident, so I will not talk too much on it. But suffice it to say we have been independent for 21 years. On all accounts, we have not done too badly. We have done very well. Where we really shine is in the democracy of the nation and, in fact, it is the democracy that holds Papua New Guinea together at the moment. In my view it is a democracy that will take us into the future and one which will make us a successful country.

The key to Papua New Guinea's development now and in the future is being a democratic country. I am delighted to report that we hold very sincerely that value of our country being a democratic nation. You have seen it yourself in much of the progress that has taken place in our nation in the last 21 years. The system of democracy has survived so much. Critics may say that it has its flaws; so be it. But, fundamentally, we have not abused our constitution and our constitution has remained the key to our nation's progress since independence. We have done very well by our constitution.

On the minuses, yes, we have a lot of problems such as law and order, economic problems and social areas like education and health. But, despite those problems, we do to the best of our ability to have the country running. We have not allowed those areas to totally slip away. We are doing the best we can. We have limitations of resources, therefore we need friends all over the world, particularly Australia. We will always come back to you, and sometimes we may even ask you to change the way you give us aid and support. We have tried to tell you that with the current development aid package, but to no avail and it is now final. It is programmed budget support and that is the way we are going. Okay, we accept that. We will try to do it mutually together by doing a better job than perhaps we had done in the past.

So under minuses the best advice I can give us is to be a little bit patient. We recognise those minuses and we are not neglecting those minuses. Because of their nature, attending to them will take years and sometimes more than years to fix. But we do recognise them; we do attend to them. They have not been ignored. So the best I can account for them is to say that Papua New Guinea is attending to them.

Lastly I want to move on to Bougainville. I know this is the issue of Papua New Guinea that has the widest impact in Australia right now. We regret to let you know that we have this problem. It has been going on for eight or nine years—maybe next year it is going to be 10 years—but let me point out this fundamental aspect about Bougainville: you must understand that Bougainville is a secessionist movement. It is a rebellion based on secession. Bougainville wants to secede from Papua New Guinea. With any commentary, any support or any attempt—what ever you wish to do—to resolve the Bougainville issue, you have to understand that fundamental point—that the Bougainville situation we have is a secessionist situation; a rebellion that is bent on seceding from Papua New Guinea.

On Papua New Guinea's part, our position is quite clear. We do not want

Bougainville to secede from the rest of Papua New Guinea because it has serious implications for the rest of Papua New Guinea. If Bougainville secedes, there is a likelihood that parts of Papua New Guinea will secede from the rest of Papua New Guinea. That situation is more serious for you and I than the current way we are trying to solve it. So it is better to solve it in a way we want it. You may not agree but, nevertheless, that is the point I wanted you to know.

Bougainville is part of all of Papua New Guinea interest. If you wish to address it, consider the rest of Papua New Guinea in the context of the Bougainville issue. Please do not allow Bougainville to drive the relationship between our two countries. There is the wider Papua New Guinea to consider in that context. On the Papua New Guinea side, we just want consideration in that part. On that note, I would like to conclude by thanking all of you for your attention.

CHAIR—Thank you very much. Vice Admiral Leach, do you have any comments?

Vice Adm. LEACH—Mr Chairman, Your Excellency, Rt Hon. Ian Sinclair, Senators MacGibbon and Forshaw, ladies and gentlemen. It was thought relevant to this seminar on the review of the 1991 report by the joint committee to report briefly on the seminar held by the Australia-Papua New Guinea Friendship Association in Sydney in June entitled, 'Papua New Guinea—security and defence in the 90s and beyond'. There is a record of those proceedings if anyone should wish to get them.

First, a quick word about the Australia-Papua New Guinea Friendship Association. We have been in existence for the five years since your last report. We are a band of over 30: two former high commissioners and Tom Critchley—one of those is here—old PNG hands, military and some business people. Our charter is to promote friendship, trust and understanding between the two nations. We are completely voluntary and unfunded. We have had Sir Julius Chan down to Australia on three occasions—two as Treasurer and one as Prime Minister.

We have conducted an essay competition for high school students with a prize being a visit to Australia. We have assisted Rotary to install a cobalt cancer machine in the Angau Memorial Hospital and a computer to get better medical treatment between Port Moresby and Lae. We have helped financially with the Sepik floods and the Rabaul earthquake. We have assisted with the distribution of thousands of comics to schools to counter drug addiction and betel nut use. We have met visiting parliamentarians and top level bureaucrats on their visits to Australia and we have an earlier seminar on Papua New Guinea which was, 'The way ahead'.

I hope you will agree our credentials are reasonable. But we are at the crossroads and we are thinking of folding next year for a lot of the reasons contained in the 56 recommendations of the 1991 report. These include a lack of interest generally by the Australian government—except for Ian Sinclair—and the PNG government; a lack of

interest by the Australian mining companies working in PNG, except perhaps for Ok Tedi; little success with the media to get points across and more balance in reporting on PNG; no success in getting a mirror organisation formed in New Guinea so that we are better able to see what they wanted us to do, and we have tried to do that for about four years; and, generally, a drifting apart in the relationships between the new generation not interested in understanding the importance of our nearest neighbour, a point that Ian Sinclair just alluded to.

There have been some successes, though, such as a closer relationship between the police and the military, programming aid replacing budget support—although perhaps PNG does not agree with that—the establishment of a PNG consulate in Cairns, and other areas of improvement will undoubtedly be identified at this seminar. Above all that, of course, the pervading issue Bougainville is still haunting both countries.

The June seminar was delayed from last year and proceeded this year with the full support of Sir Julius Chan, who made available top level speakers. It is probably interesting just to precis what they said in June. The seminar director was Colonel Colin East, who did a splendid job. The Right Honourable Ian Sinclair was the triumvirate, bringing messages from the honourable Ian McLachlan and Alexander Downer as well as his own views after a long association with PNG.

Gabriel Dusava, the secretary of the Department of Foreign Affairs and Trade—I believe he is going to stand for parliament—gave a wide ranging talk on PNG's place in the area, the south Pacific forum, ASEAN and APEC. He felt dismayed at what seems to be a growing indifference of Australians in all walks of life to their nearest neighbour. He asked the question: 'Does our closeness have to have the seemingly perverse result that our governments find it increasingly difficult to converse quietly or in private.'

The honourable Mathias Ijape, Minister for Defence, spoke of geography: six hundred islands; a population of 3.7 million; language—well over 700 indigenous dialects; population growth, 2.3 per cent. The figure that impressed me most was that 50 per cent of the population was below the age of 26. Fifty thousand leave school each year. These are differences we must recognise when we consider offering our help or advice.

Bougainville's closure took with it 40 per cent of PNG's export revenue at that time, which was pretty significant, and the kina was devalued by 12 per cent. He said the PNG defence force was to be constructively engaged in nation building tasks and there would be some amalgamation with the police to form a paramilitary force. The government was committed to restoring normality in Bougainville and firm in its policy that Bougainville is an integral part of PNG. He said that Bougainville was 90 per cent under government control, that was in June, and the operations were essentially a police action with the military acting in the role of aid to civil power.

Brigadier General Jerry Singirok is the commander of the PNG defence force. He

recognised that the primary security problem was internal and the PNG defence force should plan on taking a greater part in nation building and development. Financial restraints pushed them towards greater cooperation with the police in the formation of a paramilitary battalion. Protection of the economic exclusive zone was stressed as important. He believed that Bougainville presence was constitutional and the military was only part of the solution.

Mr Robert Nenta, the commissioner of police—you can see we had some pretty high level speakers down to our seminar—said the problems were gang crime, tribal fighting, corruption, white-collar crime and attacks against women. The young are ‘push outs’ from education at grade 10 rather than ‘drop outs’. That is an important point with 50,000 leaving school, not voluntarily, but because the system cannot cope with them. It picks up the point that Ian Sinclair made about help with education.

It is also interesting to remember that there are no unemployment benefits, old age pensions, Medicare, job centres or training schemes. The unemployed rely on wantoks to survive, or do without. There is one policeman to 800 people so they are pretty thin on the ground. Seventy-six per cent of crime is committed by under 20-year olds. There are 53 Australian advisers assisting the PNG police.

Dr Bernice Masterson, who is a consultant in AusAID in PNG matters, reinforced the unique problems that influenced policy decisions. She thought that there was a reasonable crime clearance rate. Unemployment in the Morobe province—to give some idea—was 12.6 per cent in 1980. In 1991 it was 40.8 per cent. These are the problems that we have to look at when considering PNG. The danger of cannabis and firearms trading—no quick fix, but with steady financial support, she thought the problems could be solved.

Mr Noel Levi, the secretary to the Department of the Prime Minister, gave an excellent overview of the strategic, regional and internal outlook for PNG. He also reported on the misrepresentation of Bougainville, and the limitations placed on the military to achieve a stable situation.

Allan Behm, the First Assistant Secretary, International Policy Division, argued that there was not a high level of public comprehension on the importance of Australia-Papua New Guinea bilateral relations. He said that there was great change in our areas and that the rate of change is accelerating. He impressed the importance of continuing dialogue.

I think it was a successful seminar, and it gave the views of those high level politicians and bureaucrats. My own thoughts, in conclusion, are that we have to do better in arranging closer links and discussions with PNG. They should not always be in the glare of publicity that tends to distort them sometimes. We must increase our links and involve younger people. I hope that we can do more in facilitating rapprochement in Bougainville after the elections. This is a key to the area security and stability.

CHAIR—I thank all three gentlemen for the introductory comments. Before we start, I formally welcome a lot of people here today without whom it would not be the success that undoubtedly it will be. I thank those heads of mission and diplomatic representatives who have come along today. I thank departmental representatives; non-government organisation representatives; most importantly, some of the senior executives from Australian companies; academics from Australia and overseas; and other individuals who obviously have an interest in the very important bilateral relationship.

Can I say a special welcome to the University of Wollongong students from Papua New Guinea who have come along to listen to proceedings today. They are most welcome. The first segment will be on constitutional change and political developments. Dr Declan, who was to introduce this subject, is unavailable, unfortunately, owing to last minute family illness. So it is over to Professor Wolfers and Dr Hassall to open that segment.

When we have finished with the brief opening remarks in each of the segments, would people who want to speak who are not at a microphone come to the end tables where there are microphones. For the benefit of *Hansard*, would everybody introduce themselves before they ask a question or make a comment.

Prof. WOLFERS—Your Excellency, Brigadier General Ken Noga, High Commissioner for Papua New Guinea, and other members of the diplomatic corps; the honourable Ian Sinclair, whose role in the transfer of power from Australia to Papua New Guinea I recall with appreciation; the honourable Bill Taylor, chairman of today's proceedings; Mr Critchley, who served with distinction as Australian High Commissioner in Papua New Guinea; senators and members of parliament; distinguished guests; ladies and gentlemen.

Many of the themes running through the report on Australia's relations with Papua New Guinea remain as pertinent in 1996 as they were in 1991, although the details have often changed. The 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 is a case in point and one which the following remarks are intended to respect.

So is the trend for relations between the two countries to continue drifting apart, particularly when we recall that the Papua New Guinea-Australian Colloquium has lapsed, the recommendation to establish an Australia-Papua New Guinea council has not been followed up, and the government describes its foreign policy as putting Asia first, without referring explicitly to Papua New Guinea or to other South Pacific island countries, as it does to other longstanding partners such as the United States of America and European countries?

Yet relations between Papua New Guinea and Australia remain diverse, dense and close. The potential impact that events and government policies in one country can have

on the other continues to be great, which reinforces the need for sensitivity in the present discussion.

Looking first at constitutional change, the *Organic law on provincial governments and local level governments* has introduced the most profound changes to the constitution, broadly defined as including the constitutional laws and other aspects of the system of government in Papua New Guinea, since the establishment of the previous provincial governments during the 1970s.

The peaceful manner in which such politically contentious legislation 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 election is evidence of the success with which democracy has been transplanted. Or so, in both cases, the situation appears.

But the new system of provincial and local level governments has done away with a whole tier of directly elected government. Provincial assemblies now consist of members of the national parliament and presidents of local level governments, with provincial members, who are also provincial governors, in an especially strong position.

While savings might have been achieved by reducing the number of elective office holders in Papua New Guinea, the number of parliamentarians who hold executive office at national or provincial level may now total as many as 46 from a total of 109—that is 27 ministers plus 19 governors. Competition for the offices available is likely to be even more intense than in the past, particularly as the holding of simultaneous elections for all levels of government—with candidates able to nominate only for one, with no obvious opportunity to try at another for a further five years—means that each contest will now approach a zero sum game.

The increased possibility that results might be challenged, not only through appeals to the national court but by the threat or use of direct force, has led some Papua New Guinean aspirants and observers, fearful that political developments might challenge the constitutional order, to ask whether there might be a need for international supervision of the 1997 election.

The main purpose of the provincial and local level government reforms has been widely described as being to improve the delivery of goods and services to the people, especially the 85 per cent of Papua New Guineans who live in rural areas. But quite apart from complicating government in various ways the new system, in fact, enhances the power of the national government, thus the national government must consult governments at other levels before making many laws, while proposed provincial and local level laws must be served directly on the responsible minister in order to come into effect.

More importantly, national laws can override all provincial and local level laws.

The national government can withdraw individual powers and functions from provincial and local level governments—and not just suspend them, as under the previous arrangement—and members of the national parliament, especially those provincial members who choose to forgo ministerial office and become governors, are better placed than before to influence policies and resource allocations in relation to provincial and local affairs, with a consequence, already observed, that government goods and services are perceived and/or presented as products of a particular governor's or member's personal largesse. While the new system is intended to reduce conflict between politicians at different levels, the net effect might well be to involve local level governments, through their presidents, in conflicts between politicians and parties at the national level.

Even more significantly, despite financial provisions embodied in the new organic law, the national government cannot on its own overcome two of the main causes of the previous systems' ineffectiveness—lack of skilled personnel and other resources, especially finance. In fact, both are likely to become even scarcer as a result of other policies, including structural adjustment, which seem likely to lead to a reduction in already very low rates of participation in upper secondary and tertiary education, and cuts in discretionary government expenditure. The re-establishment of an effective national planning system can, however, be expected to assist in ensuring that outcomes are not as uncertain or negative as they might otherwise be.

More generally, the Bougainville crisis raises serious questions about the future of constitutional government. If the defence force has been operating without adequate constitutional cover, as argued in the report of the special committee on the crisis in the north Solomons province and implicitly, at least, accepted by a former Chief Justice, then a precedent might have been set, both in the attitude that government, including members of disciplined and other state services, takes on questions of constitutionality and in public perceptions of the respect that constitutionality receives. The state's inability to enforce its rule by constitution or other means has also sent a message to raskols or criminals gangs and others who might intend to flout the law.

Allegations of human rights violations in Bougainville have prompted proposals to establish a national human rights commission. While a body specifically focused on the subject might, in certain respects, be a useful complement to existing arrangements, it is hard to see how it will overcome the underlying causes of existing problems such as inadequate or inappropriate socialisation of offenders, lack of public understanding, shortages of skilled investigators and inadequate access to lawyers. In a country with elaborate human rights provisions in the constitution, with courts that display the highest standards of judicial independence and with a vibrantly competitive and free legal profession, it is hard to see what additional contribution the proposed arrangement will make.

I will now turn to political developments. With the qualification that one cannot be absolutely certain what is or is not legal until a particular question has been tested in

court, it seems fair to say that politics in Papua New Guinea has, with the exceptions noted, been generally constitutional. In fact, in the absence of mass political mobilisation or long standing convention, the law has frequently been invoked to seek political advantage or to resolve problems that are essentially political rather than legal. Examples include the refusal of Governor-General Sir Serei Eri to sack Deputy Prime Minister Ted Diro in 1991 and Prime Minister Paias Wingti's attempted resignation and re-election in 1994.

But public respect for the law appears to be declining, giving rise to a situation in which law-makers' attempts to deal with the problem often compound it by increasing the body of laws that cannot be effectively enforced. Thus, the crisis of governmental authority that became visible during the mid-1980s continues to feed on itself, spiralling downwards with legitimacy, including legality, increasingly giving way to the threat and use of force which, being frequently ineffective, further compounds the process.

Thus the current law and order situation is both cause and consequence of the state's declining authority and hence its ability to meet important public needs. Nonetheless, respect for the constitution remains strong and widespread, as shown in the willingness of some of its strongest critics to pursue change by constitutional means. 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.

The weakness of political parties and changes of government are not measures of deeper political instability, as anyone familiar with the political history of the Australian states in the late 19th and early 20th centuries would be aware. The most significant sources of potential political instability lie outside the national parliament in threats to law and order, including electoral violence and situations such as the Bougainville crisis. In fact, the apparent instability of much parliamentary politics has, on occasion, been a kind of political pressure valve, as with the change of government in 1980.

Other challenges to democracy, which surely includes government responsive to the public will, are international financial institutions and aid donors that oppose discretionary government spending in response to public demand, impose procedural requirements too complex and/or too slow for a developing country and, in certain cases, even for a very advanced industrial country, and, above all, insist on policies that meet their criteria rather than those of elected leaders.

While program aid instead of project aid will help to meet some of the criticisms just made, the Australian government should, in my view, be sensitive to the contradictions implicit in its policy of reducing and then doing away with budget support aid and also in the criticisms it has made from time to time of the system of government in Papua New Guinea. Bearing in mind that accounting is not the same as accountability, it should also be conscious of the potential for conflict between political pressures and bureaucratic plans, especially in a democracy.

In conclusion, foreign critics of political development in countries like Papua New Guinea are often better informed about them than any other, including their own. They are unaware of their nation's history and insensitive to significant differences below the surface. Thus, they tend to compare corruption in developing countries with text book models rather than the realities of their own, which is not in any way an excuse or an argument to forgive or ignore it. But it may be useful to remember that some of us at least come from New South Wales. I used to say Queensland.

They criticised parties for not resembling their own and they are either like parties in other countries, for example, the ideologically broad and loosely broad coalitions found in the United States of America, or in the early stages of development elsewhere. They often underestimate the ingenuity with which formal legal and institutional arrangements can be used by astute politicians—and astute politicians are not in short supply in Papua New Guinea. They expect a disciplined force to act like one simply because it bears the name.

The main conclusion arising from the preceding discussion is that there remains a need to promote much wider and deeper understanding of Papua New Guinea among Australians in universities, government agencies, the media and other non-governmental organisations, including the business community. The character of the bilateral relationship, including the influence Australia has had on the development of Papua New Guinea, means that sensitive promotion of mutual understanding is likely to be much more beneficial than usual to both nations.

Dr HASSALL—Mr Chairman, Your Excellency, committee members and distinguished guests, I will try to share in a concise way some of the major trends that I see at the current time. The constitution of Papua New Guinea is now 20 years old. It is a constitution which is widely regarded as being an overwhelming success but yet has some ongoing challenges. I classify these challenges broadly as challenges of legitimacy, democracy, justice and prosperity. In this paper I have only time to look at the first of these—constitutional legitimacy.

There is wide acceptance of the independence constitution in Papua New Guinea. It is patterned on the Westminster system in that it includes the parliament, which provides both the legislative and executive branches of government. Apart from the third branch, the judiciary, the constitution also establishes a range of constitutional offices having a mandate to operate autonomously in that they are not to be controlled by any other authority. These include 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. It can also be argued whether constitutional offices include the Citizenship Advisory Committee and the Public Accounts Committee.

The legitimacy of the constitution and these offices it establishes is self-defining,

but these offices must continue to perform their functions adequately if this legitimacy is not to be eroded. For many years the public's attention has been focused on the performance of the parliament, on the members of parliament and on senior public servants. The fact that there has been a problem in delivery of government services to the provinces and at the local level is well understood. Extensive reform to the provincial government system was premised on the need to find a more effective way of delivering government. If for some reason the new reforms do not lead to improvements in the delivery of government services, the people may well begin questioning the legitimacy of the entire constitutional framework instead of blaming, as at present, the incompetence of politicians and bureaucrats.

I will direct some remarks to some of the operations of this Westminster system at the current time and will look inside the parliamentary system. The adequate functioning of parliament is a vital factor in constitutional legitimacy, but this functioning is hindered by the dynamics that emerge given the logic produced by the constitution's rules and the political culture of Papua New Guinea. I will mention three themes. The first is the problem of maintaining the stability of the executive.

In a system in which the executive government is formed from within the legislature and in which political party affiliations are fluid, any executive government faces the challenge of maintaining the allegiance of its members. MPs may be enticed to cross the floor and form with the opposition groups a new government in an improved situation. The executive has responded to this situation by creating further positions as parliamentary undersecretaries to the cabinet in addition to those positions allowed by law.

The problem has also been addressed through constitutional amendment which prohibits the use of no confidence motions in the first 18 months of the life of the parliament. Less publicised—but this has been mentioned by Professor Wolfers—is the use of appointments as governors and as chairs of parliamentary committees to ensure the stability of the executive.

The second theme in this area is the integrity of political parties. The culture of political parties was introduced to pre-independence Papua New Guinea, and the ability to operate an effective party system was taken as one measure of the country's capacity to establish its own government. As an historical aside, it would be interesting to examine the sentiments expressed by Papua New Guinean parliamentarians concerning the effectiveness of the party system. In the early years of the parliament, *Hansard* was sprinkled with an undercurrent of dissatisfaction at the divisiveness caused by parties, and appeals by independent members seeking to engage in legislative activities along non-party lines.

Political parties are not natural associations, as we know, but associations formed to engage in political processes in line with the rules that define their operation of power. Section 129 of the constitution, concerning the integrity of political parties, requires the parliament to legislate an organic law to provide for the registration of political parties

with the electoral commission.

Section 130 of the constitution concerns the integrity of candidates. This requires an organic law to make provisions for the declaration of assets and expenditure, et cetera. To date, this legislation has not proceeded, although it is currently the subject of investigation by the Constitutional Review Commission.

There are several options for the regulation of political parties, but these create some dilemmas in terms of democratic theory. The view is sometimes put that a smaller number of stable parties is preferable to a larger number of more fluid ones. But legislating to limit the number of parties, as is the case in Indonesia, is commonly regarded as being a restriction on democratic choice. Similarly, preventing the defection of MPs from one party to another by laws which require defecting members to resign their seats and recontest with their new party at the next elections is similarly a restrictive measure. MPs are firstly representatives of the people rather than of political parties. So there must be concerns about laws that place control over the legislature and the executive in the hands of the parties.

The third theme concerns distinguishing the role of the executive from that of the legislature. In Papua New Guinea, members of parliament are taking an increasing role in executive government. The most recent example is the designation of provincial members as concurrently the governors of their provinces, thus giving them concurrent legislative and executive responsibilities.

The traditional argument in favour of this involvement of Papua New Guinea MPs relates to the expectations of a 'big man'. But it may be that the participation of MPs in the planning and delivery of services has unintended effects, such as drawing resources away from line departments ordinarily responsible for such activities or possibly leading to overlaps in the delivery of services.

Furthermore, the involvement of MPs in service planning and delivery leaves them little time for other parliamentary duties, such as the development of legislation, committee service and scrutiny of government. A more sceptical view would be that MPs have simply sought to exercise control over budgets, specific programs and statutory bodies. In the long term, the role of the MP in Papua New Guinea will require clarification, particularly as a more educated public begins to ask incisive questions concerning the ideal role of elected representatives.

The next major theme concerns provincial government reform. I will be brief because of time. It is commonly known that there was a major review in 1993. The Bipartisan Select Committee on Provincial Government, chaired by the Hon. Ben Micah, recommended far-reaching changes to the system. One of the recommendations of that bipartisan committee was the establishment of the Constitutional Review Commission, which was established with 18 members.

The commission's first terms of reference concerned the preparation of legislation to implement a new provincial government system, resulting in the passage of the Organic Law on Provincial Governments and Local Level Authorities in June 1995. This act comprises 141 sections, it requires additional passage of legislation in many areas, and it has already been amended three times.

Although this new legislation is in place, a number of questions remain. If the system of decentralisation was so bad, what makes the new structure any better? Do the changes now occurring under the new law hold any better prospect of bringing good government to the people? Do the new structures embody the call in directive principles in the preamble to the constitution, which call for incorporation of traditional forms of Melanesian organisation?

The commission's second assignment, given in October 1995, comprised a series of questions concerning the structure and symbols of the state and its relation to the Crown. Specifically, the commission was asked to report on whether the constitution should continue to recognise the Queen as head of state or whether Papua New Guinea should become a republic; whether changes need to be made to any of the offices established under the constitution—the constitution officers I referred to in the beginning—whether there is a need to change the name of the country; whether there is a need for a national anthem; the desirability of legislating for media responsibility and accountability; and the provisions that should be contained in the organic laws on the integrity of political parties and of candidates in elections.

As noted above, some of these tasks were mandated in the independence constitution. Others, however, show a concern about Papua New Guinea's fundamental structure and identity. The commission's report, when complete, will offer views having the potential to make the most significant impact on the structure and operation of the 1975 constitution, apart from the changes in 1976 and 1995 concerning provincial government.

The activity in constitutional reform in the past two years has focused attention within Papua New Guinea on the processes of dialogue involved in constitutional reform. On this issue, Australia and Papua New Guinea share a common interest, since in Australia there is discussion of constitutional amendment in the lead-up to the centenary of Australian Federation.

In Australia, any change to the constitution is decided by the people who vote in the referendum. Members of parliament have no direct power to amend the constitution. In Papua New Guinea, in contrast, the power of amendment is with the parliament. In reality, in Papua New Guinea, there are few citizens, whether they are in the villages or in the towns who are really familiar with what their constitution contains, or how it works. This unfamiliarity hinders their participation in the review process and does not assist the lawmakers in knowing exactly what the people want for a system of government.

However, a number of avenues exist within Papua New Guinea for discussion of constitutional matters and potential constitutional reform. These have been drawn on to differing degrees in the reviews to date. These include the activities sponsored by the Permanent Parliamentary Referral Committee on Justice and the Law Reform Commission. There is also a considerable body of knowledge and experience in Papua New Guinea's intellectual community, as demonstrated at the conference on 20 years of the constitution held recently in Port Moresby, organised by the law faculty of the University of Papua New Guinea.

I will conclude with some general observations that go along with these earlier comments: firstly, the observation on recent constitutional and legislative reform having been rushed. The *Organic law on provincial governments and local level governments* was rushed through parliament in rough form requiring subsequent revision. Secondly, I feel that there is an undercurrent of a desire for more consideration of custom and the development underlying law. This will become pronounced.

Concerning more practical observations on Australia's ongoing relationship with Papua New Guinea, I would suggest in general and more specific terms a consideration of assistance in such areas as access to legal information and research. One possibility is development of capacity with Internet facility in relationship to the laws, statutes and cases from the courts of Papua New Guinea, similar to that which has been established within Australia in the Australasian Legal Information Institute.

More broadly, I would encourage further discussion of the strengthening of civil society in Papua New Guinea. There is discussion of the role of the media. There is discussion of possibly more bipartisan systems of government as, for example, in recent changes in Uganda. I think also that there should be more encouragement of the tertiary education system in Papua New Guinea, particularly the facilitation of academic exchanges in both teaching and research.

Finally, I feel that there is an opportunity for collaboration in strengthening the capacity of the Papua New Guinea parliament, particularly in offering assistance as required to improve the functioning of the committee system. Australia has a widely respected committee system. Papua New Guinea has an aspiration to have its committee system operate fully and adequately.

CHAIR—Thank you very much. The success of seminars like this, ladies and gentlemen, depends very much on the dialogue and exchange of views across the floor. Professor Wolfers raised a couple of issues that I would like to throw open for some comment. Firstly, he talked about the need perhaps to return to budget support aid, and I would be interested if anybody had views on that. Secondly, he indicated that as a result of Australia's so-called push into Asia that the relationship with Papua New Guinea has suffered as a result. Would anybody like to make a comment on those two issues, or on anything else, but on those two to start off with?

Mr CRITCHLEY—One of the things that I believe has been underestimated in the emphasis on budget support—and I agree that when we gave independence we certainly had to have budget support and that had to be our aid—is that when we get to program and project aid we are in a much better position to transfer skills. I believe that this is one of the things which has been seriously lacking in Papua New Guinea. I think it is up to Papua New Guinea to decide the priorities and programs and the projects but by doing it in consultation you can ensure that in both there is a strong element of on-the-job training programs. That would make one of the best contributions that Australia could make to Papua New Guinea at this time.

On the relationships with South East Asia—and this might be an inappropriate suggestion—I noted that in the recent ministerial talks with Indonesia that there was a program arranged of bringing northern Australia into closer association with east Indonesia. The same situation arises with Papua New Guinea's relationships with northern Australia. I wonder whether it might be advantageous to have regular meetings of ministers, not just of the two countries but of the three of them together. It might lead to a better understanding of their mutual problems. I have not thought seriously about it but it occurred to me when these statements were made.

Brig. Gen. NOGA—I would like to comment on the budget aid issue, Mr Chairman. Papua New Guinea's position is that we do not want program aid at this stage. We are happy to go to program aid a little further down the track, after we have discussed the shift to program aid. What happened was that there really was not much of a talk between us. Despite this, we—Australia and PNG—decided to go ahead with the program aid, to PNG this is not satisfactory.

We went a little bit too fast for PNG. In the current situation PNG face serious difficulties. For instance, in past years, and last year in particular, we made very significant changes in Papua New Guinea's situation. We devalued the Kina for a start. We reformed the whole of the political system in Papua New Guinea namely provincial and lower level government systems. Our country had a real downturn in economic development. In fact, we had to virtually restructure the economy of the country by adopting a new structural adjustment program. We have Bougainville on our hands and, at the same time, we had a lot of national disasters which hit us. We were really going through a crisis. We just wanted the situation to ease off for a time and for Australia to be a little bit considerate and allow us a period of grace before bringing in the program aid a little bit down the track. We could mutually agree as to when but certainly not right now. That is what Papua New Guinea was trying to negotiate—a reconsideration from Australia.

On the Asian issue, yes, Papua New Guinea felt left out in that in your policy drive we were left hanging there. We were not sure where we were placed with your policy statement.

Mr O'CONNOR—Mr Chairman, I think the discussion has already focused on a

point that I wanted to make later on and that is that the experience of the relationship emphasises the limits of power in an unbalanced relationship. Those limits operate both ways. Papua New Guineans are very courteous people but undoubtedly they find also a certain overbearing factor in the Australian relationship. We are bigger, we are wealthier, we are the former colonial power and all the rest of it. So they are a bit inclined, I think, to accept Australian solutions.

On the other hand, we are in the position, as Australians, of not being able to impose our solutions on an independent nation, much as we would like to, but we feel somewhat hurt when our solutions are not accepted. I think there is also a tendency, in my own experience going back pre-independence, for us not to recognise that Australian solutions designed in this country are not necessarily appropriate for Papua New Guinea. The change in policing arrangements in the mid-1960s was one which is actually having a hangover effect even today. So I think we have to be very careful about our prescriptions for Papua New Guinea, and this impacts very heavily on this question of program, project aid or budget aid.

CHAIR—Thank you.

Mr DAVIS—I would like to make a couple of brief comments on the issue of the aid program. I will not go into much detail because we have quite a long time on that tomorrow. It is important to recall we are talking about a program or an amount of \$300 million per year, and one of the most fundamental decisions that any government in Australia needs to take is how we are going to get best value for such a large amount, both in terms of the value to Papua New Guinea and as well the value to Australia.

I think the conclusion over a significant period of time now has been that, by undertaking direct investments through the provision of programs and projects, we can make a greater impact from both the Papua New Guinean and the Australian perspectives. We need to have a system where there are sensible levels of accountability. We also need to ensure that the range of activities that are undertaken do lead to improved living standards in Papua New Guinea. I think the conclusion is quite strongly that that does happen more clearly through the provision of specific activities rather than just straight cash.

One final comment in terms of the transition is that we do need to recall that this transition is spread over quite a significant period of time. We are only now at the position where the levels of support through budget support and support through program aid are at about the same level, and it will not be for some years yet, through to 2000, before that transition is completed. So it is a 10-year transition period from budget support to program aid.

CHAIR—Thank you, Bruce. We can explore that a lot more tomorrow morning. Mr Mackay?

Mr MACKAY—The Australia-PNG Business Council is convinced that project aid or programmed aid, is the correct policy for the 1990s. The accountability factor is an important one coming through that strain. However, we are unsure in our own minds whether the benefit to Australia is predominant; it should be benefit to Papua New Guinea. One thing that concerns us is the development of the private sector in Papua New Guinea through its ability to participate in all sectors of the economy.

Three hundred million dollars a year represents a large part of that economy in the hands of the PNG government through its selection of its own projects, Australian government purchasing requirements do not allow a lot of Papua New Guineans who could participate to participate fully. We think that is a down side in the aid program that should be looked at quite closely.

CHAIR—Again, we can explore that tomorrow and maybe in the next segment, perhaps. Rob, did you want to make a comment at this point?

Mr LAURIE—I would like to make one comment on the push into Asia and the comment of the High Commissioner about PNG being left out. In defence, I think both are left in. Papua New Guinea is pursuing a policy, inter alia, of looking north. Papua New Guinea has joined APEC. It is a member of the ASEAN regional forum and it also is an observer of ASEAN. It seems to me that participation of Australia and PNG in all those entities gives us another dimension to our relationship.

CHAIR—Thank you very much. Professor Wolfers, do you want to make some kind of comment?

Prof. WOLFERS—Very quickly, just clarifying something before the discussion runs off in a direction I did not have in mind. I hope I was not suggesting—I certainly did not mean to suggest—that we should return to budget support in quite the way that it was expressed. I think I was endorsing, quite strongly, the view that the Prime Minister of Papua New Guinea and others in Papua New Guinea have expressed about the rate at which the changeover is taking place.

I do not think that till the year 2000 is very long when you look at the problems that Papua New Guinea has in terms of skilled personnel, alternative resources and its ability to serve the rather fearsome, at times, bureaucratic requirements of particularly project aid. I am on record as having been impressed with the innovative approach that has been taken to program aid as an alternative, but I do think there are very severe problems of management. So I am not talking about a return. I am talking about sensitivity in the management, and, secondly, about the contradictions that I see between increasing Australian involvement, some of which has been very skilful and very subtle, but, nonetheless, contradictory to some of the principal requirements of constitutional democracy in Papua New Guinea. The problems of accountability to the electorate are at least as important as problems of accountability to aid donors, international financial

institutions, and they are very real problems in the management of Papua New Guinea.

Secondly, on the 'Asia first' thing, what I was adverting to was not the policy thrust at all but the way in which it has been framed and expressed by leading Australian political figures, who in talking—and I could document this if asked—about 'Asia first', which is an entirely legitimate Australian foreign policy strategy, do go on repeatedly to say that it is not at the expense of relationships with the United States or Europe, and do not go on to provide those reassurances to countries in the South Pacific, including Papua New Guinea. The silences are at least as eloquent as the words that are used for those who hear them or observe them.

It may be that there is a shift taking place in Australian foreign policy in which the Pacific is regarded as less important or more expendable, and it may be that it is simply a problem in expression, or enunciation of our foreign policy. Either way I think there is a real problem perceived in the region and one to which we cannot be blind. The Asian connection is very important, both to South Pacific countries and to Australia, but the way in which it is being expressed in Australia is sending signals to quite prominent people in the region, including Papua New Guinea, that ought to worry us as Australians, just as it worries those receiving the signals.

Finally, just quickly on Mr Critchley's point, there was a period when I think it was felt in Papua New Guinea, in particular, that a trilateral Australia/Indonesia/Papua New Guinea arrangement was not a particularly useful way to go at the government level. However, there have been—and regrettably they have lapsed—very useful arrangements in which academics, journalists, politicians, public servants, a variety of people from the three regions were taking part in quite useful exchanges. I think Dr Hassell was present at one or two of them with me, both in Port Moresby and in Indonesia, and it is certainly the kind of exchange at the non-official but quite influential level that I think could usefully be taken up by your committee, for example, as an item for consideration, quite apart from whether the time is apt or not apt, that is not for me to say at the official level which is a quite different level, certainly I think it is a great shame that the non-official exchanges have lapsed in the way that they have.

CHAIR—Thank you very much. In fact, whilst Alexander Downer, our foreign minister, will not be here tomorrow, Andrew Thompson, the parliamentary secretary will be. So it is an opportunity to raise some of those issues in the context of tomorrow's discussions.

Short adjournment

CHAIR—Before we start the next segment, we have been asked a question during the break about the tabling of papers. I am sure that a number will want to table papers. What we intend to do is consolidate those papers that are tabled by people into a volume with a record of the proceedings and that will be available publicly in due course. As well

as that, as I have said at the opening, we will be producing a consolidated report which will be tabled in the parliament. But, yes, all the papers that are presented today will be consolidated, together with the record, which you can all have access to in due course.

We are moving on now to trade investment and the World Bank. We have representatives of DFAT, Austrade, the Australia-Papua New Guinea Business Council, and Treasury.

Before we start, it is 11 o'clock—the 11th hour of the 11th day of the 11th month. Ladies and gentlemen, could I ask you to stand to observe one minute's silence.

One minute's silence was observed—

Mr LAURIE—In my brief introductory words, I am going to try to set a scene about the major issues and trends in the trade and investment relationship and some of the other speakers, I am sure, will fill in the details. It is a fact that Australia remains PNG's dominant trade and investment partner. We are PNG's largest export market and its largest source of imports. Through the 1990s the trade and investment relationship between Australian and PNG has remained relatively static. With the exception of the mining and petroleum sector, our commercial links with PNG have been inevitably influenced by PNG's macro-economic 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. There was continuing uncertainty over PNG's commitment to the economic reform program it had agreed with the World Bank and IMF in mid-1995 and this had its effect on PNG's attractiveness as a destination for foreign investment.

Difficulties surrounding macro-economic performance have been compounded by structural barriers and policies which have hindered the development of a competitive export oriented private sector. We have had the problem of high tariff levels, including import bans, a large and expensive public sector, restrictive investment regime, small and fragmented markets, poor labour productivity, acute shortage of skills and poor transport infrastructure. All of these have hindered trade and investment growth.

Investment communities have also been concerned about the need to establish proper standards of business ethics. The business community in PNG, both national and expatriate, at the forum on ethics and business in Port Moresby in July 1996, registered the need to ensure the proper standard of business ethics established in PNG. This forum identified the need for a code of conduct for ethical businesses to be formulated and promulgated as a matter of urgency.

Another area of concern has been the question of the management of compensation demands, which has had its impact on new investment prospects. Obviously, the mining

and petroleum sector has accounted for a very significant percentage of total foreign equity investment in recent years, and major new investment in exploration in this sector will be very important for PNG's economic development.

There has been a fall off in mining exploration investment in PNG. This is obviously a matter of concern and is affected by issues such as environmental questions and uncertainties surrounding land owner claims. There has also been some concern over security of investment, particularly in the period 1989-92 when there was a preoccupation with political or country risk in the assessment of project evaluation.

As far as Australian policies are concerned, over the last period we have encouraged PNG to implement fully the World Bank and IMF programs as a means of addressing macro-economic and structural barriers. We have also sought to improve dialogue with PNG on economic issues and encouraged liberalisation. This has been carried out through regular bilateral consultations at ministerial and officials level, but also through PNG's membership of APEC and the World Trade Organisation.

The Papua New Guinea-Australia Trade and Commercial Relations Agreement—acronymed PATCRA—provides the formal framework for bilateral trade and investment. PATCRA ensures that all PNG exports meeting rules of origin requirements, with the exception of goods subject to excise in Australia, enter Australia free of all duties and charges. For some time now, the PNG government has taken the position that PATCRA was not meeting the objective of increasing trade and investment. Our view has been that relative investment attractiveness is the driving force behind international investment. Conditions affecting taxation, the repatriation of earnings, macro-economic factors such as wage rates, inflation and financial stability are all critical factors in investment decisions. We have noted that PNG's reserved activities list prevents foreign investment in a wide range of sectors in PNG.

But both governments have concluded that improvements in bilateral trade would flow mainly from improvements in macro-economic performance rather than tinkering with PATCRA. We really cannot offer much more to PNG than the virtual free access to our market that PATCRA enshrines. I know from time to time the suggestion is that we should come to some sort of arrangement like the CER arrangement with New Zealand, between us and Papua New Guinea. I think we would welcome that but I am not sure that PNG would to the extent that CER guarantees free trade of goods in both directions. At the moment, it is a one-way process. I think, Mr Chairman, I will stop there and others can fill in more specific points.

CHAIR—Thank you very much. Mr Ryan.

Mr RYAN—I am based in Port Moresby, and essentially the Austrade job there is to facilitate Australian export companies' access to PNG, both in terms of trade and inward investment into PNG. We get two broad types of requests from Australian

companies: one is for specific market advice, and there are others after more specific opportunities that may be available to them. Both of these require us to have a pretty good understanding of the PNG market as it stands.

I think the first thing that is not widely accepted or understood is the importance of the PNG market to a wide range of Australian suppliers of goods and services. PNG ranks as about our 11th major ETM market. It is the resources sector in PNG which drives that demand and I would think Australian suppliers of goods and services, both directly and indirectly, supply something like 70 to 80 per cent of the resource sector needs in PNG. It is serviced literally by hundreds of Australian companies. One of the major resource developments some years ago had a supplier list of in excess of 500 Australian companies—250-odd of them out of Queensland alone, which is what you would expect.

The services sector also is very important. When you have international companies competitively mining, taking out petroleum, they demand international levels of service. So you have law, accounting, engineering services, insurance services, banking services, education services, human resource managers, all working in PNG on the basis of the resources sector. It is the resources sector that will continue to drive Australia's export performance there.

It is interesting just to look quickly at where PNG's exports are likely to be over time. It is PNG's ability to export which really relates to its ability to import, buy goods and also to progress itself. Austrade Port Moresby commissioned Coopers & Lybrand in Port Moresby to have a quick look at what PNG exports were likely to be between now and the year 2001. The result was that there is really nothing spectacular happening. The same sorts of things that are happening now are expected to be happening in 2001.

I will just hit the high points. In the agricultural sector, logging, which is mostly a Malaysian investment, will continue to be a major source of revenue for PNG. Palm oil is again mainly a Malaysian investment and increasingly so. It is anticipated it will be one of the growth agricultural industries. Coffee, again, has a mixture of Malaysian and local investment and owners. The agricultural sector between now and the year 2001 will see these same sorts of products being produced, but largely investment from Malaysia, because of its expertise in those areas, will be running those sorts of agricultural pursuits. It is in the mineral export sector that Australian expertise comes to the fore. We will see an increase in gold exports out of PNG, mainly attributable to the gold mine coming on stream. There will be increasing, but not too much, petroleum export, largely out of the Kutubu and Lagifu fields. The Moran oilfield discovery of the last week or so will assist PNG there. It is interesting to realise that the Kutubu oilfields alone are contributing something like 25 per cent of the total PNG economy at this time.

In terms of prospectivity, PNG remains highly prospective. The Gobe oil discoveries are likely to come on stream in 1998. We have the Highlands gold-copper discovery in Nena, which could be on stream in the early part of the century—that is the

Nena reserves—and the Moran oilfield, of course, is likely to come on stream. But the most exciting potential is the natural gas that PNG has. In fact, the petroleum industry is now saying that PNG is not an oil producer; it is a gas producer. There are two projects likely to take place, one an LNG process and one a gas process. The project being pursued at the moment—which many of you will have heard of—is the gas to Queensland project being put together by Chevron. That particular project will have, I would think, a great impact on Australia-PNG relations, because we may, if it goes ahead, be in a position where one part of Australia depends on supply from PNG. I think that is important. This particular project is \$1.2 billion and will have an effect not only on PNG but also on North Queensland.

From the Austrade perspective, given that Australia's expertise is in the mining resources sector, we will continue to focus on that. In so doing, there are a couple of projects coming up in the near future which may be of interest. One, of course, is the general access to the mining industry that we try to deliver to Australian exporters. The other is making sure that possible investors from Australia, based in Australia, that may be interested in contributing to this proposed gas to Queensland pipeline will be facilitated into PNG early next year—February, in fact.

In conclusion, PNG will remain a very important market for Australian exporters. I think the two economies in a business sense will get closer. The number of Australian companies that depend, on their export side, on PNG is very large. Thank you.

CHAIR—Thank you. Mr Mackay.

MR MACKAY—Papua New Guinea has provided Australia with a commercial relationship over many years which is very significant and very deep. At the present time, Papua New Guinea is a country which has some internal difficulties from a social perspective and an economic perspective, but I think it is fair to say that it does have a vibrant and growing economy. We probably cannot see the individual components of that very clearly yet because of some of the other factors which have been brought out this morning. I think, from a trade perspective, we will always remain a preferred supplier to Papua New Guinea and will always—just as the nature of business is, if there is a return—be ready to buy from Papua New Guinea where there is an export product.

However, the investment scenario at the present time is a little different. Because of the political considerations and the security of investment considerations outside of the specific very large projects, the high return projects, there is very little Australian investment going in to Papua New Guinea. Up until 1975, we supplied the majority of investment. Up until 1989, that investment, except for some plantation buybacks and some other disinvestment, remained fairly static. 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.

The future of investment very much depends upon Papua New Guinea's ability to manage its economy. A part of that is the World Bank structural adjustment program. The structural adjustment program has one major benefit from our perspective; that is, the basic financial decision making at the government level should improve and that should ensure that the foreign exchange market remains relatively well-managed. That is one of the critically defining factors as to whether foreign investment goes into another country—whether the currency is convertible and whether repatriation of dividends and profits is possible. The World Bank support for Papua New Guinea, through some difficult negotiations, is commended. We expect that that support will continue. Australia's position in there, I am sure, was critical. We look forward to Australia continuing with that.

The situation for everybody in Papua New Guinea at the present moment is that the short term dominates. We are aware of all of the reasons that have been mentioned before—law and order problems; unresolved allegations of corruption; the inability to resolve Bougainville, which has international implications about confidence in investments in Papua New Guinea; and the compensation claims which come out of the side of hillsides.

There are no jobs available for the number of people who are coming out of the schools at whatever level with any degree of education. They do not wish to return to villages to undertake traditional activities. There is a lack of capital just to supply the jobs—the mix of labour, capital and land that is necessary to participate in a modern economic system. Health and government administration continue to be a concern. The ability of the PNG government to supply services from a simple company registration all the way through to the administration of their foreign exchange system is rather suspect.

This flows through to the business sector where especially with law and order and that is manifested in many different ways—we are under attack in certain areas. The areas of services were referred to by Austrade; that is, legal and accounting services that are supplied from Australia. There are constant moves for those to be in the hands of Papua New Guineans only and for there to be further restrictions. The restriction list that the Department of Foreign Affairs and Trade referred to is evidence of that.

Last year, or the year before, stevedoring activities were confined to national companies. Those sorts of things are not conducive to a good investment climate where you would expect boards in Australia or in other countries around the region to say, 'Yes, Papua New Guinea is a place where we can get decent returns. Yes, we will invest. Yes, we will be good citizens and we will participate in the building of that country.'

I think those of us who do believe that Papua New Guinea has a long and rosy future need some long-term vision. I would ask that the Australian government also puts aside the day-to-day problems that encounter and consume huge amounts of time in the Department of Foreign Affairs and so on and looks forward to where we believe the

relationship may be in another 30 or 40 years.

Just to conclude my remarks, I would like to go back to the original report and some of its recommendations. In particular, it would do both countries a great deal of good if we revisited recommendation No. 36, which spoke of a CER between Australia and PNG. That is a very sensible idea; I recommend that this suggestion be reviewed as a matter of considerable importance to the overall relationship.

My thinking here is that PNG's development would benefit tremendously from better access to capital and technology from Australia, which would find a mutual benefit from stronger trade and investment links. I would expect the benefits would then show in a reduced dependence on overseas aid. The suggestion that a CER can only work between economies at similar stages of development needs to be thoroughly tested.

In addition to that, I recommend that the Australian government, as part of its aid program in terms of helping to be pro-active and to develop a vibrant and very good private sector in Papua New Guinea that can continue to supply those jobs, occupations and standards of living increases needed, create or fund a vehicle to help joint ventures between Australia and Papua New Guinea. We could discuss that.

Should there be continuing difficulties with foreign exchange, and, in the lead-up to the 1997 elections, the public peace arrangements in Papua New Guinea, we would ask that the government look at some way that present Australian company interests in Papua New Guinea can be protected. Long-term future confidence in the relationship between Papua New Guinea and Australia.

Mr RAY—I just wanted to say a few words about the events over the past couple of years, in particular the international assistance package that was put together at Papua New Guinea's request. Before doing so I thought I might mention that the key challenge remains as you identified it in your 1991 report, and that is translating Papua New Guinea's undoubted natural wealth into a broad and sustainable economic development that will involve more of the population in the cash economy.

As you noted in 1991, illiteracy remains high when compared with other low middle income countries and also with other countries in the region. The adult literacy rate is substantially below those seen around the region. Life expectancy is also below that of other countries of a similar economic position. The infant mortality rate and the maternal mortality rate are higher. Participation in education, particularly at the secondary and tertiary levels, and particularly for women, is also substantially less than we see in other countries both in the region and also on a wider scale in countries at similar levels of national income.

Late in 1994 and in the first half of 1995, Papua New Guinea faced a severe economic crisis. Large fiscal deficits and rising imports were associated with large capital

outflows, and reduced the foreign exchange reserves of the Bank of Papua New Guinea to a level where it could no longer support the value of the kina or meet upcoming commitments to commercial banks. Deep seated structural problems reduced the capacity of the economy to adjust to shocks and thwarted the development of a balanced industry structure.

The Papua New Guinea government responded by requesting the assistance of the World Bank and the IMF to develop a program of economic reforms that could be supported by the financial resources of those institutions. Agreement was reached during 1995 with the World Bank on an economic recovery program loan, and with the IMF on a stand-by arrangement. The key objectives of that stand-by arrangement were to restrict inflation and increase international reserves. The strategy that Papua New Guinea decided to put in place was to reduce the fiscal deficit and shift from current to capital expenditures. This was supported by tight monetary and wage policies.

If you look at the macro-economic performance over the past little while, you will see that Papua New Guinea has taken what were necessary but very difficult steps. The turn around in the fiscal balance has been something in the order of 11 percentage points of GDP. The inflationary spike that was associated with the devaluation and the later depreciation has been squeezed out of the system, largely as a result of taking cuts in real wages.

The key objectives of the World Bank program are to obtain broad ranging structural reform while continuing to restore macro-economic stability. The elements include: shifting expenditure to infrastructure and social programs, particularly education and health; improving the prospects of a sustainable private sector development by liberalising trade and investment regimes; improving service delivery; and strengthening natural resource management, particularly in the forestry sector.

Australia strongly supported and encouraged Papua New Guinea to develop its economic reform program and to conclude agreements with the bank and the fund. Australia participated in the international effort with a government-to-government loan of \$A69.4 million. The other participant was the Japanese Export-Import Bank. In total, the international assistance package that was put together in 1995 was about \$US250 million.

The implementation of the measures that Papua New Guinea has put in place should result in a sustainable fiscal deficit with improved levels of public investment in social and physical infrastructure. Furthermore, the lower fiscal deficits and therefore lower domestic borrowing by the government should assist the government to achieve macro-economic stability. The economic recovery program is expected to help reduce poverty through supporting changes in the terms of trade in favour of the rural poor through an adjustment in the real exchange rate and real wages; improving the level and coverage of public servants it services, mainly to rural areas; and by protecting and increasing the budgets for health and education—the structural forms which could lead to

job creation by promoting private sector, non-mining activities. Australia believes the continued implementation of the economic reform program agreed with the bank and the fund is Papua New Guinea's best means of achieving broad based and sustainable development.

CHAIR—Thank you very much. I think in this segment it is important that we get a view from business, and I do not want to put either Mr Alexander or Mr Hundy on the spot, but perhaps it might be appropriate for either or both to say a few words in this particular segment. Would you like to do that?

Mr ALEXANDER—Yes. I think it is fair to say that over the last three years the level of investment in the non-mining sector has been shrinking from Australia, and that has been associated, I believe, with the continuous barrage—for want of a better term—of uncomplimentary remarks about Papua New Guinea, whether it be from a law and order situation or from business practice. I think that is a little bit unfortunate because often perception and reality are not always the same. Whilst people can put forward a number of examples of bad practice, what tends to happen is that the examples of good practice tend to get overlooked.

If you were to talk to Australian businessmen who are from middle-business Australia looking to invest in Papua New Guinea, you will find they are more sophisticated than they were 10 years ago. Investment funds are a global commodity and, of course, when an Australian company wishes to invest, it does apply by a fairly complex risk management assessment process in terms of that investment. Generally speaking, what we are finding now is that Australian business, compared with other locations, considers it is much riskier to operate in Papua New Guinea than in some other countries, particularly where manufacturing is involved. Also, when the comparisons are done, there is a general feeling now that the lack of suitable infrastructure in Papua New Guinea mitigates against the PNG assessment compared with other countries. Water is a difficult problem in Port Moresby and a number of manufacturers require large tracts of water for manufacturing.

What is tending to happen is that Australian middle companies are not favourably disposed towards Papua New Guinea. Too many are working off the perception that law and order is out of control—and I am not suggesting here that law and order is not a problem apropos the two difficulties that we had in my own company last week—but people think that Papua New Guinea is a dangerous place to visit, that in business corruption is necessary to be successful along the way in getting contracts and the like, and that health and education services are not up to scratch for management that needs to go into Papua New Guinea to form part of that investment.

It usually means, too, that new investment requires a joint venture partner and many Australian companies are finding that they cannot locate suitable or sufficient numbers of Papua New Guinea companies who can bring some added value to a joint venture. They usually find that the Australian company has to bring everything to the

table. That is a little bit disappointing because I think what Australia could do business is to take a wider view and look to start off slowly and in the longer term transfer business acumen and experience into the Papua New Guinea economy through joint ventures.

It is disappointing particularly, as an Australian bank—and there are two Australian banks servicing Papua New Guinea—to find that in the non-mining sector there is a shrinkage in the relationship between PNG business and Australian business.

Mr HUNDY—We believe that, for investment in Papua New Guinea in the mineral sector, it is really still a very prospective country and we will continue to explore and look to further development in the country. There are a lot of pluses in doing business in Papua New Guinea as a miner. There is a mines department that works well. I think that within the Papua New Guinea bureaucracy the mines department is one department that does work very well and I think that we need to encourage departments of that ilk to work in the way that it does. The mining act is an act that we have a lot of confidence in and it is applied through the mining wardens courts quite appropriately. So there is a lot of pluses in doing business as a miner in Papua New Guinea.

The difficulty that we experience in Papua New Guinea is that, with the reduction of the government ability to provide services to the country, mining companies such as Placer and the Porgera Joint Venture are increasingly under demand to provide services the government is unable to provide, such as roads and housing. If that increases, then our ability to develop becomes increasingly expensive within the country. Something that I think Australia has to review in looking at its aid to Papua New Guinea is that if that aid is not forthcoming, there will be increasing demands on companies that are there, such as the mining companies, to provide those services.

CHAIR—Mr McRae, would you like to add something to that?

Mr McRAE—I think if we look back at the Bougainville experience, that was certainly an issue with us. Our obligations were very clearly set out in the Bougainville Copper Agreement. There has been some changes to the way providing services works in Papua New Guinea now. I think Placer have the ability to get tax credits for providing services and that is definitely seen as a bonus for operators there because they can take those things on safe in the knowledge that, at the end of the day, part of the burden is passed back to government financially. Apart from that, I think the comments that Bill has made are quite relevant.

CHAIR—Perhaps I will open it up to questions and comment. Does anybody have a question of any of the presenters in this segment so far?

Vice Adm. LEACH—Could I just clarify a figure that Mr Ryan gave about petroleum? You said it was increasing, but the figures on page four actually have it declining. That is separate from gas. Was that a misprint or did I hear it wrongly?

Mr RYAN—I think that I was projecting from those figures. Those figures suggested it was going to go down slightly. In fact, in the year 2005 or so, it will go down very quickly. But the Moran field has just been drilled and it has been announced that it is a very significant field. So I was bringing that into the equation.

CHAIR - Thank you. Professor Griffin, do you have any comments?

Prof. GRIFFIN—No.

CHAIR - Would the next contributor please come forward and make comments or ask questions.

Mr HIATT—I am with Placer Nuigini. I am based in Port Moresby. I want to make a few comments following on from those of Bill Hundy and others. In doing business in PNG, there are a lot of incentives and a lot of encouragement, and we will continue. To go into a little more depth on a couple of issues, I believe that some of the disincentives should be pursued to free up things. As a mining and a petroleum industry, we are continually lobbying and we do get a good reception. One thing which is uncertain at the moment and which has to be clarified to encourage more mining development is the issue of free equity. The government issued a policy earlier this year whereby petroleum projects have to provide two per cent free equity to landowners. That has already happened in the case of Gobe. In the case of mining, the policy is not retrospective to existing projects, but future mining projects will be required to provide five per cent free equity. Why there has been a doubling of the 2½ per cent petroleum rate is somewhat uncertain. This is certainly a disincentive and has to be sorted out. I guess that the first project off the ranks for a new mine will have to battle that out with the government.

Infrastructure—which has already been mentioned by Bruce Alexander—for mining, petroleum and other resource projects is becoming an increasing problem. I could go over many cases where infrastructure is deteriorating, but I will not do that. One good example is the Highlands Highway, which once was a magnificent structure going from Lae right through to the southern highlands and to Porgera: 600 kilometres. It is deteriorating at a fairly rapid rate. The government is now turning some funds into it, which is encouraging. However, come the next wet season, you could see large areas of the Highlands Highway go out. I believe that Australia is assisting through its aid program: at this stage, it is a book-end type of assistance, and that is recognised by the Australians. Work is being done at Lae, at the Markham end, and work is being done to seal the road between Wapenamanda and Wabag. In between, there is nothing happening, and that is the major part that should be concentrated on, and I believe that it is.

One other area that Bill Hundy mentioned was the importance of the Department of Mining and Petroleum. It is critical to both mining and petroleum. It is an excellent department. It does its best. Sometimes it is criticised by other departments, but more particularly by politicians, because they see that the minister and the mines department are

very helpful to the industry in getting projects off the ground and also keeping them in place. Sadly, the department is deteriorating. It is being handicapped badly by financial problems. Its budget is very restricted and, consequently, its staff is very far from adequate. We as an industry see a problem: if something is not done about it soon, that department will be at a great disadvantage and so will the mining and petroleum industry.

CHAIR—Thank you very much.

Mr SINCLAIR—There are a couple of aspects of the whole field of business investment that have not really been addressed, but that seem to me to be quite fundamental. I do not know whether we have here those who might be able to make a contribution.

The first is that part of the problem of BCL in Bougainville was that they believed that, in conjunction with government or the parties concerned, they had negotiated a contract which took into account all the local interests. In fact, there have been a good many negotiations since then, and the previous speaker mentioned the free equity that is being required. It seems to me that there would be an advantage if we could help the Papua New Guinea Department of Mining and Petroleum to develop what could be said to be a base contract, around which negotiations could then be pursued with local land-holders. The trouble is that everybody seems to go into a different negotiation. Has the possibility of a standard contract for the development of natural resources been considered? I acknowledge that you have got to add to it according to local negotiations and local interests; but, were it possible to get everybody to see that this was the basis on which all new investment was going to take place, which you could add to or subtract from according to local requirements, you might be able to get a bit further.

The second issue is an even bigger one, and it has not been mentioned, which surprised me. It is the question of environment. I am disappointed that BHP is not here today, because we need to look at ways by which properly you can take account of the impact of economic development on the local environment. I am not too sure whether, as a result of the settlement made over the contamination of the Fly River, the whole issue is finalised there: it seems to have been a running feast, if I could call it that. But there is a major problem in determining where we go, as far as the environment is concerned, in the future.

Obviously, there has to be a recognition of the consequences of investment: just as in Australia we are now requiring mining companies to take measures to revive the land after the mining resource is completed, I wonder whether we should not set down a few standard rules about dealing with the consequences of contamination. I know that in the Fly River there are a few particular problems but I would be interested to know how those involved in business there see these two issues. The first is to have some form of standard contract, and the second is to inject some certainty into the consideration of environmental issues as far as future investment is concerned. I do not know if anyone would like to

respond, but I would be very interested to know what comments they would make on those two issues.

Mr HUNDY—I could make a comment on the first. The model that you are referring to for contracts is similar to that which is used in Indonesia, and that would provide a great deal more certainty, I believe, for future mining development in the country.

On the second question, environment, it is a thorny issue and one that we believe we have tackled through the processes that were in place: a forum and an environmental plan that was approved. Since the Porgera mine has opened, we have recognised that there is a greater need for transparency in relation to our activities there, and we have undertaken a process to provide that. It will serve to do two things, we believe: it will provide for improvement in our environmental performance and will also provide transparency so that, where there is uncertainty about the environment, the people that are potentially affected have a greater level of information available to them. That program is in its infancy, but we believe that, if it works, it may provide a greater level of certainty for miners wishing to do business in the country.

Mr REGAN—Another fundamental problem is that the patterns of investment we are talking about are tending to increase disparities in Papua New Guinea. They are basically enclave style developments. The economic austerity packages that have been introduced are affecting the least strong, the really vulnerable. The minimum urban wage in Papua New Guinea is 30 kina a week, which is simply not a livable wage. There was, in the 1960s and 1970s, a lot of interest in trying to build up the informal sector and small scale investment in Papua New Guinea but it never really worked. Anybody who has lived in Africa or Asia knows that one of the reasons why crime is of much less serious proportions in most cities there is that there is a huge informal sector. There is no such thing in Papua New Guinea at all. I lived in Uganda for a few years and I saw that in every house the only thing that was imported was the plumbing fittings and the electrical fittings. Everything else was made by little local workshops and so on.

I am afraid that if Papua New Guinea and perhaps the Australian program aid do not address these sorts of problems of the structure of the PNG economy we are going to be driving ourselves into precisely the sorts of problems which make PNG an unattractive investment destination. Perhaps this is not the session to address the issue but we should be signalling it and thinking about how Australia can assist with ameliorating some of the skewing of the economy which is happening with the patterns of investment that we are talking about.

CHAIR—Obviously, we will explore that in a lot more detail tomorrow morning. That is probably the more appropriate segment.

Prof. NELSON—I was going to make a comment about the aim for a fixed and

uniform contract, something that is obviously desirable. What we find is that custom is variable across the nation. Custom is always contested, custom is always dynamic. Our history of any fixed contract is that negotiations will be reopened, whether that was the sale of urban land in Port Moresby 100 years ago or whatever it might be. We will not be able to get anything like a fixed and uniform contract without a much stronger, aggressive, efficient central government, and then it may not be desirable, but that is a necessary condition for a fixed and uniform contract. The only thing that can be offered at the moment is just constant care and caressing of that negotiated contract. It will be reopened.

Ms POSTHMA—I am a former representative of an international women's development agency and today I am representing ACFOA. I would like to raise the question of business and the tendency to move towards compensation rather than prevention of negative impacts initially. My experience of working with women in Papua New Guinea at the grass roots level who have experienced the negative impacts are complaining of having no fish, their sago trees are dying, and sago is their staple diet. With their gardens, they have to walk further to go into their gardens now which means that they have to go into malaria infested areas.

The consequences of the mining and logging industries have been that the lives of indigenous villagers have changed dramatically to the point where it is very hard for people to find food now and a lot of people are resorting to having to earn income and the only way they can do that is moving into urban areas. Is there going to be any moves to address the responsibility of preventing many of those negative impacts to start off with rather than just providing information about the possible negative impacts and then compensation?

CHAIR—Would anybody like to comment on that?

Prof. WOLFERS—I have two points, Mr Chairman. Many of the figures we are being given are actually macro figures. As one who has spent some time working in these areas with the Papua New Guinea government some years ago, and also as one who has spent increasing time in a part of Papua New Guinea that is now on the macro figures one of the wealthiest but in fact on the ground one of the poorest and most desperately badly off, it seems to me that to discuss this issue without addressing questions of distribution is to miss the point. The difficulties that the mining companies see are real enough. But in fact they are, in many cases, the only solutions that many people can find to these problems. It is extraordinarily difficult if you sit along parts of the south coast of Papua New Guinea—as I have done in the last few years—to realise that there is oil going out, there is gold going out, there is timber going out, there is fish going out—and the people in the villages have trouble getting enough money to buy rice and bully beef, let alone luxuries.

In relation to the very difficulties that we see about what is being called free equity—though it can be described as the contribution people make by virtue of the

destruction of their land, for example—it seems to me important to recognise that these difficulties or uncertainties for business, which are real enough, are people's attempts to find solutions. It is not going to be enough to describe these as difficulties. If we are to develop a relationship with genuine participation on both sides, then it seems to me vitally important to look at how we foster Papua New Guinean participation.

I have recently worked on an Australian-funded project, together with Papua New Guinean consultants. As a result I have direct experience of the difficulties they have, for example, in gaining contracts—and they are fairly big-time, urbanised, educated people. Mr Laurie has partly pointed us in the right direction. But for ordinary village people quite different conceptual frameworks have to be devised.

Secondly, we are assuming in some of the discussion that the ethical problems lie exclusively on the one side. For one who has worked in some of these areas—and I am not directing my barbs in any way at any of the corporations represented here, because they are irrelevant to what I am about to say—I think the ethical problems are not exclusive to Papua New Guineans or to other foreigners in Papua New Guinea; they also include conduct by Australians. It seems to me that, if we are to address these ethical problems, it may well be useful for Australian business itself to think of guidelines or ethical codes or something to guide its dealings with people in our region.

I do not want to go into particular cases, though I could cite them. I am sure some of the corporations represented around this table are aware of other people whose behaviour would not be acceptable in Australia but has been quite influential in the business environment in Papua New Guinea. It may well be that we, as the more powerful trading partner, source of investment and aid donor, could play a useful role in guiding the conduct of our own corporate and private citizens.

CHAIR—Chris, did you have a response to that?

Mr MACKAY—If I can just help by way of information, the APNGBC was very involved in the ethics in business forum held in late June. As part of that, in direct response to Professor Wolfers' request, it is suggested that the Transparency International PNG, which has now been established, formulate a code of ethics for business and that, as part of your foreign registration as a company operating in Papua New Guinea, you adopt that code.

Mr HIATT—I would like to respond to the point about the mining and petroleum industry disadvantaging people in rural areas. I think that was the criticism, and this should be looked at in more depth. I believe some of the facts are not correct. One could quote at least three projects and Porgera is an example. The suggestion was made that the indigenous people are affected by mining projects and are deprived in moving into urban areas. I would question that. What we are finding is that there is a tremendous migration of people from rural areas to the mine sites to gain the advantages from these projects.

The population at Porgera, which 10 years ago was 6,000, has now exploded to 14,000. In the case of Misima, the population six years ago was 6,000 and it has exploded to 14,000. They go in there to get all the benefits—not just the business spin-offs, but the advantages of hospitals and schools, which have improved. In the case of Ok Tedi, I understand the lifespan of people there has increased from 35 years to just over 50 years, so I would question that. While mining projects do compensate largely in the way of cash and other things, they also compensate by building large amounts of infrastructure. So I would just like to correct that.

CHAIR—Thank you. Before we leave this segment, could I go back to what Rob Laurie and Chris Mackay said about the CER concept. Rob had some views that there might be some difficulties, and Chris had some views that it is the way to go. Does anybody else have any comments on that particular concept of some sort of formalised CER arrangement? Rob, did you want to make a further comment on that?

Mr LAURIE—No.

Mr ARMSTRONG—I do not have a comment but I am interested to know how sophisticated corporations—such as the kind that operate in Papua New Guinea—negotiate adequately or appropriately with the people who are going to be most affected by their activities when most of the people you will be dealing with are illiterate and not in a position to understand the long-term impact of such an activity? I am not trying to say that you do not have the right to do that; I am just interested to know how you go about such a thing.

We do not yet know how to negotiate in Australia on environmental matters. We are having great difficulty here in this country. I am interested to know whether there are processes, or whether there are companies which have devised mechanisms to enable them to negotiate with landowners and the people who are going to be most affected by the activity that is coming into that country in a way that they will understand what is likely to happen in the next 10 to 50 years to them and their people.

CHAIR—Would Mr Hundy or Mr Hiatt like to attempt a response to that?

Mr SINCLAIR—I have often felt that one of the ways in which government can help is through business councils and groups of that sort. We have had discussions between various business groups, government and parliament about setting some minimum standards of industrial behaviour on governments. It occurs to me that, whether it is the Mining Industry Council or the Business Council, there might be some way by which they can look specifically at these problems. This does not mean that everybody is going to agree to it but at least you could expose the issues. I think that is really part of the advantage of this sort of discussion. If we can identify a number of these issues, we will come to the solution. If we are able to find a vehicle from which the companies can get their input and government can get its input, we can then go and talk to the PNG

authorities and set up some ground rules that might be able to operate. I do not know whether Placer's representative wants to add anything.

Mr HUNDY—I might make a comment and then ask Ron to continue. Certainly, it is a difficult thing to negotiate with landowners. It has to be undertaken in their ples tok and it is a process that starts many years before a mine starts. In fact, negotiations commenced in Porgera in the early 1980s in one form and culminated in an agreement in 1989. The process is one that requires a great deal of explanation through the production of material, such as video, and other means by which you inform the landowners as to the nature of the operation that is being proposed. But, most importantly, it should be realised—and this is not widely understood in Australia—that Papua New Guineans, especially the highlanders, are very accomplished negotiators. There is absolutely no question that they are able to negotiate. They are very tough negotiators. It has been part of their way of life for thousands of years; they negotiated well before we ever went there. I think it is a misconception to think that we are in a significantly superior position when it comes to negotiations. They are very accomplished and extremely good negotiators. It is something that we put a lot of effort into, particularly in providing them with information. You might not do that in the same way that you do in Australia with English speaking, literate people, but we do provide that information in various means.

Mr HIATT—I would just like to add, Mr Chairman, that Porgera was certainly not the first off the rank. Ok Tedi and Bougainville were before us. They gained a lot of experience in this area of dealing and negotiating with landowners. We learned a lot at their expense and with their help. But probably because of Bougainville we realised we had to give much greater attention to mine-landowner relationships. Consequently, we started off with a small nucleus of about 10 people very experienced in field work and community relations and with a good knowledge of anthropology. We have built up our department at Porgera. Community relations now runs at just over 80, which gives recognition by a mining company that it is just not a technical engineering problem and that it is very much a community relations-landowner problem. I believe Lehir is building up equally the same.

It was forced upon us, to a certain extent, not just by the Bougainville experience and others but by the fact that the government is losing because of its inability to provide government officers and liaison officers out in the field. The abrogation of these services is having to be taken over by private enterprise. This covers a lot more departments than just community relations. So we had to bite the bullet and provide those services. At the same time, all deals done with the landowners had to be agreed to and confirmed by government.

I have just one last comment. Once a year, perhaps, a lot of the mining and petroleum companies get their community relations staff together, who are quite expert now, and have a seminar, particularly in Moresby. They exchange ideas and come up with some very interesting conclusions about where we are going. To take that one step further,

the university of technology, just last year, started a faculty that specialises in the training of community relations officers, not just for mining and petroleum but for resource development. They specialise in negotiating with landowners and indigenous people.

Ms BALAZO—We sent a delegation to Ok Tedi this year. We talked to different people, especially the people in the lower Fly River, who are directly affected by the mining company. One thing that was recurring all the time was that the people affected by the mining company said that when the mining company went into the area, there was no mention of the bad effects. There was a projection, all the time, of how good services will be, the good services that the company will come in with. So the community was not prepared to look at the devastation and the effect of the environmental destruction for many years. When the destruction came they were not prepared for how to tackle the whole thing.

The second thing we were confronted with was the fact that in the services that the company were giving to the community, it was very clear that the services provided to the community were very much dependency services. There was very little in terms of how the people could be developed when the company left the area.

CHAIR—I will ask the High Commissioner to make some final comments as we conclude this segment.

Brig. Gen. NOGA—Firstly, Papua New Guinea is an important trading partner to Australia, that is true and we realise that. We buy from Australia something in the order of \$920 million worth of goods and services every year, so we are certainly a big buyer in Australia. On the other hand, Australia buys quite a large amount of our products—in the order of \$1.2 billion every year. The trade is in our favour and that is good news. But to qualify that point, a significant amount of that \$1.2 billion is made up of gold and oil. Without oil and gold, the amount is about \$70 million to \$80 million, and this is made up mainly of coffee and cash crops that Australia buys from us. But minerals and petroleum are finite commodities and eventually will run out so we have to do something about that.

Secondly, in reference to trade, we are definitely given a trade preference through PATCRA. However, unfortunately, we do not use much of that because we do not produce much in the way of manufacturing. Papua New Guinea, without a manufacturing base, will not enjoy that trade preference that we have with Australia through PATCRA. In that context I do not know whether CER will be of any benefit to us in the future.

What we need are the sorts of propositions which have been mentioned here earlier on about joint ventures and things like that. Such things need to be fostered between our two countries to develop an industrial base, a manufacturing base, because that is a key to absorbing large amounts of school leavers. Those school leavers need to be brought into mainstream employment later on. We are unable to do it right now. We must develop the agricultural sector and the industrial base, these are the areas that we can do something

about together.

As for problems of law and order in Papua New Guinea, we are not evil in Papua New Guinea, it is the way we get reported by the media which contributes largely to that perception. Those who are doing business in Papua New Guinea make money out of Papua New Guinea, they certainly do not go broke.

In the context of policies, I am delighted to hear some encouragement given to us in a recent session, particularly on policy. The first one is on gas. It was mentioned that PNG may be a future gas producer; I am delighted to report to have the gas policy that we established between the business sector and the government. Both parties, I understand, are very happy with it.

On the minerals sector, though we had a good start, the policy aspects have yet to be sorted out properly. One thing we have not got right is the way the mining sector comes into the country to either prospect or actually mine, because we have not been able to get it right in terms of negotiation. I was happy that Mr Sinclair has tried to give us a way to fix that. We certainly have not got it right. We have about five mines set up now, including Panguna, Lehir, Porgera and Ok Tedi, and soon there will be others. I believe with LIHIR we negotiated a good agreement that we are all happy about. So we still have a long way to go on this aspect of negotiations. But the main thing is that all parties—the investors and the PNG government and landowners—do get something out of it and that none of them misses out. To get it right we seem to be not very successful so far.

On the economy of the country, we think we are doing okay, but we also realise that, with regard to what has been said, particularly on the social indicators, we are very bad. Our health system is not very good. We have got to improve on it a great deal. Our education system is not very good; we have to improve a great deal on it. However, we have taken steps to correct that. Maybe because we started on the wrong foot in the beginning, we decided to educate a lot more Papua New Guineans to become university graduates. That could have been the right direction at that point in time because on independence we only had a handful of Papua New Guinea university graduates. We focus very heavily on trying to graduate as many Papua New Guineans as possible so that we can get them into key areas, be it in administration, the public sector or the private sector.

That has now peaked. We now find that there are a lot more university educated people than we need. We are now looking at developing primary education. In fact, there is the intention to universalise primary education. We are putting our efforts towards that. Most important is that the prospects for PNG should be good, if we can get everything right. We have not got it right but I am glad to hear from many that had we managed our affairs well, we should make a success of ourselves by being able to fix all our problems.

In law and order, we do not have enough resources to go around, be it money or people to enforce the law, despite all our attempts at the moment. For instance, on the

ground in Port Moresby today, we have declared a curfew including the whole of PNG. That is a blanket cover only. We really place attention on specific areas where we believe that law and order is getting totally out of control or where we observe an emerging law and order problem. We are trying to bring control into the law and order situation on the ground. Even then, when we lift emergency control and the lawlessness picks up again, we have not really solved the whole problem. So it is a long-term problem.

In short, relating to the trade, investment and economic aspects of PNG, we think we are going in the right direction. We think the policies are going in the right direction. The indicators are that maybe we are doing it right. For instance, at one stage in our foreign exchange we had virtually nothing in our bank. We now have something like 300 million in the bank to cover our foreign exchange problems. This is the progress we have made and they are the indicators of improvement. For the image of PNG it's this sort of progress that needs to be heard from time to time. It will be useful to be given the benefit of being heard and to be given encouragement that what we are doing is good progress.

CHAIR—The final 45 minutes before lunch covers the strategic overview. We have with us Hugh White, who is deputy secretary, Department of Defence, Professor Paul Dibb from ANU, and Michael O'Connor from the Australian Defence Association.

Mr WHITE—I would like to start by making a point some others may have made in different contexts earlier on. It seems to me that, at least from an Australian point of view, it is important in developing our relations with Papua New Guinea that we focus less on our shared history and more on our shared interests. That certainly seems to me to be important in the strategic area. This is not to say that history is not important to those interests. Strategic interests do, by their nature, endure—and Australia's enduring strategic interests in Papua New Guinea are very strong. It is because of those enduring strategic interests that we have had the very close history we have had. This goes all the way back to the strategic adventures of the Queensland government and various others, and through to the prompt action Australia took at the beginning of World War I in and around Rabaul; from the effort we took to establish the mandate over the then territories after the First World War and right through to the Second World War. It is worth noting that, after the Second World War, Australia put in a very big effort and put a lot of investment into maintaining defence forces and establishing defence infrastructure in PNG. Much of it remains key infrastructure for the PNGDF to this day.

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 all those earlier connections and engagements I briefly mentioned. It boils down to something as simple as this: that 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. As long as those countries are friendly and strong, Australia will remain a very

secure continent. If that is not the case, our security, at least from armed attack, will be less clear. We have had that objective in our relationships with all of those countries. We have certainly had them in our relationship with PNG. My belief is they will remain very important strategic objectives for any Australian government indefinitely.

On that basis it was not surprising that, from Australia's point of view, after PNG's independence we shared with the new government in Port Moresby an expectation of an enduring, strong and close defence relationship. I think—although I am not sure we articulated it this carefully—that expectation had two elements. The first was an expectation that Australia would take a degree of responsibility for Papua New Guinea's security. The second was that we would help to develop the Papua New Guinea Defence Force as an independent defence force. The first of those expectations was regarded as so self-evident to all sides that we did not do a lot about it until 1987 when a key clause in the joint declaration of principles was negotiated at Papua New Guinea's initiative. It included what was, by the standards of recent years, a pretty strongly worded security undertaking between Australia and Papua New Guinea which was modelled, in our case, on the language in the five-power defence arrangements. It is not by any stretch of the imagination an absolute guarantee that Australia would deploy forces to assist Papua New Guinea under any circumstances; countries do not give that kind of undertaking to one another. But it is, I think, an adequate and appropriate expression of the fact that Australia has a very strong interest in the security of this country in our own strategic interests.

The second element, that of helping the PNGDF, has a longer history. It was straight after independence that there was transition from a force that had been part of the Australian Defence Force to being an independent defence force. For about 10 years, through until 1985, the dominant element of that relationship was the continuing presence of large numbers of ADF personnel in line positions in the PNGDF. That was a long-term tapering off, but until 1985 it remained a key element.

There has also been a lot of training, equipment and infrastructure provided by Australia to the PNGDF over those years. It has been a big program. I cannot give you a precise figure but it was something in the region of an average in 1996 dollars of \$20 million or \$25 million a year over 20 years. Australian taxpayers have spent nearly half a billion dollars on the Papua New Guinea defence force since independence, which is a lot of money. I would have to say that from neither side do we regard the results as being particularly satisfactory.

I think the problems in the PNGDF and the problems we feel with the value we got for that half a billion dollars would have been there without Bougainville but there is no doubt that the Bougainville crisis has accentuated or amplified those concerns. It has been a big commitment and very costly both in materiel and in human terms for the PNGDF, amongst other elements of the tragic situation on Bougainville. It has been a preoccupation for the PNGDF. It has exposed them to situations in which human rights abuses have occurred and it has also shown up some weaknesses in the force, very

significant weaknesses in some cases. That has put the issue of the adequacy of the nature of what we do with the PNGDF, the adequacy of the force today, very much onto people's agendas.

Partly for that reason, and I think partly for broader reasons, the defence relationship with PNG has actually shrunk quite significantly in the last few years. Three or four years ago defence cooperation was something in the region of \$20 million a year. This year it is under \$12 million. An important reason for that is that PNGDF's preoccupation on Bougainville makes it harder for them to do other things, including things they might do with us. Another important element of that is that the combined exercise program with the PNG defence force has all but disappeared, as its energies and activities have been very much taken up by Bougainville.

So I guess the question that we in government focus on is how we are going to improve this relationship in the future to serve the sorts of strategic interests that I mentioned. I think there are three elements to that. The first is that I think we have to be very clear about our objectives. From Australia's point of view, I think that is pretty easily stated. We want to remain Papua New Guinea's biggest defence partner. By defence partner I do not just mean provider of defence aid; I mean we want it to be a defence relationship which properly reflects in its scale the strength of those long-term interests that we have in Papua New Guinea and that we believe that Papua New Guinea has in a close defence relationship with Australia, but that is not for us to speak on. But it is worth making the point that it means a defence relationship which goes beyond simply the annual defence cooperation talks, where we work out how much money we are going to spend and on what, and focuses more on the broader strategic interests and objectives that we ought to be pursuing together. I think that is the first thing.

The second thing, particularly in relationship to DC, is to define more clearly than we have in the past—by 'we' I mean here, collectively, ourselves and PNG—what PNG wants from the PNGDF and how that fits in with Australia's interests. The PNGDF was originally, after independence, envisaged as a force whose principal function was to respond to external aggression against PNG. But since about 1990 PNG governments have increasingly recognised that the principal need in PNG is a disciplined force that can assist the police in the maintenance of internal security.

I guess it has been the view of successive Australian governments, it is certainly my personal view, that that is an accurate depiction of PNG's priorities: for a country with its present law and order problems to be spending a lot of money on the relatively remote prospect of external aggression against Papua New Guinea. It seems to be a much less useful use of resources than to spend it on the urgent and pressing needs for internal security. But there are constitutional and legal problems underpinning that which need to be paid careful attention to.

It would have to be said that, although PNG governments have recognised the

priority of internal security—that priority is to some degree reflected in PNG's most recent defence white paper published earlier this year—it remains the case that it is only partly reflected in that white paper. In some ways, developments in the force tend to push in other directions. Professor Dibb is, without doubt, the world's leading expert on, amongst other things, the structure of the PNG Defence Force at the moment so I will leave him to address those issues more extensively.

Thirdly, having got a shared sense of what the PNGDG is for, we need to work to build the way we in Australia relate and assist the PNG Defence Force better than we have in the past. That requires PNG taking primary overriding responsibility for having a force which is properly structured and properly funded with personnel, capital investment and operating costs. That is going to require a degree of budgetary discipline which has not been seen in recent years.

Secondly, from our point of view, we believe that we should very much focus not on providing the equipment and infrastructure which has been a significant part of DC in recent years but much more on training, and particularly on those at the basic training level—that elementary level which provides the skills that are the real foundation of an effective armed force in any circumstances.

The two countries are working together on a joint review of defence cooperation and they aim to achieve a very clear shared division of the way ahead for defence cooperation. That process is still under way but I am reasonably optimistic about the progress it is making. I suppose doing that, and focusing as I mentioned before on the wider defence relationship and putting what we do in relationship to defence cooperation in the context of those wider enduring strategic interests, is at least the key to getting the relationship back into better shape where we would like it to be.

Prof. DIBB—There are three headings that I want to address myself to. The first is to reinforce what Hugh White had to say about the strategic importance of Papua New Guinea. The second is to make a few comments from a non-official point of view of the defence cooperation program and, if the committee is interested, the third is to walk through the experience that I had had advising the Papua New Guinea government for most of last year, from March through November, on the drafting of a white paper and my views on that white paper.

Let me go to the first point which Hugh White put so clearly. If anything, since the 1991 joint committee review of Papua New Guinea, I would stress even more our interest in both the territorial stability of that island chain, including Papua New Guinea, that screens our northern and north-eastern approaches and the crucial choke points for our sea lines of communication that pass through to the east of that chain. Clearly, with respect to the proximity of Papua New Guinea to Australia—it is the closest foreign country to Australia's northern approaches—and the fact that it shares a common border with Indonesia, from a narrowly strategic defence planning point of view, it is in Australia's

national interests that we continue to see a cohesive unified, non-secessionist Papua New Guinea. Fragmentation would involve all sorts of potential geopolitical problems.

As to the defence cooperation program—as Hugh White has said—it has changed from when I was managing it in the late 1980s and early 1990s from in excess of \$50 million a year to now less than \$12 million. I think the figures in themselves are not important. As Hugh White said, the important things are the reasons for the problems and the complexities between us and what our objectives should be. It is well-known to this committee that there have been issues to do with operations in Bougainville.

There have been experiences that have been a learning curve for both sides with what, on reflection, may have been overly ambitious large projects such as the Air Training Squadron. I think the way ahead is one in which it may well be—this is my personal view—that we change the name of DCP to something else. It carries a certain baggage with it on both sides. It would seem to me that one of the objectives, and we have been moving in this direction, is to have more emphasis on the training objective of the defence cooperation program and less on the large scale projects.

It will be natural that Papua New Guinea will diversify, and should diversify, its range of contacts. But it seems to me that it is most likely that, through the longer-term, Australia will certainly remain by far the main provider of defence cooperation to Papua New Guinea. In that process, and there are some differences of view on this—there cannot be a situation where any country will hand over cooperation money in some sort of cash payment. There has to be agreement on both sides to the objectives and to a program that works towards those objectives. That is a very clear view that I have.

Where do I see the Papua New Guinea defence force going? This committee made some very important judgments about the need for greater cohesion amongst the Papua New Guinea Defence Force, for greater involvement in civic action and, as I recall it, to examine the issue of more cooperation with the Royal Papua New Guinea Constabulary. With respect to the white paper process last year, we were no more than the providers of ideas and commentary and the drafters of what in white paper parlance might be called a green paper—that is, a discussion paper for the consideration of politicians, including defence minister Ijape, heads of the departments and the leadership, military and civilian, of the Papua New Guinea Defence Force.

That was a process that went, as I said, from March through to November of last year. We did not expect, and we should not have expected—I certainly did not—that all the erudite judgments that we suggested would be accepted. That is not the way white papers are written, either in Australia or elsewhere. But I have to say that it was a good experience, as the High Commissioner knows. We had six or seven visits to Papua New Guinea. We had an office in Murray barracks and we discussed at length over that year some of the pros and cons of the restructuring process.

You might ask why the PNGDF should be restructured. 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 is not a balanced force, as others around this table know. 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.

You will understand, Mr Chairman, that I am trying to express in a few words a document which I will table and which is now published as a book. The first recommendation was a large and immediate reduction in ineffective manpower. My recommendation was for a reduction of up to 29 per cent. Using this money so saved I recommended strengthening operational forces, particularly infantry and engineers—pioneers to be precise. Another was that the contracting out to the private sector of the maintenance of much of the PNGDF's equipment and support services, where appropriate.

Fourthly, I recommended a strengthening of the PNGDF command structure. Fifthly, much greater financial control and accountability from the Department of Defence and strengthening that key aspect. And, finally, the possibility of sharing out some, but not all, support functions with the Royal Papua New Guinea Constabulary.

I might add that the guidance that we received from Sir Julius Chan's office was for a steady state defence budget, that is, no increases. That is an important issue because at the end of the day white papers, no matter how well argued and structured, depend crucially on funding. It would be fair to say that there are some differences of view between myself and what turned out to be the Papua New Guinea white paper which, as Hugh White said, was published this June on this issue of funding.

However, I might just outline those areas where there was very substantial agreement between us on these issues. The first one was to have three key policy objectives for the role and mission of the Papua New Guinea Defence Force. My recommendations were, firstly, territorial sovereignty and resource protection both at sea and on land. Secondly, the focus on internal security and the maintenance of law and order recognising some of the complexities there. Thirdly, a greater involvement in civic action and nation building. If you read the Papua New Guinea white paper those three key policy principles are central to where the restructuring process is going.

An area where there was a difference of view was, in the Papua New Guinea white paper, a continuing greater focus on the possibility of significant external challenge. My view on that was that it was difficult to see what sort of external challenge of a medium level threat nature might emerge, to use the terms of the white paper.

The recommendations we made were to reduce the defence force in order to raise funding for the further strengthening of the force, both in the training area and with a very careful five-year budget. And I provided a series of optional five-year budgets at different

levels of estimate of costs, that in my view one could then fund out of a leaner, better trained, better equipped force. Over a period of time, even with a steady state budget, or at the best minimal real increases in the budget, such a force could look forward to, for instance, a third battalion round about year 4 or 5. I stress that was done, as far as I am concerned, with some extreme care with regard to the programming and budgetary implications.

I think you understand from reading the defence white paper that, whilst there are some references to adjustments in the force with regard to ineffectives, the Papua New Guinea white paper aims to increase the PNGDF from its current force of about 4,375 to the long established ceiling of 5,200, and to fund a third paramilitary battalion immediately. And yet it is not quite clear to me how that is going to be done.

There are some judgments in the white paper about the need for indirect fire support, for armoured vehicles, for a range of transport, helicopters and other aircraft and more capable naval vessels, which were different from the recommendations I had in mind, and it is not clear to me how these force structure requirements are going to be funded.

I guess the essential difference in the two approaches in the final analysis, and recognising fully that a Papua New Guinea government, as a sovereign independent government, absolutely will make its own mind up about its force structure, was this issue of where the money is going to come from. The discipline I had to follow from Sir Julius Chan's office was, as I said, no real expectations of significant increases in the defence budget. The defence budget, by the way, currently is running at about \$54 million a year, plus Bougainville operations of about 14 million, for a total budget of 68 million; one can argue about the precise nature of those figures but call it 70-odd million kina.

The Papua New Guinea defence white paper is, by the way, in my view a very clear white paper in what it has to say, whether one agrees with everything or not. It is very useful—for the first time since the 1988 white paper, which was not of the same quality—with regard to the parliamentary process in Papua New Guinea and informing the people, but from my point of view, with regard to regional security, the Papua New Guinea defence white paper also adds to the issue of transparency and confidence building in the region. It adds to the other white papers that I have been involved with recently, that is the white papers for Thailand and right now the Philippines.

I guess the final thought I would leave you with is that the last chapter of the Papua New Guinea white paper effectively makes a bid for an increase in defence funding of about 52 per cent, and it is far from clear to me how that is actually going to occur. It is important, I think, for any country, as it develops a restructuring process, which the PNGDF clearly is going to go through, to have a sustainable defence policy, and by that I mean sustainable not only in terms of the logic of the strategic analysis and the force structure but absolutely a sustainability from the resource point of view. Thank you.

Mr O'CONNOR—I share a lot of the views of Professor Dibb and Mr White and, because I expected to, I deliberately took a different tack on this. I wanted to look at what the Australian side of the relationship should be, how Papua New Guinea's strategic position, as it were, affects Australia's defence. In part, this is also due to the fact that we in this country, and it is reflected in the 1991 report, have been inclined to be too prescriptive about what Papua New Guinea should be doing, putting ourselves in a position of being the experts rather than neighbours and friends, one would hope. This is particularly important as Papua New Guinea moves from an era where Papua New Guinea's elites have a generally favourable recollection of the Australian colonial administration to an era where you have a new and younger elite which is more inclined to question the Australian connection.

The 1991 report tended to look at the strategic importance of PNG to Australia's security in a rather sketchy way, being content to suggest that past Australian interest in PNG as a buffer against aggression directed at Australia was less important than Papua New Guinea's internal stability. And given the generally isolationist Australian strategy at the time, albeit one in the process then of a rapid reversion to a more traditional regional strategy, this was perhaps understandable. Simultaneously, there was an Australian government policy supported by the committee to treat PNG's internal security as a matter of serious concern for Australia and one which should be dealt with by PNG adopting a range of Australian prescriptions.

At the time I believed, and I still do, that the indicators of internal instability were over-stated and unduly alarmist. I suspect that there are large parts of Port Moresby that are safer than parts of Melbourne or Sydney, but that is a matter of perception. I would add that given the PNG experience of Australian solutions to PNG problems, it might not be too much to argue that solutions contrived by sophisticated Australians could be presumed to be wrong in the PNG context.

What I really want to do is look at the significance of PNG to Australia's security, especially in the context of our more traditional and realistic regional security strategy. Paul Dibb has already mentioned this but let me repeat that the basic realities of geography insist that Australia's primary defence interest is the preservation in friendly hands of the chain of states extending from peninsula Malaysia through Indonesia and Papua New Guinea to New Zealand. These lie astride the only realistic lines of approach by land, sea or air to Australia. And, more especially for a country like Australia which is one of the world's most significant foreign traders, they are not only important trading partners in that region but lie astride our key trade routes, both sea and air.

While a greater range of modern weapons and their platforms arguably make PNG less important as a base for direct attacks on Australia, our interest lies not only in preventing that occurring but also, as we argued in our submissions to the committee back in 1989 and 1990, being able to deploy our forces from bases in Papua New Guinea, or to use a term popular in Australian defence terminology, we need to recognise that in

defending our sea-air gap, Papua New Guinea lies wholly within that gap.

The September 1991 agreed statement on security cooperation signed by Prime Ministers Hawke and Namaliu somewhat modifies that 1987 joint declaration of principles by focussing PNG's security program upon internal security. This could be interpreted in Papua New Guinea as implying an Australian willingness to be responsible for Papua New Guinea's external security. There is no apparent evidence that Australian authorities have recognised any but the short term implications of this change, certainly not to the extent of raising that in public debate or even, indeed, in our own White Paper. It has not been made evident in any change in the organisation, equipment, doctrine or operational concepts of the Australian Defence Force, stand-fast perhaps some the most recently announced ones was by the minister.

I would add what I would regard as an emotional factor. If an aggressor sought bases in Papua New Guinea directed against Australia, would we seriously in this country withdraw behind some Torres Strait line and let them do it with impunity? Even supposing that some argued this was the wisest course, it is quite unlikely that popular opinion in Australia would permit it. As a matter of history and tradition embedded in probably hundreds of thousands of Australian families, Papua New Guinea enjoys a special place bordering upon affection, which we saw during the 50th anniversary commemorations of World War II. For all the theoretical discussion, Australia's defence history is replete with examples of political imperatives forcing Australian military commitments to unforeseen emergencies, or even situations that were foreseen but dismissed as matters of indifference to Australia.

In practical terms, the adoption of a regional security strategy by Australia is comforting for our regional allies, presumably including Papua New Guinea. On the other hand, the Australian Defence Force is not well prepared for combat in the region, particularly in ground force terms. The lack of capability is likely to be a matter of concern not merely to Papua New Guinea but to our other regional allies. What our traditional relationship offers is the opportunity for the Defence Force in Australia to relearn the combat skills appropriate to the strategy in Papua New Guinea's demanding environmental conditions. That would be good for the Australian Defence Force, good for the implementation of our strategy and probably, in the context of joint exercises, helpful to the Papua New Guinea Defence Force and the stability of the broader relationship.

While the defence cooperation program provides for significant and useful Australian training support for the Papua New Guinea Defence Force, the training tends to be individual and specialised, and does nothing for the Australian Defence Force's capability in operating in the Papua New Guinean region. Notably, apart from one minor naval exercise, the 1995-96 Australian defence annual report makes no mention of joint exercises between Australian and PNG units anywhere, but particularly in PNG. We understand the reason—Bougainville—but it is not necessarily a sufficient reason, I suggest.

I have purposely concentrated on the strategic importance of Papua New Guinea to Australia, especially in the context of our regional security strategy. In the Australia Defence Association's view this is an issue which is far more important to this country than those relating to what are essentially matters for internal Papua New Guinean decision. While Australia should stand ready to assist Papua New Guinea resolve some of its security problems, our capacity to do so is limited by what I would regard as an institutional ignorance of Papua New Guinea and a predisposition to an increasingly offensive paternalism.

Likewise, at this stage in this session I have purposely avoided comment on the Bougainville issue, and any potential for involvement by Australia, because it is a matter for another session. On the question of the proper role, organisation and resourcing for the Papua New Guinea Defence Force I would suggest the less we in Australia say, the better. The reality is that Australian intervention has been an important element of the problem, rather than the solution. But perhaps I will leave that to the discussion.

CHAIR—Thank you very much. Does anybody have any questions of the three speakers?

Mr SINCLAIR—All three have spoken about the on-ground situation. I wonder if any of them would like to comment on how they see the naval and air force capabilities and their roles?

Mr O'CONNOR—Mr Chairman, I might come in on that. The first thing that we in Australia should be looking at and discussing with Papua New Guinea is the potential for Australian naval and air units to operate or use the facilities of Papua New Guinean airports, ports, harbour facilities or whatever. We should start to develop some working relationships at that level and to develop in our own people a greater familiarity with the conditions.

Prof. DIBB—I have a view somewhat different from Michael's on these issues—and, indeed, on many others, I suppose. One of the areas of common agreement that I found with Papua New Guinea last year—and it is reflected in the white paper—is that whilst at present the air capability, which has suffered particular difficulties in maintenance and grounding of both the fixed-wing and the helicopter capacity, needs to be improved, and whilst there have been problems with the at-sea hours of the Pacific patrol boats, a significant part of the operational preoccupation of the PNGDF has been, understandably, on Bougainville. If we can look beyond Bougainville, as eventually we and they will have to, the area of agreement that we do have reflected, as far as I am concerned, in their white paper is a sovereign capacity to monitor and protect the important resources of Papua New Guinea—not least, the fish resources.

This is not just a matter of acquiring or, indeed, leasing some fixed-wing aircraft and looking at the operational areas of the Pacific patrol boats, including the problems of

using Lombrun. It is, importantly, the issue of the Papua New Guinea government acquiring for its defence force better information from an increased surveillance capacity to understand, firstly, what is actually going on in its very large exclusive economic zone and, secondly, how to detect and track those capabilities. That is not an argument for a highly sophisticated capacity like over-the-horizon radar, but it is an argument for us to look at those sorts of areas of endeavour, scaled and relevant to Papua New Guinea. That is a first-order priority for a country like Papua New Guinea. Perhaps Hugh would like to comment.

Mr WHITE—I agree with the points that Paul has made. The government has put a pretty heavy investment in the PNGDF's air and maritime capabilities, and that investment has not produced much by way of capability, as Paul has said. In all defence business, it is a matter of getting the most cost-effective way of achieving whatever result it is that you are trying to achieve. In this case, while noting the points that Michael made, I think that it would be agreed in PNG that the aim is not to acquire a maritime combat capability of a high level but to acquire the capability to manage PNG's pretty extensive maritime resources and to provide some air transport for land forces.

From our own experience, there are more cost-effective ways of doing that than the sorts of approaches that have been taken in recent years; for example, trying to build up an internal air transport capability based on a thoroughly PNGDF managed, flown and maintained fleet. Likewise, the sorts of ideas in last year's white paper for large patrol craft do not look to us like the most cost-effective way of achieving the sorts of results that the PNG government is after.

CHAIR—Mr Simpson, did you have a question?

Mr SIMPSON—In its 1991 report, the Joint Standing Committee supported the integration of the defence and police forces for certain limited purposes in PNG, but it also, quite rightly in our view, pointed out the inherent dangers of 'armies doing police work'. I would be interested to know Hugh's and Paul Dibb's thoughts on the implications of that comment and that warning for Australian defence force cooperation.

Mr WHITE—It is a significant issue. It is classically one for PNG to resolve, but we from the Australian side come at those issues from what you might call pretty traditional and steadfast views about the proper relationships between military forces and civil government. I think there are circumstances—and I suppose Bougainville is one—in which you can envisage a useful role for the PNGDF. Its capacity to perform that role effectively and legally is going to depend on the quality of its training and other aspects of its capabilities. Our approach to that has been to say that if the PNG government decides that that is the use it wants to put its defence force, that is of course their decision. We would more broadly encourage them to make sure that that is done within a proper legal and human rights framework and, more importantly still, encourage them to make sure that the defence force has the capabilities and particularly the kinds of training that are

essential to the effective use of armed forces in those contexts. I do not know that that has yet been achieved.

Prof. DIBB—In the report we presented to the PNG government last year there were two chapters, one on the relationship between the PNGDF and the RPNGC which examines the legal basis of that relationship and which does not recommend an amalgamation of the police force and the PNGDF, for the reasons that Hugh White has so clearly set out: the essential difference in a democracy between the minimum use of force and the combat use of force. However—and I know this is an issue still for debate in Moresby—the second chapter dealt with proposals for the sharing of support functions between the two forces, recognising, as I do and as Michael O'Connor knows better than me, the acute sensitivities between those two disciplined forces. Nevertheless, I was of the view, and I was very happy to see in the white paper an endorsement of this view, that the PNG government will examine—and I think, Ken, it would be fair to say encourage—the sharing of support functions in such areas as logistics, trucks, uniforms, equipment and weapons. There will be some areas of sensitivity, I imagine, like communications and the sharing of information, but it is not beyond the wit to eventually look at that issue.

I think equally one of the other good things in the white paper in this context is, to use my words and not the PNG white paper's words, a desire, which I strongly endorse, to get the PNGDF out of the barracks, out of the 19th century British tradition and up into relevant areas of the country. This is something we have tried to do with our own army, in our case in the north. In Papua New Guinea's case it is into a more decentralised capability. Maybe in those decentralised areas they would be sharing some base support functions with the police force, again recognising that there are some sensitivities.

CHAIR—Thank you. The final two comments before we break: first of all Vice Admiral Leach, and then Bill.

Vice Adm. LEACH—I would just like to reinforce the point made by Mr Dibb and also by Brigadier General Jerry Singirok, and that is the importance for an emergent sovereign nation of the protection of the exclusive economic zone—fish, oil, minerals, gas.

I always remember what a former CNS India said: the sea is the last frontier, and future disputes in the world will occur over that. I think that argues what you were saying about a seaworthy boat that is not armed for combat as much as for endurance and intelligence collecting. I see there is a difference in the two white papers on that particular point, but I think the important point is that they are able to surveil their area of interest which, as you all know, is 200 nautical miles—and that is a hell of a big area around Papua New Guinea.

Mr ARMSTRONG—I just wanted to ask Professor Dibb—I think if I understood correctly, you said that in the white paper one of the three key areas mentioned was civic action and nation building. I was interested if you could say a little bit more about how

you see that being applied.

Prof. DIBB—Yes. Before I do, if I might just respond to Admiral Leach on that. I think that is right, but my view—and you may well disagree with it—is that whatever one's judgment is about the need for a particular size and capability of patrol boats or, for that matter, fixed-wing aircraft, it is absolutely essential that the PNGDF maintains existing assets to a much higher operational capability before we or they decide to move on to investing money into other new capabilities. I think that is a very important point—that is, maintaining existing capabilities to higher levels of operational capacity.

The civic action one—nation building—is one of those complex and sensitive areas. But I think it acknowledges that in a post-Bougainville situation—which must clearly be the longer term plan for Papua New Guinea when they have a political resolution to that issue, because clearly a military resolution is neither appropriate nor likely—that the Papua New Guinea government is looking at moving the defence force out of its inherited fixed barracks locations into more regional and decentralised locations. They do stress that in the white paper, and the High Commissioner would be able to take you through the particular regional locations in the Highlands and the outer islands, and other areas that are appropriate.

The sorts of things one is thinking about are not so much heavy engineering capabilities from an engineering battalion equipped with heavy engineering equipment at great expense—which to a large extent tends to duplicate what can be done by the commercial sector, recognising that there are significant engineering capabilities practically throughout Papua New Guinea. But to concentrate more on the issues of village water supplies, health control, helping to build schools and modest structural capacities that can be done for relatively low cost and, I would argue, with considerable effectiveness. And I think that is reflected in the PNG white paper.

CHAIR—Thank you very much. I think we might break now for lunch. What I will do at the end of the first segment after lunch—which is on Bougainville—is invite the High Commissioner to say a few words about that, taking some of the points raised in this segment as well.

Luncheon adjournment

[2.03 p.m.]

CHAIR—Before we start the afternoon segment, in the light of the video we have just seen, it is appropriate that we now stand and have a few seconds silence for Theodore Miriung.

Thank you. We will start off with the vexing question of Bougainville. In this segment we will hear from Rob Laurie from the department, Tony Regan from the

University of Papua New Guinea, Sister Brady, and Ced Simpson from Amnesty International.

Mr LAURIE—We have all probably had grounds to pause, yet again, over the Bougainville situation, having seen that very well put together film.

The government continues to monitor developments on Bougainville closely, and is concerned with the slow pace of progress of the peace process. Over the past year, Australia has demonstrated a continuing willingness to further facilitate resolution of the Bougainville conflict. We have continued to make it known to PNG that the government is prepared to assist with the search for peace where such initiatives have the support of all parties to the conflict.

Most recently, at the annual Australia-PNG ministerial forum meeting in Adelaide in September, Mr Downer told PNG ministers that Australia is ready to consider any requests to facilitate peaceful negotiations. The government takes the view that there can be no military solution on Bougainville, and that only a political settlement can bring a lasting resolution.

Over the past little time, Australia has made some efforts to assist with the resolution of the problem. In September and December last year, we facilitated meetings of Bougainville leaders in Cairns. The December 1995 meeting included high-level participation from the Bougainville Transitional Government, including Theodore Miriung, the self-styled Bougainville interim government, and the Bougainville Revolutionary Army. At these meetings, Australia assisted through the provision of a venue, local transport and security for the delegates. We acted as a facilitator, but were not a party to the talks. We did meet some of the costs, at the request of the PNG government.

In April this year, government responded favourably to a request from the United Nations High Commissioner for Refugees. The Solomon Island government provided assistance with the relocation from the Solomon Islands to the Netherlands of BRA spokesman, Miriori. The government agreed to the request when it became clear that Miriori's continued presence in the Solomon Islands was becoming a security concern for the Solomon Islands government. Papua New Guinea also indicated to us that it wished Miriori to be removed from the Solomon Islands. Following his removal to Australia, Miriori's final resettlement in the Netherlands was facilitated by the United Nations High Commissioner for Refugees.

There have been some significant setbacks to the peace process. An upsurge in violence on Bougainville in 1996 has resulted in a suspension of the negotiation process at least for the time being. Obviously mistrust on both sides has contributed to the breakdown. Following the December 1995 Cairns talks, the BRA delegation to the talks was attacked while crossing back into Bougainville from the Solomon Islands. Following the incident, both sides issued statements accusing the other of not following the pre-

agreed plan for arranging the crossing. While details surrounding the attack are murky, what is clear is that the BRA interpreted it as a sign of bad faith and subsequently resumed military activity. Regrettably, the progress that had been made at the Cairns talks was largely lost.

Prime Minister Chan announced on 21 March the lifting of the Bougainville cease-fire in response to a high incidence of security force casualties in a very short period of time. Subsequent to the lifting of the cease-fire, the PNGDF commenced Operation High Speed 2 on 9 July 1996. The Australian government made it clear that it did not believe the military operation was an appropriate response and welcomed a statement by Prime Minister Chan on 1 August to the effect that the PNG government had called off the military offensive and intended to put greater emphasis on reconstruction and restoration efforts.

In early September 1996, 12 members of the PNG security forces were killed at Kangu Beach in South Bougainville. The PNG Prime Minister has indicated that these deaths were largely the result of undisciplined behaviour on the part of the soldiers involved. An additional five members of the security forces were taken as hostages and are still being held by the BRA. The Australian government has deplored these killings and strongly condemned threats by elements of the BRA to kill the hostages.

The government was deeply saddened by the assassination on 12 October of Theodore Miriung, Premier of the Bougainville Transitional Government. He was a key figure at both rounds of Cairns talks and Australia was encouraged by his dedication to finding a peaceful solution to the Bougainville conflict. He represented the best hope for peace on Bougainville. While Miriung's assassination is a further setback to the prospects for an early resumption of the peace process, Australia will continue to encourage and support efforts by Bougainvillean moderates in this direction. We welcome the PNG government's determination to hold an independent inquiry into Miriung's assassination and we would note that a judge from Sri Lanka has been appointed to head an inquiry.

Australia will continue to seek to find ways where it can assist in the process facilitating a resolution of the issues that surround the Bougainville problem. We have tried to provide assistance in the humanitarian area, both by extraordinary flights of aircraft carrying humanitarian assistance and emergency flights. The Bougainville issue was discussed at the Australia-PNG ministerial forum held in Adelaide, and it was agreed that opportunities would be made for Australia and PNG to discuss the matter further at ministerial level and look at ways in which we might be able to assist find a peaceful resolution.

Papua New Guinea accepted Australia's offer to continue to look for ways to utilise funds set aside by the Australian government for restoration and reconstruction on Bougainville. Mr Downer indicated Australia's readiness to provide humanitarian aid to those in care centres on Bougainville. In that regard we are seeking to work with NGOs in

the provision of assistance and we are awaiting decisions from the PNG government in that context.

CHAIR—Thank you very much.

Mr REGAN—I should perhaps indicate my involvement in this area. I teach law at the University of Papua New Guinea, but I have worked in Papua New Guinea for 16 years and have done a lot of work in Bougainville in that time. I was a rapporteur at the Arawa peace conference in October 1994 and then acted as a sort of go-between when Theodore Miriung and the North Nasioi Peace Committee emerged to support the peace process following that conference. Since then I have continued to do work with the Bougainville Transitional Government, mainly in relation to establishing councils of chiefs as the form of local government on the island. Through that work I have worked closely with Theodore Miriung and the BTG.

I want to say a little about the background to the crisis, just to set the scene for my analysis of what the situation is at present. The Bougainville conflict emerged out of a generational dispute amongst landowners in the Panguna area around the mine. But when Francis Ona sought support from people in the surrounding areas for his aim of closing down the mine, people basically agreed to support only if the aims were extended to a demand for independence, reflecting the long held popular support for a high degree of autonomy for Bougainville, which is a factor all over Bougainville. It was the reaction of the security forces to the limited violence of the BRA in central Bougainville which turned the conflict into a much wider conflict and basically an ethnic conflict during 1989.

By the end of 1989 or early 1990, the BRA had substantial and active support all over Bougainville. Indeed, when the security forces withdrew in early 1990, if the BRA had been well organised, if it had been able to set up a coherent government, Bougainville would almost certainly be effectively independent now. The fact was that the BRA were not really prepared for what happened and had no government structure as such. It was largely composed of armed bands scattered over the island, with local support bases. Those groups, to a large degree, went out of control once the security forces left. In addition, there were armed criminal elements which emerged all over the island, including hard core criminals released by the BRA from a correctional service institution.

As a result, during the period from March 1990 into 1991, there was anarchy and chaos all over Bougainville. There was an explosion of localised conflict as a result and old and new conflicts were fought through groups that opposed the BRA, through raskols—raskols being the name, as you are probably aware, for criminals in Papua New Guinea. In some areas, virtually a condition of civil war emerged.

As a result, once government had re-established itself in Buka in September 1990 at the request of a large number of local leaders, it was able to re-establish itself in most of the north and the western part of Bougainville with almost no conflict, largely because

traditional leaders—generally referred to now as chiefs—and other civil leaders requested their return. In that period, and it is not generally well recognised, the army in Papua New Guinea actually played quite a constructive role. They returned in cooperation with civilian authorities and the provincial administration, and in cooperation with the chiefs on the ground. Up until 1993 that generally remained the picture.

The BRA continued to be a fairly fractured group. Its area of control gradually contracted until, by 1994, it was largely controlling only the area of central Bougainville and down into Buin. However, part of central Bougainville was retaken by offensive military action by the PNGDF during 1993-94. You are all probably well aware of the various attempts to negotiate during 1990 and 1991, so I will not go into those.

I will move straight to the point where Sir Julius Chan became Foreign Minister in early 1994, made Bougainville a priority and developed contacts with the BRA representatives in the Solomon Islands which led to the establishment of the peace conference in Arawa in October 1994. That peace conference failed to achieve the aim of Sir Julius Chan, by then Prime Minister, for a sort of one-stop wrapping up of the peace process because the key BRA leaders—Ona, Kauona, Miriori and Kabui—failed to attend. It is still not entirely clear why they did not attend.

But out of the war weariness that was felt by the majority population, out of the feeling of many people in the BRA controlled areas in Bougainville that their leadership had failed them, and out of the development of the north Nasioi peace committee—which Theodore Miriung had been working with for a year before the peace conference—and its development as an alternate leadership, Miriung emerged with his peace committee at the head of about 15,000 Nasioi speaking people agreeing to support the peace process. That was the first significant break in the core population supporting the BRA. Out of the emergence of Miriung and the north Nasioi committee the Bougainville transitional government was established in April 1995.

From the peace conference in October 1994 and throughout 1995 there was very limited military action in Bougainville. There were a number of incidents, but by comparison with what happened in the year or two before and in the 10 months since the end of 1995 it was very minor. To a large extent this was because the BRA found itself under considerable pressure as a result of the erosion of its popular support, both in the Nasioi area and in Buin which is part of the south of Bougainville where they had had very strong support until 1994. From the time of the peace conference, the Buin BRA joined the peace process as well.

Paul Bobby, the main leader of the Buin BRA, developed very good understanding with the Defence Force commander in Buin, a major who had been there for a long time and had excellent standing in the community. But in the second half of 1995 things started to unravel a little. In Buin the replacement of the major who had had such success by another officer who had far less understanding of the situation resulted in the situation

unravelling very quickly. By late 1995, the Buin BRA were back in the bush and fighting.

In central, the army largely put a stop to the range of contacts which had been developing between the BTG and leaders of the resistance forces with BRA commanders and chiefs in the BRA controlled areas, largely because of the sort of suspicion which you heard about from Theodore Miriung's own lips, on the video you have just seen. As has just been mentioned by the representative from Foreign Affairs, it was because of the attack on the BRA coming back from the Cairns talks and the belief by the BRA that they had been almost attacked on the way down to the Cairns talks because just as the helicopter taking off with the BRA leaders was entering the sky an army helicopter appeared.

No attack was made; the pilot rushed off into the clouds as quickly as he could. But the BRA believed that there was an attempt to attack them on the way down, as well as on the way back. As a result, the BRA basically took the view that they could not trust the government and they were being set up. They also felt that they had not succeeded in winning back the support of the north Nasioi, and that conflict was the only way to proceed.

As we all know, they goaded the national government into a response, into lifting the cease-fire and launching operation High Speed. I say 'goaded' because I suspect that the BRA recognised that their best hope of winning back popular support was to push the army into a offensive operation because, under the pressure of offensive operations, the army tends to lose control and to take it out on civilians, and so the largely very constructive role that the army had played—though not without blemish, of course—between 1990 and 1993 was eroded very quickly during 1996.

What is the situation now? Basically, the majority of Bougainvilleans in the rest of the island, outside of Buin in the south and the southern half of the Nasioin speaking area around Panguna and south, would appear to be still supportive of the national government. It appears that they are more afraid of the BRA than they are of the army. But the army is behaving more like an army of occupation in a hostile land than like the winners of hearts and minds as they have in the past.

The government's strategy at the moment is in some disarray. It is uncertain how to proceed. Part of the problem is that the government has tended to want quick solutions. It expected a one-stop shop from the peace conference in October 1994. It then expected the BTG to be able to bring together the warring factions in Bougainville very rapidly; and, when that did not produce the results, it then moved back to the military option as the only way to proceed. It is unclear where it is to proceed now. There has been no clear announcement since operation High Speed ceased of what the national government policy is.

There are some good signs, in that the government is showing a great deal of

admirable openness. The report on the Kangu Beach massacre is the first sign in seven or eight years that the government is prepared to really admit that the army is not working effectively. The announcement of the independent inquiry into Theodore Miriung's death also shows a great deal of openness. On the other hand, there are some signs that the government is becoming very uncertain about the idea of offering additional autonomy to Bougainville. There has been no announcement on this, but there is some uncertainty.

Of course, the BTG is in some disarray as well. Miriung was, as has been pointed out by many people, the ideal person to hold together the middle ground, to bring together the moderates; and Bougainville is in deep conflict. It is not just a conflict between the BRA and the national government: the worst conflict is the conflict amongst Bougainvilleans. There is deep conflict between the BRA and the resistance. The BRA are threatened by the BTG. There are anarchistic groups emerging in Buin. I will not mention the full name of one of them, for fear of offending anybody's sensibilities, but it is 'expletive deleted mi les'—in other words, 'Bugger it; I am fed up!' They are fed up with the BRA, the BTG and the army; they want to kill them all and get them all out. And then there are all these localised complexes that are going on as well.

The real hope with the BTG is that, as the centre of moderate leadership, it can gradually erode the support for all the various extremists—and there are many extremists. We have seen all over that world secessionist struggles such as this tend to get solved either by being totally successful or being smashed militarily or, where neither side is able to win—as in the majority of cases—by the moderates pulling together the people from the extremes. That requires the national government to moderate its position and the various groups on Bougainville to moderate their positions. And the BTG is the best hope for the moderates.

It is far from clear if the BTG will be able to hold the moderate ground, because for it to do so it has to be supported by the national government, it has to be able to achieve something in relation to autonomy, and it has to be able to undermine the positions of the various extremist groups on Bougainville. However, I do not think the BTG should for a moment be written off. It has a great deal of legitimacy in Bougainville. The membership of the BTG is largely made up of nominees from councils of chiefs, and it is the traditional leadership which has tended to fill the vacuum at the local level in Bougainville throughout the crisis. So the basis in traditional leadership gives the BTG a great deal of legitimacy. In a situation where a majority of Bougainvilleans are more afraid of the BRA than they are of the army, the BTG holds together popular support quite well.

There is nobody of Miriung's stature, but whoever leads the BTG will have a great deal of legitimacy because of the basis in the chiefs. Further, the BTG is clearly aware that Miriung in death can perhaps be even more powerful than Miriung was when alive. Already, the north Nasioi committee is having extensive contacts with BRA leaders in central Bougainville and with chiefs in the BRA controlled areas. And it is talking in Miriung's name, saying, 'Miriung was killed by all of us. We Bougainvilleans created a

conflict which resulted in his death. His legacy is to achieve the peace that he sought in life.' That appears to be having some impact, especially with the chiefs. So the BTG remains—and I emphasise this—the best hope of bringing together the moderates.

The national government is under intense pressure in the lead-up to elections and is clearly worried about any talk of additional autonomy for Bougainville, in the sense that it may create a stick which it will then hand to its opponents to beat it about the head with. So there is unlikely to be any offer of autonomy to Bougainville in the next few months, and that is going to put pressure on the BTG.

In addition, the BTG's constitutional life expires on the return of the writs for the national election, probably in July next year. There are amendments to the relevant constitutional laws before parliament, but it is very difficult to see the numbers being got to pass those amendments. So the very future of the BTG is in doubt. The national government, on the basis of the analysis I have put forward, would be well advised to do what it can in that area. I know there are elements within government keen to push ahead with the extension of the life of the BTG.

The way ahead, it seems to me, is to work on reducing conflict amongst Bougainvilleans, supporting the moderates to bring together the people on the extremes on all sides. There is also a need for the role of the military to be drastically reviewed. It would be very difficult to pull out the military at this stage because of the fear of the many Bougainvilleans who do not want to be ruled by the BRA. But if it is to stay its role has to be revised; it needs to go back to the sort of role that it played in 1991 to 1993.

As for Australia, what can it do? I think some elements of its possible policy have already been discussed—for example, improved training for the PNGDF, training the PNGDF in peace making, training the PNGDF in relation to human rights. It could do a lot in enhancing the capacity of the BTG. The North Solomons provincial government was without doubt the best government organisation, national or provincial, in Papua New Guinea until 1990. One of the great tragedies of the crisis has been the destruction of the human capital that had been built up in that organisation. So the capacity of the BTG to re-establish government services and rule effectively is limited. Australia could assist in the provision of training, personnel and backup.

The restoration programs that AusAID has been funding could be boosted, if possible through the BTG and in accordance with the BTG's conditions. The BTG, for example, wants to see most reconstruction programs go ahead, based on the use of local contractors and local labour as a way of employing the many people who are unemployed and without proper direction.

Australia could possibly assist with the establishment of the councils of chiefs, which the BTG is in the final stages of developing. The idea is to establish 70 to 80 councils of chiefs based on what is already happening in Bougainville and using them to

run local security through former BRA and Resistance members. It could also use them to facilitate local reconciliation as a way of dealing with the intense conflict that has developed at the local level.

Australia can perhaps assist by promoting the idea of negotiations. PNG is very afraid of entering into negotiations. There is a sense that negotiations with the BRA at this stage involve giving in to the BRA. But in the situation where a military victory is impossible—and there seems no doubt about that—negotiations are also a way of making room for the moderates.

Finally, I think there needs to be a realisation on all sides that there is not going to be an easy solution to this situation. What is needed is a multi-faceted, slow process of building trust, supporting the moderates, working with what works, discontinuing what does not work and working towards a resolution of the conflict rather than a rapid solution to the problem. Thank you, Mr Chairman.

CHAIR—Thank you very much. Sister Brady.

Sr BRADY—Mr Chairman, this will be an outsider's point of view. I was invited by the organisers of the peace forum, which was organised by the Bougainvillean woman, to be part of a delegation of Australians who went there. I have to say that I have a firm conviction that outsiders' views are often very good. But it was my first time in PNG and most certainly my first time in Bougainville, so all that I would like to give you is some impressions and some account of events during the forum, which took place towards the end of August this year.

The first point I would like to stress is one that has surfaced from time to time in our discussions during the day: the cultural differences between us and the various peoples who exist as part of the nation of Papua New Guinea. The forum was organised from within the country with help from some Australians. It consisted of 700 Bougainvillean women, all of them with church affiliations. It may be simply because I have church affiliations, but it was my impression that church groups—in this case, we had the three major church groups, which are the Roman Catholic Church, the Uniting Church and the Seventh Day Adventists, with some Pentecostals—working together out of a common grassroots sense of purpose, which was that they had had enough of the war. Those 700 women did not agree in their reading of the situation; they did not necessarily agree in their loyalties. But there was a common sense that they were working for an end to the conflict. By the end of the forum itself, there were quite specific suggestions that those 700 women had come up with, notably, the formation throughout the island of groups organised to work at the grassroots for peace.

It is my impression as an outsider—as I say, I don't know much about PNG, but I do know a bit about some other, shall we say, non-Australian countries—that in many countries the solutions that arise from the grassroots and from tribal groups may be more

enduring than any imposed from a central government. This is particularly so in a nation such as Papua New Guinea, where there are so many different languages and it is geographically so diverse. As I said to somebody this morning, if you could iron PNG out flat, you might have fewer problems. There are profound problems for any central government; that is the first point I want to make.

The second point is about impressions of the present situation. I do not wish to be seen to be criticising the central government of PNG. I have already thanked his excellency for the great help and courtesy I received from the high commission here, when I applied for a visa at rather short notice. But, it was my impression that the security forces, at least in Arawa, were not providing security. We Australians had a strange incident in which our house was broken into in the middle of the night, and the security forces did not provide security. The evidence we heard from the women at the peace forum suggested they are as afraid of the army as they are of the BRA, or of various resistance groups or criminals.

One thing that was very clear to me was that the army could not guarantee security. I spent 10 days in East Timor at the height of the conflict and, without intending any offence to your excellency, my impression was that the Indonesian army was better disciplined than the troops at Bougainville, who are perhaps under a great deal more pressure.

When the Premier, Theodore Miriung, flew in to open the forum, he was turned away, as many of you will know, at gunpoint. It did not seem to be the wish of the security forces that the peace forum go ahead very successfully, nor did they seem to be in very great sympathy with the transitional government. Mr Peter Barter, who is the new minister for provincial affairs, and whom you saw on video, did fly back with Theodore Miriung several days later. It was my impression that Mr Barter is perhaps in sympathy with the peace process and the advances that were being made.

The forum's great advantage was that it enabled women to come together from all over the island but often at considerable personal danger. We heard a great deal about dangers at checkpoints. One group of women, despite a skirmish nearby, had walked along the beach to get there. Very great determination! They also have a very high level of education. We have just heard that Bougainville is the most prosperous, or one of the more prosperous, parts of Papua New Guinea. The level of education of the women there was most impressive.

Also impressive was the suggestion about setting up the peace groups for reconciliation. It would seem to me that a culture which still has some nodding acquaintance with, shall we say, broadly religious values might be more able to work to those ends. Women there who had some professional training, whether in medical skills or indeed as teachers, might be able to begin, at some kind of grassroots level, to restore some kind of peace.

Secondly, some of the women there had connections with at least one group of the BRA, and there was an informal meeting during the forum. Some of the women were given—very grudgingly, it must be said—permission by the army to meet the BRA, then the permission was revoked and then it was granted again. Those leaders who met with those women did say that they were interested in talking peace. An independent group of this kind—that is, the grassroots group from the women—seems to offer some hope.

That, I think in general, is the impression of the forum. It was my impression—I will not speak for my colleagues—that the army did not like us being there, and certainly the main purpose of the unfortunate interruption of our sleep at 3 a.m. Friday was not, it appears, robbery but to remove all records of the forum. The three masked, armed men who faced my colleagues demanded, first, all records of the forum—any tapes that they had, any video recordings—and the video camera. So somebody was not happy that there were Australian observers there, and somebody was not happy that news of the events at that forum would get out.

So an untutored view is that, if we are thinking about strengthening civil society and if, as very properly, the PNG government has a fine record in its attempt to keep alive and to promote democracy, then one of the best ways of helping democracy to flourish is to use the participation of any person who might be interested in participating. I would have thought that 700 well-educated women from all over the island, prepared to take considerable risks and to take risks with the support of their menfolk might be quite a useful resource.

I will conclude with three recommendations which came from that forum. Firstly, third party involvement is required to bring together the opposing sides to encourage a negotiated, peaceful outcome. Secondly, the direct involvement of the International Committee of the Red Cross and other NGOs is required in order to ensure the supply of humanitarian relief to all persons requiring it. It has to be said that the condition of refugees in the care centres is very bad indeed. It also has to be said that, while there may be food in the interior, according to our information there is dire crises in the shortage of medicines and shortage of clothing. Thirdly, all military forces should be replaced by civil forces with the restoration of the rule of law as soon as possible.

I, too, would echo the concern about the army perhaps replacing the police. It was again my untutored impression that the solitary, bewildered policeman who was trying to look after the security of the community was not on the best of terms with the army; nor did the army seem to have a great passion for protecting local citizens or indeed visitors. Thank you.

CHAIR—Thank you very much. We are most appreciative of those observations. I call Mr Simpson from Amnesty International.

Mr SIMPSON—Just to remind distinguished participants in the seminar of

Amnesty International's very limited mandate, I will be commenting about political imprisonment, torture, disappearances and executions rather than other human rights violations. Amnesty International also takes no position on territorial issues and therefore has nothing to say about autonomy, talks or independence issues in relation to Bougainville. We also take no position on the legitimacy or otherwise of governments or opposition forces or the use of military action per se.

Amnesty International has a range of sources of information on any country. The information that we get from a particular situation is not dependent on visiting the country, but that certainly assists in developing reliable sources of information. In June and July this year our international secretariat-based—it is London based—researcher visited Papua New Guinea to assess human rights violations in the country generally but, in particular, in Bougainville. She was not permitted to travel to the island of Bougainville but she was able to spend 10 days on the island of Buka.

Amnesty International's research focused on human rights violations in the context of the Bougainville conflict while in PNG, but also wider issues of police brutality in the country generally. Amnesty International is still analysing this information and should be publishing its report some time in the next four months.

Unfortunately, Amnesty International found continuing evidence of very serious human rights violations, including extrajudicial executions as illegal executions by military forces and disappearances committed by the PNGDF and the government-backed resistance force. Amnesty International also found evidence of continuing serious abuses by the BRA.

The continued restrictions on access to Bougainville, however, are hindering the effective monitoring of human rights. It was very clear during the visit that the local population was very frightened and therefore reluctant in many cases to provide information about human rights violations committed by all sides of the conflict. That was not just because of the presence of the military and the resisting forces but also the BRA on the ground.

It was also clear that there were severe restrictions on freedom of assembly and therefore, by implication, freedom of expression. There was considerable harassment of people who gathered together to talk about the situation. This included, for example, harassment of one person who was assisting the Amnesty International delegation in its work in Buka.

The new reports of killings which Amnesty International received during that time add to a long list since 1989. Of those, we have, to our knowledge, no evidence of any one of them being investigated. That of course allows for virtual impunity for the military, in particular, on the ground.

If I am concentrating on the role of the PNGDF, it is not because we are denying the serious abuses that are being carried out by the BRA and have been carried out by BRA but because Amnesty International, in principle, believes that the conduct of military and other security forces of states are of particular significance. They are of particular significance because the member states have made international commitments to international human rights standards, because of all the resources that states can command and because of the example that they need to set to other sectors of the population.

As I mentioned earlier in this seminar, the 1991 report of the joint standing committee made reference to the dangers inherent in armies doing police work. At that time it called on the development of strict guidelines for the deployment of the PNGDF for civilian tasks and asked that these guidelines be reflected in the joint training program in the use of equipment. Amnesty International is not aware whether these guidelines were ever developed but believes that there is an ever greater need for them now. In Bougainville, contact between military and civilians has led to arbitrary detention, harassment and beatings as the military enforce bans on alcohol and a curfew.

At the centre of Amnesty International's concern in PNG generally and in Bougainville in particular is the issue of impunity for members of the security forces. Impunity—that is, a lack of systematic follow-up for reports of human rights violations—allows for the further development of human rights violations, including police killings and beatings in custody, extrajudicial executions and disappearances by the PNG Defence Force and the government-backed resistance forces in Bougainville to continue. They also provide a model for other parties to the conflict to disobey or to contravene well-known standards of conduct in military operations.

In its 1991 report the joint standing committee stated that the performance of both the police and the defence forces in Bougainville had also shown up weaknesses in the command structure and the training of forces. We believe that that continues to be a contributing factor to human rights violations.

Judicial mechanisms for address are still inadequate, not because PNG does not have an independent judiciary but for many other reasons, including the base of Bougainville, a justifiable fear held by eyewitnesses and victims of human rights violations and a lack of political will to end impunity, violations by the police, inefficiency in dealing with complaints against the police, lack of access to information about mechanisms for seeking redress and a lack of political will to ensure that human rights violations are systematically followed up.

There have been some recent positive developments. We hope that that will lead, in part, if followed up further, to a change in the climate of impunity that I have referred to. The first are the comments that were made in the aftermath of the military inquiry into the Kangu Beach massacre and they have been referred to by other participants in the seminar. I believe that that reflects a welcome openness to discuss the lack of discipline in the PNG

defence forces and hope that the concerns that were raised by Prime Minister Chan will be systematically followed up as a training issue, but also through clear political directions and instructions given by senior military to other military units.

The second development follows the tragic assassination of the premier of the Bougainville transition government, Theodore Miriung. We have seen the appointment of a judge from Sri Lanka to hold an independent inquiry, which meets many international requests or demands for such an inquiry. Now that the inquiry is to be held, we hope that the judge will receive all the possible assistance of the government, not just in terms of political and stated support, but in terms of tangible resources that are necessary to carry out such an investigation. I go back to the earlier comments I made about the climate of fear which unfortunately reigns. It is not sufficient to hold an independent inquiry without giving attention to issues such as witness protection programs, quite apart from the logistical backup that such an inquiry requires.

A third positive development has been a final move towards the establishment of a Human Rights Commission in PNG. The establishment of such national human rights commissions in, say, Indonesia, have been a positive development, in spite of some people having misgivings about their possible lack of political will to cooperate with such commissions. We view the move by the PNG government to hasten the establishment at last of this commission as positive and look forward to that commission not just being well resourced but also having the necessary range of authority to investigate human rights violations, including those in Bougainville.

In relation to Bougainville, naturally we call for any reports of serious human rights violations to be independently and fully investigated and, in particular, that those held responsible are held to account through some sort of judicial process, that access to the media, international and domestic human rights monitors be granted to the island of Bougainville, an essential step in the building of a climate of confidence and that the PNG government implement the recommendations contained in the 1996 report of the UN special rapporteur and extradital summary and arbitrary executions that resulted from his mission to PNG.

In relation to the Human Rights Commission, we ask that it be given powers to conduct investigations into all reports of police brutality and killings by members of all security forces throughout PNG, including Bougainville and that they be given a clear mandate to investigate violations since the beginning of the conflict on the island in order to show that justice will be done rather than forgotten. We ask that the Human Rights Commission be able to develop mechanisms that ensures witness protection, an issue that I mentioned a moment ago, that it be given access to relevant military, police, medical and legal records to enable it to do its work and that it contain a department which deals specifically with human rights violations against women.

In relation to Australia, we would welcome any support that the government is able

to give, at the request of the PNG government, to the development of the necessary legal infrastructure to assist the development of a civil society on Bougainville and elsewhere in PNG.

As mention has been made of the changing nature, possibly, of the defence cooperation program with PNG, we would welcome a thorough review, in spite of past answers to our questions that have indicated that there seemed to be no need to improve the human rights training of the Australian Defence Force personnel involved. We would welcome a review of the sort of training that is on offer to the Australian Defence Force and to the PNG Defence Force on human rights concerns. This is particularly important as the defence force in PNG takes over various civilian responsibilities on Bougainville and elsewhere.

CHAIR—Thank you very much to all four speakers. That has given us a lot of food for thought and a lot of ammunition for discussion and dialogue. Would somebody other than the four speakers like to make a comment or ask a question at this point? We welcome a few more coming to the table. We have a few spare slots now and you are very welcome to come and sit at the table.

Prof. O'COLLINS—I am now at the Australian National University, but I was at the University of Papua New Guinea for about 18 years. One of the points—and I do not know whether any of the speakers would like to comment—was about the defence force on Bougainville but, of course, we also have groups of trained riot police who go in and work with the defence force on a rotation system.

When I was working with another project, I found that these police came back from Bougainville and were expected to return to normal police duties. Taking the point from Amnesty International, I spoke with them—some of them were former students of mine—and they said that on Bougainville if you wanted to live you shot first. Then they came back and were meant to go back 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 or 12 months, and he was meant to forget about it and to go back to normal duties.

In the course of my work, we did try to have a few debriefing trauma counselling sessions but it did seem to me—and I have been away from it for a year now and other people may be more up to date—that one role that could be played would be to provide more assistance for the debriefing. It is a bit like the Vietnam War situation in that, when the veterans came back, people ignored them. We know the psychological and physical traumas that this caused.

It is the same thing in Papua New Guinea. Those police and soldiers come back and they have been involved in killing people who are nationals of their own country, or being killed, or seeing their friends being killed. Because it is, like the Vietnam War, a

very unpopular conflict in Papua New Guinea, a lot of these things are brushed under the table. So I am just raising this as a possible area that the committee might want to look at.

CHAIR—Thank you. Sister Brady, did you have a comment on that? It is something you may have observed.

Sr BRADY—Yes, I would also accept that point. But I must say, having listened to the stories that the women had to tell, that the people who live on Bougainville have even greater needs. One simple thing it seems to me—and I pick up the point made by Mr Simpson—is that, so long as the island is virtually a prison, the trauma will surely increase. The only way in is by helicopter, which costs a minimum, I think, of \$600 to charter for an ordinary person, or by the one regular ship which plods its way around the island.

The people on the island are virtually in prison, and I accept the other evidence we have had, but my impression is that most of the people we met were entirely sick and tired of the war. They were trapped in this situation where the killing would go on, where there was a culture of guns, where there was deep shame, particularly on the part of many of these women, who were well educated, and where the schools have largely broken down. I personally saw some boys of 15 or 16 who had just gone back to school. I was told there was one school now open in Arawa. Perhaps there was, but the large numbers of children fooling around with nothing to do all day, particularly adolescent boys, does not make for a peaceful civil society. So, while I have deep sympathy for unfortunate soldiers and police who might be conscripted, my deepest sympathy would go to the people who are trapped in that situation of war.

CHAIR—One of the recommendations you made was in relation to the ICRC and NGOs. Perhaps Janet or Bill might like to make a comment on the NGO involvement now and in the future.

Ms HUNT—I might get one of the NGOs present to speak on that, because a number of them have been in Bougainville reasonably recently. I think they would be better qualified to talk about the current situation than I would.

Ms BALAZO—I represent the Uniting Church. The Uniting Church is a partner in PNG and that is the United Church of Christ of PNG and Solomon Islands. Last year, Bougainville was open to people to come, so we came and visited our partner churches. For 14 days we visited a number of villages that were not open before but were open last year. It was very clear that the services were very poor. In fact, at that stage there were only four schools that were open. The schools that we were in were all run by the churches, either Catholic or Uniting Church. There were many attempts to have only inter-church schools because there were hardly enough facilities to open schools everywhere.

In the schools that we visited, there were so many grown-up students, together with

grade 1 or seven years old, eight years old, so that this group of young boys and girls were feeling very uneasy to be with all these young students. So it was a big problem for the schools to maintain interest for the young people who are 17, 18 and 19 at grade 3 or 4 to stay in schools. That was one of the big problems of school communities. But there were also lots of theological schools that were closed, and basically still more or less in the jungle because of the grasses growing everywhere. There were no ways of cleaning them.

Also, transportation was horrible. The only way we could travel around was through the use of ambulances—this is the government going around the place. Transport also affected medicine. In fact, we spoke to the health minister of the BTG government services. He said there is medicine in Rabaul, but it could not be transported to Buka or to the mainland because there is no money to do it. There are also a lot of goods in Honiara, for example, or in Choiseul that could not be transported because of two things: there are no boats that could bring them to the other side, and they are still risking their lives to cross the blockade. So you have all those conditions mixed together which is making the life of Bougainvilleans so hard.

One of the recommendations for the women is to open Bougainville to international humanitarian services. It is practically closed. When we were in Arawa for the Bougainville forum, we saw only two people who were working with the Red Cross. Those women were doing everything. It was just not possible. The services were non-existent.

CHAIR—Tony, do you want to make a comment?

Mr REGAN—In relation to the International Committee of the Red Cross, the regional representative based in Manila has visited Port Moresby twice in the last few weeks and is trying to reach agreement with government on the ICRC taking on the responsibility of monitoring adherence on all sides of international humanitarian law, that is, the Geneva conventions and so on. They also want to be in the business of providing services to the non-serviced people on all sides. They want to be able to provide health and other services to people in both the BRA care centres and the government care centres. The negotiations are still proceeding but certainly people like myself are advising anybody that we can talk to in government that it would be a very useful thing.

There is a great sensitivity on the part of the PNG government to any suggestion of outside involvement that gives any hint of recognition to the BRA. There is a feeling that the international Red Cross's involvement might be seen as giving de facto recognition to the BRA. So the Red Cross is trying to get across very strongly that the 56 countries where they are monitoring international humanitarian law at the moment all involve internal conflicts, not country to country warfare. We will just have to see where that one develops but obviously it would be a useful function for the ICRC to play.

CHAIR—Thank you.

Ms EAGLES—I want to make a response to the suggestion that international NGOs could have greater access to Bougainville. Community Aid Abroad and a number of other Australian agencies do give support in very small ways to local groups on Bougainville but there is certainly a great deal of potential for that support to be broadened if there were greater access. With the visits that I have made to Bougainville, which have been very limited but very enlightening, the only positive thing that seems to have come out of this conflict is that local people are very clear about what kind of development they want to happen on the new Bougainville. There is a great deal of will, there is a great deal of energy, there is a great deal of skill and expertise that is waiting to be tapped given a little support throughout Bougainville so that people can actually start the process of rebuilding their lives themselves.

Given minimal outside support, people could begin to re-establish basic health and education services in areas where there is some security. There is also a great call by people for some return to normalcy where there is an opportunity for people to leave care centres and to re-establish life in the village. As Miriung was saying in the video that we saw before, if you talk to people in Bougainville they are things that are very near to people's hearts and they are very clear about what are some of the things that could happen that would make their lives much easier now.

If there is some opportunity for international NGOs to give further support for those kinds of initiatives at a local level, then there is a great deal of will and certainly a lot of interest in groups here in Australia in giving that kind of support to Bougainvilleans.

Mr CONNELL—I am from the University of Sydney. I would like to thank the various speakers for their useful accounts of the present crisis and particularly Tony Regan for what he has said about the recent evolution of the situation. I think what he has focused on is very clearly that this has been, in many respects, a popular revolution but one that obviously has gone tragically wrong. I think in that focus he has enabled us to see that secession is very much central to cultural identity. That is why so many prominent people, such as Theodore Miriung and many others, have supported it for so long and in different kinds of ways.

It seems to me that one of the issues that has not really been discussed so far is to what extent there is a possibility for some degree of autonomy, and what form that might take. That is something which, as a number of people know, has been raised recently by a number of people, including Michael Somare, and others in Papua New Guinea itself. They have been saying various things along the lines of, 'It is now time for us to listen to Bougainvillean voices. It is now time for us to think about there being some kind of referendum at some time in the future.' It is certainly preferable and necessary, because there will not be a military solution. A number of people have been talking about, for example, the New Zealand-Cook Islands relationship. It is fairly obvious on the other side

within Bougainville that many people are familiar with the fact that the world has changed in the last eight or nine years.

While the Bougainville crisis has been going on, the Soviet Union has fragmented into various states. Yugoslavia is now very much ex-Yugoslavia. They have seen that it is possible to become Slovenia and Byelarus, and a number of people would like to see that kind of solution. I wonder what—and this is essentially my question—the prospects are for reaching that kind of situation in the near future.

CHAIR—I think the high commissioner will have a general, albeit general, comment on the issue when he concludes this segment.

Mr SCOTT-MURPHY—My name is John Scott-Murphy. I am from Caritas Australia, the official aid agency of the Catholic Church in Australia. I convene the ACFOA Bougainville forum, which is a meeting of the ACFOA members that have a particular interest in Bougainville. I just want to make one specific point, which was brought by the last meeting of the Bougainville forum in support of the women's meeting and about which Sister Veronica Brady has spoken so well. We have a short statement, which we would like to table with the joint committee, containing the three recommendations that Sister Veronica has already mentioned. This can perhaps be tabled and included in the *Hansard*. Essentially, the members of the Bougainville forum see the women's meeting as a very important and useful initiative that should be followed up. The emphasis on civil society and reconciliation at the grassroots level is something that we are in a unique position to assist.

CHAIR—Thank you. Ian Sinclair, do you want to make some comments?

Mr SINCLAIR—Yes. I wanted to speak before we conclude the debate on this. It seems to me that one of the advantages of this sort of forum is that it gives us an opportunity to suggest some momentum rather than just let it lie static. I wanted to do it before we closed the debate, because it seems to me that there are some things we can do.

A couple of points come out of our original report on Bougainville, to which I referred in my opening remarks, that we tabled in 1994. One point is that you are not going to really achieve anything until you get a cease-fire. One thing that we have to do is try to encourage both parties to proceed to a cease-fire. When I say both parties, I think there are far more than that on the BRA side. On the other side, the PNG defence force has to stop not only its action, which it has not pursued, but also follow up since 'swift fire two' or whatever they call it. There has been no real initiative since that second battalion was pulled out.

If you are going to do that, a couple of things are important. The first is that, while I understand the point of the spokesman from the University of Sydney, mining and autonomy are not subjects which the government—or the people of Bougainville, if you

are talking about mining—are at this stage going to accept. Therefore, I think you should put all such issues to one side. The first thing you have to do is try to find a basis on which you can encourage both people to a cease-fire.

The second thing we have to understand is that the issue is far more important in Australia and some of the other countries around the area than I suspect it is in Waigama or in PNG itself. They have a large number of problems on their plate. I doubt we are going to get the interest that many of us have in getting peace there, simply because they have all these other difficulties.

The third thing that worries me greatly—and, in speaking privately to some of you during the recess, I am sure this point of view has come through—is that many in the PNG Defence Force must be in a very difficult psychological position. If you think of those who have been away to war for a number of years, they are going in and they are coming out. We had people in Vietnam for six months and nobody was there for more than two occasions. In some instances these soldiers have been there for 12 months; they have been over there repeatedly, with some having had three and sometimes more commitments there. So there is a real psychological hang-up and we have to find a way to get round that.

It seems to me there are a couple of things we can do. Something Tony Regan said really hit me. That is, Miriung's death, tragic though it is, in a way is a vehicle by which there can be some new initiative taken. There are a few things that, even from this sort of a forum, we might be able to suggest to the government of Papua New Guinea as possible initiatives. One that strikes me as being absolutely essential is that we try and get people out of the care centres back to the villages. The lady who spoke a while ago suggested that is something that has to be done. So I would say the first thing is to see if you can move towards a cease-fire, the second is to try to move towards getting people back to the villages and, third, possibly see if you can get the island opened, and not just opened to medics and so on. In our recommendation in that original report we said:

The delegation believes that the peace process would be helped if the province were opened to other visiting missions, to the media, to NGOs and representatives of the churches. In particular the delegation strongly recommends that Papua New Guinea authorities allow delivery of humanitarian assistance to the whole province.

That is as true now as it was when that recommendation was made. So it seems there are a few fairly elemental steps that are capable of being recommended and that a group like this can say, 'These are a few things. They are not going to resolve the problem. We are not going to solve the question of the future of Bougainville. We are not going to solve the question of the mine. We are not going to try and resolve all those other difficulties.'

There is a fourth element that is equally important: if you can get peace you can start trying to restore some of that reconstruction process. The Australian government has had money available for aid for a long while that has not been delivered. When we were at Buin, for example, we could see that the wharf needed to be fixed so that you could

start delivering the cocoa and the crops produced in the villages, and start getting some ordinary cash flows back into the villages. If they are going to get some reward from what they are doing then they are going to want to return to the villages. Until you get some reward you are going to have the raskol groups and others wandering around the island and living by the law of a gun. So there are a few steps that could be taken and I would like to ask Tony Regan if he has any other elements that he might think are worthwhile, and how he thinks that sort of concept might be received by the government of PNG?

I also want to say that while I agree with the women's forum that it is great if you can get some outside people to come in, I just do not think that is going to be negotiable in the short term. Tony Regan said before that anything the PNG government sees as in any way intruding on recognition of their sovereignty of Bougainville is just not going to be accepted. So, however valid and worthwhile it might be, at this stage I do not think that is really part of the elemental process. It might be desirable, but I do not think it is practical or possible. I will leave my good friend the High Commissioner out of it here. But it is important that we look at what is practical and, from our point of view, the real objective must be to try and secure peace. I would like to put that to Tony Regan, and I see Sister Brady might want to say something on that too.

Mr REGAN—There are a number of other elements that could be tried. The serious problem with a cease-fire at this stage is that the BRA is a fractured group; there are moderates within the BRA and there are hardliners. At the moment the hardliners have the ascendancy. As a result of operation 'High speed' and the Kangu beach massacre they essentially feel that they are winning. I think it would be extremely difficult at this stage to get the BRA to agree to a cease-fire. That does not mean it should not be worked towards; it should be.

In relation to the autonomy issue raised by John Connell, government has been offering to negotiate basically on autonomy. There has been no detail sorted out as yet. Even as late as 4 June the government agreed to negotiate the future scope of autonomy amongst officials. There is no constitutional obstacle to increased autonomy for Bougainville. The constitution permits gradations of decentralisation. The problem for the government at the moment, I think, is that in the lead-up to the elections it is worried as to how far to go. The BTG has given a wish list to the government, but I think the BTG would be prepared to negotiate something a little higher than the old organic law on provincial government. So there is scope for agreement there.

CHAIR—Thank you very much. Mr Weeks might have something to say.

Mr WEEKS—Firstly, I would like to underline what Sister Brady said, and that is the recognition of the spirituality of the people in the pursuit of the peace progress. Forgiveness has become very much the norm once reconciliation has taken place, rather than retribution. Ten days ago I had a conversation with Lieutenant Colonel Marlpo, the tactical commander on Buka, and he emphasised the need for immediate and urgent post-

trauma counselling for PNGDF personnel and for their families because of the devaluation of life that has followed in the wake of Bougainville.

Lastly, the need has already been stated by some for coastal shipping, both to take in urgently needed supplies and to lift the economy by taking out cocoa and other crops that are rotting waiting to be shipped out.

Mr BUTT—I represent the International Federation of the Red Cross. I think I should try to explain to you the difference between the two organisations. The International Committee of Red Cross has been mentioned twice here. Their role is in protection and in policing and controlling the Geneva conventions and humanitarian law. The international federation represents all the national societies in the world, 171 of them, and our role is to provide relief and humanitarian assistance in situations such as Bougainville.

The international committee is seeking to do its work on Bougainville with the Papua New Guinea government, and you can understand the reluctance that the government may have for this. The international federation have been working on Bougainville for six years. We have been there since 1991. We have had an operation that has waxed and waned as the security and logistical conditions would allow us. We put nearly \$2½ million worth of relief goods and medicines into the island in that time and we are currently exploring ways to extend the operation so that every family on Bougainville will get the goods they need to return to their village to rebuild their houses and get their gardens going, along with medical supplies that are needed in some of the care centres.

I want to give one word of my experience in other countries as well as in Papua New Guinea, which I think is quite necessary when we are talking about emotive issues such as the plight of families in situations such as Bougainville. My experience has been very much borne out, once again, on Bougainville, where I started the operation with the BRA in 1991. We were accused by the government of giving the BRA help. Then, when the government took over the island, we were accused by the BRA of giving the government help. Then we were accused by people in Papua New Guinea of giving more medicines to the Bougainvilleans than they could get anywhere else in Papua New Guinea. There are articles in the PNG newspapers saying, 'Why is all this assistance being given to people who caused a big row? Why should they get more assistance than us?'

The point I am trying to make is that I have heard probably several hundred Bougainvilleans give me their stories and tell me they do not have medicines or they do not have the necessities of life. But if I were to wander around the Highlands and the rest of Papua New Guinea, I would probably get several thousand people telling me the same. I am not putting that as an excuse, I am putting that as a bar of measurement for the way we should respond. Of course, we should respond to humanitarian needs but we need to be careful in the way that we respond that we do not build a cargo cult and a cult of dependency in the future.

CHAIR—Thank you.

Mr NEWSEM—I would like to pick up and emphasise a point which is beginning to emerge from the last two or three speakers, especially Mr Sinclair. We should not lose sight of the importance of economic restoration, reconstruction, rehabilitation in all of this, particularly at grassroots level. I returned from Bougainville yet again less than three weeks ago after talking to the BTG about just that, the means of providing financial services and micro-enterprise development at grassroots level. We should begin, Mr Sinclair, before peace, developing a plan for what will happen as soon as peace is achieved. Maybe by starting the process in the north we could encourage the moderate forces in the hotter spots to see some sort of benefit from cooperation with the BTG. Perhaps that is a figment of my imagination but it might be a strategy worth pursuing. I see Tony nodding.

The other thing I want to do is ask Tony a couple of questions. When I was there my last evening was spent—though I wish it had been my first evening—with one of the district chiefs from the south. I will not name him, and I will not name the camp which he was talking about. He said that the day before the army, the security forces, had begun, for the first time, to walk around in that camp without weapons. What had been happening in that camp for some time was the transfer of skills from the army to the civilians, in other words, the kind of civil process that has been talked about earlier on today. Tony, you may be more in touch with this. Have you heard anything of this and whether this is happening in other places?

Mr REGAN—No. I presume what you mean is transferring authority to the resistance forces.

Mr NEWSEM—No, I mean transferring the skills to build houses, fitting and turning and elementary things like that. In other words, I mean the rebuilding of civil society.

Mr REGAN—Yes, there are efforts within the army to get their technical people on the island to do more of that sort of work. There is only a certain amount of it happening but I gather that Singirok, the commander, is very keen to develop that further.

Mr NEWSEM—I will leave it there.

Prof. GRIFFIN—We all agree that the blood of Theo Miriung cries out for reconciliation rather than retribution. But this discussion would not be entirely complete unless we ask why the BRA may prove to be utterly intransigent. They can feed themselves. Sam Kauona says that he has enough arms for the next seven years. That may be a rather large boast but certainly they can keep going, we all agree, for quite some time.

They seem to believe that Port Moresby cannot sustain the continual ulceration of this Bougainville war. They seem to me to believe that the United Nations, or some international force, will eventually intervene to bring about some kind of referendum which, in view of the position they are in with arms and so on, they would be able to win.

It seems to me that they hope that the reaction against the ongoing war and what is happening to the security forces will operate against Bougainvilleans on the mainland, the exiles if you would like to call them that, and that this will lead to a further aggravation of the grievances of Bougainvilleans against other Papua New Guineans. They may well believe that war weariness will serve their interests in the end.

There is another problem, and that may very well be that they will not be able to overcome their fear that retribution will take place in the event of even a peace, and that people may, in fact, hold them responsible for the destruction. Just as, for example, grievances arising from the Second World War have not altogether been obliterated, in Bougainville in the end their leaders and so on will be held accountable.

The debate is not complete unless you look at things from an extreme BRA point of view and then you have to ask the question: what if, doing all the good things that we all want to do, after a period of another three years we find, for example, that the war is still going on?

CHAIR—I am going to let it run on for another 15 minutes because this question of Bougainville is central to the multiple problems in Papua New Guinea, but I want to give the opportunity to the High Commissioner to have the last five minutes say himself. So we have about 10 minutes and I have two or three questioners. Professor Wolfers?

Prof. WOLFERS—I wanted to suggest that we try to place some of what has been said today in a somewhat different context. I very much appreciated the opening presentations from all the speakers from their different viewpoints, but it seems to me that if we were talking about the making of Australian policy towards Papua New Guinea, and that is what we are talking about, then we need to put the Bougainville dispute and much that has been said today into a somewhat different context.

To begin with, for all its shortcomings, Papua New Guinea remains a remarkably open society. The very fact that many of the people are able to report as they have done tells us something very important about Papua New Guinea that ought to be kept in context.

Secondly, it is an independent country which is not rebuilding civil society as has been suggested, but is actually building it in many parts of the country in extremely difficult circumstances. And, in fact, the government has, in recent years, taken bold steps that most comparable governments in most parts of the world have not taken to allow

internationalisation of the issue. It has, in fact, been prepared to debate the Bougainville issue at the United Nations and in Geneva; it has, in fact, discussed the issue before the joint assembly of the European Union and the African, Caribbean and Pacific group of states; it has, in fact, raised the issue or been prepared to discuss the issue in multiple fora; it has put together a regional peacekeeping force in order to help to bring peace to Bougainville; it has involved the New Zealand government at different points; and it has involved Australia and, although people will be surprised to hear me say this, some of the Australian diplomacy in this area has been exemplary.

It is also a democratic country where the government is under enormous pressure from diverse parts of the country, as has been suggested, for the distribution of goods and services and where the stress of the Bougainville crisis is being felt by people throughout the country. That is not a criticism of the Bougainvilleans, but part of the reality in which the national government must operate.

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. It is an exceedingly complex situation which I have been privileged to be peripherally involved in from the central perspective. But if we are talking about possible Australian policy, possible Australian responses, then we must be fully aware of the strengths of Papua New Guinea society, its vulnerability to certain kinds of external activities and the flexibility that the government has displayed, at least in certain circumstances.

I say this against the background of having worked with a government committee that opposed a military solution from the first, so I say with a perfectly clean conscience that I have never believed that a military solution was either desirable or possible. But, if we are talking about Australian responses, we must think about the character of Papua New Guinea, and of the observations that have been running through the earlier sessions today about the real difficulties the government has in mobilising resources, managing the state and delivering goods and services to other people, and still maintaining a society that has been remarkably faithful to a remarkably liberal and democratic constitution.

Mr ARMSTRONG—I have been listening to Professor Dibb talk about our best interests being served by a continued, unified Papua New Guinea. Is that a stumbling block for the Australian government, that we are so committed to a unified Papua New Guinea in that sense that we can't stand in the middle and hear both sides?

Mr O'CONNOR—Professor O'Collins mentioned the problems of policemen returning from riot squad tasks in Bougainville and having to revert to ordinary police tasks. I think this reinforces the point made earlier about the dangers of mixing police and military. I would go so far as to say that the Australian inspired formation of police riot squads back in the mid-1960s was one of the long-term disasters we imposed on Papua New Guinea. Policemen are policemen, and they have a particular role. Riot squads were

most inappropriate for Papua New Guinea. The military have their role, and it is a different role. When you come to the Bougainville situation, you need to have a distinct difference between the tasks of the police and the military in Bougainville.

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. That was one of the mistakes the Papua New Guinea government made with Bougainville in past times. The security forces have to be there, even if, in Ian Sinclair's terms, we get the economy going. If you get the economy going and start generating wealth, that simply makes an extra target for the raskol gangs, who are one of the threats to security. We tend to focus on the BRA as being the sole threat to security, but it is quite clear that it is not. What needs to be done is to recognise that there is a range of threats. Some of those need to be dealt with by fairly traditional police methods; some of them may have to be dealt with by military methods. I agree that you can't have a military solution of itself, but I suspect, given the intransigence of elements of the BRA, that some element of military activity is going to be part of the total solution. I do not think you can rule it out.

Ms POSTHMA—I would like to emphasise again the important role that women have actually played so far in the peacemaking process. Bougainville women are highly regarded by Bougainville people for maintaining harmony within the families. It has been this role that has caused them to be peace brokers between different members: between BRA members, between BIG and with the PNG defence force. They have actually been able to negotiate and go into areas that other people would not have been able to go into because of their respected role within Bougainville society. The Bougainville transitional government itself has recognised this role, as have other international NGOs. They have recognised not only their role but also their ability to organise. Bougainville women, through church networks, are incredibly organised. They have groups that have continued to stay organised throughout the eight or nine years of war and which are continuing to work for improving the wellbeing of families and their children.

The women are the main people doing conflict resolution programs in Bougainville at the moment. The view of women, in terms of the peace process, is a very informed view. It needs to be sought after as well as the other parties in the Bougainville crisis that are being sought after at the moment.

CHAIR—Thank you.

Mr MORRISON—I am secretary of the Australian Papua New Guinea Friendship Association. I was formerly an infantry soldier. Briefly, my background is: I spent nearly 13 years serving in battalions between 1960 and 1973; three of those years in Papua New Guinea, 1961 to 1964; I then went and fought in confrontation. Subsequently, I went to Vietnam and fought for a year there. I then went back to Papua New Guinea from 1971 to 1973 and became 2IC of the second battalion of the RPIR.

It seems to me that there is a tremendous dilemma with the continuing employment of the PNGDF on Bougainville. I take Michael O'Connor's point that you have to keep the force on Bougainville, but it seems to me that if 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-term damage to that force.

My opinions are very subjective opinions, but I would say that it is emotionally and physically in need of repairing. I thoroughly agree with the Rt. Hon. Ian Sinclair. If the short-term damage becomes long term and there is a massive restructuring through the white paper, it is going to be more difficult to get back.

I also thoroughly agree with training, and I agree with the actual training of aid to the civil power. It is perhaps wrong of me to make a comparison with when I was a platoon commander in 1961, a 2IC in 1964 and a battalion 2IC in 1971 to 1973, but we were very clear and firm on what the call-out procedures were. If they have broke down, they must be got back very quickly.

In conclusion, I would like to say a little about the command structure and about what it is like to be in that Papua New Guinea Defence Force. If you are in a conventional unit in the Australian army, the chain of command system is quite clear. As you are well aware, in Papua New Guinea there are many provinces, and they bring with them, as well as a tremendous getting together of the peoples of Papua New Guinea, regrettably, the tribal undercurrents. I do not think the high commissioner would disagree with me. So you are looking at two things in command: the actual command and at marrying up the various tribal and provincial elements. It is a tremendous challenge to leadership. Thank you.

Vice Adm. LEACH—I want to make a comment on the aid to civil power question. There are well-known procedures in Australia, and I have been in them. If the police have a situation which gets out of control, they call in the military under very specified instructions—instructions from a magistrate. So you cannot completely separate the military and the police in all circumstances.

The Indonesians, of course, use military as the third arm for nation building. I think this is the way that Papua New Guinea is moving; it is trying to amalgamate, in a paramilitary way, these two forces. When your resources are small, you cannot have people back to the problem, which is the internal problem, with their bayonets facing outwards. If you have limited resources, you have to use them sensibly. I take Michael Morrison's point that the call-out procedures must be very clear, constrained and disciplined. If any of those factors are not there, it will not work. But it is still a viable option.

CHAIR—Thank you. High Commissioner, you have drawn the short straw.

Brig. Gen. NOGA—Thank you to everyone for speaking on Bougainville, a

province of Papua New Guinea. I take note of your comments. On the side of the Papua New Guinea government, I just want to explain its position. Firstly, I thank Australia for giving us assurance that you recognise Bougainville as an integral and sovereign part of Papua New Guinea. We are grateful for that recognition that continues to come from here. As for the crisis that we are having with Bougainville as a Papua New Guinea problem, also that is recognised here as a domestic problem of Papua New Guinea. We do appreciate that and thank you for the respect you give to PNG.

But we in Papua New Guinea also realise that our internal problem on Bougainville has made quite an impact in the way of interest to the world at large, not only in Australia. We do realise that we have to give an account of ourselves to our friends such as your country as well as the world community. We have done all that throughout the world as well as continue to do it with your country.

Our position is quite clear: our wish is to secure peace with the BRA, and sit down with them and 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. Obviously, as has been said about us, we have not done it too well, because if we had done it well we would have resolved it a long time ago. To provide evidence of our effort, we 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 as an item of the South Pacific Forum. So we do account for it.

As for trying to settle it, we have also taken steps. I think we have signed about 13 agreements with the BRA to basically try to get peace with them and to solve the Bougainville crisis. I am afraid that we have not been successful, and that is why we continue to do that. On that context, I thank you for the offers and comments that have been made. I do take note and I will convey it to my government.

One of the biggest problems that exists in this situation is the involvement of the BRA leadership. The BRA leadership have never cooperated with any of us, including Australia. They use us, but they never cooperate to try and settle the crisis on the island. It is so disappointing. The BRA leadership has to be a little bit more cooperative than they have been in the past. I think that is one of the key elements that is missing, because they provide the leadership—no-one else. Until they cooperate, there is no way that we will have peace. All the agreements and treaties we have signed with them, they have their name to them but they have never honoured them. They have accused us of not complying with those agreements, but we have not sat down with them to discuss with them to try and correct those agreements that they accused us as we defaulted on them.

Our biggest problem in the course of trying to secure peace with them is that the BRA leadership has been very difficult. This is where Theodore Miriung—I am very sad to lose him—was a great help, because at least he could talk to the BRA leadership.

Unfortunately, as everybody knows, there was a lot of suspicion, and the poor man had to lose his life over it. But, hopefully, somehow we will get this back on that negotiated settlement. To precede any negotiated settlement, we think that peace is the only way to go about it.

We have approached this by adopting a strategy called the 'three R' strategy, meaning restoration, reconstruction and rehabilitation—everything to do with reconstruction of Bougainville. We have pursued that strategy all along. That strategy is really aimed at winning the hearts and minds of the Bougainvilleans and trying to change their attitude to us: rather than confrontation, let us be cooperative and settle the problem on the island.

I do understand, as my sister has mentioned over there, even the women getting involved. In Bougainville, women play a very prominent part, because it is a matriarchal society and women are very powerful. So the involvement of women, hopefully, will work somehow. It has been tried before, and unfortunately it did not work because of the persistence of the rebellion.

To restate our position, we are trying to secure peace with the Bougainvilleans. Then we will sit down with them and try and negotiate a settlement. One of the areas where a negotiated settlement has been viewed as a possibility is autonomy. That has been spoken of, but we do not know how to agree on the scope and size of that autonomy. As Tony Regan has mentioned, the constitution could allow that, but our position is that, if we negotiate a settlement, it must be negotiated within the Papua New Guinea constitution. That is the way we are pursuing it.

We have problems not only within PNG, but with outsiders as well. One of the areas from which we need cooperation is the Solomon Islands. The Solomon Islands allows the BRA a wider degree of access to the rest of the world, and in that manner the BRA gets support for the continuation of the rebellion on the island. We have got to get the support of the Solomon Islands.

We require the support of the world community at large and we are most grateful that Australia plays a large part in supporting Papua New Guinea in its handling of Bougainville and its attempts to resolve the problem. In this context, as Rob Laurie has mentioned, we agreed at our ministerial meeting in Adelaide to have the Australians talk to us, particularly at the government level. The government, on trying to listen to each other on how to solve the Bougainville crisis; and we need that kind of liaison and contact between the two governments of Papua New Guinea and Australia.

The most important thing, from Papua New Guinea's point of view, is that it is not a small issue to us. It is a very serious issue and it has a high priority in the affairs of Papua New Guinea. It may not seem to be so, but I want to let you know that we certainly do give it high priority and place a lot of emphasis on trying to help solve it.

CHAIR—Thank you very much. This has been a very productive two hours, and let us hope something substantive comes out of all of the dialogue.

Short adjournment

CHAIR—Our final segment this afternoon is on cultural issues and the PNG relationship. We have got Professor Hank Nelson from the Australian National University, and John Quinn from DFAT. I am going to ask Hank to open the batting and then move on to John. Thank you.

Prof. NELSON—Thank you very much, Mr Chairman. I want to start off by talking about movements of peoples and ideas. We lament the declining interest in and knowledge of Papua New Guinea in Australia. We do this without looking at the underlying causes. We have to recognise that previously we did not have to work on these issues. Now that we do, I am going to trace some of the underlying factors that have been influencing the relationship between PNG and Australia.

In the Second World War, something like over half a million Australians served overseas. Of those, about 300 to 400 Australians were in Papua New Guinea at some time between 1941 and 1945. Out of a population of seven million Australians, as it then was, that was one in 20 Australians. In 1946, if you went into a small town like Gundagai, 60 people in that town would have been in Papua New Guinea at some time during the war, assuming the average was kept. It was therefore not surprising when I first came back to Australia from Papua New Guinea in 1966 that I kept running into people who wanted to talk to me about how things were in Finschhafen, Wewak or Nadzab.

If we think about those few surviving original members of the battalions who made up the 6th Division that came back to Australia in 1942, joined the fighting against the Japanese on the Kokoda track and ended the war in the Sepik district, they now average 83 years of age. Even the 20-year-olds who joined the fighting in 1945 are over 70. In Papua New Guinea, there are only 150,000 citizens over 60; that is, those who were six years old when the Japanese landed. By comparison, there are two million people under 20, which is a point made by David Leach earlier. Those two million people under 20 were born at least 30 years after the war ended.

The war that transformed the quantity and quality of Australia and Papua New Guinea relations is now a memory for a declining number of those who participated in it. The Australian dead, of course, remain in Papua New Guinea. There are the names of about 8,000 Australians recorded in those cemeteries at Port Moresby, Lae and Rabaul. On 22 September this year, there was nobody at the Bitapaka cemetery outside Rabaul. That was not the consequence of the volcano; there was no-one there the last time that I was there, which was on the eve of the volcanic eruption. There was nobody looking down the panels listing the 1,225 names of those who have no known grave. No-one wandered among the 1,000 headstones.

In April 1992, the Australian Prime Minister at Kokoda claimed to have found the spiritual basis of the Australian nation there against that backdrop of the Owen Stanley Range. He wanted the Australians to find Kokoda as evocative as Gallipoli. Keating was born in 1944; he could have no memory of the war in Papua New Guinea. In spite of the fact that Australians ruled part of Papua New Guinea for 91 years and all of it for 61 years, the four years of war are for Australians the most broadly based and potent emotional connection to Papua New Guinea. That connection is rapidly ceasing to be something carried in hundreds of thousands of particular memories. It remains important, but it has become almost an abstraction. It is sentiment arising from learning, not out of experience.

In 1971, the foreign population in Papua New Guinea reached 50,000. That was the peak of that foreign population. Around then, there were 30,000 Australians living in Papua New Guinea, two-thirds or so of that foreign population. By the 1990 census, there were just over 5,000 non-citizens of Papua New Guinea who said that they were born in Australia. In round figures, then, there has been a drop from 30,000 in 1971 to 5,000 in 1990 of people who said that they were born in Australia and who are now living in Papua New Guinea. In Papua New Guinea, people born in Asia now outnumber those born in Australia. Even if we took out of that figure those who were born in Irian Jaya, that is probably still true, although the numbers would indeed be close.

I do not know how many Papua New Guineans were in Australia in the 1960s. Taking out the Papuans who crossed into the Torres Strait and a few random cases like that, there were probably less than 100 Papua New Guineans in Australia. At the 1991 census of Australia, there were 23,000 and more people in Australia who said that they were born in Papua New Guinea. That, of course, includes children born in Papua New Guinea of European and Chinese parents.

But what has certainly been happening in the last few years is that, in that small traffic of people crossing the Coral Sea, there are now more Papua New Guineans living in Australia than Australians living in Papua New Guinea. That reversal has taken place in 30 years. The number of Australians going north has dropped very dramatically from 30,000 to 5,000, and the number Papua New Guineans has increased from almost zero to over 15,000.

That reversal in movement can be seen in many fields. For example, in education there was once this great flow of teachers and researchers into Papua New Guinea. In 1972 there were 2,000 Australians teaching in the schools and the teachers colleges of Papua New Guinea. In addition, the Australians dominated on the staffs of the university, the medical college and other tertiary institutions. Much basic research was being conducted by Australians. This was most obvious in the work of the Australian National University's New Guinea Research Unit that was then on its way to producing a metre of shelf space of research bulletins. All that is now in decline.

At the University of Papua New Guinea where just a few years ago there were six to eight people who could have taught a course in Australian history, there is now nobody. While there is at the University of Papua New Guinea a position for a teacher of Australian history, it is vacant. No Australian history is taught at the University of Papua New Guinea.

The decline in research on Papua New Guinea has partly been for practical reasons. Doctoral students have now got a very strict barrier on the amount of time they can spend on their research. They are at a disadvantage if they choose a subject where they have to take time to become familiar with another culture, perhaps including learning another language. In addition, students going to Papua New Guinea might face delays in getting permission to do fieldwork and supervisors are reluctant to send students into places where there are problems of law and order and risks of malaria. Death or sickness from malaria has, in fact, been the greater of those two risks.

A further deterrent to research in Papua New Guinea is the poor chance of getting employment at the end of that research. There are now just 1½ university teachers giving courses in Pacific history in Australia. That is a fall from half a dozen just a few years ago. Doctoral students know that they have got to enter a job market in three years and they have got to keep to the major and expanding fields that are open to them. Australian cultural studies would have a 100 to one better chance for getting employment than a study of Papua New Guinea.

In addition, the chances of having material on Papua New Guinea published or of raising private money for research on Papua New Guinea are in most fields quite low. By contrast, the number of Papua New Guineans coming to Australia for education has been increasing. On 31 March this year there were 1,105 Papua New Guineans in Australia to further their education. Of those, 569 were doing courses on higher education. There may even be more Papua New Guineans working on Australian research thesis topics here in Australia than there are Australians working on Papua New Guinean topics. Again, that is part of that reversal.

The fact that few young Australians are committing themselves to doing long-term research during which they will become familiar with particular Papua New Guinean languages, particular Papua New Guinean institutions, is all the more important now that those of us who did earlier research or gained knowledge through employment are 'laik lapun nau. Oli sot win na klostu les pinis'—which means, 'almost too old. They are out of breath and about to give up'. And remember how dominant the Australians were in the administration on the eve of self-government. In mid-1972 there was only one head of department who was a Papua New Guinean.

To 1975, Papua New Guinea had made slight impact on Australia. It may be true that no other metropolitan power has had a colony so close and of such relative size and that colony has had so little influence on the economy, culture, politics and demography of

the metropolitan power. At least in the demography of Australia that is now being changed just slightly with Papua New Guineans reaching a measurable 0.1 per cent of the population of Australia at the 1991 census but, as I said, coming from almost zero.

The movement of people is probably a lot less important than the movement of information. News moving independently of people is slight, sporadic and concerned with business, the exotic and violence as it is coming south, and a massive, undigested by-product of the Australian and international media as it goes north.

The 1991 report of the joint committee made the point about the imbalance in that movement on news and entertainment in the print and the electronic media. The situation since then has, if anything, deteriorated. Sean Dorney of the ABC has remained in Papua New Guinea and he is the one journalist reporting consistently, at length, and with a knowledge of the contemporary and historical context. But for a considerable time this year, from December to July, Sean was the only Australian reporting full time from Port Moresby. The AAP position was not filled and there were various other factors.

The lift-out TV guides that you get in the Port Moresby press lists programs for the ABC, QTV, Aust TV, SBS, subscription TV. All of these present overseas programs with no concessions for the fact that they are directed at Papua New Guineans. In addition, other overseas programs are picked up by those Papua New Guineans who happen to possess satellite dishes or have the opportunity to watch television that is so connected. The one local TV channel, MTV, owned by Packer, shows many Channel 9 programs. So on Friday evening the programs run through *Home and Away*, *A Current Affair*, *Sale of the Century*, *Neighbours*, *Lois and Clark*, *Texas Ranger* and *Burke's Backyard*. The only indications that this is in Port Moresby are the station identifiers, the advertisements and the news. Of those, the advertisements are probably the most pervasive.

Since 1991, the Papua New Guinea press has changed with the introduction of the national Malaysian-owned daily, now competing with Murdoch's *Post Courier*. The weekly, the *Independent*, survives. The press is still uneven—this is the Papua New Guinean press—in its spelling, uneven in everything else, but is often extraordinarily tenacious, frank, informative and entertaining. I often find myself enjoying reading articles in the *Independent* as much as I enjoy reading anything from anywhere in the press.

There are persistent warning signs that not all politicians are content with the current freedom of the press. Ben Micah, chairman of the Constitutional Review Commission, in his report keeps using terms such as the need to harness, sublimate, and of licensing, regulating the press. The press and radio continue, I think, to serve Papua New Guineans well with Papua New Guinean news.

Short of another world war being fought in Papua New Guinea or the re-conquest and colonisation of Papua New Guinea, Australia will not return to the point where several hundred thousand Australians can point to Salamaua or Madang on the map.

Recommendations that we had in the 1991 report, such as reciprocal visits by members of parliament, all of these desirable, indeed essential, will have very little impact on that broad group of peoples in both countries. Pleas to Channel 9 and News Limited to put more Australian journalists in Papua New Guinea and Papua New Guinean journalists in Australia have not elicited significant response. In fact, as I said, it is probably worse now than it was a few years ago. And we could add to the list of desirable exchanges that might take place, whether these are of netball teams, exhibitions of bilums or tapa cloth, Australian dance troupes, whatever they might be. All of them are desirable but they too are only going to have minor influence on that overall movement that I have been talking about.

I would certainly add to that list. If Australia can fund posts in Australian studies in the United States, in Ireland and England, then it can certainly fund a post in Australian history at the University of Papua New Guinea. I would also suggest that it be reserved not for lapuns but for Australians at about the rank of lecturer and therefore open to younger Australians.

The Australian National University will continue to be one of the world's leading centres for studies of Papua New Guinea. Its work on Papua New Guinea will contract slightly but only consistent with the contraction of the rest of the university system under the recent cuts. The problem really is how to recruit the postgraduate students to ensure a continuity of research, but to do that requires a recasting of the present environment so that those with expertise on Papua New Guinea have opportunity for gaining access to employment, for further research funds, where they can readily obtain research visas and can work without threat from malaria or violence. The work partly being done at the Australian National University on a vaccination against malaria may eventually solve one of those problems. The rest of those problems seem to me to require a broad revision beyond the sorts of recommendations listed in the 1991 report and probably beyond any simple social engineering that we could configure here.

Given the relative cheapness and ease of flights between Port Moresby and Cairns, there should be more Melanesian studies centred in north Queensland. These would bring Papua New Guineans to Australia and be bases for Australian studies of Papua New Guinea and indeed of the rest of the Melanesian chain. But to alter what is a very long-term and significant transformation in those flows of people and information will obviously not be easy. What we must aim to do is to reverse that trend, not merely to slow it down, and we have not even been effective in slowing it down. Thank you.

CHAIR—Thank you, Hank, for a most informative presentation.

Mr QUINN—My presentation will be somewhat less ambitious in terms of covering the historical developments to date in the bilateral relationship. I thought it might be useful to brief the meeting on the approach taken by the Department of Foreign Affairs and Trade to its international cultural relations program as a case study of our approach. In

making these comments I am very conscious that there are many other connections with Papua New Guinea in Australia and that our role is a niche role as one player among many. That is a very important message across our international cultural relations program, that we are very conscious of the fact that we are one player among a number of players in a very important field.

Before I say something about the Papua New Guinea program I might just mention more generally some of the philosophy of our international cultural relations activities because I think what we are doing in Papua New Guinea needs to be seen in the context of a broader program. Basically, our objective is to project a contemporary image of Australia overseas to advance national interests. We are very keen on getting the message across to the opinion leaders, the decision makers in other countries, that Australia is a high tech country, culturally diverse and tolerant, engaged in the Asia Pacific region and basically a country that is on the move. We are very keen to overcome some of those Crocodile Dundee and other stereotypes that impede our engagement in the region and the world.

I should say also that it focuses very much on devolution to posts. We are very conscious that the one place where all the strands of the bilateral relationship come together are at our overseas posts. We give our posts a lot of flexibility in how they think they should run cultural programs. It is worth saying also that in the case of the South Pacific we have something of an atypical problem. In most parts of the world Australia is not particularly well known—there is either a blank space or a rather incomplete image of Australia. But in the South Pacific and Papua New Guinea there is a very large image of Australia. Our cultural relations programs are designed to produce a more rounded, nuanced perspective on what Australia is all about. Of course, it is also to underpin other policy objectives. We aim to get messages across about good governments and economic discipline and all those sorts of issues. We are very keen to see our cultural messages reinforce broader national messages from the government.

As I said at the beginning, we are conscious that we are in a very crowded field in this context and in the case of Papua New Guinea this audience today indicates the diversity of connections there are with Papua New Guinea. I am very conscious of Professor Nelson's historical assessment that the relationship has become more constrained but from where I sit, looking at a global program, there is a lot of activity between Australia and Papua New Guinea. There are a lot of interesting things going on, a number of players involved, state governments—Queensland and the Northern Territory—major institutions, the universities such as the ANU and the UNSW in Sydney, a number of institutions like the Australian Museum in Sydney and the South Australian Museum. We have a very substantial, ongoing, dynamic interest in Papua New Guinea.

While acknowledging the point about the profile of our media in Papua New Guinea, without doubt an issue like rugby league is a huge connection with Papua New Guinea. People can comment about that but sport is a very big connecting factor and our

profile through the commercial television connection is substantial. It is a meaningful connection which we should factor into the broader calculus.

I think we are also seeing activities move into the more commercial domain. We are seeing PNG artists conducting commercial shows in Australia. An artist recently showed at the Solander gallery in Canberra. So the relationship is moving into a new phase. The fact that there are so many Papua New Guinean people in Australia will generate new connections that are not in the traditional cultural domain but are very significant in terms of people to people links. I do not want to downplay the issue of decline because it is not my area of expertise, but, from where I sit, we are seeing quite a number of connections and quite a dynamic relationship.

Turning to Papua New Guinea, I think the main development since your report has been the establishment of the Australia-South Pacific 2000 program, which in some ways has a similar profile to a bilateral council and foundation but which also has a regional spin to it. The development of that program in a sense responded to concerns along the lines of concerns expressed by the committee about the decline of focus in Australia on the South Pacific. The theory behind that program, which was launched by the previous government, was basically that we should try to use the focus on the Sydney 2000 Olympics to engage the South Pacific region in that process and use it as a catalyst to generate stronger bilateral cultural and other connections. That program, as announced, was for about a million dollars a year. That amount has been reduced a little—about 10 per cent—as a consequence of budget savings since that time. So we have quite a substantial program now operating in the South Pacific region. Papua New Guinea is a very important part of that regional process.

There are four main parts to the ASP 2000 program, as we call it. One is sport, where we have subcontracted out most of that activity to the Australian Sports Commission in Canberra. There is also a cultural component, a youth component and a visits component. In addition, we allocate funding to our posts in the region. Port Moresby has routinely received about \$30,000 in, as we call it, discretionary funding each year. We have looked at Papua New Guinea in a regional context. The thinking is that there is logic to that in that the sorts of things we want to do in the region are relevant to Papua New Guinea. There are economies of scale in doing things in this way. The whole focus on the Sydney 2000 Olympics gives us a very useful umbrella over which to place the overall cultural relations program.

It is fair to say that South Pacific governments and the Papua New Guinea government have responded very well to this program. The sport element has probably been the cutting edge of it, given that sport is such a huge issue in the region and in Australia. I might mention in passing that, at the Atlanta Olympics, something like 15 or 16 South Pacific athletes qualified on merit for the games as opposed to two or three in Los Angeles. Most of those athletes had some sort of support through ASP 2000. A Tongan boxer won a silver medal. We are already seeing a direct spin-off from that

program.

That elite athlete program is only one element of the sports program run through the Australian Sports Commission in Canberra. The elite athlete program is a joint venture between the Department of Foreign Affairs and Trade, the Australian Sports Commission and the International Olympic Committee, which has developed this program for the South Pacific. Papua New Guinea scores about four scholarships a year to that program, which covers not only elite athletes but also coaches and sports medicine practitioners.

The other side of the program, which is definitely more important in the longer run, is the popular participation in sport program, where we basically have developed the Aussie sport program in a number of South Pacific countries, including Papua New Guinea. The sports commission in Papua New Guinea is now running this program as a joint venture with the education department throughout the country. They have mobilised the major corporate sponsor, Coca Cola, which has come on board to pay the bills. It has developed a much welcome head of steam on its own and is a self-sustaining foundation.

Beyond sport, there are a number of other areas where the ASP 2000 program has become involved. We have funded a number of cultural exchanges. I can provide more detail on that, if there is interest on the part of the meeting. A number of other activities are also run under the auspices of ASP 2000. The ANU, for example, coordinates our regional visits program. We have brought a number of key people, including some media-related people, from the region to Australia for a whole variety of purposes.

In the non-ASP 2000 context, a number of activities are running at the moment. In fact, we cannot really keep tabs on everything as there is such a variety of activity. I will mention two or three things just to give you an indication that there is still a degree of dynamism out there. One is the Clean Up the World campaign, where we provided some very modest funding to the campaign in Papua New Guinea, which has really taken off very successfully. The Asia Pacific triennial visual arts exhibition is now taking place in Brisbane. Four leading Papua New Guinea artists have made a very big impact in that activity and have attracted a lot of critical interest.

A very strong Papua New Guinea contingent came down for a major cultural diversity conference in 1995. So there is a lot of activity going on. There are also some procedures set up to make sure that there is ongoing dialogue with Papua New Guinea. I will mention a couple of them. One is the Sport and Recreation Ministers Council, where Papua New Guinea has a seat at the table and an official standing committee below that. The Cultural Ministers Council, which is not in our portfolio but is in the communication and arts portfolio, is another place where Papua New Guinea has a seat at the table and is involved in that discussion about cultural policy in Australia. So there are processes that provide that entre and perhaps could be better publicised.

I am conscious that there was a lot of interest in the committee's recommendation

about a bilateral council or foundation. Our sense at the moment is that the budget environment is such that it would be very difficult to find additional funding for such a foundation. In many ways, the ASP 2000 umbrella gives us a structure which operates in a very similar way to a bilateral council and foundation. The strategy of involving Papua New Guinea in the regional activities is particularly interesting.

That strategy has generated dividends already. One key area that ASP 2000 has been working on is ecotourism training. The program was to develop a pilot program with Taronga Park Zoo in Sydney on ecotourism. AusAID came in as a major funder. In a sense, the momentum took off from that catalytic activity. We are now working with Questacon on a regional touring interactive science exhibition for the region. There is now a lot of interest in the Rock Eisteddfod, this hugely popular thing in Australia where the kids get together and develop a routine to popular music which has a socially desirable theme, such as anti-drugs or whatever. We are very keen that those regional programs be developed and finetuned and that the individual South Pacific countries take off. There is interest in applying that rock challenge concept—the Australian concept—in Papua New Guinea and reaching that younger generation that is really so critical to the future, as we all know.

So our programs are relatively modest; we acknowledge that. We are keen to think creatively. We are very keen to know what other people are doing. As I say, we do not want to reinvent the wheel or cut across the very extensive connections that do exist. I am also very conscious of the historical issue that Professor Nelson has canvassed. I think it is a real issue and concern. From where I sit, I see quite a lot of dynamic activity and some new directions. The challenge for us now is to rethink how we move into the new environment of the bilateral relationship and what sorts of cultural activities can be generated that will really make an impact and will develop that cross-cultural dimension.

From where I sit, our focus is very much on Australia out. We do not do a lot of work in Australia in terms of promoting countries in Australia. The five bilateral councils and foundations that currently exist—Japan, China, Indonesia, Korea and India—focus most of their activity overseas. There is much less activity these days in Australia promoting Korea, China or Japan. In a global program, the onus is on other governments to promote their activities in Australia. We do not see that as our prime role. Given that cultural exchange is a two-way street, there has to be some synergy there. We are very keen to work with the Papua New Guinea government in activities in Australia. Because of our distinctive profile in the region—the South Pacific is a bit different in that regard—we have done more in relation to the South Pacific in terms of promoting consciousness in Australia of those cultures and their diversity, dynamism and excellence.

That is a quick snapshot of where we are coming from in the foreign affairs and trade perspective. I am conscious of a lot of expertise around the room. I am very keen to listen to comment on the way ahead. That is really how we see it from our perspective.

CHAIR—I know that tomorrow we are going to talk a little about health and education. Sitting in the corner are some students from the University of Wollongong. I was just wondering whether any of the students might like to say something in the cultural area. I do not want to put anybody on the spot. Does anybody want to make a comment at this stage in this segment? Just read your name into the record if you do.

Mr ARTANGO—My name is Kevin Artango. As you have said, I am one of the University of Wollongong students who are here today. Firstly, I take this opportunity to express our thanks in permitting our presence here at these very important meetings today and tomorrow. I want to say just a little on education. Me and my other colleague Sakias, who is a Papua New Guinean, and others at the University of Wollongong—we understand that there are many other Papua New Guineans throughout universities and other learning institutions in Australia—would like to make it clear that we appreciate the assistance that your government has provided to students such as us. We hope that this continues. I think it will go towards the betterment of our relations for years to come.

On cultural exchange, from time to time, we have to travel from Wollongong to Sydney. We enjoy it because that is about the only time when we hear about Papua New Guineans coming down and performing. We would like to see that encouraged. Through forums such as this, I guess that avenues can be permitted and designed so that these opportunities are created emphatically.

One thing I would like to make mention of is the statistics that have been provided by Professor Nelson. That is how the trend has changed, where we have seen a lot of Papua New Guineans come down and settle in Australia. Many of those Papua New Guineans come back on holidays to Papua New Guinea to see the country, to meet relatives and come back again. But I would like to find out what they could be doing for Papua New Guinea while they are down here. I understand that they are Australians by citizenship. I think they can also make a contribution.

I would also encourage that some dialogue be made, because I do know that there are many Papua New Guineans, particularly in upper Queensland. They should be making constructive contributions to our relations. I do not think there are any. The only time that I do hear about it is when there are independence celebrations and some group is running up to Papua New Guinea to celebrate and come back down again. But I think it should go beyond that.

Just one last point is that I do recall the days when I was at university. Whether there had been any exchange schemes or not, I am not too clear. But, yes, there were times when many Australians were coming up to Papua New Guinea to conduct research. That, apparently, has declined for reasons that you and I know. I guess that is another area that could be looked at where some encouragement could be given as well. We should try to revitalise that area in both ways.

I do know that there are many Papua New Guineans down here, but I think this is a very crucial stage in Papua New Guinea, and we have got to have that understanding correct from this time, not from 10 years ago. It has all been a contribution, but that declined, and I do not think that decline is doing any good for the country or for our relationship. So I think that is one other aspect that we could possibly look on, and so we can see where we can improve.

On the number of students that come down to Papua New Guinea for scholarships being provided by the Australian government, as I said earlier, we do appreciate that very much. Sometimes there is opposition within our own country saying, 'Well, why do we not change it around, why do we not bring the teachers up here, or why do we not train the people up here?' For one student, I understand, about \$27,000 is spent. I am not saying that what is being done right now is wrong, but back home we hear stories that there are too many of going over, and that they should come back up here. I will leave it to the joint committee to pursue that.

CHAIR—Thank you very much. Would anybody else like to make a comment or ask a question?

Mr PROCTOR—The issue of the number of students coming to Australia versus training in PNG is quite an active one. What is actually happening is that, over time, the numbers of students coming to Australia are not going up, but the program aid to PNG is increasing enormously, which means that exactly what is proposed will happen, and that many more trainers will be going to PNG or money to allow the education of PNG students in primary and secondary schools.

I turn to the comment on the general cultural relationship, and the point that Professor Newsem made that we will not see again the numbers flowing to PNG that we did, say, in a situation of a war. There is only really one modern instance where you will get such large numbers and that is tourism.

If both our countries are serious about the need for a greater understanding, one of the best things we could possibly do is to greatly increase the number of Australians that travel as tourists to PNG. Any number of young Australians can point to the map and show you where Bali is. Very few could tell you where Kavieng sits on the same map. So could I suggest for discussion that the funding of ecotourism and the focus on infrastructure development are all quite important for broader contacts between our countries.

CHAIR—Thank you.

Ms HUNT—I also wanted to talk about the issue of young Australians, because I am aware that, in the case of Indonesia, there is an exchange program that operates and a number of young Australians go to Indonesia each year and vice versa. I am not aware of

such a thing operating with regard to PNG, and I just wonder whether that is something that could be explored. Obviously, with Murray's suggestion about ecotourism and perhaps some sort of extension of the relationship with North Queensland, there is some possibility that that would encourage the flow from Australia to PNG and a greater understanding. It is of concern that so few young Australians have a deep knowledge of Papua New Guinea and, perhaps, exploring some sort of exchange program might be a way forward.

The other thing, of course, is the education system, and I am aware that in recent years there has been a greater effort in all state education systems to incorporate what we call global education into their curricula, but I do not think there is any specific emphasis placed on Papua New Guinea in that. I think it might be a useful recommendation that Australian education curricula should include at least some references to Papua New Guinea as young people grow up. It is our closest neighbour, after all.

CHAIR—I think, again, we can develop that in the segment in the morning on the education area. Would anybody else like to make a final comment?

Ms JESSEN—I will make it brief. The Overseas Service Bureau is probably best known for its Australian Volunteers Abroad program. In our Papua New Guinea program, we have the largest number of volunteers working overseas. At the moment we have approximately 55 Australians working in Papua New Guinea. Half of those people are working on projects, the other half are placed in volunteer positions working in non-government organisations and government positions. They are in education, health, agriculture, fisheries—right across the sectors.

Last year 20 per cent of those people working in Papua New Guinea extended, which we see as a very important statistic because of the bad press that Papua New Guinea gets. We find that when Australians work alongside local people in Papua New Guinea and around the world, they gain a lot of insight, if not cultural insight. In PNG at the moment we are having a terrific rate of people wanting to continue there.

We are also looking at working on cultural exchange programs, whether it be with local government or the museums. We are also working on twinning programs. We are working with St Vincent's Hospital at the moment, looking at placing doctors on a revolving six-month exchange so that we can offer medical services to one of the hospitals which at the present time is unable to attract doctors to PNG. That is some of the work that we are doing, which I think is very positive. I would really encourage the work of DFAT in the cultural relations area because there is a lot of room and I think a lot of dynamic things can be done in the future.

CHAIR—Thank you very much. Unless anybody else has any other pressing comments, it remains for me to thank everybody for what I think has been a most informative day. I hope that you have enjoyed it.

Seminar adjourned at 4.52 p.m.