

Chapter 1

Introduction and conduct of inquiry

Referral of inquiry

1.1 On 24 June 2008, the Senate referred to the Standing Committee on Foreign Affairs, Defence and Trade the matter of the economic and security challenges facing Papua New Guinea and the island states of the southwest Pacific. The committee was to inquire into, and report on, the reference by 30 May 2009. On 13 May, the Senate resolved to restructure its committee system and as a result the Standing Committee on Foreign Affairs, Defence and Trade was split into two separate committees—the Foreign Affairs, Defence and Trade Legislation Committee and the Foreign Affairs, Defence and Trade References Committee.¹ Under standing order 25(4), the References Committee assumed responsibility for the inquiry.

1.2 On 29 May 2009, the committee tabled an interim report notifying the Senate of its intention to consider recent developments of significance to the committee's inquiry, including the release of *Defence White Paper 2009*, the Prime Minister's announcement about a proposed deployable civilian capacity and the 2009 Budget Statement by the Minister for Foreign Affairs and the Parliamentary Secretary for International Development Assistance. The committee informed the Senate that it would present its final report on 21 August 2009. On 18 August, the Senate granted the committee an extension to its reporting date to 29 October and subsequently to 19 November 2009.

Terms of reference

1.3 Under the terms of reference, the committee was to inquire into the major economic and security challenges facing Papua New Guinea and the island states of the southwest Pacific:

- (i) the implications for Australia; and
- (ii) how the Australian Government could, in practical and concrete ways, assist these countries to meet the challenges.

The inquiry was to include in its examination:

- (iii) employment opportunities, labour mobility, education and skilling;
- (iv) barriers to trade, foreign investment, economic infrastructure, land ownership and private sector development; and
- (v) current regional organisations such as the Pacific Islands Forum and the Secretariat of the Pacific Community.

1 *Journals of the Senate*, no. 68, Wednesday, 13 May 2009, pp. 1942–1946.

Conduct of inquiry

1.4 The committee advertised its inquiry on its website and in *The Australian*, calling for submissions to be lodged by 30 August 2008. The committee also wrote directly to a range of people and organisations inviting written submissions. These included government departments and agencies, academics, research and strategic studies institutes, non-government organisations, and a number of embassies and high commissions of countries from the region.

1.5 The committee received 71 submissions which are listed at Appendix 1. During the inquiry, the committee also placed a number of questions on notice to witnesses. The answers are available on the committee's website.

1.6 The committee held seven public hearings in Canberra, Sydney and Brisbane. A list of the hearings, together with the names of witnesses who appeared, is at Appendix 2. The committee also took evidence from Australia's High Commissioners to Tonga, Papua New Guinea (PNG) and Fiji. During the inquiry, the committee received additional information, which has been tabled with this report and is catalogued at Appendix 3.

1.7 In producing this report, the committee relied not only on the evidence presented to it but also on a significant body of recent research on Pacific island countries. A selected bibliography at the end of this report cites the main references used by the committee.

Terminology

1.8 When calling for submissions, the committee left open the definition of southwest Pacific islands to allow submitters the opportunity to consider islands in the general region that in their view warranted attention. Overall, most submissions focused on the member states of the Pacific Islands Forum and in particular, the Cook Islands, Kiribati, Fiji, Nauru, PNG, Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu. When using the term Pacific island countries, the committee is primarily concerned with these countries.

Previous inquiries

1.9 Committees of the Commonwealth Parliament have conducted inquiries into Australia's engagement in the Pacific on a number of previous occasions. In 2003, the Senate Foreign Affairs, Defence and Trade Committee tabled its report on Australia's relations with PNG and the island states of the southwest Pacific; in 2006 it reported on Australia's public diplomacy with a special emphasis on the region and in 2008 it produced a report on Australia's involvement in peacekeeping operations with particular reference to the Regional Assistance Mission to Solomon Islands (RAMSI). The Joint Standing Committee on Foreign Affairs, Defence and Trade tabled its report on Australia's aid program in the Pacific in September 2007. Reference is made throughout the report to the findings of these inquiries.

Scope of inquiry

1.10 Although the report builds on the findings of previous parliamentary committees, it takes a different perspective that reflects the changes that have taken

place over the past six years. For example, in 2003 the committee recommended that Australia introduce a Guest Labour Scheme. A pilot scheme is now under way requiring the committee to examine the implementation and operation of the scheme in detail.

1.11 The increased participation of Australian government departments in assisting Pacific island countries has also allowed the committee to focus on the practical and hands-on work that Australian officials are doing in the region. For example, the Department of the Treasury (Treasury) noted that it did not appear before the committee during its 2003 inquiry, stating that 'we were not in the game very much at that stage'.² This change in engagement, which highlights the importance of an evolving whole-of-government policy, is indicative of the shift in emphasis that has taken place over recent years.³

Pacific Partnerships for Development

1.12 The Australian Government also recently indicated its intention to usher in 'a new era of cooperation' between Australia and its Pacific island neighbours through Pacific Partnerships for Development. They are to be 'the centre piece of Australia's new approach to the Pacific region'.⁴ Under these arrangements, the government has stated that it 'will be prepared to provide increased development assistance over time in a spirit of mutual responsibility...to improve governance, to increase investment in economic infrastructure, and to achieve better outcomes in health and education'. The Pacific Partnerships initiative is also intended to enhance private sector development, including better access to microfinance.⁵ Australia has signed partnerships with PNG, Samoa, Solomon Islands, Kiribati, Vanuatu, Nauru, Tonga and Tuvalu.⁶ The committee examines this new framework.

2 *Committee Hansard*, 20 November 2008, p. 2.

3 *Committee Hansard*, 20 November 2008, pp. 2–4.

4 Prime Minister of Australia, 'Pacific Partnerships for Development with Solomon Islands and Kiribati', Media release, 27 January 2009; http://www.pm.gov.au/media/release/2009/media_release_0770.cfm (accessed 13 February 2009); Prime Minister of Australia, Joint Press Conference with Prime Minister Helen Clark, Parliament House, Canberra, 27 February 2008; http://www.pm.gov.au/media/interview/2008/interview_0101.cfm (accessed 25 September 2008); Prime Minister of Australia, 'Port Moresby Declaration', Media release 6 March 2008, http://www.pm.gov.au/media/release/2008/_release_0118.cfm (accessed 27 May 2008).

5 Prime Minister of Australia, 'Port Moresby Declaration', Media release, 6 March 2008, http://www.pm.gov.au/media/release/2008/_release_0118.cfm (accessed 27 May 2008); *Committee Hansard*, 21 November 2008, p. 3.

6 Prime Minister of Australia, 'Port Moresby Declaration', Media release, 6 March 2008; 'Prime Minister Signs Partnership for Development with PNG and Samoa', Media release, 20 August 2008; 'Pacific Partnerships for Development with Solomon Islands and Kiribati', Media release, 27 January 2009; *Submission 71*, p. 3; Richard Rowe, *Committee Hansard*, 21 November 2008, p. 24.

Regional architecture

1.13 Under the terms of reference, the committee was also to consider regional organisations. Pacific island countries are now members of a raft of international and regional organisations. In this report, the committee focuses on the Pacific Islands Forum. Its history dates back to 1971, when leaders and representatives from Nauru, Western Samoa, Tonga, Fiji, the Cook Islands, New Zealand and Australia met as neighbours to discuss a range of matters—trade, shipping, civil aviation, foreign investment, education, telecommunications, joint diplomatic representation and regional cooperation. This group has met regularly since then and in 2000 assembled under its new name 'Pacific Islands Forum'. Its membership has grown and now stands at 16. Ministerial meetings have become a feature of its activities with, for example, economic ministers, aviation ministers, education ministers and communication ministers holding separate gatherings and reporting to the Forum. Its agenda has also expanded considerably to include regional security, the vulnerability of islands and environmental issues including climate change.⁷ In April 2004, the Forum Leaders adopted the following vision statement:

We seek a Pacific region that is respected for the quality of its governance, the sustainable management of its resources, the full observance of democratic values, and for its defence and promotion of human rights. We seek partnerships with our neighbours and beyond to develop our knowledge, to improve our communications and to ensure a sustainable economic existence for all.⁸

1.14 The Leaders agreed to give effect to this vision by developing a Pacific Plan which is intended to be a 'living document' having the flexibility that allows the vision and the goal of regional integration to 'extend far into the future'. A revised version of the plan was produced following decisions taken by the Leaders at the Forum meeting in October 2007. This key document provides the roadmap that the Pacific island countries have agreed to follow in their pursuit of economic growth and regional prosperity and security. It identified four main objectives—enhance and stimulate economic growth, sustainable development, good governance and security for Pacific countries through regionalism.⁹ These objectives provide a key reference point for the committee's inquiry.

1.15 Over time, numerous regional organisations focusing on specific areas have also been established and work closely with the Forum. They include the Fiji School

7 *Forum Communiqué 2000*, Thirty-first Pacific Islands Forum, Tarawa, Republic of Kiribati, 27–30 October 2000.

8 *The Auckland Declaration*, Pacific Islands Forum, Special Leaders' Retreat, 6 April 2004, Auckland. See also, Pacific Islands Forum Secretariat, *Working Draft, The Pacific Plan for strengthening regional cooperation and integration*, p. 3 and Department of Foreign Affairs and Trade, 'Pacific Islands Forum Special Leaders' Retreat', Auckland, 6 April 2004, http://www.dfat.gov.au/geo/spacific/regional_orgs/spf_leaders_decisions.html (accessed 29 September 2008).

9 Pacific Islands Forum Secretariat, *The Pacific Plan*, revised version 2007.

of Medicine; Pacific Islands Forum Fisheries Agency, Pacific Islands Development Program, Secretariat of the Pacific Community (SPC), Pacific Islands Applied Geoscience Commission, South Pacific Board for Educational Assessment, Secretariat of the Pacific Regional Environmental Programme, south-pacific.travel and the University of the South Pacific. They are members of the Council of Regional Organisations in the Pacific (CROP).

1.16 The committee is not examining in detail the activities of CROP and its members. Some of the above organisations, however, are considered in following chapters, particularly the work of the SPC. This organisation provides technical assistance, policy advice, training and research services to 22 Pacific island countries and territories covering areas such as health, human development, agriculture, forestry and fisheries. It celebrated its 60th anniversary in 2007 and has grown to become the largest developmental organisation in the Pacific with around 350 staff and offices in Noumea, Suva, and Pohnpei.¹⁰

International partners

1.17 A number of international organisations work with Pacific island countries to further their economic and human development. They include the Asian Development Bank (ADB), the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP), the Food and Agriculture Organisation of the United Nations (FAO) and the United Nations Development Programme (UNDP). Their research has provided a valuable source of information in preparing this report.

Statistics

1.18 The statistics on Pacific island countries are incomplete and in many cases outdated. In the main, the committee used data produced by ESCAP, the International Monetary Fund (IMF), the World Bank and the ADB. This information should be used as an indicator of broad trends and read in light of the rapid changes taking place in the global financial markets which may also affect its currency. For example, rising fuel prices were a major problem in the first half of 2008 but the sudden decline in the price of oil toward the end of the year brought relief for the time being.

Structure of the report

1.19 The report considers the nature and extent of the key economic challenges facing Pacific island countries and the measures that they are taking to meet these challenges individually and collectively. It also examines Australia's bilateral and regional endeavours to help these countries. The report is divided into three main segments. Part 1 presents an overview of the economic performance of Pacific island countries, including the role of remittances and official development assistance (ODA). It also:

10 Secretariat of the Pacific Community website,
http://www.spc.int/corp/index.php?option=com_content&task=view&id=14&Itemid=40
(accessed 12 June 2009).

- discusses the inherent physical and geographical conditions of Pacific island countries that create challenges for them in developing their economies—size, remoteness, natural disasters and climate change; and
- identifies conditions and circumstances stemming mainly from these physical and permanent factors that impede economic development.

1.20 Part 2 examines the measures that individual Pacific island countries are taking to encourage economic growth. The committee looks at:

- development and management of natural resources—agriculture, fisheries, forestry and mining—sustainable development, food security and climate;
- opportunities for growth and expanding markets;
- the business and investment environment in Pacific island countries including—
 - economic infrastructure such as transport and information communication technology;
 - human resources—education and training, workforce productivity, population growth, employment, labour mobility and brain drain;
 - the effectiveness and efficiencies of state institutions and public administration for example in delivering essential services and managing government finances;
 - regulatory and legal framework;
 - political stability; and
 - land tenure and access to finance.

1.21 The committee also considers Australia's assistance to Pacific island countries that is helping them to promote economic growth and human development.

1.22 Part 3 analyses the effectiveness of the development assistance Australia provides to the region including the new Pacific Partnerships for Development.

Security

1.23 The committee in this report deals with a complex range and interplay of forces affecting economic and human development in Pacific island countries. It recognises that there is a direct link between economic performance, human development and national and regional security. To explore security in a comprehensive manner and to allow detailed consideration of the relationship between economic and human development and security matters, the committee decided to divide the report into two separate volumes. The first volume is concerned primarily with economic challenges and the second with security. The committee intends to present its report on security in the region soon after tabling volume I.

Acknowledgments

1.24 The committee thanks all those who contributed to the inquiry by making submissions, providing additional information or appearing before it to give evidence.

Part I

Overview of the economic performance of Pacific island countries

