



17 October 2008

Dr Kathleen Dermody
Committee Secretary
Senate Standing Committee on Foreign Affairs, Defence and Trade
PO Box 6100
Parliament House
CANBERRA ACT 2600

Submitted by email: fadt.sen@aph.gov.au

Dear Dr Dermody

Inquiry into the economic and security challenges facing Papua New Guinea and the island states of the southwest Pacific

Thank you for the opportunity to make a submission to the Senate Inquiry into the economic and security challenges facing Papua New Guinea and the island states of the southwest Pacific. ACFID is pleased to provide a response from its perspective as the peak body representing the Australian non-government organisations working in the field of international aid and development. Of ACFID's 73 members, 48 currently undertake activities in Papua New Guinea and other Pacific Island countries.

This submission is informed by views from the many Pacific Island civil society organisations with which ACFID and its members work.

We would welcome an opportunity, to appear before the Inquiry to expand on the points raised in our submission. If this is possible, I would ask that ACFID's Pacific specialist, Ms Neva Wendt also be invited to attend.

Yours sincerely

Paul O'Callaghan
Executive Director



**Submission
to
Senate Standing Committee on Foreign Affairs,
Defence and Trade**

**Inquiry into the economic and security challenges
facing Papua New Guinea and the island states of the
southwest Pacific**

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Introduction

The Australian Council for International Development (ACFID) represents 73 Australian not-for-profit organisations (NGOs) working in overseas aid and development. Forty-eight of these agencies have worked closely with communities in PNG and other Pacific Island states for many decades, some dating back over 100 years. ACFID also is an active member of the main regional NGO network, the Pacific Islands Association of NGOs (PIANGO), which includes the national civil society peak bodies of 12 Island countries.

ACFID recognises the significant economic, social and broader security challenges facing Island states of the southwest Pacific. The special vulnerabilities of small Island states have been well documented, including in the Pacific 2020 report¹. High population growth rates, high youth unemployment, limited economic opportunities and often poor delivery of basic services to citizens, present major challenges for medium-term stability. While some regional states have significant natural resources, most do not. In most countries, a critical challenge is to develop the nation's human resource capacity.

External competition for influence

Notwithstanding Australia's major role in the region, the engagement of China, Taiwan, Japan, the European Union and other donors has become substantial over the last decade. The competitive diplomacy between China and Taiwan has had a directly adverse impact in some countries, especially Solomon Islands. As well, China's unconditional funding support for the interim Fiji government runs counter to Australia's interest in a rapid return to democracy.

The 2006 Senate Foreign Affairs, Defence and Trade Reference Committee report expressed serious concern that the aid programs of China and Taiwan were impeding, rather than promoting, development and good government.² Foreign Minister Downer told the National Press Club in April 2006 about the serious damage being caused through the funding of political parties and interference in domestic Pacific Island politics by China and Taiwan.

Given these adverse impacts, ACFID urges the Australian government to become more active in its representations to China on the way it pursues its interests in the region. We should demand that both China and Taiwan cease their direct interference in Island political systems.

¹ *Pacific 2020*, Australian Government, Canberra, 2006.

² *China's emergence: implications for Australia*, Senate Committee on Foreign Affairs, Defence and Trade, 2006.

Climate change

Climate change has been near the top of the agenda of Pacific leaders for the past two decades³. The Pacific Islands' vulnerability to climate change and the likelihood of some Pacific populations becoming climate change refugees, are key concerns for Island government and civil society leaders. They have raised them regularly with successive Australian governments. For this reason, Pacific leaders welcomed the Labor government's policy response on climate change when elected.

ACFID urges the Australian government to pursue its intended partnership with Pacific Island countries on climate change vigorously and ensure that the design of mitigation and adaptation measures reflects mutual agreement rather than just Australian-devised solutions.

Partnerships for development

The Australian government's focus on "Partnerships for Development" is most welcome. If implemented in the spirit of a partnership over coming years, it offers the prospect of strengthening relationships with these countries and achieving significant development impact. This approach is likely to enhance Island country human resources through widespread skills development and mentoring. Engagement by the Prime Minister, Foreign Minister and Parliamentary Secretaries with Pacific leaders during the Rudd government's earliest days in office has been welcome and ACFID especially commends the Prime Minister on his Port Moresby Declaration and the decision to proceed with the trial for a Seasonal Worker scheme. ACFID has been a strong advocate of the Seasonal Worker Scheme since 2005.

If implemented across Australia's official dealings with the region, the principles embodied in the *Port Moresby Declaration* will undoubtedly improve the nature of Australia's relationships in the region and the impact of our official programs. An area requiring particular caution relates to the handling of trade negotiations for the PACER Plus process (see Section 2 below). ACFID has been advised by its national counterparts across the Pacific that Australia's actions on the PACER Plus registration will be the litmus test of its approach to the region. They also urge that the Australian government make a commitment to working with Pacific civil society organisations across a range of policy dialogue areas and in the arrangement of high-level bilateral and regional meetings. They often refer to the excellent track record of Greg Urwin, Australia's late Secretary General of the Pacific Islands Forum Secretariat, in promoting more substantial contact with civil society.

A key factor in improving Australia's relationship with the region is to address the very low level of Australian community interest in, or awareness of Pacific Island countries. ACFID proposes several measures within the three areas of focus for the Inquiry.

³ As early as 1992 during the Earth Summit, Rio de Janeiro, high-level representation (involving 12 Pacific Island heads of state) called for action by the developed world on Climate Change. Pacific leaders have constantly advocated for climate change action during meetings of the Intergovernmental Panel on Climate Change (IPCC), as early as the 1989 IPCC meeting in Majuro, Marshall Islands.

1. Employment opportunities, labour mobility, education and skilling

We welcome the government's announcement of its pilot Seasonal Worker Scheme. It is an important step forward and complements the government's substantial investment in education and training in the region.

Given the initial role of education and skills development, ACFID recommends three very practical initiatives:

- Papua New Guinea Rugby League team in the NRL
- Pacific Sustainable Energy Training Program
- "Brain Rotation" of Health Care Workers

Papua New Guinea Rugby League team in the NRL

The NRL is looking to expand internationally and Papua New Guinea is the only country in the world where League is the national sport. The Australian government, in partnership with the private sector, could support a Rugby League team based in Papua New Guinea into the NRL. The talent pool from Papua New Guinea is enormous and a partnership program, filtering down to school level could make significant in-roads into closer relationships between Papua New Guinea and Australia and result in a two-way skills transfer.

Pacific Sustainable Energy Training Program

Many parts of the Pacific lack access to predictable energy supplies, despite abundant solar energy potential. The Pacific Power Association (PPA), the inter-governmental regional organisation of electricity power utilities has the mandate "to improve the quality, minimise the cost and expand the use of electricity in the Pacific Islands Region". Australia has considerable solar energy expertise, having been in the forefront of solar energy development for several decades. The potential exists for a training program to improve the skills of Pacific Islanders in solar power establishment and maintenance through an "Energy Partnership" between Australia and the Pacific.

"Brain Rotation" of Health Care Workers

Pacific Island health care workers often receive some training in Australia, but this is an area subject especially to "brain drain". ACFID recommends that, in order to improve the skills of Pacific health workers, opportunities be used to bring them to Australia for training. There would also need to be a strong incentive for them to return home to apply those skills. A Health Care Worker Partnership across Australian institutions could be implemented with a built-in "rotation" mechanism. This would also provide experience for Australian health care workers to go to the Pacific. There are several areas where the Pacific specifically needs considerable health care support such as with non-communicable diseases (NCDs) or "lifestyle" diseases in some countries (especially Polynesia), maternal and child health care (especially in Melanesia) and mental health across the region. Health information system support (and understanding of its potential) is also lacking. The Regional Health Strategy (Yanuca Declaration, 1995) clearly outlines what is required to address the health issues facing the Pacific and this should be used and supported.

2. Barriers to trade, foreign investment, economic infrastructure, land ownership and private sector development

A major test for the Labor government's approach to partnership with Pacific Island states will be its negotiation approach to the PACER Plus process. This process is intended to create a free trade area encompassing Pacific Island countries, Australia and New Zealand.

Early in 2008, Trade Minister Simon Crean explained the government's intention "to bring the development and economic integration benefits of trade liberalisation to our Pacific neighbours through the "PACER Plus" discussions on a new and comprehensive free trade agreement between ourselves and New Zealand and Pacific island countries."⁴ Foreign Minister Smith has since said that Australians understand how difficult liberalisation can be due to our own experiences, "but that the long-term benefits of liberalisation are real and substantive. So Australia is ready to assist Pacific nations take advantage of these long-term opportunities while helping to cushion short-term discomfort"⁵.

ACFID urges the Australian government to demonstrate its commitment to such a "joined-up" approach in its negotiation framework for PACER Plus and to ensure that satisfactory transitional adjustment programs result from PACER Plus. Based on advice from national Pacific civil society counterparts, ACFID is concerned that inadequate attention has been given to the adverse social impacts from trade policy reform in a number of small Island countries. In the absence of evidence to the contrary, a wide range of Pacific civil society leaders expressed serious concern on 19 August 2008 about such adverse impacts⁶. The breadth of regional support for the 19 August statement, including by the major churches across the region, suggests that the Australian government needs to not only demonstrate its "joined-up" policy approach, but also communicate it more effectively on the issue of social impact.

In this regard, ACFID urges the Australian government to respond favourably to a request by Pacific Island trade ministers for Australian support for a new Office of the Chief Trade Advisor. This will enhance the minimal capacity of most regional trade ministries to engage in PACER Plus negotiations effectively and as a confidence-building measure. Unlike the aggressive approach taken by the European Union in its Economic Partnership Agreement negotiations with regional trade ministers in 2005-2007, ACFID recommends a flexible approach to both the content and timing of these negotiations.

Noting the support already provided for an Institute for International Trade research paper⁷, ACFID suggests that the government funds social impact assessments in Forum Island countries. These should be either run by Pacific Island research teams or involve Pacific Island experts in a significant way.

⁴ Address to the Lowy Institute; Australia and the Multilateral Trade System – Seizing the Opportunities, 28 February 2008

⁵ Stephen Smith *The Diplomat*, May/June 2008

⁶ "Time for Trade Justice" – a joint statement by Pacific churches, NGOs and trade unions.

⁷ Research Study on the benefits, challenges and ways forward for PACER Plus, University of Adelaide, June 2008.

Given the potential for mainstream civil society concerns to ultimately de-rail the PACER Plus process, it would also be useful if the research findings about social impact are considered in intra-regional consultations before trade ministers are required to finalise decisions.

Land ownership

Australian government support to change land tenure systems in Pacific Island countries needs to occur only where there is substantial domestic support in those countries for such change. This is because, more than any other issue involving foreign intervention, issues of land tenure have been the subjects of contention since pre-independence days. It is a salutary reminder of the potential for future friction within some Forum member countries that Pacific civil society leaders meeting in August 2008 identified Australia's land tenure policy as an issue of special concern. These leaders expressed criticism of their own governments for embarking on certain land tenure changes, especially those changes that enable short-term leases by foreign developers.

ACFID notes the sound intention of the recent Australian government statement, "Making Land Work"⁸ and stresses the importance of Australian assistance adhering closely to the two fundamental principles outlined by the Hon. Bob McMullan. Firstly, Australia will only support reforms that recognise the continuing importance of customary tenure and, secondly, land policy reform must be driven by Pacific Island governments and communities, not by donors.⁹ It is also noted that the benefits and potential flexibility of customary land tenure systems are under-stated. It is recommended that the Australian government support efforts underway in some countries to link customary land systems more effectively with domestic legal systems. In this regard, it is important not to focus attention principally on single holder titles.

3. Current regional organisations such as the Pacific Islands Forum and the Secretariat of the Pacific Community

ACFID recognises the importance to the Pacific of having pooled regional resources through Council of Regional Organisations in the Pacific (CROP) and other regional inter-governmental agencies. Also important are the 12 Pacific Regional NGOs (PRNGOs) such as the Pacific Islands Association of NGOs (PIANGO), Foundation of the People of the South Pacific (FSPI), Pacific Foundation for the Advancement of Women (PACFAW)¹⁰ which provide an avenue for Pacific civil society groups to voice issues and draw on each other for support. Whilst some of these organisations play an advocacy role, in keeping governments in the region accountable, others are more involved in direct civil society capacity building at the national level.

⁸ *Making Land Work*, Summary of Vol. 1, Australian Government, 2008.

⁹ "Australia to work with Pacific on land policy reform", Media Release AA0843, 12 June 2008.

¹⁰ Pacific Regional Non-Governmental Organisations (PRNGOs) are 12 organisations that meet regularly to discuss issues of common concern. Please see the full list of PRNGOs at <http://www.piango.org/prngo.html>

Australia could also implement a “Partnership for Pacific Civil Society Strengthening” program to bring Pacific civil society representatives to Australia on work-attachment to Australian peak and other NGOs.

The New Zealand Government has been a long-term supporter of civil society in the Pacific and notably more supportive than Australia over the last decade. ACFID welcomes recent modest steps by the Australian government to support civil society capacity development in PIANGO. ACFID recommends that the Australian government prepare for its hosting role of the 2009 Forum Leaders’ meeting by actively promoting accreditation for a representative of Pacific regional NGOs (eg PIANGO) to the Forum Leaders’ meeting. The Australian Prime Minister should also welcome Pacific civil society leaders to Australia in 2009 and participate in at least one part of the major CSO forum which will accompany the Leaders’ forum.