

## **Papua New Guinea-Australia Relations: From “We Are Trees, Not Stones” to “Blank Cheques”: The Role of Australia’s Aid in our Unique Bilateral Relations.**

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(Views expressed in this Paper are those of the Author and do not necessarily reflect the views of the Government of Papua New Guinea)

May I first of all express my appreciation to the Vice Chancellor and staff of Deakin University, Professor David Lowe, the organizers of this seminar, in particular, Dr Jonathan Richie, born in Papua New Guinea and remains a good friend of PNG. I also wish to acknowledge the presence of my Co-panelists, the Minister for Trade, Hon Richard Marles, who continues to be a great friend of PNG, after relinquishing his role as Parliamentary Secretary for Pacific Islands, Rowan Callick, Jo Chandler and Stephanie Copus-Campbell, all of whom are long-time friends of PNG, for their incisive thoughts, observations and writings on PNG and PNG-Australia relations. I am honoured and privileged to share this panel discussion with them.

When Jonathan first mentioned the possibility of having a seminar on PNG-Australia relations, my first re-action was 'But it was just last year, we discussed this issue, and I gave a paper on this topic at your Geelong Main Campus'. But very quickly I realised what the thinking may be in revisiting the Topic.

So here I am.

Given these the seemingly turbulent times of our lives between two friendly countries, I wish to remind us of past events, not too dissimilar to the events of the last few weeks, that underpin and provide some historical backdrop to today's discourse on Australia-PNG relations and the role of Australia's development assistance in igniting these seemingly controversial moments in our relations.

I wish to reflect and reminisce on four events in our relations to make the point that what is happening today is not unique. What is happening today in fact, contributes to this uniqueness in our relations and should not be used as an excuse on both sides of Torres Strait to destabilise our friendly relations. Only four you may well ask? You can justifiably argue that there are other events of similar significance and I would agree but time does not permit us to exhaustively reflect on them today.

There is more to gain for both our countries to consolidate and work to enhance the relations we have at official government to government level and at people to people level, than to lose. Admittedly, some of the long term benefits from new policies and initiatives in our efforts to consolidate our friendly ties may not be too obvious now and they may seem to be contrary at times. Policy and political stability are two sides of the same coin for progress.

Let me commence these reminiscences.

First was the change of government in Australia in 1975 when then Prime Minister Gough Whitlam was unceremoniously stripped of his Prime Ministership by the then Governor General Sir John Kerr who handed the reins of government to the then Opposition Leader, Malcolm Fraser. It was a momentous occasion in Australia's political and constitutional history. For Papua New Guinea and our Leaders then, there was a clear sense of uncertainty and trepidation as to how the new Fraser government was to deal with us. In the last days of Whitlam government and on the eve of PNG's independence, then Chief Minister, Sir Michael Somare dispatched a delegation of his senior Ministers including Sir Albert Maori Kiki and senior public servants to tie down a package of Aid for a longer period than the uncertainty of cycle of annual grants from Australia, to underpin the

formulations of a stable macro-economic policy framework consisting of a new monetary policy, a hard currency policy and a new fiscal policy. The fiscal policy, as it was being developed then, was to consist of a three yearly planning cycle for new expenditure to be managed by the Planning Office, and all recurrent expenditure to continue to be under the purview of Treasury Department which also continued to develop and manage overall fiscal policy formulation, such as level of public debt and revenue generation.

It was in those formative years immediately before and after PNG's independence, with two major resource projects in Bougainville and Ok Tedi, one commencing production and the other under construction respectively, that when talks failed to confirm a three year commitment of aid flows and level of aid from the Whitlam government to PNG, Sir Albert in his exasperation at the intransigence of a certain Treasury Official named John Stone, uttered the now famous line, "we are trees and not stones". Ross Garnaut who was then one of our PNG officials who participated in the talks described the details of those talks in a paper titled by the same famous words by Sir Albert.

The new Fraser government not only offered a longer period of aid from annual allocations to three yearly aid allocation but increased the annual level of aid over the three year cycle. In 2011, I had the honour of bestowing the PNG Logohu Honours Award, Grand Chief, to Hon. Malcolm Frazer at our Canberra Mission at the request of Grand Chief Sir Michael Somare, who had already nominated and later PNG recognised our very good and true friends including, Hon Gough Whitlam, Hon Bob Hawke, and Hon Andrew Peacock.

During the lunch I hosted marking the ceremony, I reminded Mr Frazer of those days as I vividly remember the suspense back at Waigani waiting for the result of the talks with his government and the relief when we received word of the generosity of his government. I was by then in the National Planning Office, as we were in the early stages of preparing the first National Public Expenditure Plan. You cannot have a three year rolling plan of government expenditure without having some idea of forecast quantum and stable flows of revenue over the three years cycle. In his response, Mr Frazer expressed his appreciation for the honour and quipped, "The lesson from this is, never listen to Treasury advice". Need I say more of the genetic make-up of the Liberal party and their relations with Treasury? Be that as it may, Liberal Party Leaders remain, like Labour Party Leaders, great friends of PNG.

The so called "telephone diplomacy" then amongst Leaders of both our countries who knew each other well on first name basis, had something to do with it and much of this was also at play in the negotiations over the Torres Strait Border Treaty. I must say it is a wonderful experience for me in my term as High Commissioner of Papua New Guinea to Australia, to observe personally the resurgence of the 'telephone and now mobile phone texting and e-mailing' diplomacy amongst our Leaders today, Prime Minister O'Neill to Prime Minister Kevin Rudd and visa-versa, Hon Julie Bishop to our Foreign Minister, Hon Rimbink Pato, and he, in turn to, Senator Hon Bob Carr and of course, in his former capacity as Parliamentary Secretary for Pacific Islands Affairs, Hon Richard Marles who saw it as his mission to re-invigorate this form of personal contact amongst our new generation of Leaders.

The second event I have chosen is then Prime Minister John Howard's Pacific Solution in early 2000s. The trade-off that both then Prime Minister Howard and then Prime Minister Sir Mekere Morauta

struck apart from the on-going aid program, was for Australia to provide a balance of payments support package of \$A60 million for PNG to agree to offer Manus to host Asylum Seekers. It was not a grant; it was a loan if my memory serves me right.

The third was the Moti Affair and threats by Australia in the voice of former Foreign Minister, Alexander Downer, to cut Australia's aid to PNG for PNG spiriting Moti to Solomons. Not only threats of cutting aid but Australia applied similar sanctions as it currently does to Fiji, on travel to Australia by Ministers of Somare government, withdrew invitation by then Prime Minister John Howard to Prime Minister Grand Chief Sir Michael Somare for official visit to Australia, and suspended the annual Joint Ministerial Forum, one of whose functions was to discuss issues of disagreement between our two countries.

The fourth issue is the current political controversy over Asylum Seekers boat people being sent to PNG and the request for them to be resettled in PNG. So, should Papua New Guineans and Australians view the Asylum Seeker Boat issue to Manus processing Centre as different from the earlier events?

Can I offer my views?

I am fully cognisant of the views of most of those who have contributed to this debate whether you agree or disagree with the course of action our respective governments have taken on this vexing issue.

First, utterances of "Blank Cheques" to PNG recently stirred up a storm in a teacup. The days of annual grants when PNG used to receive budget support grants are long gone. I know because I was appointed by both governments to review budget support grant and recommended an initial package of tied aid pilot program which later saw total cessation of untied Australian Budget support Grants from mid-1980s to this day, and further to that, in my former capacity as Head of PNG's Planning Office, which agency then coordinated all foreign flows of development assistance. I was also appointed part of a three member Intergovernmental Independent Review Team in 2004 and Dr Stephen Howes of the 2010 Review Team of Australia's Aid to PNG, we both can say with some background understanding of the workings of your Aid that there is definitely no such thing as Blank Cheques of Australia's Aid Budget to PNG since mid-1980s.

In fact, all Australia's cheques are signed here in Australia and most cashed in Australia by your Australian management consulting companies and your contractors to AusAID. Those cheques signed in PNG are signed by your AusAID Officers.

Since 2009, the Development Partnership terms under the schedules specify strict procedures of your aid disbursements with counterpart funding from PNG budget in implementing approved priorities of PNG government. This is the accepted modus operandi that applies to all international Aid not just yours. And if you think you can come into any country and dictate to us how you should spend your Aid funds and where you spend them, then you can keep that kind of Aid in your country. There is an established consultative process between the officials of our governments that discuss and agree on priorities for Aid funding and monitoring of whether these objectives of your Aid funded programs

and projects are been achieved. I can see the confusion of some in Australia, that just because your Aid funds are funding our priorities you mistakenly take that as “Blank Cheque” approach to the use of your Aid.

On construction of new Asylum Seeker Processing Centre in Manus, the prime contractor has been selected by your Immigration Department and it is an Australian Company. Our Chief Migration Officer has written to the Head of your Immigration Department, not to forget PNG subcontractors, a part of the arrangement for Manus deal to proceed.

Second, I do not agree with those, and some are very learned people, experts in fact, on international immigration laws and UN conventions dealing with these issues that PNG is a “slum hole”, and those whose geography is a bit misguided and whose understanding of basic political systems is lacking that PNG is the “Gulag” of our region so why send Asylum Seekers there? Or those responding to my very brief one liner in a recent media release by commenting, ‘F..... you Charles Lepani, why don’t you and your cannibal mates go back home to your cannibal country,’ obviously suffering from an ailment called Excess Cranium Capacity or ECC. In PNG this ailment can be treated with a remedy we call “Isi Isi Tasol”.

Third, for those who concern themselves that PNG is too poor, ridden with crime, and all manner of pestilence and affliction, we accept these as challenges for us to resolve and we will continue with our confidence in our country and that we are a proud and a responsible member of the international community with a vibrant democracy, keen to bear our share in resolving a vexing international humanitarian crisis. We can only offer our compassion and humanity. It is for others to accept or reject it.

I see the fourth avenue of consolidating and maturing our relations in PNG-Australia-Indonesia as I intimated previously at the seminar on the same topic as the way to go forward, the ‘Vision Thing’ so to speak. For a start, let us work towards a subregional arc of economic integration, realising the potential that lies ahead in cooperating amongst our three countries in trade, investment and commerce, including movement of our peoples. PNG Prime Minister Hon Peter O’Neill has commenced the move with his recent official visit to Indonesia and the proposal to have joint annual Ministerial meetings similar to the joint annual Ministerial meetings we have with Australia. This should be the debate we should spend our energy and time having. This should be the driver of our subregional cooperation. The Asylum Seeker Boat Issue may linger but will not and should not deter and detract us pursuing that which is good in our friendship and cooperation. We should look at the bigger picture in our bilateral and sooner than later, in our trilateral cooperation for the mutual benefit and prosperity of our nations and our peoples.

Thank You