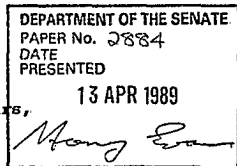THE PARLIAMENT OF THE
COMMONWEALTH OF AUSTRALIA

Joint Committee on Foreign Affairs,
        Defence and Trade

AUSTRALIA'S RELATIONS WITH THE
        SOUTH PACIFIC

March 1989

Australian Government Publishing Service
        Canberra

Australia's Relations with the South Pacific

THE PARLIAMENT OF THE
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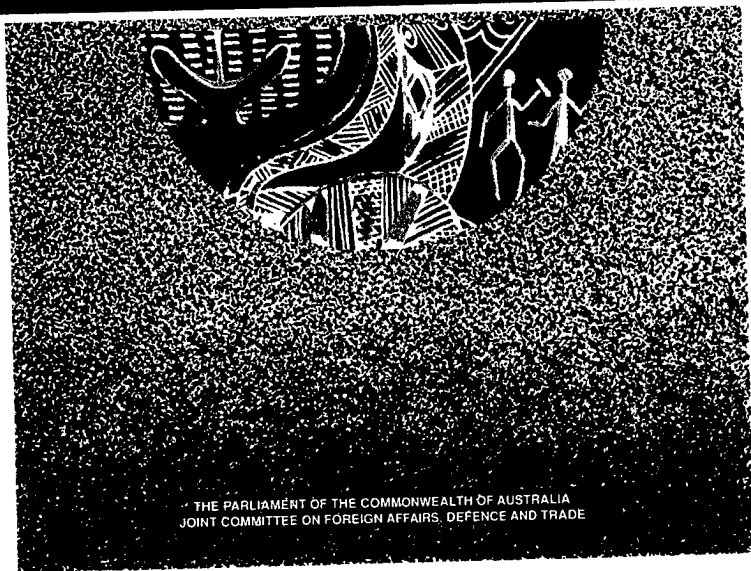Joint Committee on Foreign Affairs,
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TERMS OF REFERENCE

Australia's Relations with the South Pacific

'To investigate and report on:

Australia's foreign relations with the island
states of the South Pacific, with particular
reference to:

a. regional political and security issues; and

b. economic relations between Australia and the
other South Pacific countries, including the
appropriateness of Australia's development
assistance policies.'

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34th Parliament
Main Committee

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Deputy Chairman: Hon A S Peacock, MP

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Mr G Campbell, MP	Mr R F Shipton, MP
Mr D E Charles, MP	Dr A C Theophanous, MP

Secretary to the Committee:
Mr P F Bergin (to February 1987)
Mr P N Gibson, MC

South Pacific Sub-Committee

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Deputy Chairman: Senator B C Teague

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Senator J Morris	Hon A S Peacock, MP
Mr G N Bilney, MP (ex officio)	(ex officio)
	Dr A C Theophanous, MP

Sub-Committee Staff

Dr L Kerr (to December 1986)
Mr P Stephens
Ms S Fisher
Ms S Loughton
Ms M Ray

MEMBERSHIP OF THE COMMITTEE

35th Parliament
Main Committee

Chairman: Mr G N Bilney, MP
Deputy Chairman: Hon M J R MacKellar, MP

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Secretary to the Committee:
Mr P N Gibson, MC

South Pacific Sub-Committee

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Mr N J Hicks, MP	Dr A C Theophanous, MP
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Sub-Committee Staff

Mrs J Towner
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Mrs M Lyons

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ABBREVIATIONS

ACC	Australian Council of Churches
ACFOA	Australian Council for Overseas Aid
ACGs	Accountable Cash Grants
ACIAR	Australian Centre for International Agricultural Research
ACPAC	AIDAB Centre for Pacific Development and Training
ADAB	Australian Development Assistance Bureau (until 1987)
ADB	Asian Development Bank
ADF	Australian Defence Force
AESOP	Australian Executive Service Overseas Program
AFBC	Australia-Fiji Business Council
AIDAB	Australian International Development Assistance Bureau (from 1987)
ANL	Australian National Line
ANZCERTA	Australia-New Zealand Closer Economic Relations Trade Agreement
ANZUS	Australia, New Zealand and United States Alliance
AODRO	Australian Overseas Disaster Response Organisation
APNGBCC	Australia-Papua New Guinea Business Co-operation Committee
ARPLA	Asian and Pacific Project for Labour Administration
ASAS	Australian Staffing Assistance Scheme
ASPECT	Australian South Pacific Eye Consultants Teams
ATA	American Tunaboat Association
CAA	Community Aid Abroad
CASP	Commodities Assistance Program
CCOP/SOPAC	Committee for the Co-ordination of Joint Prospecting for Mineral Resources in South Pacific Off-shore Areas

CPA	Commonwealth Parliamentary Association
CRIA	Committee on Regional Institutional Arrangements
DAC	Development Assistance Committee (of the OECD)
DAMA	Demand Assigned Multiple Access (system)
DASETT	Department of the Arts, Sport, the Environment, Tourism and Territories
DCP	Defence Co-operation Program
DEET	Department of Employment, Education and Training
DFA	Department of Foreign Affairs (to 1987)
DFAT	Department of Foreign Affairs and Trade (from 1987)
DIGS	Development Import Grants Scheme
DILGEA	Department of Immigration, Local Government and Ethnic Affairs
EEC	European Economic Community
EEZ	Exclusive Economic Zone
FES	Friedrich Ebert Stiftung (Friedrich Ebert Foundation, West Germany)
FFA	Forum Fisheries Agency
FIC	Forum Island Countries
FLNKS	Front de Liberation National Kanak et Socialist (Kanak Socialist National Liberation Front)
FMF	Fiji Military Force
FULK	Front Uni Liberation Kanak (Kanak United Liberation Front)
GDP	Gross Domestic Product
GNP	Gross National Product
ICAO	International Civil Aviation Organisation
ILO	International Labour Organisation
ISD	Internal Security Decree (Fiji)
ITI	International Training Institute
JVS	Joint Venture Scheme

MPP	Melanesian Progressive Party (Vanuatu)
MSG	Melanesian Spearhead Group
NCDS	National Centre for Development Studies
NDO	Natural Disasters Organisation
NGO	Non-Government Organisation
NYMP	National Youth Movement Program (PNG)
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
OPM	Organisasi Papua Merdeka (Free Papua Movement)
OSB	Overseas Service Bureau
OSC	Overseas Student Charge
PACBROAD	Pacific Broadcasting and Development Project
PACT	Pacific Area Co-operative Telecommunications (Network)
PATCRA	Papua New Guinea-Australia Trade and Commercial Relations Agreement
PFL	Pacific Forum Line
PIACC	Pacific Islands Association of Chambers of Commerce
PIBA	Pacific Islands Broadcasting Association
PIC	Pacific Island Countries
PNG	Papua New Guinea
PNGDF	Papua New Guinea Defence Force
PRT	Pacific Regional Team
RAAF	Royal Australian Air Force
RAN	Royal Australian Navy
RFI	Radio France Internationale
RPCR	Rally for Caledonia in the Republic
RTDP	Regional Tourism Development Program

SPARTECA	South Pacific Regional Trade and Economic Co-operation Agreement
SPEC	South Pacific Bureau for Economic Co-operation
SPECTEL	South Pacific Regional Telecommunications
SPC	South Pacific Commission
SPF	South Pacific Forum
SPMDP	South Pacific Maritime Development Program
SPNFZ	South Pacific Nuclear Free Zone
SPOCC	South Pacific Organisations Co-ordinating Committee
SPREP	South Pacific Regional Environment Program
SPTCS	South Pacific Trade Commissioner Service
SPTDP	South Pacific Telecommunications Development Program
SRO	Single Regional Organisation
TCF	Textile, Clothing and Footwear
TUTA	Trade Union Training Authority
UMP	Union of Moderate Parties (Vanuatu)
UNDP	United Nations Development Program
UNESCO	United Nations Educational, Scientific and Cultural Organization
USP	University of the South Pacific
VMF	Vanuatu Mobile Force
VP	Vanua'aku Pati
VULCAN	Vila Urban Land Corporation
WADNA	Women and Development Network of Australia
WHO	World Health Organisation
WMO-VCP	World Meteorological Organisation - Voluntary Co-operation Program
YACA	Youth Affairs Council of Australia

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FOREWORD

1.   On 11 September 1985 the Joint Committee on Foreign Affairs and Defence of the 34th Parliament referred the following topic to a Sub-Committee for inquiry and report:

> 'Australia's foreign relations in the South Pacific region, with particular reference to:
>
> 1. current regional issues of political, economic and security concern to Australia and to other South Pacific countries;
>
> 2. Australia's foreign, economic and development assistance policies in the region;
>
> 3. the impact on Australia of security, political and economic developments in the region.'

Subsequently 110 written submissions were received and evidence was taken from a number of Commonwealth Departments, academics and organisations.

2.   After reviewing the information it became evident that the Terms of Reference were too broad to focus adequately on the major issues. Accordingly, when the Joint Committee on Foreign Affairs, Defence and Trade of the 35th Parliament on 28 October 1987 resumed the unfinished inquiry, it did so under the following revised Terms of Reference:

> 'Australia's foreign relations with the island states of the South Pacific, with particular reference to:

> a. regional political and security issues; and
>
> b. economic relations between Australia and the other South Pacific countries, including the appropriateness of Australia's development assistance policies.

3.   The inquiry continued to attract a great deal of public interest, and in total 186 submissions were received from many organisations and individuals in the community. Nine public hearings were held in Canberra, Sydney and Melbourne, and the Committee undertook an extensive tour of the South Pacific in June 1988 to gather details of South Pacific islanders' perceptions of the relationship. A full report of the South Pacific trip is attached as Appendix 1.

4.   While we do not wish to attempt to provide an encyclopaedic volume on the South Pacific region, we hope that the report will add to the general knowledge of the Australian community about its near neighbours, and provide some foundation on which to base future government policy in the region. There was much detailed and useful information on the region provided to the Committee in both written submissions and in oral evidence. The Committee wishes to thank all of those individuals and organisations that assisted it in its work by providing such a wealth of material - in total some 4000 pages of evidence were finally collected. Interested parties wishing to seek greater information on a range of topics related to the South Pacific are referred to the Hansard records of the inquiry.

5.   The revised Terms of Reference limited the report to
the 'island states of the South Pacific'. The Committee
recognises that any definition of the term 'South Pacific' is
to some extent arbitrary, and has decided to define the area
under study in terms of the membership of the South Pacific
Forum (SPF). The inquiry, therefore, includes the Federated
States of Micronesia and the Marshall Islands, although both
are located north of the equator. Territories and dependencies
of metropolitan powers as part of the same geographic area are
included where events or policies of the controlling power have
affected the political or security perceptions of the
independent island states.

6.   As a leading South Pacific nation Papua New Guinea
(PNG) is included in the report. However, issues such as the
internal situation in Papua New Guinea, relations between Papua
New Guinea and Indonesia, and the Australia-Papua New Guinea
relationship are too large and complex to be treated
comprehensively in an inquiry whose primary focus is the South
Pacific region as a whole. Issues such as aid to Papua New
Guinea, development issues and the leading role taken by Papua
New Guinea among the Melanesian nations, are dealt with briefly
in this report. The Committee believes that a separate review
of Australia-PNG relations is warranted.

7.   While an integral part of the South Pacific, New
Zealand is not dealt with in detail in this report, except to
comment briefly on New Zealand policy and activities in the
region. The Committee wished to focus on the developing Pacific
island nations and therefore decided not to attempt to analyse
in great depth trans-Tasman relations.

8.   The Committee was acutely aware of the pitfalls of
generalising about the South Pacific nations, particularly
because of the great diversity that exists in the region
politically, economically and culturally. Attempts have been
made to comment on particular countries in detail wherever
possible. However, terms such as 'the region' are unavoidable,
and used primarily as a convenience. Information on selected
South Pacific countries is attached as Appendix 2 to this
report.

9.   In August 1987 the Australian Development Assistance
Bureau formally changed its name. Accordingly, this report
refers to ADAB prior to the change-over, and to AIDAB after
that date.

David Charles, MP
Chairman
Sub-Committee on the South Pacific

SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

CHAPTER ONE: INTRODUCTION

1.   The South Pacific countries, spread amidst a huge
expanse of ocean, are diverse geographically, the people
divided into three culturally distinct groups, with political
systems that reflect divergent historical backgrounds.
Australian contact with the region is long standing although
somewhat specialised in the areas of trade, commerce, religious
activities and defence. The Australian public until recently
had a very romanticised view of the region, a view now
challenged by the rapid political and social change taking
place in the area.

2.   The Australian Government has also been caught
unprepared by the rate of change. Until the mid-1970s,
Australia had adopted a benign, paternalistic attitude to the
region, being more occupied with relations with major allies
and the ASEAN region. Events since the early 1980s have forced
a reappraisal of policy toward the region. The Australian
Government is responding to the increased complexity and
diversity of the region, and an awareness has grown in the
general public that the Pacific is 'pacific' no more.

SECTION I: ECONOMIC ISSUES

CHAPTER TWO: OVERVIEW OF THE ECONOMIC SITUATION OF THE
SOUTH PACIFIC STATES

3.   Economic security is predominant in the concerns of the
countries of the region, reflecting their awareness of the
fragility of their economies and vulnerability to outside

influences. Economic independence, defined as independence from
development assistance, may never be achieved by some of these
countries. The region has experienced a decline in general
standards of living since the early 1970s, despite high aid
flows and privileged access to industrial country markets.
Although South Pacific people are not poor by international
standards, they are unable to achieve and maintain a standard
of living comparable to many western countries. Most have a
poor trade balance and rely on remittances from citizens
working overseas and foreign aid as sources of foreign
exchange.

4.   The South Pacific nations to varying degrees all face
constraints to development arising from their geography, and a
number of inherited and acquired disadvantages. With limited
resource bases, they rely on a small number of agricultural
products, vulnerable to price fluctuations, for export
earnings. Large aid flows into their economies encourage large
public sectors and bureaucracies, artificially inflated wages
and over-valued exchange rates. A lack of sufficiently trained
personnel in both the public and private sectors is one of the
region's most pressing problems.

Economic Outlook

5.   The economic outlook varies considerably from country to
country. The larger countries such as PNG and Fiji have
reasonable prospects for economic independence and viability if
assessed on purely economic grounds. Medium sized countries are
likely to face a continuing reliance on aid in the medium to
long term, but have some resources that could be developed
further. Micro-states have limited resources and face the
likelihood of permanent aid dependence. It is difficult to
foresee a situation where the micro-states would ever be
totally self-sufficient and independent of foreign aid.

6.   As in all countries, political instability and inappropriate Government policies can also affect economic growth. Recent political and social instability have affected investor confidence and these countries' ability to respond to economic challenges. Should instability and violence continue it is difficult to see any economic gains being made by the countries involved, regardless of the level of their natural resources and other advantages.

Natural Resource Management

7.   Three major areas offer hope for improved economic performance for the larger and medium sized countries, and to a lesser extent the micro-states. The areas involve improvements in and diversification of primary production; development of tourism; and development of small scale industry. Considerable scope exists for improved levels of agricultural production in both the subsistence sector and for agricultural diversification into high value-added primary products. Assistance needs to be given in identifying possible areas for agricultural diversification, and to this end an agricultural diversification unit established under the auspices of the Forum Secretariat could fulfil the market identification and promotion tasks, liaising with ACIAR on technical details.

RECOMMENDATION 1:   The Australian Government to raise with the Forum Secretariat the formation of an agricultural diversification unit (para 2.23).

8.   With the introduction of a 200 mile Exclusive Economic Zone (EEZ) the countries of the South Pacific have gained access to additional resources, principally fish. The benefits

from off-shore fisheries for Pacific island countries, while substantial, may not be the economic solution some countries believe them to be. High capital costs of deep-water fishing make participation difficult, and catching, processing and marketing are dominated by major fishing countries such as the United States, Taiwan and South Korea. Fishing agreements with these powers, i.e. collecting a resource rent fee, can however result in significant contributions to the budgets of these countries. Countries with limited capital should concentrate their resources on in-shore fishing, for domestic consumption. To maximise the benefits from multilateral fishing treaties adequate surveillance, policing and enforcement of the EEZs are essential. Australia should continue to assist the South Pacific region develop a suitable maritime surveillance capability, not only for economic but also for defence reasons.

9.   Australian assistance in the fishing area should also be directed toward assisting the region in its conservation, technology, managerial and negotiation skills and in assisting countries improve their subsistence fisheries.

10.   Timber is one of the more abundant resources in the region but the forestry industry is dominated by foreign-owned firms. Advice on conservation and reafforestation, coupled with research into the exploitation of forestry sources should be provided if requested to those countries with significant forestry resources. The Committee also believes assistance should be given to major timber-rich countries to develop more value-added processing of timber.

11.   Several regional countries have exploitable mineral resources, and sea-bed mining may also be developed. However minerals are not an infinite resource and other areas of the economy need to be developed in conjunction with mining to provide an alternative when deposits run out.

12.   Uncontrolled resource exploitation should be avoided and there is a need for these countries to monitor the rate of utilisation of resources, and assist in training regional people in resource management. The Committee supports Australian involvement in the South Pacific Regional Environment Program, particularly in training of regional personnel in conservation and management techniques.

Tourism

13.   Tourism is an area of potential growth, although regional countries are aware of the negative impact it may have on the country. The major arguments in favour of increased tourism are based on its contribution to GDP, and to employment. Criticism focuses on the social impact of tourism, from commercialisation of traditions and culture, through to the growth in 'sex-tourism' as occurred in parts of Asia. While sharing some of these concerns about possible harmful effects on the traditional culture of the region, the Committee found no corroborating evidence to support claims of a 'sex-tourism' industry in the South Pacific. Focusing on a more high-class market rather than mass market tourism could avoid some of the other problems tourism brings. Although rejecting a code of conduct for tourists, the Committee believes that the Australian Government and the tourism industry should give consideration to providing adequate information for potential tourists on local habits and customs, preferably based on material provided by the regional countries themselves, on what constitutes acceptable behaviour by tourists.

14.   The economic benefits of tourism can be enhanced by countries adopting policies that integrate tourism into the rest of the economy, for example by increasing the use of locally grown food over imported produce, and thus reducing leakages of foreign exchange earnings.

15.   The major single factor inhibiting the growth of tourism in the region is access to the countries on a regular basis, allowing for multi destination holidays. Any developments in tourism will be largely dependent on improvements in regional transport arrangements. A regional approach to marketing and promotion is also vital, emphasising the complementary facilities in each country.

16.   As tourism grows in the region it will be important for local people to be trained in all aspects of the tourism industry, but particularly in management skills.

RECOMMENDATION 2:   AIDAB to review training assistance given to the region in tourism and hospitality related areas, with a view to establishing a regional Tourism Training College perhaps based around the School of Hotel and Catering Services in Fiji (para 2.55).

Small Business Expansion

17.   The development of light manufacturing industry and other small business activities has been limited in the region, and although firms in Fiji and Tonga produce goods for export, many compete under the shelter of preferential trade agreements.

CHAPTER THREE: THE ECONOMIC RELATIONSHIP WITH AUSTRALIA

18.   Australia has had extensive commercial contacts with the South Pacific for over a century, and today is the dominant partner in the trade relationship. The trade balance is in Australia's favour, despite regional countries repeated urging

of Australia to be more receptive to goods produced in the region. Preferential trade agreements have helped regional countries obtain access to the Australian market. Invisibles such as tourism receipts and the distortions these cause in the level of imports of regional countries are very difficult to quantify. It is a fact of life that all countries, Australia included, will have trade surpluses and debits with other countries. The South Pacific is no exception, and because of its limited range of products is likely to be in a debit situation. The Committee rejects the idea that aid should be seen as in some way offsetting our trading surplus with the region, and is concerned that this attitude could lead to an expectation that in time aid will equate with the degree of trade surplus.

19. Australia exports foodstuffs, manufactures and fuels to the Pacific region. The Pacific islands have a limited number of export products, many of which Australia already produces, and they must compete not only with other South Pacific countries, but Australian and Asian manufacturers for market share. In the short to medium term the trade imbalance is unlikely to improve.

Trends in the Trade Relationship

20. Australian exports to the region have continued to grow in dollar terms, although the rate of growth has slowed. Australia's share of the South Pacific market, however, is declining as regional countries import from sources other than Australia. Similarly Australia is becoming a less important market for South Pacific products.

Preferential Trade Agreements

21. Australia's trade relationship is conducted with the region under two trade agreements, the South Pacific Regional

Trade and Economic Co-operation Agreement (SPARTECA) and the PNG Australia Trade and Commercial Relations Agreement (PATCRA). A number of regional countries have been critical of these agreements because of a 50% local content rule and quota restrictions. The Committee found that there was much confusion and misunderstanding on the purposes of these agreements and the manner in which they operated, and steps need to be taken to improve South Pacific understanding of these agreements.

22. As Australia liberalises tariff restrictions on various items the benefits of SPARTECA and PATCRA to regional countries will decrease. The benefits are already spread unevenly in the region, favouring the larger countries with more developed manufacturing sectors. Liberalisation of the agreements may not be of long term benefit to the region, but may rather increase the dependence of regional firms on Australia at the expense of competitiveness in the global market.

Promotional Assistance

23. If a manufacturing sector is to survive and grow in the region it must look to expanding into other markets beyond Australia.

RECOMMENDATION 3: The South Pacific Trade Commissioner Service to be expanded to include a second Trade Commissioner, so that greater use of the Service for trade and investment promotion of South Pacific island states in other countries might occur (para 3.30).

RECOMMENDATION 4:   Training and funding on-the-job
                     experience for regional trade
                     promotion officers should
                     continue. Involvement of the
                     private sector in such trade
                     promotion training should be
                     encouraged (para 3.31).

Australian Investment in the region

24.   Australian investment in the region has a long history,
in sectors as diverse as mining, transportation, manufacturing
and retailing. Although Australian investment in the region
doubled between 30 June 1984 and 30 June 1987, the vast
majority of this is related to investment by Australian firms
in capital intensive mining and other projects in PNG.

25.   Although government-to-government contacts are
important, in the economic relationship it is private sector
contact that provides the basis for an ongoing relationship.
Australian companies have enormous influence on the Pacific
economies, and have been accused of being exploitative. While
the Committee is unable to comment on the standing of
individual companies, evidence from a number of companies
operating in the region suggests that efforts to localise
positions and train indigenous staff in management and
operational skills have been well received and of benefit to
these countries. This was supported by discussions the
Committee had during its visit to the region in June 1988.

26.   The Committee wishes to see greater private sector
involvement in commercial ventures, preferably of a joint
venture nature with the private sectors of regional countries.
The Committee supports Australian Government efforts to make
Australian businesses aware of opportunities in the region.

RECOMMENDATION 5:   The Australian Government to
                     support the efforts of the
                     Pacific Islands Association of
                     Chambers of Commerce in its
                     attempts to provide a more
                     co-ordinated approach to private
                     sector development in the region
                     (para 3.38).

RECOMMENDATION 6:   The Department of Foreign Affairs
                     and Trade, in consultation with
                     Australian business and
                     manufacturing groups to seek to
                     establish an Australia-South
                     Pacific Business Group
                     (para 3.38).

Closer Economic Relations/Pacific Basin Concept

27.   There is little support in the region for the concept of
a free trade area involving all Pacific Basin countries, and it
would seem to have few benefits for them. A free trade zone
covering Pacific Forum countries would also be of little
benefit in the immediate future, given the relatively free
access of goods to Australia provided under SPARTECA and
PATCRA. However, as these agreements become less effective,
Australia must look to putting into place new policies. In the
medium term SPARTECA and PATCRA may need to be renegotiated, so
as to maintain a preferential situation for South Pacific
nations. In pursuing its own economic interests Australia also
has an obligation to protect the trading interests of the
smaller South Pacific states.

Private Sector Involvement

28.   The development of a private sector in many of the smaller countries has been slow, with government often assuming the role of joint venture partner. The Committee believes development of a strong, entrepreneurial private sector in the South Pacific is vital to the development of their economies. They appear to lack a depth of skilled managers, and training has concentrated on the public sector.

RECOMMENDATION 7:   AIDAB in consultation with Australian business to investigate:

(a)   the creation of a special visits scheme to facilitate visits by private sector employees to Australian institutions and training establishments; and

(b)   the establishment of a manpower development facility to serve as a training facility for the South Pacific (para 3.44).

CHAPTER FOUR: AUSTRALIAN DEVELOPMENT ASSISTANCE POLICIES IN THE SOUTH PACIFIC

29.   Despite large and increasing flows of aid into the South Pacific region, economic prospects are generally discouraging and aid dependency has increased rather than decreased. The inherent constraints to development noted in Chapter Two and the nature of aid itself have contributed to the problem.

30.   Regional countries can be divided into three groups based on likely future economic performance. Development assistance should be tailored accordingly:

Group 1   :   Countries capable of independent and self-sustained economic growth. Aid should continue to concentrate on economic development.

Group 2   :   Countries with a long lead-time but ultimately able to become economically viable. Aid should continue to work towards economic self-sufficiency, while the number of 'quality of life' projects should be increased.

Group 3   :   Countries regarded as having few prospects for economic viability. Aid should focus on improving the quality of life of the people through basic health care programs etc.

Volume of Aid and Programming

31.   Australia is the major aid donor to the independent South Pacific states. However it is not the quantity of aid, but rather the quality that is important. Massive increases in aid to the region in response to changing circumstances there should be avoided. Aid should be maintained in real terms, and increased when absorptive capacity improves.

32.   Multilateral mechanisms for aid delivery assist in partly countering the absorptive capacity problem, and the Committee welcomes moves by AIDAB to approach health on a multilateral basis.

33.   The introduction of a three-year rolling program is a
welcome step, but regional countries may not fully understand
the concept of an indicative planning figure. Explanation of
the rolling program concept should be given high priority.
Commitments made under the program should be met, as the sudden
reduction in aid to PNG in 1986 damaged Australia's
credibility.

34.   The Committee endorses the concept of country programs,
and as part of that system, the development of country papers.
However Australian NGOs and private sector representatives in
the recipient country should be more involved in the early
developmental stages of the country papers.

RECOMMENDATION 8:   AIDAB to modify the Country
Program Paper development process
to take fuller advantage of the
experience of NGOs and private
sector groups in the South Pacific
(para 4.23).

35.   A continuing criticism of the aid program has been the
unsuitability of a number of projects for local conditions and
needs. Many of the countries require assistance in evaluating
aid project proposals, and this skill will become even more
important as the number of aid donors to the region increases.

RECOMMENDATION 9:   AIDAB to offer a more
comprehensive package of
assistance to regional countries
emphasising training of indigenous
public servants in project
assessment skills (para 4.28).

36.   The assessment and evaluation process of projects is
important if the same mistakes are not to be repeated. Reports
compiled on each project should be assessed and the findings
incorporated into the process of formulating similar
activities.

Methods of Disbursement

37.   The Committee supports the concept behind the South
Pacific Joint Venture Scheme but would wish to see some
mechanism by which small business ventures by indigenous
entrepreneurs could be assisted.

38.   The replacement of DIGS with CASP has meant improvements
in monitoring and auditing of the program. In the light of some
possible concerns about the new scheme:

RECOMMENDATION 10:   AIDAB to review the operations of
the CASP after an initial 12-month
period, with particular reference
to operating costs, and modify the
scheme if necessary for the
South Pacific (para 4.39).

39.   The Australian Staffing Assistance Scheme is a most
valuable mechanism for improving the level of professional,
technical or managerial skills in a particular country when
provided as part of a training and assistance package. In
addition to ASAS, secondments of Australian Public Service
personnel to South Pacific Public Services could be beneficial
to both sides.

RECOMMENDATION 11:   As an adjunct to the ASAS, an
interchange program between the
public services of South Pacific
countries and Australia to be
established (para 4.44).

40.   Although the capacity of NGOs to utilise funds and
implement projects will be a crucial determinant, greater use
should be made of these groups in the aid program.

> RECOMMENDATION 12:   In providing particularly `quality
> of life' type projects to the
> region, AIDAB to continue to
> investigate ways in which greater
> use can be made of NGOs
> (para 4.48).

41.   A number of large infrastructural projects undertaken
under development assistance appear to have had a negative
effect on the economies of the recipient countries because of
their associated high recurrent costs. For Group 2 and 3
countries the effect of recurrent costs has been particularly
serious. The impact of these recurrent costs must be assessed
by donor and recipient countries prior to a decision being
taken to proceed with the project. If the project is given
sufficiently high priority by both Australia and the recipient
country, the Australian Government should consider sharing the
responsibility of these costs with that country.

> RECOMMENDATION 13:   AIDAB to provide part of the
> recurrent costs of its aid
> projects as part of the aid budget
> for Group 2 and 3 countries
> (para 4.55).

Aid Co-ordination

42.   An increasing number of countries and international
organisations have become involved in provision of aid to the
South Pacific. Some formal co-ordination mechanism is needed to
avoid overloading the region with too much aid, or aid in

inappropriate areas. The Committee commends the Australian
Government's attempts through the South Pacific Forum to
improve aid co-ordination.

Aid to PNG

43.   The question of aid to Papua New Guinea and what form it
should take is very complex, and deserves a more detailed
examination than is possible in this report. The Committee
would expect to cover this issue and others relating to PNG in
a separate report.

ACPAC

44.   The Committee received evidence critical of the
operations of ACPAC and its predecessor, the Pacific Regional
Team.

> RECOMMENDATION 14:   AIDAB to undertake a review of the
> ACPAC after 12-18 months operation
> (para 4.66).

CHAPTER FIVE: AREAS OF SPECIAL FOCUS

Education

45.   Education is vitally important to the development
process of any society. The South Pacific countries share a
number of common needs in education, and secondary education
facilities are generally inadequate. The problems facing
regional higher education are based in deficiencies in the
primary and secondary areas. The Committee questions whether
Australia has over emphasised the tertiary education sector at
the expense of the primary/secondary level. There are also

deficiencies in the technical/vocational education area, and it
is important that technical education provided under the aid
program be accessible to both public and private sector
personnel.

> RECOMMENDATION 15: AIDAB to make a separate training
> allocation aimed exclusively at
> the private sector of each country
> (para 5.13).

46.   As a result of a review of overseas student policy, a
new equity and merit scholarship scheme will be introduced. In
implementing the scheme in the Pacific, attention should be
given to including secondary as well as tertiary studies, and
ensuring the number of regional students studying in Australia
is maintained. Support for regional institutions should also
not be diminished. Equal opportunity for males and females may
not be possible to achieve, or be culturally appropriate.

47.   A lack of suitably qualified teachers is a major problem
in the region, as are deficiencies in suitable resource
material, text books etc.

> RECOMMENDATION 16: The Australian Government to
> introduce an Australian Teacher
> Volunteer Program, under which
> Australian teachers would
> undertake a one or two year
> posting in a South Pacific country
> (para 5.27).

48.   The Committee was very conscious that the type of books
required in regional schools should be at an appropriate level
and educationally valid. The Committee would not wish to see

old, outdated texts dumped into the region, but does believe
texts no longer used in Australia could provide a valuable
reference source for schools in the region.

> RECOMMENDATION 17: AIDAB, in consultation with South
> Pacific educational authorities
> and Australian Service
> organisations, to collect and
> distribute text books,
> particularly in the mathematics
> and science areas for distribution
> to regional school libraries
> (para 5.29).

Communications

49.   A lack of communications has limited the establishment
and operation of commercial operations, and has impacted badly
on areas such as health care, education and management of
emergency situations. There has been much competition regarding
who would provide satellite services for the region. The Forum
in 1988 endorsed a system devised by OTC(I) using INTELSAT.
Despite Forum endorsement it appears Fiji and Solomon Islands
will not be participating in the new system, but the Committee
would hope other Forum countries would not follow suit. The
Committee endorses the proposed system, and rejects any
suggestion that AUSSAT should be involved in the provision of
international telecommunications.

50.   PNG has entered into an agreement to use a private
network system (PACSTAR) for its telecommunications. It is
highly unlikely this system will ever become operational.

RECOMMENDATION 18:   The Australian Government to restate its offer of assistance to the PNG Government should PACSTAR not proceed (para 5.38).

Television

51.   It is inevitable that some form of regional television service will be established in the future. The Forum decision endorsing in principle a regional television service while not diverting scarce resources to it is to be commended. When introduced a regional system should fulfil an educational as well as an entertainment role.

RECOMMENDATION 19:   Australia to continue to monitor developments in television in the region, and provide assistance if required (para 5.43).

Radio

52.   Radio is the main source of domestic and international news, information and entertainment for most of the region, and in the absence of comprehensive national services, Radio Australia plays a primary role in provision of such information services. However due to budget cuts and a disgraceful run-down in transmitter facilities, Radio Australia's effectiveness has been reduced and it is unable to meet the challenge of increased competition. The future of Radio Australia is under review, and the Committee rejects any moves that might compromise the independence of the service being presented.

RECOMMENDATION 20:   Sufficient funds to be allocated to up-date Radio Australia's transmitter facilities, particularly those targetting the Pacific region, and to upgrade programs produced specifically for the region (para 5.50).

RECOMMENDATION 21:   Radio Australia to develop an English Language program for use in the Pacific (para 5.51).

RECOMMENDATION 22:   Additional funds to be allocated to Radio Australia to develop and implement a training program for the region, and continue and expand its assistance to the PNG National Broadcasting Commission (para 5.52).

RECOMMENDATION 23:   Radio Australia to pursue collaborative training activities with PIBA (para 5.52).

Transportation

53.   Transportation has a high priority among South Pacific countries in their development planning, and is an area of significant regional initiatives. A complex pattern of shipping routes, involving fleets from many countries transit the area, and in addition a number of regional lines compete for the intra-regional trade. There is evidence of an imbalance in cargo capacity, with ample capacity existing in current shipping services to take out crops or other suitable produce. A South Pacific Maritime Development Program has been developed

and South Pacific countries should be encouraged to seek World Bank or other international organisation funding to cover the cost of any major infrastructural developments that will be required. Australia should continue to assist in areas such as search and rescue, pollution prevention and port control arrangements.

54.   Aviation services, or rather a lack of them, have had a significant impact on social and economic development, in particular the development of tourism. Attempts to establish a regional airline have not been successful, and a regional airline is unlikely to ever be a reality.

55.   The high cost of airfares and irregular or infrequent intra-regional flights are serious impediments to the development of tourism in the region. The concept of *hub-and-spoke operations*, proposed by Qantas, appears a useful model in improving civil aviation. Demand for route changes or amended scheduling is difficult to gauge due to an inadequate statistical base.

> RECOMMENDATION 24 :   Qantas, in conjunction with the Department of Transport and Communications, to conduct a survey of passengers to the region to determine their preferred destination options; and to survey travel agents to gain some estimate regarding informal inquiries about different destination holidays (para 5.69).

56.   Air safety standards in the region are of concern, as is the possible assumption by passengers that Qantas on-booking on regional airlines implies adequate safety standards.

> RECOMMENDATION 25:   Australia to assist in the improvement of air safety standards in the region as and when requested, and encourage the South Pacific Forum countries to adopt a South Pacific Aviation Development Program as the vehicle for obtaining such improvements (para 5.70).

Health

57.   Changes in life-style among Pacific islanders have led to the increased diagnosis of diseases such as diabetes, heart diseases and hypertension. Health has not received high priority overall in the aid program in the past, but is now the focus of a new multilateral aid package. The Committee welcomes this heightened priority for health, as it is not only the life-style diseases that threaten the people of the region, but also diseases such as hepatitis that respond to basic primary health care programs.

58.   Regional health training centres produce good practical doctors. Additional training in Australia is not always directly relevant to South Pacific health needs.

> RECOMMENDATION 26:   Australia to run a program of short term, in-country post-graduate training courses, with emphasis on regional health care problems (para 5.78).

> RECOMMENDATION 27:   Australia to increase the number of short term specialist medical groups working in the South Pacific (para 5.78).

59.   Although data on AIDS epidemiology in the South Pacific is uneven, it is a growing problem in the region. Australia is already providing assistance to the region through the activities of the World Health Organisation, but much remains to be done if the spread of AIDS is to be prevented. Immediate intervention could make an immense difference to the future health of the region, and AIDS strategies should be contained in the multilateral health program to be conducted under the Australian aid program.

RECOMMENDATION 28:   Australia to increase its initiatives in the South Pacific area to institute educational and preventive programs quickly, and work to raise the awareness of regional governments of the possible effects of AIDS in the region (para 5.80).

Tourism

60.   While acknowledging the benefits of tourism, Australian aid funds should not be diverted to help fund large tourist development projects in the islands.

Women

61.   The Committee was surprised to find no mention of the Women in Development Fund, and its impact or influence on development assistance to the region in AIDAB's submission. It appears that despite a policy of increasing women's participation, South Pacific women are still disadvantaged in terms of education, employment and input into the aid program.

RECOMMENDATION 29:   AIDAB to make an allocation of funds on a multilateral basis for the South Pacific to fund small projects of direct benefit to women, and requested by women's groups (para 5.85).

RECOMMENDATION 30:   AIDAB to include in its country program strategies specific reference to women and ways in which the development assistance to be given will improve their conditions (para 5.86).

Youth

62.   Australia's assistance program to the region should incorporate programs directed specifically at youth, in particular those not involved in secondary education.

RECOMMENDATION 31:   AIDAB to develop a `Youth in Development' policy for the South Pacific, in consultation with the appropriate authorities in each country (para 5.90).

Greenhouse Effect

63.   The impact of the Greenhouse effect on Pacific islands is potentially catastrophic, particularly for the atoll states. In a worst case scenario entire populations may be forced to seek resettlement. Sympathetic consideration should be given to requests for such assistance. In the meantime, the Committee commends the assistance offered by the Australian Government to the region and supports ongoing funding of research into the effects of the Greenhouse phenomenon.

Natural Disasters

64.   The impact of natural disasters on the economies of regional countries has been severe. More attention needs to be directed to disaster prevention and preparedness. Given the scarce resources of individual countries and the success of a regional approach to problems:

> RECOMMENDATION 32:   AIDAB to consider the merits of re-establishing the position of Regional Disaster Adviser, either through the Forum Secretariat or SPC (para 5.99).

Meteorological Assistance

65.   Both Australia and South Pacific nations would benefit from improved meteorological services in the region.

> RECOMMENDATION 33:   AIDAB to review its decision on contributions to the World Meteorological Organisation Voluntary Co-operation Program and resume its contributions (para 5.105).

> RECOMMENDATION 34:   AIDAB, in consultation with the Bureau of Meteorology, to review the assistance provided to the region in the field of meteorology, with a view to developing a multilateral meteorological development program (para 5.105).

CHAPTER SIX: MIGRATION

66.   The issue of migration has the potential to damage Australia-South Pacific relations. Migration in its various forms is a long established and accepted fact of life throughout the region, with the main motive being individuals' desires to improve their economic prospects and life-style. Although the number of migrants to Australia drawn from the South Pacific region has increased over recent years, it still only represents 2.5% of the global intake of settlers each year. There have been calls from regional countries for a liberalisation of Australia's immigration policy, not only for permanent migration but also for a guest worker scheme similar to that operated by New Zealand. The Committee, however, rejects the suggestion Australia follow New Zealand and institute such a scheme.

67.   Australia has rejected requests for liberalisation of the migration policy to date, not only because it would be inconsistent with the non-discriminatory nature of Australia's immigration policy, but also because of doubts about the economic benefits that migration brings for the donor countries. While there are various arguments for and against migration, the remittances received from South Pacific islanders overseas are an important source of foreign exchange for many Pacific nations.

68.   The Committee is sympathetic to the aspirations of other Pacific island nations that their citizens gain access to the labour markets of the more developed nations in the region.

> RECOMMENDATION 35:   The Australian Government, in conjunction with private enterprise, to establish a work experience program for South Pacific countries (para 6.34).

69.   The Committee does believe a special case can be made for special assistance for Tuvalu and Kiribati, on foreign policy grounds. They face exceptional problems, and innovative solutions are required to assist them. Migration should be considered as an adjunct to the aid program. In consideration of the special circumstances of Kiribati and Tuvalu these two countries should be given a larger quota of trainees than would otherwise be determined if criteria such as population levels were to be used.

70.   The Committee was also concerned at the high number of overstayers on temporary visas from the region and claims of unnecessarily long delays in the processing of visa applications. While the latter proved unfounded, the overstayer problem is significant.

RECOMMENDATION 36:   The Department of Immigration, Local Government and Ethnic Affairs to increase its public information campaign in the South Pacific to explain the immigration procedures applied by Australia (para 6.38).

71.   Because of a changing political environment, Australia faces a probable increase in politically-motivated migration demand from the region.

RECOMMENDATION 37:   The Department of Immigration, Local Government and Ethnic Affairs to prepare contingency plans to meet large increases in migration requests as a result of political upheavals, and review its policy guidelines for humanitarian assistance (para 6.43).

SECTION II : POLITICAL AND SECURITY ISSUES

CHAPTER SEVEN : OVERVIEW OF THE STRATEGIC AND DEFENCE CONTEXT

72.   The strategic importance of the South Pacific is universally accepted, and PNG and the island states must be considered in the formulation of a coherent and effective plan for the defence of Australia. The South Pacific nations are primarily pro-Western in their orientation. Post-independence concerns about economic viability and nation-building have given way to some extent to a wider consideration of their place in the world. There has been a `happy coincidence' of Australian strategic interests and priorities and regional attitudes in the past, but as the countries look outward they are re-evaluating their relations and needs.

73.   The major criticism of Australian strategic thinking toward the region has been that it is dominated by Australia's perception of itself as a member of the Western alliance. There is evidence, however, that Australia is moving to adopt a more sensitive, pro-Pacific stance. Nevertheless Australia will always stand somewhat apart from the other Pacific island countries, but hopefully will form a bridge between the super-powers and the small Pacific states.

74.   New Zealand, with a range of trade, defence, aid and cultural contacts with the region, caused concern among regional countries when by its actions the ANZUS alliance was suspended. South Pacific nations generally valued the ANZUS arrangements, seeing in it a commitment to the security of the region and assurance of assistance should their own security be threatened. The Australian Government is to be commended for its actions in reassuring the region of the commitment by all parties to regional security.

75.   Domestic internal threats remain the greatest security risks for the South Pacific states. Of all the regional countries only PNG, Fiji and Tonga maintain defence forces as such, although all have para-military or police forces of some type. France has extensive military personnel in the region, based in her territories. Australia remains the major military power and is looked to by members of the Western alliance to maintain a favourable strategic environment in the region. There are a number of ways Australia might do this, including ultimately military intervention. The Committee would only envisage two situations where ADF personnel might be deployed into the region - in defence of Australian nationals or where an external country or group was attempting to overthrow an elected government.

76.   Some concern remains about Australia's ability to assemble, equip, deploy and support the size of force required to counter a force of several thousand. The possibility of such a role for Australia will need to be addressed in looking at the future force structure of the ADF.

77.   The establishment of a Regional Peacekeeping Force would not be a practical step for the region. However the Department of Defence should develop contingency plans for possible co-operative regional military responses in the future. The Defence Co-operation Program (DCP) and the extensive defence contacts Australia maintains with the region, are effective in the up-grading of the defence capabilities of the participating countries. Given the economic circumstances of many of these countries, the Department of Defence is to be commended on the flexible and sensible approach it has taken to programs with regional countries. The Committee strongly endorses the continuation of DCP in the Pacific.

RECOMMENDATION 38:   The financial allocation to DCP to be increased to allow for assistance in meeting some of the recurrent costs of the Pacific Patrol Boat and for continued attachment of RAN personnel in the region (para 7.39).

78.   Valuable work is undertaken by the Defence Attache/Adviser, South Pacific. The Committee believes moves are underway to enable the establishment of an Assistant Defence Attache, and encourages the Minister for Defence to expedite action on this matter.

CHAPTER EIGHT: OVERVIEW OF THE POLITICAL RELATIONSHIP

79.   The political forms established in the South Pacific are based on the Westminster model but are by no means uniform. Democracy as Australians define it has fairly shallow roots in the South Pacific. The systems in all South Pacific countries are evolving, and what may ultimately emerge may be a new variation on the Westminster model - a Pacific model of government. The development of political parties in most South Pacific states is to be encouraged, and is a sign of parliamentary democracy taking hold.

80.   Because of the peaceful transition to independence of most Pacific states, some of their closest international relations are with their former colonisers. South Pacific nations have been slow for the most part to join international bodies and it was not until the 1980s that regional countries began to show interest in developing associations with non-Western governments. The orientation of the region generally, however, remains pro-Western.

81.   Australia has a most extensive diplomatic presence in the region, and has a role to play in offering advice if requested. Conscious of their small size and determined to maintain their independence, the Pacific island states may at times misconstrue this as interference and Australia must accept that advice will be possibly rejected. Australia has failed to give the region the amount of attention it merited in the past, and the new policy of 'constructive commitment' will stand or fall on the practical steps Australia takes to involve itself in regional affairs.

82.   Australian diplomatic representation in the region has been criticised as reactive and out of touch. On the other hand, the Committee formed a high opinion of the competence and dedication of a number of Australian diplomatic personnel during its visit. The Committee would encourage the Department of Foreign Affairs and Trade to establish stronger formal and informal links with those community and business groups dealing with the region. The Committee did have some concerns regarding the level of experience and expertise developed in regional matters of staff posted to the area. Diplomatic staff should where possible be reposted to the region at future stages in their careers. Within resource constraints, there should be a reallocation of departmental resources in Canberra to provide greater depth of coverage of the region, and in particular, of French Polynesia.

83.   Not all South Pacific countries maintain a diplomatic presence in Australia. Such representation benefits both parties and the Australian Government should investigate ways in which assistance could be provided to enable the smaller states in particular to maintain a small diplomatic presence in Canberra.

84.   Personal contacts with the region are very important. The Committee welcomes the increase in visits by Ministers on both sides over recent years.

RECOMMENDATION 39:   The Australian Government to establish a separate South Pacific Visit Fund, under which senior South Pacific government and opposition members of Parliament, members of political parties, senior officials, journalists, etc, could obtain funding for travel to and from Australia (para 8.22).

RECOMMENDATION 40:   The Australian Government to appoint a junior Minister for Foreign Affairs and Trade with responsibility for Australia's relations with the South Pacific (para 8.24).

CHAPTER NINE: THE SOUTH PACIFIC - DEVELOPMENTS AND TRENDS

85.   South Pacific countries increasingly are adopting a more independent foreign policy. While these changes may not necessarily be in what Australia sees as its interests, the countries as sovereign nations have the right to conduct their foreign policies as they see fit. Australia does, however, have the right to discuss and raise concerns it may have with the regional countries involved.

The French in the Pacific

86. French policies in the region are among the issues of most concern to Pacific countries and also to Australia because of their impact on regional attitudes towards the West. New Caledonia has united South Pacific nations like few other issues and led to the establishment of the Melanesian Spearhead Group. The Territory was on the brink of civil war, but the Matignon Accord offers prospects for peace and with it improved relations between France and Australia. However, the situation in the Territory remains highly flammable and there are signs that the Accord will not last the planned ten years. The Committee endorses the positive response of the Australian Government to French requests for greater contact between the Territory and Australia. Australian assistance to the Territory should focus on improving the education levels and business opportunities of the Kanak population.

87. Nuclear testing is the other significant point of dispute between regional countries and France. Australia, in conjunction with other South Pacific Forum countries, has continued to lobby France to cease testing in the region. The Committee encourages the Australian Government to pursue alternatives with France.

88. Detailed reporting on political developments in French Polynesia is hampered by a lack of resources and in having to monitor the Territory from New Caledonia.

> RECOMMENDATION 41: Australia to establish a small consulate in French Polynesia (para 9.20).

89. France could play a very constructive and useful role in the region in future, provided that there are moves towards resolution of the above areas. The Committee wishes to see France continue its involvement in the area, but cautions that its contribution to the region will be denigrated or undermined because of its continued attitude towards decolonisation and nuclear issues.

The Soviet Union

90. The Vladivostok speech of Mikhail Gorbachev signalled a greater interest and involvement by the USSR in the Pacific Ocean region. While not wishing to underplay Soviet interest in the South Pacific, the Soviet Union has adopted a relatively low-key approach, capitalising on opportunities as they present themselves to gain additional contact and influence in the region. Soviet attention is still primarily focused on the North Pacific.

91. Soviet fishing agreements with regional countries should be viewed as a coincidence of commercial and strategic interests. Australia has been criticised as hypocritical in its reaction to regional fishing agreements with the Soviets, as New Zealand has a long standing fishing agreement and Australia has been negotiating on port access and servicing of the Soviet fleet.

92. Soviet contacts with the emerging trade union movements in the region provide exposure to one philosophical viewpoint. To provide balance Australia should provide the region with a range of constructive alternatives by increasing contact between Australian and South Pacific labour movements.

RECOMMENDATION 42: The Australian Government and the trade union movement jointly to provide funds to trade union training institutes for the development of courses aimed at the skills needed by South Pacific unionists (para 9.40).

RECOMMENDATION 43: The appointment of a South Pacific Labour Attache, to develop contacts with trade union groups throughout the region (para 9.41).

Libya

93. Libyan influence in the region was of great concern during 1986 and 1987. Libyan activity appears to have now declined, but countries must remain vigilant against Libyan attempts to regain ground in the region. The Committee endorses continued discussions among all Forum countries on regional security issues.

Japan

94. Japan is taking an increasingly active role in the region, with significant increases in diplomatic and aid activity. In the area of aid, Japan has had some difficulty in identifying and designing aid projects appropriate to the region. Australia should actively seek to involve Japan in consultations regarding aid. Japan's increased defence expenditure has raised some questions about its future intentions. However, Japan remains focused on its immediate environment and has shown a reluctance to adopt a regional policing role.

United States

95. With territories in the region and a major defence presence in the North Pacific, the United States has long considered the Pacific an 'American Lake'. Soviet fishing agreements, the dislocation of ANZUS and the South Pacific Nuclear Free Zone Treaty have served to focus American attention on the South Pacific, although it still remains of less significance than many other areas of the world. The signing of a fishing treaty with members of the South Pacific Forum has done much to improve United States standing in the region, but continued support of France over nuclear testing is still a point of contention between the United States and the region. Similarly, problems in various United States territories and protectorates have also damaged the United States' standing. The Committee endorses moves by the Australian Government to provide assistance to the Federated States of Micronesia and the Marshall Islands.

Regionalism and a Single Regional Organisation

96. Strong regional links are one way in which South Pacific countries might minimise their vulnerabilities. The value of a regional approach has been seen, for example, in the negotiation of a multilateral fishing treaty with the United States.

97. There has been much debate on the desirability of integrating various regional bodies into a Single Regional Organisation (SRO). It appears unlikely that a SRO will be achieved, but greater co-ordination and liaison will do much to reduce duplication of effort and increase efficiency.

Melanesian Spearhead Group

98. The fear that division among Forum members on cultural grounds would destroy the consensus decision-making process has

not become a reality. The Melanesian Spearhead Group will be a positive development for the member countries if it extends into practical areas of co-operation rather than simply rhetoric.

CHAPTER TEN: POLITICAL DEVELOPMENTS IN THE REGION

99.   The political institutions in the Pacific are under stress and are having to change and adapt to better meet the social and cultural constituencies they serve. Some have seen in this process of change a slide into turmoil and instability. However the Committee believes the outcome will be the emergence of uniquely Pacific forms of government with which Australia can still build constructive relationships.

Papua New Guinea

100.   Papua New Guinea faces problems of law and order and political instability that make the economic development of the country a more difficult process. The country is working within a democratic, constitutionally based system of government, but the potential for serious problems is great if reform of the political system is not undertaken.

101.   The likelihood of a coup in PNG is very remote for various cultural and logistical reasons. A more likely scenario involving the PNGDF would be the possibility of limited military action on specific issues such as conditions of service.

102.   PNG-Indonesian relations have improved, but the border remains a point of potential conflict. Should the border situation deteriorate, Australia may well find itself asked to assist. The nature of Australia's response will be governed by not only Australia's strategic interests but also domestic and

regional opinion. The Committee commends the decision to assist the PNGDF to improve its surveillance capability and expand the Defence Co-operation Program; and encourages the Australian Government to assist both PNG and Indonesia in improving the definition of the border.

Fiji

103.   The military coup in Fiji presented the Australian Government with its biggest dilemma in the history of regional relations. Since the coups Australia appears to have attempted to work through the more moderate elements of the regime but without great success. Although there is much to applaud in the new Constitution it is discriminatory, institutionalises involvement of the military in politics and contains only qualified human rights clauses. There has been little genuine public debate on the Constitution and its introduction appears inevitable.

104.   The Committee believes that the provision of supplementary aid to Fiji was most unfortunate and the linking of aid to improvements in Fiji's political situation should be viewed as an exception rather than general policy. There are obvious limits to the extent to which Australia can exert influence in the region, and it should be acknowledged that Australia gives aid to many other countries with significantly worse records without requiring improvements in their internal affairs. Having made the supplementary aid conditional, it seems pointless now to move away from seeking that commitment. However, in the future care should be taken to avoid placing on aid conditions that are difficult to assess, and impossible to enforce.

105.   The future of Fiji appears precarious, economically and also politically. A politically powerless and increasingly

economically threatened Fiji Indian population could prove a fertile ground for agitation and eventually violence. The possibility of further military action cannot be excluded.

Vanuatu

106.   A power struggle in Vanuatu since 1987 has led Vanuatu into a political crisis and damaged it economically. Given the 'big man' nature of traditional Melanesian politics, the struggle for power is likely to continue. Australia's response to the crisis has shown that it is impossible to remain aloof from what are primarily domestic political events, and that Australia will inevitably be forced to support one side or another in any such conflict.

107.   Vanuatu is left with a legacy of continued political tension and threats to national unity. The threat of violence remains ever present, and with it possible Australian intervention.

CHAPTER ELEVEN: TOWARD THE 21ST CENTURY

108.   Although the bilateral relationship between Australia and each individual country is generally good, there will inevitably be periods of conflict and disagreement.

109.   Much remains to be done in increasing the Australian public's knowledge of the region, its people and the process of change now occurring there. Greater emphasis on the Pacific region needs to be placed in secondary school curricula.

RECOMMENDATION 44:   The Department of Employment, Education and Training to develop school curricula related to Australia and the Pacific within existing school programs (para 11.4).

RECOMMENDATION 45:   The Department of Employment, Education and Training to establish a student exchange program among secondary school students in Australia and in the region (para 11.5).

110.   The Australian media was criticised for its often simplistic or sensationalised presentation of regional events. Media reporting has an impact not only on Australian attitudes towards the region, but also in the countries themselves. While defending the freedom of the press to report a situation as they see it, the Committee was concerned that attention only turned to the region in times of crisis.

RECOMMENDATION 46:   The ABC and SBS Television to investigate the feasibility of a half-hour weekly 'South Pacific Roundup' type of program (para 11.9).

111.   Although outside the scope of this inquiry, the Committee received submissions on the extent of contacts with the region in sport, the arts, museums and libraries. Contact of this type should be strongly supported.

112. Predicting the future of Australia-South Pacific relations is very difficult. The Committee hopes that the relationship will grow and mature, weathering the inevitable conflicts that will arise in bilateral relations. Australia will remain a major force in the region but inevitably will be somewhat apart. Australia must remain willing to help regional countries develop and meet the challenges they will inevitably face. Australia has expertise and knowledge of the region and should offer such expertise freely.

CHAPTER ONE

INTRODUCTION

THE REGION

1.1   The South Pacific region covers a vast area of ocean amidst which live some five million people. The region is generally divided into three main culturally distinct groupings - Melanesian, Polynesian and Micronesian. The differences between each group, and increasingly within each group, are reflected in the social structures they have developed, the political systems within which they operate, and the world view they express. Diversity in the region is also the product of its geography with some islands well endowed with natural resources, while others have little in the way of natural resources suitable for economic development.

1.2   Historically, the countries in the region also have had very different experiences. Many were colonised by metropolitan powers, and later gained independence; some remain colonies to this day, and one, Tonga, was never colonised and retains a unique monarchical system of government. The political mix in the region of independent states, self-governing territories, some of which retain close association with former colonial powers, a monarchy and colonies makes this area one of the most complex for Australia. A list of the present political systems of each is at Table 1.1. Specific country information on Forum countries is contained in Table 2.3 and Appendix 2.

1.3   The Committee, in presenting this report, focuses on Australia's present and future relationship with the countries rather than the past. A number of submissions provided excellent historical summaries of the relationship and the Committee does not intend to repeat that material here.

TABLE 1.1: PACIFIC ISLAND STATES AND TERRITORIES –
CONSTITUTIONAL STATUS

Country	Constitutional Status
Forum Members	
Cook Islands	Free Association with NZ (1965)
Federated States of Micronesia	Free Association with the US (1966)
Fiji	Independent (1970)
Kiribati (formerly the Gilbert Islands)	Independent (1979)
Marshall Islands	Free Association with the US (1986)
Nauru	Independent (1968)
Niue	Free Association with NZ (1974)
Papua New Guinea	Independent (1975)
Solomon Islands	Independent (1978)
Tonga	Independent monarchy (1970)
Tuvalu (formerly the Ellice Islands)	Independent (1978)
Vanuatu (formerly the New Hebrides)	Independent (1980)
Western Samoa	Independent (1962)
Non-Forum	
American Samoa	US Territory
French Polynesia	French 'overseas territory'
Guam	United States Unincorporated Territory
New Caledonia	French 'overseas territory'
Norfolk Island	Australian Territory
Northern Mariana Islands	Commonwealth of the US (1986)
Palau	US Territory
Pitcairn Island	British Territory
Tokelau Islands	New Zealand Territory
Wallis and Futuna Islands	French 'overseas territory'

However, the Committee believes it is important to appreciate the long standing nature of Australian contact with the region, through trade, the extensive work of missionaries, the recruitment of islanders to work in Australia in the 19th century, administration of a number of territories such as Papua New Guinea and Nauru, and involvement in military action throughout the region in World War II. Australia has been an active supporter of moves towards independence in the region, a process that began with Western Samoa's independence in 1962 and is still continuing today.

1.4   Up until World War II, those Australians who travelled to the region and who worked there in various capacities stayed for extended periods of time. This was primarily a result of the long distances involved, and the infrequent and slow transportation arrangements. Thus, their knowledge of the particular country in which they worked developed over a substantial period of time. It was not unusual for missionaries and business people and their families to spend most of their working lives in the South Pacific, in close contact with the indigenous people.

1.5   In contrast today, developments in transportation have made the area more accessible to a larger number of Australians. However, at the same time short visits are now possible because of the increased frequency of flights and shipping services, and the sort of extended residence in the South Pacific is not as common as it once was. With the exception of Fiji, the South Pacific has also not been the most favoured holiday destination of Australians travelling overseas - compared particularly to holiday destinations in Asia, the South Pacific has been expensive to reach, travel arrangements somewhat inconvenient, and there has been a lack of facilities that many tourists look for when deciding on where to holiday. Therefore, despite a long history of Australian involvement in the region, relatively few of today's Australians have visited the region, beyond day-visits on cruise ships or holidays at Pacific island resorts, far removed from the everyday life of most islanders.

AUSTRALIAN PERCEPTIONS OF THE REGION

1.6   The Committee believes the Australian public has,
therefore, developed certain attitudes toward and beliefs about
the region. For most Australians, the South Pacific has until
recently been a romanticised world of small, idyllic tropical
paradises. Tourism to the region, principally Fiji prior to the
coups, did little to dispel this image. Depth of knowledge
about the differences that exist within the region and which in
part underpins the perceptions and attitudes of the various
countries is, unfortunately, lacking. In a speech to the
Foreign Correspondents' Association on 23 September 1988, the
newly appointed Foreign Minister, Senator Gareth Evans,
highlighted this when he noted about his visit to the region:

> For me personally the visit did make very
> clear some things that I had previously - I
> suspect in common with most Australians - not
> fully appreciated. I saw for myself the real
> individuality of the countries of the South
> West Pacific, an individuality which
> underlined the error of some past Australian
> perceptions of the region as a group of
> friendly, uncomplicated - and
> indistinguishable - islands.

Many of those perceptions have now been shattered by the
process of rapid political and social change occurring in the
region.

1.7   It has not only been the Australian public that has
been caught unprepared by the rate of change that has occurred
in the Pacific region. Australian Governments, certainly until
the mid-1970s, tended to treat the South Pacific region in a
benign, paternalistic fashion, preoccupied rather with
relations with the United States, Europe and the major Asian
powers, reassured by a region that appeared not only stable but
also pro-Western and pro-Australian, and certain of Australia's
influence over the region by virtue of its size and power.

1.8   A number of events since the early 1980s have brought
the changing nature of the region home to public and government
alike in a very powerful way and forced a reappraisal of policy
toward the region. Increased interest in the area from the
super-powers, particularly the USSR, and other non-Pacific
nations, continued conflict in New Caledonia, civil disturbance
in Vanuatu and of course two coup d'etat in Fiji have
all served to focus Australia's attention on the region. The
Committee anticipates that the evolution of the region will
accelerate as the region moves towards the next century. What
Australia does in response to the changing face of the Pacific
will in large part determine the degree to which Australia
remains an accepted part of the region, and a country of some
influence.

1.9   The focus of this report, Australia's relations with
the island states of the region, is an acknowledgement of the
increased complexity and diversity within the South Pacific,
and the questions this has raised for the conduct of relations
with the states on a bilateral and multilateral basis.
Government is responding, and an awareness is growing in the
general public in Australia that the Pacific is 'pacific' no
more. To some it would seem Australia has lost its influence in
the region, but there has been a changing response by Australia
to a rapidly evolving region. The changes have been
appropriate, and a number of recommendations reflect this.

1.10   The Senate Standing Committee on Foreign Affairs and
Defence presented a report to Parliament on 13 April 1978 on
Australia and the South Pacific. It is appropriate that just
over ten years later the Australian Parliament again focus on
the region and review the changes that have occurred in the
interim. The Senate report has been the only parliamentary
inquiry to focus solely on Australia's nearest neighbours until
this Committee adopted the Terms of Reference in 1985. A number
of other reports have dealt with the region as part of larger

inquiries, for example the <u>Report of the Committee to Review</u> <u>the Australian Overseas Aid Program</u> (the Jackson Report, 1984), and the Joint Committee on Foreign Affairs and Defence's <u>Report</u> <u>on the Jackson Report on Australia's Overseas Aid Program</u> (1985). These documents remain useful sources of information regarding the nature of the region and Australia's role in it. This report will provide a useful adjunct to previous works, and further debate on problems facing the region.

STRUCTURE OF THE REPORT

1.11   A number of central issues were examined in the course of this inquiry. Foremost among them was the extent to which Australia is still able, or indeed seeks to influence developments in the region, and the methods by which this might be done, mindful of small state sensitivities about the unequal power relationship. Secondly, the Committee considered how best might Australia assist the countries in the region to maximise their economic potential - and hence an examination of trade, aid and a number of social issues was also included. As part of both of these, the Committee examined current policies towards the region and made some judgements about the appropriateness and effectiveness of the policies pursued to date.

1.12   The report is divided into two sections. The first deals with the economic relationship, uppermost in the concerns of the island states, conscious of their own economic vulnerability and dependence. Chapter Two provides an overview of the economic situation of the South Pacific states, identifying a number of common factors affecting their economic performance and prospects for economic development. Chapter Three looks at the trade relationship with Australia as it stands at present, the imbalance in trade, and a number of trade promotion options available to both sides.

1.13   As the largest aid donor to the region, Australia's development assistance policies have a significant impact on the recipient countries. The focus of Australia's aid to the

region is covered in Chapter Four, and some particular areas of concern in aid delivery are examined. Chapter Five continues the theme of assistance, identifying sectors where the Committee believes special needs exist and where Australia has particular expertise to assist.

1.14   Migration, although a social issue, is of particularly strong economic importance for the Polynesian and Micronesian countries. The issue of migration is an important one for both Australia and the South Pacific nations, and is covered in some detail in Chapter Six.

1.15   The second section of the report details political and security issues. Following on from a general discussion of the strategic and defence context in which Australia-South Pacific relations are conducted, in Chapter Seven, the report then covers bilateral relations and the increased interest of extra-regional countries in the region. Chapters Nine and Ten deal with developments and trends in the political sphere, the increased political turbulence evident in domestic politics and prospects for the future. The future of regional institutions given the move towards divisions along cultural lines is also examined. Chapter Eleven concludes with some observations about the future nature of the relationship as we move towards the next century.

SECTION I: ECONOMIC ISSUES

CHAPTER TWO

OVERVIEW OF THE ECONOMIC SITUATION
OF THE SOUTH PACIFIC STATES

2.1   Economic security is predominant in the concerns of
the region, reflecting their awareness of the fragility of
their economies and vulnerability to outside influences.
Economic security is closely linked with political stability,
and the very survival of a number of the smaller states as
independent, sovereign nations. This chapter provides an
overview of the economic performance of the region, the
difficulties faced by these countries, and the prospects for
the future.

ECONOMIC PERFORMANCE

2.2   Between 1962 and 1980 the countries of the South
Pacific, with a few exceptions, obtained their political
independence. Economic independence, defined for the purposes
of this report as independence from development assistance
provided by other countries, however, is still far from a
reality for many of these states. Opinion varies as to whether
economic independence can ever be achieved at all for a number
of these countries.

2.3   Very little up-to-date information is available on the
economic indicators for South Pacific countries, and hence
comparability and forecasting is quite difficult. However, on
the figures available to the Committee, it is apparent that the
region has seen a decline in general standards of living since
the early 1970s. This appears to be a result of low economic
growth rates coupled with high natural population growth rates.

This decline has occurred despite high aid flows into the
region, and privileged access to industrial country markets.
Table 2.1 gives some indication of economic growth rates of a
number of South Pacific countries compared to not only other
low income countries, but also those ranked as middle income
oil importers.

TABLE 2.1: ECONOMIC GROWTH: GDP AND GDP PER CAPITA

	Trend Annual % change in Real GDP	Trend Annual % change in Real GDP/capita	Period
Fiji	1	-1	1976-1985
Solomon Islands	2	-2	1977-1985
Vanuatu	-2	-5	1979-1985
Western Samoa	0	-1	1980-1985
Tonga	3	2	1976-1985
Kiribati	0	-2	1980-1984
Cook Islands	0	1	1976-1982
Tuvalu	-3	-5	1979-1985
Niue	NA	NA	NA
Nauru	NA	NA	NA
Papua New Guinea	2.2	.1	1975-1987
Low income (excl India and China)	4 (a)	1	1965-1984
Middle income oil importers	4 (a)	3	1965-1984

(a)   1973-84

Source: ADAB, Submission p. S 1083

2.4   South Pacific people are not poor by international
standards, having a 'subsistence affluence' level of existence.
However, they are unable to achieve and maintain a standard of
living comparable to many western countries. With poor economic
performance and limited development prospects, most have a poor
trade balance relationship with their major trading partners
and rely on remittances from citizens working overseas and
foreign aid as sources of foreign exchange.

CONSTRAINTS TO DEVELOPMENT

2.5   The nations and territories of the South Pacific are very diverse not only in their cultural traditions and histories, but also in their economies and political structures. The extent of the diversity can be gauged by examining some of the key economic indicators, set out in Table 2.3, comparing, for example Papua New Guinea with Kiribati, or Fiji with the Solomon Islands. However, despite this great diversity, the island states of the South Pacific do share some common characteristics that have influenced their economic performance.

2.6   Several submissions, particularly those by the National Centre for Development Studies (NCDS) and the Australian International Development Assistance Bureau (AIDAB), explored in great detail the constraints to development faced in varying degrees by the island states. Those constraints can be summarised as arising from three factors – the geography of the area, a number of inherited and acquired disadvantages, and constraints arising from rapid change in the region. It is important to realise that not all of the constraints to development affect all countries in the region equally, and that as a result the economic prospects for each vary considerably.

2.7   The total land area of the whole region is relatively small in proportion to the ocean in which these states are situated. Small populations, a limited revenue base, geographic remoteness and fragmentation, limited telecommunications and high transport costs have hindered the development of not only production of goods for domestic use, but also participation of these countries in the world market. Economies of scale are difficult to achieve with small, scattered populations, and many of the countries have insufficient funds from domestic revenue sources to finance the type of developments in infrastructure necessary to attract foreign investment.

2.8   Although populations in the Pacific are generally too small and scattered to allow for economies of scale to be utilised in economic development, many regional countries have high population growth rates by world standards. This could be beneficial if economic growth rates were sufficiently high to provide for the development of the increasing population. As the NCDS noted 'The quality rather than the quantity of manpower has to be nurtured' (Submission, p. S 1252) and this means education, health care, housing and ultimately employment prospects. However, this is not the case for most South Pacific countries, who lack the resources to sustain and fully utilise the high growth rates they presently experience. Despite large amounts of foreign aid there is enormous pressure on regional economies to cope with increasing populations, pressure on land, the growth in urban centres in particular, and the social problems that result.

2.9   Table 2.2 shows annual population growth rates in a number of regional countries. The Solomon Islands and Vanuatu have the highest rates, and as a result it is estimated that 48% and 50% respectively of their populations are below the age of 15 years. This has enormous implications particularly for the educational resources of these countries. High growth rates in Western Samoa and Tonga are offset by emigration, providing not only a 'safety valve' but also valuable foreign exchange from remittances (see Chapter Six). In other countries, for example, Kiribati, population growth on the main island is extremely high, from internal migration as much as natural increase, while the outer islands' populations are increasing at a much slower rate. The outer islands are left with population levels below that necessary for economic growth and development.

2.10   It is clear that population growth has to be limited if these countries are to improve the standard of living of their populations. Efforts to reduce the growth rate may run counter to many strong religious and cultural beliefs. It is

important that in exploring possible ways of managing
population growth, aid donors remain sensitive to these values.
A fuller discussion of the implications of population growth
for development strategy is contained in this Committee's
report on the operations of AIDAB, tabled in March 1989.

TABLE 2.2: ANNUAL RATES OF POPULATION INCREASE 1980-1986 (%)

COUNTRY	RATE	
Australia	1.4	
Cook Islands	1.9	
Fiji	1.7	
French Polynesia	1.9	
Kiribati	1.7	
- Tarawa	4.3	(a)
- Outer Islands	0.8	(a)
Nauru	2.7	(b)
New Caledonia	1.9	
Niue	-0.3	
Papua New Guinea	2.2	
Western Samoa	0.9	
Solomon Islands	3.7	
Tonga	2.2	
Tuvalu	2.7	(b)
Vanuatu	2.9	

Source: Demographic Year Book 1986, United Nations,
           New York 1986, p. 155

    (a) Source: Pacific Islands Year Book, 15th
         Edition
    (b) Source: Osmanczyk, E. Encyclopedia of
         the United Nations and International
         Agencies, p.961-963. These figures are
         for the period 1980-1985.

2.11   Most Pacific island countries have a limited natural
resource base, and rely on a small number of agricultural
products for their main export earnings. These products are
subject to price fluctuations on the world market and for
several years there has been a trend downward in real prices.
The coral atoll states, such as Kiribati and Tuvalu, have even
more intractable problems arising from their geography - very
small land masses, soil generally unsuitable to intensive
agriculture, fresh water in short supply and very limited

natural resource bases. The geography of the region also means
the effects of natural disasters such as cyclones have a
greater economic impact on these small economies. The very
existence of a number of the small atoll states may be in
danger from the 'Greenhouse effect' (see Chapter Five for a
fuller discussion).

2.12   The natural disadvantages arising from the geography
of the region are exacerbated by inherited or acquired
constraints to development. Large aid flows into the economies
of these countries, designed to assist in economic development,
may have some negative consequences and may indirectly hinder
the economic development they are meant to encourage. Large
public sectors and bureaucracies, artificially inflated wages
and over-valued exchange rates are all possible side-effects of
aid (ADAB, Submission pp. S 1076-1078).

2.13   Land tenure systems are one of the stumbling blocks to
economic development and investment in many South Pacific
countries. Indigenous custom landowners may permit the leasing
of their land to the Government or outside developers, but the
idea of its being permanently transferred is unthinkable. Land
provides identity to the people, their means of survival and
underpins their cultural and social systems. Agitation for the
return of land was a constant source of unrest under colonial
rule, and anxiety over land loss played an important role in
the coup in Fiji in 1987 and the violence seen in Port Vila,
Vanuatu in May 1988. It has also hindered agricultural and
commercial development. Disputes over land ownership, and the
level of financial return to the indigenous owners where land
has been leased for various business ventures have also arisen
in Papua New Guinea, and the Solomon Islands, and are an
additional complicating factor to be faced by those wishing to
invest or develop a project in the region. Land use and access
will continue to be a major issue in the Pacific.

2.14   As noted earlier the island states have a generally
high population growth rate. Coupled with increased
urbanisation, this has placed great strains and demands on
health and education systems, and many South Pacific islanders
now aspire to a standard of living unattainable given present
levels of economic growth in the region. In countries with a
comparatively small population pool from which to draw,
problems in the education sector further restrict the skill
base of the country. The Committee found that a lack of
sufficiently trained personnel in the private sector, to
provide a substantial supply of skilled labour for commercial
projects, and also in the public sector to institute
development planning strategies and assess and manage aid
programs, is one of the most pressing problems facing the
region at present.

ECONOMIC OUTLOOK

2.15   Nearly all of the economies of the South Pacific are
overwhelmingly dependent on agriculture for export earnings and
have a growing dependence on foreign aid. However, the
Committee believes it is important to remember that the
constraints listed previously do not apply equally to all the
countries of the region. The larger (in terms of both land area
and population) such as PNG and Fiji have reasonable prospects
for economic independence and viability when assessed on purely
economic grounds. (Political instability and inappropriate
government policies may of course affect economic growth, but
this is the case with all countries of the region). Agriculture
and exploitation of natural resources and minerals in
particular hold out the prospect for real economic independence
and improved economic growth in the future. Medium sized
countries such as the Solomon Islands, Western Samoa, Vanuatu
and Tonga are likely to face a continuing reliance on aid in
the medium to long term, but again have some resources that
could be further developed. Tourism in particular is one area
where progress may be made. Micro-states such as Kiribati,

Tuvalu and the Cook Islands are in the most difficult
situation, with very limited resources to exploit, and the
likelihood of permanent dependence on aid. The Committee was
unable to foresee a situation in which the micro-states would
ever be totally self-sufficient and independent of foreign aid,
in whatever form it might be given.

2.16   While acknowledging that a number of countries in the
region have the potential for greater economic development, the
Committee is concerned at the effect of political and social
instability on investor confidence and also on these countries'
own ability to respond to economic challenges. Adverse
publicity following riots in the capital of Vanuatu, continued
concern over law and order in Papua New Guinea, and the
economic impact of the coups in Fiji are all examples of
incidents that have damaged economies ill-equipped to cope with
such blows. Should instability, violence and unrest continue it
is difficult to see any economic gains being made by the
countries so affected, regardless of the level of their natural
resources and other advantages.

2.17   The Committee agreed with a view put to it that there
were three major areas which offer hope for improved economic
performance for the larger and middle sized countries, and to a
more limited extent the micro-states:-

> .   improvements in and diversification of
>   primary production (including fishing,
>   agriculture, forestry and mining);
>
> .   development of tourism; and
>
> .   further development of small scale industry
>   and extension or improvement in the small
>   business sector.
>
> (Riverina-Murray Institute of Higher
>   Education, Submission p. S 106).

Each of these areas is examined in more detail in the following
sections.

TABLE 2.3: PACIFIC ISLAND STATES AND TERRITORIES - BASIC INDICATORS

	Land Area (km²)	Sea Area ('000km²)	Population ('000)	Density (people per km²)	GNP (US$m)	GNP per capita (US$)	Growth in Real GNP per capita rate (%)	Adult literacy rate (%)	Total aid flows (US$m)	Aid per capita (US$)	Aust. bilateral aid (US$m)	Aust. bilateral aid as share of total aid flows (%)	Life Expectancy at Birth (Years)
			1984	1984	1984	1984	1973-1983	1980ᶜ	1984	1984	1984	1984	1980
Fiji	18 272	1 290	679ᵃ	37ᵃ	1 250ᵈ	1 840ᵈ	1.1ᶜ	75.0	31.3	46	9.9	31.6	68
Solomon Islands	28 530	1 340	263ᵃ	9ᵃ	160ᵈ	640ᵈ	2.0ᶜ	51.0	19.4	74	5.7	29.4	57
Western Samoa	2 935	120	56ᵃ	163ᵃ	115ᶜ	770ᶜ	-	97.8	20.2	124	2.8	13.9	65
Vanuatu	11 880	680	131ᵈ	11ᵃ	60ᶜ	530ᶜ	-	-	24.5	187	3.6	16.7	54
Tonga	699	700	103ᵃ	152ᵃ	80ᵈ	780ᵈ	3.9ᶜ	99.6	15.7	148	4.2	26.8	58
Kiribati	690	3 550	88ᵃ	88ᵃ	30ᵈ	460ᵈ	-.6	95.0	31.3	513	1.9	6.1	52
Cook Islands	240	1 830	18ᵇ	73ᵇ	20ᶜ	1 360ᶜ	-	91.8	8.1	460	0.4	4.9	65
Tuvalu	26	900	8ᵇ	308ᵇ	4ᶜ	570ᶜ	-	98.0	5.5	688	1.1	20.0	-
Nauru	21	320	8ᵇ	381ᵇ	70ᶜ	9 091ᶜ	-	-	-	-	-	-	-
Niue	259	390	3ᵇ	11ᵇ	3ᶜ	1 080ᶜ	-	100.0	3.2	1 143	0.2	6.3	-
Tokelau	10	200	2ᵇ	200ᶜ	1ᶜ	560ᶜ	-	97.2	1.8	900	-	-	-
French Polynesia	3 265	5 030	49ᵃ	49ᵃ	1 300ᵃ	8 190ᵃ	3.2	94.5	172.0	1 082	-	-	-
New Caledonia	19 103	1 740	147ᵃ	8ᵃ	920ᵃ	6 240ᵃ	-1.1ᵃ	91.3	130.5	888	-	-	-
Papua New Guinea	461 691	na	3 253ᵃ	7ᵃ	2 480ᵃ	760ᵃ	-0.3ᵃ	-	321.8	99	275.2	85.6	51

a World Bank estimate; b United Nations estimate; c 1980 figure estimated by the Government of Australia; d 1983 figure estimated by the World Bank;
e 1973-82 figure estimated by the World Bank. The World Bank estimate for Kiribati is -12.6 per cent. However, this largely reflects the ending of Ocean Island phosphate mining and thus does not reflect changes to living standards in Kiribati; f OECD figures; g where the 1984 population figure was not available, the latest reporting date was used.
Source: N C D S, Submission p. S 1247. For Life Expectancy figures, Australian Council for Overseas Aid (ACFOA), Submission p. S 1526.

NATURAL RESOURCE MANAGEMENT

Agriculture

2.18   As mentioned earlier in this chapter, most of the South Pacific countries are dependent on a small number of primary products for export earnings, and these commodities are subject to fluctuations in price. Prices paid for island primary produce are often lower than the world average, primarily because of factors such as storage and transportation problems, lack of research to refine products and production methods, non-alignment of island products with market needs and poor incentives for farmers to increase their output and improve the quality of crops. Regional countries produce a small number of common agricultural products, and often find themselves competing for the same markets for these goods.

2.19   The Australian Centre for International Agricultural Research (ACIAR), commenting on the importance of agriculture to the economies of the region, noted:

> Agriculture is the sector which is being asked to provide food for increasing populations, provide substitutes for imported food, earn foreign exchange, provide more cash for farmers, and generate increased employment.
>
> Attempts to develop the agricultural sector in many Pacific countries have been disappointing. Productivity has been low; cash incomes have not increased; export volumes have not expanded rapidly; and increased employment opportunities have not matched population increases. Various biological, social, economic and political factors have been cited as limiting increased agricultural production.
>
> (Submission p. S 1704)

2.20   Considerable scope appears to exist for improved levels of production in the subsistence sector, which is the primary activity for the majority of South Pacific islanders.

The NCDS argued that the potential for agricultural diversification had not been fully exploited. This view was also shared by the Department of Foreign Affairs. In its submission it noted that 'labour intensive high value-added primary products' such as cut flowers and tropical fruits have strong export growth potential (Submission p. S 955).

2.21   The Committee notes the valuable work being done by ACIAR in research to assist the agricultural sector of South Pacific economies, and endorses its increased focus on problems facing the region. However ACIAR's basic functions are in research and development, not market identification and marketing. The Committee believes that assistance also needs to be given to the region in identifying possible areas for agricultural diversification.

2.22   This identification of possible markets for existing South Pacific produce, or identification of possible agricultural products that have not previously grown in the region, would best be handled on a regional basis, utilising the resources of the Forum Secretariat (formerly SPEC). An agricultural diversification unit, established with the Secretariat, could investigate and identify possible areas for the introduction of new export products or expansion of existing agricultural exports from the region. The unit would seek technical and scientific assistance from bodies such as ACIAR at an early stage in the process to ensure that the particular product is suitable for South Pacific conditions, that it will not be affected by existing pests, and that higher yielding varieties where possible are used.

2.23   The Committee recommends that the Australian Government raise with the Forum Secretariat the formation of an agricultural diversification unit.

Fishing

2.24   With the introduction of a 200 mile Exclusive Economic Zone (EEZ) the countries of the South Pacific have extended their control over a vast area of ocean. The sea area for the South Pacific countries (excluding PNG) totals 11 120 000 square kilometres, and for PNG the area is about 1.3 million square kilometres. The ocean area surrounding the islands contains one of their greatest resources, fish. Countries in the region have placed great emphasis on utilisation of this resource to assist in their economic development. Evidence before the Committee identified two areas of fishing - the lucrative off-shore deep-sea fishing and the basically subsistence on-shore fishing.

Deep Sea Fishing

2.25   Most of the South Pacific countries include in their national development plans a strategy to develop off-shore fisheries, which they see as having benefits such as increased export earnings, employment and gains from import substitution. However, the weight of evidence before the Committee would suggest that South Pacific countries should not rely on off-shore fisheries to solve all of their economic problems. The benefits, while substantial, may not provide the massive returns once expected. The high capital costs of deep-water fishing make participation by most of the smaller states difficult, and as a result distant-water fleets from countries such as Japan, the United States, Taiwan and South Korea dominate not only the catching sector but also the processing, marketing and boat-building sectors. As one submission noted:

> The evidence available suggests that exploitation of the tuna in the 200 mile EEZ of the South Pacific Island States can provide the best potential for development if the specialist foreign nations harvest and process the majority of the catch, and the Islands collect the resource rent as a fee for the fishing right.

(Waugh, Submission p. S 703).

2.26   Fishing agreements with the major fishing nations using the EEZs of the South Pacific countries can make a significant contribution to the budgets of these countries. For example, the multilateral treaty signed between the United States and members of the Forum Fisheries Agency (FFA) will mean that the participating countries will share some US $60m over a five-year period, distributed on a pro-rata basis according to catch in their respective EEZs.

2.27   The most important fish in the region are highly migratory species, principally tuna. The intransigence of the United States in not recognising coastal state jurisdiction over tuna caused great damage to the United States' standing in the region (see Chapter Nine). However, the resolution of the situation with the signing of a multilateral fisheries access treaty with members of the Forum Fisheries Agency has done much to improve relations between the United States and regional countries. Japan appeared to be facing a similar backlash over its refusal to negotiate multilateral fishing agreements. While the Japanese recognise territorial rights over the fishing zones, the Japanese Government had resisted attempts by South Pacific countries for a multilateral fishing agreement such as that agreed by the regional co-ordinating body, the Forum Fisheries Agency and the United States. A number of the bilateral fishing agreements have lapsed and, as happened in the case of the United States, a Japanese fishing boat was confiscated for fishing illegally without a licence, in this case in PNG's waters. Questions of price and also quantities of fish taken by licensed Japanese boats are also cause for dispute. In late 1988 there were indications that Japan had reconsidered its position and was preparing to begin negotiations with the FFA.

2.28   To maximise the benefits arising from the treaty with the United States and possible similar treaties in future, adequate surveillance, policing and enforcement are essential.

To this end Australia has helped, and should continue to help the South Pacific region develop a suitable maritime surveillance capability, primarily for economic reasons, but with the added benefit of contributing to the defence of the region.

On-shore fishing

2.29   Despite the apparent abundance of fish in the oceans, the region is no longer self-sufficient in its fish consumption. A significant proportion of domestic fish consumption is imported tinned fish - often the fish have been harvested from Pacific waters and returned after processing. The Committee heard evidence that fishing for domestic consumption was a totally unexploited area, and that for countries with limited capital and limited skilled labour, concentrating resources on in-shore fisheries would be more appropriate than attempting to expand into the highly capital intensive off-shore facilities.

Australian Assistance

2.30   It would appear that in the light of the above, Australian assistance would best be directed in the following areas:

(a)   assisting the region in its conservation, technology and managerial skills so that the best utilisation of resources for both small and large scale operations can occur;

(b)   assisting the South Pacific nations develop negotiating skills so that realistic fees might be obtained;

(c)   assisting individual countries improve their subsistence fisheries, developing the infrastructure and local capacity to

preserve the catch so that it can be
marketed in other areas within the
islands; and

(d) assisting the South Pacific countries in
the surveillance of their maritime
resources.

Mining

2.31   A limited number of South Pacific countries have
mineral resources able to be developed. Papua New Guinea and
New Caledonia are mineral rich, Fiji has gold deposits, and
there are mineral prospects in the Solomon Islands. In the long
term, sea-bed mining may also be developed in the region,
however, as has been seen in the past with Kiribati (Ocean
Island) and currently in Nauru, minerals are not an infinite
resource and other areas of the economy need to be developed in
conjunction with mining to provide an alternative source of
export earnings should the deposits run out.

Forestry

2.32   For a number of the larger South Pacific nations,
timber is one of the more abundant resources, and has been used
extensively for domestic purposes such as fuel, building
materials, and as the raw material for boats, crafts and tools.
Timber has also been used for export earnings. In PNG, for
example, there is an estimated 15 million hectares of operable
forest area, and in 1985 forest products accounted for about
12% of total export earnings. The Solomon Islands is second
only to PNG in terms of commercial forestry, and Fiji, Tonga,
Vanuatu and Western Samoa all have smaller forestry industries.
In the South Pacific the forestry industry is dominated by
foreign-owned firms, since nationals lack both the capital and
the necessary managerial experience (Australian Council for
Overseas Aid (ACFOA), Submission pp. S 1499-1500).

2.33   The Committee was also concerned to hear evidence that
there was little value-added processing of timber in the
region. While noting that this is capital intensive, the
Committee believes assistance should be given to the major
timber-rich countries of the region to develop this particular
aspect of the industry, and capitalise on the resource.

2.34   As with most such resources, the supply of timber is
not inexhaustible. As the nations face depletion of their
forestry resources, advice in conservation and reafforestation
becomes increasingly important. In high rainfall areas such as
the Pacific, it is very easy for surface soil to be lost if
logging is not undertaken in a selective manner. The Committee
saw evidence of the effects of logging in the Solomon Islands,
and in addition received evidence from Community Aid Abroad
(Evidence, 25 May 1987, p. 390-91) and the Revesby Social
Justice Group (Submission, p. S 600ff) of the detrimental
effects of clear-cut felling.

Dangers of Resource Development

2.35   As noted earlier a number of submissions expressed
concern about the dangers of resource development including
mining and timber felling, primarily on environmental grounds.
These submissions also expressed concern that the traditional
inhabitants of the area being developed seldom shared in the
economic gains. The Committee was told privately of cases of
exploitation of the custom landowners by the timber companies,
through such devices as writing-down of the profits, thus
reducing the royalties that should go back to the landowners.
While this may not be universal, it does suggest that there
needs to be close monitoring of the use of these resources by
the respective countries, not only in terms of ensuring a fair
return to the landowners, but also to ensure that careful
utilisation of the resource, and where appropriate,
rehabilitation of the land, is undertaken.

2.36   The Committee does not believe it is Australia's place
to tell South Pacific Governments what resources they should or
should not develop. However, should these countries decide to
utilise their natural resources, Australia is well placed to
assist them to manage the resource and hopefully avoid some of
the long term environmental problems that can arise from poor
land management. Several Australian Non-Government
Organisations (NGOs) including the Rainforest Information
Centre, the Australian Council of Churches, Freedom From Hunger
and the Overseas Service Bureau have been involved in awareness
training programs in the Solomon Islands on the environmental
impact of logging, as part of a wider community development
program partly funded by AIDAB (ACFOA, Submission p. S 1501).

2.37   The Committee believes there is a role for the
Australian Government and its agencies to assist regional
countries, if requested, to manage their resources. As such,
the assistance should be extended to all regional countries on
a balanced basis. The Committee notes Australian support of the
South Pacific Regional Environment Program (SPREP) and endorses
continued involvement in the many activities of that program,
particularly training of regional personnel in conservation and
management techniques.

2.38   Environmental awareness and a proper concern for the
environment should also be an intrinsic part of development. As
such, environmental issues should be integrated into the
Australian aid program, and be an area examined when proposals
for activities under the Australian aid program are made. The
Committee notes that the Senate Committee on Environment,
Recreation and the Arts is conducting an inquiry into the
capacity of AIDAB and Australia's effectiveness in relation to
the assessment of the environmental impact of proposed
projects.

TOURISM

2.39   Given the problems facing South Pacific countries in
increasing foreign exchange earnings from a limited resource
base, tourism is one area with potential to improve economic
performance and growth. Not all countries have accepted the
idea of tourism without reservation, aware that it can have a
negative as well as positive impact on the country (DFA,
Submission p. S 954).

2.40   Tourism is one of the major foreign exchange earners
for Fiji and Vanuatu, and is playing an increasingly important
role in Western Samoa, Tonga and the Solomon Islands. For the
micro-states, tourism has had little impact, primarily because
of their remote location, problems with water supply and other
utilities, and lack of suitable accommodation. However, those
smaller countries also have unique attractions, and could be
developed for a specific market.

2.41   The major arguments in favour of increased tourism
development are its contribution to GDP and employment,
particularly in the unskilled and semi-skilled areas as shown
in Table 2.4.

2.42   The benefits of tourism were questioned by a number of
submissions. The Australian Council of Churches (ACC) was
particularly critical of the social impact of tourism on the
countries of the region, and in particular on the women whose
role they saw as 'largely limited to low paid and menial jobs'.
(Submission p. S 2278). As they warned:

> The overcommercialisation of age old
> traditions, ceremonies and traditional
> entertainment threatens the national
> character. The demands made by modern tourism
> result in modifications of value systems and
> patterns which are not often in the best
> interests of the people.
>
> (Submission p. S 2280)

TABLE 2.4: CONTRIBUTION OF GROSS TOURIST RECEIPTS TO
EXPORTS AND EMPLOYMENT

	Gross tourist receipts as % of all Exports	Tourist Generated Employment as % of Total Paid Employment	
Fiji	33	31	(1987)
Vanuatu	27	20	(1984)
Western Samoa	16-25	2.7	(1979)
Tonga	68	2.0	(1986)
Solomon Islands	4-5	1.0	(1981)

Source: DFA, Submission p. S 954, and NCDS staff estimates.

Note: Tourists to Tonga are mainly visiting immigrants who have permanently settled abroad, or passengers from cruise ships on one day port calls. Funds from visiting immigrants and remittances are significant sources of foreign exchange for Tonga.

2.43   When representatives of ACC appeared before the Committee, they argued that there is now 'increasing evidence that the adverse effects of tourism outweigh any economic benefits which may accrue...' and highlighted two factors they felt needed to be considered, the foreign control of the tourist trade, and the ugly Australian syndrome:

> ...a large part of the tourist trade is foreign controlled and much of that is in Australian hands - for example, in hotels, travel agencies and airlines. Local food is not used, local labour is not used, local customs are not valued and much of the returns are exported...we are concerned about the ugly Australian syndrome because many tourists are Australian and have bought packages which do not respect local people. These are not conducive to building friendly relationships between people...

(Evidence, 29 March 1988, pp 1001-1002)

2.44   As an adjunct to this, ACC also noted with concern that there was 'increasing evidence of the use of women in "sex tourism", following after the pattern that has already developed in Asia' (Submission p. S 2278). As a partial solution, they advocated that the Australian Government, in consultation with the tourist industry, formulate a code of conduct on overseas tourism, and that through education programs Australia encourage an alternative, people-to-people type of tourism (Submission p. S 2282).

2.45   The Committee did not receive any evidence to corroborate the claims of the ACC about the emergence of a 'sex tourism' industry developing in the region. The cultures, and more importantly the strongly religious and conservative nature of the Pacific region are major factors working against such a development. The Committee did, however, share some of the concerns of the ACC about the possible negative effects of tourism, particularly the damage that might occur to traditional cultures. South Pacific countries themselves are aware of the problems that uncontrolled tourist development might cause, and are generally adopting a cautious approach. The Committee believes that some of the problems can be avoided by adopting the strategy put forward by the NCDS, that:

> The islands' tourism strategy needs to be focused on the type of tourist activity most suited to local conditions. The 'high class' market is much more employment-intensive than 'mass' market tourism, and less liable to interfere with local culture. In fact it often contributes to the preservation and development of local customs...

(Submission p. S 1277)

2.46   The Committee rejected the idea that Australia formulate a code of conduct for tourists. The Committee does support, however, education programs aimed at increasing the Australian public's sensitivity to South Pacific customs and values. The Committee would see this type of education being conducted in the context of regional studies courses within

existing school programs. While rejecting a tourist code of
conduct the Committee believes that the Australian Government
and the tourist industry should give consideration to providing
adequate information for potential tourists on local habits and
customs, preferably based on material provided by the regional
countries themselves, on what constitutes acceptable behaviour
by tourists.

Economic Benefits of Tourism

2.47   In attempting to assess the economic benefits of
tourism, the Committee received evidence that although these
benefits may be substantial in terms of job creation and the
impact of tourist spending, they may not be as high as
previously thought due to `leakages' of foreign exchange
earnings out of the country. Leakages can occur in the form of
imported goods and services purchased by domestic suppliers
e.g. food and beverages; management fees to foreign concerns;
and expenditure on publicity and promotion of the country
abroad etc. However, the same submission noted that `leakages
decline with economies of scale, and that the tourism potential
is important both for foreign exchange earnings and employment'
(NCDS, Submission pp. S 1295-96).

2.48   The problem of leakages is not, of course, unique to
the South Pacific. However with a limited number of products
produced locally, many South Pacific countries have
particularly high levels of imports. Although leakages in terms
of management fees or promotion overseas are unavoidable, those
relating to the purchase of imported food stuffs and beverages
can be reduced. Reduction is possible if individual country
governments adopt policies which integrate tourism into the
rest of the economy, for example by increasing the use of
locally grown food rather than importing produce from overseas.
This requires an emphasis in agriculture not only on quantity
but also quality, and in some cases agricultural
diversification to produce the type of goods preferred by
overseas visitors.

2.49   Figures in Table 2.5 indicate that potential exists
for savings to be made by import substitution, primarily in the
food area. The figures, however, are only indicative as they
are based on a survey of the hotel sector of the tourist
industry in the four participating countries, and do not take
into consideration tourist expenditure on food and beverages in
restaurants outside the hotels. The figures do suggest that in
the area of food imports there is scope for greater use of
locally produced food. With beverages, the low figure in
Western Samoa reflects the high proportion of beer purchased
from a local brewery, and similarly in Fiji, the use of local
beer reduces the amount of imported beverages required. Vanuatu
is examining establishing a local brewery, and a decrease in
the amount of imported beverages should result. However,
beverage imports will always be substantial as no regional
country produces spirits, and few produce wine.

TABLE 2.5:   AGGREGATE IMPORT CONTENT OF FOOD AND BEVERAGE
PURCHASES OF HOTELS

	Western Samoa	Tonga	Vanuatu	Fiji
Percentage of food imports of total food purchases	46.8	53.5	33.3	35.3
Percentage of beverage imports of total beverage purchases	37.0	89.0	77.0	49.0

Source: Dwyer, L: Import Content of Tourist Hotel Food
and Beverage Purchases in the South Pacific
(Islands/Australia Working Paper No 88/1)
(Exhibit, No 66)

2.50   The study found two main reasons for use of imported
items rather than local produce. The first of these was the
importance of quality considerations, where the local goods

were regarded as inferior to the imported substitute, and secondly the availability of the local product in insufficient quantities to meet demand. The Committee believes that both of these areas need to be addressed if the use of local goods in the tourism sector is to be maximised.

Access to the region

2.51   In examining the evidence before it, the Committee found that the major single factor inhibiting the growth of tourism in the region was difficulties of access to the countries on a regular basis. The Committee anticipates there would be great interest from tourists wishing to spend time in more than one island state, and as the Committee found from experience in planning to visit a number of South Pacific countries in June 1988, current airline scheduling makes this almost impossible in a limited period of time. The problems with regional transport are discussed in more detail in Chapter Five. The Committee wishes to emphasise that any developments in tourism will be largely dependent on improvements in the transport arrangements for the region.

Regional Co-operation

2.52   To date, most regional tourism development has proceeded on an individual country basis. However, to improve the marketability of the region, and attract more tourists from areas other than Australia and New Zealand, the Committee urges a regional approach be adopted to tourism. This should include marketing and promotion on a regional basis, and regional liaison with airlines to lobby for adjustments to current scheduling. The regional Tourism Council should aim for membership of all Forum countries, and should strive to emphasise the complementary facilities in each country.

2.53   The Committee notes the support given by the European Community to a Regional Tourism Development Program (RTDP), involving eight Pacific island nations. The RTDP aims to

strengthen national tourism offices, increase awareness of Pacific cultures and traditions, and more vigorously promote the Pacific as a tourist destination. The program will also assist participating countries assess the overall impact of tourism on their economies and provide expertise to improve tourism development plans. The Committee commends this approach and expects that liaison will occur between Australia and the region on the implementation of this program.

Training

2.54   A number of submissions highlighted the need for personnel training and education to develop the local skills necessary to manage tourism as it grows in the region. The Committee stresses the importance of such training for people in all aspects of the tourism industry, but particularly in the management skills required to run major tourist facilities.

2.55   Training can be conducted by individual establishments, through local or regional schools and also at overseas institutions. The Committee believes that where possible training should be conducted within the region, in a Pacific context, utilising the resources available in local tourist facilities. It is vital that the tourism and hospitality industry be involved closely in the development of training courses to ensure the suitability of the training for local conditions. The Committee recommends that AIDAB review training assistance given to the region in tourism and hospitality-related areas, with a view to establishing a regional Tourism Training College perhaps based on the School of Hotel and Catering Services at the Fiji Institute of Technology. The regional college should be established to provide not only short courses to supplement on-the-job training, but also to provide longer management courses for future indigenous managers.

2.56   Australia is well placed to supplement the training
provided regionally with management training at institutions
like the James Cook University Tourism Centre. The Committee
would hope that Australia could play a larger role in the
training of regional tourism personnel.

SMALL BUSINESS EXPANSION

2.57   The development of light manufacturing industry and
other small business activities has been limited by a number of
factors. Comparatively high wages, an inability to take
advantage of economies of scale, shortages of basic services
like water and electricity on a regular basis, lack of local
entrepreneurial ability, and high transportation costs have all
had an impact on the viability of business ventures that have
been set up in the region, particularly for the domestic
market. A small number of firms, primarily in Fiji and Tonga,
produce goods for export, many of them competing under the
shelter of preferential trade agreements such as SPARTECA. The
potential for growth in this area is dealt with in more detail
in Chapter Three.

PROSPECTS FOR THE FUTURE

2.58   From the wealth of evidence available to the
Committee, it is apparent that the South Pacific region will
remain dependent on external assistance in the economic area
for at least the short to medium term. The larger states in the
region, endowed as they are with comparatively greater natural
resources, have the potential to exploit a number of areas to
improve their economic performance, given political stability.
For the other countries of the region, prospects vary according
not only to the resources they have at their disposal, but also
according to the policies adopted by their governments and the
balance they elect to maintain between development and
maintenance of their traditional societies and way of life. The
Committee acknowledges the very great difficulties facing these

countries and sympathises with calls from the region for
Australia to do more to assist, either through wider
preferential trade arrangements, development assistance to the
region, or migration. Each of these three areas is discussed in
the following chapters.

CHAPTER THREE

THE ECONOMIC RELATIONSHIP WITH AUSTRALIA

3.1   Australia has had extensive commercial contacts with the South Pacific for over a century, with Australian companies trading and investing widely in the region. Australia, by virtue of its size, proximity, resources and development, is of major economic significance. However, from Australia's point of view, trade with the region is a comparatively small proportion of Australia's total trade and Australia has traditionally placed greater emphasis on relationships with major international trading partners in Europe, America and Asia.

TRADE RELATIONS

3.2   In a submission to the inquiry in March 1987, the then Department of Trade observed that Australia's trade relations with the region were conducted 'with the dual objectives of securing and increasing the level of Australia's exports and at the same time providing assistance to the island countries to develop their own industries and increase their exports to Australia' (Submission p. S 878).

3.3   Australia's exports to South Pacific Forum countries (excluding New Zealand) in 1987-88 amounted to $A1025m and imports to $A228m. A detailed breakdown of the trade balance is given in Table 3.1. Australian exports to Forum countries show an increase in Financial Year (FY) 1987-88, however, if PNG is excluded from the figures, Australian exports to the remainder of the region dropped between 1986-87 and 1987-88. Much of this decline can be accounted for by events in Fiji, and bans placed on shipment of goods following the coup. Similarly Australian imports from the region in 1987-88 decreased on the previous year's levels - the largest drop occurring in imports from PNG.

TABLE 3.1 : DIRECTION OF TRADE - AUSTRALIA AND THE SOUTH PACIFIC($A'000)

REGION AND COUNTRY	AUSTRALIAN EXPORTS			AUSTRALIAN IMPORTS		
	1975-76	1986-87	1987-88	1975-76	1986-87	1987-88
Forum Island Countries						
Cook Islands	119	1 612	5 034	2	42	62
Fiji	51 655	174 316	123 366	10 501	27 731	43 802
Kiribati	5 381	13 101	12 498	9 738	64	88
Nauru	13 598	14 211	14 202	23 355	59 204	66 687
Niue	11	136	23	-	6	-
Solomon Islands	7 746	37 602	69 481	357	2 126	2 339
Tonga	2 035	13 045	13 317	59	2 937	2 028
Tuvalu	n.a.	2 147	1 849	n.a.	27	59
Vanuatu	6 870	20 134	28 369	53	1 441	732
Western Samoa	4 521	10 223	12 844	256	1 746	3 253
Papua New Guinea	165 952	651 051	744 638	33 303	189 747	109 118
Total Forum Island Countries	257 888	937 578	1 025 621	77 624	285 071	228 168

n.a.   - not available.

Source: DFAT, Submission p. S 2814.

3.4   Ratu Sir Kamisese Mara, Prime Minister of Fiji, in
Sydney in May 1986 stated that 'the best form of aid is trade',
echoing the concerns of the region that Australia be more
receptive to goods produced in the region, and assist by
promoting the marketing of Pacific goods to achieve economic
self-reliance and decrease the South Pacific's dependence on
aid.

3.5   As the Department of Foreign Affairs and Trade
acknowledged:

> The imbalance in trade between Australia and
> countries of the region has, on a number of
> occasions, been raised by island governments
> as a source of irritation to them, reflecting
> their aspirations to forge a greater degree of
> economic independence through the development
> of trade, rather than to rely on development
> assistance to promote economic growth.
>
> (Submission p. S 938)

3.6   The Department went on to note that the South Pacific
Regional Trade and Economic Co-operation Agreement (SPARTECA),
discussed in greater detail in paras 3.18 to 3.28, and earnings
from tourism have helped to reduce the sensitivity of the
issue. The value of tourism is often not considered when
reviewing the trade relationship, but with over 100 000
Australians travelling to the region each year there is a
significant flow of foreign exchange into individual countries
from tourism. The impact of tourism should also be considered
when looking at the nature of the trade commodities. As
discussed earlier in paras 2.47-2.50 tourism is highly import
intensive, not only in food and beverages but also in items
such as fuel and building materials. The goods imported from
Australia for these purposes add to the trade imbalance but at
the same time bring with them the possibility of high tourist
spending, and increased employment in the regional economies.
The impact of 'invisibles' such as tourism make an assessment
of the true state of the trade relationship extremely difficult
to quantify.

3.7   A number of submissions argued that because of the
strong trade imbalance in Australia's favour, aid given to the
region has merely in part offset some of the inequalities in
the relationship. The Committee questions the assertion that
there is a 'strong imbalance' in the trade relationship,
primarily because of the unquantified impact of invisibles such
as tourism. Furthermore, the Committee acknowledges that it is
a fact of life that given the relative size and diversity of
Australia's economy compared to those of its neighbours in the
region, Australia is likely to maintain a trade surplus with
the region, just as Australia itself has a trade deficit with a
number of major economic world powers. Thus it rejects the
argument that aid should be expected as a matter of right by
South Pacific countries because of an imbalance in the trade
relationship. The Committee was particularly concerned that
such a view might also extend to the level of Australian aid
being given, with an expectation that aid should in time equate
with the degree of trade surplus Australia experiences.

AUSTRALIA-SOUTH PACIFIC TRADE

3.8   Australia supplies essential products such as
foodstuffs, manufactures and fuels to the Pacific region, and
is a major source of the region's imports. The Pacific island
countries, on the other hand, have a limited number of export
products, as noted in the previous chapter. With a restricted
range of commodities for export, they find themselves competing
for markets with not only other South Pacific countries
including Australia, but especially in the case of textiles,
clothing and footwear, with the highly cost-efficient Asian
economies. Details of composition of exports and imports are at
Tables 3.2 and 3.3.

TABLE 3.2 - COMPOSITION OF AUSTRALIA'S EXPORTS TO THE
SOUTH PACIFIC 1987-88 ($A MILLION)

	PNG	FIJI	SOLOMON ISLANDS	FRENCH POLYNESIA	TOTAL
Food	106.8	22.5	5.3	7.8	194.3
Beverages	18.7	1.1	3.2	2.3	38.1
Crude Materials	6.4	1.2	0.3	0.2	10.4
Fuels	110.3	25.7	7.6	51.7	234.1
Animal and vegetable oils and fats	5.6	0.5	-	-	6.6
Total Primary Products	247.8	51.0	16.4	62.0	483.5
Chemicals	39.8	10.0	1.5	0.3	57.5
Manufactured goods, classified chiefly by material	105.7	17.4	4.6	4.5	150.4
Machinery and Transport equipment	182.9	28.3	35.2	4.4	284.6
Miscellaneous manufactures	39.7	7.3	2.8	1.7	60.1
Total Manufactures	368.1	63.0	44.1	7.9	552.6
Other	128.6	9.2	9.0	3.0	185.8
TOTAL	744.6	123.4	69.5	73.0	1221.9

Note: Any discrepancies between totals and sums of components in table are due to rounding.

Source: DFAT, Submission p. S 2817.

TABLE 3.3 - COMPOSITION OF AUSTRALIA'S IMPORTS FROM
THE SOUTH PACIFIC 1986-87 ($A MILLION)

	FIJI	SOLOMON ISLANDS	NEW CALEDONIA	NAURU	OTHER	TOTAL
Food	2.6	0.7	-	-	2.7	6.0
Beverages	0.2	-	-	-	-	0.2
Crude Materials	1.3	0.3	1.2	59.2	0.4	62.4
Fuels	-	-	-	-	-	-
Animal and vegetable oils and fats	2.3	-	-	-	2.7	5.0
Total Primary Products	6.3	1.1	1.2	59.2	6.0	73.8
Chemicals	0.1	-	-	-	-	0.1
Manufactured goods, classified chiefly by material	2.7	-	0.6	-	0.3	3.6
Machinery and Transport equipment	0.3	-	-	-	0.5	0.8
Miscellaneous manufactures	5.9	-	-	-	1.8	7.7
Total Manufactures	8.9	0.1	0.7	-	2.5	12.2
Other (a)	12.5	1.0	-	-	-	13.5
TOTAL	27.7	2.1	1.9	59.2	8.6	99.5

(a)   Includes non monetary gold (excluding ores and concentrates)

NB: Any discrepancies between totals and sums of components in table are due to rounding.

Source: DFAT, Submission p. S 2818.

3.9   The Committee agrees with the assessment by the
Department of Foreign Affairs and Trade that in the short to
medium term the imbalance in trade is unlikely to improve to
any significant degree (Submission p. S 2057). As noted in
Chapter Two, diversification particularly in agricultural
products, and the establishment of a manufacturing sector are
two areas through which development and hence economic growth
might occur. To date Fiji, with a comparatively large
population (and therefore work-force), has developed a
substantial manufacturing sector. Tonga has established an
industrial estate, comprising light industrial enterprises, and
although on a small scale so far, this has the potential to
develop further.

The Fiji Coups

3.10   Fiji in the past has been Australia's major trading
partner in the region, and in 1986-87 Fiji accounted for 68%
($174m) of Australia's exports to Forum countries (excluding
PNG) and supplied 28% ($27m) of imports, second only to Nauru
which supplied 62% of imports ($59 million), principally
phosphate. (DFAT, Submission p. S 2059)

3.11   The coups in Fiji had a major impact on Australia's
trade with the region. Australian trade union bans on shipment
of goods to Fiji disrupted trade, and combined with the
dislocation of Fijian industry have meant a marked drop
particularly in imports from Australia. In 1985-86 Australian
exports to Fiji totalled $205m, but this had dropped to $123m
by 1987-88 (DFAT, Submission p. S 2056 and S 2809). The major
task facing the Fijian Government is the restoration of
confidence in the economy by its own population and also by
foreign investors.

TRENDS IN THE TRADE RELATIONSHIP

3.12   The Department of Foreign Affairs and Trade provided
figures to the Committee detailing patterns of international
trade in the region (see Appendix 4). Looking at Australia's
share of the South Pacific market over a longer time period, it
is apparent that rising numbers of regional countries are
importing from sources other than Australia. Given the
competitiveness of suppliers such as Japan and Singapore,
Australia's dominance as a supplier of goods to the region is
unlikely to last in the long term. This trend was also noted by
the NCDS (Submission p. S 1258).

3.13   Papua New Guinea remains the most important South
Pacific market for Australia, and Australia remains the biggest
supplier of goods to PNG. However, even with PNG the trade
figures reflect the above trend. Although Australia has
increased its exports to PNG in dollar terms from US$215.7m in
1974 to US$509m in 1987, in percentage terms this is in fact a
slight decrease, from 49.9% of all PNG imports to 48.3%.
Exports to Australia from PNG have similarly shown an increase
in dollar terms, from US$84.2m to US$92.8m over the same
period, but there is a more marked decline in percentage terms,
from 12% to 7.9% (DFAT, Submission p. S 2816).

3.14   The former Department of Trade identified a number of
factors that could work in Australia's favour in attempts to
maintain and improve Australia's market share of the South
Pacific. These include significant levels of Australian
investment in the region, Australia's position as a traditional
source of supply, devaluation of the dollar, improved air
services, shipping and telecommunications links, high levels of
tourist traffic and construction and consultancy opportunities
(Submission p. S 902).

3.15   The Department also noted a number of factors
adversely affecting the level of Australian exports to the
region:

- the tied aid policies of third countries;

- preferential access granted to EEC products
  in the French Territories, particularly
  agricultural products;

- the weakening of traditional linkages with
  Australia in some of the islands;

- the development of import replacement
  industries and erection of tariff and
  non-tariff trade barriers, particularly in
  PNG and Fiji;

- the complacency of, and lack of marketing
  effort by, some Australian exporters to the
  region.

(Submission p. S 902)

3.16   The Committee is aware that the image of Australia has
taken a battering in the region over recent years. However,
this is partly a product of Australia not paying the region
sufficient attention, and taking for granted that Australian
goods and services will be purchased as a matter of course. It
is not a reflection of any deep-seated animosity to Australia.
However, it is unwise now for any Australian company to assume,
as once happened, that the region is a 'captive' market.

PREFERENTIAL TRADE AGREEMENTS

3.17   Australia's trade relationship is conducted with the
region under two trade agreements. Both agreements give
preferential access for South Pacific goods to the Australian
market. The Committee received a number of submissions arguing
for changes in these arrangements.

SPARTECA and PATCRA

3.18   The South Pacific Regional Trade and Economic
Co-operation Agreement of 1980 (SPARTECA) provides for
preferential access for most South Pacific products to the
Australian and New Zealand markets. As of 1 July 1986 Australia
has provided duty-free and unrestricted access for all Forum
island country products except those to which Australian
sectoral programs apply, namely: sugar, steel, passenger
vehicles, and textiles, clothing and footwear (TCF).
Australia's trade relations with Papua New Guinea are conducted
under the provisions of the PNG Australia Trade and Commercial
Relations Agreement (PATCRA), which came into effect on 1
February 1977. Both agreements are subject to regular periodic
review and both provide for Australian assistance in
investment, industrial and technical co-operation and trade
promotion.

3.19   As part of the regular reviews of both agreements a
number of changes have been made, particularly in the rules of
origin provision applying to products from the region. A 50%
local content rule still applies, but may include content of
New Zealand origin (i.e. material traded duty-free and
unrestricted under the Australia-New Zealand Closer Economic
Relations Trade Agreement (ANZCERTA)) or material of Australian
origin. The South Pacific countries are also able to seek
derogation from the 50% content rule on a case-by-case basis.
However, the Department of Foreign Affairs and Trade indicated
that in the period 1 July 1986 to 1 July 1988 no requests for
such derogation were received. The Department did note,
however, that several Government-to-Government requests have
been received for the liberalisation of the 50% local content
rule, the majority being from Fiji. These requests appear to
have been unsuccessful, and the Department's response to
requests made at the seventh meeting of the Regional Committee
on Trade was to send 'a senior customs official to Fiji to

conduct a series of seminars designed to assist exporters in their management of the local content criteria' (Submission p. S 2805).

3.20   An alternative to the rule of origin suggested to the Committee would be the concept of 'substantial transformation', allowing the Pacific island countries to source their raw materials from the cheapest source and complete the final manufacturing of an item in-country. While this scheme has merit, difficulties in monitoring and in reaching consensus on what constitutes 'substantial transformation' are the main problems with such a scheme. The Committee wishes to emphasise that whatever scheme is in place maximum impetus must be given to the development of an indigenous manufacturing sector.

3.21   The other major complaint about the current operation of SPARTECA and PATCRA involves quota restrictions (both country and global) in TCF. In 1985 Australia announced the provision of a special 67 000 unit per annum TCF market testing quota for PNG and a similar 66 000 unit quota for the other Forum countries combined. In addition the region received duty-free access for TCF products imported within global quotas, compared to a 40% duty imposed on imports from other developing countries. Since 1987 the region has received larger market testing quotas and increased margins of preference have been phased in. The combined PNG and rest of region annual market testing quota will reach 300 000 units in 1989. TCF goods entering Australia from the region after 1989 will be duty-free when using the special quota. Goods imported out of quotas will be subject only to the specific duty rate, which will be phased out over the life of the plan. The overall result will be that by 1996 all Australian imports of TCF goods from the region will be duty-free.

3.22   A number of South Pacific countries have requested an increase in the special Forum Island Country (FIC) quotas. However, evidence from the Department of Foreign Affairs and

Trade indicates that the utilisation rate is not sufficient to warrant an increase. The Department's figures showed that in 1987, the highest utilisation rate of any country was 88.7% and the lowest 11.1% - and on average only 69.7% of quota allocated was actually utilised (Submission p. S 2620). During the Committee's visit to Tonga, representation was made by a company producing leather clothing, for additional quota as that available was insufficient. The Committee raised the matter back in Australia, and was pleased to note that following representations from the Government of Tonga, the quota was increased.

3.23   In travelling through the region the Committee found that there was much confusion and misunderstanding on the purpose of SPARTECA and the manner in which it operated. There appeared to be little understanding that as Australian policy in the area of tariffs changed, the value of SPARTECA as a means of gaining preferential access to the Australian market would diminish. The Committee pointed this out in a number of countries and warned that should the liberalisation of Australian policy continue, SPARTECA could be redundant by the turn of the century. In the meantime, South Pacific manufacturers and government officials alike appeared uncertain of how best to utilise the Agreement. The Committee is aware that the Department of Foreign Affairs and Trade conducted a series of seminars and information sessions in the region to attempt to clarify the operation of SPARTECA, and commends this attempt to improve the situation.

SPARTECA - Useful or Damaging?

3.24   In addition to criticisms about the methods of operation of SPARTECA, the whole philosophy underpinning the agreement has been challenged. The Agreement was designed to be a 'stimulus for growth of manufacturing and other industries' in the South Pacific (ADAB, Submission p. S 1095). However, SPARTECA has not succeeded in significantly increasing Pacific

island country exports to Australia, and doubt was expressed to the Committee about 'the long-run appropriateness of establishing export industries on the basis of preferential trade arrangements rather than international competitiveness' (ADAB, Submission p. S 1096). As noted in para 3.23 the Committee specifically raised with South Pacific countries the possible effect on the fledgeling industries in the region of Australia reducing its protection in particularly the TCF area. A small number of firms are internationally competitive, but others are surviving only because of the shelter provided by SPARTECA against more competitive East Asian producers.

3.25   The National Centre for Development Studies was one of the most vocal critics of the scheme:

> Most of the gains accrue to Australian and New Zealand importers for such firms can substitute profit markups for the high import duties that have to be paid on imports from South East Asia...As New Zealand and Australia reduce protection, existing producers will cease to be viable unless they reduce labour costs. The SPARTECA scheme clearly has 'aid' as well as 'trade' aspects...Without SPARTECA there would be much greater pressure to make island producers competitive. Competitiveness is necessary for the exploitation of opportunities of manufacturing for export by South Pacific economies.

(Submission pp. S 1276-77)

3.26   The other major fault with SPARTECA is that its effect is spread unevenly in the region. Fiji, with a larger work force and a reasonably well developed manufacturing sector, has a comparative advantage and is able to utilise the concessions available under SPARTECA. Smaller countries such as Tuvalu and even the more medium sized countries such as Western Samoa have a very limited range of goods that could be exported to Australia and limited manufacturing sectors, and hence the benefit of SPARTECA to these other countries is much less.

3.27   A number of submissions called for the further liberalisation of SPARTECA. While having some sympathy with these requests, the Committee was not convinced that such moves would benefit the countries involved in the long term. Liberalisation may well increase the dependence of a number of firms on Australia at the expense of competitiveness in the global market.

3.28   Given that the usefulness of SPARTECA will decline as Australia reduces its import barriers in certain product areas, the importance of identifying other markets and becoming more competitive is vital for South Pacific industries.

PROMOTIONAL ASSISTANCE

3.29   The Australian market is becoming generally less important for the South Pacific states. Much of the produce from the region is competitive with Australian produce, not complementary. While desirous that Australia maintain a trading relationship with the region, the Committee believes that if a manufacturing sector is to survive and grow in the region it must look to expanding into other markets beyond Australia.

3.30   The South Pacific Trade Commissioner Service (SPTCS), funded by AIDAB, was established in 1978 to facilitate, educate and identify trading opportunities for the small island countries and their products in the Australian market. The SPTCS has a total staff of four (one Trade Commissioner and three support staff) and a budget of some $400 000 (AIDAB, Submission p. S2010). There is potential for expansion of the service, and the Committee recommends that an extra Trade Commissioner be appointed so that greater use of the service in trade and investment promotion of the South Pacific in third countries might occur.

3.31   Officials from Papua New Guinea and other South
Pacific countries have undergone training in trade promotion
and development at a number of institutions in Australia. In
addition, the South Pacific Trade Development Centre in Sydney
has accepted officers on attachment to gain experience in trade
promotion techniques. On-the-job experience is also funded,
allowing trainees to be placed with the corporate sector (DFAT,
Submission p. S 2809). The Committee commends this scheme and
recommends it continue to receive funding, particularly for the
involvement of the private sector in such trade promotion
training.

AUSTRALIAN INVESTMENT IN THE REGION

3.32   Australian investment in the South Pacific has a long
history, in sectors as diverse as mining, transportation,
manufacturing and retailing. The level or stock of Australian
direct investment in the South Pacific region as at
30 June 1987 was $1592m, of which investment in PNG accounted
for $1328m. This represented more than a doubling of Australian
investment in the region as at 30 June 1984 ($665m) and the
growth is almost entirely related to heavy investment by
Australian firms in capital intensive mining and other projects
in PNG.

3.33   The former Department of Trade, in March 1987, noted
that the level of Australian investment in the region excluding
PNG had grown relatively slowly, and the proportion of annual
outflow of Australian investment abroad directed to the South
Pacific (including PNG) had declined from around 15% in 1978-79
to 2.4% in 1984-85, with the major expansion in regional
off-shore investment being directed towards PNG (Submission p.
S 905). Although little reason was given for the decline in
investment interest in the region, it would appear part of the
reason may lie with more attractive investment opportunities

elsewhere, a changing security situation and a falling rate of
return on existing investments, leading to a rationalisation of
activities by some companies.

3.34   Although government-to-government contacts are
important in the economic relationship, it is the private
sector in Australia, and to a lesser extent in the region, that
provides the basis for the ongoing relationship. As was pointed
out to the Committee on a number of occasions, Australia is
often judged by the attitudes and behaviour of Australian
companies in the region.

3.35   One complaint made to the Committee was that
Australian companies operating in the South Pacific had been
exploitative in their dealings with the region. Australian
companies have enormous influence on the economies of the
Pacific, and as the Uniting Church in Australia pointed out
the 'issue of economic dependence and cultural imperialism is
one often raised...' by people in the Pacific (Submission p. S
657). Another submission noted of Australian companies in the
region:

> They...encourage consumerism to make a growing
> market for their products and thereby
> influence the indigenous lifestyle, often
> making the local population dependent on them.
> They compete against local traders to the
> latter's detriment, and further impoverish the
> local economy by repatriating their profits.
> In view of the pervasive nature of Australian
> Transnational Corporations, Fiji has been
> described as "a developing Australian colony"
> and Papua New Guinea "an Australian
> neo-colony".

(ACC, Submission p. S 2269)

3.36   The Committee is unable to comment with any authority
about the standing of individual companies in the region, or
indeed Australian companies as a whole. However, in evidence
from a number of companies operating in the region, and from

first-hand observations by the Committee during its visit, it would appear that moves towards the localisation of positions in the region and training of indigenous people in management and operational skills by Australian companies have been well received and of benefit to these developing countries.

3.37   The Committee wishes to see greater private sector involvement in commercial ventures, preferably of a joint venture nature with the private sectors in the regional countries, or with the island governments. The Committee notes Australian Government efforts to make Australian businesses more aware of opportunities in the region through technical seminars and trade displays arranged by AUSTRADE, and support for organisations whose corporate members have business links with South Pacific nations. The Committee commends such efforts and supports expansion of this activity.

3.38   The Committee is encouraged by the formation of the Pacific Islands Association of Chambers of Commerce, and recommends the Australian Government support its attempts to provide a more co-ordinated approach to private sector development in the region. In Australia, the Australia-PNG Business Co-operation Committee (APNGBCC) and the Australia-Fiji Business Council (AFBC) are closely involved with the Australian Government on matters of commercial trade interest between Australia and the respective countries. The Committee recommends that the Department of Foreign Affairs and Trade, in consultation with Australian business and manufacturing groups, seek to establish an Australia-South Pacific Business Group, along similar lines to the APNGBCC and AFBC, to encourage contact and the spread of information among Australian companies interested in or presently trading with the region.

CLOSER ECONOMIC RELATIONS/PACIFIC BASIN CONCEPT

3.39   The Committee heard evidence that closer economic relations with the South Pacific region could be pursued through a range of trade liberalisation mechanisms, including establishing a free trade zone involving the Forum countries. On a larger scale, some submissions argued for a free trade area involving all Pacific Basin countries. While the latter concept may be of benefit to Australia and the major economic powers such as Japan and the United States, the Committee was unable to find support for it among the South Pacific countries nor identify any significant benefits to them.

3.40   A number of concerns and disadvantages of the wider Pacific Basin concept were apparent, based primarily on a fear that in any larger association the needs and wishes of the small Pacific countries would be overridden by the economic strength of other member countries. One of the stronger views expressed came from Mr B Narokobi from PNG who observed:

> The concept of Pacific Rim countries involving America and Japan and Australia and New Zealand will be another forum which will be counter productive to the growth of Pacific as it is an exploitative forum designed to use island states as a dumping ground for industrial waste.

(Submission p. S 29)

3.41   The first concept, a free trade zone covering the Pacific Forum countries, would also appear to be of little benefit in the immediate future to regional countries, given the relatively free access of goods to Australia they enjoy already under SPARTECA and PATCRA. However, as noted earlier, SPARTECA and PATCRA will become increasingly less effective in meeting the needs of South Pacific nations. As this happens, Australia must look to putting into place new policies which will assist them. While policies to make the South Pacific

nations more competitive are important and should be pursued,
in the medium term we believe that the SPARTECA and PATCRA
agreements may need to be renegotiated so as to maintain a
preferential situation for South Pacific nations in the
context of reduced international trade tariffs.

3.42   Australia and New Zealand are in a very difficult
position, the bridge between the two extremes in the region -
the super economies of Japan and America, and the
under-developed economies of the South Pacific. While pursuing
Australia's own economic interests, whether it be through the
formation of a lobbying group based around major Pacific
states, or greater ties with major trading partners, Australia
also has an obligation to protect the trading interests of the
smaller South Pacific states.

PRIVATE SECTOR INVOLVEMENT

3.43   As noted earlier in this chapter, the private sector
is the main point of contact in Australia-South Pacific trade
relations. The development of a private sector in many of the
smaller countries has been slow, and government has had in a
number of cases to take the role of joint venture partner in
place of an indigenous private sector participant. The
Committee believes that development of a strong,
entrepreneurial private sector in the South Pacific is vital to
the development of these economies. A business class is
emerging in countries of the region, and is well established in
the bigger countries. What appears to be lacking, however, is a
depth of skilled managers. Training, perhaps understandably,
has concentrated on the public sector, to the detriment of the
private sector, with little or no private sector involvement in
training provided under the Australian aid program (see also
paras 5.11 to 5.13).

3.44   The Australian Executive Service Overseas Program
(AESOP), in its submission made two proposals. The first was
for the creation of a special visits scheme to facilitate
visits by private sector employees to Australian institutions
and training establishments. The second was to support the
establishment of a manpower development facility to serve as a
training facility for the South Pacific (Submission p. S 1916).
The Committee strongly supports both of these proposals, and
recommends that AIDAB in consultation with Australian business
investigate both options with a view to mounting a co-operative
visits program and providing assistance, from both development
funds and private industry resources, to support the training
establishment.

3.45   In addition to improving the performance of the
private sector in the Pacific, the Committee also believes that
there should be broader awareness of business opportunities in
the South Pacific among Australian businesses. As recommended
earlier (para 3.38), the Committee would propose the
establishment of an Australia-South Pacific Business
Co-operation Group.

AID AND TRADE

3.46   While the trade relationship is very much in
Australia's favour, Australia returns a significant amount of
funds to the region in the form of bilateral and multilateral
development assistance. The nature of Australia's aid
commitment to the region and the appropriateness of current
programs are examined in the following chapter.

CHAPTER FOUR

AUSTRALIAN DEVELOPMENT ASSISTANCE POLICIES IN THE SOUTH PACIFIC

THE PURPOSE OF AID

4.1   Australia's aid program is designed 'to promote economic development and growth with equity, primarily for humanitarian reasons, but also to complement Australia's strategic, economic and foreign policy interests' (ADAB, Submission p. S 1064). The specific objectives of Australian aid in the South Pacific are:

> .   to develop and maintain close relations with the countries of the region;
>
> .   to demonstrate Australia's long term commitment to the region by contributing to its long term economic and social development;
>
> .   to respond to the diversity which exists in the South Pacific by providing a flexible range of aid mechanisms; and
>
> .   to further regionalism where this offers benefits to countries of the region.

> (ADAB, Submission p. S 1102).

4.2   The underlying assumption of the aid program has been the principle of 'growth with equity', as set out in the Jackson Committee's report on Australia's overseas aid program (1984). Acknowledging that aid is given for a variety of

reasons (i.e. humanitarian/community concerns; strategic/diplomatic; economic and trade interests), Jackson argued that development of a country, and hence improvement in the living standards of its people, could only be achieved through economic growth. A corollary to this argument is the assumption that economic self-reliance is attainable by all countries if the appropriate developmental policies are followed.

4.3   It is not the purpose of this report to enter into a prolonged examination of the theories of development. Following the release of the Jackson Committee report there was considerable public debate on the purpose and effectiveness of the Australian development assistance program. This Committee has recently completed a review of the Australian International Development Assistance Bureau as part of a separate inquiry, and a general overview of Australia's aid program is contained in that report.

4.4   Despite large and increasing flows of aid into the South Pacific region, economic prospects are generally discouraging and the growth performance of these countries has been disappointing. Aid dependency is increasing rather than decreasing, and the goal of self-sufficiency seems for many of the smaller countries further away than ever. The then Australian Development Assistance Bureau (ADAB), in its submission to the inquiry, noted:

> ...(In the past)...we have tended not to recognise that some of the island economies may have enduring limitations...In looking at these countries individually, however, it is very clear that the prospects for some are quite different from the prospects of others. Indeed, there may be category of countries whose economies have structural problems which are beyond the reach of development aid... Australia's aid policy should concentrate both

on facilitating economic growth where it can
be achieved, and on easing the adjustments
that must be made where growth prospects are
absent.

(<u>Submission</u> p. S 1058).

AUSTRALIAN OFFICIAL DEVELOPMENT ASSISTANCE (ODA) TO THE REGION

4.5   Australia is currently the major aid donor to the
independent South Pacific states in terms of volume. As shown
in Table 4.1 the South Pacific area, including Papua New
Guinea, receives almost half of the country program allocation.
Expenditure within the South Pacific is set out in Table 4.2.

4.6   As already noted, it has been widely recognised that
despite substantial and increasing amounts of aid, the Pacific
nations are still largely economically dependent. The reasons
for this lie not only in the inherent constraints to
development they face, but in addition partly in the nature of
aid itself. The task facing aid donors and recipient
governments alike is enormous, and possibly in some cases
impossible.

4.7   The constraints to development of the island economies
have been examined in greater detail in Chapter Two. As
summarised by ADAB they are:

   •   the countries' natural disadvantages (such
        as extremely small size and remote
        location);

   •   their inherited and acquired disadvantages
        (such as unrealistically high
        expectations); and

   •   those which arise from the circumstances
        of rapid change (including both internal
        tensions and external issues).

(<u>Submission</u> p. S 1071).

TABLE 4.1: THE AUSTRALIAN AID PROGRAM 1984-85 TO 1988-89 ($M)

Program Element	1984-85	Expenditure (1) 1985-86	1986-87	1987-88	Estimate 1988-89
Papua New Guinea	314.1	319.3	325.3	299.3	303.3
South Pacific	49.7	53.4	71.9	70.6	84.9
South East Asia	128.1	120.4	112.6	129.1	135.7
Other Regions	101.2	70.6	64.4	72.9	106.2
Cross Regional programs . . .	104.5	107.9	93.8	92.3	87.7
Total Country Programs(2) . .	697.6	671.6	668.0	664.3	717.9
Emergencies and Refugees	46.6	47.1	36.1	41.4	44.9
International Organisations . .	173.0	190.7	154.7	166.1	177.9
Community and Commercial(3) . .	42.2	48.9	46.3	67.8	82.6
Total Global Programs . . .	261.8	286.7	237.1	275.4	305.5
Total Corporate Services . .	13.0	16.6	19.5	22.4	21.8
Expenditure by other Government Bodies,(4) Miscellaneous Items, Revenue and ODA adjustments ,	39.0	56.1	51.0	57.4	48.3
Total Net ODA	1011.4	1031.0	975.6	1019.5	1093.5

Source: 1988-89 Budget Related Paper No 4. (Note: any discrepancies between totals and sums of components in the table are due to rounding.)

(1)   Since it was necessary to redistribute expenditure to a new program structure in 1987-88, completely accurate expenditure figures for earlier years have not always been possible.

(2)   The amounts shown for the regional allocations are not total aid flows to the regions. They represent only those forms of aid which are jointly programmed by Australia and the recipient as "country programs". They include, for example, technical assistance and project aid, training, commodity aid and co-financing. They do not include other aid flows, such as the student subsidy, expenditure by departments or agencies other than AIDAB, emergency relief, aid through non-government organisations, or support under the Women in Development Fund.

(3)   Includes the Australian Centre for International Agricultural Research (ACIAR).

(4)   The amount included as the estimate of expenditure by other Government bodies covers activities undertaken by Commonwealth agencies other than AIDAB and by State governments. This expenditure is classified as ODA but is not funded from AIDAB's appropriations.

TABLE 4.2: COUNTRY PROGRAMS TO THE SOUTH PACIFIC 1984-85 TO 1988-89 ($M)

Program Element	Expenditure 1984-85	1985-86	1986-87	1987-88	Estimate 1988-89
Country					
Fiji	11.5	12.1	12.7	13.4	22.0
Solomon Islands	6.8	5.5	6.6	9.1	9.0
Vanuatu	3.5	5.4	8.7	7.8	8.6
Tonga	5.9	5.1	5.8	7.6	6.9
Western Samoa	4.7	5.3	5.7	9.1	7.5
Tuvalu	1.1	1.2	9.0	1.4	1.3
Kiribati	2.4	2.4	2.8	2.7	3.1
Cook Islands	0.9	0.4	1.0	1.3	0.9
Niue	0.1	0.2	0.4	0.3	0.5
Micronesia/Other	0.1	0.2	0.3	0.6	0.7
Papua New Guinea					
Budget Support	299.0	302.8	304.5	275.0	275.0
Programmed Activities(1)	3.1	4.1	7.7	9.9	14.1
Retirement Benefits	12.0	12.4	13.1	14.4	14.2
PNG Total(2)	314.1	319.3	325.3	299.3	303.3
Regional/multicountry					
SPBC(3)	1.6	1.6	1.5	2.1	1.9
SPC(3)	1.7	2.6	2.6	3.0	3.1
FFA	0.3	0.6	0.7	0.4	0.6
USP	4.4	4.6	6.0	3.5	3.7
ACPAC	3.0	3.4	3.8	2.4	2.5
Other(4)	1.7	2.8	4.3	5.9	12.7
Regional Total	363.8	372.7	397.2	369.9	388.3

Source: 1988-89 Budget Related Papers No 4.

Notes
(1) Does not include PNG component of the student subsidy, estimated at $0.9m in 1986-87, 1987-88 and 1988-89.
(2) Does not include some minor AIDAB expenditure items or expenditure by Departments other than by the Department of Foreign Affairs and Trade. Neither does it show loan repayments made by PNG.
(3) Expenditure includes core and extra-budgetary contributions and project subsidies.
(4) Estimate for 1988-89 includes $2.8m for the payment of the Overseas Student Change for private South Pacific students studying in Australia. For previous years those costs have been attributed to individual recipient countries.

4.8   In addition, research has shown that large aid flows, while having beneficial effects, can also hinder economic development indirectly. Aid may discourage exports and import-competing industries; lead to an increase in the public sector at the expense of the private sector, particularly agriculture; and may lead to dislocation when temporary increases in employment are removed at the completion of an aid project. There is also an 'absorptive capacity' problem with the constraints on economic development reducing these countries' ability to absorb high per capita levels of aid. As ADAB observed:

> Economically productive projects and programs are difficult to identify because of natural disadvantages. Administrative problems hinder the formulation and implementation of projects. There is a proliferation of small projects partly because of the difficulties of identifying large, economically viable activities. This proliferation stretches administrative resources both for aid recipients and donors and hinders a well-focused and effective aid program. Limits on government revenues imposed by a generally small, often narrow tax base, can prevent the efficient operation and adequate maintenance of completed aid projects.

(Submission p. S 1081)

DEVELOPMENT POTENTIAL

4.9   In examining the future direction of Australia's aid to the region, the Committee felt it appropriate to assess the potential of the South Pacific states to achieve economic self-sufficiency. The Committee felt it advisable to divide the region into a number of groups based on likely future economic performance, and agreed that Australia's approach to development assistance be tailored to each group. One model, suggested by the National Centre for Development Studies (Submission p. S 1251) is based on population figures, and identifies three main groups:

Group 1   PNG
             Fiji

Group 2   Solomon Islands
             Western Samoa
             Vanuatu
             Tonga

Group 3   Kiribati
             Cook Islands
             Tuvalu
             Nauru*
             Niue

(Note: *These groupings include only those
          states receiving Australian aid
          (except for Nauru) and do not
          include the French territories.At
          present Nauru does not receive
          development assistance from
          Australia. Although rich in South
          Pacific terms, the Nauru economy is
          reliant on the export of one
          commodity, phosphate. When reserves
          of phosphate are depleted, the
          continued economic viability and
          independence of this country will be
          solely reliant on a number of
          investments made by the Nauruan
          Government over the years).

4.10   The first of these groups is widely regarded as being
capable of independent and self-sustaining economic growth, the
last group is often regarded as not having prospects of
viability, and the second group thought of as being in between
with at best a long lead-time to viability. ADAB, in its
submission, made a similar assessment of countries as a tool to
examine ways in which aid flows might be better focused, and
came up with a similar although more stratified hierarchy
(Submission pp. S 1086-88).

AUSTRALIAN AID PROJECTS

4.11   Although the Australian aid program relies on a large
number of different mechanisms for aid dispersement, assistance
to the South Pacific has contained a number of large scale
infrastructural projects, activities focused on higher
education and advanced technical and scientific assistance.
This emphasis appears based in the belief that this type of
assistance would contribute to the long term economic and
social development of the region by removing some of the
constraints to such progress. Now that it is apparent that this
type of assistance is unlikely to lead to aid independence for
at least some of these countries, acknowledged by ADAB itself
(Submission p. S 1058), the Committee believes the priority of
Australian aid in the South Pacific should move to smaller
scale projects aimed at improving the quality of life of the
people.

4.12   Economic development should no longer be the chief
determinant of aid to countries in Group 3 but rather, to use
ADAB's words, aid should focus 'on easing the adjustments that
must be made where growth prospects are absent' (Submission p.
S 1058). For the larger, resource rich countries such as PNG
and Fiji, which have shown progress towards economic
self-reliance, economic development should remain the priority.
For Group 2 countries, in recognition of the long lead-time
that is required before economic viability is achieved, there
should be an increase in the 'quality of life' type projects
while continuing to work in the long term towards economic
self-sufficiency.

4.13   The Australian Government has already shown a creative
approach to the problems faced by the micro-states in the
region, through its contribution to the Tuvalu Trust Fund. Such
an innovative mechanism for assisting smaller states retain
their autonomy is to be commended, and it may be that in future
a more flexible view might be taken on what falls within the

broad term assistance, beyond the formal OECD definition of what constitutes ODA. One such possibility, that of accepting migrants from the South Pacific under special arrangements, and hence increasing the foreign exchange earnings of the donor country through remittances, is explored in Chapter Six.

AREAS OF CONCERN

4.14   In evidence presented to the Committee and in its inspection of aid projects in-country, a number of areas of the aid program were highlighted as requiring some revision or review as they relate to the South Pacific region. A number of sectoral areas are dealt with in more detail in Chapter Five. The remainder of this chapter concentrates on areas of concern related to the mechanics of aid, dispersement methods and project options.

Volume of Aid and Aid Programming

4.15   Tables 4.1 and 4.2 show Australian development assistance to the region since 1984-85. As noted earlier, Australia is currently the major donor to the independent South Pacific states (see Table 4.3).

4.16   There is a danger in believing that the value of Australia's aid to the region in terms of Australia's long term interests can be measured in dollar terms alone. The simple nett value of our aid program should not be considered more important than the quality of the aid activities undertaken. With a greater focus on the region there have been calls for an increase in Australia's presence in the region, including an expanded aid program. The Committee cautions most strongly about making significant increases in the volume of aid, particularly in the light of the existing problems experienced in identifying the large, economically viable type of activities by which large expenditure levels can be reached. Given the limited absorptive capacity of all the regional

countries, sudden large increases in bilateral aid should be avoided. Additional bilateral assistance may certainly be appropriate for some countries in the region, and the general level of assistance to the South Pacific nations should be maintained in real terms.

4.17   Provision of aid to the South Pacific using multilateral mechanisms has also shown a steady increase. Support for regional organisations such as the Forum Fisheries Agency and the University of the South Pacific, multi-country projects, joint ventures and support for some Non-Government Organisations' projects have all assisted in countering to some extent the 'absorptive capacity' problem of many of the smaller states as multilateral projects are at least able to benefit from economies of scale. The Committee welcomes the recent moves by AIDAB to approach health related projects on a multilateral basis, and endorses that approach as particularly relevant in aid provision to this region.

4.18   The Committee supports the introduction of a three-year rolling program, with funding guaranteed for the first year and indicative planning figures given for Years 2 and 3 of the program. The Committee is concerned, however, that South Pacific countries may not fully understand the concept of an indicative planning figure for later years, and believes that explanation of the rolling program concept should be given high priority.

4.19   The Committee would strongly urge the Government to meet the commitments it gives in the area of aid under the rolling program concept. The 1986 reduction of aid to PNG by $10m, coming so soon after negotiations on aid had been concluded, damaged Australia's credibility in PNG, and the degree of trust in the relationship was weakened. Consultation is vital prior to all such decisions, and sensitivities on both sides need to be respected.

Country Programs

4.20   Following the review of Australia's aid program by Jackson, AIDAB introduced a country programming approach to aid in the region. Country program papers for the regional countries are at various stages of completion. The Committee was advised that the papers were 'primarily a planning tool for AIDAB' and that the process for preparing and handling of the papers was evolving. Those involved in the consultative process were AIDAB program managers, the relevant AIDAB post, and the relevant area within the Department of Foreign Affairs and Trade.

> Other government and non-government agencies with a major involvement in a country aid program <u>can also be consulted at this stage.</u> The breadth of consultation <u>essentially is up to the discretion of the relevant program area</u> (emphasis added)

(AIDAB, <u>Submission</u> p. S 2691).

4.21   The country papers are then discussed with representatives of the recipient government at annual High Level Discussions. The discussions with representatives of the recipient country are a vital step in enhancing the ultimate effectiveness of development assistance. They provide a mechanism by which the recipients of aid can comment on all aspects of Australian aid - from project identification and implementation through to the overall direction of the aid program. The Committee sought the views of a number of governments during its visit to the region on the effectiveness of the consultative process, and Australia was commended for the high degree of consultation and liaison it engaged in regarding the aid program.

4.22   Following discussions with the recipient country, the country program paper is then revised before being submitted to the Minister for approval. The Committee was surprised to find

that consultation was not automatically undertaken with Australian NGOs and with private sector representatives in the recipient country in the early developmental stages of the country papers. Mr D McLellan, General Manager - Pacific, Burns Philp & Co Ltd emphasised the need for greater input into the aid program:

> Aid projects are decided exclusively at a government to government level. I think this is one of the problems. I see almost no evidence of those who handle Australian aid entering into any dialogue with the private sector in any of the Pacific countries. This is despite high representation in the private sector of Australian companies. They rely upon governments to think up the ideas. I consider that there would be great benefit in asking the private sector what was needed to assist in the expansion of the economy and thus provide more jobs and wealth. I am not suggesting that aid projects should financially benefit private sector companies. I am saying that the ideas for the development of the economies of the countries should be done in consultation with the private sector which knows where the shortfalls occur.

(<u>Evidence</u>, 21 March 1988, p. 771)

4.23   AIDAB advised that on completion a summary of the country paper was circulated to interested parties, including NGOs, who were welcome to pass any comments back to AIDAB. 'AIDAB welcomes this sort of dialogue, which can be taken into account in preparing the next Country Paper a year on' (<u>Submission</u> p. S 2691). If AIDAB truly welcomes such input, the Committee would expect that 'other interested parties' would be involved more formally in the early developmental stages of the country papers. The Committee <u>recommends that AIDAB modify its country program paper development process to take fuller advantage of the experience of NGOs and private sector groups in the South Pacific.</u>

4.24   As a final comment on the observations of Burns Philp
and Co Ltd in para 4.22, the Committee accepts that greater
involvement of all interested parties in the development
process can only be beneficial. However, the Committee also
believes that should Australian companies wish to influence the
development strategies of sovereign countries, much of the
dialogue and discussion should be with those countries
themselves, to influence the requests for assistance and
priorities sought by the recipient country. One mechanism for
such consultation could be through the establishment of
business associations consisting of both Australian and local
companies, which could formally lobby both the recipient
country government as well as Australia.

Sectoral Focus

4.25   The Committee was surprised to find that there was no
overall sectoral policy for the South Pacific (AIDAB,
Submission p. S 2686). In an earlier submission, AIDAB had
acknowledged that although a `sectoral focus is not wholly
feasible in all Pacific countries...more sectorally-integrated
programs would nevertheless appear desirable' (AIDAB,
Submission p. S 1120). The Committee would encourage AIDAB to
pursue this matter, and examine the potential for multilateral
sectoral projects such as that devised for the provision of
health care (see Chapter Five).

Data for Policy Development

4.26   As we noted in para 2.3, there is a lack of up-to-date
information on the economic indicators for South Pacific
countries, adversely affecting economic forecasting and
development policy formulation. The data limitations were
highlighted by ADAB in its first submission:

> some PICs lack a reliable data base to help
> identify and assess appropriate economic and
> social policies...An improvement in the
> comparability, comprehensiveness, reliability
> and timeliness of information on South Pacific
> states will both assist donor countries to
> assess the level and type of aid required by
> PICs and assist those PICs to develop and
> assess appropriate economic and social
> policies.

(ADAB, Submission p. S 1131)

4.27   The role of the National Centre for Development
Studies will be central to the collection of such data, through
research and the training of people from Pacific islands in
economic and demographic theory and development studies. The
Committee supports the work being done by the NCDS, and
endorses continued funding of the Centre's research area by
AIDAB.

Program design and selection

4.28   A continuing criticism of the aid program has been the
unsuitability of a number of projects for local conditions and
needs. The Committee acknowledges the problem AIDAB faces when
presented with a list of projects by the recipient country,
many of which have not been designed or examined thoroughly for
their long term implications for the country's economy and
whose origin may lie more in political expediency than in
economic rationality. Many of the South Pacific countries
require assistance in evaluating aid project proposals, not
just for Australian projects, and this assistance is becoming
increasingly important with the number of aid donors involved
in the region increasing. Although assistance has been provided
in the past to individual countries under the Australian
Staffing Assistance Scheme (ASAS), it was apparent from what
the Committee saw in a number of countries that further
assistance is required. For example, in informal discussions
with Solomon Islands officials the Committee was told that the

most important thing in their opinion was the training of key public sector and government personnel. The Committee therefore recommends AIDAB offer a more comprehensive package of assistance to regional countries emphasising training of indigenous public servants in project assessment skills.

4.29   The Committee was also concerned that some method be devised whereby AIDAB recorded and had access to comments on a country basis to guide future project development. Although individuals within the organisation may hold much of the background to projects and lessons learned from implementation in specific countries, this may be lost when staff move out of the organisation. To this end, the assessment and evaluation process of projects becomes most important if the same mistakes are not to be repeated in future projects.

4.30   The question of evaluation and appraisal of aid activities is central to the design and implementation of successful future projects. Although the establishment of the Pacific Regional Team (PRT) and its successor, the AIDAB Centre for Pacific Development and Training (ACPAC), improved AIDAB's capacity to appraise new projects, 'considerable advances need to be made in the formal monitoring and evaluation of projects, so that ADAB can learn more from its experience' (ADAB, Submission p. S 1113).

4.31   The Committee is aware that at the conclusion of each project a completion report is compiled. Additional project evaluation, a much more complex and time consuming and therefore costly exercise, is undertaken on projects on a random basis. The Committee does wish to stress the need for the reports compiled on each project on completion to be assessed and the findings of such reports incorporated into the process of formulating similar activities in the same or neighbouring countries.

4.32   The question of evaluation and appraisal of projects is wider simply than the aid program in the South Pacific, involving as it does matters of staffing resources and judgements on competing demands for resources. This subject is dealt with in detail in this Committee's report on the review of AIDAB, and identified for attention areas such as reallocation of staffing resources to conduct the evaluation of projects, and improvements in information systems so that details of past activities are readily available to those who require them. The problems that arose, for example, in Kiribati where the use of unsuitable local sand in concrete was a major factor in the deterioration of water tanks provided under aid, should be avoided in future.

Methods of Disbursement

Joint Ventures

4.33   The South Pacific Joint Venture Scheme (JVS) was established in 1978 to enable the purchase of equity by South Pacific countries in joint business ventures with Australian partners, by channelling grant aid funds through individual island governments in support of specific joint venture proposals. The Committee endorses the general concept behind JVS, but has some reservations about the effectiveness of the current system of operations. The JVS was intended to finance both government backed and private sector business ventures, but out of the 10 schemes approved in its 10 years of operation, only one private scheme was approved (Pacific Islands Monthly, October 1988 p. 35). This high level of involvement of island governments is not surprising given the small size of the private sector in many of the island states. However, the Committee would wish to see some mechanism by which small business ventures by indigenous entrepreneurs could be assisted. Such a proposal has been made to Government for consideration.

4.34   AIDAB conducted a review of the JVS in 1986 and 1987
and found that the scheme should continue but 'with some
variations to policy emphases and procedures' (AIDAB,
Submission p. S 2688). New guidelines are awaited.

DIGS and CASP

4.35   The Development Import Grants Scheme (DIGS) allowed
for the purchase of goods from Australia to be used for
development purposes or for resale to raise development
revenue. Some Pacific governments appointed agents to manage
the purchasing of goods under DIGS.

4.36   The scheme was reviewed by Government in 1986, and a
revised scheme, called the Commodity Assistance Support Program
(CASP) was formulated to replace DIGS. It became operational in
a number of countries in 1988, and will be introduced in the
South Pacific in the 1989-90 financial year. The key benefit of
the new scheme, AIDAB believes, will be a simplified and more
effective administration.

4.37   The CASP allows for the appointment by AIDAB of a sole
procurement contractor who will be paid a fee based on the
complexity of the procurement activity; the DIGS allowed for
payment of the contractor on a percentage basis regardless of
the complexity of a procurement activity. Monitoring and
auditing of DIGS agents were difficult as agents were appointed
by the country involved (AIDAB, Submission p. S 2690). CASP
contains changes in administration and monitoring procedures,
including simplified appraisal procedures and monitoring of
procurement procedures by the AIDAB Procurement Section (AIDAB,
Submission p. S 2688). The Committee welcomes the improved
monitoring and auditing capabilities this program will allow.

4.38   The Committee notes AIDAB's advice that it is
considering appointing one or two separate CASP procurement
contractors for the South Pacific region, in recognition of the

particularised operating environment and demands of the South
Pacific. Although the new system had been proposed for some
time, and is due for implementation on 1 July 1989, the
Committee was surprised that Terms of Reference for the
appointment of contractors were not available and calling of
tenders had not occurred by early March 1989.

4.39   One of the agents who acted for a number of South
Pacific countries, Burns Philp and Co Ltd raised with the
Committee concerns that the management costs (agents fees etc.)
for this new scheme would be higher than those for DIGS. The
Committee is unable to comment on these potential difficulties,
as the new scheme is not yet in operation. However, the
Committee recommends that AIDAB review the operation of the
CASP after an initial 12-month period, with particular
reference to operating costs, and modify the scheme if
necessary for the South Pacific.

Accountable Cash Grants (ACGs)

4.40   ACGs were introduced into the aid program in 1976 and
have been widely used in the South Pacific. The introduction of
ACGs recognises the value to recipient countries of funding
local costs. The facility allows countries to undertake
activities for which they have the capacity but not the funds.

4.41   Revised ACGs were introduced in late 1987, clarifying
appraisal procedures, payment and implementation requirements
and placed monitoring and acquittal responsibility with the
Australian diplomatic missions. The ACGs remain a valuable
method of aid dispersement in the South Pacific.

Volunteers and Staffing Assistance

4.42   The Australian Staffing Assistance Scheme enables
South Pacific countries to draw on Australians to help staff
their own public services and statutory authorities until

localisation can occur. Personnel are recruited by agents of the recipient government. The Committee believes this is a most valuable contribution to improving the level of professional, technical or managerial skills in a particular country when provided as part of a training and assistance package.

4.43   The Committee was somewhat surprised that AIDAB was unable to indicate the level of public service involvement in the scheme although AIDAB thought that because the ASAS positions are in government departments 'it is logical to expect that quite a high proportion of the appointees are from the public sector' (Submission p. S 2691).

4.44   The Committee believes that secondments of carefully selected Australian Public Service personnel to the bureaucracies of these countries is a valuable experience. It not only assists the recipient country but also improves the general level of understanding and appreciation of the region among Australian Government employees. The Committee recommends that as an adjunct to the ASAS an interchange program between the public services of South Pacific countries and Australia be established.

4.45   The Committee was also impressed with the work being done by groups such as the Overseas Service Bureau (OSB) and the Australian Executive Overseas Service Program. The Committee believes that these and similar groups should continue to receive encouragement and financial support in their work.

The role of NGOs

4.46   Australian Government aid to the Pacific through the project subsidies for Non-Goverment Organisations amounted approximately to $1.13m in 1987-88. Australian NGOs have extensive experience in the South Pacific, ranging across a broad spectrum of activities. The majority of aid to the

Pacific by NGOs is in the education, health and welfare sectors, areas identified by the Committee as particularly important for those Group 2 and 3 countries.

4.47   NGO involvement in the aid program can occur in two ways. NGOs can apply for subsidies for projects they design and implement in any developing country (AIDAB, Submission p. S 2692). No targets are set by AIDAB for individual countries or regions. The other method of involvement is through the AIDAB country program manager, who having identified a particular need in a recipient country can determine the best method of implementing the project. This may mean NGO involvement in its implementation. Although many NGOs appear reluctant to become so closely involved in the government aid program, the Committee sees in this type of arrangement great potential to institute the small scale, village-centred activities so appropriate in the South Pacific.

4.48   Based on 1987-88 figures, the amount of Australian Government aid given to the region via the NGO system is minuscule. Although the capacity of NGOs to utilise funds and implement projects will of course be a crucial determinant, the Committee believes greater use of these organisations in the aid program will improve targetting of poorer groups and of specific problems on an individual country basis. The Committee therefore, recommends, that in providing particularly 'quality of life' type projects to the region, AIDAB continue to investigate ways in which greater use can be made of NGOs.

4.49   The Committee was also interested to see the emergence of NGOs in a number of Pacific countries. However, as ACFOA noted:

> To date Australia has provided little assistance for the development of indigenous community organisations which could provide a vital role in the provision of services and training at the levels of the community which

are generally out of the reach of Government
programmes and particularly of Australian aid
programmes.

(Submission p. S 1488)

4.50   The Committee endorses the provision of Australian
support for the growth and encouragement of regional NGOs, to
assist in improving the targetting of aid to those areas of
greatest need in a particular country.

Recurrent costs

4.51   The Committee was most concerned at the negative
development effect a number of large infrastructural projects
undertaken under development assistance had on the economies of
the recipient countries. As explained by Professor E Fisk in
evidence before the Committee:

> ...when you build a hospital, it is not just
> the building and the equipment that have to be
> provided. The major costs, really, come over
> the next 20 to 40 years while you are using
> it, to provide the staff and the operating and
> maintenance costs of it. This has to come from
> the government budget. But the hospital has,
> in fact...made no contribution to that
> budget.

(Evidence, 27 April 1987, p. 231)

4.52   The impact of high recurrent costs on the relatively
small budgets of South Pacific countries was also noted in the
fields of education and transport in addition to health.

4.53   From a slightly different perspective, ADAB also
referred to the difficulties inherent in large infrastructure
projects from an aid management perspective.

> ...without the ability to directly provide for
> recurrent costs for a substantial period, the
> danger is that many of the development

> activities in which we are engaged in (sic)
> will have a limited life before the capital
> investment has to be written off. There are
> instances, for example, of road construction
> projects where the absence of local
> maintenance capacity combined with the
> reluctance of donors to provide recurrent
> costs, leads to a rapid decline in the value
> of the capital investment. This investment
> must then be repeated within a short period of
> time at a much higher cost than if recurrent
> cost support for maintenance had been
> provided.

(Submission p. S 1119)

4.54   ADAB also went on to note that because providing
substantial recurrent cost financing fostered aid dependence
Australia did not provide such funding except in special
circumstances. 'However, increased recurrent cost funding in
the Pacific region may be inevitable particularly in the
micro-states...' (Submission p. S 1119).

4.55   The Committee believes that there are two points that
need to be made regarding recurrent costs. The first is that in
designing future infrastructural projects in the region,
consideration must be given to the future effect of recurrent
operating costs, and that this be discussed fully with the
recipient country before a decision is made to proceed with the
project. Secondly, if the project is given sufficiently high
priority by both Australia and the recipient country, the
Committee recommends that AIDAB provide part of the recurrent
costs as part of the aid budget for Group 2 and 3 countries.
This is not to say Australia should cover most or all of the
recurrent costs of its aid projects. The Committee firmly
believes that responsibility for recurrent costs should be
shared by both the donor and recipient country, and that
contributions to the recurrent costs by the recipient country
be a condition of the project proceeding.

4.56   The decision to fund in part the recurrent costs of large projects does not necessarily mean that the total volume of aid to each country will need to increase, although the Australian Government may wish to increase the level of aid to maintain the same level of project activity previously undertaken. Australia will also have to look at the question of recurrent costs in other areas, for example, with the Pacific Patrol Boat provided under the Defence Co-operation Program.

Aid and Australian Business

4.57   While aid should primarily be given for humanitarian reasons, the possibility of aid serving a range of other interests has been acknowledged and widely accepted. Aid, however, should not be viewed primarily as a tool to improve market access for Australian goods and services. This may happen in practice as only Australian consultancy firms are used by AIDAB, and there is a 20% procurement preference for Australian goods. However, the Committee firmly believes that the requirements of the recipient country and the appropriateness of those particular items should be the prime determinants in the selection of equipment to be provided under the aid program. If an Australian company does produce a product technologically appropriate for supply under the aid program, preference naturally should be given to that company.

4.58   While trade interests may benefit indirectly from the good will created by a generous Australian aid program, the Committee rejects the assumption that Australian aid should be used to provide an entree into the region for Australian companies. In establishing schemes such as the JVS, AIDAB encourages Australian companies to participate on a commercial profit oriented basis. The Committee supports the concept of involving Australian business, but rejects any idea of using the aid program to support Australian companies' participation in ventures in the Pacific region that they appear reluctant to undertake as purely commercial undertakings.

TABLE 4.3.: OFFICIAL DEVELOPMENT ASSISTANCE TO THE SOUTH PACIFIC 1986 BY SELECTED COUNTRIES (US$M) (1)

Recipient / Donor	PNG	Cook Is.	Fiji	Kiribati	French Territories (2)	Niue	PITT (3)	Solomon Islands	Tonga	Tuvalu	Vanuatu	Western Samoa	Total
Australia	222.32	0.55	13.75	2.38	0.12	0.25	0.25	9.99	4.40	0.92	5.29	3.43	263.65
Canada	0.22	0.03	0.29	0.07	-	-	-	0.08	0.07	0.07	0.12	0.08	1.03
Finland	0.01	-	0.04	0.01	0.02	-	-	0.01	0.01	-	-	0.01	0.11
France	0.21	-	0.60	-	452.33	-	-	0.02	0.04	-	6.92	0.11	460.23
Germany (FR)	5.87	0.13	1.37	0.02	-	-	-	0.11	1.01	0.01	-	1.89	10.41
Japan	10.43	2.12	10.98	4.31	0.23	-	11.29	0.97	3.57	0.06	1.13	9.16	54.25
Netherlands	0.30	0.15	0.36	-	-	-	0.24	0.11	0.13	-	-	0.02	1.31
New Zealand	1.73	22.54	2.27	0.90	-	3.66	-	1.40	2.14	1.18	0.99	3.35	40.16
UK	0.24	-	1.57	4.23	-	-	-	5.54	0.13	1.56	6.31	-	19.58
USA	1.00	-	1.00	-	-	-	219.00	1.00	-	-	-	-	222.00
Total	242.33	25.52	32.23	11.92	452.70	3.91	230.78	19.23	11.50	3.80	20.76	18.05	1,072.73

Notes: (1) These figures are not exhaustive, and do not include ODA from a number of smaller countries, or from multilateral sources. They also do not indicate ebbs-and-flows in aid programme levels: a number of donors undertake a large activity over one or two years but may not necessarily have an ongoing commitment to maintaining those high expenditure levels. Figures are also given in terms of US$ and are for a period when the Australian dollar was low. Australian contributions now have increased substantially with the higher value of the Australian dollar compared to the United States dollar.

(2) Includes New Caledonia, French Polynesia, and Wallis and Futuna.

(3) Pacific Island Trust Territories.

Source: AIDAB, Submission p. S 2719

Aid Co-ordination

4.59   For a number of years Australia has been the dominant
aid donor in the South Pacific. There has been increasing
interest in providing aid to the region, however, from a number
of countries and international organisations, through both
bilateral and multilateral means. Joining the traditional
aiddonors such as New Zealand and Britain are now Japan (see
para 9.47), the United States, the Federal Republic of Germany,
Canada, China, France, the European Community, the World Bank
and the Asian Development Bank. An indication of levels of
assistance is given in figures in Table 4.3. It was apparent
from a number of projects the Committee saw during its visit to
the region that not all of the aid from other donors was
assisting the economic development of the recipient countries.
One project in Tonga in particular raised serious questions
about the appropriateness of aid and the evaluation and
consultation processes undertaken. The Committee was pleased to
note that fortunately most of these projects were not funded by
Australia.

4.60   The total volume of aid available to the South Pacific
will increase as more countries and organisations become
interested in providing such assistance to the region for
strategic and other reasons. This makes even more urgent the
need to establish an effective co-ordination process, to avoid
overloading the South Pacific countries with too much aid, or
aid in inappropriate areas. It is vital that some formal
co-ordination mechanism be set in place. This would ensure the
integration of aid projects from a number of donor countries to
the advantage of the recipient country. The Committee notes the
role taken by Australia in South Pacific Forum discussions to
improve aid co-ordination and more general economic
co-operation, and commends the Australian Government's support
of various activities under the Forum's auspices in this area.

4.61   Although some island governments remain unconvinced
about the value of aid co-ordination, the 1988 South Pacific
Forum did endorse the benefits of more general economic
co-operation. The Forum Secretariat has been directed to
commission a study of present and possible future aid
co-ordination arrangements. There is much potential in adapting
the UNDP Round Table consultative system in the South Pacific,
and the Committee supports the positive contribution being made
to the debate by Australian agencies and departments,
particularly AIDAB.

Aid to PNG

4.62   As Australia's largest aid recipient, Papua New Guinea
will receive $303.3m in the 1988-89 financial year. The largest
share of this assistance, some $275m, will be given in the form
of untied cash grants which are spent by the PNG Government
through its normal budgetary process. A number of concerns were
raised with the Committee about the use made of this aid by the
PNG Government.

4.63   The Australian Government has noted the need to reduce
the amount of aid given to PNG as budget support, as PNG moves
towards economic self-reliance. The Australian Government and
the PNG Government have had negotiations regarding the need for
the real level of Australian aid to decline progressively in a
predictable way. However, this is a vexed subject and deserves
a more detailed examination than is possible here. The
Committee would expect to cover this and other issues in a
separate report on Papua New Guinea.

4.64   An important innovation for PNG has been the
establishment of the PNG World Bank Consultative Group. The
Committee believes the establishment of a formal mechanism for
discussion and co-ordination among all aid donors and PNG on
development policy for this country is a welcome move. It will

become increasingly important as the sources of aid to PNG diversify and as Australia moves further away from budget support to programmed activities.

ACPAC

4.65   The AIDAB Centre for Pacific Development and Training located in Sydney, was formed by the combination of AIDAB's International Training Institute (now reconstituted as the Development Training Group) and the Pacific Regional Team. ACPAC's focus is two-fold, firstly on the appraisal of all new projects proposed in the Pacific (previously a PRT role), and secondly developing short training courses particularly for the South Pacific.

4.66   The Committee heard evidence critical of ACPAC and its predecessor, the Pacific Regional Team, primarily on their ability to respond to the educational needs of the South Pacific (see, for example, Teasdale, Evidence, 11 March 1988 pp. 754-55, and Teasdale, Submission pp. S 1375-1405). The Committee recommends that AIDAB undertake a review of the ACPAC after 12 to 18 months of operation.

CHAPTER FIVE

AREAS OF SPECIAL FOCUS

5.1   The Committee has identified a number of areas of particular importance or concern in the Australia-South Pacific relationship, areas in which Australia has the expertise and resources to assist the region. These areas are covered in greater depth in the sections that follow.

EDUCATION

5.2   Education, human resource development, is vitally important to the development process of any society. Skilled people are essential in both the public and private sectors to sustain, manage and capitalise on progress in development. Australia has recognised the central role of education in sustaining moves towards development and in achieving self-sufficiency in administrative, managerial and technological expertise. As stated in Budget Related Paper No 4, Australia's Overseas Aid Program 1988-89, 'education and training comprise a major part of the aid program both in terms of volume and of the contribution which these activities can make to economic and social development' (p. 33).

South Pacific Educational Standards and Requirements

5.3   The submission by the Department of Employment, Education and Training (DEET) noted that among the countries of the South Pacific there is a diversity of educational needs, reflecting the particular social structures, traditions, community aspirations and level of technological development of each country. Despite this diversity, however, the Department identified a number of common needs in the region, arising from their small size, isolation and generally limited resource base. Common difficulties included:

- acute shortages of textbooks and other learning materials;
- shortage of schools and school buildings;
- lack of teaching aids;
- underqualified teachers;
- lack of trained or experienced educational administrators and curriculum developers; and
- uneconomic teacher training facilities and programs.

(Submission pp. S 2174-75)

These difficulties were confirmed during discussions by the Committee during its visit to the region.

Primary and Secondary Education

5.4   With the exception of Papua New Guinea, generally high levels of literacy prevail in the South Pacific. Attendance at primary school is compulsory in some countries, but not all. For most of the South Pacific, secondary education facilities are inadequate, with enrolments declining rapidly after primary school. One characteristic of the region is the high proportion of non-government denominational schools which generally operate in parallel to the government system. They have often not benefitted from the assistance provided by aid donors. Many classroom teachers at the elementary and junior high school levels have minimum qualifications with significant numbers trained several years ago through crash courses. Limited opportunities exist for teacher upgrading and/or professional development (DEET, Submission p. S 2173).

5.5   The NCDS commented on education in the region in the following terms:

Among the Pacific countries even at the top of the range (Fiji, Tonga and Western Samoa) education performance does not compare

favourably to other developing countries, and at the bottom of the range (Solomon Islands and Vanuatu) school enrolments are among the lowest in the world.

(Submission p. S 1252)

TABLE 5.1: SCHOOL ENROLMENT AS A SHARE OF AGE GROUPS FOR THE FIVE LARGEST SOUTH PACIFIC COUNTRIES, 1981 (PER CENT)

	Fiji	Solomon Islands	Tonga	Vanuatu (a)	Western Samoa
5-9					
Males	96.0	32.1	89.5	59.7	82.1
Females	95.0	32.9	89.4	64.0	81.8
10-14					
Males	86.3	66.4	83.1	67.4	93.0
Females	87.0	47.7	79.9	60.1	96.1
15-19					
Males	35.8	34.0	48.6	23.7	49.6
Females	35.4	15.7	49.8	21.3	58.7
20-24					
Males	0.5	2.6	2.0	-	5.0
Females	0.2	0.6	1.2	-	2.5

(a) 1979 figures.

Source: NCDS, Submission p. S 1254

5.6   The NCDS went on to note that:

Many of the problems of higher education are rooted in inadequate primary and secondary education. Primary education often fails to tackle language problems. For many children English (or, in parts of Vanuatu, French) is likely to be a third language. Secondary education has to build on an inadequate language base, and it is often still very literary and classical, neglecting the maths and science needed for today's world...There are even greater problems at the post-secondary than at primary and secondary levels.

(Submission pp. S 1284-85)

5.7   ADAB in its submission summarised its involvement in education as follows:

> Australia has contributed substantially to the education sector in the Pacific. Australia provides scholarships and awards for the training of a large number of PIC students at Australian and third-country colleges and universities. Schools, colleges and parts of the University of the South Pacific have been constructed with Australian funds, expertise and materials. Australian aid experts have also developed curricula at all levels and trained teachers in many PICs.

(Submission p. S 1113).

5.8   For the period 1987-88, 27% of all development assistance to the South Pacific (excluding PNG) was spent on education. This compares favourably with 15% of the overall global aid program spent on education.

5.9   Despite this program of assistance, and the involvement of other donors, the Committee is disturbed at the continued inadequacy of primary and secondary education in the region, and questions whether Australia has placed too great an emphasis on the tertiary education sector rather than upgrading primary and secondary levels. The Committee is also concerned at the emphasis on large infrastructural projects that appears to have dominated educational aid to the region. The Committee visited the Waimapuru National Secondary School in the Solomon Islands during its tour of the region. The School is certainly one that any country could be proud of, but because of the developing nature of the Solomon Islands' economy, the high recurrent costs from that one school on the Solomon Islands education budget was of concern. The question of recurrent costs was discussed in Chapter Four, and the Committee wishes to stress the need for the Australian Government to review its policy on meeting recurrent costs, particularly in the area of education.

5.10   Problems in secondary education were acknowledged when the PNG Government requested in 1988 a Secondary School Students Scheme funded under the bilateral aid program. Under this scheme, it is planned that 200 senior secondary students will be placed in Australian schools each year. The special needs of the region for this type of education have also been recognised through entry under the subsidised (quota controlled program) to Australian Government junior secondary schools being available to nationals of ASEAN countries, Papua New Guinea and the sovereign states of the South Pacific, and entry to non-government schools open to nationals of all countries (DEET, Submission p. S 2774).

Technical Training

5.11   The Committee, both in taking evidence in Australia and in visiting the region, was told of apparent deficiencies in the technical/vocational level of education, both for the public and the private sector. Professor H Hughes, Director of the National Centre for Development Studies, in evidence before the Committee observed that the education system in the South Pacific had become increasingly inappropriate, and too closely aligned with the British academic model. Professor Hughes advocated the establishment of community colleges to teach pre-professional courses such as bookkeeping, nursing aide training, motor mechanics, and plumbing. In such a proposal, there would need to be much greater co-operation between industry and private enterprise. On the evidence available the Committee would support this proposal, but would wish to see more detailed information before making a specific recommendation.

5.12   The Committee considers it most important that the technical education courses available, particularly through the Australian aid program, should be accessible to both public and private sector personnel. Some confusion appeared to exist when

ADAB was questioned on its ability to improve private sector
management and technical skills through existing aid mechanisms
(Evidence, 10 March 1988, pp. 615-17). In a subsequent written
comment, AIDAB advised:

- Training awards are provided in response
  to specific requests from aid
  co-ordinating authorities. Private sector
  awards can be and are accommodated within
  this program.

- Increasingly we are negotiating
  "packages" of training assistance with
  recipient governments in the South
  Pacific which address key human resource
  development needs including in productive
  sectors.

- In this context there is no reason why
  key private sector needs should not be
  addressed (emphasis added)

(AIDAB, Submission p. S 2698)

5.13   The Committee is yet to be convinced that private
sector needs are indeed being fully met. By the very nature of
government-to-government assistance packages, those likely to
be given preference in training would be those employed by the
governments themselves. There appears to be little attempt to
establish better liaison with the private sector or run courses
specifically designed for non-government personnel. The
Committee recommends that AIDAB make a separate training
allocation aimed exclusively at the private sector of each
country.

Tertiary Education in the Region

5.14   The University of the South Pacific (USP), established
in 1970, is a major centre for tertiary education and training
in the region. Australia assists in funding USP through a
bilateral program in 1988-89 estimated at $3.5m and in 1988 the
Australian Government announced an aid package to USP of $8m

over a three-year period. There are also a number of small
vocational and technical single-purpose colleges in the region.
The National University of Western Samoa has recently been
established to provide a preparatory or foundation year for
those students wishing to proceed to tertiary education. In
addition the University of Papua New Guinea and the PNG
University of Technology accept limited numbers of foreign
students. France has also established the French University of
the Pacific, with facilities in Noumea and French Polynesia.

5.15   Dissatisfaction with USP has been expressed by a
number of countries, for reasons including perceived
Fijian dominance of USP; the high level of financial
contributions required by USP; entry restrictions imposed by
Fiji; and the individual countries' wish to have their own
national institutions. Political disturbances in Fiji also
affected USP, particularly in staffing and initially a loss of
students.

5.16   The Australian aid program has been criticised as
undermining USP by giving scholarships for study of equivalent
courses at Australian universities. The Committee recognises
that a broad range of educational experience is important for
any country, and endorses the continued availability of choice
to South Pacific students to study at either a regional or
Australian institution. While sympathising with the view that
those trained overseas may lose some of their cultural
identity, or may use that qualification to settle permanently
overseas, the Committee still supports the availability of
choice in educational institution.

Secondary and Post-secondary Education in Australia

5.17   Australia provides a variety of training assistance
including individual awards for academic study or
non-credential short courses. The method of provision of
educational assistance is currently undergoing enormous change.

There are three methods under which overseas students are currently admitted for study in Australia:

(a)   the sponsored overseas student program administered by AIDAB;

(b)   the private overseas student program administered by the Department of Employment, Education and Training; and

(c)   full fee paying students.

A summary of South Pacific participation in each of the three categories is at Table 5.1.

5.18   Sponsored students are selected by their own governments on development assistance criteria. All educational costs are met and they are provided with living, travel and other allowances through the aid program. Private overseas students, selected on merit by educational institutions within an annual quota established by the Australian government, pay the annual Overseas Students Charge (OSC), currently 55% of the course full average cost. The Australian Government through the aid budget meets the remaining 45%. AIDAB meets the cost of the OSC for subsidised students from the South Pacific. However, AIDAB does not pay living or travel expenses for these students. DEET administers this program.

5.19   Full fee paying students are selected directly by institutions without any quota restrictions. Traditionally, relatively few South Pacific students have been in this category.

5.20   A review of overseas student policy was announced in August 1987 by the Ministers for Foreign Affairs and Trade, and Employment, Education and Training. The review was to develop proposals for:

-     charging all overseas students the full cost of their education in Australia;

-     abolition of the student subsidy;

-     the introduction of a new scholarship scheme to be offered by AIDAB, using the savings from the abolition of the student subsidy; and

-     protecting the interests of continuing students as the new schemes are implemented.

(AIDAB, Submission p. S 2693)

5.21   The Australian Government announced in December 1988 that the 45% subsidy would be phased out progressively and replaced by new scholarships available from the start of the 1990 academic year. There are expected to be approximately 2000 scholarships eventually available per year.

5.22   In anticipation that the overseas subsidy program would be abolished, AIDAB developed a merit and equity scholarship program. This program, being trialled in Thailand during 1988-89, is based on a new type of aid scholarship program - half of the scholarships given will go to disadvantaged students and the other half to students on academic ability. AIDAB believes the program will be a better use of aid funds than the current aid subsidy to self-selected private students and will complement the ongoing sponsored student program (Submission p. S 2694).

5.23   The pilot program appears to concentrate on diploma level studies in Australia, with a small number able to undertake post-graduate studies under the scheme. The Committee acknowledges that the scheme may change as a result of the pilot study, and that in addition, the implementation of the new scheme may need to vary from country to country. In reviewing the scheme's suitability for use in the South Pacific, the Committee would expect that the following concerns would be addressed:

- secondary studies for South Pacific students should also be included in the scheme, not only study at tertiary level. This is particularly important given the high number of subsidised students from the South Pacific who undertook secondary studies in Australia, and the still inadequate secondary education available in many of these countries;

- allocation of the new equity and merit scholarships should recognise the importance of the South Pacific and its particular needs; the Committee would hope to see the level of scholarships equal if not pass the subsidised student quota for the region of 287 secondary and 102 tertiary (1988); and

- support for regional institutions should also remain at an equivalent level.

5.24   While acknowledging the need for a more effective allocation of the overseas student subsidy, the Committee believes that the introduction of the equity and merit scholarship system may not necessarily improve the provision of educational assistance to the South Pacific region. Under the previous system, both sponsored and subsidised students had the cost of their education paid for by the Australian Government. The introduction of the new system will simply remove a number of administrative distinctions, and should the number of the new scholarships to the region fall, the availability of educational opportunity will decrease. There will also possibly be a number of students from the region disadvantaged - those who might have gained entry and assistance under the previous subsidised scheme, but who may now fall between the criteria of both equity and merit.

5.25   The Committee notes the intention of the pilot program to be gender balanced, i.e. approximately 50% of recipients being male and 50% female. On past evidence (DEET, Submission

TABLE 5.2 CATEGORIES OF SOUTH PACIFIC STUDENTS STUDYING IN AUSTRALIA 30 JUNE 1988

Category	Fully Sponsored	Subsidised Studies				Full Fee Paying
Country	(1)	Government Secondary	Non-Govt Secondary	Secondary-TAFE	Tertiary & Post-Secondary	(3)
Fiji (2)	95	175	147	23	755	93
Kiribati	7	-	-	-	1	-
Nauru	-	5	59	-	4	3
New Caledonia	-	-	1	1	9	3
Solomon Islands	26	5	31	1	20	6
Tonga	46	5	6	6	68	5
Vanuatu	10	-	6	-	4	1
Western Samoa	53	1	5	1	2	2
PNG	85	29	276	1	45	17
Other	8	-	2	-	1	2
Total	330	220	533	32	909	132

Note :   (1) Figures refer to post-secondary sponsored students in formal courses.

(2) includes Tuvalu.

(3) Figures refer to full fee formal courses, and do not include students undertaking non-formal courses (some 903 in total).

Source: DEET, Submission pp. S 2779-86

pp. S 2189-91) the ratio of male to female students in the subsidised category was approximately 2:1. However, the particular cultural and social context of the societies from which these students are drawn should be considered equally in looking at what criteria should govern student selection. It may be that a gender-balanced program is not only difficult to achieve in the South Pacific, but can also be culturally inappropriate.

Teacher Training

5.26   As noted in paras 5.3 and 5.4, one of the common problems facing many South Pacific countries is a lack of appropriately qualified teachers. This places the education systems in a 'Catch-22' situation - the lower standard of training among teachers is reflected in the levels reached by their students, some of whom will become teachers themselves. There is a need for assistance to break the circle and upgrade the general level of teacher training.

5.27   The Committee recommends the introduction of an Australian Teacher Volunteer Program whereby Australian teachers could undertake a one or two year posting in a South Pacific country to teach. The period of teaching would be counted as part of their service with the relevant State Education Department. Cost-sharing with the country involved would be negotiated, perhaps with Australia meeting the salary costs and the host country the accommodation. The teachers could be used to provide staffing relief so that local teachers could undertake additional training, or could work in team-teaching situations, providing on-the-job experience for local teachers unable to undertake more formal retraining.

Teaching Resources

5.28   A lack of resources, particularly text and reference books was pointed out to the Committee during its visit to a number of regional countries, for example in the school built in the Solomon Islands under the Australian aid program. The Committee was very conscious that the types of books required be at an appropriate level and educationally valid. The Committee would not wish to see old, out-dated texts dumped into the region, but does believe many texts no longer used in Australia could provide a valuable reference resource for schools in the region.

5.29   The Committee therefore recommends that AIDAB, in consultation with South Pacific educational authorities and Australian Service organisations, collect and distribute text books, particularly in the mathematics and science areas that are no longer required by Australian schools and arrange for their distribution to school libraries in the region.

UNESCO

5.30   In addition to providing educational assistance on a bilateral basis, the Australian Government also supports the work of groups such as UNESCO in the region. The Committee believes that the work of UNESCO in the South Pacific has been beneficial to the participating countries, and endorses continued Australian involvement.

COMMUNICATIONS

5.31   The Committee received a great amount of evidence stressing the need for improved communications, both domestic and international, in the region. The lack of communications has limited the establishment and operation of commercial operations, particularly in outer islands, and has impacted

badly on areas such as education, health care and management of emergency situations (Exhibit, No 75, pp. 10-14).

The South Pacific Telecommunications Development Program (SPTDP)

5.32   In recognition of the importance of improved telecommunications, the Forum established the South Pacific Telecommunications Development Program in 1983 under the auspices of the South Pacific Bureau for Economic Co-operation (SPEC). From 1984-85 to 1986-87 Australia provided approximately $1.2m to the SPTDP, primarily to fund the staffing of the program. The SPTDP's aim was to provide 'for the co-operative development of telecommunications in the South Pacific region, particularly in order to strengthen economic and social integration of rural and urban sectors of the population' (Department of Transport and Communications, Submission p. S 2311). As the SPTDP argued, the

> key to development in the South Pacific is the use of satellite transmissions for trunk line connections between islands of one country as well as for connections between countries... None of the countries has enough telecommunications traffic to afford to own a network of its own...The only solution is to seek to hire facilities on a larger network owned by one of their larger neighbours around the rim of the Pacific.
>
> (Wilkinson, Submission p. S 377).

An overall program of capital works has been set up, with an estimated cost of $130m over a 10-year period.

Which Satellite System?

5.33   There has been much competition in the South Pacific in the last five years as to who would provide the satellite services for the region. The SPTDP's Management Group

recommended a proposal called the Pacific Area Co-operative Telecommunications (PACT) Network. This system is based on INTELSAT (of which Australia is the sixth largest shareholder) providing satellite capacity through OTC(I) to the region. OTC(I) will lease the segment on the satellite, and will assign space to the participating countries involved on demand through the Demand Assigned Multiple Access (DAMA) system, whose co-ordination hub is in Sydney. The establishment cost of the hub, approximately $2.6m, will be met from Australia's aid program, and will reduce OTC(I)'s overheads, allowing a rebate to users of the system which will be put into an independently administered development fund. Preliminary indications are that approximately $4m will be available over the first five years to countries in the network to use for development of telecommunications networks. There is also potential for Australian commercial interests in the region through the development and marketing of the VISTA earth station designed by OTC.

5.34   The PACT Network was endorsed at the 1988 South Pacific Forum Meeting in Tonga in September 1988, and is scheduled to begin operating on 1 January 1990. It will provide telephone, facsimile, telex and data services for domestic and regional subscribers. At the time of writing this report, Fiji and Solomon Islands have indicated they may not participate in the PACT Network. The Committee hopes that other countries do not follow a similar policy, particularly as it is a Forum-endorsed solution to the telecommunications problems of the region.

5.35   The Committee heard arguments that AUSSAT could have provided telecommunications services between countries in the South-West Pacific utilising its third generation of satellites. Under AUSSAT's charter it is only permitted to provide domestic overseas services, and the South Pacific countries wanted a system that would provide both domestic and international communications on the one system. Leaving aside

questions of AUSSAT's charter, technical reservations were expressed about the technical suitability of the system operated by AUSSAT for Pacific weather conditions (Department of Transport and Communications, Submission p. S 2318). To provide a service to the South Pacific region, AUSSAT would have had to modify a satellite, whereas INTELSAT had capacity on existing satellites, was already providing some international telecommunications to the region, had ground stations in place, and amended its operating procedures to allow coverage of both domestic and international traffic on the one satellite.

5.36   INTELSAT also 'offered very attractive pricing for the use of the satellite' (AUSSAT, Evidence, 21 March 1988 p. 803), thus making them the favoured carrier at the time. A final argument against AUSSAT involvement also lies in the fact that Australia already funds INTELSAT operations, and should not be encouraging a separate organisation, also funded by the Australian Government to enter the region in direct competition with the first, potentially splitting the clients in the region into smaller, and less economical groups. The Committee endorses the decision to introduce the PACT Network, utilising INTELSAT through OTC(I) and rejects any suggestion that AUSSAT should be involved in the provision of international communications in the region.

Papua New Guinea

5.37   Papua New Guinea is not participating in the PACT Network. Despite initial consultations with AUSSAT over provision of telecommunications, the Papua New Guinea Government advised in 1985 it would be contracting to use a private satellite system (PACSTAR), proposed by the American corporation TRT. Under the agreement PNG would receive free access to transponder capacity in return for registering the proposed orbital locations of the satellites with the International Frequency Registration Board. Such registration

can only be initiated by governments, and TRT was unable to obtain US Government action for such registration (AUSSAT, Submission p. S 1235).

5.38   At present there has been no progress in launching the PACSTAR system, and indeed the Committee heard claims that the arrangement was a 'paper' proposition and might never proceed (AUSSAT, Submission p. S 1235). Many people at the time suggested that the TRT proposal would not be a success and time has so far proved this correct. The options for PNG now appear to be either to join the PACT Network, negotiate separately with INTELSAT for capacity, or approach Australia for capacity to be provided on its third generation satellites and beyond. The Committee endorses the limitation on AUSSAT restricting it to provision of overseas domestic telecommunications, and believes the best option for PNG would be to join the PACT Network. Should the Government amend AUSSAT's charter, then provision for PNG in AUSSAT's third generation of satellites and beyond would also be an acceptable solution to their telecommunications needs. To this end, the Committee recommends that the Australian Government restate its offer of assistance to the PNG Government should PACSTAR not proceed.

Television

5.39   The SPTDP is primarily directed toward telecommunications rather than broadcasting, with priority being given to telecommunications development, with television programming secondary.

5.40   The Committee believes it is inevitable that some form of regional television service will be established in the future. The question of television and developments in this area are monitored for the Forum by SPECTEL. The 1987 Forum meeting endorsed as a general concept the idea of a regional television service, but countries were reluctant to give it sufficient priority to divert scarce resources to it. The Committee commends this stance.

5.41   Private Australian business interests have already approached Pacific countries (in particular PNG and Fiji) on establishing commercial television systems. Domestic television commenced in PNG in early 1987, although areas of PNG had been able to watch ABC television due to satellite signal overlap for some time. In Fiji, a 12-year contract was signed between PBL (Packer) and the Fiji Government with broadcasting due to commence in 1987. However, this has not yet occurred. It has been suggested to the Committee that indeed many of the commercial entrepreneurs who have sought involvement in the Pacific have seen television as a secondary issue to telecommunications. Now that the Pacific countries have looked elsewhere for their telecommunications needs many entrepreneurs may not be as eager to become involved in television in the Pacific.

5.42   The introduction of television raises many complex issues, and it was apparent from the PNG experience that South Pacific countries need to have a well defined policy on television broadcasting before any agreements are reached. The Committee has noted the concerns expressed about the social and cultural harm that may occur in the region due to the increased access of a different culture with very different values. The Committee welcomes the cautious approach being adopted by a number of South Pacific countries, and shares their concerns that more information is needed on the sources and types of programs that may be shown, the extent of local programming, the system of management and support needed, and the broadcast coverage to be achieved.

5.43   The Committee would hope that when a regional system is introduced, it will fulfil an educational as well as entertainment role for the people of the region. Australia is well placed to assist the region when it is ready to move towards a regional television network. The Committee recommends that Australia continue to monitor developments in this area, and provide assistance if required.

Training

5.44   The Committee notes the recommendation by ACFOA that Australia 'provide training and assistance to the embryonic Pacific Television production industry' (Submission p. S 2028). While accepting that this could be a useful contribution to the region, the Committee believes such training is of lesser priority than training needed in other areas.

Radio

5.45   While the impact of television is still limited in the South Pacific, radio is the prime source of domestic and international news, information and entertainment for most of these countries. Most of the Pacific states, due to lack of resources are unable to support national broadcasting corporations able to provide a 24-hour service covering domestic, regional and international news and information. In the absence of such a service, Radio Australia has provided an important service in the region. In a 1986 survey of radio listeners in five South Pacific countries, Radio Australia was the most well known and most listened-to short-wave broadcaster (Radio Australia, Evidence, 25 May 1987, p. 362).

5.46   Radio Australia remains the primary source of Australian, regional and world news and current affairs in the South Pacific region. It is also the primary source of general information about Australia and the region. The Department of Foreign Affairs acknowledged that while Radio Australia's editorial policy is independent of government direction, 'in presenting information on Australia and Australia's perceptions it provides most valuable support for the pursuit of our interests in the region' (Submission p. S 985). The importance of Radio Australia was emphasised during the Committee's visit to the South Pacific region in June 1988, where often the only source of news was from retransmitted broadcasts of Radio

Australia news bulletins. In fact, twelve South Pacific states currently rebroadcast (or adapt for broadcast) Radio Australia's *South Pacific News* bulletins on their own domestic networks. However, the Committee also heard first-hand the difficulties Radio Australia faced in reaching into the Pacific - in Western Samoa, for example, the signal was blocked at times by the French broadcaster RFI and in other areas the signal was of varying strength.

5.47   The Committee was disturbed at other evidence put before it that the effectiveness of Radio Australia was threatened due to declining transmitter effectiveness, as well as increased competition in the region from other broadcasters. The run-down in facilities is disgraceful. Radio Australia has experienced funding cuts over a number of years, and up-grading of transmitter sites serving the Pacific is long over due. The Shepparton (Vic) site, in particular requires extensive modernisation and up-grading (Radio Australia, Submission pp. S 2747-49).

5.48   The Committee is aware that as part of the Australian Government's review of national broadcasting policy, the future of Radio Australia is under consideration. The Committee finds it hard to see why an inquiry such as this is required. The options appear clear - to provide Radio Australia with sufficient funding under the current arrangement, retaining Radio Australia's links with the ABC; or if the Government is genuine about the value such a service provides, providing Radio Australia with sufficient funds to exist as a separate body. In addition to the above two options, the Committee understands that the inquiry is also looking at the options of merging it with other bodies; retaining Radio Australia in its current form but instituting revised funding and consultative arrangements; or establishing Radio Australia as an independent statutory body. One suggestion made was for funding for Radio Australia to be allocated via the Department of Foreign Affairs and Trade. The Committee totally rejects this option, believing

it is important that the independence of Radio Australia news broadcasts be maintained. More importantly, Radio Australia must be seen to be separate from the Australian Government's foreign affairs bureaucracy, despite the occasional difficulties this might cause Australian diplomatic efforts in the region. For Pacific listeners, the independence of the service being presented must not be compromised. The Committee rejects the idea of any government department determining the content of Radio Australia broadcasts.

5.49   The Committee's overriding concern is that Radio Australia obtain sufficient funds to perform its functions successfully. The Committee heard in evidence that Radio Australia relied 'very much on the facilities of the ABC to ensure that we survive. There is no way that we could be a totally independent operation' (Evidence, 25 May 1987 p. 367) and if that situation continues then continued association with the ABC with an increase in funding would seem the most preferable outcome.

5.50   The Committee fully supports the continued existence of Radio Australia and commends the decision of Radio Australia in 1988 to reorder its regional target priorities to place the South-West/Central Pacific region as its first priority, and therefore to take an even more active role in the South Pacific. The Committee recommends that sufficient funds be allocated to up-dating Radio Australia transmitter facilities, particularly those used in targetting the Pacific region, and in up-grading the programs produced specifically for the region.

5.51   In reviewing the operations of Radio Australia, the Committee was surprised to discover it did not broadcast English language instruction programs in the region. The Committee recommends Radio Australia develop an English language program for use in the South Pacific.

Training

5.52   Radio Australia has assisted and continues to assist broadcasting in Papua New Guinea through training of Pacific broadcasters. Despite training activities conducted by the Pacific Broadcasting and Development Project (PACBROAD), (a UNESCO/FES (West German) funded program now managed by the Pacific Islands Broadcasting Association - PIBA) in the region since 1986, Radio Australia indicated that Pacific broadcasting organisations still look to Radio Australia and the ABC generally for training. The Committee supports the provision of training assistance by Radio Australia to the region, and to this end recommends that additional funds be given to Radio Australia to develop and implement a training program for the region, and continue and expand its assistance to the PNG National Broadcasting Commission. The Committee further recommends that Radio Australia pursue collaborative training activities with PIBA.

TRANSPORTATION

5.53   As noted in Chapter Two, the South Pacific region is characterised by small size and populations, a limited resource base, geographical remoteness and fragmentation, and distance from major world markets. As with communications, transportation has also had high priority from the South Pacific countries in their development planning. It is in the area of transportation that regional initiatives have been most significant, underlining the importance placed on reliable and cost-effective transportation for these countries.

Shipping

5.54   The South Pacific comprises a vast amount of ocean, and the very distances involved provide serious problems in the development of economic shipping services in the region. However, shipping is the main method of transport and trade

between the islands and Europe, North America, the Far East, Australia and New Zealand. A complex pattern of shipping routes, involving fleets from a wide variety of nationalities and a range of vessel types is involved (Department of Transport and Communications, Submission p. S 2300). In addition to shipping lines transitting the region, a number of regional lines compete for the intra-regional trade, usually covering the cost of a voyage by the in-bound freight rates. The Committee heard evidence of an imbalance in cargo capacity, with ample capacity existing in current shipping services to take out crops or other suitable produce at reasonable rates (Department of Transport and Communications, Evidence, 30 March 1988, p. 1090).

5.55   Australian flag shipping is not involved in the South Pacific to any great extent and Australia's national carrier, the Australian National Line (ANL) operates only on the trans-Tasman route (Department of Transport and Communications, Submission p. S 2301). The Committee believes there may be potential for greater Australian involvement in regional shipping, but because of lack of evidence is unable to make any specific recommendations.

5.56   The Department of Transport and Communications in its written submission noted that to date Australian Government activity 'has chiefly been confined to a basic monitoring role of regular scheduled shipping services...'In the area of aid, Australia's main focus has been on 'providing assistance and aid to the region with a view to developing its shipping infrastructure' (Submission p. S 2301).

The South Pacific Maritime Development Program (SPMDP)

5.57   Commissioned by SPEC, the SPMDP is a report on the developmental needs for maritime services in the region. The SPMDP covers port infrastructure, cargo handling services, port administration, the Pacific Forum Line (PFL), national training

of seafarers, and related matters. The Australian Government
has supported the aims of the SPMDP and has indicated its
willingness to provide appropriate involvement in it
(Department of Transport and Communications, Submission p. S
2302). However, the Committee believes that Australia should
encourage the countries of the South Pacific to seek World Bank
funds or access other international organisations to cover the
cost of any major infrastructural developments that will be
required.

Training

5.58   Australia, through the Department of Transport and
Communications, has provided specialised assistance,
consultancy and training in areas such as search and rescue,
pollution prevention and port state control arrangements. The
Committee acknowledges the important role such assistance can
play in this area, and encourages the Department of Transport
and Communications to continue this program.

The Pacific Forum Line

5.59   Established in 1977, the PFL aimed to provide a
comprehensive and reliable shipping service to the region at an
economic rate. Australia is not a shareholder of PFL, although
Australia provided approximately $9m up to 1982 to help redress
problems of undercapitalisation. Except for subsidisation of a
feeder service to Kiribati and Tuvalu, Australia has no direct
involvement in the PFL. The Committee supports this stance and
rejects any suggestion that Australia become actively and
financially involved in the operations of the PFL.

Aviation

5.60   Aviation services, and indeed the lack of them, have a
significant impact on social and economic development. The
development of tourism in the region in particular is dependent

on the establishment of adequate civil aviation facilities. The
development and operation of civil aviation in the region is
complex and a number of attempts have been made to achieve a
regional approach to its development. Unlike the areas of
telecommunications and shipping, no regional development plan
exists. In the absence of any coherent strategy for the region,
programs have developed that meet individual country needs,
requests for financial assistance have been ad hoc,
and development uneven throughout the region (Department of
Transport and Communications, Submission pp. S 2293-95). The
Committee notes the agreement reached by the South Pacific
Forum in 1988 to establish the South Pacific Regional Civil
Aviation Project, under which a team of civil aviation experts
will examine ways of improving operational air efficiency in
the region. The Committee supports Australia's decision to
provide funding ($2.5m) to the project, and would encourage the
Australian Government to remain receptive to requests for
assistance in this field in future.

A Regional Airline Service?

5.61   Attempts to establish a regional airline have not been
totally successful. Air Pacific, originally seen in these
terms, has been unable to establish a comprehensive regional
service due mainly to economic factors. Nationalism and
inter-island rivalries have also caused problems in this
regard.

5.62   As the Department of Transport and Communications
observed:

> Several years ago there were some moves to get
> together a regional airline in the form of Air
> Pacific. At the end of the day the reason why
> the initiative did not get off the ground was
> that one single airline inevitably lacked the
> national identity of all the potentially
> participating states and also in terms of
> aviation and management expertise...To be fair
> it would seem to suggest that the impediments

to getting a regional airline in its own right established in the region would seem to turn on questions of national identity, economic considerations and other related technical considerations.

(Evidence, 30 March 1988, pp. 1065-66)

5.63   The Committee considers that, on the balance of evidence available to it, a regional airline is unlikely ever to be a reality, and that Australia should encourage the Pacific island countries to pursue other options to obtain a regular, safe and efficient air transportation system.

Australian Involvement in Regional Aviation

5.64   A number of Pacific countries have turned to large airlines like Qantas, Australian Airlines and Ansett to assist in the provision of their air services. These are purely commercial arrangements, and have not involved the Australian Government. Assistance has ranged from management and training through to the full operation of the airline of the country concerned. Although some friction has arisen between airlines and island governments, most arrangements are working well from both sides.

5.65   Qantas has a particularly long history of involvement in civil aviation in the region, and has developed particular expertise in the area. Qantas has further strengthened its role in the region with a purchase of 20% of Air Pacific.

Aviation and Tourism

5.66   The Committee was concerned at the high cost of airfares from Australia to most South Pacific countries, particularly if a multi-destination holiday was being attempted. This, coupled with irregular or infrequent intra-regional flights, the Committee feels, are serious impediments to the development of tourism in the region. The

Committee heard evidence of a more competitive pricing structure in the area of discount package holidays to a number of destinations, but the higher fares still made a multi-destination visit to the South Pacific an expensive proposition. The Committee was advised that `you will only get the type of fare package that you have in mind if you have one or more carriers present in the region which are prepared to get together and cooperatively market fares of that sort' (Department of Transport and Communications, Evidence, 30 March 1988, p. 1084). It may be that Australian businesses can assist in furthering this idea.

5.67   Qantas, in reviewing the services in the region required for tourist development, and improved general access, proposed a `hub-and-spoke' concept. Under this idea one or more regional centres would be identified and passengers flown in there and dispersed on a number of secondary routes to other countries. The Committee endorses the concept as providing a useful model for the improvement of civil aviation in the region.

5.68   Demand for changed route arrangements or different scheduling is extremely difficult to gauge. Qantas agreed that the whole structure of air routes in the region was purely a matter of market force demands, and that once sufficient traffic demand for a route has been determined a direct service could be established. Qantas primarily relies on information on outgoing migration cards that show destination and where the passenger intends to spend the most amount of time. However, no record is kept or survey attempted of passengers who have in fact chosen another holiday destination but who would have gone to the South Pacific had different scheduling options been available (Qantas, Evidence, 21 March 1988, pp. 845-48). The Department of Transport and Communications confirmed the lack of a statistical base for second and third level air transportation systems.

5.69   The Committee recommends that Qantas, in conjunction with the Department of Transport and Communications, conduct a survey of passengers to the region to determine their preferred destination options, and also survey travel agents to gain some estimate regarding informal inquiries about different destination holidays.

Air Safety

5.70   The Committee was extremely disturbed at the evidence it received from the Department of Transport and Communications pointing to 'a declining aviation infrastructure and a significant deficit in necessary skilled technical, operational and administrative manpower' in civil aviation in the region (Submission p. S 2295). This comment was based on the findings of a UNDP/ICAO Survey of Civil Aviation in the region (Exhibit, No 56). Also of concern to the Committee were the possible legal implications of Qantas on-booking Australian citizens on regional airline services of doubtful safety. The passengers could naturally assume that a Qantas standard of safety would apply. The Department, in a detailed written response (Submission pp. S 2650-51), rejected the idea of Commonwealth or Qantas liability in such a situation primarily on the grounds that the Commonwealth (or Qantas) has no control over the standards that operate in these countries and cannot be held responsible for their internal operations. The Committee remains concerned that intending passengers may assume endorsement of smaller regional airline services by virtue of Qantas booking them on that service. As a means of addressing this problem, the Committee recommends that Australia assist in the improvement of air safety standards in the region as and when requested and, as previously noted, encourage the South Pacific Forum countries to adopt a South Pacific Aviation Development Program as the vehicle for obtaining such improvements.

HEALTH

5.71   The impact of change of life-style on the health of Pacific islanders as well as the socio-economic impact of the emerging health problems has been well documented in the last 10 to 15 years. The Senate Standing Committee on Foreign Affairs and Defence in 1978 noted the increased diagnosis of diseases such as diabetes, heart disease and hypertension and recommended funding of regional medical projects for the study and treatment of disease, welfare programs including basic health and nutrition, and special emphasis on preventive measures. That Committee also recommended increased assistance for specialist training in Australia and sending of appropriate specialist medical teams to the islands.

5.72   The Jackson Committee's report, The Australian Overseas Aid Program in 1984 noted the continuing problems associated with change of diet and the growth of non-infectious diseases. It recommended priority be given to the provision of low cost, universally available, community-based health services. This Committee has also received a number of submissions on the endemic level of these non-infectious, life-style diseases (see for example WADNA, Submission p. S 783 ff; ACFOA, Submission pp. S 2018-19; INTERPLAST, Submission p. S 166; and Zimmet, Submission pp. S 2667-69).

5.73   The area of health has not received high priority overall in Australia's bilateral aid program in the past. In 1987 the aid program spent about 4% of combined bilateral and multilateral funds on health programs, with health ranking eighth out of a total of nine sectors of bilateral aid.

5.74   In December 1987, the Pacific section of AIDAB, as part of its multilateral aid program highlighted diabetes as a priority for attention in the South Pacific and supported a

regional conference on diabetes prevention and control for the South Pacific, held in Western Samoa in March 1988.

5.75   In the 1988-89 Budget, it was announced there would be a package of health activities to be undertaken over four years in both the South-East Asian and Pacific areas. After an initial planning phase, 'work will concentrate in areas of primary and preventive health care such as immunisation and maternal child care. Activities will also draw upon Australian community groups' extensive experience in this field' (Budget Related Paper No 4, page (i)). The Committee welcomes this increased emphasis on primary health care, as the Committee found during its visit that as well as the life-style diseases, the South Pacific countries are still suffering from outbreaks of diseases that are generally under control in more developed countries. In Kiribati, for example, apart from the tropical diseases one would expect, there is also a problem with Hepatitis A, Hepatitis B, and a new strain of Hepatitis. Health problems need to be given greater emphasis.

5.76   The new program will be funded and administered as a 'multi-country' program and administered by AIDAB on a regional basis. Over the four years of the program the South Pacific is to receive $750 000 in the first year and some $2m in each of the other three years of the program. This compares very favourably with 1987-88 expenditure on the health sector of the Pacific of $748 000. Actual expenditure may also be higher depending on the priority allocated by South Pacific countries in their bilateral aid program discussions.

5.77   Members of the Committee expressed concern during their visit to the region about the concentration of Australian aid on infrastructure developments with high recurrent costs such as the construction of hospitals, and the supply of advanced technology, at the expense of basic health care needs. The Committee, while acknowledging the need for improved facilities, reiterates its belief that emphasis should be on

the preventive, primary health care area. The Committee hopes that the new initiative in health will adjust the balance accordingly.

Medical Training

5.78   Undergraduate medical training is conducted in Fiji and at the University of Papua New Guinea. Assessments of the level of graduates vary somewhat, but on the balance of evidence, the regional institutions appear to produce very good practical doctors. The Committee heard that in order to advance in the health services of regional countries, as in Australia, higher degrees were required. The degrees were often not relevant to the needs of the individual country and once obtained made the doctor a much more marketable commodity, resulting in a high loss rate to Australia and New Zealand. The Committee recommends that while access to Australian post-graduate training institutes remains available, Australia should run a program of short term, in-country post-graduate training courses conducted by staff from Australian teaching hospitals. The emphasis should be on diseases likely to be encountered in the region, and participation should be acknowledged with a certificate for which credit might be given should the individual doctor wish to undertake more formal post-graduate studies at a later date. At the same time, the Committee recommends an increase in the number of short term specialist medical groups working in the South Pacific. Work by groups such as the ASPECT Foundation and INTERPLAST, to name just two, should be encouraged and supported, and similar groups established in the fields of ear, nose and throat surgery, dermatology, cardiology, and obstetrics and gynaecology.

AIDS

5.79   Although data on AIDS epidemiology in the South Pacific is uneven, it is clear that the region has not escaped. Although the incidence of AIDS is limited compared to other

regions, this may in part be a reflection of the long lead-times between initial infection and the development of the symptoms associated with AIDS. Several islands have already reported cases of AIDS, reflecting infection some five to ten years ago, and it is probable that most Pacific countries would have people who would test positive for the human immunodeficiency virus (HIV). Australia is already providing assistance to the region, channelling most of it through the World Health Organisation (WHO). Assistance has included . training, provision of consultants, and running and maintaining a regional virology testing centre.

5.80   Despite the assistance being given, much remains to be done if the spread of AIDS is to be prevented in the region. Immediate intervention now, at this early stage, with appropriate education and preventive programs can make an immense difference. As noted earlier in the general discussion of health care in the region, health programs have not had very high priority in the official bilateral aid program. The introduction of a multilateral health care program is an important step forward, but the Committee was concerned to note that nowhere in this program was there any mention of AIDS prevention activities. It is essential that in any global health program today the threat of AIDS is recognised. Australia should not wait to be approached by regional countries for assistance in this area, but should be actively working to raise the awareness level of South Pacific governments about the dangers of AIDS, and working collaboratively with the health sectors of these countries to provide educational and preventive programs on a multilateral basis. In addition, Australia should continue to assist the WHO regional office with its activities and programming in the region. Australia could also be doing much to improve the awareness of AIDS by sponsoring visits of regional health personnel to Africa to study the epidemiology of the virus, and the programs being undertaken there. The Committee recommends that Australia increase its initiatives in the region to

institute educational and preventive programs quickly, and work to raise the awareness of regional governments of the possible effects of AIDS in the region.

TOURISM

5.81   The benefits and otherwise of tourism have been discussed in more detail in Chapter Two. The Committee, in noting the positive flow-ons from tourism possible for the economies of many countries, also wishes to stress the need for integration of tourism into the economy as a whole, and training of people in all aspects of tourism and related services.

Funding of tourist developments

5.82   The Committee, however, does not support the proposal that Australian aid funds be diverted to help fund large tourist development projects in the islands. The only exception would be where a South Pacific country requests assistance to enter into a joint venture with an overseas company, and Australia was able to supply the joint venture capital. This, should be limited to the development of smaller tourist or tourist related projects.

5.83   Within the bilateral development assistance program Australia has assisted in infrastructural developments such as roads, airports, sanitation and water supply projects and electrification. Depending on the priorities attached to such projects by the recipient governments, Australia should consider continuing assistance in this area, particularly if such developments also assisted tourism development in the area.

WOMEN

5.84   The Committee was surprised to note that AIDAB, in its
submission to the inquiry, made no mention of the Women in
Development Fund, and its impact or influence on development
assistance to the region. However, several submissions from
NGOs raised the issue of women's lack of participation in all
stages of aid planning and implementation. Of major concern was
the view that despite a clear government commitment 'it appears
that women are still largely neglected in the mainstream of
Australian aid planning and programming' (WADNA, Submission p.
S 777). Women were also disadvantaged in education and
employment. With women playing a central role in food
production, marketing and family health care in the South
Pacific, targeting them for assistance has a flow-on effect
into the wider community.

5.85   Although conscious of the need for sensitivity in
instituting programs that may challenge the traditional social
orders in these countries, the Committee endorses the
importance of women in the development process, and recommends
AIDAB make an allocation of funds on a multilateral basis for
the South Pacific to fund small projects of direct benefit to
women, and requested by women's groups. The fund should be able
to respond positively and quickly to such requests, and
requests should be initiated from both NGOs and regional posts.

5.86   The Committee further recommends that AIDAB include in
its country program strategies specific reference to women and
the ways in which development assistance to be given will
improve their conditions.

YOUTH

5.87   As noted in the section on education in this chapter,
the Committee believes that greater emphasis in the region
needs to be placed on human resource development. With high

annual growth rates, and the demands this places on health and
education facilities and employment opportunities, many South
Pacific countries are finding it difficult to plan to meet
these demands. In a submission to the inquiry, the Youth
Affairs Council of Australia (YACA) argued that Australia's
assistance program to the region should incorporate programs
directed specifically at youth, and secondly that 'the design
of these programs should address the broader economic goals of
Pacific Island countries while providing local level assistance
to better harness the development potential of existing
community cultures' (Submission p. S 1413). The submission
cautioned 'that there exists a potential for unemployed,
underemployed and unproductive young people to constitute a
destabilising social group in all Pacific Island countries...'
(Submission p. S 1423).

5.88   Although Papua New Guinea is an extreme case in point,
the problems experienced there serve as a useful guide for the
rest of the region. In figures provided by the Department of
Employment, Education and Training, only 8% of youths aged
11-17 years were involved in secondary schooling; only 62% of
children in PNG had some primary schooling (Submission p. S
2188). The National Youth Movement Program (NYMP) initiated by
the PNG Government, with its emphasis on training and
small scale self-employment projects, has emphasised the
central role of youth in contributing to the economic
development of their nation (YACA, Submission p. S 1431).

5.89   AIDAB has indicated that it does not have a specific
youth policy as such, but that 'activities in support of youth
are considered bilaterally with each country in the context of
annually refining and agreeing on the forward bilateral country
program' (Submission p. S 2686). Examples of 'youth-assisting
projects' mentioned by AIDAB include education and training
programs, support of USP and contributions to United Nations
and Commonwealth bodies working with youth. The only other
assistance appears to be given on an ad hoc basis

through the small grants scheme, administered by Australian diplomatic personnel in each country. While commending the above work, the Committee is concerned that it may not be helping large sections of Pacific youth, particularly those with minimal participation in the education systems, such as in PNG. The Committee is also conscious that the policies of some of the regional countries are not geared to assisting their young people, and that there may not be full recognition of the particular needs of this group. AIDAB cannot rectify the situation without the full support and involvement of the country involved.

5.90   The Committee therefore recommends that AIDAB develop a 'Youth in Development' policy for the South Pacific, in consultation with the appropriate authorities in each country. The problems of youth, particularly those not pursuing further educational training, should be considered in the context of the development of future Australian aid projects.

ENVIRONMENTAL ISSUES

The Greenhouse Effect

5.91   In addition to the numerous disadvantages facing the micro-states of the South Pacific, an even more serious threat to their very existence has emerged with documentation of the Greenhouse effect. This phenomenon, the gradual increase in temperature of the earth's atmosphere as a result of a build up of carbon dioxide and other gases, is one of the major environmental problems facing the world today. As a result of the Greenhouse effect scientists predict a rise in the sea levels of between 0.2 and 1.4m by the year 2030, and a shift in climate zones, with an increase in global temperatures of some two to four degrees over the same period. The impact on the Pacific islands is potentially catastrophic.

5.92   For atoll states such as Kiribati, Tuvalu, the Marshall Islands and Niue, a rise in sea-level would result in erosion of the islands, reducing their overall area and hence their ability to support their populations. Loss of elevation increases their vulnerability to storms which have already washed over the islands in the case of Tuvalu. The fresh water lenses on which these atoll states depend for fresh water will also be reduced, and run the risk of contamination from encroaching sea water. In the worst scenario the entire populations of these small states may end up as environmental refugees, seeking resettlement in countries such as Australia. The Committee believes that sympathetic consideration should be given to such requests for assistance.

5.93   The problems caused by the Greenhouse effect have been recognised by the South Pacific Forum, and during the 1988 Forum Meeting Australia offered to provide assistance in monitoring and researching the problem for the island states. Australia, together with other industrialised nations, has a moral obligation to assist lesser developed countries in meeting this problem, as the manufacturing of chlorofluorocarbons (CFCs) and the high rate of consumption of fossil fuels by the industrialised nations has caused the problem. Unfortunately there appears to be no 'quick-fix' solution to the Greenhouse effect, and the South Pacific nations themselves are virtually powerless to influence the problem themselves, except through continued lobbying of industrialised powers to modify their behaviour. The Committee commends the assistance offered by the Australian Government to the region in this matter and supports on going funding of research into the effects of the Greenhouse phenomenon on the region.

Natural Disasters Assistance

5.94   The South Pacific region has been described as 'one of the most disaster-prone regions on earth' (Australian Overseas

Disaster Response Organisation (AODRO), Submission p.
S 275), experiencing regular tropical cyclones which bring with
them wind damage, flooding and storm surges in the coastal
areas, and less frequently also experiencing earthquakes and
volcanic eruptions. The impact of natural disasters on the
economies of these countries has been severe, and the loss in
human and material terms very high. Australia has responded to
requests for assistance to the region following such natural
disasters, mobilising Australian Government (including Defence
Force) assistance through the Natural Disasters Organisation
(NDO), and civilian resources through AODRO.

5.95   The Committee supports the argument put forward by
AODRO that more attention needs to be directed to disaster
prevention and preparedness in the Pacific area. As AODRO
argued:

> The perpetuation of relief, which is the
> inevitable result of neglect of disaster
> mitigation and preparedness measures, is not
> in the interests of either the Pacific
> countries or Australia. If Australia is to
> build a relationship of equality with its
> Pacific neighbours, it must move steadily
> towards abandoning the position of donor,
> which marks it as separate and apart. In the
> development sphere, the key word is already
> "co-operation", rather than "assistance". If
> this example was followed in the area of
> disaster aid, attention to pre-disaster
> assistance would far exceed that given to
> relief mechanisms.

> (Submission p. S 280)

5.96   AODRO highlighted a number of components of disaster
damage mitigation:

> .   research and studies, possibly using
>   Australian educational institutions such
>   as the Centre for Disaster Studies at
>   James Cook University of North
>   Queensland;

> .   damage mitigation projects;

> .   technical assistance with response
>   planning;

> .   staffing and infrastructural support; and

> .   training.

5.97   The Committee raised this subject with AIDAB, and
although some work has been done in the area, AIDAB advised:

> In conjunction with the Natural Disasters
> Organisation (NDO) and AODRO, the Bureau is
> currently assessing the ways in which
> Australia can help South Pacific nations to
> develop their disaster preparedness and
> mitigation capabilities. From this assessment
> it is hoped to produce a range of options from
> which assistance packages can be designed to
> meet the expressed needs of each nation.

> AIDAB is also reviewing Australian policy on
> the provision of disaster relief and
> preparedness assistance and expects to submit
> a new draft policy document on the subject to
> the Minister for Foreign Affairs and Trade in
> the near future.

> (Submission p. S 2697)

5.98   The Committee encourages AIDAB in these developments
and would support an additional allocation under the aid
program to fund a number of these projects. Those civil aid and
defence co-operation projects aimed at infrastructural
developments or engineering tasks should also be closely
assessed with a view to their contribution to disaster
preparedness and ability to withstand the type of natural
disaster that occurs in the region.

Regional Disaster Adviser

5.99   A regional disaster adviser was appointed by SPEC in
1985 to work on damage reduction measures and relief
co-ordination throughout the region. The position was funded by
Australia until 1987 when the position was deleted when
regional nations failed to support its retention. AODRO
indicated in evidence that part of the problem was that the
`bureaucracy of SPEC did not quite have its weight behind that
particular role...(of disaster preparedness)...as much as was
necessary to sustain it' (Evidence, 21 March 1988, p. 893), and
that selection of a New Zealander to fill the position rather
than a Pacific islander resulted in less than full support from
Pacific countries. Given the scarcity of resources in each
country and the success of a regional approach to other
problems, the Committee recommends that AIDAB, in conducting
its review, consider the merits of re-establishing a similar
position, either through the Forum Secretariat or the South
Pacific Commission (SPC).

AODRO and/or NDO

5.100   It is beyond the scope of this inquiry to make
assessments about the relative merits of disaster aid being
directed through one or both of these organisations, although
this matter was raised (AODRO, Evidence, 21 March 1988, p.
894). The Committee certainly would not support the view that
assistance in times of natural disaster would be any the less
gratefully received if delivered by military rather than
civilian personnel. The Australian Defence Force (ADF) have
played a major role in disaster response situations and the
response by both AODRO and NDO under current arrangements has
been effective and professional. The Committee, in the absence
of any evidence to suggest problems with current arrangements,
does not support any alteration to the present arrangement.

Meteorological Assistance

5.101   In a submission to the inquiry in 1986 the Bureau of
Meteorology argued strongly for additional Australian
assistance to South Pacific nations in the field of
meteorology. The benefits for Australia came from improved
observational data from the region, because:

> Unless the development of the national
> meteorological services of developing
> countries in the South Pacific is enhanced...
> Australia will continue...to have difficulty
> in fulfilling its domestic and international
> obligations for the purpose of national
> security and economic development.

(Bureau of Meteorology, Submission p. S 115)

5.102   The South Pacific nations would also benefit not least
from their enhanced ability to detect potential natural
disasters of meteorological origin e.g. cyclones, leading to
improved disaster preparedness and mitigation. Meteorological
services will also be valuable in monitoring the progress of
the Greenhouse effect.

5.103   Australian assistance through the Bureau of
Meteorology has been limited to training small numbers of
islanders in Australia, supply of consumables on a
reimbursement basis, release of staff to fill positions in the
region and provision of experts on an occasional basis.
Assessing the current state of national meteorological services
in 1988, the Bureau commented:

> There has been no significant change since
> 1986. The small island States in the Pacific
> still need extensive support to bring the
> level of meteorological services to a basic
> minimum level.

(Submission p. S 2820)

5.104   Australia is a member of the World Meteorological Organisation (WMO) and has contributed to the WMO Technical Co-operation Program by the provision of funds, equipment and services. From 1969 to 1981 Australia contributed $10 000 annually to the WMO's Voluntary Co-operation Program (VCP) Fund through ADAB as part of the multilateral aid program. The amount had increased to $50 000 per year by 1982-83, but due to 'financial pressures, the contributions (were)...completely withdrawn by ADAB' in 1984-85 (Submission p. S 117).

5.105   The Committee recommends that in view of the value of efficient meteorological services, AIDAB review its decision on contributions to the WMO VCP and resume its contributions. The Committee also recommends that AIDAB, in consultation with the Bureau of Meteorology, review the assistance provided to the region in this field, with a view to developing a multilateral meteorological development program.

CHAPTER SIX

MIGRATION

6.1   In looking at ways that Australia might best assist the South Pacific countries to overcome the economic and development problems they face, a number of solutions were put forward to the Committee. Most common were calls for the liberalisation of Australia's immigration policies to accept more migrants (both temporary and permanent) from the region. For countries with few natural resources, it was argued, this would in effect mean Australia allowing them to export the one resource available to them in sufficient quantity, labour.

6.2   The question of migration and Australian policy was raised quite strongly with the Committee on a number of occasions during its visit to the region. The Committee believes that the issue of migration has the potential to damage Australia-South Pacific relations, particularly as population pressures in the region increase. Given the limited prospects of improvement in the economic situation of particularly the smaller Pacific island countries in the near future, and recent political events in the region that have led to an increase in immigration enquiries, the Committee believes the issue of migration to Australia requires reassessment and periodic review.

MIGRATION PATTERNS

6.3   The Department of Immigration, Local Government and Ethnic Affairs (DILGEA), in its submission to the inquiry, identified three patterns of migration in the South Pacific:

    a)   Internal - from outer to 'core' islands
          (i.e. rural to urban);

b)   Intra-regional - from the poorer island
      countries to those with more resources
      (e.g. from Kiribati and Tuvalu to Nauru);
      and

c)   Inter-regional - principally to the USA
      and New Zealand, and to a lesser extent
      Australia. (Submission p. S 2146)

6.4   Migration in its various forms is a long established
and accepted fact throughout the region. In several states
international migration has become an accepted and anticipated
part of life, and is primarily a Polynesian and Fijian
phenomenon. There appears to be no significant interest in
emigration from the Melanesian countries at present, although
inter-island migration within the one country is common. The
smaller Micronesian countries have strong traditions of
temporary migration within the region in search of employment.
Bearing in mind these differing attitudes towards migration,
this chapter concentrates primarily on intra-regional and
inter-regional migration.

6.5   South Pacific attitudes to migration reflect a
different concept of what migration entails, and the notion of
permanent movement to another country is not automatically
assumed. The first two types of migration listed in para 6.3
appear to involve the temporary movement of people. Although
inter-regional migration is largely permanent, Dr J Connell
observed that:

        Many migrants do wish to return home, though
        the intention to return may be more nostalgia
        for the past than a real plan for the future.

        (Submission p. S 1976)

6.6   Factors such as higher wages and better educational
opportunities in the recipient countries work against this
desire to return, and inter-regional migration appears to be
largely permanent. There is, however, a lack of information on
the number of returning migrants, so the exact extent of the
phenomenon is uncertain.

MOTIVES FOR MIGRATION

6.7   The main motive for emigration is individuals' desires
to improve their economic prospects and an expectation that
better employment opportunities and life-style can be achieved
through moving either to an urban area within a country, or to
another country entirely. Limited land rights, a desire to
escape from social pressure and the attraction of educational
opportunities are also factors stimulating migration (NCDS,
Submission p. S 1272). Added to this has been the more recent
phenomenon of migration motivated by an adverse political
climate. Australia will face an increased demand from the
region to take migrants on political grounds in the future.

MIGRATION TO AUSTRALIA

6.8   The 1987-88 Australian Migration Program drew a total
number of just over 143 000 migrants to Australia, from around
the world. Although the number of migrants being drawn from the
South Pacific region has increased over recent years,
statistics indicate it is dominated by migration from Fiji
(9714 migrants in the period 1978-79 to 1987-88 from a total of
13 804 migrants from the region in the same period). The next
most numerous source of migrants from the region was Tonga
(1253), followed by New Caledonia (732), Western Samoa (583)
and then Vanuatu (415) and the Solomon Islands (410) (Table
6.1).

6.9   Although the total number of migrants from the region has increased, it is still a very small component of the total migration program. Figures provided by DILGEA indicate actual settler arrivals from the South Pacific in 1987-88 totalled 3710 persons. Although this was about 80% higher than the 1986-87 total (approximately 2053 persons), it still only represented 2.5% of the global intake of settlers in that year. The greatest proportion of migrants from the region (41%) came under the Family Migration category, reflecting the tradition of the migration of young working men followed by the migration of their close family and subsequently their extended family (see Table 6.2).

CALLS FOR CHANGE

6.10   The phasing out of indentured labour in the early part of this century represented the end of large scale movement to Australia from the South Pacific. It was not until the 1960s that interest in migration to Australia emerged and a number of island governments began urging Australia to liberalise its immigration policy to facilitate the movement of people to Australia. Requests from the region were primarily for the establishment of a guest worker scheme, a request repeated a number of times since. In addition to short term employment schemes of this type, the Pacific countries have also urged Australia to increase its intake of permanent settlers from the region, and increase the length of time while decreasing the conditions attached to visitor visas, to enable islanders to work for short periods of time in Australia. The countries of the region have argued that because of the relatively small numbers of people in the region, a change in policy in effect to discriminate _positively_ for them, would have little impact on the overall nature of Australia's migration program.

TABLE 6.1: SETTLER ARRIVALS FROM THE SOUTH PACIFIC BY COUNTRY OF LAST RESIDENCE 1978-79 TO 1987-88

	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	TOTAL
Cook Islands	21	6	8	7	7	13	11	13	33	34	174
Fiji	456	413	570	829	608	560	668	1 087	1 565	2 958	9 714
Kiribati & Tuvalu	3	8	1	4	7	4	2	7	19	3	58
Nauru	25	19	26	23	20	19	17	6	19	6	164
New Caledonia	43	24	47	82	101	69	50	103	98	115	732
Samoa, Western	10	16	35	50	44	40	52	91	91	154	583
Solomon Islands	42	20	27	34	37	47	22	61	34	86	410
Tonga	82	49	53	200	130	111	103	139	121	265	1 253
Vanuatu	60	39	42	58	22	21	28	36	50	59	415
Other Oceania	71	50	20	25	19	22	18	7	39	30	301
TOTAL OCEANIA	813	644	829	1 333	995	906	971	1 550	2 053	3 710	13 804
All Countries	68 749	81 271	111 190	118 700	93 177	69 808	78 087	92 410	113 309	143 490	970 191

NOTE: The definition of Oceania includes Christmas Island and Cocos (Keeling) Island.
Total settler arrivals include refugees and entrants under the Special Humanitarian Program.

Source: Department of Immigration, Local Government and Ethnic Affairs, Submission p. S 2673.

TABLE 6.2: COUNTRY OF LAST RESIDENCE AND ELIGIBILITY CATEGORY OF SETTLER ARRIVALS IN AUSTRALIA FROM THE SOUTH PACIFIC IN 1986-87 AND 1987-88

		Family	Skilled Labour/ OSS/ENS(a)	Business	Indep. & Concess	Refugee & Humanitarian	Special	NZ Cit.	Aust. Child	Other	TOTAL
Cook Islands	1986-87	-	-	-	-	-	1	30	1	1	33
	1987-88	-	-	-	-	-	1	33	-	-	34
Fiji	1986-87	722	303	7	477	-	26	10	11	9	1 565
	1987-88	1 247	282	199	1 180	-	12	22	9	7	2 958
Kiribati & Tuvalu	1986-87	6	4	-	9	-	-	-	-	-	19
	1987-88	3	-	-	-	-	-	-	-	-	3
Nauru	1986-87	2	1	-	2	-	-	2	1	-	3
	1987-88	1	1	-	-	-	-	-	-	-	6
New Caledonia	1986-87	24	8	7	27	-	25	3	1	3	98
	1987-88	32	22	13	20	-	24	1	3	-	115
Samoa, Western	1986-87	23	-	-	38	-	3	26	2	-	91
	1987-88	24	1	-	93	-	2	31	-	1	154
Solomon Islands	1986-87	13	5	2	4	-	1	7	5	-	34
	1987-88	21	18	-	37	-	-	2	5	-	86
Tonga	1986-87	96	14	2	16	-	-	9	3	1	121
	1987-88	179	1	1	58	-	-	7	2	-	265
Vanuatu	1986-87	15	8	1	20	-	2	4	4	-	50
	1987-88	9	2	9	29	-	2	2	1	1	59
Other Oceania	1986-87	9	4	2	10	4	-	2	2	-	39
	1987-88	9	4	1	7	2	2	1	2	9	30
TOTAL OCEANIA	1986-87	910	333	16	601	2	59	83	25	24	2 053
	1987-88	1 525	343	227	1 426	4	42	108	27	8	3 710

Source: Department of Immigration, Local Government and Ethnic Affairs, *Submission* p. S 2140 and *Submission* p. S 2674.

(a) OSS: Occupational Shares System. ENS: Employer Nomination Scheme

6.11 The Australian response to all such requests to date has been to reject these proposals as inconsistent with Australia's non-discriminatory immigration policy and also because of doubts about the effectiveness of concessions in improving the economic viability (particularly long term) of the countries concerned (DILGEA, Submission p. S 2152).

IMPACT OF MIGRATION ON SOURCE COUNTRY

6.12 Those advocating a more liberalised immigration policy towards the South Pacific argue that the migration process has many benefits for the source country. Migration can substantially increase the country's foreign exchange receipts and improve the income levels of both migrants and the local community they have left, through remittances. It may provide a means of reducing the impact of high population growth rates and allow a social escape valve, especially for the young who face limited job opportunities in the islands. In addition, migration allows the development of skills which will be valuable to the source country on return, and the prospect that returning migrants with capital will assist in economic development.

6.13 However, migration also has its disadvantages. In the extreme cases of Niue and the Cook Islands, unrestricted access to enter and live in New Zealand led to an exodus of the majority of the population (ADAB, Submission p. S 1099).

6.14 The `South Pacific Emigration Study' (Exhibit, No 57), prepared for DILGEA, found that for many of the larger South Pacific countries there had been no evidence of `significant depopulation of Pacific islands through out migration or emigration during the later 1970s and 1980s'. In other words, the high natural increase in population was offset by emigration. The study found that all the countries included in

the report 'have used migration...and emigration as forms of population outlet' (Exhibit, No. 57, p. 4). However, populations in the outer islands tended to stabilise at or close to pre-war levels, that is, below the level needed for the economic 'development' of the islands.

6.15   Migration may also lead to economic and social imbalances in a society, as the younger, more skilled people leave to pursue better employment prospects overseas, reducing the local skilled labour force and impairing the country's development. This 'brain drain' has been particularly noticeable in post-coup Fiji, where many of the professions, dominated by Indo-Fijians, have been drastically depleted through migration. For migrants who return to their country of origin there may be difficulties in readjusting to the local community's values and way of life (ADAB, Submission p. S 1099).

6.16   The belief that returning migrants are a catalyst for development has also been called into question. An OECD paper provided to the Committee (Exhibit, No 29), based on the European experience of 'guest worker' schemes, casts some doubt on this theory, and notes that the skill levels of migrants generally did not improve as a result of migration. In the recipient country the type of work undertaken was usually at the lower end of the scale and did not equip the guest workers with skills useful in their own country. Also, returning migration was found to be much more selective. In the European experience the returnees were generally older, less skilled, in worse health and more affected by personal or family problems. Those with good qualifications who had integrated well into a more industrialised society tended to stay, and temporary migration became permanent. The smaller number of enterprising returnees often were frustrated by the economic and social underdevelopment they found, and they had difficulty in applying any entrepreneurial skills they had learned in a different social and economic environment.

6.17   As noted in para 6.6 there is a lack of detailed information on the settlement experience of South Pacific migrants to Australia and on the experience of those who chose to return to their country of origin. The Committee believes that it would be valuable for work to be undertaken to provide information on what skills migrants return home with, if indeed significant numbers do return at all, and how easily they resettle into their own communities. The Committee notes the establishment of a Bureau of Immigration Research in the Department of Immigration, Local Government and Ethnic Affairs, and suggests that as a matter of priority this body undertake research into the experience of South Pacific migrants in Australia.

REMITTANCES

6.18   The principal argument in favour of migration remains the role remittances can play in the donor country economy. Remittances from islanders working overseas are a significant element in the economies of many island countries, particularly Tonga, Western Samoa, Kiribati and Tuvalu, as shown by Table 6.3. For comparison, similar data is also given for Vanuatu.

6.19   The flow of remittances tends to fluctuate with economic conditions in the host country and, with the trend to permanent overseas settlement, there has been concern that remittance levels are likely to decrease over time. However, in the South Pacific, the sending of remittances is well institutionalised and is part of the complex inter-relationships and social obligation patterns of the islanders. The Committee judges, therefore, that there is a strong likelihood that such remittances will continue.

6.20   In the long term remittances may have a negative effect on the economy of the source country - primarily because remittances are largely spent on consumption activities which

increase the demand for imports. Remittances are used to meet
the cost of social obligations (e.g. weddings and other special
events), purchase of imported food goods and electrical
equipment (e.g. videos), to build a house, and in Tonga a
significant proportion went in support of the Church.

TABLE 6.3: SOURCES OF FOREIGN EXCHANGE EARNINGS (1984)
BY PERCENTAGE

	Remittances	Aid	Merchandise Export Earnings/Tourism
Tonga	40	32	26
Western Samoa	31	31	38
Kiribati	12	49	39
Tuvalu	8	71	21
Vanuatu	8	28	64

Source: adapted from NCDS, Submission p. S 1279.

6.21   As a percentage of foreign exchange earnings
remittances are significant; when combined with aid these are
the dominant sources of foreign exchange earnings of these
countries. The Committee was very conscious that a more open
immigration policy could cut across Australia's efforts through
the aid program to diversify the island countries' economies
and that such a policy could perpetuate reliance on remittances
for foreign exchange earnings. Given that developmental
assistance in a number of countries has not achieved the
economic growth anticipated, the Committee is convinced that
pressure for a liberalisation of Australia's policy,
particularly from the Polynesian states, will intensify.

GUEST WORKER SCHEMES

6.22   Calls for a more open immigration policy have
generally focused on introducing a `guest worker scheme'. New
Zealand has conducted a migrant work scheme for Pacific
islanders, and although the total numbers involved are
relatively small (Table 6.4), New Zealand has gained much
good will in the region from what is seen as a more sympathetic
and helpful policy, despite the many restrictions placed on the
temporary migrants. The New Zealand policy has been held up as
an example to Australia, and Australia has been held to be
unsympathetic and less attuned to the needs of the region.

TABLE 6.4: APPROVAL FOR ENTRY INTO NEW ZEALAND ON THE
SOUTH PACIFIC WORK PERMIT SCHEME 1978-86

Year ended:

March 31	Fiji	Tonga	Western Samoa	Total
1978	482	382	30	906 (a)
1979	461	111	11	583
1980	496	85	12	593
1981	441	95	1	537
1982	463	64	9	540
1983	390	52	4	444
1984	268	17	3	288
1985	335	9	0	344
1986	308	7	0	315

(a) includes 12 from Tuvalu

Source: Geddes, `South Pacific Emigration Study'
(Exhibit, No 57, p. 29)

6.23   Since the introduction of the schemes, however,
figures show a steady decline in the number of islanders
employed in this manner, mainly due to a reduced demand from
New Zealand employers for this type of labour due to a
down-turn in their own economy.

6.24   The Committee rejects the suggestion that Australia
adopt a similar scheme to that operating in New Zealand,
primarily because of the inability of such a scheme to provide
a constant source of employment and hence reliability and
security for the participating countries. In addition, the
unskilled nature of such work would do little to improve the
skill base of the donor countries. In view of this, the
Committee makes certain other recommendations below (para 6.34
and 6.35).

TUVALU AND KIRIBATI - A CASE FOR POSITIVE DISCRIMINATION?

6.25   Although the Committee would not support a complete
readjustment of migration policy towards the region, it does
acknowledge the exceptional problems facing Kiribati and
Tuvalu. At present growth rates Tuvalu and Kiribati are facing
a potentially catastrophic situation, not only for their
economies but also in terms of increased social pressures (see
Chapter Two for a more detailed discussion of population
problems). With diminishing avenues for relief such as working
as seamen on foreign vessels or labouring in Nauru, and the
widespread perception of eventual inundation due to the
Greenhouse effect, the prospects look even bleaker for both
countries. As noted in Chapters Two and Three, prospects for
economic development are very slight, and it would appear that
both countries face the situation of aid in perpetuity. The
Jackson Report noted in March 1984 that:

In view of structural problems which are
beyond their control and beyond the reach of
aid, Australia should make available limited
opportunities for immigration from Tuvalu and
Kiribati

(Executive Summary, p. 8).

6.26   This view has not found favour, however, and indeed in
reviewing the Jackson Report in May 1985 the Joint Committee on
Foreign Affairs and Defence found:

the situation of these micro-states is such that
innovative solutions to their problems are necessary.
Jackson has recommended one possibility though it is
not one which this Committee can support.

(para 8.11, p. 45)

6.27   The Report of the Committee to Advise on Australia's
Immigration Policies (known as the FitzGerald Report), while
not specifically referring to the South Pacific, recommended:

that immigration not be used to ease the
economic or political problems of particular
countries or communities...

(FitzGerald Report (1988): Recommendations,
p. 119).

6.28   The non-discriminatory nature of Australia's
immigration policy was reiterated in the Government's response
to the FitzGerald Report. The Government response accepted the
above view of the Committee regarding immigration as a solution
to economic or political problems (Senate Hansard, 8 December
1988, p. 3761).

6.29   This Committee, while noting these objections,
maintains that some concession to the needs of the people of
Tuvalu and Kiribati is required by virtue of their unique
position, and that migration should be considered as an adjunct
to the aid program in these two cases. Of the Group Three
countries identified in Chapter Four (para 4.9), the Cook

Islands and Niue are in a special relationship with New Zealand and have free access to New Zealand labour markets. Nauru, because of its high income level is not looking to migration as an economic solution. Kiribati and Tuvalu are in a particularly difficult situation, with few options open to them. Migration must be considered in the light of this.

6.30   The Committee is aware that such a move would leave Australia open to pressure from not only other South Pacific countries for similar concessions, but also countries in other parts of the world. The Committee strongly believes, however, that a case for special treatment can be made for Tuvalu and Kiribati on strong foreign policy grounds, and that exceptions are made in other areas of Australian foreign relations in recognition of 'special relationships' that might exist. In the management of the Australian Government's response to this particular issue, principal carriage should be given to the Department of Foreign Affairs and Trade as it is a foreign policy issue, and not one for the Department of Immigration, Local Government and Ethnic Affairs.

6.31   The Department of Immigration, Local Government and Ethnic Affairs places great emphasis on Australia's 'globally applied, non-discriminatory immigration policy' (Submission p. S 2151). Although the policy is 'non-discriminatory' on racial grounds, it is selective on other criteria - age, educational qualifications, and employment skills. The Department acknowledges South Pacific islanders are disadvantaged as 'various criteria have been established. Having established those criteria which can be applied there are consequences that people from the South-West Pacific are not in the areas of skills that are in demand' (Evidence, 30 March 1988, p. 1046).

6.32   Due to a generally lower educational level in the region, fewer Pacific islanders can hope to meet the criteria for migration to Australia and this is reflected in migration

statistics. The increase in the points system for selection in 1988 and the revised points system to be introduced from 1 July 1989 further disadvantage the region. Chances of migration under family reunion are also low. As the Emigration Study noted:

> countries which have a base of skilled people who can qualify for entry into Australia build up an Australian resident population which can appeal for the entry of unskilled relatives ... Yet, where a country, such as Kiribati or Tuvalu, is unable to develop a reservoir of skilled people who might enter Australia (due not to an ineffective education system but to lack of resources for training people at the post-secondary level), that country can never have less skilled nationals enter Australia.

(Exhibit, No 57, p. 32)

6.33   Special trans-Tasman arrangements in migration already exist with New Zealand, as a sign of the special relationship that exists between the two countries. Australia's immigration policy should have the flexibility to respond to other 'special relationships', and the South Pacific is one area where Australia has a responsibility and ongoing commitment.

6.34   The Committee is sympathetic to the aspirations of South Pacific nations to gain access to the labour markets of the more developed nations in the region. The Committee recommends that the Australian Government establish, in conjunction with private enterprise, a work experience program for the South Pacific region. This program would fund a specific number of South Pacific islanders from both the private and public sectors to work in Australia and receive training in basic technical/management skills over a maximum period of two years. The skills the trainees develop must be able to be transposed back into their society on return. Training should concentrate on developing skills in areas such as the electrical trades, mechanics, plumbing, public works and

basic agriculture. During training they should be paid award wages (allowing remittances to be sent back to their home country).

6.35   The Committee envisages each country being given a quota. In consideration of the special circumstances of Kiribati and Tuvalu, the Committee strongly believes these two countries should be given a larger quota of trainees than would otherwise be determined if criteria such as population levels were to be used. The country quotas should be reviewed periodically by both governments, and in the light of the experience of the trainees. The Committee, aware of potential problems overstayers may cause, believes a country's quota should be reduced should its citizens not return home at the end of their training period. Similarly 'change of status' applications from trainees should not be considered during their period of residency in Australia, and in order to apply for permanent migration to Australia the trainees must return to their originating country and apply from there.

OTHER ISSUES IN MIGRATION

The Problem of Overstayers

6.36   The Committee noted the evidence of the high overstay rates for visitors from the South Pacific region. Indicative figures provided by DILGEA, are set out in Table 6.5.

6.37   The high figure for Tonga is particularly of concern when taken in conjunction with a rejection rate of visa applications of 51.1% (1986-87). Although the actual numbers of overstayers, as opposed to percentage figures, are relatively small compared to the total number of visitors to Australia each year, it is representative of an attitude towards migration, and a desire for migration to Australia by whatever means is possible.

6.38   The Committee recommends that DILGEA increase its public information campaign in the South Pacific to explain the immigration procedures applied by Australia.

TABLE 6.5: OVERSTAY RATES FOR SOUTH PACIFIC NATIONALS

Country of Citizenship	Rate of Overstay (%)
Tonga	26.1
Western Samoa	11.7
Vanuatu	8.8
Fiji	6.2
Tahiti	5.6
Kiribati and Tuvalu	4.1
Solomon Islands	3.4
Nauru	2.0
New Caledonia	0.5
Average South Pacific	8.0
Average All Nationalities	1.8

Source: DILGEA, Submission p. S 2143.

Processing of Applications

6.39   While in the South Pacific the Committee heard a number of complaints from regional countries about delays in processing applications for both visitor visas and requests for permanent migration. The matter was followed up with the Department of Immigration, Local Government and Ethnic Affairs, which noted that 'visitor visas should generally be issued to eligible applicants within 48 hours of application with special at the counter service when requested', although a number of special categories were identified in which 'unavoidable

TABLE 6.6: VISITOR VISA APPLICATIONS – TURNAROUND TIMES FOR SOUTH PACIFIC POSTS 1987-88

Posts	February 1988 Turnaround Time (Days)		August 1988 Turnaround Time (Days)			Visas Issued 1987-88
	Personal	Mail	Personal	Mail	Courier	
Auckland (a)	5	0	0.5	5	2	20 258
Port Moresby (a)	2	2	0.5	1	0.5	10 465
Suva (a)	20	20	2	3	2	12 347
Apia	1	1	0.5	0.5	0.5	1 276
Honiara	2	2	2	2	0	1 138
Noumea	2	2	2	2	2	15 348
Nuku'alofa	N/A	N/A	2	2	2	1 350
Tarawa	1	1	1-2	1	1	238
Vila	2-3	2-3	3	3	3	1 187
Wellington	8	10-15	5	5	5	13 089

Notes: (a) DILGEA posts.

Source: DILGEA, Submission p. S 2676.

delays' may be experienced (Submission p. S 2606). Additional data supplied from DILGEA indicates that turn-around time for visitor visas ranges from 0.5 to 5 days. The Committee notes that the data supplied reflects improvements in most posts' processing times (see Table 6.6), and believes current processing times are satisfactory.

Politically-driven Migration

6.40   With a changing political environment in the South Pacific, and increased tensions in a number of regional countries and territories, the interest in immigration to Australia will continue to rise. The prospect of settlement in Australia is even more attractive when faced with possible discrimination, violence and political disenfranchisement at home. Australia needs to have formulated a policy that will take into account deteriorating conditions in regional countries.

6.41   The upsurge in interest in migration to Australia following the two coups in Fiji is one example of such a politically-driven migration push.

6.42   The Committee commends the approach taken by DILGEA in response to that situation, managing the flood of enquiries and requests in a difficult working environment. As there was 'no evidence of widespread unrest or harassment, nor of large-scale communal violence' (Evidence, 30 March 1988, p. 1034), the Department continued to apply normal migration and visitor policies while closely monitoring the situation.

6.43   The Committee is concerned, however, that the situation might easily have deteriorated and the Department of Immigration, Local Government and Ethnic Affairs might not have been able to respond to the situation with sufficient speed

given the distribution of resources in the region. It therefore recommends that the Department prepare contingency plans for such eventualities and review its policy guidelines for humanitarian assistance.

SECTION II : POLITICAL AND SECURITY ISSUES

CHAPTER SEVEN

OVERVIEW OF THE STRATEGIC AND DEFENCE CONTEXT

7.1   Discussion on the South Pacific inevitably refers to a changing strategic environment, perceptions of increased instability, and the possible implications of the changing circumstances of these countries for Australian policy and interests. This chapter attempts to provide an overview of both Australian and the South Pacific islands' strategic and defence perceptions, an assessment of likely threats to regional countries, the ability of South Pacific countries to counter such threats independent of Australian assistance and Australia's capacity to respond militarily if required. The idea of a regional peacekeeping force is also examined, as is the nature of Australian defence co-operation with the region.

SOUTH PACIFIC INTERESTS

7.2   The strategic importance of the South Pacific for Australia is universally accepted, and has been reflected in a number of policy documents and major statements by Government in recent times. The lessons learnt in World War II emphasise the importance of considering PNG and the island states in the formulation of a coherent and effective plan for the defence of Australia.

7.3   The South Pacific region following World War II has been basically pro-Western in orientation. When they achieved independence in the 1960s and the 1970s, regional countries' primary concern lay with achieving economic viability and nation-building. Gradually their attention has turned to an examination of their place in the world and to the exercise of

their sovereignty. The right of every independent nation to establish relations with countries of their choosing, and to adopt a more independent line in foreign relations has been exercised increasingly as the more immediate post-independence concerns have assumed a less overwhelming place in their priorities. However, for most Pacific islands, economic security is still their most important single concern, as they see it as a prerequisite to true political independence.

7.4   The strategic perceptions and concerns of the various island states vary, but because of their size and because of factors associated with their geography, they do tend to share a number of common concerns. Economic viability, as noted in Section I of this report, remains the dominant concern of all the states, and protection of their natural resources remains a central element of this. The political stance of the South Pacific countries is generally conservative (Vanuatu being the most obvious exception), reflecting the influence of Christian missionaries and the long association the islanders have had with their colonisers. Generally pro-Western and democratic, there has been until recently, what Dr R Herr, from the University of Tasmania, calls a `happy coincidence' of Australian strategic interests and priorities and the attitude of the regional countries. Now, more than two decades after the independence process began, a new generation of leaders is emerging, and at the same time the countries are starting to turn their attention outwards, establishing relations with a wide range of countries, and re-examining what they have merely accepted for so long - that Australia-New Zealand interests were in accord with their own needs.

AUSTRALIAN INTERESTS

7.5   Australia's principal national defence interests, as set out in the Defence White Paper (The Defence of Australia, March 1987), are as follows:

-    the defence of Australian territory and society from threat of military attack;

-    the protection of Australian interests in the surrounding maritime areas, our island territories, and our proximate ocean areas and focal points;

-    the avoidance of global conflict;

-    the maintenance of a strong defence relationship with the United States;

-    the maintenance of a strong defence relationship with New Zealand;

-    the furtherance of a favourable strategic situation in South-East Asia and the South-West Pacific;

-    the promotion of a sense of strategic community between Australia and its neighbours in our area of primary strategic interest;

-    the maintenance of the provisions of the Antarctic Treaty, which ensure that continent remains demilitarised.

(The Defence of Australia, p. 22)

7.6   In any assessment or plan for the defence of Australia the South Pacific must be considered:

> because of its geographic proximity to Australia. Important lines of communication with Australia's major trading partner, Japan and with our major ally, the United States, run through the region. The countries in the region lie across important trade routes and approaches to Australia's east coast, where most of our major population centres are located. An unfriendly maritime power in the area could inhibit our freedom of movement through these approaches and could place in doubt the security of Australia's supply of military equipment and other strategic material from the United States.

(The Defence of Australia, pp.16-17)

7.7   The White Paper identified the area of direct military interest (and primary strategic concern) for Australia as including Papua New Guinea, New Zealand and other nearby countries of the South-West Pacific, acknowledging that a larger area of Australia's broad strategic interest would also include the rest of the South Pacific (p. 2).

7.8   The White Paper expresses a desire to 'sustain a favourable regional strategic environment for Australia' and in keeping with this wishes 'to strengthen regional stability and limit the potential for external powers to introduce tension or conflict' (The Defence of Australia, p. 6).

7.9   Written prior to the coup in Fiji, the White Paper identified a number of regional developments of concern including increased Soviet activity in the region and continued tension between the United States and the region. These developments are discussed in more detail in Chapter Nine. It is important to note that while such regional developments are not directly threatening to Australia, they do affect Australia's strategic considerations.

7.10   The Department of Defence, noted:

> Australia has a direct interest in limiting
> the extent and nature of major external
> military power involvement in the region;
> fostering a strategic outlook which accords
> with our security concerns; encouraging
> Pacific island countries to look to Australia
> for guidance on strategic and defence issues;
> and facilitating Australian Defence Force
> operations in the region.
>
> (Submission p. S 848)

7.11   To this end Australia has, particularly since the mid-1970s, developed practical, co-operative defence relations with the various South Pacific countries. (This relationship is discussed in greater detail in paras 7.32 to 7.43).

7.12   The major criticism of Australian strategic thinking toward the South Pacific has been that it is dominated by Australia's perception of itself as a member of the Western alliance, and hence has seen the region in terms of the super-power conflict. To this end Australia has been criticised as acting as a 'big brother' seeking to impose on the Pacific the Western viewpoint, identifying with United States interests rather than with the Pacific concerns about economic survival, and their desire to maintain the region as one free from super-power conflict. While this criticism may have been valid in the past, there is evidence that Australia is moving to adopt a more sensitive, pro-Pacific stance, and seeking to use its influence to attempt to ameliorate US actions. Pressure on the US to reach an agreement with the region on tuna fishing, and Australian support of the South Pacific Nuclear Free Zone are two examples of Australia attempting to work for the region. However, it would be foolhardy to imagine a time when Australia adopts a completely non-aligned policy. It is a fact, and must be recognised as such, that Australia by virtue of its history, culture and political attitudes, remains firmly a member of the Western alliance and that there is a strong correlation in Australia's interest and the interests of her major allies. To this extent, and also by virtue of her size and power, both economic and military, Australia will always stand somewhat apart from the other Pacific island countries, but hopefully will form a bridge between the super-powers and the small Pacific states.

NEW ZEALAND AND ANZUS

7.13   New Zealand has long seen itself as having strategic and political interests in the South Pacific region. Because of its size and geographic position, New Zealand has been able to project itself as a South Pacific nation more successfully than Australia, which has oriented itself more towards Europe and latterly South-East Asia. New Zealand has established extensive

diplomatic and economic relations throughout the region, particularly among the Polynesian nations. A liberalised immigration policy toward the islands, including the establishment of guest worker schemes, has meant New Zealand society contains a significant percentage of islanders. This policy, while gaining much commendation from the region, has meant some social problems due to conflicts between the various islander groupings. As with Australia, New Zealand has a range of trade, defence, aid and cultural contacts with the South Pacific.

7.14   In the area of strategic and defence relations, New Zealand's decision to deny port access to United States' warships, and thus effectively suspend the ANZUS agreement as a tripartite association, caused concern not only among regional countries but also in Australia. South Pacific countries generally valued the ANZUS arrangement, seeing in it a commitment to the security of the region by the three participating countries and hence an assurance of assistance should their own security be threatened. In the period since the effective suspension of ANZUS, both Australia and New Zealand have made strong efforts to reassure countries of their ongoing commitment to security and stability in the South Pacific. Australia has strengthened and up-graded its bilateral defence relationship with both New Zealand and the United States, as well as extending its defence contacts with regional countries through defence co-operation programs. The Australian Government is to be commended for the steps it took following the rift between New Zealand and the United States over ship visits, to reassure South Pacific countries of the commitment by all parties to the security of the region.

7.15   United States' concerns that the example set by New Zealand would have a flow-on effect to other South Pacific nations have not been realised. The Treaty of Raratonga has left each individual country to decide whether or not to allow possibly nuclear powered or armed vessels to enter their ports

and waters, and the possibility of transit of the Pacific by such vessels is explicitly provided for in the Treaty. The Committee notes that the Australian Government was able to maintain a good relationship with New Zealand and the United States on a bilateral basis, and believes that Australia should continue to play a role as an intermediary between the concerns of the United States and the anti-nuclear sentiment in the region.

THREATS TO THE REGION

7.16   In an assessment of the strategic and defence outlook of any region, it is necessary to try to establish what threats (if any) exist to that region's security and the likelihood of these threats eventuating. Former PNG Foreign Minister, now Prime Minister Rabbie Namaliu in 1983 said that the main perceptions of regional threat and their likelihood were:

- intra-regional conflict (slight);
- an unprovoked attack on an Island country by an external power (also slight);
- destabilisation of an Island state for profit or ideology - including greater power rivalry (rather more likely);
- conflict over access to the region's maritime resources (also moderately possible);
- domestic instability in New Caledonia (more likely yet); and
- domestic internal threats to individual states (the greatest security risk).

(quoted in Jones, Submission p. S 830)

7.17   Although this hierarchy may require some minor adjustment, experience over the past five years has shown that domestic internal threats remain the greatest security risk for the South Pacific states. The preoccupation with economic

viability and self-sufficiency that has dominated South Pacific concerns to date are well justified, as political and social stability will only come with economic progress.

7.18   In the remote case of a major threat to the sovereignty of a South Pacific state, it is possible that Australia would be called upon to assist. Such an act by another power would most likely take place in the context of a wider conflict, and it is more than likely that Australian forces might already be deployed in defence of Australian territory. The only foreseeable exception to this situation would be on the PNG-Indonesia border where armed conflict might possibly occur. This question and Australia's possible response are discussed in Chapter Ten.

SOUTH PACIFIC DEFENCE CAPABILITIES

7.19   The more likely threats facing the region, as listed above, do not provide sufficient justification for the maintenance of large defence forces by South Pacific countries, nor could their economies sustain defence forces of the size needed to meet potential aggression from extra-regional powers. Of all the regional countries, only Papua New Guinea, Fiji and Tonga maintain defence forces as such, although the size varies from approximately 3200 (regular) in PNG, 2500 in Fiji (but supplemented after the coups by several thousand reservists) to 250 in Tonga. Vanuatu maintains a small para-military force, and in the remainder of states defence is managed by police forces, secondary to their task of maintaining civil order.

7.20   Of the three defence forces, Fiji and PNG have a small maritime element, and PNG is the only South Pacific island state other than Australia and New Zealand to maintain an air element within their defence force. The Fiji Military Force (FMF) has played a peacekeeping role in the Middle East as part of a United Nations force. This provided the FMF with operational experience as well as being a source of income and

foreign currency for Fiji. PNG forces have seen action out of the country only once, when in 1980 they responded to a request from the Vanuatu Government for assistance in dealing with a secessionist movement on the island of Espiritu Santo.

7.21   In looking at military resources in the region, the French military presence cannot be ignored. Although numbers alter quite markedly as a result of events in the French territories, France has approximately 3000 service personnel in New Caledonia, together with some 1700 gendarmes, sent to keep the peace following violent clashes between Kanaks and loyalists. The numbers have been substantially higher in the past, for example in July 1988 there were some 9500 Army personnel and 3200 gendarmes based in New Caledonia (Pacific Defence Reporter, 1989 Annual Reference Edition, p. 136). In French Polynesia there are approximately 5500 service personnel and 300 gendarmes, additional to the high number of French civilian personnel in French Polynesia working in areas related to nuclear testing. France also has a maritime and air presence in the region. Although most French vessels are tugs or barges located in its territories' ports, France has had three frigates based in the region, together with up to 10 patrol boats although again numbers have varied considerably. The French also have two air transport units, one based in New Caledonia and one in French Polynesia. Infrastructural developments such as airfields in the territories also serve a military purpose, as they enable the French to deploy military forces rapidly from other French territories into the region, thus enabling them to build up their military presence quickly if required. It is clear that the substantial French military presence would need to be taken into account were there to be a security crisis in the region.

7.22   The French military presence is a product of their political presence in the region. Their high profile however, has provided them with opportunities to seek to influence regional countries. French policies in the region are discussed in greater detail in Chapter Ten.

AUSTRALIA'S RESPONSE TO SECURITY EMERGENCIES

7.23   Australia is the major power in the South Pacific region, and is looked to by members of the Western alliance to maintain a favourable strategic environment in the region. This can be done in a number of ways, including greater contact with the individual countries and encouraging in them a pro-Western outlook. Should the strategic environment deteriorate, and Western interests be threatened, the ultimate method of influence would be to intervene militarily. A number of submissions discussed the possibility of such action by Australia, although they stopped short of advocating it. The Council for the National Interest, for example, stated:

> Australia has every moral right and every political urgency and necessity to take a higher profile in the region and that is in terms of ensuring that we have the defence capacity ultimately, if necessary, the military capacity, to project force in the region and to play a role as a last resort and more immediately, and more properly, to undertake that range of economic measures, political and diplomatic measures, which will pre-empt those anti-democratic, totalitarian elements, which have emerged paramount in countries like Cuba and Nicaragua, on our doorstep.

(Evidence, 25 May 1987, p. 304)

7.24   The difficulty comes, however, in deciding when the application of force is justified, and if so, the question then arises as to whether Australia has the capacity to reinforce its words with action. The central question must be 'Is Australia prepared to intervene militarily to preserve the status quo in a particular state against groups or another country seeking to change it?' The fact that events may occur, as happened in Fiji, that do not meet with Australia's approval, does not necessarily endanger Australia's own security or the interests of the Western alliance. Although discussed initially as an option in some media reports,

Australian military intervention in Fiji on behalf of the deposed coalition government would have set a dangerous precedent and irrevocably damaged our relations with other South Pacific countries. Other options to apply pressure, stopping short of military intervention, could have been and indeed were used to indicate Australia's displeasure at events in that country.

7.25   The Committee could envisage only two situations where Australian Defence Force personnel might conceivably be deployed in a security situation in the region:

a)   in defence of Australian nationals in danger in a country: involvement would be limited to securing their evacuation to safety; and

b)   should an external country or group attempt to overthrow the elected government of one of the countries.

7.26   Having decided that Australia might take the decision to respond, the next question is whether we have the capabilities necessary to respond in a timely and effective manner. Again the situation in Fiji, where ADF resources were put in readiness to evacuate Australian citizens should their safety be threatened, raised some concerns about Australia's degree of readiness. Reports of difficulties loading stores onto RAN vessels at Norfolk Island and equipment being left behind appear unfounded on the basis of evidence from the Department of Defence. Based on informal advice the Committee received, the logistic difficulties experienced by the ADF in preparing for departure for Fiji were significant enough to warrant a complete review of procedures, and the Committee remains unconvinced that the difficulties were of the minor nature ascribed to them by the Department. The other area of

concern involves ADF effectiveness had they been faced with opposition, had evacuation of Australian nationals been necessary. What remains unclear is whether Australian nationals could have been evacuated from Fiji without the support of those in power at that time.

7.27   Australia's ability to respond in a civil disaster situation has been well demonstrated, but some concern still exists on Australia's ability to assemble, equip, deploy and support the numbers of soldiers required, for example, to counter a force of several thousand. In a study of the Australian military response to the Fiji coup, Mr M Gubb found:

> It should be acknowledged at the outset that essentially the ADF's response to the crisis was executed in a timely and efficient manner ... Nevertheless, this first genuine short-notice operational deployment in 20 years naturally revealed oversights and inadequacies, consideration of which could be of very great benefit for future planning.

(Exhibit, No. 81, pp. 11-12)

7.28   Potential Australian military involvement in such crises in the future will also have implications for the force structure of the Australian Defence Force. It is beyond the scope of this report to comment in any depth on this question, but it appears essential that the Department of Defence monitor and reassess the type of force structure being developed for the ADF, to evaluate its appropriateness not only for the defence of Australia, but also for the projection of forces into the region.

REGIONAL PEACEKEEPING FORCE

7.29   The situation in Fiji demonstrated that short of diplomatic and economic pressure, the South Pacific Forum and its constituent countries have little other power at their disposal to assist or intervene in a regional security

emergency. The proposal to establish a regional peacekeeping force to meet such contingencies is not new. Sir Julius Chan, former Prime Minister of PNG, in March 1988 made a call for such a force to be established, and for all South Pacific countries, both large and small, to play a co-ordinated role in maintaining regional security. With such a force able to be used only at the request of a legitimate government, the proposal has some merit. Dr R Thakur also proposed such a concept:

> If in fact we are required to deal with instability in our region arising from externally sourced subversion or destabilisation; internally sourced civil disorder/war resulting from secessionist movement, or communal clashes; or an international crisis arising from a decolonisation process; then a peacekeeping operation may well be the most appropriate response...Only a regional agency could legitimate outside involvement and save it from being condemned as unwarranted intervention in the internal affairs of sovereign countries...

(Submission, p. S 156)

7.30   The proposal has not received support within the region thus far, but with the continued political instability and turmoil may gain increasing favour. The Department of Foreign Affairs and Trade highlighted difficulties with the concept, particularly in the design of funding, command and control arrangements, preferring to see a system of voluntary assistance in response to particular situations maintained (Submission p. S 2813). Regardless of the problems associated with establishing a permanent regional peacekeeping force, there is the possibility that Australia may be involved in mounting some sort of co-operative assistance with one or more regional countries, as happened during the Santo rebellion in Vanuatu in 1980. Australian defence planners must therefore have contingency plans that allow for possible combined responses to crises, in a timely and effective manner.

7.31   The Committee acknowledges that the permanent
formation of a regional peacekeeping force would be a difficult
process, and because of the nature of the problems that would
have to be overcome in establishing such a force, doubts that
it will ever become a reality.

THE DEFENCE CO-OPERATION PROGRAM

7.32   Both Australia and New Zealand maintain defence
arrangements with the various island governments, although
outside the boundaries of a formal defence alliance. The major
vehicle for Australian contacts with the region is the Defence
Co-operation Program (DCP) which has increased steadily over
the past few years. The nature of the program has varied
because of the differing capacities of the smaller countries to
participate, but generally the defence relationship has
included regular consultations, visits by Australian naval
vessels, professional exchanges, reciprocal visits by defence
or security personnel and a variety of projects and training
conducted under the Defence Co-operation Program. In February
1987 the Government introduced a number of initiatives in the
defence area, giving defence co-operation with the South
Pacific the same priority as that given to South-East Asia.
With an estimated expenditure of $45.5m in 1988-89 ($24.9m of
which was devoted to PNG) the program includes training, a
range of projects in-country from communications to engineering
tasks, and the provision of equipment and personnel. The
program has been supplemented by increased deployments of RAAF
Long Range Maritime Patrol Aircraft and increased RAN visits.

7.33   The major emphasis in recent years has been on
improved maritime surveillance, with the major part of the
program being devoted to the Pacific Patrol Boat project.
Australia also maintains a Defence Attache to co-ordinate
defence contacts with the region, based in Suva. DCP with Fiji
remains suspended.

7.34   DCP has proved an effective method of not only
upgrading the defence capabilities of the various countries
involved, but also of giving ADF personnel experience in
operating in the region. However, the provision of DCP has been
criticised on two grounds. The first is that many of the
projects undertaken are really civilian projects, and as such
should come under the control of AIDAB and should be required
to meet the country program priorities as set by AIDAB and the
recipient government. ACFOA argued that:

> If DCP is meeting development objectives,
> control of the programme should rest with...
> (AIDAB). As it currently stands,...(AIDAB) has
> little or no knowledge of the DCP projects and
> no consideration is given to whether or not
> the DCP projects meet the country programming
> goals...

(Submission p. S 1523)

7.35   Evidence, however, suggests close liaison between the
Department of Defence, AIDAB and the Department of Foreign
Affairs and Trade over the program (Department of Defence,
Evidence, 13 March 1987, p. 56). In addition, the Department of
Defence conducts annual defence consultations with the
recipient countries as well to ensure that projects are meeting
the island countries' perceived needs.

7.36   The second criticism of DCP is one that has been made
of the aid program in general, and relates to recurrent costs.
It is that 'Australia may be locking poorer nations in the
region into expensive and sophisticated defence systems
requiring continued expenditure to maintain and eventually
replace' (ACFOA, Submission p. S 1523). This criticism has been
directed primarily at the Pacific Patrol Boat project, and
indeed the high operating costs of the vessels, related to the
resources that the countries are able to devote to defence,
caused several countries to decline to participate in the
program. Seven countries are now participating in the program.

7.37   While recurrent costs are not met under DCP, Australia is providing funding support for some fuel for the patrol boats of Western Samoa, Vanuatu and the Solomon Islands, to 'facilitate participation in maritime surveillance operations/exercises and training, including with ADF ships and aircraft' (Department of Defence, Submission p. S 2759). The Department of Defence is to be commended on this flexible and sensible approach to the South Pacific. The Department of Defence, like AIDAB, will need to make an ongoing contribution to the recurrent costs of the vessels, to help cover items such as fuel and maintenance costs. The Committee inspected one of the patrol boats, the MV Nafanua provided to Western Samoa, during the Committee's visit to the region in June 1988. The Committee was impressed with the advances made by the Western Samoan Police in learning to operate the vessel, and in this the assistance of the RAN advisers has been essential. It is apparent, however, that in all countries receiving the vessels, there will be an ongoing requirement for some time to come for Australian naval advisers to be attached to assist in the smooth introduction into service of these vessels.

7.38   During discussions with South Pacific leaders, there was almost universal mention of their belief that the design of the Pacific Patrol Boat was not appropriate for their own country's particular requirements. Several countries wished the boat to be more flexible - fulfilling not only a defence/surveillance role, but also being able to transport people and goods between islands. Others wished for a faster vessel with more armaments. While acknowledging the problems in trying to design one vessel for a number of countries, the Committee believes the Department of Defence should attempt wherever possible to modify the vessels to allow them to undertake additional functions required by the particular country.

7.39   The Committee strongly endorses the continuation of the Defence Co-operation Program in the South Pacific, believing it to be both of practical benefit to the participating countries and a valuable expression of Australia's interest in the defence and security of the region. The Committee strongly supports the continuation of the program at least at its current level, and recommends that the financial allocation to the program be increased to allow for assistance in meeting some of the recurrent costs of the Pacific Patrol boat and for continued attachment of RAN personnel in the region.

7.40   The Committee was impressed with the work being undertaken by the Defence Attache/Adviser, South Pacific (DA SP). Accredited to Fiji, Tuvalu, Western Samoa, Kiribati and Tonga, the incumbent also acts as adviser to the Vanuatu Government on all Australia-Vanuatu defence relations. Responsibility for the Solomon Islands and PNG rests with the Head, Australian Defence Staff, PNG.

7.41   Duties of the DA SP include:

> liaison with the relevant host country Departments/Services;...collection, exchange, and assessment of information; arranging visits of Australian Defence personnel;... (and)...administration of Defence co-operation.
>
> (Department of Defence, Submission p. S 2760)

The DA SP has been assisted by a Warrant Officer since February 1987.

7.42   With the increased volatility of the South Pacific, there is increasingly a need for the close contacts established between Australia and regional countries in this area to be strengthened. The Committee is conscious of the great distances involved in performing the duties of this position, and

believes the position of an assistant Defence Attache/Adviser
should be established. The requirement for additional coverage
has also been noted by the Minister for Defence, who after a
regional visit in October 1987

> directed the examination of the feasibility of
> a second Defence Attache position in Honiara,
> responsible for defence relations with the
> Solomon Islands and Vanuatu. Establishment of
> this position has not yet commenced due to the
> ceiling on the number of Defence staff posted
> overseas.
>
> (Department of Defence, Submission
> p. S 2760)

7.43   The Committee believes moves are underway to enable
the establishment of this position, and encourages the Minister
for Defence to expedite action on this matter.

CHAPTER EIGHT

OVERVIEW OF THE POLITICAL RELATIONSHIP

THE POLITICAL DEVELOPMENT OF THE SOUTH PACIFIC

8.1   Independence for most South Pacific countries has been
comparatively recent, although Tonga, with a monarchy that
stretches back over 1000 years was never colonised. Western
Samoa was the first of the other states to gain its
independence, in 1962, and the most recent was Vanuatu, in
1980. With the exception of Vanuatu, the transition to
independent status was peaceful, a co-operative project between
the colonising powers and their territories. Post-independence,
the political evolution of the region continued comparatively
peacefully, as the first generation of leaders concentrated on
the more immediate concerns of economic development and the
process of nation-building. Strong cultural influences,
particularly commitment to decision-making by consensus and
respect for the traditional leaders, assisted in this process.
However, changes are taking place in the region. As the
Department of Foreign Affairs wrote:

> ... while change has occurred, to date it has
> been accommodated by the established
> political/social system without substantial
> social unrest or political instability. The
> fact that urban unemployed can return
> relatively easily to village life ameliorates
> the economic and political consequences of
> unemployment. Nevertheless, the societies are
> in a phase of fundamental change, although the
> degree to which they have entered the phase
> varies significantly amongst them. This
> reflects their increasing contact with outside
> influences, the impact of education, the
> monetarisation of the economies and mobility
> of populations. As the conservative influence
> of customary traditions declines, especially
> on the youth, accompanied by a decline in the
> conservative influence of the churches on
> social development, forces for change will
> become less restrained...
>
> (Submission p. S 947)

8.2   The political forms established in the South Pacific are based on the Westminster model but are by no means uniform. The Polynesian states retain much of their traditional chiefly systems, in Tonga with the monarchy and nobles, and in Western Samoa with the matai system of limited franchise. There are indications that the rigidity of the social systems that support these political systems is coming under pressure, particularly as the young are exposed to more Western forms of government, including dictums of accountability of those in power. There is the growing possibility of dissent from traditional rule and a backlash against these systems in the medium to long term. There have already been calls in Tonga for Ministers to be accountable not only to the King, but also to Parliament, and in Western Samoa there have been calls for voting rights to be extended beyond the matai. Fiji, culturally Polynesian, has seen the reassertion of the power of the chiefs and the entrenchment of their pivotal role in the political process in the new Constitution. The Melanesian states have a much more fluid system of allegiances, where political parties have been established not so much on the basis of party platforms but rather more around charismatic leaders, able to call on personal support. The fluidity of Melanesian politics, in particular in PNG, is discussed in Chapter Ten.

8.3   Democracy, as Australians define it, has fairly shallow roots in the South Pacific. It is stronger in the Melanesian countries because of their traditional consensus approach to decision-making. In all but two countries (Tonga and Tuvalu) an embryonic party system is developing, and in fact is quite advanced in several states. Parties are evolving as a function of government, with a governing group and an opposition coalescing around particular issues, or more commonly in Melanesian countries, around particular leaders, often influenced by tribal loyalties.

8.4   The development of parliamentary parties is a sign of political democracy taking hold in the region, although in a form specific to the cultural context in which they are developing. The development of political parties should be encouraged by Australia. This is not to say that Australia should attempt to impose its party system on them, but merely to expose them to the various ways in which political parties can operate and organise. The Committee believes that there should be an expanded program of exchanges between Members of Parliament and members of political parties in the region, with their Australian counterparts. This idea is examined in the section of this chapter dealing with contacts with the region (para 8.20 to para 8.25).

FOREIGN RELATIONS

8.5   As was to be expected, because of the peaceful transition of most South Pacific states to independence, some of their closest international relations are with their former colonisers, and hence predominantly with Western governments. That association has been reinforced through participation in the South Pacific Commission and later the South Pacific Forum, where Australia and New Zealand are active participants.

8.6   South Pacific nations have been slow for the most part to join international bodies such as the United Nations, primarily because of the costs involved, and it was not until the 1980s that regional countries began to show interest in developing associations with non-Western governments. Vanuatu has pursued a non-aligned foreign policy and established official links with countries such as Cuba, the USSR and Libya, although they have no permanent diplomatic presence in Vanuatu. Their reason for such contact lies in the support Vanuatu received from countries in the Non-Aligned Movement such as Cuba during its protracted independence negotiations with the two metropolitan powers controlling what was known as the New

Hebrides. The increased involvement of extra-regional countries in South Pacific affairs is discussed in more detail in Chapter Nine.

8.7   The process of change, already noted in this chapter, will also influence the types of international links these countries will establish in the future, as they become more self-confident in their independence. The process will also be hastened by:

> future political leaders, whose background is less influenced by attitudes established during the colonial period...(and)...it is likely that the trend towards establishing relations with non-traditional partners will develop. The developing political maturity of the governments of the region, their developing self-assertiveness and the extent of the economic challenges facing them, are also likely to encourage the Governments in this direction.
>
> (DFA, Submission p. S 949)

8.8   The orientation of the South Pacific region generally, however, remains pro-Western, and it is Australia's task to work toward maintaining and justifying this stance. In doing so, the Committee strongly endorses the warning contained in the Department of Foreign Affairs' submission:

> The developing national consciousness of the governments emphasises that Australia's relations with the island governments must be on the basis of sovereign equality, untainted by responses which could be perceived as reflecting neo-colonialist attitudes or ambitions.
>
> (Submission p. S 950)

BILATERAL RELATIONSHIPS

8.9   Australia has a most extensive diplomatic presence in the South Pacific, has participated fully in the many regional organisations and has attempted to strengthen its ties of

friendship with each of the countries both bilaterally and using multilateral contacts. As noted earlier, as a consequence of independence and a growing maturity and confidence, the South Pacific countries are now looking beyond their traditional links with Australia and New Zealand, and are seeking to make their own international foreign policy choices. Australia has a role to play in offering advice if requested, and sharing the experience of a larger (though still small by international standards) power in dealing with the international system. The South Pacific states, particularly conscious of their relative size and determined to maintain their independence, have at times misconstrued Australia's advice as attempts at interference, and Australia must at all times attempt to reassure these states that advice or assistance is simply that - able to be taken if it is wanted, or rejected if they so wish.

8.10   Bilateral relations will always be influenced by the unequal size of Australia vis a vis the remainder of the region. Dominant economically, Australia's interests still focus beyond the region, in Asia, Europe and America. While Australia does have an interest in what occurs in the region, it has not been of primary concern in the past when placed alongside Australia's other international concerns. Australia has, because of the apparent stability and pro-Western orientation of the region, largely failed to give the region the amount of attention or focus it merits. Australian policy makers until the mid-1970s looked beyond the Pacific to the United States and world events, and increasingly north to the Asian region. The Pacific figured only tangentially in Australian foreign policy thinking. For the South Pacific, however, Australia is the dominant player in the region, and Australian actions can have severe ramifications for the micro-states. It is important, therefore, that close contact is maintained, and that concerns are shared and discussed.

8.11   The Australian Foreign Minister, Senator G Evans, in a speech to the Foreign Correspondents' Association in Sydney in September 1988, put forward the 'newly thought-through Australian policy approach' to the South Pacific region, describing the strategy as 'constructive commitment'. It involved the following elements:

   .   promotion of close, confident and broadly based bilateral relations with all Pacific island countries;

   .   promotion of effective regional co-operation, especially organisations like the South Pacific Commission;

   .   recognition that, for Pacific island countries, security hinges on economic and social development, and offering assistance to achieve both;

   .   respect for the full sovereignty of all Pacific island states, in relation to their internal affairs and their right to establish diplomatic and commercial links with countries from outside the region; and

   .   promotion, at the same time, of shared perceptions of the region's strategic and security interests, laying the basis for a regional approach to situations, internal or external, which put regional stability at risk.

8.12   While the Committee endorses all of the above, it will now be necessary to wait and see what practical moves are to be made, beyond the current level of involvement and assistance to the region, to put 'constructive commitment' into force.

AUSTRALIAN DIPLOMATIC REPRESENTATION

8.13   Australia's diplomatic representation in the South Pacific region has increased since the early 1980s in recognition of the growing importance of the region to Australia. Current representation levels are shown in Table 8.1.

8.14   The Committee heard a number of criticisms about the operation of the Department of Foreign Affairs and Trade in the region. The criticisms were generally that they needed to adopt a more out-going and approachable image, initiate action and dialogue, rather than remaining reactive and out of touch, and draw more on the wealth of knowledge and experience particularly among local Australian business representatives. On the other hand, the Committee formed a high opinion of the competence and dedication of a number of Australian diplomatic personnel during its visit.

8.15   The Committee acknowledges the high standard of assistance it received from Australian posts in the region during its visit in June 1988. The background briefings provided by the posts and their general assistance to the Committee were much appreciated.

8.16   The Committee believes that there is a wealth of information about the region, and there are many close contacts between Australians and South Pacific islanders, other than through formal diplomatic relations or in academic institutions. How to access this resource is a major difficulty. The Committee encourages the Department of Foreign Affairs and Trade to establish stronger formal and informal links with those in the community and business sectors dealing with the region. A starting point may be the holding of an annual 'Australia and the Pacific' seminar to get the various diverse groups and individuals together.

Experience Levels of Posted Staff

8.17   The Committee did have some concerns regarding the level of experience and expertise developed in regional matters of staff posted to the area. In looking at Table 8.1, the Committee was particularly conscious for the need for senior policy officers, those with prime responsibility for the day-to-day management of Australia's interests in the

TABLE 8.1: FOREIGN AFFAIRS AND TRADE POSTS IN THE PACIFIC: REPRESENTATION AND REPORTING RESPONSIBILITIES

POST	REPORTING RESPONSIBILITY FOR	A-BASED OFFICERS					
		POLICY	AID	PROMAUST	SUPPORT	OTHER (A)	TOTAL
Wellington (High Commission)	New Zealand, Cook Is, Niue, Tokelau	7	-	1	8	4	20
Suva (Embassy)	Fiji Tuvalu	5	3	1	6	7	22
Port Moresby (High Commission)	Papua New Guinea	7	3	1	24	7	42
Port Vila (High Commission)	Vanuatu	2	1	-	5	-	8
Tarawa (High Commission)	Kiribati	1	1	-	2	-	4
Apia (High Commission)	Western Samoa American Samoa	2	1	-	3	-	6
Honiara (High Commission)	Solomon Islands	2	1	-	2	-	5
Noumea (Consulate)	New Caledonia French Polynesia	2	-	-	4	-	6
Nuku'alofa (High Commission)	Tonga	1	1	-	2	-	4
Nauru (High Commission)	Nauru	1	-	-	1	-	2
		30	11	3	57	18	119

(A)   Others includes A-based personnel from the Departments of Defence, Immigration, Local Government and Ethnic Affairs, and Austrade.

Source: DFAT, Submission p. S 2819.

particular country, to have had some previous experience in the Pacific region. Details provided by the Department of Foreign Affairs and Trade (Submission pp. S 2617-18) regarding 27 staff show that 10 had some previous experience in the region or in a relevant Canberra-based position prior to appointment. Of those at High Commissioner/Ambassador/Consul-General level, four had previous regional experience. While acknowledging the impracticality of streaming the diplomatic service to improve regional specialisation, the Committee believes that special encouragement and opportunities should be given to departmental officers who wish to focus primarily in the region. As relations between Australia and the region become increasingly complex, it will be very important for Australia to have in place people with some understanding of the dynamics of the region, and hopefully a strong appreciation of the aspirations and motivations of the individual countries. The importance of strong personal contacts cannot be over emphasised. Diplomatic staff, having established personal links during one posting, should where possible be reposted at some future date to reactivate their contacts and build on their expertise in the region.

Staffing in Canberra

8.18   For similar reasons, although an increase in overall staffing resources for the Department of Foreign Affairs and Trade is most unlikely given the current restrictions on Public Service growth, the Committee would encourage the Department to reallocate resources internally to provide greater depth of coverage of the region. The Committee in particular would wish to see improved coverage of events in French Polynesia (see also para 9.20).

REPRESENTATION OF PACIFIC ISLAND COUNTRIES IN AUSTRALIA

8.19   Not all South Pacific countries maintain a diplomatic presence in Australia. Fiji and PNG have representatives in Canberra, at the Ambassador/High Commission level, while they

together with Kiribati, Nauru, the Solomon Islands, Tonga, and
Tuvalu have consulates in Australia. Western Samoa has
indicated it will be establishing a small diplomatic mission in
Canberra in the near future. Although aware of the high cost of
establishing and maintaining a diplomatic presence in Canberra,
the Committee sees much benefit arising from such a presence
and would encourage the Australian Government to investigate
ways in which assistance could be provided to enable
particularly the smaller states to maintain a small diplomatic
presence in Canberra.

CONTACTS WITH THE REGION

8.20   The Committee was pleased to note the emphasis placed
by the Minister for Foreign Affairs and Trade, Senator Evans,
on assuming his portfolio by visiting the South Pacific a week
later. In dealing with the region, the importance of personal
contacts cannot be overlooked. It is vital that key government
Ministers with responsibilities directly affecting the South
Pacific, make personal contact with their counterparts in the
region on a regular basis. The Committee notes and welcomes the
increase in visits by Ministers on both sides over recent years
and would encourage such contact.

8.21   As noted earlier in this chapter, it is important for
there to be increased contact between South Pacific Members of
Parliament and political parties and their counterparts in
Australia. During its own visit in June 1988, the Committee met
with not only government leaders in the region, but also had
useful discussions with backbenchers, and gained yet another
perspective on regional developments. Increased contact would
not only benefit the South Pacific countries, but would improve
Australia's understanding of the region. There has been much
exaggerated reporting in the Australian press concerning the
South Pacific, and the Committee believes most strongly that
increased contact, and hence a more informed level of debate,
is one method of putting the actual situation to the people of

Australia. The Committee fully supports regular official
parliamentary delegations to the region, and would encourage as
much contact as possible through private visits and exchanges.

8.22   Parliamentary contact with the region has been
conducted largely under the auspices of the Commonwealth
Parliamentary Association (CPA). Since 1985, study tours have
been organised for parliamentarians from nine regional
countries, and two countries (Western Samoa and Tonga) have
sent parliamentary delegations. The cost of visits, in terms of
international airfares and travelling expenses, however, has
meant that contact with the smaller South Pacific states is not
as frequent as it could be. South Pacific participation in the
Special Visits Program, run by the Department of Foreign
Affairs and Trade, has also been quite small (see Table 8.2).
The Committee recommends that the Australian Government
establish a separate South Pacific Visits Fund, under which
senior South Pacific government and opposition members of
parliament, members of political parties, senior officials,
journalists etc could obtain funding for travel to and from
Australia.

8.23   The importance of personal contacts with the region
cannot be stressed too highly. In view of the increasing
complexity of the region and the importance of it for
Australia, the Committee believes that it would be appropriate
for a special Minister to be designated with responsibility for
overseeing all matters relating to the region within the
Foreign Affairs and Trade portfolio, including input on the aid
program. A special Minister would be able to travel in the
region much more regularly and extensively than would the
Foreign Minister with all of his or her other responsibilities.
The importance of personal contacts would be protected as the
Minister would have the chance to develop strong personal
contacts in the region.

TABLE 8.2: SOUTH PACIFIC PARTICIPATION IN THE SPECIAL VISITS PROGRAM

Year	Total No. of Program Participants (a)	Number of Participants from the South Pacific
1983-84	44	4 (b)
1984-85	45	4
1985-86	44	4 (b)
1986-87	43	11 (b)
1987-88	38	8
1988-89	35	6 (c)

Notes:

(a) the total includes Japanese parliamentary delegations - in 1983-84, 14 people; 1984-85, 12; 1985-86, 11; 1986-87, 6; and 1987-88, 6.

(b) Includes participants from New Zealand - 1, 2 and 1 respectively in the years marked.

(c) estimate only; seven offers have been made and four acceptances had been received as of February 1989.

Source: Department of Foreign Affairs and Trade.

8.24   The Committee recommends that a junior Minister for Foreign Affairs and Trade be appointed with responsibility for Australia's relations with the South Pacific region. It is not unusual for junior Ministers to be allocated areas of geographic responsibility at the discretion of the portfolio Minister, and this is the case in both Britain and France. The identification of a junior Minister would send a strong signal to South Pacific nations on the degree of importance Australia places on the region and our involvement in it.

8.25   The Committee, in its report reviewing the operations of AIDAB, has also recommended the establishment of a junior Ministry of Development Cooperation within the Foreign Affairs and Trade portfolio, with which the responsibility for the South Pacific region could be combined. This Committee believes that this junior Ministry could be given special responsibility for regional relations and be the initial point of contact between Australia and the nations of our region.

INCREASED INTEREST OF OTHER COUNTRIES

8.26   Australia has had to come to terms with the fact that the South Pacific region is no longer an isolated, tranquil area of little importance to other powers. The South Pacific countries have established contact with a range of other countries, not always to Australia's liking; the Soviet Union has demonstrated a growing interest in the region; and the rights and interests of the South Pacific countries are in danger of being subsumed under a preoccupation with Northern Pacific concerns. Chapter Nine examines a number of trends in the region, including extra-regional power involvement and the threat to stability of decolonisation. Chapter Ten then looks at internal political upheavals that have occurred in the region, and their impact on Australia.

THE SOUTH PACIFIC - DEVELOPMENTS AND TRENDS

9.1   A number of recent developments are symptomatic of the increasing complexity and unpredictability of the region in its international relations. The South Pacific countries are increasingly adopting a more independent foreign policy. Individual states have diverged not only from Australian policy but also the policy followed by other members of the region. The Committee wishes to emphasise that although a number of developments are of concern to Australia and not necessarily what Australia would see as being in its interest, it acknowledges and supports the right of the countries, as independent sovereign nations, to conduct their foreign policies as they see fit. The Committee rejects any suggestion that somehow Australia should attempt to compel regional countries to adopt a specific policy because it suits Australia's interest. The Committee does acknowledge, however, the right of Australia to discuss and raise concerns it may have with the regional countries involved.

9.2   The Committee identified three major areas of concern - the issue of decolonisation, and in concert with this the continuing role of France in the region; the activities of non-South Pacific states, specifically the USSR, Libya, Japan and the United States; and the future of regionalism and the implications of the emergence of the Melanesian Spearhead Group. The Committee was also concerned at a number of instances of internal political instability in the region, and these are covered separately in Chapter Ten.

THE FRENCH IN THE PACIFIC

9.3   France lays claim to a number of territories in the South Pacific - New Caledonia, French Polynesia and the islands of Wallis and Futuna. French policies in the region,

principally regarding the future of New Caledonia and continued nuclear testing on Mururoa Atoll in French Polynesia are among the issues of most concern to Pacific countries and also to Australia because of their impact on regional attitudes toward the West. United States support for French testing in the region has influenced the attitude of a number of countries towards America, and taken with other examples of what the islands perceive as insensitivity on the part of America to the islands' concerns and aspirations, has continued to damage the standing of the United States and some of her allies.

New Caledonia

9.4   The issue of the future of New Caledonia has been of great concern to all South Pacific nations over recent years, particularly among the Melanesian countries, who feel great solidarity with their fellow Melanesians in their struggle for independence. The single issue of New Caledonia, in fact, led to the establishment of the Melanesian Spearhead Group (Papua New Guinea, Solomon Islands and Vanuatu), as a means of continuing to raise the issue in the South Pacific Forum and apply pressure for a resolution.

9.5   Regional concern over New Caledonia and the increasing polarisation of views between Kanaks and Loyalists within the Territory, led the South Pacific Forum to request the United Nations Committee on Decolonization (the Committee of 24) to recommend to the United Nations General Assembly the reinscription of New Caledonia on the UN list of non-self-governing territories. A resolution to this effect was adopted at the 41st UN General Assembly in 1986. Further discussion occurred at the South Pacific Forum in Apia in May 1987 and resulted in a resolution being put forward and adopted at the 42nd UN General Assembly in 1987. The resolution reaffirmed UN decolonisation principles and urged France to co-operate with the UN, advocating that a plebiscite under UN auspices be held in the Territory and dialogue between all

sections of the population (DFAT, Submission pp. S 2070-74).
French policy, under Prime Minister Chirac remained unchanged,
proceeding with plans for a referendum on self-determination
and a new statute for New Caledonia under which the powers of
the various regions would be reduced, and effectively
dismissing the efforts made by the Kanak Socialist National
Liberation Front (FLNKS) to work within the previous
institutional framework.

9.6   Throughout 1987 tensions in the Territory remained
high, but due to the presence of an estimated 6000-8000 French
forces law and order was maintained. The Chirac Government held
a referendum on self-determination in the Territory in
September 1987. The FLNKS urged their supporters to boycott the
Referendum. Some 59% of the eligible population did
participate, with the vote being 98% in favour of continued
association with France. Taking the boycott into account, this
means that at least 57% of those eligible to vote in the
Territory in the Referendum preferred New Caledonia to remain
part of France.

9.7   Prior to the Referendum, tensions increased and a
number of violent incidents were reported. Following the
Referendum tension continued to grow with attacks by both
sides, and the dropping of the policy of non-violence by the
FLNKS.

9.8   The French Presidential elections in April/May 1988
resulted in the re-election of President Mitterand, known for
his more sympathetic attitude toward Kanak demands for
independence. The Territory and the region were greatly
shocked by violence on the island of Ouvea in April and May
1988 when Kanak separatists captured a number of hostages, and
French troops stormed their base in a violent rescue attempt
that saw 21 people (19 Kanaks and two gendarmes) killed. The
Territory appeared to be on the brink of civil war, and the
violence persuaded a number of leaders on both sides to seek a
negotiated settlement of sorts.

9.9   The defeat of the Chirac Government and election of
the socialist Rocard Government have seen a change in French
policy attitude towards New Caledonia. Under a plan negotiated
by Prime Minister Rocard, FLNKS leader Jean-Marie Tjibaou and
loyalist RPCR (Rally for Caledonia in the Republic) leader
Jacques LaFleur, New Caledonia will be under direct rule for a
year and then will move into nine years of `federalism' with
the territory divided into three largely aut-omonous provinces:
the north (where most Kanaks live); the south (which is
dominated by French settlers); and the outlying Loyalty Islands
(also Kanak-controlled). In 1998 a new referendum on
independence will be held. The deferral of an independence
referendum for 10 years, rather than a five year limit was a
significant concession by the Kanaks. An intensive development
program for the north of the Territory was included in the
agreement, to balance hopefully the extensive development that
has occurred in the European dominated south. In addition
France will train up to 400 people, most of them Kanaks, for
senior, middle-range public service positions. The agreement,
known as the Matignon Accord, also places controls on
immigration to New Caledonia and an agreement that no newcomers
over the next 10 years will be eligible to vote in the 1998
Referendum.

9.10   The Committee welcomes the Accord and with it the
prospects for improved relations between Australia and France,
a relationship under strain over the last few years because of
Australia's support for self-determination of the Territory.
However, the Committee would caution that the situation in New
Caledonia could deteriorate rapidly should expectations on
either side not be met, or should the Government in France
change to one of a more conservative nature and who might
pursue policies more in line with those of the previous Chirac
Government. In January 1989, the FLNKS indicated it intended to
reject the revised electoral rolls being compiled, and warned
that the Accord might not last five years.

9.11   Although the peace plan was supported originally by
the majority on both sides of the conflict, extremists from
both the Right and from the Left continue to pose the greatest
threat to its successful implementation. In the November 1988
Referendum on the agreement from a turnout rate of 63% of all
eligible voters in New Caledonia, 57% voted YES and 43% NO.
This does not indicate strong community endorsement of the
proposal, particularly when both the FLNKS and the RPCR both
campaigned in favour of supporting the referendum.

9.12   The high NO vote (60%) in the white dominated south of
the Territory in particular indicates that the peace plan is
far from acceptable to many of the French settlers. Although if
current demographic trends continue Kanaks will outnumber the
present Caldoche community by 1998, the ultimate success of the
agreement will depend on getting more than just a simple
majority vote on the Territory's future in the 1998 Referendum.
Should the vote be for complete independence from France, the
Territory will still have a sizeable percentage of the
population opposed to this arrangement.

9.13   The pro-French loyalist group believes that should the
decision in 1998 be split along the newly established regional
lines then partition of the Territory might be a solution. They
envisage keeping the rich southern part of the Territory part
of France while the rest becomes independent. This obviously
has a number of problems associated with it, not least the
reluctance of the Kanaks to lose the contribution of that part
of the island to the economic viability of an independent state
of Kanaky. It is not impossible to see a situation of civil war
emerging should such a split occur.

9.14   The Committee endorses the positive response of the
Australian Government to French requests for greater contact
between the Territory and Australia and encourages the
Australian Government to assist the French in maintaining the

negotiated peace plan and providing development support to the
Territory. The Committee also encourages the Australian
Government to focus any assistance it may give toward improving
the educational levels and business opportunities of the Kanak
population.

Nuclear Issues

9.15   The other major point of dispute between the countries
of the South Pacific and France involves French persistence
with testing of nuclear weapons at the Mururoa Atoll Testing
Site in French Polynesia. French commitment to a testing
program hinges on the importance of their 'force de frappe',
that they see their nuclear weapon capability as a vital part
of the power balance in Europe, and ultimately vital to their
own security. They defend their right to test in Mururoa as
they consider it part of metropolitan France, and the safest
place possible in which they could test. France remains
unconvinced of claims about the health risks of such testing,
and until recently gave little indication that continued
testing was affecting the geological structure of Mururoa.
However in September 1988, France indicated tests would shift
to nearby Fangataufa Island, suggesting to some observers that
the tests had weakened the base of Mururoa Atoll, although this
was subsequently denied by the French. France's overreaction to
the activities of the Greenpeace vessel, the *Rainbow
Warrior,* and her subsequent sinking give some indication
of the force of official French support for a continued testing
program.

9.16   Protests about the testing have been limited in French
Polynesia, due primarily to the major contribution the facility
makes to the economy of the Territory. The activities of the
testing centre contribute between 30 and 50% of Polynesia's
gross domestic product. In October 1988, however, the
Government of French Polynesia called on France to release more
information on the consequences of the nuclear testing,

including publication of studies on the health of people
working at Mururoa and communities nearby, and for a team of
independent doctors and nuclear experts to study the effects of
nuclear testing at Mururoa Atoll. This was the first major sign
of growing unease in French Polynesia, at the official level at
least, at French nuclear testing.

9.17   Elsewhere in the region, criticism of the French for
continued testing, and of the United States for its tacit
support of French testing in the region, has been of longer
standing and quite a deal stronger. During our visit to the
region we found no level of support for continued French
testing. Australia, in conjunction with other South Pacific
Forum countries, has continued to lobby France to cease testing
in the region, but without success. The Committee endorses the
approach taken to date in attempting to halt French testing in
the region, and encourages the Government to pursue
alternatives with France.

9.18   The Treaty of Rarotonga, establishing the South
Pacific Nuclear Free Zone (SPNFZ), came into force on 11
December 1986. It represented a significant degree of concern
among Pacific Forum nations on a number of nuclear issues -
French nuclear testing in the region, proposals for dumping of
nuclear waste in the oceans and a wish to keep the region free
of super-power rivalry and militarisation.

9.19   The USSR was the first nuclear power to ratify the
Treaty, although initially with some reservations, earning for
itself much commendation in the region. Although China has also
ratified the Treaty, the attitude of other nuclear powers in
the region, Britain, France and the United States, was
predictable in their opposition to the establishment of the
South Pacific Nuclear Free Zone. The South Pacific Forum
nations have been generally supportive with two notable
exceptions. Vanuatu has not signed the Treaty to date,
believing it does not go far enough in its provisions; Tonga on

the other hand has not signed because of concerns that the
Treaty has gone too far and restricts unacceptably the
operational ability of the United States and her allies. The
Committee believes that much of the heat has now gone out of
the issue for the Pacific nations, in that it was not raised as
a matter for discussions during the Committee's visit to the
region. Calls for the strengthening or abrogation of the Treaty
have come from various peace groups or defence groups in
Australia, imposing, the Committee believes, a Western
perspective on the issue not shared by the Governments of the
region.

French Polynesia

9.20   The independence movement in French Polynesia is a
much smaller force in French Polynesian society than in New
Caledonia, but nevertheless is adopting a higher profile in
territorial politics. The Committee was very concerned at the
lack of detailed information on French Polynesian political
developments, particularly following civil disturbances and a
change of government in late 1987. The Committee sympathises to
a degree with the problems facing the Department of Foreign
Affairs and Trade in attempting to report on French Polynesia
without an office located in the Territory, but rather relying
on periodic visits from staff in New Caledonia as work loads
permit. The Committee recommends the establishment of a small
consulate in French Polynesia. With increased tourism into the
region from Australia and the possibility of greater commercial
opportunities for Australian businesses, the establishment of a
diplomatic presence in French Polynesia could be most useful.

9.21   The Committee notes French attempts to promote the
concept of a Polynesian Community. While aware of the possible
advantages socially, economically and culturally through
greater links between the Polynesian countries, the Committee
believes it could ultimately prove a divisive move. The
problems besetting regionalism and the emergence of the

Melanesian Spearhead Group are discussed in more detail later in this chapter. The concerns expressed by the Committee at the formation of a Melanesian bloc within the Forum are also relevant regarding this French proposal. The Committee believes that Australia, wherever possible, should seek to promote regionalism rather than the formation of such ethnically based groups.

The Future of France in the Region

9.22   THE Committee believes that France could play a very constructive and useful role in the region in future, provided that there are moves towards resolution of the areas of conflict mentioned above - nuclear testing and the status of its territories in the region. The committee wishes to see France continue its involvement in the area and build on the already extensive support it gives to its South Pacific territories, its bilateral assistance to other countries and regional institutions, and its contribution to the Western alliance. However, the Committee cautions that the positive contribution France is able to make will be denigrated or undermined because of its continued attitude towards decolonisation and nuclear issues.

INVOLVEMENT OF OTHER NON-SOUTH PACIFIC COUNTRIES

The Soviet Union

9.23   Soviet leader Mikhail Gorbachev's now famous speech at Vladivostok in July 1986 signalled a greater interest and involvement by the USSR in the Pacific Ocean region. The speech asserted the Soviet Union's claim to be a Pacific power with consequential legitimate reasons for greater involvement in the affairs of the region. Although much of the speech focused on the economic prospects for the Soviet Far-East and relations with the major North Pacific powers, it served to confirm the growing Soviet interest in the South Pacific. This interest has

been demonstrated by the increased diplomatic and commercial overtures made by the USSR to South Pacific nations starting in the 1970s and intensifying in the early 1980s.

9.24   Soviet Foreign Minister, Eduard Shevardnadze visited Australia in February 1987 and discussed Soviet intentions in the region. He emphasised Soviet support for a nuclear-free Pacific, a desire for increased trade, and indicated the Soviet Union had no desire to establish a Soviet military presence in the area.

9.25   Australian Government reaction was summed up by the then Foreign Minister, Mr Hayden, speaking in Parliament on 16 October 1986 when he reiterated earlier comments that if the Soviet Union was 'going to participate in constructive ways - ways which will be productive in the region - then I think that's highly desirable but it must be ensured that any role is such a positive role' (House of Representatives, Hansard p. 2151). In discussions with Foreign Minister Shevardnadze, it was stressed that Australia would closely monitor Soviet activity in the region, and that Australia would be concerned should Soviet activities go beyond normal commercial and other relations, or if Soviet activity were to contribute to super-power rivalry in the region (DFA, Evidence, 13 March 1987, pp. 7-8).

9.26   Reaction to increased interest by the Soviet Union in the region has been mixed. On one hand the Committee received submissions that were rather alarmist in their interpretations of Soviet activity, seeing in it a long term strategy to weaken the influence of the United States and its allies in the region, create instability and disunity among regional countries, and break down the broad strategic consensus that currently exists (see, for example, Danby, Submission pp. S 1744-68 and Council for the National Interest, Submission pp. S 465-91). Toward the other end of the spectrum were those who saw Soviet interest as primarily commercial in nature, and that

the Australian Government had misinterpreted what were
primarily North-South concerns regarding development in
East-West terms because of Australia's commitment to the
Western alliance (see, for example, Nuclear Free and
Independent Pacific Network, Submission pp. S 1732-41). The
Committee, in examining the arguments, was aware of the danger
of underplaying Soviet interest in the region, but wished to
avoid exaggerating the level of Soviet interest beyond that
indicated by the facts. The growth in Soviet military activity
in the North Pacific is certainly cause for concern, as is the
presence of the Soviets at Cam Ranh Bay. However, the North
Pacific remains the main focus of Soviet interest.

9.27   The Committee concluded that the Soviet Union was
adopting a relatively low-key approach to the region, and was
prepared to capitalise on opportunities as they presented
themselves to gain additional contact and influence in the
region, but remained unconvinced of any 'grand plan' in Soviet
thinking. An examination of a number of specific areas
demonstrates what has been called the Soviet's 'opportunistic'
approach to the region.

Diplomatic Representation

9.28   Despite a number of requests for a permanent
diplomatic presence in the region, the USSR has a permanent
diplomatic presence only in Canberra and New Zealand. The USSR
has non-resident diplomatic relations with Fiji (established
1974), Papua New Guinea (1976), Tonga (1976), Western Samoa
(1976), Vanuatu (1986) and Nauru (1987).

9.29   In early 1988 the Soviet Union sought approval to
establish a diplomatic presence in Port Moresby. Despite
initial indications that this request would be granted,
considerable debate within the PNG Parliament resulted in the
decision being deferred. Although the PNG Parliament called on
the Soviet Union to prove its good intentions through increased

trade and aid before a resident mission would be approved, the
Namaliu Government has now granted permission for the opening
of a Soviet diplomatic mission in Port Moresby.

The Soviet Union and Fishing Agreements

9.30   The Soviet Union has no regular military presence in
the South-West Pacific, with most of its Pacific forces
concentrated in the north Pacific and South-East Asian regions.
In commenting on increased militarisation of the Pacific, many
commentators failed to distinguish between the main focus of
Soviet activity - the North and North-Western Pacific, and the
so far largely inactive area of the South Pacific. The Soviets
have dramatically increased the size of their Pacific fleet,
but have very limited aircraft or surface warships operating in
the South Pacific, although less is known about the operation
of Soviet submarines. Soviet fishing fleets and cruise ships
are the major presence in the South Pacific, and some concern
arises from their reputation for other activities e.g.
reconnaissance, communications, and intelligence collection.

9.31   The Soviet Union, with a huge fishing fleet, has long
been interested in gaining port access in the South Pacific
area. New Zealand agreed to licence Soviet fishing activity in
its EEZ in 1977-78 and in addition provided the Soviet Union
with access to shore facilities under strictly controlled
conditions. Negotiations for Soviet port access to Tasmania
were halted only in the final stages by the Soviet invasion of
Afghanistan. In 1985 Kiribati signed a one-year fishing
agreement with the Soviet Union, permitting Soviet vessels to
fish within its EEZ. However, the agreement prohibited any
Soviet vessel from entering Kiribati's 12-mile territorial
limit, and gave them no landing rights or shore facilities.
After the initial 12-month period the agreement was allowed to
lapse.

9.32   In January 1987 the Soviet Union and Vanuatu concluded
a fisheries agreement, allowing for up to eight Soviet vessels
to operate at any one time in Vanuatu's EEZ (but not its
territorial waters), and access to specified ports for Soviet
fishing vessels for refuelling and revictualling, for a US$1.5m
one-year fee. Although the granting of port access was an
advance for Soviet interests, the agreement was still limited
as there was no provision for any on-shore facilities. The
fisheries agreement lapsed in January 1988, and to date the
agreement has not been renegotiated.

9.33   The fisheries agreements reached by the Soviet Union
and these two regional countries have been subject to very
different interpretations in submissions to the inquiry.
Reactions ranged from those who saw this as proof that the
Soviet Union was attempting to extend its political influence
in the region under the guise of a commercial fishing
agreement, arguing that this would be the first step in a
greater Soviet presence in the region. On the other hand were
those who saw the negotiations on fisheries as simply that, a
purely commercial agreement between a major fishing power and
regional countries with large and previously underexploited
fish-rich exclusive economic zones. That neither agreement was
renewed after 12 months was deemed to be proof that either
fishing had proved uneconomic and therefore the Soviet Union,
motivated by commercial reasons withdrew, or proof that having
failed to obtain their real goals (on-shore facilities) and
given the countries' unwillingness to reduce the fee, the
Soviets withdrew. The Committee came to the conclusion that
Soviet interest in fishing was motivated by both political and
commercial reasons, and that in reaching a commercial decision
it sought to exploit that for whatever political advantage was
possible. The two South Pacific countries which entered into
these agreements, Kiribati and Vanuatu, did so, the Committee
believes, for economic reasons.

9.34   The Committee heard evidence from a number of sources
that in the case of Kiribati the decision to negotiate with the
Soviets was partly prompted by unsuccessful discussions with
the American Tunaboat Association (ATA) whose members, not
recognising exclusive economic zones, regularly fished in
Kiribati's EEZ and refused to pay a licence fee for that
privilege. The resentment generated by the ATA's continued
violation of territorial rights, coupled with the difficult
economic situation of Kiribati, meant that the Soviet offer was
the only opportunity for Kiribati to balance its national
budget without further reliance on external aid (Department of
Defence, Submission p. S 851). The Committee believes that the
conclusion of a fisheries treaty with the United States has
done much to repair the damage caused in the region by the ATA
and will provide the countries involved with a regular source
of income from their EEZs.

Australia's Response

9.35   The Australian Government has been criticised as
hypocritical over its reaction to Soviet-regional fishing
agreements. Australian criticism of such agreements, while at
the same time itself conducting considerable trade and
diplomatic contact with the Soviet Union, makes Australia's
concerns appear hollow particularly in view of the lack of
criticism of New Zealand's fishing agreement with the Soviets,
and recent Australian-Soviet negotiations on port access and
servicing of the Soviet fleet. The Pacific nations have shown
great skill in negotiating with the Soviet Union, and have
shown themselves quite capable of resisting Soviet pressures
for greater access. The experience of those countries to date
has shown the Soviet Union meticulous in holding to the terms
agreed, and has enhanced the capacity of the Soviets to expand
commercial type operations within the region. The Australian
Government's policy has been to acknowledge the legitimate
interest of the Soviet Union in the region but if 'activities

of the Soviet Union went beyond normal diplomatic and
commercial arrangements in ways inimical to the region's
interests...' there would be cause for concern (Department of
Foreign Affairs, Submission p. S 960). To date there has been
no evidence of this.

9.36   Australia's response to continued Soviet interest and
activity in the region will be influenced in part by the
changes occurring within the Soviet Union, and between it and
the United States. The relationship between the USSR and the
USA has been changing, with growing contact and discussion, and
an expansion of their commercial relationship. Perestroika and
Glasnost have heralded new opportunities for improved contact
between the super-powers, and this holds out the hope that over
time there may be a fundamental change in major power
relations. While many of these signs of change have been more
in word than in deed, the Committee is cautiously optimistic
that the possible reduction in super-power rivalry will have an
impact on the way in which commercial arrangements affecting
the South Pacific generally are seen.

Trade Unionism

9.37   Mr M Danby in evidence to the Committee expressed
concern that the Soviet Union, working through a number of
front organisations, including the World Federation of Trade
Unions, was attempting to gain influence among the young
workers and trade unionists of the region. Although Mr Danby
was unable to provide the Committee with proof of Soviet
funding of a number of organisations he referred to as involved
in this process, the Committee did take the point Mr Danby made
on the need to provide people from the South Pacific with
exposure to a range of political viewpoints. As Mr Danby
argued:

> in smaller countries you do not have the wide
> political choices that you have in Australia
> or the wide political influences to balance

> these kinds of things...In small countries,
> where you have very small elites in
> particular, these constant political
> activities from only one side or primarily
> from one side tend to have vastly more
> influence than in big democracies like
> Australia...Australia should intervene by
> constructive example, by creating constructive
> alternatives...

(Evidence, 21 March 1988, p. 830)

9.38   The growth of the trade union movement in the South
Pacific has been uneven. In PNG and Fiji the union movement is
well established and covers both public and private sectors.
In Western Samoa and Kiribati, the unionisation of the public
sector has outstripped that of the smaller private sectors, and
in both countries unions have participated actively in
politics. For the majority of South Pacific countries, however,
trade unions are in an embryonic state, primarily as a result
of the dominance of the subsistence economy, the small size of
the overall economy and the limited numbers of people in formal
employment.

9.39   Australian trade unions have had some contact with
their counterparts in the Pacific, but such contact generally
has been limited to providing some training in Australia, study
tours to Australia and sponsorship of their attendance at some
international conferences (for more details see HV Evatt
Memorial Foundation, Submission pp. S 589-90 and ACOA,
Submission pp. S 689-691). There is great potential for
increased contact between the mainstream Australian labour
movement and South Pacific labour groups. Under the auspices of
the International Labour Organisation/Asian and Pacific Project
for Labour Administration (ILO/ARPLA) Australia participated in
missions to six South Pacific countries during 1988 to
investigate possible programs of assistance (Department of
Industrial Relations, Submission pp. S 2754-57). The Committee
commends Australian involvement in such enterprises and
encourages the Australian Government to support the programs of
assistance that result from these visits.

9.40   The Committee fully endorses the proposal that
Australia provide the region with a range of constructive
alternatives, by increasing contact between Australian and
South Pacific labour movements. However, just as Australia is
going through significant economic structural change affecting
the organisation and operations of trade unions, we must ensure
that we do not attempt to impose an Australian trade union
model, even by accident, on countries of the South Pacific.
Such a model would be totally inappropriate to their
circumstances. As with political parties in the region, the
development of trade unionism already is following a distinctly
Pacific style, with much greater numbers of general unions
rather than the narrow craft-based Australian models. What can
be provided to these developing unions, however, is training in
negotiation and organisational skills. The Committee notes that
some training is already conducted by both the International
Training Institute and the Trade Union Training Authority
(TUTA) using the Clyde Cameron Training College at
Albury-Wodonga. There is much scope for developing courses
specifically aimed at the skills needed by South Pacific
unionists, and the Committee recommends that the Australian
Government and the trade union movement jointly provide funds
to the above training institutes for the development of such
courses.

9.41   Mr Danby, in his submission, recommended the
appointment of labour attaches to the region (Submission p. S
1747). Because of the embryonic nature of trade unions in many
of the countries, appointment of individual attaches to each
country would be inefficient. The Committee recommends, as an
initial step, the appointment of a South Pacific Labour
Attache, based out of the Australian High Commission, Suva, to
develop contacts with trade union groups throughout the region.
The labour attache could be seconded from the Australian union
movement and provided with common support services by the
Department of Foreign Affairs and Trade.

Libya

9.42   Libyan influence in the South Pacific was a matter of
great concern to Australia and New Zealand during 1986 and
1987. Members of a militant faction within the FLNKS, the Kanak
United Liberation Front (FULK), travelled from New Caledonia to
Libya for training and to attend conferences. Libyan contact
with Vanuatu, one of the more ideologically radical South
Pacific states and a member of the non-aligned movement, also
increased. Diplomatic relations were established between the
two countries on 30 May 1986, and Vanuatu indicated in 1987
that it was to approve the establishment of a People's Bureau
in Port Vila. Young men from Vanuatu were also trained in Libya
during this same period. Through Mathaba, an international
organisation set up by Libya in 1982, a number of international
conferences were held and attended by people from regional
countries, and the 1987 Mathaba Conference declared that the
Asia-Pacific region would become a focus for activity in the
region in future.

9.43   It is unclear what Libya's prime motivation was in
increasing its activity in the South Pacific. Unlike the USSR,
Libya can in no way claim to be a Pacific power with a
legitimate interest in the region. Some have suggested that
Libya was acting as a proxy of the USSR and was seeking to
foster anti-Western sentiment and internal instability in the
region. Others have suggested that Libya sees the South Pacific
as an area where, for a relatively small outlay, a great deal
of trouble can be caused to Libya's two greatest enemies - the
United States and France.

9.44   In expressing its concerns about regional involvement
with Libya, Australia was again seen to have double standards
in its approach as Australia had a Libyan People's Bureau in
Canberra, and several non-diplomatic offices in Melbourne and
Sydney. The Australian Government closed the Libyan People's

Bureau in May 1987 in the lead up to the 1987 South Pacific
Forum, and Australia's concerns were explained to regional
leaders when a senior Foreign Affairs officer visited regional
countries in the same month. Vanuatu soon after announced it
had postponed indefinitely the question of establishing a
Libyan People's Bureau in its country.

9.45   Libyan activity in the region appears to have declined
significantly in the region since that time, although Libya
maintains a Bureau in Malaysia from which it manages its
regional contacts. Speaking in September 1988, Australian
Foreign Minister Senator Evans indicated he now felt Libya's
influence was 'almost non-existent' (quoted The Age, 26
September 1988, p. 4).

9.46   The Committee is pleased to note the greatly reduced
activity of Libya in the region, seeing within such contact
great potential for instability and mischief-making. The
Committee would caution, however, that Australia and other
regional countries remain vigilant against attempts by Libya to
regain ground in the region. The Committee endorses continued
discussions among all Forum countries on regional security
issues, including the influence of extra-regional powers.

Japan

9.47   Japan is taking an increasingly active role in the
region. Although Japan has well established trade and fishing
contacts with the region, there has been a significant increase
in diplomatic and aid activity, partly as a response to
increased Soviet activity in the region, changes in the
Philippines and the possibility of the US bases eventually
closing, and what it perceives to be increased instability
among the island states themselves. The Kuranari doctrine, so
called because it was announced by Japanese Foreign Minister
Kuranari during a regional visit in January 1987, included
major new aid, trade and political initiatives in the region.

Japan is set to become the largest aid donor to the South
Pacific region, with an emphasis more likely on multilateral
assistance to the whole region rather than its formerly more
piecemeal approach of bilateral aid. Japanese assistance has
been actively sought by Forum countries. In addition to
official government assistance, private Japanese bodies have
focused more on the region. The Sakakawa Peace Foundation, for
example, has established a Pacific Island Countries Foundation,
with resources of $A30m to assist development in the region
(Australian Financial Review, 30 August 1988, p. 48).

9.48   In the provision of aid projects, Japan has had some
difficulty in identifying and designing aid projects on a scale
appropriate to the recipient country. Moves are underway in the
Japanese bureaucracy to consult with those countries with a
long established tradition of provision of aid to the South
Pacific. The Committee believes that Australia should welcome
such approaches and should actively seek to involve Japan in
consultations regarding aid to the region to maximise the
benefits of the aid for both donor and recipient countries.

9.49   The increased interest by the Japanese has met a mixed
reception. Some suspicion remains in the minds of particularly
the Melanesian countries, and problems with Japanese fishing
activity, noted earlier in para 2.27, have complicated Japan's
relations with regional countries. Indications were that Japan
would have generated the same, if not greater antagonism among
regional countries as did the United States, if it had not
moved to resolve its differences with regional countries on the
fishing issue.

9.50   The recent increase in Japanese defence expenditure,
beyond the constitutional ceiling of one per cent of GNP, has
also raised some questions about Japan's intentions in the
future. The Pacific states have not commented on the issue of a
militarily stronger Japan, although it could be assumed that a
more aggressive and interventionist Japan would be cause for

alarm in the region. However, the growth in Japanese defence spending has been partially motivated and encouraged by United States pressure for Japan to take more responsibility for its own defence. The Japanese focus militarily remains on its immediate environment, the Soviet Far-East, the Korean Peninsula and China. Japan has shown a great reluctance to become a regional policeman and remains committed to defence of its own territory, preferring to use diplomatic and political influence, backed up by its substantial economic power and aid, to promote its interests in the region.

The United States

9.51   The United States has had a long standing interest in the Pacific region. American missionaries, traders and whalers had extensive contact with the region in the late 18th, and early 19th centuries. That contact has increased through the 20th century, with World War II having a significant impact on American knowledge of the region. In 1947 the United States accepted from the United Nations the role of trustee towards most of Micronesia, the Trust Territories of the Pacific Islands, and has assisted most of the people of these territories toward some form of independence in association with the United States. America, and in particular the West Coast of the United States, has a growing population of South Pacific islanders, and remains one of the favoured migration destinations for people from the region. Despite several areas of difficulty in the relationship between the United States and regional countries, discussed below, there is good will toward the United States, and the region remains predominantly pro-Western in outlook.

9.52   With territories in the region and a major defence presence in the North Pacific, the United States has long considered the Pacific Ocean to be an 'American Lake'. However, like the USSR, it has focused more on the Northern Pacific area, and has devoted little attention to the South Pacific

region, leaving Australia to pursue Western interests on its behalf. Increased interest from the Soviet Union, and a growth of potentially anti-Western feelings have led to a readjustment of United States policy toward the region, although it still remains of lesser significance than many other areas of the world. Three developments helped to focus the USA more closely on the region - Soviet fishing agreements, first with Kiribati and then with Vanuatu; the dislocation within ANZUS over New Zealand's ban on visits by nuclear ships; and the South Pacific Nuclear Free Zone Treaty.

9.53   American policy towards migratory species of fish, and refusal to recognise the jurisdiction of island states over these species once in territorial waters, coupled with the activities of the American Tunaboat Association, caused great damage to American standing in the region. When the Solomon Islands seized the *Jeanette Diana* for unlicensed fishing in its territorial waters, the United States responded with trade bans on all fisheries exports from the Solomon Islands to the US under the Magnuson Act, threatening the Solomon Islands' economy. A more conciliatory approach by the USA came after the signing of a fishing agreement between the USSR and Kiribati, when the United States saw the potential for increased Soviet activity and influence should the island states not receive an adequate return from their fisheries resource. The signing of a treaty between the USA and members of the South Pacific Forum has done much to repair United States standing in the region, although some cynicism regarding United States attitudes remains. The Committee notes the valuable role Australia played in encouraging the United States Government to reach a settlement with the island states.

ANZUS

9.54   The dispute among the ANZUS partners, arising from New Zealand's decision to ban the entry of nuclear capable ships into its harbours, initially caused a degree of concern among

regional countries. The concern was particularly evident among
the more conservative Polynesian countries, which saw the
breakdown in the alliance as threatening their own security.
However, because of efforts by all participants to reaffirm
their commitment to the region, and an increase in bilateral
defence relations between Australia and the region, the
Department of Foreign Affairs and Trade reports that the
concern 'has not developed into an issue of major regional
significance...' (Submission p. S 925).

9.55   It is unlikely that the ANZUS arrangement will be
reactivated under the present New Zealand Government. Australia
has acknowledged that New Zealand, as a sovereign nation, has
chosen to pursue a specific policy. Australia is attempting to
meet its own defence and security needs through increased
bilateral defence contact with both the United States and New
Zealand. There appears little that Australia can do beyond
this. The Committee believes, however, that the problems with
ANZUS have had a useful side effect in that they have caused
Australian defence policy makers to re-evaluate Australia's
defence priorities, and focus more closely on their region of
prime strategic concern.

Nuclear Issues

9.56   Relations between the United States and regional
countries have also been damaged by United States failure to
support criticisms of French nuclear testing in the region and
its decision not to sign the protocols of the SPNFZ Treaty.
The interests and strategic goals of the United States as a
global power have obviously dominated its thinking on both of
these issues, and given that the interests of the United States
are predominantly dictated by events in other regions, it is
unlikely that United States policy in the South Pacific will
change significantly in the foreseeable future. The dilemma
remains for Australia that while the United States takes a
lesser role in the region, Australia is perceived to be acting

as a US proxy and as the Department of Foreign Affairs noted,
this does not serve Australia's interests in the region
(Submission p. S 989). However, greater interest by the US may
contribute to increased super-power rivalry in the region,
something Australia would also wish to avoid.

US Territories

9.57   Unlike French Territories in the region, America has
fostered progress toward independence in a number of its
territories, although still maintaining close contacts and in
some states control over the foreign and defence interests of a
number of the territories. The major focus of criticism
recently has involved the Republic of Palau and difficulties in
resolving its relationship with its trustee, the USA. A series
of constitutional referenda have failed to reach the required
percentage of votes to allow Palau to enter a Compact of Free
Association with the United States, although a large majority
appears to favour the relationship. The Palau Constitution
includes a prohibition on the use, testing, storage or disposal
in Palauan territory of 'harmful substances such as nuclear,
chemical, gas or biological weapons' without express approval
of 75% of the voters in a referendum. The Constitution also
contains restrictions on the acquisition of land for 'the
benefit of a foreign entity'. The Compact of Free Association,
under which the United States would gain control of Palau
defence and foreign policy for approximately 15 years, is in
direct conflict with the Constitution.

9.58   The violence, coercion and breakdown of rule of law in
Palau has been well documented, as have the legal challenges
brought by Palauan citizens in an attempt to block Government
action to work around the Constitutional requirement for 75%
approval of a change. The extent of US involvement and pressure
is difficult to determine, but the continuing problems in Palau
are also having a deleterious effect on US standing in the
region, as they are seen as attempting to force a much smaller
country into a situation against the wishes of its people.

9.59   Micronesia is facing a number of problems, including social disruption, health problems and a reliance on American funding. Several submissions focused on the problems of Micronesia (see, for example, the Bush Christian Community, *Submission* pp. S 1596-1624). While acknowledging that the primary relationship of Micronesian states is with the United States, the Committee endorses moves by the Australian Government to provide assistance to particularly the Federated States of Micronesia and the Marshall Islands, now full members of the South Pacific Forum.

REGIONALISM

9.60   The importance of strong regional links between the various South Pacific states and territories is widely acknowledged throughout the region as one way in which the small states might attempt to minimise their vulnerabilities and the disadvantages of size, and put forward a concerted and hopefully stronger policy on a range of issues. The value of a regional approach has been seen with the negotiation of a multilateral fishing treaty with the United States, the establishment of the South Pacific Nuclear Free Zone, and the adoption of a regional Convention for the Protection of the Natural Resources and Environment of the South Pacific Region (SPREP).

9.61   The first regional organisation was the South Pacific Commission (SPC) established in 1947, with a membership of metropolitan powers, non-self-governing territories and independent South Pacific states. The SPC concentrates most of its activities on grass-roots development projects, and does not seek to involve itself in political issues.

9.62   The creation in 1971 of the South Pacific Forum (SPF) was a reaction to a growing desire by the leaders of the newly independent countries in the South Pacific to create a body in

which problems and issues might be discussed without the presence of metropolitan powers. The Forum has no written constitution and no formal rules covering its purpose, membership or the conduct of meetings. Decisions are made by consensus in keeping with traditional Pacific decision-making processes. In addition to both of these groups, there are a number of other *regional organisations or bodies including the* South Pacific Bureau for Economic Co-operation (SPEC - subsequently renamed the Forum Secretariat following the 1988 Forum Meeting), the Forum Fisheries Agency and the Committee for the Co-ordination of Joint Prospecting for Mineral *Resources in South Pacific Offshore Areas (CCOP/SOPAC)*. (A description of the role and functions of these and other bodies, provided by the Department of Foreign Affairs (*Submission* pp. S 2113-27) is reproduced as Appendix 3 to this report). Australia is a strong supporter of *regional organisations, both through active participation and financial* support.

Single Regional Organisation

9.63   With the *emergence of the South Pacific Forum as the* major political body in the region, and the creation of a large number of other regional bodies, there has been much debate on the *desirability of integrating the various bodies into a* Single Regional Organisation (SRO). Attention has focused specifically on the somewhat *overlapping functions of the SPC* and the former SPEC, both involved in economic development. The National Centre for Development Studies, arguing for an SRO, noted:

> The existence of two regional economic secretariats - the South Pacific Commission (SPC) and the South Pacific Bureau for Economic Cooperation (SPEC) - wastes the region's limited professional and financial resources, makes unnecessary calls on aid funds and delays the preparation of cohesive regional economic policies. Australia should strongly support Papua New Guinea's policy for

the unification of these organisations, which
could improve efficiency and lead to a more
coherent approach to regional issues.

(*Submission* p. S 1256)

9.64   The fact remains, however, that membership of both
bodies is not completely duplicated. Should the SPC be
abolished or subsumed into a new body, the region faces the
problem of either attempting to create a body in which
non-regional sovereign states, non-independent territories and
sovereign states of the region would be integrated, or
alternatively metropolitan powers such as France, the United
Kingdom and the United States could be excluded from continued
and much valued significant participation in the economic
development process of the region. Another stumbling block to
the establishment of a SRO is the Forum's desire that it should
be paramount in any new arrangement.

9.65   The question of moving towards a SRO raises many
complicated issues. The Forum referred the question to a
Committee on Regional Institutional Arrangements (CRIA) in
1987, and as part of an interim report to the South Pacific
Forum in 1988 it recommended a number of moves to integrate
more closely the various regional bodies through the newly
established South Pacific Organisations Co-ordinating Committee
(SPOCC), strengthen the role of SPEC, and expand its mandate to
include and to institute arrangements whereby non-Forum
countries can have observer status at the South Pacific Forum.
It appears unlikely that a SRO will ever be achieved, but the
Forum and other regional bodies are aware of the need for
greater co-ordination and liaison, and are moving in the right
direction to strengthen regional ties. It is in Australia's
interests to continue to work toward the greater harmonisation
of the various bodies and to encourage the South Pacific states
to reduce duplication of effort and increase efficiency.

Melanesian Spearhead Group

9.66   Although the South Pacific Forum and other regional
bodies appear to be moving closer and developing their
co-ordination mechanisms, within the Forum there have been
fears of potential divisions appearing along cultural grounds.
In 1986 the Melanesian Forum members, Papua New Guinea, Vanuatu
and the Solomon Islands caucused before the South Pacific Forum
meeting to decide on a course of action to push the issue of
New Caledonia. The emergence of a bloc within the Forum,
although primarily limited to one issue, appeared to threaten
the consensus decision-making process of the Forum. Concern was
also expressed about the possible establishment of a Polynesian
bloc (an idea encouraged by the French) and even a Micronesian
bloc. Despite such fears the South Pacific Forum has not shown
signs of dividing along cultural lines on issues, and still
reaches decision by consensus.

9.67   The Melanesian Spearhead Group formalised their
relationship in a Joint Declaration of Principles in 1988, and
appear likely to co-operate on a range of economic, cultural
and social matters. Given the close cultural and ethnic ties
between the three countries it is natural that they wish to
establish closer links with each other, in a similar fashion to
the links between New Zealand and Australia. The growing sense
of Melanesian brotherhood will be a positive development for
those countries involved if it extends into practical areas of
co-operation, rather than simply rhetoric.

CHAPTER TEN

POLITICAL DEVELOPMENTS IN THE REGION

10.1   The South Pacific has been traditionally viewed as politically stable. It has been seen as a region where democratic principles are adhered to, defying the post-colonial experience of areas such as Africa where independence led to great political turmoil, military coups, unstable and increasingly repressive governments. The departing colonial powers left regional countries with constitutions that made provision for elected governments and the orderly transfer of power, and certainly up until the mid-1980s the political systems established in the post-colonial South Pacific appeared to be working well, despite their great diversity.

10.2   The range of political systems throughout the region - the matai system of Western Samoa, the monarchy in Tonga supported by a Privy Council and an elected Legislative Assembly, through to the Melanesian states where a system of one-person one-vote is generally practised, can all to varying degrees be classed as democratic. What is apparent, however, is that the political institutions in the Pacific are under stress and are having to change and adapt the better to meet the social and cultural constituencies they serve.

10.3   This process of change has been particularly evident in three countries of the region, Papua New Guinea, Fiji and Vanuatu. The results have been different so far in each country, and the process of change is far from over. The by-product of this evolutionary process has been met with reservations in some quarters, seeing in it the start of a slide into turmoil and instability. The ultimate outcome may be very different from what Australia would prefer, but will in the long-run result in governments with which Australia can still build useful and constructive relationships.

10.4   The process of political evolution and the consequential political uncertainties in the region have caused a number of difficulties for Australia in managing its bilateral relations with regional countries. The three countries examined in this chapter highlight the dilemma facing Australian policy makers. It is in dealing with these and the inevitable changes that will occur elsewhere in the region that Australia's new policy of `constructive commitment' will stand or fall.

PAPUA NEW GUINEA

10.5   Of all of the countries of the South Pacific, Australia and Papua New Guinea have a particularly close and `special' relationship. Since PNG became independent in 1975, both countries have worked at maintaining the close levels of contact and friendship befitting close neighbours who are bound together by historical and security ties. The Australian commitment to PNG is reflected in the fact that PNG remains the largest single recipient of Australian aid, and a major focus of Australian defence and security contacts.

10.6   The relationship, of course, has evolved since independence. PNG has become more confident in its status as an independent, sovereign nation, and has moved to assert its own policies and world view not only in the bilateral relationship but also in regional and international affairs. The signing, in December 1987, of the Australia-PNG Joint Declaration of Principles, was recognition of the changing nature of the `special relationship' but reaffirmed the continued commitment by both countries to maintenance of the close bilateral relationship.

10.7   With independence, and the reduction of Australian personnel in PNG, the degree of contact between the average Australian and PNG citizen has decreased markedly. Australian

perceptions of Papua New Guinea for the most part are formed
now more on the basis of media reports than on first-hand
experience. Many of the reports have focused on the law and
order situation in PNG's urban centres, an extremely fluid
political situation and on clashes along the border with
Indonesia.

Law and Order

10.8   The continued erosion of traditional culture, coupled
with the influence of alcohol, unemployment and urban drift has
led to a deterioration in law and order, particularly in the
Southern and Western Highlands of PNG, and the major urban
centres. Violent attacks on the expatriate population receive
significant media coverage in the Australian press, as do
outbreaks of tribal fighting. What is often not reported,
however, is that Papua New Guineans have suffered
proportionally far more than the expatriate community from the
actions of the 'rascal gangs' that have emerged in the cities.

10.9   In addition to the social consequences of such law
and order problems, there has also been a detrimental effect on
economic development. Burns Philp Co Ltd, in discussing the
effects of adverse publicity on foreign investment, referred to
the difficulties of recruiting specialist staff from overseas,
and the high costs of providing secure housing for personnel
once they arrive in-country (Evidence, 21 March 1988, pp.
791-92). Violence by traditional landowners against the
operations of foreign companies operating in PNG (e.g. CRA's
Bougainville Copper) has also raised doubts about continued
overseas investment in the country.

10.10   Successive PNG Governments have focused on the law and
order issue and have instituted a number of steps to try to
counter the problems. Former Prime Minister Wingti saw rural
development and job creation as the remedy to increased
lawlessness; the present Government of Prime Minister Namaliu

also has given high priority to law and order, increasing
spending on law and order in the 1989 budget to $138m to cover
increased allocations for law enforcement agencies.

10.11   The Committee commends the decision by the Australian
Government to provide assistance to the Royal PNG Constabulary
under the Australian aid program. The Committee further
believes it important that the PNG Government be supported and
encouraged in its attempts to increase work opportunities for
its people and to bring the benefits of economic development to
all levels of society.

Political Instability

10.12   Politics in Papua New Guinea revolve around
personalities and power. Although political parties exist,
allegiances change with remarkable frequency and ideology plays
little part in holding a party together. PNG follows a modified
Westminster system, with a unicameral parliament, compulsory
voting, a first-past-the-post electoral system, and elections
held every five years. The electoral system has a number of
problems, including too many candidates standing for seats,
thus splitting the vote and creating a situation where in some
seats the successful candidate may get less than 10% of the
total votes cast. Another problem has been the almost
continuous defections of some members of parliament from party
to party in their efforts to obtain power or rewards. The PNG
Government is examining the possibility of requiring members
who change parties in mid-term to face a by-election.

10.13   A mark of PNG's political system over the last few
years has been the use of a 'no-confidence' motion in
Parliament to depose a Prime Minister. Leadership spills of
this kind have grown more common, and when Paias Wingti's
coalition Government was defeated in July 1988 in this manner,
it was the third such occasion on which government had changed
through use of the no-confidence motion. The Pangu Party-led

coalition Government of Rabbie Namaliu faced a similar threat after the 6-month grace period allowed to new governments under the Constitution, and may find itself confronting a similar challenge due to changing factional allegiances. The Namaliu Government has canvassed the idea of changing the Constitution, to require a general election to be held immediately after a successful no-confidence motion. As on average 60% of PNG parliamentarians lose their seats in each election, the turmoil caused by their changing allegiances may be decreased if parliamentarians face the prospect of losing their seats.

10.14   To change the Constitution two-thirds of the 109 member Parliament must approve the change at two separate sittings not less than six weeks apart. Some doubt exists whether the required majority will support the move, which will in effect severely limit parliamentarians' ability to pursue power and influence.

10.15   Despite the turbulence in PNG politics, the country is working within a democratic, constitutionally based system of government. With such a diverse population and major social problems the system has managed to survive so far and administration of the country continues. In the longer term, however, the Committee does see the potential for serious problems arising in PNG society should the cumbersome electoral system remain unchanged and the tenure of governments remain threatened by defections of members.

A Coup For PNG?

10.16   One result of the coups in Fiji was that once the unthinkable had occurred, doubts were raised about the security of other democratic governments in the region and the possibility of similar action being taken by dissatisfied elements. With the largest defence force of independent countries in the South Pacific region, attention naturally focused on Papua New Guinea. The Committee considered this

matter and concluded that a coup in PNG was most unlikely for a number of reasons. The PNG Defence Force (PNGDF), unlike the Fiji Military Force, contains representatives from most regions and ethnic groups within PNG and is not dominated by one section of the community. Unlike Fiji, the Royal PNG Constabulary is of sufficient size and capacity to provide some counter to the PNGDF and would provide a possible source of opposition to frustrate any attempted coup. Finally, the geography of PNG would make the chances of mounting a coup, and more importantly, maintaining control in areas other than the major centres of Port Moresby, Lae, Madang, Wewak and Rabaul, most difficult.

10.17   A more likely scenario involving the PNGDF would be the possibility of limited military action on specific issues. One such example occurred at Lae in June 1988 when the PNGDF defied civil authority in an attempt to stop the movement of the air wing from Lae Airport to another location. While this was a threat to civil authority, the action was localised and limited to an issue of immediate concern to the PNGDF. It is most unlikely that the PNGDF would seek to involve itself in matters beyond those of particular military importance. Dissatisfaction with conditions of service is one of the most likely triggers for potential action by the PNGDF.

PNG-Indonesian Relations

10.18   After a period of strain in the early 1980s (arising from OPM (Organisasi Papua Merdeka - Free Papua Movement) activity in Irian Jaya and the subsequent influx of refugees into PNG), PNG and Indonesia signed a Treaty of Mutual Respect, Friendship and Co-operation in March 1987. Despite accusations of Indonesian interference in domestic politics through financial donations to PNG political figures, continued border skirmishes and incursions by Indonesian soldiers in pursuit of OPM rebels, the relationship with Indonesia appears now to be on a much firmer footing. Australia, while wishing to see a

friendly relationship between both PNG and Indonesia, has not sought to attempt to direct or influence the nature of that relationship, nor would such intervention by Australia in what are essentially bilateral matters be welcomed by either party.

10.19   For Australia, the continued problems with the border remain of most concern. There are some 9000 Irianese refugees in Papua New Guinea, despite attempts to repatriate them to their villages. Australia has contributed financially to the support of the refugees and would be under increasing pressure to take refugees or at least contribute more to their upkeep should the border situation deteriorate and the movement of refugees to PNG increase.

10.20   The border is also of significance to Australia as the major potential flashpoint between PNG and Indonesia. If the integrity of the border was threatened and Indonesian incursions develop into a pattern of entry into PNG territory and military action against its citizens, there is every likelihood that PNGDF and Indonesian troops could become embroiled in direct armed confrontation. Australia may well be requested to support the PNGDF, with the implication that ADF units may ultimately also face potential armed conflict with Indonesia.

10.21   The Joint Declaration of Principles, signed by Australia and PNG in late 1987, contains the following clause:

> The two Governments will consult, at the request of either, about matters affecting their common security interests. In the event of external armed attack threatening the national sovereignty of either country, such consultation would be conducted for the purpose of each government deciding what measures should be taken, jointly or separately in relation to that attack.

10.22   Interpretations of this clause do vary, and it may well be that Australia could argue that the phrase 'will consult' does not commit Australia to take military action and commit troops to resolve the dispute. A range of diplomatic and defence related measures are also available to Australia in support of PNG. However, any Australian Government would also have to judge how limited Australian support might be viewed regionally and also domestically. Despite the decreased contact the Australian public has had with PNG, there still exists a great deal of goodwill and support for the country of the 'fuzzy wuzzy angels', particularly in any dispute with Indonesia. Regionally, a less than supportive stand by Australia for a fellow Forum country in the face of security difficulties with a non-South Pacific country, would also cast doubts on the genuineness of Australia's commitment to security in the South Pacific as a whole.

10.23   What Australia must attempt to do, with the means it has available, is to work towards halting a deteriorating situation between PNG and Indonesia, encouraging consultation and discussion rather than conflict, but also developing the surveillance capabilities of the PNGDF.

10.24   Following a number of armed incursions into PNG by Indonesian troops during 1988, the PNG Government requested Australian assistance to help patrol the border and monitor movements in the border region. At the inaugural PNG-Australia Joint Ministerial Forum in November 1988 defence and other matters of importance in the bilateral relationship were discussed. Following these discussions, Australia announced a number of additional areas of assistance to PNG including:

.   the stationing of a second Australian Army engineering unit near the border to undertake road building and other development tasks;

- assistance to the PNGDF to establish a Helicopter
  Squadron to improve their surveillance
  capabilities; and

- an offer of two additional patrol boats, giving a
  total of six boats to be provided under the
  Pacific Patrol Boat Program.

10.25   The Committee commends the decision taken by the
Australian Government to assist the PNGDF to strengthen its
surveillance and monitoring capacity, including the development
of a helicopter capability. The Committee also welcomes the
increase in the Defence Co-operation Program with PNG in recent
years, seeing in the program a valuable contribution to PNG's
long term security.

10.26   The continuing difficulty facing all who work in the
region of the border is the difficult terrain and the unclear
delineation of the border. The Committee encourages the
Australian Government to assist both PNG and Indonesia in
improving the definition of the border.

FIJI

10.27   The military coup in Fiji in May 1987 presented the
Australian Government with its biggest dilemma in the history
of regional relations.

10.28   The coup, removing the newly elected coalition
Government, was primarily a move to protect indigenous Fijian
supremacy against supposed encroachment by the already
economically dominant Fiji Indian population. Attempts to
resolve the crisis and involve all parties in a power sharing
agreement were terminated by a second coup in September 1987.
Fiji was declared a Republic on 10 October 1987, severing
Fiji's links with the Crown, and Fiji's membership of the
Commonwealth lapsed. On 7 December 1987 Brigadier Rabuka

relinquished government and appointed Ratu Sir Penaia Ganilau,
the former Governor-General, as President. Ratu Ganilau
subsequently appointed Ratu Sir Kamisese Mara as Prime Minister
to head an interim civilian government.

10.29   Australian reaction to the coups was strong in its
condemnation, and the Australian Government quickly moved to
suspend aid and military co-operation, and impose economic
sanctions. Australia subsequently moderated its approach,
motivated in part by the lack of condemnation or action against
Fiji by other regional countries, the lessening of Australia's
ability to influence events within Fiji due to much reduced
contact with the new regime, and the moves towards restoring a
civilian government of sorts. In January 1988 the Australian
Government, in a pragmatic reappraisal of diplomatic niceties,
revised its stance of recognising governments to one of
recognising states, thereby neatly avoiding having to give
tacit approval of the nature of the government in control in
Fiji. Civil aid was subsequently resumed and steps taken to
normalise relations, although the Defence Co-operation Program
with Fiji remains suspended.

10.30   These actions by the Australian Government were
strongly criticised by elements within the Australian community
and by those groups in Fiji most directly affected by the
coups, particularly members and supporters of the deposed
coalition Government of Dr Bavadra. Australia appears to have
pursued a policy in Fiji of attempting to influence
developments through the more moderate members of the interim
civilian Government. Throughout much of 1988 it appeared this
policy was having little success. The introduction of the
Internal Security Decree (ISD) in June 1988 following the
discovery of a cache of arms was one of the clearest signs that
the power of the military, in particular that of now
Major General Rabuka, remained undiminished. Having taken
control of Fiji, the military is unlikely to be willing to
stand aside and allow possible deviation from their plans for
the future of Fiji.

New Constitution

10.31   The two aims of the interim Government of Prime
Minister Ratu Sir Kamisese Mara have been to reform the
Constitution and to repair the economy. Central to this first
objective was the revision of the 1970 Constitution to reflect
more closely the nature of Fijian society and enshrine the
rights and supremacy of indigenous Fijians. A draft
Constitution was released in September 1988, containing
suggestions made by the Great Council of Chiefs and a
Constitutional Review Committee.

10.32   The new draft Constitution provides for a unicameral
system of government, and separate voting registers for the
various ethnic groups. Unlike the 1970 Constitution,
cross-voting is now abolished. Ethnic Fijians will elect 28
members, Fiji Indians 22, Polynesians from the island of Rotuma
one, and `others' (Europeans, Indo-Chinese and others) will
elect eight. An additional eight members (including the
Commander of the Armed Forces who will hold the position of
Minister for Defence and Security) will be appointed by the
President on the advice of the Great Council of Chiefs. The
Prime Minister also has the option of appointing four members
of his choice. Thus of a possible total of 71 Members of
Parliament, ethnic Fijians will comprise 40, ensuring Fijian
dominance. Although Indian and Fijian electors have the same
number of seats that they had under the 1970 Constitution, the
difference now lies with the high number of appointees.

10.33   Criticism of the draft Constitution has focused on a
number of specific areas:

> .   it places vital power with the Chiefs by
> allocating to them the right to appoint the
> President and the Commander-in-Chief of the Armed
> Forces without reference to the Prime Minister or
> Parliament;

.   it institutionalises the involvement of the
military in the political process by ensuring the
Commander of the Armed Forces is automatically a
Member of Parliament and a member of Cabinet;

.   it discriminates against not only Fiji Indians,
but also against some indigenous Fijians, by
giving more weight to the smaller islands and
discriminating against the bigger, more powerful
provinces;

.   although it guarantees a number of basic human
rights, the draft contains clauses overriding an
individual's rights `in the interests of defence,
public safety, public order, public morality or
public health...';

.   it gives the Armed Forces, without reference to
other constitutional provisions `the overall
responsibility...to ensure at all times the
security, defence and well-being of Fiji and its
people', raising the spectre of possible future
interference by the military in government again;

.   it provides amnesty for all involved in the coups
of 1987; and

.   it entrenches racial discrimination against the
Fiji Indian population - the President, the Prime
Minister, the Commander of the Armed Forces, the
Commander of the Police and the Chairman of the
Public Service Commission are all positions that
must be filled by an ethnic Fijian.

10.34   The Constitution has now been submitted to a *Fiji Constitution Inquiry and Advisory Committee*, in theory made up *of members of Fiji's* various ethnic groups but predominantly consisting of supporters of Ratu Mara's defeated Alliance Party. After receiving input from the general public, the Committee will report back to Cabinet. This report and the draft Constitution will then go to the Great Council of Chiefs, and later the senior Great Council of High Chiefs, whose recommendations will go back to Cabinet. Cabinet will then finalise the document and submit it to the President for his approval. The interim Government expects that elections under *the new Constitution will be held towards the end of 1989.*

10.35   The likelihood of significant changes being made to the draft Constitution is very small. With the Internal Security Decree in place until mid-November 1988, full and free discussion of the draft Constitution, involving all sections of the community, did not occur. The ISD was suspended in late November 1988, and formally revoked in early December 1988. Deposed Prime Minister Bavadra had suggested a referendum be held to gauge public support for the new Constitution, particularly as attempts by his multi-racial coalition to hold *public meetings to discuss the draft were rejected on the* grounds that such discussion could provoke ill-feeling between Fijians and Indians. There is no prospect of such a referendum being held.

10.36   The draft Constitution does contain many similarities to the 1970 Constitution, including a long list of rights such as freedom of speech, assembly, association and movement. It also provides for an independent system of justice, and for a constitutional review every ten years. The removal of the *ISD* appears to have been partly motivated by a desire to deflect *criticism that it restricted full discussion of the draft. It* is very difficult to gauge how free people in Fiji will now believe themselves to be in criticising something that those in

power support most strongly. Major General Rabuka was also quoted as indicating the military would retake control of the country if the draft Constitution is not accepted.

Australian Aims

10.37   Australian policy in the region, described by Senator Evans as 'constructive commitment' (see Chapter Eight) presupposes that the particular countries with whom we are *attempting to develop a partnership wish to have that sort of* relationship with us, and more importantly share the same perceptions of strategic and security interests. Events to date in Fiji do not indicate a desire for a partnership. If anything they appear to wish to limit Australian involvement and potential influence in what they view as internal political events.

10.38   There are obvious limits to the extent to which Australia can exert influence in the region in support of the democratic humanitarian values that Australia espouses. Diplomatic and economic pressure can achieve only a limited amount, and may in some cases prevent access and dialogue that may lead to a more moderate line being taken. The fact remains that Australia is dealing with a sovereign nation, and that ultimately the self-interest and concerns of those in power in that country will dictate what path they choose to follow.

Aid to Fiji

10.39   Australian moves to normalise relations with Fiji in early 1988 and reinstitute the aid program that was in place before the coups recognised the changed status quo and the reality of politics in Fiji. However, attempts to use additional aid as a lever for reform were ill-advised and of dubious value, although the individual projects are very worthwhile. By linking the additional $10m aid to 'political constitutional, economic and social developments in Fiji,

including human rights' (Budget Related Paper No.4, p. 12) the Australian Government found itself facing a dilemma. To proceed would, by implication, endorse the status quo in Fiji and in an indirect way assist a government ameliorate the disastrous economic effects of its own actions. Should the Australian Government, having announced the possibility of additional aid, not proceed with it, it would alienate the regime in Suva even further and lay itself open to charges by other regional countries of trying to buy influence with aid.

10.40   The Australian Foreign Minister announced the partial ($4.84m) implementation of the additional aid package in November 1988 citing as part of his reasoning that:

> despite the fragility and unpredictability of the situation in Fiji, developments had taken place which warranted a phased implementation of the special programs. These developments included the lifting of the Internal Security Decree; the opening of a public consultative process on a draft constitution; the assertion of the independent role of the judiciary; signs of recovery in the economy; and a general improvement in the human rights situation.

> (Exhibit, No. 80 (News Release M 201),
> 22 November 1988)

10.41   The Committee questions the assessment contained in the above statement, seeing little in recent developments in Fiji to indicate significant progress toward genuine freedom of discussion of a discriminatory draft Constitution, or substantial moves to reassert civilian authority over the military.

10.42   While the Committee believes Australia should not have to justify its decisions on aid, there is the danger that Australia may appear hypocritical in its treatment of Fiji when the provision of Australian assistance on a global basis is examined. By attaching certain conditions to the provision of

aid to Fiji, Australia is seeking far more than it does from a number of recipient countries beyond our immediate region. There are a number of countries where Australia has continued to give official development assistance despite evidence of human rights abuses and non-democratic practices. The whole area of foreign relations is full of such dilemmas and Australia must be aware that it could in the end be applying double standards in its aid program.

10.43   The Committee has no argument with the resumption of civil aid to Fiji. However, the provision of the supplementary aid to Fiji was most unfortunate for several reasons. By giving Fiji such a major increase in aid over and above its usual annual allocation, Australia's aid program in the South Pacific has been distorted. The additional aid also sends an unintentional message to those South Pacific countries who are democratic and who only got their usual moderate increase in aid in that financial year. The Committee believes that Australia should not have linked the supplementary aid to improvements in the internal political situation in the first place. Having made the provision of aid conditional on such improvements, the assessment of which is very subjective, it now seems pointless to move away from seeking such a commitment. The Committee urges that the way in which supplementary aid was supplied to Fiji be avoided in future if similar situations occur elsewhere. Care should be taken in future to avoid placing conditions on recipient countries that are difficult to assess, and impossible to enforce.

Prospects for the Future

10.44   From any perspective, the future of Fiji must appear to be very precarious. Economically Fiji is still suffering the effects of loss of investor confidence following the coups. The exodus of skilled business people from the country through emigration of the Fiji Indian community continues. The general population has suffered with a devaluation in the Fijian dollar

of some 33% and the potential for increased social problems
arising from low wages and growing unemployment is great. As
part of an anti-inflation strategy the interim Government has
announced a freeze on wages during 1989. In an attempt to
improve the economic performance of indigenous Fijians a number
of measures were announced as part of the 1989 Budget aimed at
giving indigenous Fijians at least 30% of the country's
business and commerce by the year 2000. It remains to be seen
how successful these initiatives are, particularly in light of
the lack of skilled labour and entrepreneurial expertise in the
Fijian community.

10.45   Politically, the draft Constitution entrenches Fijian
dominance of the political system and cuts off traditional
avenues for advancement of the Fiji Indian population by
restricting Public Service appointees. With no possibility of
obtaining real political power, and hence no legitimate avenue
into which to direct their grievances, the Fiji Indian
population could provide a fertile ground for agitation,
leading in time to increased communal violence. That the
Fijians are aware of this danger is signified by their quick
response to reports of arms caches early in 1988. Should the
Fiji Indian population also have its economic power curtailed
the danger of a backlash increases dramatically.

10.46   The possibility of a third coup has been acknowledged
by Prime Minister Ratu Mara in a speech in October 1988.
Speaking at a Provincial Council meeting he warned that the
military could again take power if the proposed new
Constitution was not accepted. It has now set a precedent for
involvement in the political process, and in the draft
Constitution has had its role as guardian of law, order and
stability detailed. The spectre of further military action
remains a great threat to moves by the interim Government to
return the country to some form of constitutional government.
Should the military at some future date perceive government
policies to be moving away from what it sees as best for Fiji,
direct intervention could occur.

VANUATU

10.47   Vanuatu, an independent nation since 1980, has
followed what can be described as an idiosyncratic foreign
policy. A member of the Non-Aligned Movement, Vanuatu has been
a strong critic of what it sees as neo-colonialism in the
region. As well as establishing ties with the West, Vanuatu has
established friendly ties with countries including initially
Cuba, Libya and the USSR, based primarily on their support of
Vanuatu's moves towards independence.

10.48   Domestically, the Vanua'aku Pati (VP), led by Father
Walter Lini, has dominated the political scene since
independence. A rift in the party emerged in 1987 when party
General-Secretary Barak Sope attempted to replace Father Lini
on the basis of Father Lini's ill-health. Although that move
was unsuccessful, relations between the two men continued to
deteriorate with the power struggle continuing behind the
scenes. In May 1988 Father Lini announced the closure of the
Vila Urban Land Corporation (VULCAN) chaired by Mr Sope,
claiming mismanagement. The result was anti-government riots in
the capital, Port Vila, orchestrated by Sope supporters. Father
Lini's request for Australian and New Zealand assistance in
replenishing and augmenting anti-riot equipment was met.
Following the riot Mr Sope was sacked from the Ministry and in
retaliation he and four other Government MPs supported an
Opposition motion of no confidence in Father Lini. For this
act, they were deemed to have resigned from the VP and thus to
have forfeited their seats in Parliament. The Opposition
boycotted subsequent sittings of Parliament, and after being
absent for three consecutive days was expelled from Parliament.

10.49   The political crisis continued with legal challenges
to both of these actions. Ultimately the expulsion of Barak
Sope and his supporters was overturned, but the expulsion of

the *Opposition members* was upheld. By-elections for the 18 Opposition seats were scheduled for December 1988, and Sope announced the formation of a new party, the Melanesian Progressive Party (MPP) in October 1988. In November he and four supporters resigned from Parliament in protest over the past actions of the Speaker. Both the MPP and the Opposition Union of Moderate Parties (UMP) boycotted the December 12 by-elections, calling instead for general elections to be held. This call was supported by the President, *Ati George Sokomanu, who stated his own ambitions regarding the leadership.* The by-elections saw the VP increase its parliamentary majority from half to over two thirds of seats. The impact of the boycott cannot be ignored, nor can the absence of an effective opposition group for the long term credibility of the parliamentary system. Although the Government has the vast majority of seats as a result of free and fair by-elections, it is not healthy in any parliamentary system for one group to have almost total control. The Committee would hope that at the next election there will be sufficient members elected to ensure a viable opposition group.

10.50   The crisis deepened in mid-December 1988 when, during his speech at the opening of Parliament, the President dissolved Parliament and ordered new elections. His attempts to form an interim Government, led by his customary nephew Sope, and including the leader of the UMP and three others, resulted in their arrest on charges of sedition, and the President being removed from office by the Vanuatu Electoral College. The former President was sentenced to six years *imprisonment in March 1989.*

10.51   The President admitted that he had no power under the Constitution to take the action that he did, but that his actions were based in his concerns over the continued conflict between Lini and Sope, and the effect that was having on the country's economy. The support of the Lini Government by the

police and the para-military Vanuatu Mobile Force (VMF) was decisive in countering Sope's push for power and in the maintenance of civil order and calm.

10.52   At present Father Lini appears *in firm control of both* the VP and the Government. However, Father Lini has foreshadowed relinquishing control of both, and already there is a great deal of speculation about his possible successor. Several members of the current government and leaders in the Vanua'aku Pati have been mentioned. Nevertheless, Sope's ambition to become Prime Minister remains as strong as ever, and it is clear that the power struggle will continue. That the December 1988 by-elections were conducted *in a peaceful fashion and the ensuing political crisis contained without loss of life* is a reflection of the credibility of Father Lini's Government.

10.53   Events in Vanuatu have demonstrated the fluidity of the political system, but offer some encouragement about the continuation of democracy in the country. The power struggle was fought out within the party system and in accordance with the Constitution. With less than 10 years of independence behind it, Vanuatu is still evolving its own political system, adapting what was left by its colonial rulers into something more suited to the culture and expectations of the Vanuatu people. What may eventually emerge may be far removed from the Westminster system as we know it, but may be more representative of 'Pacific democracy' in its true sense.

10.54   The likelihood of a one-party state being established in the Pacific has increased significantly. However Melanesian politics is based more on the individual, the traditional 'big man' and so tensions between those with power and those without it appear inevitable. The effective banning of Opposition groups will serve only to drive the dissent underground, not remove it entirely.

10.55   Australia's response to the riots in May 1988 was an act of support for a regional leader facing a deteriorating, yet still localised law and order situation. The situation in December 1988 was judged to be purely internal, but Australia could still not avoid having to take sides in what was primarily internal domestic political manoeuverings. Father Lini acknowledged that the regional support for his government was important in the resolution of the crisis.

10.56   Vanuatu is left with a legacy from 1988 of continuing political tension, and threats to national unity. The divisions that have been created will not be easily mended. Personal ambition and dissatisfaction, wedded with regional (north islands vs south) and cultural differences (francophone vs anglophone) are not easily countered, particularly given a worsening economic situation. The threat of violence remains ever present, and while much may be said in the heat of the moment, Sope's alleged comments that should he not receive VMF support, he would form his own force and arm it with assistance from outside the country (Sydney Morning Herald, 19 December 1988, p.1) cannot be ignored. The Australian Government must be prepared to support an elected Government threatened by such a force if requested.

10.57   Despite the great political turmoil in Vanuatu, tourism could have proceeded unaffected. However, it was affected badly, and continues to be affected by the legacy of uncertainty. Media reports have not assisted the return of tourist confidence in Vanuatu. What should be remembered is that the constitutional crisis resulted in no loss of life, and that out of Port Vila, the capital, life went on with little change. Vanuatu has much to offer the visitor, and the Committee hopes that Australian tourism to that country will quickly reach its pre-1988 levels.

CHAPTER ELEVEN

CONCLUSION - AUSTRALIA AND THE SOUTH PACIFIC TOWARDS THE 21ST CENTURY

11.1   It is apparent that changes in the South Pacific region at the political level have led to a considerable re-evaluation of Australian foreign policy toward our near neighbours, and a greater emphasis on the region. A deteriorating economic situation for the small South Pacific states has, at the same time, increased their vulnerability to economic pressures from outside the region. The continuing fluidity of the relationship between Australia and the region will require sensitive handling and management, to avoid Australia being either seen as a 'big-brother', attempting to dictate to the region, or alternatively as wishing to distance itself from the region and remaining uninvolved, should Australia hold back from proffering assistance and advice.

11.2   Although the bilateral relationship between Australia and each individual country is generally good, there will inevitably be periods of conflict and disagreement, as the various countries assert their independence and the process of change that occurs in all newly independent countries gains momentum. As noted in Chapter Eight, Australia can do much to assist the region's evolutionary process by maintaining and encouraging increased contact at all levels, but particularly among major decision makers in Australia and the region.

AUSTRALIAN PUBLIC AWARENESS

11.3   Beyond government-to-government contacts, much remains to be done in increasing the Australian public's knowledge of the region and its people, and the processes of change

occurring there. A number of submissions to the inquiry highlighted the need for greater public awareness of the region, and the need to look beyond the stereotyped image of the Pacific. As Professor G McCall noted, Australians see the Pacific Ocean as `something to be crossed, but not studied or appreciated' (Submission, p. S 16) and this must change. Part of the problem has been the traditional focus on Europe, and the more recent focus on the Asian region. The history and culture of some of our nearest neighbours still remain largely unknown. This ignorance can have a detrimental affect on how developments in the region are viewed. Dr R Herr noted:

> Certainly it cannot hurt for there to be a more knowledgeable public, particularly at the policy-making level in Australia. Some of the events have been made more dramatic than they ought to have been, simply because alarmism was possible in the absence of an informed public attentive to events in the South Pacific.

> (Evidence, 27 April 1987, p. 186)

11.4   Greater emphasis on the Pacific region needs to be placed in secondary school curricula, to encourage and develop in the youth of Australia an interest in, and appreciation of the Pacific and its people. The Committee recommends that the Department of Employment Education and Training develop school curricula related to Australia and the South Pacific within existing school programs.

11.5   As an adjunct to this, and given the importance of development of personal contacts at all levels, the Committee recommends the Department of Employment, Education and Training establish a student exchange program among secondary school students in Australia and in the region.

11.6   The establishment of a Centre for Pacific Studies at the University of New South Wales is a welcome step, drawing together as it does a number of disciplines and establishing links with other institutions, government, educational and private in Australia to share and expand knowledge of the Pacific region. It hopefully will provide, along with other educational institutions at the tertiary level in Australia, a range of options for those wishing to pursue undergraduate and post-graduate studies of the region.

AUSTRALIAN MEDIA REPORTING

11.7   Formal education about the region can achieve only a certain amount. Most Australians form their opinions and beliefs from what they read, see and hear in the media. Regional reporting, for example on Fiji, was criticised as being often a `simplistic presentation of racial violence because that is one that is easily understood, and they have left it at that. There have been some other efforts though'. Part of the problem was attributed to:

> `cutbacks in funding for media organisations so that they do not have full time staff regularly based in the Pacific region ... when journalists fly in to a state of crisis, be that the Papua New Guinea situation last year or Fiji at the moment, they cannot follow the background of what is going on.

> (OSB, Evidence, 25 May 1987, pp. 423-24).

Other criticism was somewhat harsher, referring to examples of `radical, sensationalistic, and completely untrue press reports within Australia, and news coverage by Radio Australia, (which) ...would have effectively negated millions (even tens of millions) of dollars worth of aid and assistance to the Pacific Area' (Coker, Submission p. S 1811).

11.8   Australian media reporting also has an impact on the countries themselves. They look to Australia for support and understanding and the often critical tone of reporting on regional events has dismayed a number of regional leaders. With Australia being a major source of regional news in the South Pacific, the impact of broadcasts can be quite large. Australian media have also been criticised for giving extensive coverage of political upheavals etc, but for giving little if any coverage to these countries once the difficulties have subsided.

11.9   While defending the freedom of the press to report a situation as they see it, the Committee was concerned that attention only turned to the region in times of crisis. Therefore reporting tended to concentrate on situations of political tension, communal violence, or as is often the case, devastation caused by natural disasters. The Committee would encourage all media groups to provide regular, informed coverage of the South Pacific. To this end, the Committee recommends that the ABC and SBS Television investigate the feasibility of a half-hour weekly `South Pacific Roundup' type of program. The program could report on cultural events, spotlight particular ethnic groups or areas, feature interviews with regional political and cultural identities, and also acknowledge the small but growing number of South Pacific migrants now settling in Australia.

CULTURAL AND SPORTING CONTACTS
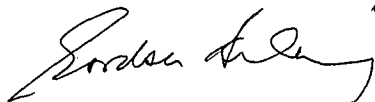
11.10   Aside from the political, defence and economic dimensions of the relationship between Australia and the region, there is also a range of cultural and sporting contacts that are building links between Australians and the people of the islands. Although that area is outside the scope of this inquiry, the Committee did receive submissions on the extent of contacts in fields such as sport, the arts, museums and

libraries (see, for example, DFA, Submission pp. S 944-46 and DASETT, Submission pp. S 2441-71). The cultural richness of the South Pacific was well illustrated, for example, at the Fifth Festival of Pacific Arts held at Townsville in September 1988, and by the participation of a number of regional countries in EXPO '88 in Queensland. Contact of this type, and assistance to the region in preserving its history and culture, should be strongly supported, to ensure that what is uniquely `Pacific' is retained for future generations.

TOWARD THE 21ST CENTURY

11.11   Predicting the future is a hazardous occupation, particularly in attempting to evaluate the likely state of relations between any two countries at some future date. This is no less the case when trying to assess where Australia and the countries of the region will be as we enter a new century. The Committee firmly hopes that the relationship will have grown and matured, weathering the inevitable conflicts that will arise in bilateral relations as the independent states move from post-colonial preoccupations with economic and nation-building concerns, to embrace the full range of concerns of independent, sovereign states. Australia, by virtue of its size and economic power will remain a major force in the region, but equally because of its size, strength and predominantly European culture, will inevitably remain somewhat apart. While Australia can sympathise with the difficulties faced by these states, it does not experience them first-hand. Australia must remain willing to help these countries develop and meet the challenges that they will inevitably face. Other players will also take a more active role in the region, but the multiplicity of interested parties will not necessarily disadvantage Australia's interest, should Australia seek to play a constructive role in co-ordinating such involvement. Australia has expertise and knowledge of the region, arising from long involvement, particularly with the Melanesian countries, and should offer such expertise freely.

11.12   Australia and the region have great potential to strengthen their ties of friendship and co-operation; with goodwill and continued effort on both sides the next century should truly be the age of the Pacific.

Gordon Bilney, MP
Chairman

March 1989

REPORT ON VISIT TO THE SOUTH PACIFIC REGION

1.   During the course of the inquiry the Committee became concerned that most of the material being received originated in Australia, and very little input was being received from the region itself. To ensure that the final report was balanced - including not only Australia's views but also a South Pacific perspective on the relationship, eight members of the Sub-Committee undertook an official parliamentary delegation to eight regional countries in June 1988. The visit provided members with an opportunity to inspect a number of Australian aid projects, as well as providing a forum in which South Pacific people, including government and opposition leaders, parliamentarians, business people, and academics could raise their concerns and comment on their views of the relationship with Australia.

2.   The delegation leader was Mr D E Charles, MP, with Hon M J R MacKellar, MP, Deputy Leader. Other members of the delegation were Senator C Schacht, Mr R G Halverson, OBE, MP, Mr G B Nehl, MP, Mr P M Ruddock, MP, Mr J L Scott, MP, and Dr A C Theophanous, MP. Delegation Secretary was Mrs J Towner, and Ms K Campbell from the Department of Foreign Affairs and Trade accompanied the delegation.

3.   The 1988 visit program was as follows:

14 June - 16 June	Solomon Islands
17 June - 18 June	Tonga
19 June - 22 June	Fiji
22 June - 24 June	Western Samoa
25 June	Tuvalu
26 June - 27 June	Kiribati
27 June - 28 June	Nauru
28 June - 1 July	Vanuatu

4.   The body of this report reflects the major findings of the delegation and the concerns of the islanders. The following is a general summary of observations from the visit, together with a summary of the major areas of discussion in each country.

GENERAL COMMENTS

5.   The Committee appreciated the opportunity for some of its members to visit the eight South Pacific countries listed above; while some members had travelled extensively in the region, few had visited the more isolated countries. As a result of the ongoing inquiry, all had a good theoretical knowledge of the region, its problems and prospects. The visit provided an opportunity for the theoretical data to be assessed alongside first-hand experience.

6.   The most lasting impression was one of the sheer
vastness of the region, and the very small amount of actual
land area in that vastness. In visiting the countries the
delegation was fortunate to have at its disposal an RAAF
aircraft, one able to land on the small runways and yet cover
the distances reasonably efficiently. The micro-states of
Tuvalu and Kiribati, with long narrow stretches of land, some
no wider than 50 metres in part, appeared to come from nowhere
when seen from an aircraft for the first time. Curved around a
lagoon and at the mercy of the sea in bad weather, the
precariousness of island existence and their very remoteness
from other countries was immediately apparent. In contrast the
larger islands, some of volcanic origin such as Vanuatu, with
lush vegetation or densely timbered mountain slopes as in
Western Samoa, were a world away from the sandy soil and
limited vegetation of the atolls.

7.   Distance from other countries was only part of the
equation - the distances separating one part of a country from
another brought home to the delegation the inherent
difficulties facing the political leaders of these states in
their tasks of nation-building and development. Although
Australia has enormous distances between different parts of the
country, the land provides a bridge for contact; in the
Pacific, the ocean is an obstacle, a barrier to be overcome.

8.   Although facing a range of geographically-based
constraints to their development, many of the South Pacific
nations have great potential. The Solomon Islands, for example,
is a young country with much to work towards in the future,
provided sensitive and appropriate assistance is given to the
Solomon Islanders to help them develop their country. The
country is young, not only in terms of its political
independence, but also because of its high population growth
rate. Although it is a truism to say that the future of any
country lies with its youth, in the South Pacific the youth are
a vast resource not being fully developed and utilised.

9.   In a number of chapters of the report we have stressed
the importance of improved educational standards for the
region. With only small numbers of students completing
secondary schooling, the opportunity to bring into
full flowering all of the hopes and aspirations present at
independence is much reduced.

10.   Despite all of the difficulties facing the region, the
delegation was struck with the optimism and enthusiasm of the
people and their leaders about the future. This is not to say
that they are ignoring the enormity of the challenges they face
- they are very aware of where their problems lie, prepared to
seek assistance where necessary. Where realistic assessments
indicate what may be insoluble problems, as for example in
Tuvalu and Kiribati, the islanders are prepared to adopt and
reorient their goals to ones more realistic.

11.   The South Pacific nations have leaders who, for the
most part, are people of great vision. Those who led their
countries to independence are being assisted or followed by a
younger generation. This new generation of leaders is looking
increasingly beyond their immediate region, taking the South
Pacific into a new era where the concerns of super-power
rivalry, nuclear weapons and fluctuations in world trade
patterns are of interest and relevance to the Pacific
islanders.

12.   The main body of the report reflects a number of the
central concerns shared by regional countries - as mentioned
earlier, education and areas such as health, economic
development, transportation and communications, and changing
social patterns. The delegation was particularly impressed
during the visit by the strength of traditional cultural values
and observances given the long history of contact with the
West. Western Samoa was particularly impressive because of the
care taken by the Government to defend and preserve as much of
Samoan culture as is possible. The Samoans recognise that it is
the youth who will ultimately preserve the traditions. Special
classes in cultural matters, therefore, are given in schools.
There may be an overlay, a veneer of Western habits, but the
world-view and attitudes are essentially South Pacific -
whether it be Melanesian, Micronesian or Polynesian.

13.   The delegation was very honoured to visit the village
of Ma'asina during its stay in Western Samoa, and to
participate in the `Ava ceremony and an accompanying Sua
presentation. The ceremony, involving speech-making, ceremonial
mixing of the `Ava and formal distribution of a cup of `Ava to
those present, was one of the most memorable activities of the
visit, and yet another demonstration of the vitality of a rich
and fascinating culture. The delegation greatly appreciated the
honour bestowed on it by the village of Ma`asina, and
appreciated also the many hours work by all in the village that
had gone into preparing for the delegation's visit. The
delegation was overwhelmed by the hospitality and generosity of
all in the village, and regretted not being able to stay even
longer.

14.   Although the delegation was aware of the long history
of missionary activity in the region, the physical presence of
the churches, in particular in Polynesia was remarkable. The
churches are a focal point in the communities. It is partly
from the churches and partly as a result of their own cultural
preconditioning, that the region has such a strongly
conservative orientation.

15.   The delegation was also struck with the great amount
of good will and friendliness demonstrated towards Australia.
Although difficulties arise in every relationship, the
delegation was left with the impression that essentially the
Pacific islanders welcomed Australia's interest in the South
Pacific and supported Australia's desire to become more closely
involved in the development process in the region.

SUMMARY OF DISCUSSIONS IN SPECIFIC COUNTRIES

Solomon Islands

16.   Substantive discussions on the Australia-Solomon Islands relationship were held with the Deputy Prime Minister and Minister for Foreign Affairs, Rt Hon Sir Peter Kenilorea, KBE, the Minister for Economic Planning, Hon Paul Tovua and Hon Augustine Rose, the Minister for Trade Commerce and Industry. Tensions in the relationship centring around Australian business operations in the Solomon Islands were examined, with the problems in part attributed to cultural misunderstandings - local people not understanding how business operates, and foreign investors not aware of the implications of traditional land ownership and customs. The involvement of an Australian national in recent disturbances was an additional complicating factor.

17.   Economic development was one of the Solomon Islands Government's major priorities, and in development assistance they were looking to broadening the range of aid projects undertaken to include more revenue-generating projects. Tourism was an area identified as having potential for development, and Australian assistance was being sought. Transportation problems and education were major blocks to economic development and nation-building, and while Australian assistance in the past had been appreciated, much remained to be done. The Solomon Islands Government was happy with the consultation process and liaison over aid matters.

18.   Discussion also covered regional developments, such as recent events in Fiji and the Solomon's role in the Melanesian Spearhead Group, which they saw as a demonstration of a genuine sense of relationship between the member countries in social, economic and cultural areas. The theme of economic development was continued that evening with informal discussions with members of the Solomon Islands-Australia Business Association.

19.   The delegation travelled to Makira Province the next day, and after meetings with the Premier Mr Gad Hagasuramo and the Deputy Premier Mr J Morea, inspected the Waimapuru National Secondary School built on the island with Australian aid funds, as well as a village primary school and a logging operation. The environmental impact of logging was discussed at length, and in Honiara the effect of removing vegetation from the surrounding hills was very apparent. The other difficulty that arose with logging was the removal of traditional markers that assisted the locals define traditional land ownership. These markers may often be a particular tree or rock. This has created a number of problems and disputes between traditional landowners and companies. The problem of funding for educational institutions, in particular the high level of recurrent costs associated with projects such as Waimapuru, was also discussed.

20.   Returning to Honiara, members met representatives of the Forum Fisheries Agency, who gave a briefing on the role and operations of the Agency and its involvement in negotiating multilateral fisheries agreements on behalf of Forum countries.

Tonga

21.   In addition to inspecting a number of aid projects in and around the capital of Nuku'alofa, the delegation visited a small industry park established by the Tongan Government to encourage export-oriented industries. The various small businesses in the park employ a large segment of the skilled Tongan workforce and provide training opportunities, particularly for young females.

22.   A formal meeting with seven Tongan parliamentarians provided the opportunity for comprehensive discussions on topics including economic development, the Tongan political system and the Australian aid program. Australia's immigration policy was also discussed, and provided one of the liveliest debates of the entire trip. The Tongans pointed out the important role remittances play in the Tongan budget (up to 60%) and that with a trade deficit of 5:1, Tonga was only able to pay for imported goods because of remittances. It was argued to the delegation quite strongly that current Australian immigration laws are one-sided, that Australians can move to Tonga, establish a business and make use of comparatively cheap labour, sending profits back to Australia, while Australia only accepts the rich or well educated of Tongan society. Australia was urged to adopt a more regional perspective on migration matters, and put a bias in the program in favour of regional immigration. The Tongans also argued that the close ties that exist between members of the Commonwealth should be recognised through easier movement of people between member countries.

23.   Australian aid was also discussed, and while appreciative of what Australia has done for Tonga, it was pointed out that aid had meant major costs for the Tongan economy in the form of recurrent running costs. Two areas identified for future Australian assistance were lengthening of the runway on the main island (to encourage tourism), and assistance in developing the fishing industry.

24.   During informal and lengthy discussions with HRH Crown Prince Tupouto'a, Minister for Foreign Affairs and Defence, on a whole range of defence issues, the delegation was told that Tonga needed a minimum of three Pacific Patrol Boats - one to be based in the northern islands, one on the main island and one for rapid deployment as necessary. On return to Australia the delegation was subsequently advised that three Patrol Boats were to be supplied under the Pacific Patrol Boat Project as part of Defence Co-operation with Australia.

Fiji

25.   On arrival in Fiji the delegation was briefed extensively by Australian diplomatic staff on recent developments, including details of the Internal Security Decree (ISD) reported in the press that same day. This decree, and its implications for a return to democracy in Fiji, dominated much of the discussions during the visit.

26.   Formal discussions with the interim Fiji Government commenced with a call on Brigadier Rabuka, in his capacity as Minister for Home Affairs. Brigadier Rabuka gave the delegation some background concerning the introduction of the ISD, the inadequacies of existing legislation to deal with offences such as arms smuggling, and how he saw the decree being put into operation. The delegation expressed severe reservations about the decree to Brigadier Rabuka and noted that such a decree would hinder the process of restoring close contacts between Australia and Fiji. Brigadier Rabuka also commented on the development of the new draft Constitution for Fiji, indicating possible communal voting and an increase in Fijian seats were likely. In answer to questions about future political developments in Fiji, he indicated that in perhaps 10 years time, should political allegiances change and someone like Dr Bavadra be elected, so long as the majority of Fijians and Indians supported the elected government, that decision would be respected by the Army.

27.   The meeting with President Ratu Sir Penaia Ganilau also focused on moves to restore parliamentary democracy to Fiji. Sir Penaia indicated that when the interim Government was established, two priorities were identified - restoration of the economy and formulation of a constitution for the country, over a time-scale of two years. On the ISD, the President felt it was needed to meet the threat posed by the discovery of arms within the country, and to enable the security forces to discharge their duty. He had been given assurances that it would be repealed once it was no longer needed. Sir Penaia also discussed in general terms what he believed may be included in the draft Constitution, but stressed that Fijian paramountcy would be protected.

28.   Regional and international events were also discussed, including increased political instability in a number of states, the potential for exploitation of this instability by extra-regional powers, and continued difficulties in New Caledonia.

29.   The delegation also held discussions with the Chief Justice, Sir Timoci Tuivaga, who emphasised that the judiciary had maintained its independence despite some difficulties. Problems had arisen, however, in that there were insufficient judges to enable the smooth operation of the court system, and delays were occurring in cases being heard. Although aware of the sensitivities involved, the Chief Justice requested Australian assistance in staffing the judiciary.

30.   On general law and order questions, Sir Timoci indicated no cases of harassment of the Indian community by the Fiji Military Force had reached the courts, but believed some problems may have arisen more from lack of discipline rather than as part of a concerted campaign of harassment.

31.   The theme of two main objectives for the interim Government was repeated in discussions with Prime Minister, Ratu Sir Kamisese Mara. Ratu Mara noted that there were signs of economic recovery, but areas of concern still remained. In discussing the coup, Ratu Mara stressed its origin lay in Fijian anxiety about their rights, particularly over land. The new Constitution, he felt, would seek to assuage these concerns. Ratu Mara indicated elections would probably be held in the second or third quarter of 1989, and rejected very firmly any idea that he would stand for election. The Prime Minister defended the ISD as necessary, giving the arms discovery as justification.

32.   On Australia - Fiji relations, Ratu Mara felt that they were at their lowest in many years, and was particularly critical of Australian trade unions, the type of contacts between Australian and Fijian political parties, and the findings of an ALP delegation to Fiji. Personal criticism of himself in the Australian media was also most unhelpful. Ratu Mara said that resumption of Australian aid was a positive move, but generally he saw little prospect in the future for improved relations. Briefly turning to regional events, he predicted continued instability for the South Pacific as a whole.

33.   The delegation also had discussions with various members of staff at the University of the South Pacific, and at the Colonial War Memorial Hospital; trade union representatives; and members of the Fiji/Australia Business Council. A call was also made on the Director of SPEC, Mr Henry Naisali. Mr Naisali discussed in some detail the changing role of SPEC, and his desire to strengthen SPEC's activities in the areas of trade, communications, energy and transport, as well as increase SPEC's political role. Discussion then concentrated on telecommunications in particular. He referred to an ongoing project, funded by Australia and New Zealand to improve communications at the village level, but was concerned that as yet nothing was on the ground. He foreshadowed OTC involvement in arriving at a telecommunications solution for the region's problems. The delegation also discussed problems in regional education and transportation with Mr Naisali, and how SPEC might assist.

34.   The delegation was particularly concerned to meet members of the deposed coalition Government, and in the absence of Dr Bavadra, held discussions with four representatives of that group. They stressed that Australia had been seen as the champion of democracy, law and order and human rights in the Pacific, but that Australia's less than forceful action over

Fiji was viewed with some misgivings, reinforced by the decision to restore aid to Fiji. The ISD was seen as proof that a military government was in power, not a civilian one, and that the Australian policy of working through the more moderate elements in the government was unsuccessful. Their basic concern with the new Constitution was that it would be a racist, discriminatory document. They felt the ISD would be used to intimidate the general population, and limit potential debate and criticism. They sought Australian assistance in influencing the Government to move towards a truly consultative process, removal of restrictions on coalition members' movements, and lifting of the ISD. They also urged that development assistance be aimed at the poorest of the people.

35.   The final major meeting the delegation held was with the majority of the Cabinet of the interim Government. As had happened in previous meetings, discussion was dominated initially by the ISD, with the decree strongly defended by the Ministers present as being essential to the continued maintenance of law and order. Concerns expressed by the delegation at the wide ranging nature of the decree were criticised as a type of imperialism. Discussion also covered the draft Constitution and the processes for consultation that would be followed, confirming predictions on timing of an election.

36.   Australian aid was also discussed, and based on aid consultations in Sydney earlier in June, Fiji had requested an additional $10m in special development assistance. Areas such as health, youth and youth unemployment and education were areas of urgent need – not only for equipment and facilities, but also for trained people. Japanese investment in Fiji had increased, and there were signs that the general economic situation in Fiji was improving. The rules of origin clause under SPARTECA came in for particular criticism, and Australia was asked for a more flexible interpretation. Discussion ended with thanks from both sides for a very frank and constructive discussion.

Western Samoa

37.   During the delegation's visit to Western Samoa the group took the opportunity to inspect a number of aid projects supported by Australian development assistance funds, primarily the Cocoa Rehabilitation Project at Nu'u, and the YMCA Youth Vocational Training Project. In addition a trip to a village was organised, and travel was on the *MV Nafanua*, provided to Western Samoa under the Defence Co-operation Program's Pacific Patrol Boat Project.

38.   Formal discussions commenced with a meeting with the Western Samoan Cabinet, headed by Prime Minister Hon Tofilau Eti Alesana. Australian aid dominated much of the discussion, with Australian assistance in education in particular receiving praise. Deficiencies still exist in the education system, however, particularly with shortages of teachers, text books

etc. The Government was strongly committed to the preservation of traditional Samoan culture, and special classes in this were taught. Concerned with the 'brain drain' from the country, the University of Western Samoa was established to try to counter this exodus.

39.   When questioned on the appropriateness of the aid given (i.e. the high amount of capital intensive infrastructure projects) the Cabinet defended projects such as the airport as necessary for economic development, and also because of the high number of Samoans who travel abroad.

40.   Tourism and remittances play an essential part in the Western Samoan economy, and discussion turned to immigration. The Prime Minister argued for standardised immigration entry requirements across the Commonwealth, and noted Samoa's interest in some easing of Australian immigration requirements, and an increased visa allocation for Western Samoa.

41.   The issue of immigration and the importance of remittances was also discussed in a meeting with senior Western Samoan Government officials. Half to two-thirds of remittances came from New Zealand, with the remainder coming from Australia, America and other countries. There were an estimated 160 000 Samoans overseas, and as people became more educated they were attracted overseas by higher salaries and more opportunities.

42.   In economic development, the officials identified inadequate transport links and a lack of skills and technological know-how among the Samoans as major hindrances to the development of a manufacturing sector. Turning to the Patrol Boat, they confirmed that the vessel was suitable for their needs and had been involved in search and rescue activities. The only problem was the recurrent costs associated with operation of the vessel, and Australia had indicated it would help.

43.   This meeting was followed by one with business and commerce representatives who discussed the investment opportunities that existed in not only Western Samoa, but the region as a whole, and the difficulties that arose particularly as a result of declining prices for primary products. The value of the Cocoa Rehabilitation Project was questioned, with grower resistance to the new varieties blamed for a decline in production. As a final general point the businessmen felt political instability in other parts of the Pacific had a flow-on effect to countries such as Western Samoa in terms of poor publicity.

44.   The delegation also met Hon Tupua Tamasese Efi, leader of the Samoan National Development Party. In a meeting that ranged quite widely he gave his views of the aid projects, criticising the Patrol Boat Project in particular as a costly imposition on Western Samoa; criticised the Samoan health system and the 'brain-drain' of good doctors; and commented on

regional trouble spots. He drew a fairly pessimistic picture of the Western Samoan economy, although remittances helped enormously. People's expectations, however, were not being met and as the communal system was breaking down, there were signs of growing economic deprivation in the towns.

45.   The delegation concluded its stay in Western Samoa with discussions with Public Service Association representatives and Samoans who had made submissions to the inquiry. The changing role of the union, and its early history of conflict with government was explored as was its recognition now by government and their plans for the future. The political situation in Western Samoa, and its unique matai system was also discussed, together with prospects for eventual universal suffrage.

Tuvalu

46.   The delegation's visit to Tuvalu was unfortunately very brief. After inspecting a number of Australian aid projects, the delegation met Prime Minister Puapua and his Minister of Finance and Minister of Commerce and Natural Resources. Mainly as a result of its small population, there are no political parties in Tuvalu and therefore no opposition figures with whom the delegation could meet. Discussions with the Prime Minister focused on domestic matters first, with a request from the Prime Minister for Australian assistance to employ some Tuvaluans, possibly under a worker contract scheme similar to that operated by New Zealand. Regarding aid, the Prime Minister thought Tuvalu's absorptive capacity had improved and that it could now utilise more funds than in the past. His only criticism of Australian aid involved delays in communication between Suva and Australia, and a lack of continuity with staff in AIDAB. Australia was commended for its flexibility and its consultative processes. He identified a number of areas requiring future assistance, including in the administrative area, fisheries, education and training and civil works. Regarding the Pacific Patrol Boat, although personally in favour of it, the design and running costs of the boat were the main obstacles to Tuvaluan participation. However, negotiations were still continuing and Australia was looking at what modifications might be possible. Prime Minister Puapua also made mention of the Tuvalu Trust Fund and its success in giving Tuvalu financial independence regarding their recurrent budget. The Prime Minister called the establishment of the Trust Fund the most important development for Tuvalu since independence.

47.   Regional issues were also discussed, including Fiji and threats to security in the region. The Prime Minister felt the Soviets were out to expand their influence in the region, but the gains they had made had not lasted. The Prime Minister also raised concerns Tuvalu had about the possible impact of the Greenhouse effect on his country, as one of Tuvalu's major security concerns.

48.   Under the Australian aid program, Australia has provided long term technical assistance to key Government posts e.g. Planning Officer, Accountant. The current officer on attachment, Mr G Polson, is working as Secretary to Government. The delegation was assured by the Tuvaluan authorities of the usefulness of such assistance, and is convinced this type of assistance is a most appropriate way to assist South Pacific states.

49.   The visit also included inspection of the Tuvalu Marine Training School, the USP facility on the main island, a fish processing works and a new wharf. The Tuvalu Maritime School was a most impressive institution, producing trained young Tuvaluan males who find work on international shipping. The delegation was given an extensive tour of the Training School and spoke with its staff and students about the work of the School and the future employment prospects for the students.

Kiribati

50.   The major items on the itinerary for the delegation's visit to Kiribati were discussions with President Tabai, and later a round-table discussion with Kiribati members of Parliament.

51.   President Tabai identified areas of concern in the region, but saw the major threat to stability as the growing gap between the 'haves' and the 'have-nots'. Kiribati was facing problems with people from its outer islands being attracted to the main island, and the increased population density was placing stress on government, health, education and social stability. Kiribati had a limited range of resources able to be exploited, and even fishing was marginal. In the absence of easy targets for development, the Government was trying to improve the subsistence lifestyle on the outer islands to encourage people to stay there. The Government also had plans to resettle people on the outer islands, in particular Christmas Island and others in the Line Group, for development purposes, but also to try and reduce overcrowding on Tarawa. Shipping costs were a major problem for resettlement and other countries may be approached to help.

52.   On the subject of fishing, President Tabai referred briefly to the now lapsed fishing agreement Kiribati had with the USSR. He commented on the difficulties that Kiribati had experienced in obtaining an equitable return from the American Tunaboat Association, who had refused to recognise Kiribati's EEZ. For Kiribati, the signing of the treaty with the USSR was a purely commercial agreement, one designed to help Kiribati decrease its dependence on foreign aid. The decision not to renew the fishing treaty had also been taken, by the USSR this time, on commercial grounds as well.

53. Turning to regional events, President Tabai commented at length about the role of the Forum and the difficulties that the emergence of ethnic groupings within it might cause. He expressed the wish to see Fiji return to normal as soon as possible.

54. On the subject of Australia's aid, he noted that Australia was aware of the need to be responsive and sensitive to recipient countries' needs and priorities. However, the particular expertise of a donor country often determines what sorts of projects are undertaken. The Pacific Patrol Boat was originally rejected because of high recurrent costs, but following concessions from Australia the project was still under consideration. The value of such a vessel, from a surveillance point of view, for an EEZ as big as Kiribati's was also in doubt.

55. President Tabai noted that Kiribati gained little from SPARTECA as it had little to export, and the scheme had benefitted the more developed South Pacific countries. Kiribati was looking for new trading opportunities but there were problems in attracting investors because of insufficient basic infrastructure, high transport and power costs etc. The President also made passing reference to the possible resumption of phosphate mining on Banaba Island by an Australian company, and interest by Japan in establishing a satellite launching station on Christmas Island.

56. The round-table discussion with Kiribati parliamentarians revolved around the political process in Kiribati, the various groupings that existed within Parliament and the consensus style of traditional politics. Political parties were a very new phenomenon and were still embryonic in nature. Differences in groupings were felt to be not so much in terms of aims and objectives, but rather in the mechanics of achieving such objectives. The churches were very influential and active in politics. The meeting concluded with a request for staff exchanges between the Australian and Kiribati Parliaments - both parliamentary officers and professional staff.

57. The delegation also met with the Bishop of Tarawa, Bishop Paul Mea. The Bishop discussed a number of matters with the delegation, including the Soviet Fishing agreement and the Church's role in mobilising public opinion. The churches are a major influence in Kiribati society, and the Bishop gave the delegation some background information on the history of the churches and their work in Kiribati. The issue of overcrowding on Tarawa and Kiribati's high population growth rate was also discussed, together with problems of effective family planning methods. While both the Church and the Government agreed on the problem, there was some difference of opinion on how the high birth rate should be tackled.

58. Before leaving Kiribati the delegation inspected the Tarawa Technical Institute, Tarawa Public Utilities and the hospital. While facilities at the hospital were adequate to deal with the normal medical problems that arise, the importance of visiting specialist medical teams to treat the more complex cases was apparent. The delegation was impressed with the role these medical teams play in providing health care to the region, and was assured that the assistance was highly valued.

Nauru

59. The major activities of the delegation's visit to Nauru were an inspection of the phosphate mining site, discussions with Nauruan parliamentarians and a courtesy call on the Acting President. Attention focused on the future of phosphate mining on Nauru, with estimates of reserves ranging from 7 to 10 years. The Commission of Inquiry into the Rehabilitation of Nauru was looking closely at this issue, as well as the means by which the mined areas could be restored. The actual method of distribution of mining profits to landowners was somewhat vague, but one-third is placed in trust and invested. Although a figure of $800m was mentioned, no clear picture of resources available to Nauru once the mining ceased was given. The commitment to rehabilitation remained very strong and the Nauruans did not want to leave their island. The delegation was under the strong impression that Nauru would seek Australian Government assistance in overcoming the technical problems associated with rehabilitation, regardless of the Nauruan attempts to obtain financial compensation.

60. On the Australia-Nauru relationship, the Nauruans thought there was room for improvement, and that there was a feeling that Australia was not paying the sort of attention to Nauru commensurate with its role as the previous administering power, with the relationship suffering as a result. Issues of particular concern were Australia's withdrawal in 1975 of the tax exemption extended to Australian nationals employed by the Government or the Nauru Phosphate Corporation (NPC), leading to a shortage of teachers, and Australia's refusal to participate in the Commission of Inquiry, or provide access to all documents requested.

61. During the courtesy call on the Acting President, Hon Buraro Detudamo, MP, discussion centred on the economic future of Nauru post-phosphate mining.

Vanuatu

62. In the final country of the tour, Vanuatu, the delegation took the opportunity to travel to the island of Santo and inspect a cattle project, funded under the Australian Joint Venture Scheme, the Northern Districts Hospital, and Matevulu College, a secondary boarding school built by Australia.

63.   The first of the official calls was on President
Sokomanu, who talked about the current crisis in Vanuatu
politics, options available for its resolution, and his desire
to see the problem resolved quickly and peacefully. Media
reports had been damaging to Vanuatu's reputation and had
impacted on its economy through a decline in tourism. The
President indicated he felt that he might have to intervene
should the crisis continue, although he did acknowledge there
was some question about his power under the Constitution to
take such action.

64.   The President defended Vanuatu's contacts with Cuba
and Libya because of their support for Vanuatu's move to
independence in the United Nations, and confirmed Vanuatu's
commitment to its non-aligned stance.

65.   This call was followed by a meeting with Mr Sela
Molisa, Minister for Finance who gave an overview of Vanuatu's
economic situation, particularly the adverse impact of
declining commodity prices. Attempts at economic
diversification were being made, but progress was slow. The
Minister also discussed the current political situation as the
government saw it, noting that both the party system and
parliamentary democracy in Vanuatu were strong. Tension between
the Prime Minister and Barak Sope remained unresolved.

66.   The delegation also met with the Leader of the
Opposition UMP Party, Mr Maxime Carlot, and UMP Treasurer Mr
Willie Jimmy, with much comment being on the current political
crisis. The possibility of a coalition with Mr Sope's group was
discussed, but Mr Carlot was aware many compromises would be
needed on both sides for such an arrangement to work. The UMP
needed to be better organised if it hoped to win government, as
the Government Vanua'aku Pati (VP) was able to direct its votes
much more effectively to maximise its parliamentary
representation.

67.   Mr Carlot also identified a number of foreign and
economic policy differences between the UMP and VP, with the
UMP wishing to establish closer contacts with democratic
countries, seeing a greater role for France in the region, and
on the economic front more investors and free enterprise. The
opposition leaders did not have any problems with the
assistance given by Australia and New Zealand during the civil
disturbances in May 1988, and saw it as the Prime Minister's
right to request such assistance. They were concerned, however,
about Australia's reaction should a UMP-led coalition be
elected. They were assured that the change of government was an
internal matter for the people of Vanuatu and that Australia
had no intention of interfering.

68.   The final official call was on Father Walter Lini,
Prime Minister of Vanuatu. While still obviously affected by
the stroke he suffered in 1987 the Prime Minister spoke on a
wide range of issues, both domestic and regional, and the

delegation was very impressed with his grasp of the issues and
the vision Father Lini displayed. Acknowledging it would take a
long time for Vanuatu to become economically self-sufficient he
gave details of Government action aimed at this goal.
Developments so far had focused on the agricultural sector, and
the government was hoping to develop a more diversified
economic base.

69.   Regionally, Father Lini saw the South Pacific as being
in a state of flux, with attitudes toward democratic values and
processes changing. The emergence of the Melanesian Spearhead
Group was a positive development as he saw it having a role to
play in the region in economic and cultural matters. Father
Lini did acknowledge that the MSG had the potential to cause
political divisions. Discussion turned to Vanuatu's links with
Cuba and, as had President Sokomanu, Father Lini stressed that
the reasons for the relationship were based in Cuba's support
for Vanuatu's moves towards independence, at a time when
Vanuatu required support in international circles.

70.   Father Lini declined to be drawn on domestic political
developments, but did express his thanks for Australia's
response to his request for assistance. He also indicated
Vanuatu was interested in police training under the Australian
aid program. He then went on to speak at length on a range of
social issues including the impact of urbanisation on the
observance of customary traditions. Father Lini spoke warmly of
the assistance Australia had provided to Vanuatu particularly
in the fields of health and education. In the defence area,
Father Lini noted that co-operation with Australia had been
good, but that the operating costs of the Patrol Boat were high
and the Government was intending to review its use of the boat
in 1989.

CONCLUSION

71.   The delegation was very grateful to have had the
opportunity to travel to such a large number of South Pacific
countries and hold such useful discussions with the people
there. The hospitality and genuine welcome extended to the
group were much appreciated and it is apparent that much
good will towards Australia exists in the region. The Committee
wishes to thank all of those who facilitated our visit to each
country, to regional government officials who assisted with
local arrangements, Australian diplomatic and aid personnel
throughout the region for their assistance and to 34 SQN and
the crew of the RAAF VIP aircraft who took such excellent care
of us during our 14 000 km journey. Our thanks also go to all
who participated in discussions, for their generosity with
their time, and their candour in expressing their views on the
Australia-South Pacific relationship.

COUNTRY INFORMATION - SOUTH PACIFIC FORUM MEMBERS

COOK ISLANDS

Land Area : 240 sq. km.

Sea Area : 1 830 000 sq. km.

Population : 17 995 (1985).

Ethnic Composition : Predominantly Polynesian, with some Europeans on the main island of Rarotonga.

GNP Per Capita : (1984) US$1360.

Main Sources of Income : Tourism, fruit products, pearl shell, remittances from Cook Islanders abroad, postage stamps, and aid, mainly from New Zealand.

General

Since 1965, the Cook Islands, a group of 15 islands, has been a self-governing state in free association with New Zealand. Under constitutional arrangements, Cook Islanders retain New Zealand citizenship. Over 22 000 people of Cook Island descent live in New Zealand.

The Cook Islands is a member of the South Pacific Forum.

FEDERATED STATES OF MICRONESIA

Land Area : 701 sq. km.

Sea Area : 2 978 000 sq. km.

Population : 86 094 (1988).

Ethnic Composition : Micronesian and Polynesian ethnic groupings.

GNP Per Capita : US$1301.

Main Sources of Income : US aid (US$1018 per person in 1986).

General

Located in the North Pacific, the Federated States of Micronesia consist of four major island groupings (Yap, Truk, Pohnpei and

Kosrae) and some 600 islands. The FSM entered into a compact of Free Association with the United States on 3 November 1986. Under this arrangement the United States is responsible for the defence of the FSM.

The FSM became a member of the South Pacific Forum in 1987.

FIJI

Land Area : 18 272 sq. km.

Sea Area : 1 290 000 sq. km.

Population : 740 761 (1988).

Ethnic Composition : Indians 49%, Fijian 46%, small communities of Europeans, Chinese and others.

GNP Per Capita : (1984) US$1840.

Main Sources of Income : Sugar, tourism, copra, gold, industry and aid.

General

After Papua New Guinea, Fiji is the largest island country in the South Pacific region and it is the most developed. An archipelago of 333 volcanic islands, of which only 100 are inhabited, ninety percent of the population live on the two main islands of Viti Levu and Vanua Levu.

As a result of coups in 1987, Fiji was declared a republic and has cut ties with the Crown. Fiji's membership of the Commonwealth has lapsed.

Fiji remains an active member of the South Pacific Forum and the South Pacific Commission as well as a number of international organisations. Fiji is headquarters to a number of regional bodies including the Forum Secretariat and the USP.

KIRIBATI

Land Area : 690 sq. km.

Sea Area : 3 550 000 sq. km.

Population : 67 638 (1988).

Ethnic Composition : Micronesian.

GNP Per Capita : (1984) US$460.

Main Sources of Income : The only significant export products of Kiribati are fish and coconuts. Remittances from I-Kiribati in Nauru and on overseas ships and aid are also important sources of income. Phosphate provided most of the country's revenue until 1979 and interest on invested phosphate revenue is substantial.

General

Kiribati, the former British colony of the Gilbert Islands, which became independent in July 1979, consists of three groups of islands: the Gilberts (17), the Phoenix (8) and the Line (8). Kiribati's population is Micronesian, as distinct from the Polynesian inhabitants of the former Ellice Islands, which separated in 1975 to form a separate colony, and achieved independence on 1 October 1978 as Tuvalu.

Kiribati is a member of the Commonwealth, the South Pacific Forum and the South Pacific Commission.

MARSHALL ISLANDS

Land Area : 180 sq. km.

Sea Area : 2 131 000 sq. km.

Population : 40 609 (1988).

Ethnic Composition : Micronesian.

GNP Per Capita : (1984) US$1303.

Main Sources of Income : USA military activity and USA aid.

General

The Marshall Islands consist of two archipelagic island chains of 30 atolls and 1152 islands, in the North Pacific Ocean. The atolls of Bikini and Eniwetak are former US nuclear test sites; Kwajalein is now used as a US missile test range.

The Marshall Islands entered into a Compact of Free Association with the United States on 21 October 1986. The United States, under this arrangement, assumed responsibility for the defence of the Marshall Islands.

The Marshall Islands became a member of the South Pacific Forum in 1987.

NAURU

Land Area : 21 sq. km.

Sea Area : 320 000 sq. km.

Population : 8 902 (1988).

Ethnic Composition : 58% Nauruan, 26% other Pacific islander; 8% Chinese, 8% European.

GNP Per Capita : (1984) US$9090.

Main Sources of Income : Phosphate exports and income from invested revenue from phosphate. Phosphate mining began in Nauru in 1906 and has been the sole income earner. Since 1963 Nauru has had the bulk of the phosphate income, peaking in the mid 1970s with per capita income well over US$20 000. Phosphate mining is now running down and is expected to continue for only 5-10 years. Australia is the largest customer for phosphate.

General

Nauru became independent in 1968, and was the first Australian territory to become an independent state.

Nauru is an associate member of the Commonwealth, and a member of the South Pacific Forum and the South Pacific Commission.

NIUE

Land Area : 259 sq. km.

Sea Area : 390 000 sq. km.

Population : 2520 (1988).

Ethnic Composition : Polynesian, with some Europeans, Samoans and Tongans.

GNP Per Capita : (1984) US$1080.

Main Sources of Income : Aid from New Zealand, remittances from Niueans abroad, postage stamps, handicrafts and some agricultural produce.

General

Since 1974, Niue has been a self-governing state in free association with New Zealand. Under constitutional arrangements Niueans retain New Zealand citizenship. There are about 9000 people of Niuean descent living in New Zealand.

Niue is a member of the South Pacific Forum.

PAPUA NEW GUINEA

Land Area : 461 691 sq. km.

Sea Area : 3 120 000 sq. km.

Population : 3 649 503 (1988).

Ethnic Composition : Predominantly Melanesian and Papuan.

GNP Per Capita : (1984) US$760.

Main Sources of Income : Copper, gold, agricultural products (coffee, palm oil, coconut), timber products, fish and aid.

General

Papua New Guinea became an independent state within the Commonwealth on 16 September 1975. The nation is the largest of the South Pacific island states in terms of land area and population.

Papua New Guinea is a member of the South Pacific Forum, South Pacific Commission, the United Nations and many other international organisations.

SOLOMON ISLANDS

Land Area : 28 530 sq. km.

Sea Area : 1 340 000 sq. km.

Population : 312 196 (1988).

Ethnic Composition : Melanesian.

GNP Per Capita : (1984) US$640.

Main Sources of Income : The Solomon Island's major exports are agricultural products (copra and cocoa), timber and fish. In addition aid is a major contributor to their economy.

General

Solomon Islands, the third most populous Pacific island country after Papua New Guinea and Fiji, became independent on 7 July 1978. It comprises a scattered archipelago of 10 large islands and island clusters. The islands are mostly mountainous and heavily forested; only 25-30% of the country's land area is suitable for agriculture.

Since independence Solomon Islands has become a member of the United Nations, the International Monetary Fund and the World Bank, as well as being a South Pacific Forum and South Pacific Commission member.

TONGA

Land Area : 699 sq. km.

Sea Area : 700 000 sq. km.

Population : 99 620 (1988).

Ethnic Composition : Polynesian.

GNP Per Capita : (1984) US$780.

Main Sources of Income : The two major agricultural exports of Tonga are coconut and vanilla beans. Export enterprises in the manufacturing sector include woollen knitting, leathergoods, jewellery and small earth-moving equipment. Remittances from Tongans in New Zealand, Australia and the USA, and aid are also important.

General

The Kingdom of Tonga consists of about 160 small islands in three main groups. Tonga has never been formally colonised, although it was under British protection as a self-governing state from 1900 until the resumption of full independence in 1970.

The Kingdom of Tonga is a constitutional monarchy in which the King and nobles have traditionally had a predominant position. Parliament consists of the Speaker and members of the Cabinet who are appointed by the King; nine members elected by the people and nine elected by the Kingdom's 33 nobles.

Tonga is a member of the South Pacific Forum, the South Pacific Commission and the Commonwealth.

TUVALU

Land Area : 26 sq. km.

Sea Area : 900 000 sq. km.

Population : 8475 (1988).

Ethnic Composition : Polynesian.

GNP Per Capita : (1984) US$570.

Main Sources of Income : Copra is the only exportable commodity produced by Tuvalu. The major export of the country is postage stamps.

General

Tuvalu, one of the world's smallest independent nations, comprises nine islands, all of coral formation. Formerly the Ellice Islands, Tuvalu was part of the British colony of the Gilbert and Ellice Islands. In 1975 it became a separate colony following a United Nations-observed Referendum in which there was overwhelming support for separation, largely because of the Ellice Islanders' cultural differences with the Micronesian Gilbertese. Tuvalu became independent on 1 October 1978.

Tuvalu's foreign policy focus is the South Pacific region, where it is a member of the South Pacific Forum and the South Pacific Commission. Tuvalu is also an associate member of the Commonwealth.

VANUATU

Land Area : 11 880 sq. km.

Sea Area : 680 000 sq. km.

Population : 154 691 (1988).

Ethnic Composition : Predominantly Melanesian, with small numbers of European and other Pacific Islanders.

GNP Per Capita : (1984) US$530.

Main Sources of Income : Copra is Vanuatu's chief crop. Tourism is a major and developing area of Vanuatu's economy. Beef, fish and aid from Australia, France, UK and New Zealand are also important. There has also been a substantial growth in off-shore banking, and the Government is promoting Vanuatu as an international financial centre.

General

Formerly a non-self-governing territory under the condominium administration of Britain and France, Vanuatu became an independent republic on 30 July 1980. Vanuatu is an archipelago of some 80 islands. The island of Efate with the capital city of Port Vila, is at the centre of the group.

Vanuatu is a member of the Non-Aligned Movement, the Commonwealth, the Association de Cooperation Culturelle et Technique (roughly the French equivalent of the Commonwealth), and the United Nations. It is also a member of the South Pacific Forum and the South Pacific Commission.

WESTERN SAMOA

Land Area : 2 934 sq. km.

Sea Area : 120 000 sq. km.

Population : 178 045 (1988).

Ethnic Composition : Polynesian.

GNP Per Capita : (1984) US$770.

Main Sources of Income : Western Samoa's major exports are primarily agricultural (copra, cocoa and taro). Remittances from Samoans in New Zealand and the USA, and aid from Australia, New Zealand and other sources are also significant.

General

Western Samoa comprises volcanic islands which form the western-most portion of the Samoan Archipelago. The country is among the largest and most populous of the South Pacific island states. The two main islands are Upoli and Savai'i. Western Samoa was the first territory is the South Pacific to become independent, in 1962.

Apart from being a member of the Commonwealth, Western Samoa is also an active member of the South Pacific Commission. It has also joined the United Nations.

SELECTED SOUTH PACIFIC REGIONAL ORGANISATIONS AND BODIES

THE SOUTH PACIFIC FORUM (SPF)

The South Pacific Forum comprises the Heads of Government of the independent and self-governing countries of the South Pacific. It is a political body which evolved out of the desire of leaders of the newly independent countries of the region to be able to discuss together their common problems without the presence of the distant metropolitan powers, and to express the views of the region on issues of significance.

At the same time the island leaders recognised the geographical and traditional links with Australia and New Zealand and the important role that these two larger, more industrialised neighbouring countries, could play in regional development. Accordingly, in 1971 Australia and New Zealand were invited by the Cook Islands, Nauru, Fiji, Western Samoa and Tonga to join them in the first South Pacific Forum in Wellington, New Zealand. Since then these countries have been joined by Niue, Papua New Guinea, Kiribati, Tuvalu, Solomon Islands, Vanuatu, and in 1987 the Federated States of Micronesia and the Marshall Islands.

Forum meetings at Head of Government level have been held at least once a year since 1971, in the capitals of the various member countries. The 19th Forum meeting was held in Tonga in September 1988.

The Forum reflects the traditions of the region more than the usual practices of Western style diplomacy. The Forum has operated since its inception with no written constitution or international agreement governing its activities, and no formal rules relating to its purpose, membership, or the conduct of meetings. Forum decisions are reached by consensus.

THE SOUTH PACIFIC BUREAU FOR ECONOMIC CO-OPERATION (SPEC) (FORUM SECRETARIAT)

At early meetings of the South Pacific Forum, proposals were put forward for the establishment of a permanent secretariat, the basic objective of which would be to encourage and promote regional co-operation in the expansion of trade and economic development of the island countries of the South Pacific.

Firm proposals for the establishment of a 'Trade Bureau' emerged at the second meeting of the Forum in Australia in February 1972.

These proposals culminated in the formal establishment of SPEC under an international agreement signed by member countries of the Forum on 17 April 1983 in Apia, Western Samoa.

At the Sixth Forum in Nuku'alofa, Tonga, in July 1975, SPEC was designated as the official secretariat for all formal meetings of the Forum, with its permanent headquarters in Suva.

It has always been the purpose of the Forum that SPEC should be available to help other Pacific island territories and thus promote the interests of the region as a whole. The work of SPEC is complementary to that of the South Pacific Commission.

The establishment of SPEC was based on the belief that the South Pacific, an area of the world distinguished by small developing island countries separated by vast expanses of ocean, would benefit from a pooling of the natural and human resources of the region.

Functions

The Agreement establishing SPEC states that the purpose of the Bureau is to facilitate continuing co-operation and consultation between members on trade, economic development, transport, tourism and other related matters.

Within this broad mandate the following functions are included:

- to identify opportunities for the modification of trade patterns, bearing in mind the objective of regional trade expansion;

- to investigate ways in which industrial and other development can be rationalised, using the concept of regional enterprise;

- to look at the scope for free trade among the Island member countries;

- to establish an advisory service on sources of technical assistance, aid and investment finance; and

- to help co-ordinate action on regional transport.

The mandate also includes a number of other specific functions in the field of regional co-operation and its scope has been further extended a number of times with the agreement of the member governments.

SPEC's activities are carefully co-ordinated at the inter-governmental level. Apart from the annual meetings of the Forum, there is consultation through the SPEC Committee, the Bureau's executive board comprising representatives, usually at senior official level, from all member countries. This provides the opportunity for detailed discussion on SPEC's work program and the ideas that political leaders wish to promote. Meetings on specific topics are also convened from time to time.

At the 19th Forum in Tonga in 1988 the political and economic capacities of SPEC were strengthened, and its name changed to the Forum Secretariat.

Work Program

SPEC's role is to promote and co-ordinate the development policies of the South Pacific Island Governments in a number of key sectors. The Bureau has evolved an approach to regional development problems, consistent with its mandate as laid down by the Forum Leaders, and in harmony with the life-style of the peoples of the region. In this way it is endeavouring through co-ordination and advisory services to build the basis for a strong regional integration movement to suit the areas of trade, tourism, transport, telecommunications, energy, aid co-ordination, advisory services and handicraft development.

UNIVERSITY OF THE SOUTH PACIFIC (USP)

The University of the South Pacific was established as a regional institution for the independent and self-governing island countries of the South Pacific region. It offers courses to about 7 800 students, 2 800 of whom are internal and study on the main campus at Laucala Bay in Suva. A second campus is located in Apia, Western Samoa and a third in Port Vila, Vanuatu.

In recent years there has been criticism among regional Governments that the University is insufficiently decentralised; criticism to which the administration is responding by developing its extension services and schools of study in most other member countries.

The University's activities are funded largely by member countries (70% by Fiji, 20% by other members). The remaining 10% is funded by a variety of donors - New Zealand, UK, EEC, Japan, USA and Australia. Australia and New Zealand together provide the bulk of total donor contributions.

FORUM FISHERIES AGENCY (FFA)

The Forum Fisheries Agency was established in 1979 to assist member countries with the conservation and optimum utilisation of the living marine resources of their exclusive economic

zones. The Agency has its headquarters in Honiara, Solomon Islands.

The Member states of the Forum Fisheries Agency are Australia, Cook Islands, Federated State of Micronesia, Fiji, Kiribati, Marshall Islands, Nauru, Palau, Papua New Guines, Solomon Islands, Tonga, Vanuatu and Western Samoa.

The FFA is financed by contributions from member governments and interested agencies. Australia is an active member of the FFA and provides approximately one-third of the core budget.

The FFA took carriage of the multilateral fisheries access negotiations with the United States and over the two-year period of meetings proved itself capable and competent in this role. The FAA has also commenced multilateral fisheries access negotiations with Japan.

SOUTH PACIFIC COMMISSION (SPC)

The South Pacific Commission is an international organisation which provides technical advice, training, assistance and dissemination of information in social, economic and cultural fields to governments and administrations of the region.

Membership

In 1944 the then Australian Minister for External Affairs, Dr H V Evatt, floated the idea of a regional organisation which would strengthen international co-operation and promote the well-being of Pacific peoples. The concept was accepted by the other metropolitan powers with non-self-government territories in the South Pacific and, on 6 February 1947, the Agreement establishing the South Pacific Commission (usually known as the Canberra Agreement) was signed by representatives of Australia, France, the Netherlands, New Zealand, Britain and the United States.

Since the signing of the Agreement, the Netherlands has withdrawn from the Commission (in 1962, when it ceased to administer the former colony of Dutch New Guinea, now known as West Irian), and the following independent and self-government Pacific states have been admitted to membership: Western Samoa in 1965, Nauru in 1969, Fiji in 1971, Papua New Guinea in 1975, Solomon Islands and Tuvalu in 1978, and Niue and Cook Islands in 1980.

Following recommendations in the Secretary-General's internal review of the South Pacific Commission, the 23rd South Pacific Conference in 1983 adopted by consensus a resolution that the Commission's 27 governments and administrations should have full and equal membership, thus admitting to the conference:

American Samoa, Federated States of Micronesia, French
Polynesia, Guam, Kiribati, Marshall Islands, New Caledonia,
Northern Mariana Islands, Palau, Pitcairn Island, Tokelau,
Tonga, Vanuatu and Wallis and Futuna. The growth of
participation by the South Pacific island countries in the SPC
is reflected in the fact that since 1969 all incumbents of the
post of Secretary-General have been islanders.

Role of the Commission

The Commission's role is advisory and consultative. Its
programs are closely co-ordinated with those of the countries
of the Pacific for which it works. The Commission does not seek
to concern itself with political issues, nor does it attempt to
direct members' development programs.

The Commission conducts and funds a wide range of projects in
the South Pacific countries in which it operates. These cover
such fields as regional health and sanitation, home education,
agricultural development, environment and fisheries. The
Commission's staff also provides consultant services on diverse
projects, and holds regional meetings on specific issues of
concern to member countries.

Two of the important regional events in the Pacific held under
the Commission's auspices are the South Pacific Arts Festival
and the South Pacific Games. The Fifth Arts Festival was held
in Australia at Townsville in 1988.

South Pacific Conference

The main decision-making body of the South Pacific Commission
is the South Pacific Conference, an annual meeting at which
representatives of independent and dependent countries and
territories consider decisions on the SPC's work program and
other regional matters.

The South Pacific Conference examines and adopts the
Commission's work program and budget for the coming year, and
discusses any other matters within the Commission's competence.

To assist the Conference in its work, a Planning and Evaluation
Committee and a Committee of Representatives of Participating
Governments were established in 1974. The South Pacific
Conference resolution adopted in October 1983 replaced these
two committees by providing for a Committee of Representatives
of Governments and Administrations (CRGA) to operate as a
Committee of the Whole. This Committee meets at least four
months prior to, and immediately before, the annual Conference
to consider and recommend the administrative budget presented
by the Secretary-General, nominate the principal officers of
the Commission, and report thereon to the Conference.

Members of the South Pacific Conference (27)

American Samoa	Marshall Islands	Solomon Islands
Australia	Nauru	Tokelau
Cook Islands	New Caledonia	Tonga
Federated States	New Zealand	Tuvalu
of Micronesia	Niue	United Kingdom
Fiji	Northern Mariana	USA
France	Islands	Vanuatu
French Polynesia	Palau	Wallis and Futuna
Guam	Papua New Guinea	Western Samoa
Kiribati	Pitcairn Island	

THE COMMITTEE FOR THE CO-ORDINATION OF JOINT PROSPECTING FOR MINERAL RESOURCES IN SOUTH PACIFIC OFFSHORE AREAS – CCOP/SOPAC

CCOP/SOPAC was created as an affiliate of the UN Economic and
Social Commission for Asia and the Pacific (ESCAP) in 1971.
Based in Suva, it is responsible for the management of the
off-shore marine geoscience research in the South Pacific. The
organisation arranges geological surveys of the ocean floor,
analysis of data, training in research techniques, workshops
and the publication of technical information.

CCOP/SOPAC was established as an inter-governmental body, with
independent legal status, in May 1984.

Twelve Pacific Island countries are members: Cook Islands,
Fiji, Guam, Kiribati, New Zealand, Papua New Guinea, Solomon
Islands, Tonga, Tuvalu, Vanuatu and Western Samoa. Australia
was admitted to membership on 5 September 1986.

Australia has had a well established relationship and
continuing association with CCOP/SOPAC since its inception. Up
to and including 1984, Australia attended sessions of the
Committee as a technical observer. Membership of the Committee
reflects both Australia's close ties with the countries of the
South Pacific and interest in assisting their development.

Australia contributes to the core budget of CCOP/SOPAC through
its contribution to a continuing tripartite research program
financed and conducted in conjunction with the USA and New
Zealand. Australia also provides considerable technical
assistance to CCOP/SOPAC through the Bureau of Mineral
Resources.

PACIFIC ISLANDS DEVELOPMENT PROGRAM (RIDP)

The Pacific Islands Development Program was established in 1979 by the East-West Centre to help meet the special development needs of the Pacific Islands through co-operative research, education and training. It is based in Honolulu.

PIDP also serves as the Secretariat for the Pacific Islands Conference and its Standing Committee. The Standing Committee of the Conference is composed of eight island leaders and is chaired by the President of Kiribati.

PIDP draws together academic resources from the East-West Centre, regional and international organisations, and Pacific governments to plan and conduct projects requested by the Standing Committee. The Program also has close institutional ties with the South Pacific Bureau for Economic Co-operation, the South Pacific Commission, and regional institutions and organisations.

PIDP is partially supported by the East-West Centre. Additional support is provided by grants from several Pacific Islands Governments and some metropolitan countries as well as international donor agencies. Australia has, in the past, provided funds to PIDP.

SOUTH PACIFIC - PATTERNS OF INTERNATIONAL TRADE (US$ MILLIONS)

FIJI

	IMPORTS					% SHARE				
	1974	1984	1985	1986	1987	1974	1984	1985	1986	1987
Total	273.2	449.8	441.5	379.1	314.7	100.0	100.0	100.0	100.0	100.0
Australia	82.8	156.2	149.0	128.6	102.8	30.3	34.7	33.7	33.9	32.7
Japan	48.9	72.8	66.5	48.1	33.3	17.9	16.2	15.1	12.7	10.6
New Zealand	30.6	72.5	75.1	71.3	57.6	11.2	16.1	17.0	18.8	18.3
Singapore	23.2	24.8	21.4	41.2	28.5	8.5	5.5	4.8	10.9	9.1

	EXPORTS					% SHARE				
Total	154.5	255.8	229.8	239.5	280.4	100.0	100.0	100.0	100.0	100.0
Australia	15.3	35.2	31.2	31.3	28.2	9.9	13.8	13.6	12.7	10.1
UK	46.3	73.4	68.4	87.9	83.9	30.0	28.7	29.8	35.6	29.9
USA	40.1	25.5	11.2	-	-	26.0	10.0	4.9	-	-
NZ	10.3	10.0	10.7	7.6	11.7	6.7	3.9	4.7	3.1	4.2
Malaysia	1.5	21.2	17.5	16.9	23.6	1.0	8.3	7.6	6.9	8.4

SOLOMON ISLANDS

	IMPORTS					% SHARE				
Total	17.3	65.6	69.2	60.9	67.2	100.0	100.0	100.0	100.0	100.0
Australia	10.7	23.8	25.6	24.0	26.8	61.8	36.3	37.0	39.4	39.9
Japan	3.0	9.9	13.7	10.2	18.4	17.3	15.1	19.8	16.7	27.4
Singapore	-	9.4	7.2	4.9	1.1	-	14.3	10.4	8.0	1.6
New Zealand	0.7	5.3	6.2	4.6	5.4	4.0	8.1	9.0	7.6	8.0

	EXPORTS					% SHARE				
Total	12.0	89.8	69.8	65.4	62.7	100.0	100.0	100.0	100.0	100.0
Australia	0.4	2.1	1.6	2.6	1.6	3.3	2.3	2.3	4.0	2.6
Japan	11.5	28.4	36.4	24.2	24.6	95.8	31.6	52.1	37.0	39.2
UK	-	11.7	9.9	5.7	7.2	-	13.0	14.2	8.7	11.5

NEW CALEDONIA

		IMPORTS					% SHARE			
	1974	1984	1985	1986	1987	1974	1984	1985	1986	1987
Total	283.4	310.4	346.8	531.3	623.5	100.0	100.0	100.0	100.0	100.0
Australia	31.4	30.1	28.2	37.1	47.3	11.1	9.7	8.1	7.0	7.6
France	115.5	123.9	158.1	251.3	330.5	40.8	39.9	45.6	47.3	53.0
Singapore	23.9	2.3	2.4	3.8	6.6	8.4	0.7	0.7	0.7	1.1
Japan	8.7	15.5	12.8	26.0	29.3	3.1	5.0	3.7	4.9	4.7
New Zealand	7.0	12.6	11.5	12.4	18.6	2.5	4.1	3.3	2.3	3.0

		EXPORTS					% SHARE			
Total	261.4	207.1	271.9	208.4	224.0	100.0	100.0	100.0	100.0	100.0
Australia	1.5	1.4	1.9	1.8	2.5	0.6	0.7	0.7	0.9	1.1
France	115.2	121.3	159.9	109.5	98.6	44.1	58.6	58.8	52.5	44.0
Japan	90.4	46.9	56.4	32.9	42.7	34.6	22.6	20.7	15.8	19.1

PNG

		IMPORTS					% SHARE			
	1974	1984	1985	1986	1987	1974	1984	1985	1986	1987
Total	432.2	844.9	788.2	844.3	1054.5	100.0	100.0	100.0	100.0	100.0
Australia	215.7	344.8	327.0	341.3	509.0	49.9	40.8	41.5	40.4	48.3
Japan	71.5	135.2	138.3	149.6	182.2	16.5	16.0	17.5	17.7	17.3
Singapore	33.1	102.8	80.9	52.6	101.7	7.7	12.2	10.3	6.2	9.6
USA	27.4	75.9	66.7	80.6	50.8	6.3	9.0	8.5	9.5	4.8

		EXPORTS					% SHARE			
Total	700.0	893.8	917.6	1047.5	1172.1	100.0	100.0	100.0	100.0	100.0
Australia	84.2	85.7	101.9	147.2	92.8	12.0	9.6	11.1	14.1	7.9
Japan	276.7	254.8	202.6	274.0	333.9	39.5	28.5	22.1	26.2	28.5
FR Germany	147.6	183.3	268.8	361.9	318.5	21.1	20.5	29.3	34.5	27.2
UK	52.0	100.6	71.3	47.3	55.5	7.4	11.3	7.8	4.5	4.7

Source: DFAT, Submission pp. S 2817-18

LIST OF WRITTEN SUBMISSIONS RECEIVED

Administrative & Clerical Officers' Association, Australian Government Employment
Anere R, Department of Political and Administrative Studies, University of Papua New Guinea
Appropriate Technology & Community Environment (APACE)
Arts, Sport, the Environment, Tourism and Territories, Department of
A S D Marine Services Pty Ltd
Asian Bureau Australia
Associated Country Women of the World
Aussat Pty Ltd
Australia-New Zealand Businessmen's Council Ltd
Australia-Papua New Guinea Business Co-Operation Committee
Australian Centre for International Research (ACIAR)
Australian Centre for Maritime Studies
Australian Council for Overseas Aid (ACFOA)
Australian Council of Churches (ACC)
Australian Defence Association, National Council
Australian Development Assistance Bureau (ADAB)
Australian Executive Service Overseas Program Limited (AESOP)
Australian Foundation for International Credit Union Development
Australian International Development Assistance Bureau (AIDAB)
Australian National University Library
Australian Overseas Disaster Response Organisation (AODRO)
Australian Postgraduate Federation in Medicine
Australian Red Cross Society
Australian Teachers' Federation
Australian Third World Health Group
Australians for Kanak Independence

Ballard B
Barclay G St J, Reader in International Relations, University of Queensland
Bodlian Holdings Pty Ltd
Brennan B, Senior Lecturer, Department of Continuing Education, University of New England
Bureau of Meteorology
Burns P M, Head of School, Motel and Catering Services, Fiji Institute of Technology
Burns, Philp and Co Ltd
Bush Christian Community

Qantas Airways Limited

Radio Australia
Revesby Social Justice Group
Rintoul A H, Director, A H Rintoul - EDS Pty Ltd
Riverina-Murray Institute of Higher Education
Rotary International, District 945

Salisbury Consultancy Group, South Australian
  College of Advanced Education
Salvation Army
Sargeant E
Schaper P C
Sea Management Corporation Pty Ltd
Sharma K R, Fiji
Shelley N
Simmons M
Smith A
South Sea Evangelical Mission
Sport, Recreation and Tourism, Department of
Sundhaussen Dr U, Department of Government,
  University of Queensland

Teasdale Dr G R, Senior Lecturer in Education,
  Flinders University of South Australia
Territories, Department of
Thakur Dr R, Department of Political Studies,
  University of Otago, New Zealand
Tisdell Professor C, Department of Economics,
  University of Newcastle
Trade/Australian Trade Commission, Department of
Transport and Communications, Department of
Trompf Associate Professor G W, Department of
  Religious Studies, University of Sydney

Uniting Church in Australia
Universal Merchants Pty Ltd incorporating material
  from Biocontrol Limited, Queensland and Centre
  for the Development of Entrepreneurs at Chisholm
  Institute of Technology, Melbourne

Vakarewakobau K, Fiji

Waugh G, Department of Economics, Universities of
  British Columbia and New South Wales
West Dr D A, Masey University, New Zealand
Westpac Banking Corporation
Wilkinson E J, South Pacific Bureau for Economic
  Co-Operation
Women and Development Network of Australia (WADNA)
Women's International League for Peace and Freedom
World Freedom League
Wust D J

Young Dr J M R, University of Adelaide
Youth Affairs Council of Australia

Zimmet Professor P, Director, Lions-International
  Diabetes Institute

LIST OF WITNESSES

Arts, Sport, the Environment, Tourism and Territories,
Department of

    Mr J F Ashe, Assistant Secretary, Northern Territory and
    Norfolk Island Branch, External Territories Division,
    Canberra, ACT
    Ms J M Cronin, Assistant Director, Sports Policy Section,
    Recreation, Fitness and Safety Branch, Canberra, ACT
    Dr K McKenry, Assistant Secretary, Arts Branch, Division of
    Arts, Film and Heritage, Canberra, ACT
    Mr C G Newell, Assistant Director, International Section,
    Tourism Division, Canberra, ACT
    Mr J R Sands, Assistant Secretary, Conservation Branch,
    Canberra, ACT
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Policy Branch, Maritime Policy Division, Canberra, ACT
Mr T Wheelens, Director, Bilateral Relations, Canberra, ACT
Ms A Wykes, Director, Policy Co-ordination Branch, Canberra,
ACT

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Ms D M Burgell, Immediate Past Convenor, International Task
Force, St Kilda, Vic
Mr M A Clohesy, Secretary, Pacific Youth Council,
Port Melbourne, Vic
Mr C Fox, Assistant General Secretary, Solomon Islands
National Youth Congress, Honiara, Solomon Islands
Mrs L Giddings, Founder and Past Secretary, Eastern Highlands
Rehabilitation Committee, Goroka, Papua New Guinea
Mr M C Henley, Convenor, International Task Force, St Kilda,
Vic
Mr R L Masters, International Officer, St Kilda, Vic
Mr V Warakai, Co-ordinator, Pacific Students Network,
Flinders University of South Australia, SA

Westpac Banking Corporation

Mr A J Billingsley, Economist, International Assessment,
Sydney, NSW
Ms C Clarke, Economist, International Risk, Sydney, NSW

Appendix 7

LIST OF EXHIBITS TO THE INQUIRY

FROM Dr D J Doulman, Pacific Islands Development Program, East-West Centre, Hawaii

1. Floyd, J M. 'Import Regulations in the United States : A Focus on Tuna Commodities from the Pacific Islands Region' PIDP, May 1985

2. Doulman, Dr D J. 'The Tuna Industry in the Pacific Islands Region : Opportunities for Foreign Investment' PIDP, April 1985

3. Doulman, Dr D J. 'Recent Developments in the Tuna Industry in the Pacific Islands Region' PIDP, November 1985

4. Doulman, Dr D J. 'Multinational Corporations in the Pacific Tuna Industry' PIDP, February 1986

5. Doulman, Dr D J and Kuk, R. 'Papua New Guinea : Fisheries and their Administration' PIDP, January 1987

6. Carpenter, K E and Doulman, Dr D J. 'Tuna Fisheries in the Pacific Islands Region : A Bibliography' PIDP, August 1985

7. Doulman, Dr D J. 'Project Abstract : The Role of Multinational Corporations in the Pacific Tuna Industry' PIDP, June 1985

8. Floyd, J M. 'The Development of the Philippine Tuna Industry' PIDP, January 1986

FROM Dr N Viviani

9. Viviani, Dr N : 'Inside the Triangle : Australia, Indonesia and Papua New Guinea'

FROM Professor P Zimmet, Director, Lions-International Diabetes Institute, Royal Southern Memorial Hospital, Caulfield, Victoria

10. 'Australian Aid and its Implications on the Social and Health Welfare of Recipient Nations'. Submission to Committee to Review the Australian Overseas Aid Program

FROM Fusion Australia

11. 'White Paper on Australia's Identity and Place in the World', August 1985

FROM World Freedom League

12. '31st Asian Pacific Anti-Communist League Conference Proceedings', Nuku'alofa, Tonga, 2-6 September 1985

FROM B D Brunton, The Law School, Australian National University

13. Brunton, B D. 'Indonesian and Australian Influence on Constitutional Democracy in Papua New Guinea', 12 February 1986

FROM B Knapman, Lecturer in Economics, School of Finance and Economics, New South Wales Institute of Technology

14. Knapman, B. 'Aid and the Dependent Development of Pacific Island States', 5 March 1986

FROM DR R A Herr, Lecturer in Political Science, University of Tasmania

15. Herr, Dr R A. 'Regionalism, Strategic Denial and South Pacific Security' in Journal of Pacific History, March 1986

16. Herr, Dr R A. 'South Pacific Security : Perspectives from Lilliput to Brobdingnag'

17. Herr, Dr R A. 'What's Happening to the Neighbourhood?' in Island Magazine No 24, Spring 1985

18. Herr, Dr R A. 'South Pacific Islanders Question US Friendship' in Far Eastern Economic Review, 16 January 1986

19. Herr, Dr R A. 'The Future of South Pacific Regionalism' in The Pacific Islands in the Year 2000 Seminar Series, 29 October 1984, East-West Centre, Honolulu, Hawaii

20. Herr, Dr R A. 'The American Impact on Australian Defence Relations with the South Pacific Islands' in Australian Outlook, December 1984

FROM H Feith

21. Bell, I et al. 'The West Papuan Challenge to Indonesian Authority in Irian Jaya : Old Problems, New Possibilities', February 1986

FROM The Law Association for Asia and the Pacific (Lawasia)

22. 'Conference on Prospects for the Establishment of an Inter-Governmental Human Rights Commission in the South Pacific', April 1985

FROM John Standingford & Associates Pty Ltd

23. Standingford, J R K. 'Outer Island Development Policy', September 1985

FROM Department of Defence

24. 'Pacific Patrol Boat Project : Main Characteristics and Equipment Fit of the ASI 315'

FROM Department of Trade

25. 'South Pacific Regional Trade and Economic Co-operation Agreement', 30 June 1982

26. 'Agreement on Trade and Commercial Relations between Australia and Papua New Guinea', 1 February 1977

27. 'Revitalising Australia's Textiles, Clothing and Footwear Industries' News Release from Minister for Industry and Technology and Commerce, 28 November 1986

FROM Department of Education

28. Table : 1987 Quota Figures and usage for all South Pacific Countries and PNG - Secondary and Tertiary

FROM Department of Immigration and Ethnic Affairs

29. OECD, 'The Experience of European Sending Countries', 25 February 1986

FROM Mr M Danby, Australia/Israel Publications

30. Danby, M. 'Fiji: The Trail of Disinformation', IPA Review, November-January 1987-88

FROM Dr R A Herr, Lecturer in Political Science, University of Tasmania

31. Herr, Dr R A. 'South Pacific Regionalism : Stress and Transformation', October 1987

32. Department of Foreign Affairs and Trade Pacific Posts

FROM Australian Centre for International Agricultural Research (ACIAR)

33. Waterhouse, D F. and Norris, K R. 'Biological Control Pacific Prospects', Inkata Press, 1987

34. 'South Pacific Agriculture: Challenges and Opportunities for ACIAR and its Research Partners' 1987 ACIAR Technical Reports Series, No 5

35. 'Banana and Plantain Breeding Strategies', ACIAR Proceedings No 21 of an International Workshop held at Cairns, Australia, 13-17 October 1986

36. Foale, M A. 'Coconut Germplasm in the South Pacific Islands', CSIRO, Division of Tropical Crops and Pastures, Brisbane, Qld, ACIAR Technical Reports Series, No 4

FROM Burns, Philp and Co Ltd

37. Copy of Fax (McLellan/Cole) dated 3 March 1988

38. 'Australian Development Import Grant Scheme (DIGS)'

39. 'Australian Aid to Papua New Guinea 1987-88' by Development Assistance Section, Australian High Commission, Port Moresby, 7 March 1988

FROM Australians for Kanak Independence

40. 'New Caledonia' - working paper prepared by UN General Assembly Secretariat (Appendix I to Submission No 136)

41. 'Why the Pro-French Vote on the Referendum was 43.80% and not 57.06% as Chirac the Prime Minister Claimed' (Appendix II to Submission No 136)

FROM Professor S Hill, Director, Centre for
Technology and Social Change, University of Wollongong

42. 'Technology Policy and Management - Issues for the South
Pacific Region - Overview Report', 16-19 March 1987,
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43. 'Technology Policy and Management - Issues for the South
Pacific Region - Sectoral Issues and Workshop
Questions', 16-19 March 1987, Meeting Document B

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44. 'Ten : Ten Life to the full Magazine', February 1987,
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Victoria

45. 'Australia - Postgraduate Training in Medicine in
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46. 'Postgraduate Training in Medicine in Australia for
Non-resident Foreign Medical Graduates - Fourth Annual
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48. 'Summary of a Proposal for a Management Development
Centre' paper by University of Technology, Lae, Papua
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FROM Australian Overseas Disaster Response Organisation
(AODRO)

49. 'AODRO Emergency Workers Scheme' printed February 1984

50. 'Report of the Disaster Preparedness Workshop for
Non-Governmental Organisations', held in The Kingdom of
Tonga, 21-25 September 1987

FROM Australian Council of Churches

51. Extract from 'American Lake : Nuclear Peril in the
Pacific' by P Hayes et al, Penguin Books 1986

52. 'Tourism Prostitution Development' - Documentation
published by the Ecumenical Coalition on Third World
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53. Extract from Naibavu, T. and Schulz, B. 'Prostitution :
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et al. The Pacific Way - Social Issues in National
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54. 'Partners' - The Official Newsletter of the Australian
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55. 'Force Ten - Holiday with a Difference' - Brochures and
Information

FROM Department of Transport and Communications

56. 'Report on Survey of Development Assistance Needs in
Civil Aviation of the South Pacific Sub-region'
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Organisation, December 1986

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Affairs

57. Geddes, Dr W H. 'South Pacific Emigration Study'
(prepared for Population and Research Section of the
Department of Immigration, Local Government and Ethnic
Affairs, 1987-88)

FROM S Henningham, Department of Political and Social Change
Research School of Pacific Studies, Australian National
University

58. Henningham, S. 'Attitudes and Issues in New Caledonian
Politics'

FROM Professor P Zimmet, Director, Lions-International
Diabetes Institute, Royal Southern Memorial Hospital,
Caulfield, Victoria

59. Tuomilehto, J et al. 'Smoking Rates in Pacific Islands'
from the Bulletin of the World Health Organisation,
64(3), 1986

60. Zimmet, Professor P. 'Diabetes and other
non-communicable Diseases in Paradise - the Evolutionary
and Genetic Connection' from the Medical Journal of
Australia Vol 146, 4 May 1987

61. Zimmet, Professor P and Dowse, G. 'Epidemiology of Diabetes Mellitus' from the publication <u>Articles</u>

62. Zimmet, Professor P et al. 'Mortality from Diabetes in Nauru - Results of 4 Year Follow-Up' reprinted from <u>Diabetes Care</u>, Vol 11, No 4, April 1988

63. Schooneveldt, M et al. 'Changing Mortality Patterns in Nauruans : an example of Epidemiological Transition' reprinted, from <u>Journal of Epidemiology and Community Health</u>, Vol 42, No 1, March 1988

64. Zimmet, Professor P. 'Coca-Colonisation : Adverse Effects of Lifestyle Change in Developing Countries' article from <u>Development Studies in Australia : Themes and Issues</u> Monograph No 1, Monash Development Studies Centre, Monash University, 1988

65. Sicree, R A et al. 'Mortality and Health Service Utilization amongst Melanesian and Indian Diabetics in Fiji', from <u>Diabetes Research and Clinical Practice</u>, 1985

FROM Research School of Pacific Studies, National Centre for Development Studies, Australian National University

66. Dwyer, L. 'Islands/Australia Working Paper No 88/1 - Import Content of Tourist Hotel Food and Beverage Purchases in the South Pacific' 1988

FROM Professor P Zimmet, Lions-International Diabetes Institute, Royal Southern Memorial Hospital, Caulfield, Victoria

67. Extract from 'Australia and the South Pacific' report by the Senate Standing Committee on Foreign Affairs and Defence, April 1978

68. Extract from 'Report of the Committee to Review The Australian Overseas Aid Program', March 1984

69. 'Australian Aid and its Implications on the Social and Health Welfare of Recipient Nations'. Submission to Committee to Review the Australian Overseas Aid Program

70. Copy of telex Cumming/Gordon regarding Diabetes Prevention and Control Program in the South Pacific, 12 December 1987

71. List of recommendations arising from Regional Conference on Diabetes Prevention and Control, March 1988

72. Report on the Regional Conference on Diabetes Prevention and Control Program for the South Pacific, Apia, Western Samoa 29-31 March 1988

73. Correspondence Mitrofanov/Zimmet of 29 June 1988 regarding WHO meeting in Geneva, September 1988

FROM National Centre for Development Studies, Australian National University

74. Parry, T G. 'Islands/Australia Working Paper No 87/11 - The Australian Development Assistance Bureau's South Pacific Joint Venture Scheme' 1987

FROM E J Wilkinson, South Pacific Bureau for Economic Co-Operation

75. 'South Pacific Telecommunication Development Programme - Planning Report' SPEC (86) 7

FROM International Development Program of Australian Universities and Colleges

76. 'Proceedings and Recommendations Papua New Guinea - Australia Colloquium 9-12 August 1988' held at James Cook University of North Queensland

77. 'Draft Constitution for the Republic of Fiji', September 1988

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79. 'Agreed Record' of the Nineteenth South Pacific Forum

80. 'Fiji : Special Assistance Program'. News Release from Minister for Foreign Affairs and Trade, 22 November 1988

81. Gubb, M. 'The Australian Military Pesponse to the Fiji Coup: An Assessment'. SDSC Working Paper No. 171, November 1988