

2016 PNG Update
Inaugural Address by
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3 November 2016

**The Australia – Papua New Guinea Partnership:
Shared challenges and opportunities**

Acknowledgements:

- Minister for National Planning, the Honourable Charles Abel;
- University of Papua New Guinea Vice Chancellor, Professor Albert Mellam;
- Director of the Development Policy Centre, Professor Stephen Howes;
- dignitaries; academics; students, colleagues

I am delighted to be here today to participate in the Papua New Guinea Update; one of this nation's premier forums for economic and public policy debate.

Can I start by thanking the Vice Chancellor and your team for hosting this event, and for what looks like an extremely interesting program for the coming two days.

I'm very pleased to be standing here at the University of Papua New Guinea, the nation's first university.

As everyone in this room will know, UPNG is celebrating its 50th anniversary this year with the first classes commencing in 1966.

I'd like to offer my congratulations to the university, its academics and students, on this important milestone. It has been a challenging year for UPNG, and it is a credit to the strength of this institution and its people that you have worked hard to overcome those challenges.

There have been many great people to have studied here, but just to highlight that no less than four Prime Ministers form part of this institution's alumni - Pias Wingti, Rabbie Namaliu, Mekere Morauta, and Peter O'Neill.

When they were here they were promising students who dreamed of playing a part in the decisions and events that would shape this nation's future.

I suspect that is the same for many of the young men and women here today.

A strong academic and research community is important for any country, enabling it to reflect on where it has come from ... and where it wants to go.

The importance of impartial and objective research to the development and analysis of good public policy cannot be overstated.

That is why I am particularly pleased that this event is being held here and that there are a growing number of contributions being made by Papua New Guinean researchers to these important debates.

As you may know I have worked on the Papua New Guinea – Australia relationship for a significant period of time.

That is why I was very honoured in being appointed as Australia's High Commissioner to Papua New Guinea.

It has given me the opportunity to revisit so many of my favourite places, across the Highlands, Momase, the Islands and Southern, and get acquainted with the incredibly beautiful Papua New Guinea landscapes, communities, culture and people.

One thing that I am always struck by is the incredible depth and breadth of the Australia and Papua New Guinea relationship.

In this sense I am not referring to the interactions that come about from our formal government to government engagement – but the very many interactions that occur more informally, and through people to people contact.

I always love seeing and hearing about those stories, because it is those links that provide the real sustenance and ballast for our relationship.

I love meeting the Australian doctors, nurses, teachers, religious and many others who have come to Papua New Guinea to learn and visit, and stayed here to live and work.

Or meeting the rugged individuals and business men and women who are working hard alongside Papua New Guineans whether it is in Highlands agriculture or the latest mining venture

Or meeting the incredibly talented students who have studied in Australia and are returning to apply their new knowledge – or now the Australian students who are coming here under the New Colombo Plan to study

Maybe it is one of the many Church volunteers scattered across the country, and working at times in some of the most remote places.

Perhaps it is one of the growing group of young people that are forging entrepreneurs' networks as they discuss new ideas for start-ups and the world of venture capital

Or perhaps it is the latest group of trekkers that have made their way across the Kokoda Track and while exhausted you can see in their faces they know they have experienced something very special that they will never forget.

And while conferences like these tend to focus more on the formal side of the Australia – Papua New Guinea relationship, I would encourage you all to reflect on the many other aspects of our relationship.

It is these people, and these interactions, not our government to government links that most deeply define the nature of the special relationship that exists.

Australia and Papua New Guinea are bound by history and geography. We have helped each other, worked together, and challenged each other on the sporting field.

Our relationship is incredibly rich... incredibly diverse... incredibly broad... and incredibly important

There is much in the relationship that is positive.

But there is one thing that I would like to see recast.

That is how for too long we have allowed some to frame and define our relationship by the issue of foreign aid.

We need to fix that.

We need to recast that framing.

It's outdated, and does not reflect the reality of our deep and broad bilateral partnership.

Australia and Papua New Guinea are no longer donor and recipient, but economic and strategic partners in the 21st century.

It's a partnership defined by many things, but I want you to consider three statistics.

Firstly, today Australian business investment in Papua New Guinea stands at a massive 45 billion kina.¹

Secondly, two-way trade between our countries amounted to almost 14 billion kina last year, with 60 per cent of this trade going from Papua New Guinea to Australia.²

Thirdly, there are over 5,000 Australian companies that do business here.

Now in comparison I want you to consider the following.

At independence in 1975, Australia's development support represented 40 per cent of Papua New Guinea's budget – it now stands at around 10 per cent.

To me the story from these numbers is clear.

¹ <http://dfat.gov.au/trade/resources/Documents/png.pdf>

² <http://dfat.gov.au/trade/resources/Documents/png.pdf>

They tell me it is economic cooperation that is at the heart of the relationship, not our aid program.

They tell a story of a contemporary relationship, a contemporary partnership.

Partnerships are about shared opportunities, and shared challenges.

And while we are on the topic of challenges, I do want to acknowledge the efforts of Treasurer Patrick Pruaitch, and his colleagues who on Tuesday handed down a budget appropriate for challenging circumstances.

In such circumstances the ongoing commitment by the Government to fund core government services is incredibly important.

For both of our countries, situated as we are on the border of Oceania and Asia, the economic opportunities are immense.

APEC, which Papua New Guinea will host in 2018, is the fastest growing economic grouping in the world, with a massive and expanding middle class.

The countries of South East Asia; the countries of North Asia - all are within easy reach of both of our countries.

For commodity exporters, like both of us, these are huge and valuable markets.

The 19 billion US dollar LNG project, which commenced production in mid-2014, has transformed this nation's economy and has seen Papua New Guinea become a key energy supplier in this Asian century.

But our resource riches present us with both opportunities and challenges.

The opportunity comes from the chance for us to develop and sell the resources on the global markets.

The challenge is to ensure we use the revenues from these non-renewable resources to wisely invest in the people of the country and future opportunities.

While the global downturn in resource prices has presented us both with some large challenges, the outlook still remains promising.

Indeed, Total and its joint venture partners are pushing ahead with plans to commercialise the Elk and Antelope gas fields, in what will be the country's second major LNG Project.

In the mining sector, plans for developing of the Wafi-Golpu and Frieda River projects are progressing.

However, as this year's Update rightly acknowledges, economic diversification is vital for countries to ensure sustained economic growth and development.

For Australia, this means a greater focus on the services sector, and exports such as tertiary education and tourism.

The tourism sector has huge potential for Papua New Guinea too, offering unique experiences for visitors in one of the world's most environmentally and culturally exotic locations.

As one example, the international cruise ship market is currently worth 14 million kina a year.

A concerted effort at expanding the number of cruise ships visiting Papua New Guinea could see these returns multiplied many times over which, in turn, benefits surrounding communities, many of these otherwise very isolated and remote

Destinations like Alotau, Kokopo, Madang and Kavieng should be as familiar as Bali or Fiji to international holiday makers.

And cultural tourism, through events such as the Goroka, Enga and Mount Hagan shows, the Kenu and Kundu festival in Alotau, or the famous Sepik Crocodile or East New Britain Mask festivals, is a huge

potential drawcard. Not to mention the spectacular birdwatching that is available.

Capitalising on these opportunities requires investment – in transport links and infrastructure – together with business-friendly policies and marketing.

Papua New Guinea also stands to reap rewards from value-adding, and ensuring the quality and consistency of its agricultural exports.

Take cocoa, for example – an important cash crop that supports about 500,000 families.

On a recent trade visit, sponsored by Australia and New Zealand's Pacific Horticultural and Agricultural Market Access Program, international chocolate makers declared Papua New Guinea cocoa as among the world's best.

It is, they say, comparable to Madagascan cocoa, which commands a premium of 800 to 900 US dollars a tonne above market prices.

But to earn these returns, the cocoa industry must improve its post-harvest management.

The key, again, is investment... and an export-oriented approach to doing business.

Australia and Papua New Guinea's pursuit of economic growth and development is assisted by our respective countries' longstanding commitments to free trade, with low tariffs and few restrictions on investment.

But, as the OECD warns, open markets aren't enough to guarantee economic growth and development.

Sound economic governance and ensuring the rule of law are all-important for countries that wish to realise the full benefits of liberalised trade.

A commitment to improving the regulatory environment, lowering transaction costs and promoting better health and education outcomes is also important.

A strong economy needs good, quality and reliable infrastructure that enables better economic and social outcomes.

A strong economy also needs a healthy and educated population, in particular where women are free from violence and able to fulfil their economic potential.

In addition, strong institutions and a stable policy environment provide confidence to investors, helping to translate economic opportunity into jobs and exports.

These are the foundations for promoting economic growth – and therefore appropriately also the foundations for development cooperation under an economic partnership.

It is no longer feasible, nor appropriate, for Australia to be seen as a financier of basic service delivery. That is rightly a core and sovereign responsibility for the Papua New Guinea Government.

Instead our development co-operation must support our economic partnership, and our investments need to add value, rather than substitute.

This does not mean that we will not support service delivery – we will. We have significant and ongoing investments in health, education, women’s equality, law and justice, governance and transport.

But in these key areas more focus needs to be placed on:

- helping improve governance systems,
- attracting and leveraging further finance,
- trialling new innovative solutions,
- helping train and support the next generation of Papua New Guinea’s public service, community and private sector leaders,
- building and supporting institutional partnerships; and
- reducing gender based violence.

That is where we will see real value add and real outcomes.

In recognition of this, we have been working closely with the Papua New Guinea Government to reshape our development support.

At a policy level, we are working with the Government to strengthen the business enabling environment and drive sustainable economic growth.

We are increasing our cooperation in areas that will help grow the economy and initiatives that promote trade and support the further development and growth of the private-sector.

This includes a large expansion in our infrastructure investment, reflecting the role that infrastructure in key sectors such as transport, health and education plays in promoting economic growth and improved access to services.

This work also extends to the local level where Australia is working with Papua New Guinea to support reforms to the decentralised system of government, including at the district level to help identify local priorities, promote local solutions and better utilise the significant public and private sector resources available.

We are also partnering with the Government for the delivery of the National Elections next year.

And, to better support community needs, we are working to support effective partnerships between the Papua New Guinea Government and the private sector, civil society, NGOs and churches, based firmly on the principles of gender equality and inclusive development.

For example, through the Church Partnership Program, Australia recognises the significant historical role the Churches play in the delivery of services to Papua New Guineans, particularly in the areas of health and education, and their unparalleled reach across the country.

The moral authority of Church Leaders is widely accepted and they continue to play a critical role in enabling communities to have a voice and build momentum for positive social change.

We are establishing and deepening institutional partnerships. This is not limited to public service departments but also includes working with key institutions such as the National Research Institute and the National Museum and Gallery.

Given our location today, I wanted to discuss in slightly more detail one of the key institutional partnerships we are supporting with the objective of training the next generation of leaders.

I am proud to say that Australian Universities have had a close association with UPNG since its foundation.

This tradition; this strong partnership; has been renewed and enhanced in recent years with the creation of the Pacific Leadership and Governance Precinct.

The Precinct is a joint initiative of our two countries to continue to develop capable and ethical leaders who will drive economic growth and improve service delivery.

One of first changes, which most people here will be aware of, has been the creation of the School of Business and Public Policy from the old School of Business Administration.

This was not merely a change of name; it was an important statement of direction and intent.

The school now has a greatly enhanced focus on economics and public policy – both of which are of critical importance to any nation’s future prosperity and obviously the subject of this conference.

The school is on the way to becoming a regional centre of excellence in these important disciplines, providing direct benefits for hundreds of students and long-term capacity improvements.

Importantly, the Precinct is supporting the school to become a research hub, enabling academics and senior students to contribute to the nation’s understanding of the challenges and opportunities it faces.

The Institute of Public Administration – another historic institution and home to the famous Bully Beef Club - is also receiving support to strengthen its role as a provider of vocational training to the nation's public servants.

New buildings at both UPNG and IPA will ensure students have access to modern facilities so they can focus on their studies and collaborate with colleagues in Papua New Guinea and beyond.

The buildings not only enhance the space for learning and teaching but create a place to come together for debate and discussion around the topics of nation building, public policy, leadership and building coalitions for change.

In many respects I see the Precinct as a good illustration of the new partnership that has developed between us in recent years.

The shift in Australia and Papua New Guinea's bilateral relationship has been driven by global economic circumstances, and our mutual interests.

But our joint decision to acknowledge this shift, and to pursue a modern economic partnership, has been a very deliberate one.

In conclusion, Australia stands shoulder to shoulder with Papua New Guinea, ready to work together – in partnership – in the interests of both of our countries.

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