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SUPPLEMENTARY REPORT ON THE ADMINISTRATION OF PAPUA NEW GUINEA
FOR THE PERIOD FROM 1 MAY 1974 TO 30 AUGUST 1974

Note by the Secretary-General

The Secretary-General has the honour to transmit to each member of the Trusteeship Council one copy of the supplementary report on the administration of Papua New Guinea for the period from 1 May 1974 to 30 August 1974. These copies were received by the Secretary-General on 3 October 1974.

Quarante et unième session
Point 4 b) de l'ordre du jour

RAPPORT SUPPLEMENTAIRE SUR L'ADMINISTRATION DU PAPUA-NOUVELLE-GUINEE
POUR LA PERIODE DU 1er MAI 1974 AU 30 AOUT 1974

Note du Secrétaire général

Le Secrétaire général a l'honneur de transmettre à chacun des membres du Conseil de tutelle un exemplaire du rapport supplémentaire sur l'administration du Papua-Nouvelle-Guinée pour la période du 1er mai 1974 au 30 août 1974. Ces exemplaires sont parvenus au Secrétaire général le 3 octobre 1974.

SUPPLEMENTARY REPORT TO UNITED NATIONS
ON PAPUA NEW GUINEA
FOR PERIOD 1 MAY 1974 TO 30 AUGUST 1974
TRUSTEESHIP COUNCIL : RESUMED 41ST SESSION
OCTOBER 1974

SUPPLEMENTARY REPORT ON PAPUA NEW GUINEA
FOR PERIOD 1 JUNE TO 30 AUGUST 1974

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INTRODUCTION

This Second Supplementary Report contains information regarding events since the Supplementary Report (1 July 1973 to 30 April 1974) was provided for the Trusteeship Council's 41st Session in May, 1974. It should be considered together with the Annual Report for 1972-1973 which included in Part X relevant information on some matters up to 13 March 1974.

The information within this Report does not seek to comment on those areas of authority for which Papua New Guinea has been fully responsible during the period, but short summaries of some major economic and social initiatives taken by the PNG Government are included.

A. POLITICAL ADVANCEMENT

1. INDEPENDENCE

(See also Section 2 National Unity, Section 3 Reserved Matters and Section 4 Constitutional Planning Committee and Constitution).

On 28 May the Chief Minister of PNG, Mr Somare said that Papua New Guinea was in a good position to achieve independence. Many other countries have become independent without having the same resources, or reaching the same stage of development. He told the students that the Constitutional Planning Committee proposals were still to be voted on by members of the House of Assembly.

On 25 June 1974, the Chief Minister announced in the House of Assembly that the National Coalition Government agreed that a constitution should be enacted before Papua New Guinea became independent. Mr Somare moved that the House resolve that PNG move to independent nation status on 1 December 1974, but he said, he would be prepared to accept any amendment making the date subject to a Constitution being passed, although he thought it important to set a date now. He emphasised that the Government and Opposition disagreed over the timing of independence, but that was all.

The Chief Minister made it clear that in his view Papua New Guinea was effectively operating independently of Australia, and that formal and legal independent status should therefore be achieved as soon as possible. He said:

"My Government favours early independence because we believe Papua New Guinea is ready now, and, that there are substantial benefits to be had from independence. We are ready now, because in practice, we have been 99 per cent independent since, at least, December 1973. Eighteen of our twenty Ministers are completely free from Australian control in their ministerial responsibilities. The Minister for Justice does not yet have full control over the courts, and the judges, but the handover is ready. This transfer will occur before formal independence. The only Minister then, who does not have final power, is the Minister for Defence, Foreign Relations and Trade. Yet, Mr Kiki's dependence on Australia for policy directives is only true on paper - it has not been true in practice. We have not been ordered about by the Australians in these fields. During the last year we have been establishing our foreign policy, making international contacts, joining various international organisations, and establishing our future embassies. Fellow members, in the field of foreign relations, we are ready now. And it would be to our advantage. We could, for instance, more easily develop long term commodity agreements with other countries, that may bring the price of basic food items down."

On 27 June 1974 a motion in the House of Assembly calling for a national referendum of the people of Papua New Guinea concerning the timing of independence was defeated (52 to 28).

On 9 July 1974 the House of Assembly resolved that Papua New Guinea should move to independent nation status as soon as practicable after a constitution has been enacted and that the proposed date for independence be endorsed by the House of Assembly.

Opening the Australian Parliament on 9 July, the Australian Governor-General said:

"Pending the final decision of the House of Assembly to declare independence for Papua New Guinea, the Australian Government will conduct its relations with the Government of Papua New Guinea as a government of an independent nation to which Australia has certain special and inescapable obligations."

And in response to the resolution passed by the House of Assembly, the Australian Minister responsible for Papua New Guinea Matters, said on 10 July:

"... what exists today in Papua New Guinea is a state of de facto independence. Even in the areas where Australia reserves ultimate responsibility until independence - mainly defence and foreign relations - Papua New Guinea is already exercising day-to-day control and determining its own policies ... With Australian encouragement Papua New Guinea has taken its place in the international community and established contacts as if it were an independent entity. All this accords with the Australian Government's policy that transition from self-government to independence be smooth, in the same way that the granting of self-government on 1 December last year had largely been a formalisation of what already existed."

On 11 July, the Chief Minister said Papua New Guinea would become independent within three months of the enactment of the constitution; that he would have to propose a date to the House of Assembly; and that after the House had voted on it, it would take at least 2 months to arrange for the formal celebration of independence. Mr Somare said that he would put an independence date to the House after the Constitution Bill was passed. He hoped this would be in November, 1974. Further he hoped the House would commence the Constitution Bill debate at its budget meeting in September, and said that he wanted the independence date as soon as practicable after the Constitution was enacted. He said that the Trusteeship Council would be informed of the exact text of the House of Assembly resolution on the independence date.

2. NATIONAL UNITY

On 16 June, the Minister for Commerce, Mr Ebia Olewale, spoke of the underdevelopment of the Papuan region outside Port Moresby, saying that the Papua New Guinea Government in its development priorities was trying to redress the balance between more developed and less developed areas.

The Chief Minister, on 19 June, in replying to a call from the Port Moresby City Council for separate political independence for Papua, reaffirmed that his government stood for a united Papua New Guinea, and that this was the belief of a majority of people in the Papuan region. When speaking on the timing of independence in the House of Assembly on 25 June, the Chief Minister spoke of the need for an independent Papua New Guinea to be united. He cited the integration already achieved in a national parliament and ministry, a national public service, national educational institutions, integrated police and defence forces, a national airline and communications systems, and the countless marriages between Papuans and New Guineans. He mentioned some of the consequences of separation, including the difficulty of two small and weak nations trying to protect their integrity.

The House of Assembly has voted in favour of Papua New Guinea, moving to independence as a single national entity. It is envisaged that the constitution itself will take account of regional loyalties by providing for decentralisation of powers from the central government to provincial governments.

On 27 August the PNG Government announced that it had established an 8-man task-force to expedite development of the Papua region. The Chief Minister said that after investigating effective means for achieving economic and social development at the village level in Papua, the groups work would be widened to cover other undeveloped areas such as the West Sepik and Madang districts.

3. RESERVED MATTERS

(see also Section 1 Independence)

The Australian Government has consistently adhered to its policy of a progressive transfer of the reserved powers. Both Governments believe it is important that there should not be any administrative or legal obstacle to independence being attained as soon as possible after the constitution is enacted.

On 1 December 1973 when Papua New Guinea assumed formal self-government, the reserved powers remaining with the Administering Authority were as specified under the Papua New Guinea Act 1949-1973, Section 5(1A) -

- (a) defence
- (b) foreign relations or
- (c) a matter specified by Proclamation made in accordance with Section 43 of the Papua New Guinea Act (No. 2) 1973.

On 27 November 1973 a proclamation, effective from 1 December 1973, reserved the following powers:

All matters pertaining to the Supreme Court of Papua New Guinea and all other Courts established by Ordinance.

Authority in relation to Legal Aid.

Responsibility for instituting prosecutions.

Matters relating to the House of Assembly.

Electoral Policy in relation to Papua New Guinea.

Although de facto transfer of fisheries powers to PNG were made on 1 December 1973, regulations, effective from 15 July 1974 under the PNG (Application of Laws) Act, disapplied the Fisheries Act and the Whaling Act to PNG. PNG ordinances regulating these matters were brought into effect on the same day. Transfer of powers under the Continental Shelf (Living Natural Resources) Act is awaiting the definition of the boundary line. A long-term agreement between Australia and PNG to advance the common interest in waters fished by boats of both countries is nearing the final stages. Agreed Minutes relating to PNG (under the Australia/Japan Fisheries Agreement) initialled in April 1973, were signed in Tokyo on 4 September 1974.

As mentioned in the previous supplementary report the Australian Government has fully consulted the PNG Government on the policy of all reserved matters and in almost all cases the PNG Government is fully responsible for the administration of this policy. On 31 May 1974 the Chief Minister of PNG stated in a press release that Australia had never rejected any proposal of the Papua New Guinea Government on defence or foreign relations.

On 18 July the Chief Minister said that PNG could accept final responsibility over legal matters with the Supreme Court, Prosecutions and the Public Solicitor's Office through minor legislative changes in the PNG and Australian Parliaments. He also said that PNG would be ready to establish its own Defence Department in October and could have, if necessary, draft defence legislation before the September House. Formal arrangements, he said, could be made for an independent PNG Defence Force, though the Governor-General would remain Commander-in-Chief up to full independence. Regarding Foreign Affairs it would be possible to make a formal arrangement with Australia for Australia to act for Papua New Guinea as a formal agency under Papua New Guinea's direction. The Chief Minister continued -

"I point out these things because I do not want people to be given the impression that our country is not fully prepared for independence status.

But as I have already said, I have given an undertaking to the House of Assembly and for this reason I could not support, in any way, a move by Australia to make our independence date decision for us."

The Australian Prime Minister on 26 July 1974, at the opening of PNG House, Sydney (see Section 5, Foreign Relations) again emphasised the view expressed by the Governor-General of Australia on 9 July 1974, and the Australian Minister Assisting the Minister for Foreign Affairs in Papua New Guinea Matters in a press release soon afterwards said:

"Since Papua New Guinea achieved self-government in December 1973 the relationship between the government of Australia and of Papua New Guinea has been based on the principles of equality, mutual respect and mutual co-operation.

Pending the final decision of the House of Assembly to declare independence for Papua New Guinea the Australian Government will conduct its relations with the Government of Papua New Guinea as a Government of an independent nation, to which Australia has certain special and inescapable obligations."

4. CONSTITUTIONAL PLANNING COMMITTEE AND CONSTITUTION

On 27 June 1974 the Chief Minister tabled the majority of the recommendations of the CPC's 3rd and final report, and the Chief Minister and Deputy Chief Minister (both members of the CPC) tabled a minority report.

In the minority report the Chief Minister and the Deputy Chief Minister said:

"We firmly believe that the report as finally approved should be taken as a guide only for the drafting of the Constitution and associated legislation. We believe that the report is too detailed and that the Constitution should mainly contain statements of essential principles derived from the report and that it should be a fairly short document. Less important principles and the more detailed proposals should be left for ordinary legislation."

Mr Somare said that the Constitution should be automatically reviewed after five years to ensure it was still applicable to Papua New Guinea after the considerable change which would take place in the first few years after independence. The Chief Minister and his Deputy suggested at least seven committees to discuss and report on proposed Government legislation and policy.

The Deputy Chairman of the Constitutional Planning Committee Fr. Momis also made a statement. At the tabling of the report he said:

"...As we all know, Papua New Guinea has reached the cross-roads in our search for national identity and self respect. It is the historic moment for Papua New Guinea to decide the kind of society we ought to build in this country and I believe that the real significance of self-government and independence is the opportunity and the freedom which independence offers us to define our own national goals and values. This is also the time when we ought to be giving serious thoughts to the problem of under development and the task to liberate ourselves from the constraints of the colonial regime and the constraints of our own traditional practices.

... the committee has given a lot of thought to the submissions presented by the people to us. Our recommendations are geared towards establishing a system of government and a basic law of our country which will give real participation to our own people in the great task of nation building. Our recommendations therefore are geared towards building a society which will bring genuine

human development to our people. I feel at this juncture of Papua New Guinea's development it is important to define exactly what we mean by 'development'...

... We do not take development to be synonymous with material progress, or mere economic progress, or even with the progress of the country as such. Development is not to be measured by the actual or latent wealth of the country, or its power or military might or the vastness of its industrial enterprises. Nor is development the same thing as the country's political influence, or the prestige Papua New Guinea might enjoy at any time among her neighbours or in the world family of nations. All these things have value, but taken singly or together they fall far short of the meaning we give to development in Melanesia. For us the only authentic development is integral human development.

First of all, this means that when we use the term development we mean nothing less than the unending process of improvement of every man and woman, along with the improvement of the whole man and woman. We take our stand on the dignity and the worth of each Papua New Guinean man, woman and child, each of whom is a human being - a person. In effect this means that the integral human development must reach out to and enrich Papua New Guineans wherever they are to be found. No corner of the nation must be overlooked; no clan or tribal grouping must be forgotten in the process of integral human development, to which each Papua New Guinean has a right, an inalienable right as a person. This right is antecedent to this Constitution."

In its major recommendations the CPC Report covered citizenship, the role and form of the Executive, Legislature, Judiciary, Public Service, Disciplined Forces and Provincial Government. The committee represented all parties in the House of Assembly, and its terms of reference were announced in the House of Assembly in September 1972. Members toured the country, visiting almost every sub-district, between May and August 1973. They held more than 100 public meetings attended by about 60,000 people. The committee's major deliberations were held between October 1973, and February 1974. More than 2,000 submissions based on the committee's six discussion papers were received. Interim reports were tabled in September and November 1973. Between March and June this year, the CPC held a number of full meetings with Cabinet. When presented to the House on 27 June the third report was not complete.

The final Report of the CPC and a Government White Paper which proposed amendments to the Report were tabled in the House on 16 August. The Chief Minister at the same time moved that the Legislative Draftsman be instructed to prepare a constitution and related legislation on the basis of the CPC Report recommendations, subject to amendments by the House on a chapter by chapter basis. Debate on this motion continued through the August meeting of the House of Assembly and will be further debated in the September/October session (due to start on 23 September).

5. FOREIGN RELATIONS

The Chief Minister of PNG, Mr Michael Somare, on 14 June 1974 addressed the Australian Institute of International Affairs in Melbourne on "The Emerging Role of Papua New Guinea in World Affairs". During his address he said -

"Before I speak about our policies and philosophies, I should tell you something of the purely administrative and organisational initiatives which have already been taken ... With Australian Government's assistance, Papua New Guinea has developed its own Department of Foreign Relations and Trade. Australia has assisted in training a large proportion of our senior departmental staff, most of whom are Papua New Guineans. Our first overseas offices were established in Canberra and Sydney and in the next twelve months we will establish offices in Wellington, Suva, Jakarta, Tokyo and New York. These will comprise Papua New Guinea's initial overseas representatives and will undertake a full range of diplomatic, trade and consular functions up until and after independence..

"Despite the world drama that we are about to enter, Papua New Guinea must adopt a universalist stance. While we are interested in the ideological and security questions which face the world, our country will not neglect its commitment to her people by involving itself in international squabbling on these issues. It will not be our aim to seek any form of ideological or military grouping with the big powers. Papua New Guinea supports a zone of true peace and neutrality in the oceans which lie to either side of her - the Pacific and Indian. We wish them to be kept free of the arms race in which the big powers compete for military prestige. We are not yet a member of the United Nations but we believe in the principle of the charter of the U.N. and will co-operate with all effort to promote peace, security and international justice ...

"Australians because of their own history are a free people with great independence of outlook. I believe they fully appreciate the over-riding value of freedom for other peoples over and above questions like material well-being and economic standards. There already exists between our governments and peoples a climate of understanding, friendship and mutual respect and upon this we can build a lasting relationship. But, both the Australian and my country's leadership is concerned to ensure that this relationship is not interpreted by other nations as neo-colonialism or an "Uncle Tom" relationship. This concern has perhaps led us more than anything in our efforts to establish our own overseas identity in the world, through the establishment of costly but nevertheless necessary overseas offices. The responsibility for development of political stability lies in our hands but the financial burden that this implies is beyond the capabilities of our young country. Australia has agreed to support our budget for some time yet. However my

Government is concerned that this should be aid without strings, and at the same time we do not want to appear dependent on Australia financially after independence any longer than is necessary. We will resist any Australian action which attempts to use its aid program as a lever to guide out development philosophies ...

South Pacific

"The question of tradition leads me to the second influence on our future foreign relations - cultural. Our first and foremost priority in this area is towards the Pacific countries. Within the last month, the Prime Minister of Fiji, Ratu Mara, visited our country. His visit emphasised the importance of a regional grouping for the Pacific Islands in which Papua New Guinea can play a real role. The Pacific Islands can best protect their interests and further their aspirations through regional cooperation. This is not a new thing. To a certain extent it was the influence of the larger powers in our areas which had created a historical gap in our relationships. Our forefathers traded by canoes. Now, one hundred years later, as each Pacific island regains its right to self determination we talk in terms of regional airlines, regional trade and transport arrangements. They are a logical extension of the joint trade and friendship between our peoples. Fijian, Tongan and Samoan missionaries have landed on Papua New Guinea's shores since the 1850's. Many of them are still in our country as teachers, nurses and doctors, all contributing towards the nation building effort of Papua New Guinea. Many of our own politicians and senior public servants had their early tertiary education in the Pacific. The metropolitan powers which have had an influence on this region in the past years must recognise that the South Pacific is also entering a new era ...

Indonesia

"Our nearest neighbour is Indonesia which has a population ten times that of Australia and forty times that of Papua New Guinea. Our relationship with Indonesia will be mainly political and Indonesia's Foreign Minister, Mr Adam Malik, advanced this relationship when he visited our country early this year.

Two border agreements have been signed in a spirit of friendship and understanding between our countries. We wish to see this continue and we see no difficulties in the fact that we share a common land border. Indonesia has shown understanding in our role of granting permissive residency to Irian Jaya refugees. Our countries have agreed to develop exchanges in the cultural, social and educational fields. Indonesia has established a Consulate-General in Port Moresby and in the next few weeks we will hope to establish an office in Jakarta ...

Other Asian Countries

My country can learn from the experience of all our Asian neighbours in such matters as land development, educational programmes, small scale industries and foreign investment. For instance, Malaysia's National Operations Room and its development plans have already given us some inspiration for the control and implementation of our own social and economic development programme.

The Philippines have a surplus of skilled and professional workers and Papua New Guinea has already recruited some Filipinos to help out in our own effort.

A Korean based company is now providing manpower and expert advice in the construction of our largest yet hydro electric scheme at the Ramu River, in the Eastern Highlands.

Hong Kong and Singapore businessmen are showing keen interest in assisting us to develop natural resources.

Our contacts with Japan are increasing dramatically and substantial Japanese investment has already taken place in timber and fishing resources during the past two years. In general Japanese companies have shown understanding towards our attitude to foreign investment, which I have already outlined. Japan stands ready to offer technical and development aid.

While we stipulate that all our natural resources belong to the people of Papua New Guinea, we realise that outsiders must provide finance and special skills for some ventures. Contacts with Japan will help us to diversify our previous reliance on Australia in this role. I am confident that an effective economic relationship will mature between Papua New Guinea and Japan, and that fruitful economic cooperation on the government to government and government to industry levels will be a feature of this."

Conclusion

"I realise that the developing relationships I have briefly sketched above do not constitute a complete foreign policy. I would point out that we have only been working to develop our external policies and crystallise our relationships with other countries since my government took power and set its feet on the road to self-government and independence in 1972.

We want a foreign policy that is home-grown and not one with large sections grafted on by others or borrowed from others. I want to be assured also that this policy represents the consensus of all groups of our Papua New Guinea people. We are therefore willing to take our time about developing such a policy and not jump in too quickly to form alliances, or take sides on world issues."

Papua New Guinea Representation Overseas

On 26 July the Prime Minister of Australia officially opened Papua New Guinea House which houses the PNG Government Commission in Sydney. The Minister for Defence, Foreign Relations and Trade on 12 July formally announced that Mr Vincent Eri was to be the PNG Government representative in Sydney. As head of the Sydney Office of the PNG Government - part of the total establishment in Australia headed by the PNG Government Commission in Canberra, Mr Oala Oala-Rarua - Mr Eri is responsible for the Australian and Papua New Guinean staff which carries out liaison, supply and consular duties for the Papua New Guinea Government and its expanding information and trade promotion activities.

Mr Robin Kaumaina, has been posted to Jakarta where he is accredited to the Indonesian Government. The Minister for Defence, Foreign Relations and Trade opened the PNG Government office in Jakarta on 2 September. On that occasion the Chief Minister said:

"It is the first overseas mission to be established by the Papua New Guinea Government, apart from those in Sydney and Canberra, and this, together with the decision to send Mr Albert Maori Kiki at such a busy time for the Government, shows how important we believe our relationship with Indonesia to be.

"My government and I believe it is imperative that Papua New Guinea and Indonesia continue to develop the friendship and cooperation which have characterised their contacts with each other up to the present."

On 25 July the Minister for Defence, Foreign Relations and Trade announced the appointment of Mr Evertius Romney as PNG's new head of mission in Fiji. He took up his post in Suva on 31 August.

At the same time as the Chief Minister accepted the credentials of the New Zealand Commissioner (26 August), the Minister for Defence, Foreign Relations and Trade, announced the departure of Mr Leo Morgan, the PNG Government Commissioner designate, for Wellington, New Zealand.

The Papua New Guinea Department of Foreign Relations and Trade has attached an officer (Mr Ralph Karepa, First Secretary) to the Australian Permanent Mission to the United Nations.

The PNG Minister for National Development, Mr Gavera Rea, addressed the ILO Conference in Geneva in June. He said in part:

"I speak on behalf of a country which will form an increasingly important bridge between Asia and the South Pacific. The South Pacific countries comprise a very large slice of the world's geographical area and a substantial number of people who have been largely neglected."

The Minister drew attention to the recent first conference of South Pacific Labour Ministers which was held in Australia last year as being indicative of the increasing efforts being made by nations in that area to develop regional cooperation, particularly in the fields of labour and related areas. In emphasising the need for recognition of the ILO standard by developing countries, he again called upon the ILO to consider the establishment of a regional office in the South Pacific area as soon as possible.

A group of PNG officials attended the international conference on the Law of the Sea in Caracas, Venezuela, as part of the Australian delegation to represent PNG's point of view. The Minister for Defence, Foreign Relations and Trade when announcing the delegation said that,

"... Papua New Guinea, with such a large area of sea separating its many parts will be vitally interested in the outcome of the conference for decisions made there could provide the basis for a definition of the area of the surrounding sea and sea-bed over which this country could claim control."

A Papua New Guinean delegation attended the UN Population Conference in Bucharest (19 - 30 August) to participate in long-term policies on population growth. The Conference sponsored a representative of the PNG media along with representatives from some 50 other developing countries.

On 22 August the Chief Minister announced the opening of the first overseas information office, to be set up in Sydney by the PNG Office of Information, as the central point for dissemination of information and Government publicity throughout Australia.

More than 30 Papua New Guinean foreign service trainees are at present based with Australian and New Zealand embassies in overseas countries as part of their training.

Foreign Representation in Papua New Guinea

At the end of June 1974, Miss Mary Olmsted arrived in PNG to take up her appointment as United States Consul-General. The U.S. Consulate is initially staffed by 3 other U.S. officers.

In August Brigadier Brian Poananga arrived to head the New Zealand Mission in Papua New Guinea. On 26 August, he presented his credentials to the Chief Minister who said that already the New Zealand Government had allocated \$NZ 5.5 million for development assistance to Papua New Guinea for the period 1974-77.

The Chief Minister also expressed his Government's desire to look towards New Zealand as a continuing alternate source for development assistance as well as trade. He also noted the role the New Zealand Government was playing in fostering regional cooperation in the Pacific. Earlier Mr Poananga

had assured PNG that New Zealand would continue giving further aid. New Zealand was examining more than 50 aid projects including advice to the timber industry and recruitment of N.Z. teachers for PNG schools.

On 29 July it was announced that Mr Ruben A. Mendoza would be the Philippines consul. The Minister for Defence, Foreign Relations and Trade in welcoming the move said that the Philippines was one of PNG's closest Asian neighbours. The Philippines Government already had an agreement with PNG for the recruitment of Filipino workers for PNG, and there are already more than 300 Filipinos in the country.

During the visit of the Prime Minister of Fiji, Ratu Sir Kamisese Mara, it was announced that the Fiji Government had appointed an Honorary Consul in Port Moresby - Mrs Akinisi Taureka. In June Fiji's Clerk of Parliament, Mrs Lavinia Ah Koy visited Port Moresby to observe the House of Assembly including the library and other services.

In July the Commonwealth Secretary-General, Mr Arnold Smith appointed a resident representative in Papua New Guinea, Mr John Koboha, to assist with the effective coordination and execution of the substantial technical assistance programme under the Commonwealth Fund for Technical Cooperation. The CFTC's governing body recently approved a programme of technical assistance to PNG in the fields of education, administrative training, forestry, transportation, law, finance, statistics and health.

In July the Singapore High Commissioner to Australia, Mr Punch Coomaraswamy, made a visit to Papua New Guinea, paying particular attention to development projects being undertaken. Mr Coomaraswamy said that he felt that in Papua New Guinea the problems any country encountered as it approached independence were being realistically faced, particularly in the fields of education, the use and ownership of land and economic development.

In May, the Japanese Ambassador to Australia, Mr H.B.K. Yoshida visited Papua New Guinea.

In July an Italian Embassy official from Canberra visited PNG to speak to PNG Government officials mainly on constitutional development and to get in touch with Italian residents in PNG.

In August the Netherlands Ambassador to Australia visited Papua New Guinea and had discussions with the Australian High Commissioner, the PNG Chief Minister, and senior PNG Ministers.

Papua New Guinea and the South Pacific

The Prime Minister of Fiji, Ratu Sir Kamisese Mara, visited Papua New Guinea from 19 to 27 May. On arrival in PNG the Fijian Prime Minister said that Papua New Guinea would play a dominant role in the Pacific because of its size and population. He saw the possibility of Papua New Guinea acting as middleman in trade between South-East Asia and the Pacific and this would be an alternative to trading through Australia. He said that regional cooperation would also help the Pacific nations to solve their individual problems. The following are extracts from a joint communique issued by the Prime Minister and the Chief Minister of Papua New Guinea at the conclusion of his visit:

"The leaders ... expressed the hope that further exchange visits by leaders of other Pacific countries would be encouraged to promote further understanding and friendship amongst the leaders and people of the region.

Fiji and Papua New Guinea have no desire to dominate the leadership in the Pacific Region, but only to ensure that the best interests of each Pacific country are protected and maintained and will continue to work towards maintaining close cooperation with other Pacific countries...

Both leaders said they will continue to support the aims of the South Pacific Forum and its organ the South Pacific Economic Commission. They saw the need for more effective means of cooperation between the Pacific countries themselves. Since there was a shortage of financial and human resources the Pacific countries needed to be effectively organised in order to promote their own economic development and social welfare ..."

Papua New Guinea and South East Asia

In early June, Mr Albert Maori Kiki, Minister for Defence, Foreign Relations and Trade made an informal visit to Indonesia in which he talked with the Indonesian Foreign Minister, Mr Adam Malik, making a general review of bilateral relations between Papua New Guinea and Indonesia.

In late July/early August the Minister for Defence, Foreign Relations and Trade made a two-week tour of South East Asian capitals including Jakarta, Singapore, Bangkok and Hong Kong. One of the matters discussed throughout was the opportunity for trade and the possibility of South East Asian countries being an alternative supply source of foodstuffs for PNG.

6. DEFENCE

As set out in the previous supplementary report, on 25 April the PNG Minister for Defence, Foreign Relations and Trade Mr Albert Maori Kiki, made the PNG Government's first major policy statement on defence, in which he outlined the role, size and shape of the defence force, the restructuring of civil and military control over the defence force, and foreshadowed new legislation and financial arrangements.

Since then, the Constitutional Planning Committee has proposed the establishment of a Commission of Inquiry to examine the relative sizes and roles of the defence and police forces. Recommendations were made about the Commander-in-Chief, the possible use of the defence force as a last resort in internal security situations and restriction on the right to raise a private army. Subsequent government statements reveal substantial agreement on many points with the CPC report; the report itself is still being considered (see Section 4 Constitutional Planning Committee and Constitution).

The PNG Government has stated that nation building will be one of the important roles of the Defence Force. Thus, in late May and early June the Force in conjunction with the Department of Public Health conducted the first of a new type of course in aeromedical evacuation techniques emphasising problems peculiar to PNG especially those associated with high altitude flying, loading of the sick, in-flight medical care and life-support equipment. It has also been announced that an Engineer Company from the PNG Defence Force would provide 2 months assistance in road blasting operations on a major road construction project in the Western Highlands District.

The Pioneer pilots of the PNG Defence Force were commissioned in Australia on 13 May. They will now do advanced training to form the nucleus of the PNGDF air element. The officers will do an officer-training course in PNG before undertaking further flying training in Australia in early 1975.

The Minister for Defence, Foreign Relations and Trade, Mr Albert Maori Kiki, announced on 16 September that a Papua New Guinea Department of Defence will be established on 1 October 1974, and that from 1 December 1974, it will administer funds provided through the PNG Budget.

This change places the defence function on the same basis as were most other functions before they were transferred i.e. even though Australia retains the final formalities of transfer they are administered by PNG - based departments. Papua New Guinea's own defence legislation will be introduced into the House of Assembly during the coming budget session in September/October.

Australia's defence relationship with Papua New Guinea is a matter of continuous consultation and is being developed in three phases. The first phase was concerned with assisting PNG to decide the roles, size and organisation of its defence force. In the second phase, action is being taken to prepare the force to meet its role in an independent PNG. Phase three is concerned

with the development of Australia's long-term defence relationship with PNG; initial discussions have been held.

It has been agreed that Australian servicemen will remain in the force after PNG attains independence, but their numbers will be progressively reduced. Their post-independence role is currently under consideration.

7. GENERAL

During the period many changes have been made at national and district levels by the PNG Government.

Over the past 12 months discussions have been held between Australia and Papua New Guinea on the Torres Strait. There have also been consultations with the Torres Strait Islanders and meetings between the Torres Strait Islanders and the coastal people of Papua New Guinea. The Queensland Government has been informed of these discussions.

The Australian position is that an appropriate division of jurisdiction and an equitable allocation of resources should be embodied in a treaty between the Governments of Papua New Guinea and of Australia. At the same time, it is recognised that any settlement must also involve and take account of the Queensland Government, and protect the interests of the Torres Strait Islanders. It is hoped that the concept of an environmentally protected area in the Torres Strait can contribute to a satisfactory settlement.

On 24 July the Chief Minister assumed the Justice portfolio replacing Mr Kaputin, who became Minister without Portfolio. The Chief Minister said that this would enable Mr Kaputin to give more attention to his work with the Constitutional Planning Committee and the New Guinea Development Corporation and also give Mr Kaputin a freer hand to put his constituents' point of view.

On 20 August the member for Manus District in the House of Assembly, Mr Michael Pondros Pokayou announced the formation of a PNG Country Party.

On 1 August the PNG Chief Electoral Officer, Mr James Mileng, suggested absentee voting in national, local and area government elections might be abandoned because it involved extra effort costs and usually nil returns.

On 9 July the Government announced proposals for safeguards against corruption. The Chief Minister said it was essential that acceptance of any gift above a certain value from an overseas enterprise or individual should constitute an offence. (Under existing legislation an offence is committed only if the recipient allows a gift to influence a decision). He said legislative draftsmen had been instructed to draw up suitable supplementary legislation and that he also favoured a State Gift Registry to oversee parliamentarians and their families, public servants, political appointees, all companies operating or wishing to operate in PNG, and future citizens of PNG. Further, all investors in PNG should furnish complete lists of any gifts made with names of recipients. The Chief Minister emphasised that his moves were not aimed at any particular nationality investing in PNG.

Late in July, 9 additional Papua New Guineans were confirmed in appointments as District Commissioners making 14 of the 19 districts headed by national officers.

In line with the Government's policy of giving local people, interests and constructive pressure groups greater autonomy and involvement in decision making, on 5 July 1974 the House of Assembly passed the Provincial Government (Preparatory Arrangements) Bill to establish 3 interim district provincial governments, pending final arrangements for provincial government in the Constitution or in associated legislation. The Act recognises the proposed Bougainville District Assembly as a legal body with corporate status. The Bougainville Constituent Assembly submitted a detailed district development plan for 1974-1975 to the Central Government for approval. The Chief Minister announced the Constituent Assembly had been declared a Provincial Government on 26 July and that elections would be completed by December 1974. Under recommendations to be debated as a result of the CPC Report, it is proposed that the Provincial Government will have its own revenue resources, though at present it is operating on a central government grant. (The CPC Report recommended that district-level governments be established in 19 districts of PNG). It is recognised that local preparation and initiatives, co-ordination by District Commissioners of the activities of all public servants in the area (especially in rural extension), and co-operation between national politicians and provincial governments will be critical to the success of the provincial governments.

Late in May it was announced that Port Moresby is to become the National Capital District and the 20th district in PNG. It will have the same electorates as the Port Moresby City Council and a separate budget.

Regulations officially recognising a number of groups on the Gazelle Peninsula, whose aims were in keeping with the Gazelle Peninsula Affairs Act, were approved by Cabinet in May. Three groups are to be recognised initially and may raise funds by taxing their members and by other means, to enable them to engage in rural and other development projects. On 11 July the PNG Chief Minister announced the appointment of a local graduate, Mr Bill Kuamin, as special adviser on Gazelle Affairs to work with the three main Tolai groups - the Mataungan Association, Warbete Kivung and the Greater Toma Council.

In May the Port Moresby City Council decided to abolish personal tax and to investigate proposed revenue alternatives. In early July a conference was held to review the local government system and analyse some of the recommendations made in 1973. The PNG Government is concerned to simplify the system by rationalising management and executive tasks, so as to provide a responsive policy for developing rural areas and to create employment at the point of development by giving development funds through council and area authorities. On 26 July Mr Sali called for a

flexible local government system that would allow maximum participation by the individual citizen directed and co-ordinated at district level. He also said he felt that there should be measures extending and simplifying procedures, encouragement of participation by women, and strengthened communication links with the people generally. The Constitution of the Fly River and Southern Highlands Area Authorities are being changed to enable them to have additional members. On 9 August it was announced that Cabinet had approved the establishment of the Arawa Town Council to replace the Arawa Municipal Commission by December 1974 when it ceases to be a statutory body, and had approved changes in the Kieta Local Government Council Constitution to deal with urban land and the boundary between the two councils.

Changes in the organisation and development of the PNG Public Service continue at a vigorous rate. A central Government office complex is almost completed at Waigani (Port Moresby) and the Department of Finance has already transferred to the new premises. As part of the policy of promoting efficiency and economy in the Public Service, the Public Service Board has set up a trial Bureau of Management Services to provide a centralised pool of clerical and typing staff for all government departments and district government offices in various centres. The Bureau has initially appointed managers for Madang, Chimbu, Enga and Eastern Highlands Districts, and is expected to help standardise methods and procedures, promote Government decentralisation policy while encouraging local involvement in managing district affairs and in providing for staff a complete career structure in one organisation.

On 21 August it was announced that the Corrective Institutions Branch of the Department of the Interior would be transferred to the Chief Minister's Department pending a Public Service Board enquiry into administration difficulties. On 17 June the PNG Chief Minister, in answer to a press question, said that the Government would not consider stopping public servants, who had something constructive to contribute, speaking out on public issues.

The PNG Government in the last year, has found that the loss of expatriates in the Public Service, has exceeded the previously agreed reduction rate target, and in early June the PNG Chief Minister announced that the Government had decided to remove its figure of 15% reduction per annum. He said that localisation was now setting its own pace and each Minister had been asked to keep the situation in his own department under review and to ensure that localisation continues to take place at an acceptable rate. However he agreed that there was no doubt that a core of expatriates to help in future development would be needed in the years ahead. The Papua New Guinea Public Service Board has been recruiting skilled personnel in countries other than Australia. Since May 1974 over 200 Filipino recruits have taken up jobs within the Public Service as doctors, engineers, mechanics, tutor nurses, surveyors, stenographers, technical and

and secondary teachers, linotype operators and draughtsmen. In the Department of Labour and Industry's field service branch there are only 10 expatriate officers out of staff of 120, the PNG Minister for National Development, Mr Gavera Rea announced on 6 August. Moreover 12 of the department's 14 district officers are now staffed by Papua New Guineans. On 9 August the Commissioner of Police expressed the Minister's concern at the number of experienced expatriates being lost by the police force and paid tribute to the service of all members of the force under often difficult and demanding circumstances. On 18 June, 2 Papua New Guineans Mrs Dawa Lynch and Fr Ignatius Kilage were appointed to the Public Service Board replacing 2 Australians who are to continue to assist as associate members for the next year. The appointment of a Papua New Guinean woman to the position of Adviser on Women's Affairs is mentioned in the Social Development section and the appointment of 2 more Papua New Guinean District Commissioners is referred to above. The former Commissioner for Local Government, a Papua New Guinean, is to be the new Associate Secretary of the Department of Transport and Civil Aviation.

B. ECONOMIC DEVELOPMENT

Economic development is one of the self governing responsibilities of the PNG government.

The Minister for Finance, Mr Julius Chan, has commented on the healthy condition of the economy but PNG in common with most other countries is concerned about inflation. PNG is looking to increased self reliance to curtail certain types of expensive imports but on the other hand is benefiting, especially in the rural sector from high export prices and diversification of the export base. Mr Chan has emphasised the necessity to continue a concentrated attack on the problem of internal price increases. He announced that the strategy of removal of taxes on basic items, the reduction of allowable profits of all businessmen in PNG, and steps to stabilise food prices, had had the desired effect, but PNG's ability to weather any adverse effects was dependent on her ability to adapt to the continued rapid changes which will be a feature of the economic and social structure in the foreseeable future.

Prices and wages control have been tackled by the PNG Government. In May the PNG Price Controller, Mr Mekere Morauta, after receiving complaints in Madang and Port Moresby, warned shop-keepers against attaching conditions to the sale of items under price control, which was a breach of the Prices Regulation Act. The Consumer Affairs Bureau has been very active in the period under review and concern has been shown about rises in the Consumer Price Index. Figures for the March Quarter announced in May showed imported items, higher cereal prices, the oil crisis and increased transport charges, as causing the major rises. Local produce accounted for the most moderate increases. Emphasis has been placed on expanding local supplies and seeking cheaper sources of supply overseas. Food prices again increased in June due to increased overseas freight charges. The community as a whole recognised the effects of price increases and pressure groups frequently included price increases in their grievances. In June the PNG Chief Minister and the Minister for Finance instigated investigations into the retail and wholesale prices of essential food commodities and the Government is aware of the necessity of seeking a long term solution. There has been concern for value and the accuracy of weights of food items as well as prices. In late June, in Port Moresby and Lae, the PNG Government tightened price control after holding discussions with local Chambers of Commerce, Employers' Federations and businessmen involved in wholesaling and retailing. Reduction in profit margins on basic food items, extensions of items under price control, prior notification of proposed price increases and a 2½% general import levy exemption, were announced by the Government to become effective on 28 June. At the end of August a further review of regulations was promised in the context of the state of the whole economy.

The rising cost of urban living especially, forced demands for increased wages. The rubber industry reported difficulties in meeting further wage increases. Interim wage increases for urban and rural workers in all occupational categories covered by current general employment awards were announced on 28 June by the Urban and Rural Minimum Wages Boards. Urban wages are again under review. Increases were awarded to PNG public servants from 27 June and 4 July and teachers were given an increase in May. It was announced on 26 August that PNG had been transformed from a low wage plantation economy to a high level wage natural resources based economy which should be able to afford to pay higher wages without affecting capital labour ratios.

On 27 May, the Governor of the Bank of PNG, Mr H. ToRobert announced changes in the trading banks in PNG to simplify and rationalise procedures, services and charges which largely followed Australian banking practices. Savings operations in particular are being tailored to be relevant to PNG conditions and be economically viable. Banking procedures needed to be understandable not only by those working in banks but also the PNG public. Several new bank agencies were approved in May by the PNG Banking Corporation (which took over the Commonwealth Bank business in April), the Bank of NSW and the National Bank. Special emphasis by banks is being encouraged to take services to the people particularly in rural area, and to promote flexibility to mobilise the nations savings to work for the development of the country. It was announced in July that the Development Bank had been taking radical steps to increase Papua New Guinean participation in business. The Bank is to buy a wholesale business and a number of trade stores in the Port Moresby area. The Bank will provide loan finance in accordance with the Bank Ordinance 1973 so that each store can be sold off to Papua New Guinean ownership and control, once the Papua New Guinean managers have proved they can operate profitably without bank supervision. Profits from the stores after charging interest and a management fee, will be applied as part of the purchaser's equity. Similar schemes are planned in other areas of the country. The Bank is promoting loans through vocational centres and is supporting many agricultural and business projects and helping to train students in business matters. Papua New Guinea Development Bank loans to Papua New Guineans reached a record amount of \$1,015,453 in June (1,503 loans were let this year compared to 1,392 in 1972/73). In 1973/74 the policy of absolute priority for Papua New Guinean borrowers continued with 86% of loans going to Papua New Guineans for amounts under \$3,000, reflecting the Bank's consciousness of the need to assist lower income individuals and groups throughout Papua New Guinea. At the retirement of the Australian Chairman of the PNG Development Bank in late August it was announced that his successor would be a Papua New Guinean.

On 15 August the PNG Statistician, Mr R.W. Fergie, released the first statistics replacing national income statistics previously prepared in Australia, which are now prepared under a new system of national economic accounts, based on the latest UN recommendations, but adapted to the special circumstances and information requirements in PNG. The

adaptions include usage of special estimation methods to deal with the relatively large amount of subsistence production. Mr Fergie said the new national economic accounts introduced to PNG, which had an internationally used and understood range of economic concepts and vocabulary, would provide a basis for economic analysis, planning and management and easier international comparisons. They provided the framework for further development towards a comprehensive and consistent national accounting and economic analysis. From 2 to 9 June representatives from 18 countries attended a Pacific Metric Conversion Conference in Lae sponsored by the PNG Government and the PNG Metric Conversion Commission. Some 50 delegates from Pacific and S.E. Asian countries attended to discuss the introduction of the international system of units and its problems and advantages, and to exchange information and advice. (PNG began the changeover program in March 1972 and plans to have full conversion by the end of 1979). Metric conversion courses for staff in government departments and private firms are organised throughout PNG by the Public Service Board.

The Chief Minister has said that the Government recognises that the system of real values developed over hundreds of years must be retained, and will not allow this to be destroyed for the sake of what is known as development and progress. The Eight Point Improvement Plan (see previous Supplementary Report) therefore emphasised national self-reliance, equality of opportunity and equal distribution of benefits - both in the domestic and international spheres, he said. He also said that the somewhat emotional question of foreign investment is much concerned with excessive foreign denomination even in such countries as Australia and Canada, and PNG while not being hostile to foreign investment is determined that it should be for the benefit of Papua New Guineans. People in traditional society cannot receive the benefits of employment and direct involvement without possible irreparable harm being done to the traditional values on which PNG wishes to build its future. He called upon investors therefore to understand PNG priorities and help maintain relationships between PNG people. (Soon after self-government, Australia and PNG signed (20 December 73) a memorandum of understanding on interim trade and commercial arrangements to operate in the pre-independence period. This confirmed existing conditions of access of both countries to each others markets, and indicated their joint intention to consider the form and scope of trade/commercial arrangements after independence. These interim arrangements are seen as a starting point for PNG's trade relations with other partners.) The PNG Government saw the Commonwealth being able to assist PNG efforts for expansion of trade investment and technical assistance and it was already providing substantial trade contacts with Britain especially through EEC trade links. (Informal exploratory discussions took place in June with officials of the Commission of the European Communities about PNG's post-independence relations with the E.C. The Chief Minister said he believed that the South Pacific Forum countries must combine to protect themselves from those who might wish to exploit their human and natural resources and called for still greater cooperation of Forum members and with its Bureau of Economic Cooperation.

On 30 May the PNG Chief Minister announced Cabinet approval to draft legislation for the establishment of the National Investment and Development Authority (NIDA). The objectives of the authority are to facilitate the registration, control and promotion of foreign investment, to identify areas for industrial and commercial activity which will make efficient use of the country's resources; and to channel investment into these fields. It is proposed that NIDA be a statutory authority with a board comprising the majority of secretaries and directors of government departments. It will coordinate planning, recommend national investment priorities, promote, register, and recommend measures to attract overseas investment in specific areas and recommend Government corporations in the national interest. There is special current concern for underdeveloped districts, especially throughout the southern Districts of PNG and to counteract the social and economic factors which produced a flow of people from such areas to the towns. East New Britain has submitted a \$269,950 rural development programme for next year for which village communities themselves have promised to contribute \$15,000 in cash and \$76,950 in labour and materials. The Development Bank agreed to finance substantial coffee plantings in the Cape Vogel area (Milne Bay) and facilities and agricultural assistance have been increased in cooperation with self-help projects by the people. On the retirement of the Managing Director of the Investment Corporation on 18 July, it was announced that the Corporation now had assets of \$15 million and expected a profit of over \$1 million this year. It is now making a major contribution to the involvement of Papua New Guineans in their own economy and about 500 shareholders own about \$400,000 worth of shares in 8 major companies. The Corporation announced on 9 July that it wishes to step up its educational work during this financial year and has produced a 24 minute colour film (using an independent PNG-based film company) which promotes the Corporation and gives information in Pidgin/English and Motu/English versions about the benefits and risks of equity investment.

The importance of developing natural resources to make PNG self supporting and prosperous without giving up more than the minimum of what it wanted to preserve was emphasised by the PNG Minister for Finance, Mr Julius Chan on 23 August. He stressed that PNG had to make tough but fair financial deals and the government regarded themselves and foreign corporations as business partners which would bring really worthwhile benefits to the people.

The PNG Minister for Mines and Energy, ^{Sir} Mr Paul Lapun, gave formal approval on 7 June to a plan for a group of Japanese companies to participate in the development of the Frieda River (West Sepik) copper prospect. The Japanese group will spend over \$5 million in the next 5 years in exploration, testing and engineering work. An Australian firm which has already done exploratory work at Frieda River is to hold a 60% interest in the project. (The deposit is estimated at 300 million tons of low grade ore). Three rounds of talks on the renegotiation of the Bougainville Copper Agreement were completed in June and July. A highly qualified group of

international consultants directly advised the PNG Government negotiating team during negotiations. On 26 August the PNG Chief Minister said in the House of Assembly, that should the final rounds of Government/BCL talks fail, legislation was being prepared to ensure that the PNG Government will be in a position to take action to put their basic principles into practice and gain a fair price for the resources that were being sold on behalf of the people. At a geological workshop conference at Panguna (Bougainville) on 22 July the PNG Minister for Mines, Sir Paul Lapun, said that as long as the government needed the help and knowledge of foreign mining companies it was prepared to allow them a reasonable rate of return on their investment judged by world standards.

Primary industry is considered of first importance. On 1 July the PNG Minister for Finance Mr Julius Chan announced Cabinet approval of the 1974-75 Rural Improvement Programme, and stressed its key place in implementing the Government's Eight Point Plan. As part of the Government's rural improvement strategy Mr Chan announced on 25 July a fuel subsidy for remote areas, so that even in the most remote areas prices will not exceed the main port prices by more than 20 cents a gallon. This scheme replaced the former air freight subsidy scheme. Dr Guise announced on 25 June, new measures to expand the fresh food programme of the Department of Agriculture, Stock and Fisheries, to establish an effective and relatively low cost food supply and to accelerate the flow of fresh fruit, vegetables and fish to consumers in Port Moresby and other high demand centres. Officers of the Department now assist local businessmen and go into villages to buy fresh foods and fish for marketing as well as providing vehicles and services for hire to bring produce to established marketing points. The Marketing Branch of the department has leased cold store premises in Port Moresby and Lae it was announced in late May. Dr Guise opened the PNG Fresh Food Market in Port Moresby on 5 July and announced that the market handled 20,000 kg. of vegetables a week. In early May the department bought 9 mobile mills to encourage production and process rice in Gazelle, Mekeo and Morobe areas. On 25 June Dr Guise announced that a record harvest of 2,000 tonnes of milled rice was expected this year, but that this was still a small fraction of the 54,000 tonnes of rice expected to be imported this year. Dr Guise said that rice growing received poor returns compared with coffee and cocoa, but that 2 overseas companies had been invited to submit plans for a joint company to produce rice in conjunction with the Mekeo rice growers. A FAO/UNDP rice expert visited PNG rice centres in August to assess the problems and the potential of the rice industry and suggest ways of increasing self-sufficiency in rice production.

During his visit to PNG, the Prime Minister of Fiji, Ratu Sir Kamisese Mara said on 21 May that Fiji hoped to import tea and coffee from PNG as part of expanded trade relations between the two countries. On 22 August, the PNG Government cancelled "tied" finance exemptions to expatriate coffee processors. Some expatriate-controlled companies have been exempted from the tied-financing restrictions to enable them to continue to support local coffee buyers, to obtain finance for vehicles and buying at the peak of the season.

Dr Guise said the withdrawal of exemptions was seen as a necessary step in line with Government policy of encouraging greater involvement of Papua New Guinea nationals in business activities. Papua New Guineans would now have to look to banking institutions for assistance, he said. With the change to metric packaging of cocoa on 1 July all PNG rural products are now exported in metric units.

In May an immediate start was announced on the Bialla oil palm small-holder scheme. Over 700 new settlers in the Tiaru and Wilelo subdivisions will be provided with a community centre containing education, health, recreation, welfare, agricultural and commercial facilities in each sub-district, a factory and link roads through the area, and adjacent subdivisions will be constructed. The first settlers should take up blocks in July 1975 and a new town will be built at Bialla. More than 400 people applied for 30 oil palm blocks at Kavugara (West New Britain, Hoskins Oil Palm Project) and the 200 blocks of the Bialla area will be released in October. The Minister for Lands, Mr Thomas Kavali, said on 18 June that 10,000 people were now living on 1,450 oil palm blocks although all of these did not own their own leases. The first Hoskins oil palm settlers have paid off their Development Bank Loans and were presented with the titles to their blocks in July. Dr Guise said at the presentation ceremony that the World Bank had been asked to finance two other oil palm developments. Following the amendment to the Copra Marketing Board legislation earlier in the year an additional member of the board was appointed. Copra prices on the world market were particularly buoyant in the period of the report reaching a peak in mid June. Growers received the highest price ever paid by the board from 1 July. On 25 June it was announced in the House of Assembly that the Department of Agriculture, Stock and Fisheries would soon start work on two sugar cane plantations and mills in the Rigo and Markham Valley areas, as the first step in commercial sugar production in PNG which will supply PNG's own short term needs and in the long term provide for export. Pilot small scale sugar production at village level has been carried out in the Manigalase area (Northern District) and a Fijian and a New Zealand consultant have been engaged to advise on the expansion and establishment of the industry. On 27 June, PNG announced a new maximum price (until 30 June 1975) for Australian sugar well below world prices. A concerted effort is being made to reduce the reliance on imported fresh meat and to build a livestock industry mostly in the hands of Papua New Guineans, by promoting smallholder beef cattle, pigs and poultry farms. It is aimed to develop an additional 1,000 smallholder farms over the 3 year period 1973-1976 and increasing the national cattle herd to 300,000 by 1982.

The Minister for Agriculture, Dr John Guise announced that a number of deep freeze units would be built at points along the Central District coast for storage of fish. PNG Government chartered refrigerated ships would also pick up fish at a number of places between Port Moresby and Lae. New Zealand Government aid will contribute to expansion of the service along other coastal areas of PNG in the next 2 or 3 years. The Japanese Development Study Mission in July followed up the

Japanese fisheries mission which visited PNG in March to examine the development and possible contribution of Japan to the fishing industry. In mid June, the PNG Minister for Transport and Civil Aviation, Mr Iambakey Okuk, announced the PNG Government's intention of bringing in legislation to deal with marine pollution. An Australian expert has been called in to study equipment and methods of dealing with oil spills in PNG harbours and coastal waters. On 26 July the Acting Chief Minister, Dr John Guise, warned all fishing trawlers licensed under PNG legislation that their licences could be cancelled or suspended after recent pollution of the Marshall Lagoon area shoreline by overseas fishing trawlers.

Cabinet approved negotiations in early May to begin a multi-million dollar timber development project in Milne Bay and Central districts. The Hong Kong based Sagarai Lumber Co. Ltd. will invest \$7.5 million in the area. Estimated sales from the projects should reach more than \$7.5 million a year by 1980 with royalties of about \$½ million a year, of which the people would receive about 25%. The Minister for Natural Resources, Mr Bruce Jephcott said on 13 May. The Company which submitted proposals for an integrated timber industry will initially concentrate on export of logs and a small quantity of sliced veneer, but providing economic loading facilities could be constructed, wood chips will be exported. Trawling for tuna and other reef fish to be processed locally and agricultural development of 15,000 hectares cleared after logging are also proposed by the company. Government requirements for re-forestation, environmental control, community health, housing, roads, schools, health centres and other infrastructure for the project, have been accepted by the Company. On 15 May, Mr Jephcott said that, although PNG's timber industry was already well developed on a large scale, and had a potential export value second only to the Bougainville copper mine, consultants were needed to determine the feasibility of individual projects and small cottage type industries. A greater involvement of village people and a better utilisation of PNG's forest assets was being sought, he said. In accordance with the Eight Point Plan the timber industry wished to promote decentralisation and diversification in the timber industry, Mr Jephcott said on 16 May. He said the Department of Forests was examining the concept of a timber processing plant supplied by a number of small scale sawmills and supplying resawn and treated timber to associated furniture manufacturers and wood carvers as well as builders. Existing small-scale mills in the Highlands, New Ireland, Rabaul and Moveave (Gulf District) lacked management expertise and suffered from milling and mechanical problems. Some employees were trained at the experimental sawmill at Port Moresby and trained forestry officers had provided mill managers with advice on plan layout, log sawing and saw sharpening. There was a current trend for wood-carving groups to move to main centres to be close to their biggest markets and carvings had become a valuable source of cash inflow. On 27 May the PNG Minister for Environment and Conservation, Mr Steven Tago, attended a regional meeting organised by the International Union for the Conservation of Nature and Natural Resources and the Institute of Ecology (Padjadjaran University) in Bandung, Indonesia, on the use of ecological guidelines for the development of tropical

forests. The meeting was supported by the UN Environment Programme, the Swedish International Development Authority and the World Wildlife Fund. The Minister said the PNG Government recognised the need to follow sound management practices and policies for forest use, so that the benefits from agriculture, fisheries, tourism, national parks, subsistence use, water catchment management, as well as forestry were protected and encouraged. PNG also placed high importance on consideration of social impact and the people living in the areas would be fully consulted, he said. PNG also feels that it will need to rely on regional co-operation and assistance and international help and advice in order to achieve its goals. Over \$18 million will be invested over the next 10 years in the Jant Woodchip operation at Madang, the Minister for Natural Resources, Mr Bruce Jephcott said on 6 June. The first stage of the project (a chip plant) is complete and the second stage and construction of a veneer plant will start soon. By 1977 the staff is expected to number 1,200, and 400 of the 424 present complement are Papua New Guineans. Annual sales of \$6 million are expected and the first chip cargo was taken to Japan on 8 June. Further forestry development took place in June in the East Sepik Council's areas where arrangements were made for the councils to take over nurseries in co-operation with the department which would give technical assistance and encouragement to village woodlots. Three UN forestry consultants visited districts in PNG in mid June to assess forestry potential. In July an increase in the supply of low cost building timber, roundwood, and firewood in urban areas was called for to help fight inflationary trends. The industry's orientation toward export and local markets was keeping prices high despite PNG's self reliance in timber products Mr Jephcott said. A New Zealand expert arrived in PNG in July to advise the government on training forestry technicians and training equipment under the New Zealand Air Program. The first PNG graduate forester returned to PNG in July after doing post graduate training in Australia. The first students from the new degree course in forestry set up in PNG are expected to graduate at the end of 1976. At the end of July proposals for a pulp mill in the Doma area (Northern District) were discontinued because the people in the area were divided and confused about the project which was to be developed by an American/Australian partnership and the PNG Government. The PNG Government was now looking to see whether the project and an associated paper mill could be located in another district where resources were suitable and the people would welcome the development, Mr Jephcott said on 24 July. On 30 July, Mr Jephcott announced a new forestry district to be established at Popondetta (Northern District) and that an Australian based company had put forward proposals to the people which would produce a network of roads through the area and create employment for some 400 people initially. On 31 July and (after a visit to New Britain and New Ireland) on 7 August Mr Jephcott criticised some timber companies some operating under the Private Dealings Act which were not honouring their agreements and the spirit of PNG Government policy. He warned that he had the power as Minister to insist that export of logs be discontinued, and make compulsory local processing of timber. He said on 31 July that he would press to speed up legislation to enforce regular review of agreements. He also said that he was concerned at the local quality and variation in size of finished timber and would consider stricter controlling legislation.

PNG's search for a unique identity based on traditional values should not be frustrated by an insensitive and exploitive tourist industry, said the PNG Chief Minister in early July. At the opening of the PNG Travel Industry Forum at Kundiawa he said that it was important that the industry should emphasise that while some of PNG's people had a different way of life it did not follow that these values were in any way inferior to western life. Tourists should be encouraged to visit PNG to see the country and people as they really are, and while it was essential to protect the indigenous culture from over-exposure and corruption, the tourist industry could actually assist in encouraging the cultural arts of the country.

The Minister for Lands, Mr Thomas Kavali, introduced 3 Bills into the House of Assembly, which were passed in August to strengthen the Government's policies on reallocation of alienated land and localisation of the plantation industry. These allow for local/customary groups to hold land under registered title and buy shares in business; establishment of distribution authorities made up of representatives of all claimant groups to settle claims to alienated land intended for re-allocation; and provision for removal and prosecution of people who squatted on alienated land. The PNG Government is determined to reallocate alienated land into the hands of Papua New Guineans and in an orderly way. Special attention will be given to reallocating land in land-short areas and to needy claimants, living nearby.

Mr Kavali expressed concern for the number of land compensation claims lodged by various people against major government and private assets, which threatened the national interest especially in towns. The Commission of Inquiry into Land Matters in 1973 recommended legislation to allow all national land to be declared and registered in the Government's name and this is being prepared. Mr Kavali said the present methods of settling claims, compensation and disputes through the Land Titles Commission, the Supreme Court and Full Court was unsatisfactory because it took too long and was not understood by the people. At the same time, he recommended an Administrative Tribunal to be set up which would base its decisions on equity and good conscience.

From 1 June PNG has licensed its own pilots, air traffic controllers and aircraft maintenance engineers as well as issuing its own certificates of air-worthiness, and Australian Air Navigation Regulations were replaced by the exact equivalent PNG Civil Aviation Regulations. These would be amended as necessary to suit PNG conditions, the PNG Minister for Transport and Civil Aviation, Mr Iambakey Okuk said. A Committee to study the future of civil aviation in PNG toured the highlands and coastal areas of PNG in May and June. Air Niugini appointed its first PNG port manager at Wewak in early July and has negotiated to buy 2 further F27's to make a fleet of 10 Friendships and a total fleet of 22. \$7.6 million contract for major expansion developments of a new runway and associated facilities was announced as an Australian aid project on 5 June. A 12 month contract of \$612,000, to provide helicopter, forest, land, agricultural, road and bridges surveys for the Government as well as health and police

emergencies and telecommunications work, was announced by the PNG Minister for Finance, Mr Julius Chan. A senior PNG officer will represent PNG on the Australian delegation to the International Civil Aviation Organisation assembly in Montreal in September. Mr Okuk and two advisers attended a regional civil aviation conference in Suva in late August which considered a single regional airline and matters affecting regional services; the delegation attended a subsequent regional transport conference to consider proposals for a South Pacific Shipping Council.

The Fijian Prime Minister, Ratu Sir Kamisese Mara, said during his visit to PNG in May that PNG could be the key to a successful regional shipping line which could channel goods from S.E. Asia to the Pacific and be the lifeblood of communications to the islands. Major freight delays occurred in goods coming from Australian ports in May and June and this caused large increases in freight rates. Mr Okuk, announced a major change in the structure of coastal freight rates, and a new Coastal Freight Rates Committee to handle cases of complaint from 1 July. A compulsory 8 week training scheme for all new Papua New Guinean seamen after July working in PNG waters over 10 metres (except traditional fishing boats) was announced by Mr Okuk on 28 May. At the same time as he stressed the scheme's importance to promote better navigational standards, emergency procedures, and lifesaving equipment, he announced that the government planned to re-equip the government fleet over the next 3 years with about 50 new vessels at a cost of \$3.5 million. For inland waters the government announced on 9 July it had bought 2 diesel barges for the Fly and Sepik Rivers to carry village produce and cattle. Substantial expenditure on new roads, bridges and aircraft runway improvements in all districts (but especially in less developed areas) were announced for the 1974/75 works programme. In July, a Plant and Transport Authority began functioning commercially. It will help rationalise management of the government-owned plant and vehicle fleet.

Mail and telephone facilities are expanding rapidly. The PNG Post Office started new shorter counter service hours based on a survey on consumer use. On 3 July the PNG Minister for Communication, Mr Kaibelt Diria, announced the erection of 7 new microwave towers which will increase PNG's telephone capacity by about 1,000 channels. A new automatic telephone exchange was put into operation at Kimbe on 9 July, giving residents access to STD and ISD, and a contract for a \$1.7 million exchange for Lae was announced by Mr Diria on 4 July. Automatic dialling facilities between PNG and America will operate from 1 September Mr Diria announced on 5 August, and similar arrangements are planned between PNG and New Zealand, Japan, and several other countries. The telephone link between Jayapura and Port Moresby was opened on 14 August following the opening of a VHF link between Vanimo and Jayapura. Mr Diria and the Australian Postmaster-General announced a new \$8.3 million telecommunications cable between PNG and Australia on 22 July. A PNG delegation attended the International Postal Union Congress in Lausanne, Switzerland, in May, which reviewed international postal laws.

C. SOCIAL DEVELOPMENT

The PNG Government continues to place importance on integrated social development in fields of health, education and cultural activity. The following information has been taken from official statements of the PNG Ministers responsible.

On 24 June a comprehensive National Health Plan for 1974-1978 was tabled by the Minister for Health, Mr. Donatus Mola, in the House of Assembly. The plan - which emphasises self-reliance, and the integration and co-ordination of all aspects of health, education, preventive and curative medicine, and medical research - has as two of its main features equalisation of expenditure across the country so as to give improved services to less developed districts, and expansion of malaria-control services to the whole country by 1978. It also recommends a campaign to alert people to the need to improve their environment by controlling pollution, safe disposal of waste, the supply of clean water, the protection of food and the eradication of dangerous pests. A better working relationship with traditional healers and remedies is also being sought. Grass roots training in health matters is being increased and senior health staff attended international courses and conferences in the United States, Western Samoa, S.E. Asia, and USSR. During May and June, 24 Filipino doctors and 8 nurses were recruited to work in PNG with the Department of Health. Maternal and Child Health continues to be a focus of attention for improvement and the 2 spraying rounds of the 1974 Malaria eradication programme are to be completed by November. A Family Welfare Association for PNG was set up in July.

The PNG Government recognises that the responsibility of education in a developing country is of extreme importance. Reliance is being placed on maximising PNG content, and establishing a dialogue between planners and people, to mould a relevant national education programme and throughout PNG there is a drive for increased teacher and community involvement. It was announced in May that the Education Department was drawing up a 5 year plan for secondary education. There are current concerns to lift education standards, to upgrade professional status in teacher training, and to decentralise educational resources. The needs to conduct early education in the local mother tongue, and a reassessment of the place and effectiveness of skulankas, are being discussed. Student allowances and teachers' salaries were increased during May and June. The strongly supported PNG Teachers' Association decided in May to seek affiliation with the PNG National Labour Council. In late June the University of PNG appointed a committee to set up an Institute of International Affairs and new appointments were made to head the Department of Physics and the Education Research Unit. At UPNG's 10th graduation ceremony, 67 graduates received their degrees, higher degrees and diplomas. In August some 30,000 primary school students sat for examinations and selection for admission to secondary schools. Attention continues to be given to community education, adult literacy and vocational training centres. A Regional Workers' Education Adviser from the ILO has been nominated and will work for 12 months from October in

co-operation with the Bureau of Industrial Organisations. Business management and co-operatives extension and training in public administration all receive a high priority. Senior personnel have attended courses and conferences in Canada, Australia, New Zealand and Hong Kong in July and August. Belgian, Australian and ILO educationalists acted as consultants in the period of this report. In July, 2 exchange students arrived back from the University of the South Pacific and a high school student is to take up a scholarship to study in Canada in September. It is recognised that information and communication is of vital importance in a nation developing as rapidly as PNG. In July with the opening of 2 new libraries it was announced that every district in PNG now has its own library.

PNG's cultural identity continues to grow, and literature competitions and local festivals proliferate. Local customs, artefacts and PNG flora and fauna are jealously protected within the growing creative environment. The PNG Government is concerned to raise standards of living and enrich the quality of indigenous life by involvement of all levels of society. A record 1189 entries were received in the 1974 Literature Bureau's competition. In July the Chief Minister announced a competition to choose a PNG national anthem. It was announced in August that a large collection of artefacts now on exhibition in an American museum would be returned to the PNG Government on the death of the present owners. The Minister for Agriculture, Dr J. Guise announced on 7 August, as one of the first New Zealand aid projects, a project to establish a practical programme to safeguard the existing cassowary breeding industry. A Natural History Society of PNG was formed on 13 July. A National Garden is to be developed at Mt Kaindi near Wau, it was announced in early July, under the auspices of the Wau Ecology Institute. The American Orchid Council made a grant of \$US1250 to support scientific research work done by the Curator of Gardens at UPNG. The Sepik Blue orchid after two years of research, is now available for sale throughout the world and promises high economic potential. PNG's first commercial orchid farm opened in Port Moresby on 3 August. The Assistant Curator of UPNG Gardens left in August for 5 weeks study in Thailand.

Schools provide the focus for many festivals and theatre groups. Kwikila High School has formed a travelling drama group and Kerevat High School near Rabaul has built an outdoor theatre for school plays, forums and debates. Mount Hagen High School students named their new cultural centre after the Fijian Prime Minister during his visit in May. The centre is to be a museum, art gallery and focal point for traditional music and drama and has applied for a national cultural grant. PNG has accepted an invitation to participate in the next World Black Arts Festival in Lagos, Nigeria in 1975. The Nemil Theatre group performed in Australia in early June.

The Housing Commission is playing a large part in helping to raise living conditions. A survey was taken in Port Moresby in June/July of government tenants to seek means

of improving housing allocation and rent collection methods. In July the Commission began the progressive takeover of Government low cost housing and embarked on a programme to encourage individual self-reliance in the field of housing by giving officers in government houses the opportunity of buying them, by introducing economic rentals, and by centralising housing construction administration and maintenance. The PNG Government has made a \$135,000 grant to the Housing Commission to provide building loans to block holders in the no-cost housing areas throughout PNG.

The PNG Government believes that the general restriction of normal liquor trading hours introduced by it earlier this year has proved very effective in reducing drunken and disorderly behaviour, and that it should no longer be necessary to impose at times extreme measures such as a total ban on the sale of liquor as was necessary when longer trading hours were in operation. Special restrictions on consumption of liquor at the Hiri Moale Mai festival in August and requirements to close off retail liquor sections from all other goods were beneficial.

On 29 August the PNG Minister for Finance announced cabinet approval for the establishment of a compulsory National Provident Fund Scheme to apply to all urban workers who earned at least the minimum wage. It is to be paid at retirement age 55 and would later be extended to rural workers. Younger members of the work force are also to benefit by the use of funds from the scheme to finance housing projects.

Community service and co-operation is strong in PNG. Students and community groups in the Rabaul area and surrounding villages collected over \$3,000 for the Queensland Flood Relief Appeal Fund in June. Youth programmes which seek to help young people find new directions in the urban environment (where there has been the problem of increasing crime by juveniles) are being planned as long-term constructive solutions rather than relying on restrictive ones. Church, scouting and community development groups continue to co-operate in these areas by providing courses, camps and activities and seminars. The Anglican Church of Canada has given \$14,000 to the Port Moresby Community Development Group (a voluntary organisation) as part of a triennial commitment of \$40,000 it was announced in July. In July also, it was announced that a \$12,000 community centre was planned for the Morata self-help housing area in Port Moresby. The Centre is to provide a meeting hall, health clinic, welfare office, offices for a doctor and community education officer, and recreational facilities. The residents themselves have undertaken to contribute \$2,000 to the project.

The position of women in PNG society is recognised as a very significant one. The Chief Minister announced on 7 June that he had appointed Mrs Dibura Maro a senior public servant and an experienced social welfare officer to be the Government's Adviser on Women's Affairs. She is to keep the Government informed on problems of social change in the urban situation and especially the problems of PNG women. Women

are already an effective pressure group against rising food prices and low wages, and large demonstrations occurred in early June in Port Moresby. On 25 July the PNG Minister for National Development, Mr Gavera Rea, called on union leaders to encourage the increased participation of women in trade unions. In June the first comprehensive advanced home economics courses were organised by popular demand of women in the Pomio district of East New Britain. The number of women students attending teachers colleges has increased recently and the special role of women nurses in community development and health was acknowledged on 31 July by the Minister of State for Local Government at the Lae School of nursing graduation.