

## **Investment, Development, Law and Order and Goodwill**

Competition in business and other walks of life, from sport to education, is stimulating, encourages innovation, achievement and activity, and also keeps business honest, generally more effectively than regulators with their limited capacity or adaptability to market conditions. Like most activity in life, whether eating or even drinking or taking stimulants like betel nut, business and even competition itself must function within acceptable social bounds, policed largely through transparency and public exposure, but requiring some formal rules and enforcement, or abuses will occur. If competition becomes too cut-throat there's strong pressure to ignore safety or environmental standards, dump waste, exploit the workforce, or, as with the US sub-prime mortgage crisis, market inadequately secured credits products. Businesses are also tempted to gain advantage over competitors through deals with regulators, even to eliminate competition and secure monopoly control, against the interest of consumers (or suppliers, e.g. farmers). Excessive regulation and discretionary powers in the hand of individual regulators (officials/Ministers), undermine investor confidence, and regulators themselves must be transparent and held accountable.

Aspiration and ambition are, within reason, considered favoured human characteristics; even a touch of greed and envy (whilst perhaps not fostering human happiness) stimulate economic activity and drive the market economy, being widely encouraged by businesses marketing new products. However, unfulfilled envy, frustrated aspirations and ambition become destructive, with uncontrolled envy a dangerous human trait. Envy and jealousy trigger destructive alternatives to benign competition. Instead of stimulating innovation, jealousy leaves no-one feeling better, either the jealous party or the envied, and can lead to extended ill-will or worse behaviour, causing local or international conflict, often driven by the burning ambition or jealousy of one or more megalomaniacs, able to manipulate the envy or frustration of larger masses. We see excessive envy and jealousy demonstrated in PNG harboured against those who've been innovative or become more successful, or often in personal relations, where bitterness is often directed against one's wife or husband over perceived infidelities, often without basis, imagining every social encounter to entail an affair, and often leading to untold conflict and suffering to the whole family.

It's understandable that there is currently wide frustration in the community, with expectations amongst the young raised by constant reports of the country's wealth and glamorous products being advertised decaying infrastructure, whilst household prospects are restrained by low school intake and inadequate skills-training, and other poor public services, combined with inflated prices and years of low employment and inadequate agricultural growth. In recent years more jobs and opportunities have been created, largely on the back of the recent commodities boom, but the economic and both formal and informal sector growth remains fragile in the aftermath of the global slowdown and with wavering domestic economic management. Some major projects, like LNG, whilst valuable for long term revenue and the overall economy, could jeopardise broader-based prospects unless managed carefully and benefits partially sanitised for the future. The country needs major investment in basic education, training and development of sustainable small-medium and micro enterprises to provide meaningful opportunities for the majority.

Most foreign and domestic investment in business is valuable, generating income, jobs, sometimes foreign-exchange earnings (or replacing imports), and providing a new or perhaps more competitively-priced good or service to producers and consumers back home. Many PNG markets are relatively undeveloped or uncompetitive, so there are considerable opportunities for producing more consistent quality and affordable products for the domestic or overseas market. We saw the benefits from competition when Digicel entered the mobile market, investing and expanding more affordable services and pushing the incumbent, B-Mobile, also to become more proactive.

Investment in infrastructure and marketing capacity is required for opening opportunities for domestic producers to supply fresh produce and other agricultural produce for both domestic and export markets; our cities lack supplies of quality home-grown produce, and opportunities for export products remain underdeveloped. Businesses aim to keep costs down and avoid using overseas staff, brought in at great expense, when needed skills are locally available. With faster recent economic growth there have, however, been increasing bottlenecks of local staff in certain skills, partly reflecting lack of suitable, adequate or dynamic training in PNG and the country's failure to provide broader access to education over many years. Skill shortages have been amplified in recent years by the increased overseas demand for PNG professionals in various fields, such as mining engineering, although with the global economic downturn some of these skilled staff have been returning to fill vacancies back home. Generally, employing a skilled manager, professional or technical person (from PNG or overseas) generates multiple other jobs, whilst, conversely, failing to fill critical positions creates bottlenecks for the business and other businesses and retards job creation.

There are a few international enterprises, however, some owned by overseas governments, preferring to partially use their home workforce, either because it's cheaper or their development schedule, as with Ramu-Nickel is tight. Where there are local labour shortages, or domestic per-capita incomes are high, as in parts of the Middle East, most of the labour force has long come from overseas. Much of Europe has semi-open labour markets, and the US economy depends upon cheap (if illegal) labour from Central America. Even countries like Malaysia are dependent upon labour from Indonesia and Bangladesh for their thriving agro-industries (even if chasing some out during economic downturns). More unacceptably there are projects in Africa, not just in mining, employing tens of thousands of overseas workers.

Most African countries and PNG, each with substantial unemployment and prospective semi-skilled workforces, cannot afford to squander their land, forests and other natural resources on projects which fail to provide adequate local employment, and permit large numbers of lower-income positions to be filled by foreigners (one logging company in New Ireland gained work-permits in the past for 32 mill-managers, when there was no mill, with these staff actually using chainsaws and driving equipment readily operated by locals). Government must apply rules even-handedly, and be prepared also to require investors to provide local training and recruitment for longer-term middle-level/skilled positions. Based upon recent overseas experience, many of the recent non-transparent and vast land deals (special purpose leases) are intended to provide logs, vegetable-oil, or food for overseas markets, but some may also entail use of an overseas workforce. For these

Government must ensure transparency, proper process (including informed landowner consent) and be ready to negotiate firmly and openly in PNG's best interests, if special deals are sought, and be ready to show the door, and not be overawed by red-carpet treatment (or sell the country short for private benefits).

The recent attacks on Asian businesses and individuals has been disgraceful and brings shame on the perpetrators and the country. The incidences were crimes which need to be seriously investigated and the perpetrators, or those stirring acts of aggression, must be identified and prosecuted. Much of this violence stemmed from jealousy together with frustration over wider social and economic conditions and limited opportunities. People justified their acts of violence, theft and opportunism (as they did in Honiara in 2006) on the basis of acting in the public interest and a misplaced sense of aggrievement. As anyone knows from observing any incident in our streets, mob behaviour quickly erupts in PNG, particularly amongst some stronger clan-based social groups, and all kinds of unacceptable behaviour sometimes ensues, including kangaroo courts, violent retribution and payback.

The application of the rule of law is a prerequisites for all investment, (except perhaps the security industry), whether large firms or village cash-crop producers. The biggest companies are least affected, more readily spreading security costs and risks, whereas small, medium and micro enterprises (especially in industries like hospitality), which generate the greatest employment, are the most exposed.

It's true that a few overseas and nationally-owned businesses are less inclined to follow the country's laws. Unfortunately, they find willing partners too readily within government agencies or amongst leaders, willing to dishonour the trust placed in them and the offices they hold, by approving inflated contracts without due process often to companies without necessary capacity to deliver (from roads, wharf designs, to food supplies for the Defence Force), approving vast areas as special purpose leases without apparent informed landowner consent, issuing land titles (often multiple titles) and approvals even over the limited park and recreational land in Lae and Moresby, improperly issuing visas (and even passports), approving substandard structures (which then collapse during earthquakes), bogus social and environmental plans and failing to prosecute when breaches occur, accept bribes (amongst police and other law enforcers, such as customs and forestry officers, at various levels) to ignore criminal behaviour or other illegality and even benefit from the proceeds of crime, intervening to stop officials applying the law (whether prosecutions under the criminal code or application of notice to show cause when forestry projects are in breach or health and safety requirements ignored).

It is the responsibility of respective authorities to apply PNG's laws properly, impartially and transparently, investigate and issue charges for suspected criminality or use administrative powers and seek penalties for other broken regulations. Individuals and communities have responsibilities as watchdogs and to report offences (whether committed by criminals or officials – and be protected by the State when doing so), and may take their own legal actions (including class-actions) against offenders (including the State), but the public must never take the law into its own hands, whether perceiving an offence or merely jealous or aggrieved, whether against a foreign worker or businessman, or clansman in some ruthless clan payback, or imagined sorcerer or person of different belief, religion or whoever. With all it's

positive attributes, PNG must vigorously stamp out destructive mob-violence and paybacks perpetrated by troublesome minorities, who severely damage PNG's international reputation, undermine investment and job creation and destroy people's lives and welfare, whether from violence committed against foreigners or other domestic ethnic groups (as between Highlanders and Sepiks on UNITECH campus last year, involving privileged intellectuals who should show a better example on dialogue, tolerance and reconciliation).

PNG can learn from Italy's experience of development. Northern Italy has developed through its strong "social capital", entailing a strong sense of community cooperation for achieving wider social goals, whereas southern Italy, with its strong allegiance to feuding families and powerful bigmen, has undermined its economic potential through disputes and rivalry. Like some PNGans these southerners often perform well, away from home social pressures. PNG must find its more unified way forward and there are many examples here of individuals and communities striving to achieve this, from some energetic and untarnished young politicians, to groups like Kup Women for Peace and new community business enterprises working with nucleus enterprises.

We hear many reports and directly experience failures of government, but there are also many examples of dedication and professional performance, which should be replicated, including the disciplined joint Police-Defence operation at Porgera and the dedicated policeman from Madang, who, with his team of reservists, has helped restore law and order around Tapini, to the benefit of the entire local community. The country must avoid tendencies towards xenophobia, believing that problems stem from outsiders or people with different customs (history has been riddled with this), and learn to address the country's problems and challenges at home and appreciate the contribution, if limited, outsiders can make within the rules set and applied by the PNG State. Finally the State must be accountable to its citizens and respect their human rights and also those of foreigners. On the current 20<sup>th</sup> Anniversary of the massacre of perhaps thousands of Chinese students peacefully protesting in Tianneman Square in Beijing, leaders and individuals in PNG and around the world must be ready to face their responsibilities and be ready to acknowledge their mistakes, and establish public trust, respect and some common purpose.