

Leadership Challenges in PNG in a Globalised Economy:

Paul Barker, Institute of National Affairs
for the Leadership PNG Forum – 4th September 2007

- So what is economic globalisation, and what challenges does it pose for leadership here in PNG?
 - Globalisation has been going on since humans spread out from the African continent
 - There's been considerable movement in the Pacific over thousands of years – with the spread of Melanesian and more recently Polynesian Populations, seeking new horizons, and over the last few hundred years with the Chinese, the Portuguese, Dutch, French, British and then Germans all coming here in search of trade and business opportunities....amongst other things (including souls etc)....for sandalwood, spices and other agricultural produce. Birds of paradise feathers were part of the costume of Nepalese kings for centuries!
 - But there was traditionally also a fair amount of traditional local trade within PNG, from the highlands to the coast, between islands and along the coast (like the Hiri trade)
 - Trade entails exchanging goods and services from one person to another, or community to another. It entails some specialisation, so that communities in the highlands produce temperate vegetables in exchange for something else they need or desire, like coconuts or betelnut from the coast. Originally involving merely barter of goods or services for each other, it subsequently embraced the use of money, which is light and storable, and allows many more transactions and players to be involved in the process. In a modern globalised economy trade has merely become faster and more sophisticated, entailing payment by various instant means, and various means to financial and enhance the flows, and investment has also become globalised, with assets in one company often owned or at least financed elsewhere.
 - Economic globalisation is nothing new. Everything's just hotted up of late, in the era of instant communications, now finally even starting to reach rural areas in PNG; long delayed by the protection of ill-managed state monopolies,
 - We've long had the rise of global companies, not just American, European, Japanese, Korean or Australian, but increasingly also from the Middle East, China and elsewhere in East, South and South East Asia. Many of these companies are 'trans-national', with ownership and operations spread everywhere. Just because the head office is in one country, it's not necessarily owned there (PNGSDP is a PNG company, but based in Singapore; InterOil is based in Canada, but really owned elsewhere, and there are various companies registered in Cayman Is or Vanuatu purely for tax reasons. Ships are registered in 'ports of convenience' like Liberia and Panama, to keep costs down, but really owned in the United States or elsewhere.
 - Markets have been internationalised, with finance provided through exchanges and institutions around the globe for markets elsewhere. It's all so interconnected, that a shock in markets (even domestic markets) in the USA, sends a chain reaction through the world – as happened with the current collapse of the "sub-prime" market in the US recently, affecting financial markets from Tokyo to Berlin, with businesses unsure of the implications, or impact on their balance sheets.

- Interconnection of markets, designed to provide greater security and squeeze more funds from the system, can add uncertainty. We had “rogue traders”, like Mark Leeson in Singapore committing vast sums of money, with their own boards and management thousands of miles away not really knowing or understanding what their traders were up to on international markets.
- It’s also harder to supervise transfer pricing (falsely declaring the real value of goods to avoid taxation) and money laundering (the illegal movement of funds usually obtained from illicit sources), with funds readily crossing between jurisdictions by internet, or under cover of legitimate business.
- Globalisation affects all markets....finance and investment, goods and other services and labour, with massive movements of people and remittances of money back home, interest payments and dividends.
- Labour migration is not something new. We’ve had major labour movements worldwide, locally into Australia and Fiji, including black-birding in the 19th C. It’s just been a particular cause of great debate again lately: - of migrants from Africa and elsewhere seeking opportunities in Europe, from Mexico into US and between Pacific nations and Australia, (where there has long been restraint on labour inflow, despite recent pressure from around the region and businesses within Australia, including from farmers, to open the doors, for example for needed seasonal labour).
- But the trade in skilled labour from this region has grown considerably in recent years, especially with engineers and IT specialists, doctors, pilots and footballers, for example...to Australian mines, middle-eastern airlines and UK football teams, for example. There are Papua New Guineans in the US in the NASA Space agency and working in the forefront of biotechnology, for example.
- Trade in many products is controlled by a few companies (as in the oil and various food industries, like coffee, cocoa and oil palm), and whilst there’s often strong competition, it doesn’t necessarily make much impact on prices to producers, after all the shipping and insurance and other marketing costs and profits have been deducted;
- Globalisation and breaking down barriers to trade, investment, knowledge and ideas and travel provides many opportunities: it can generate economic growth, including creating income-earning and employment opportunities, so long as we have the products demanded and can compete in the market, for natural resources and exotic products, including tourism to remote parts of PNG. It also improves access to more affordable goods and services, including information, particularly now through use of the internet.
- But economic globalisation and the growth of trade to remote destinations also provides various concerns. We may not be able to compete in various markets, and it may possibly undermine local food production and cottage industries. There are also environmental implications, including the greenhouse gas emissions from transporting so many goods, services and people around, rather than using local supplies. In the world of mass travel across borders it also causes the spread of alien pest and diseases, like potato blight, cocoa pod borer or coffee berry disease, but on the other hand it also brought those valuable, though alien crops, from south America and Africa to PNG’s shores in the first place.
- Competition and free trade make food more accessible and affordable (and hence can also improve food security, especially when there are local

shortfalls, as occur in PNG seasonally and especially during El Nino years, and as occurred notoriously in Ireland during the 19th C potato famine, where food import bans during an outbreak of potato blight resulted in hundreds of thousands of deaths. But if cheaper imports themselves seriously undermine local food production it can also impose food security risks, especially for those without anything to trade in return. .

- Providing trade or industry protection is generally bad for economic development, producers and consumers, but there is a justification for safeguards for some infant or 'strategic' industries, notably traditional food production, and against bullying from dominant companies.
- Most countries, including PNG, have established domestic legislation against local monopolies or 'anti-competitive' behaviour. In PNG this role is performed by ICCC, but also by some commodity boards. Unfortunately there remains undue support within Govt for protecting non-performing state-owned monopolies, and there is also a thorough lack of oversight (or almost purposeful endorsement) of domineering behaviour in some industries, such as forestry, once companies have been granted effective resource control.
- We need to reinforce oversight of transfer pricing/money laundering etc by IRC/Central Bank and other agencies working together
- There are also regional and international agreements on the behaviour of financial and other markets and over resource management, including IMF and UN and regional bodies, and on competition and price fixing (e.g. over K1 billion fines recently for BA) and fair trade, notably through WTO, but the rules are not well developed nor universally applied.
- Some places and people are naturally advantaged or disadvantaged in terms of competing in production and trade, as a result of more or less accessible natural resources, but also factors like long established infrastructure, services and especially a literate and technically educated workforce.
- PNG has many natural resources advantages, including minerals, fine natural habitat etc, also use of English etc, it has various skills and competitive labour market for some industries, but it is remote from markets and has few economies of scale (especially for products which deteriorate), has poorly developed (and maintained) infrastructure and communications, low rates of literacy and technical skills for the modern world, especially for those in rural areas; however, those with the high skills which are needed can operate anywhere.
- PNG has had unfocused, inefficient and widely corrupt government institutions over many years, with inadequate accountability to an unduly dysfunctional Parliament or watchdog organisations to the public. It has also suffered from too much government, too many politicians and layers of administration and confused responsibilities, plus a strong inclination towards protecting markets from local or international competition. This has badly undermined PNG's competitiveness, and reduced access to information and opportunities for its population, especially in rural areas.
- There is a strong urban bias, which is growing all the time, with opportunities in education and consequently the country's small formal sector increasingly denied to rural students, who are being increasingly marginalised, despite the commitment to equity of opportunities specified in the National Constitution.
- Much of the effort here has been focused on rent seeking by advantaged groups within society, rather than expanding opportunities for all, through

reducing impediments to business and investment, including by the informal economy. This requires lowering overheads, by maintaining roads, improving telecommunications and other services, including through competition, addressing law and order and corruption problems, and widening educational opportunities and improving standards, including for technical training and life skills.

- I say suitable investment, as PNG does open itself too readily to unscrupulous operators, and often fails to apply its own rules or standards fairly and evenly, let alone applying best international practice; too readily striking deals with operators through back door deals, which lack transparency. These deals are against the interests of the country and its people, but may be lucrative for some individuals.
- In summary, globalisation of trade and investment, including freedom of movement and ideas is generally beneficial and provides improved opportunities, including for this country, but, as with all things there are downsides and there is need for awareness, caution and standards. Transparency and international cooperation in setting rules and applying them is critical.
- Keeping trade in the open is generally preferable to pushing it undercover, with the illicit globalised trade in drugs, weapons and human trafficking amongst the world's major challenges. It is particularly important to avoid penalising the victims of wars or illegal trade, such as human trafficking – or slavery –, which remains widely prevalent worldwide in various forms, by sending these victims 'underground', or providing them inadequate protection.

So what are the Leadership Challenges

- First, who are leaders?
- Everyone in the community has some leadership responsibilities. We all have some choices, and our collective choices often drive markets on a continual basis, as well as appointing political leaders every five years in democratic societies. We can achieve a lot individually, if we choose to, but so much more if we work in cohesion, and those who can bring people together to advance some positive idea (like giving practical support for street kids in this city) provide a valuable leadership role.
- There are scientists, inventors and innovators, who gain new understandings (for example of the impact of emissions on our climate) and develop new products, some with a valuable outcome, such as some new medical cure, but others inventions can be more negative, such as certainly offensive weaponry or the introduction of lead in petrol, some years back, with no tangible social gain, but considerable negative side-effects...
- There are leaders in all parts of society and age groups, including business leaders, political, community, church and NGO leaders, sporting, student and youth leaders, women leaders and of course the press has an important leadership role in providing accurate information and commentaries, and letting the voices of the less powerful be heard also. There are inspirational and innovative leaders, like Nelson Mandela or some of the women leaders of peace movements worldwide (including here in Bougainville) who help change the paradigm and motivate us to positive action, to social reform or to resist tyranny. There are leaders of conviction, whether right or sometimes

pursuing misguided or dangerous ideas. There are so-called leaders who pragmatically follow perceived public opinion or others' ideas, however base; and there those who are driven by a hunger for power and self-interest or some blind vision, and are ready to drag the whole community into conflict, sometimes exploiting misconceived ethnic loyalty or religious fervour.

- Leadership is certainly not exclusive to politicians and government. Many of the world most influential leaders are innovative businessmen, like Bill Gates of Microsoft, Richard Branson of Virgin Airways or Anita Roddick of the Body Shop, who launch ideas like lower-priced air services or new IT or more ethical products, and may also set up valuable foundations; or they may be writers or musicians like Bono or Geldoff who pushed anti-poverty and environmental agenda, with live concerts etc; or church leaders who maintain anti-poverty and anti-corruption agendas, for example churchmen here in Port Moresby and Southern Highlands, (as opposed to others, who have been enticed by political handouts before the election);
- In business, leadership and innovation are often led by smaller companies driven by ideas and the need to make their mark in a competitive market. Bigger businesses tend to become more conservative, trying to hang onto their market leads and stave-off competition. Some large companies, as in oil, are markedly more socially responsible than others, e.g. over environmental issues, with some being more reluctant to address their responsibilities..... Increasingly, publicly-owned firms have to respond to wider standards and expectations from shareholders and the public, in terms of meeting certain ethical, social and environmental standards; in PNG, and elsewhere, some of the largest investors are now the superannuation and futures funds, which often require higher investment standards, – like Norway's future fund, with stringent investment standards.
- Some of the big traders have started to face competition from fair trade enterprises, which seek to cut out or reduce middlemen's margins, in providing better benefits directly to producers. There has been some progress in this in PNG, for example with coffee in the Highlands, with Fair Trade becoming more popular in Europe and the US, and now increasingly also in Australia and Japan. The established firms have started to respond by following more ethical procedures, or at least commencing alternative product-streams which meet these higher certified standards.
- In PNG, traditional leadership entails various responsibilities to the local community. It's widely been hard for political leaders here to extend their responsibility to their entire electorate, made up of different clans, rather than just looking after their own 'lain'. We need leaders who can see and push the concept of wider public good.
- Likewise, in a globalised society, with actions having a more extensive impact, leaders and the public need to be better informed and recognise the wider implications, for example of excess resource use, waste disposal or corrupt deals. For most businesses being seen to do the right thing makes commercial sense in itself. Being caught or found to have breached standards or bribed in another country can have serious market implications, and now also potentially entail prosecution in another country, as in the US, Australia or Europe.
- Whilst the wider community knows to some extent what's happening at the local level, that is not the case at the provincial, national and international

levels. The basis of sustainable growth and equitable development is transparent, good governance. You may gain some short-term windfall from a commodities boom, but unless the leadership is ready to make hard decisions to bring about lasting reforms then development is neither sustainable nor extends widely through the community.

- Competition keeps businesses efficient and to some extent honest, but close public oversight of transactions, is critical in both the public and private sectors. This comes from formal watchdogs, like the Ombudsman and wider public participation. The wider community has a responsibility to take its civic responsibilities seriously, not for payment, but because it's their community and the impact of malpractice affects the whole community
- Good leadership is not about making popular short terms decisions or actions. It sometimes entails being prepared to make the tougher decisions for the longer term and wider good. But to make some of those final decisions you need wider support, which requires being open and transparent and explaining the case, and not be afraid to face disagreement and criticism, and have the stature to do the right thing and recognise one's own errors, and not drive on (as occurred with the partially mis-guided land debate in PNG in the 1990s) because there's a good campaign, or because it's embarrassing to admit error, or because one's pride has been hurt.
- We hear a lot of political candidates saying they stand for transparency, but then proceed to be very secretive about sources and use of funds.
- With more international interactions it is easier to conceal malpractice, using offshore bank accounts, real estate deals etc. Ethics need to be taught from an early age (in households, schools and colleges); leaders must be selected on the basis of the highest integrity (whether as board members, ministers, MPs, journalists etc?)
- The whole public must demand that we move on from the cronyism which has dominated the last decades, and has permitted progressively declining standards and grabbing a bigger slice of the cake for the leaders in Moresby. We need to restore recognition and promotion on merit and performance, and provide incentives, not on the basis of connections or reciprocity, (I scratch your back and you scratch mine!)
- But even if we all intend to be good, with the pressures and temptations prevailing, particularly in this globalised economy, we also need to have, tough independent investigative bodies with the teeth to probe and make prosecutions, with real penalties available and applied. As former Judge Tos Barnett said back in 1989 during the Forest Inquiry, there needs to be a permanent forestry tribunal dealing with abuses in forestry alone, and the overseeing judge would need to be changed periodically as the pressures on him or her otherwise might be too much. At a recent forum on sustainable development at Divine Word University it was recommended that there should be a natural resource Ombudsman, independently overseeing resource allocation and implementation of relevant laws, agreements and standards, and responding to public complaints.
- Some leaders are very strong and incorruptible; others are weaker, especially when facing difficulties. Some unscrupulous businessmen and others specialise in finding people's weaknesses and corrupting them. Sometimes it starts small, with regular free lunches and beers mess or club of the company your overseeing. Once a leader or official is corrupted it's hard to back-out.

You've done a deal with the devil, and that devil is there waiting to use you, or blackmail you if you want to change tack. You become that operator's lackey and we all have a good idea of some of the leaders, including minor officials, who've gone that way over the years.

- The world over, women have, incidentally, been generally found better managers of money and less corruptible than men, often making more scrupulous police or overseers of revenue collections etc, for example. We all know this, so why don't we elect more women politicians to office, or to top political or business leadership and oversight posts? (I welcome, incidentally, the **Westpac** (and partners) **Women in Business Awards** scheme, which I see has just been launched.)
- In recent years there have been barely any real penalties imposed upon public or business leaders found by probes like the NPF inquiry, or reviews, as in forestry, to have been breached public trust and duties. Effective prosecution and penalties are as essential as good exposure, (through auditing, Public Accounts Committees, etc).
- As the saying goes, power corrupts and absolute power corrupts absolutely. Hence, initially some initially well-meaning individuals can be readily corrupted and it is critical to reduce the temptations, and ensure that they recognise the real potential of punishment if they are in breach.....whether as a company involved in price-fixing with competitors, politician take a bribe to approve a license, customs officer allowing illegal shipment of forbidden produce, or environmental officer ignoring toxic waste from a mine or timber mill or permitting the harvest and export of protected species, such as birds of paradise or parrots.
- The public and other employers are leaders in terms of their own behaviour, but that includes a public responsibility to expose malpractice in their office or community, and there is a requirement for whistleblower legislation to protect them in their public duty to expose malpractice.
- Good leadership is about moving one's local community, business or even the whole world forward in a positive direction, and not encouraging community rifts to advance one's own position and wealth. It requires initiative, commitment and wider social responsibility and not being unduly dominated by forces such as greed or pride, although we know that ambition and the desire to make money (or profit maximise) is a necessary driving force driving of economic growth; however, it needs to be tempered with social responsibility and the application of appropriate rules and codes of conduct.
- Growth and the desire to make money generates employment, but growth and globalisation need to be balanced. Wealth in developing countries, but even in the USA, often exists, shamelessly, right alongside poverty. The solution is not bulldozing away such poverty, but seriously identifying its causes and addressing them, including through stimulating opportunities for sustainable formal and informal sector growth, seriously addressing health and social problems which generate poverty.
- In PNG, leaders and the whole community need to ensure we don't get segments of society that are increasingly marginalised- from lack of access to education and other services, with growing numbers of street kids, and HIV/AIDS orphans etc... We need to be a caring society, and to see people as opportunities not as problems; and we need to help provide them opportunities

- Leaders particularly need also to listen and not just push their own ideas, and they need to be role models. Not in some flash self-promoting way, but just applying sound behaviour in their own lives, with their own workmates or family. Living up to what they say, not saying one thing and then beating up their wife or girlfriend the next minute! As the saying goes, charity, but also many other traits, including violence, begin at home, so also does good behaviour and positive social interaction.