

PNG's Place in the Global Economy?

This is an article by Alois Francis, an INA staff member, written following an overseas working visit made this April, during which he participated in a series of meetings with senior representatives of research and government institutions from around the Asia-Pacific region, considering trade and development issues. This is his own personal perspective, and his views do not necessarily represent those of the INA. This perspective, however, provides a valuable insight, highlighting clearly the need for PNG, its government, private sector and citizens, to be alert and inform themselves of the major economic, social and political demands, opportunities and changes occurring in our region. This is important for PNG and its whole community to secure both lasting benefit from the opportunities prevailing, but also not be sidelined or abused by powerful international, commercial or other interests. Boosting the quality and coverage of PNG's education and skills, from elementary through to tertiary, including technical and business skills, will be particularly critical to ensuring our population fully participates in the region's and all aspects of PNG's own development. Alois Francis writes: -

I recently had the good fortune to be sponsored by the Australian Institute of International Affairs to undertake a three-week visit to Australia, which included attending a meeting of the Asia Pacific Economic Community (APEC) Study Centres in Melbourne in mid-April. The trip was a great learning experience, and I would like to reflect on some of my ideas around PNG's place in the global economy that I developed from that meeting in particular.

The different Study Centres brought together their work done in the year to share at the conference. These were experts, academics of world-renown universities, getting together to discuss how trade takes place in the world, at least in the region, through this multilateral vehicle called APEC.

At the meeting, I felt insignificant, and sometimes intimidated by the presence of world renowned experts on international trade and commerce. I met the High Commissioner of PNG to Australia in the morning. Maybe he felt the same way as I did because the moment he saw me, he said, "Oh good Alois you are here, you'll stand in for us!" I did not quite understand what he meant until the first half of the day was over and he was gone. I was representing PNG at this important meeting.

The buzz word at the meeting was China. I quickly learned that China is the fastest growing economy and every APEC economy as well as the other economies in the world are trying to cash in on it. Figures thrown around indicated that China's growth rate stood at a whopping 10.5% last year. It is the 3rd largest economy and 2nd largest trading country at the moment, with a foreign exchange portfolio of US\$1.2 trillion, and a new facility to diversify its investment around the world.

There is a mad rush at this time by countries to invest in China and sadly we are missing out on it. PNG seems to be oblivious to the growing demands on natural resources by this growing giant, yet we are so generous, or rather so foolish, to sell our resources such as

Ramu Nickel at low prices to China instead of bargaining to make the highest possible gain out of the deal as a country and as a people. That is what all the other countries at the conference seemed to do.

I began to ask myself, is it because we are that desperate for money that we sell these highly demanded resources so cheaply to China? Or, is there something seriously wrong with our negotiation skills? Whatever the reason, we are simply stupid to give the Chinese Metallurgical Company (MCC) a cheap deal to extract our nickel on a 10-year tax holiday among the other incentives given to it by Government. This is something unheard of in the world.

These are the very reasons why I feel very insignificant. I am compelled to write this article because I feel there just has to be a shift in how we see ourselves and our place in the world. We must know that those who are the most prepared win the race, the race to economic growth and prosperity for its people.

We are too worried about our domestic petty politics, too preoccupied with worrying about who is going to win the most number of seats in this election and form government, that we do not focus on solutions to our persistent problems such as chronic unemployment and are not learning from other countries within the Asia Pacific region. The societal ills we face as a country are the result of a much wider problem, which is that the government is not addressing constraints to economic growth. A growing economy will translate into a bigger domestic jobs market, increases in wages, and improvement in the overall living standards of the people. It will help to overcome the inability of an economy to absorb the vast number of people, especially the youths who finish school every year, who are looking for jobs.

In order to promote economic growth, I believe, through my experience at the APEC meeting, that the following things need to happen:

- Change in political culture: The public must demand high output from our leaders and public servants. We must demand that these changes do occur and are maintained.
- Higher departmental productivity: I learned that there is a thing called the Australian Productivity Commission which studies how productive the various sectors of the Australian economy have been for a given period. A similar institution would be a useful accountability mechanism in PNG for sectoral departments and publicly held companies.
- Increased skills and human capital: technical capacity is important to ensuring productivity and growth. We have to have the best brains, we have to train our people to be competitive, and we have to catch up with the world in this area.
- Better business environment: The job of the government is to make the environment conducive to business as much as possible. This means improving our telecommunications infrastructure and making the energy sector more efficient, and more competitive.
- Removal of trade barriers, particularly tariffs

I feel indebted to the Australian taxpayers through AusAID for sending me on this trip. It certainly opened up my eyes to understand how countries negotiate and enter into trade agreements at the world stage.

In my mind we have a long way to go to ensure our place in the world. It is important that we do so because we will miss out on this great potential for cashing in on the dramatic growth that is taking place in the Asia Pacific region bolstered by the fastest growing economy, China. It is important for countries to be prepared to respond quickly to movements in the global economy. Growth is underpinned by improved education, skills, and infrastructure.

It is a must that we do this, for otherwise we will still feel insignificant and PNG's place in the world will be insignificant, and our people will still remain the biggest losers from our lack of foresight and planning.