

With Uncertain Economic Prospects, now is time for prudence from the newly-Elected, not a party!

To some candidates and their supporters the Election process is a bit like a lottery; the costs may be high, but the odds are considered much better than most draws, even with as many as 70 or so candidates. The 2012 Election may seem more driven by money-politics than hitherto, but there remain outside chances for newcomers and the less-well funded.

Although many candidates 2012 are driven by the genuine aim of public service to their community and nation, the increased numbers in 2012 partly reflect growing population and improved telecommunications, a reaction to the seeming clique, unresponsiveness and unaccountability of the political and governmental process of recent years, but also partly the lure of expected economic bonanza over the next decade. Who wants to miss being in the control room when the benefit stream flows?

The sticky part is that the bonanza is likely to be more modest and less assured than many have forecast and there's likely to be a rough ride in the meantime. The global financial crisis, driven by unsupportable levels of debt, which erupted in 2008 never really went away. The global financial architecture has remained largely unchanged, although various national and regional measures have been introduced and crises averted in some countries, including the US. However, the Euro-zone crisis, most blatantly in Greece, continues to bubble and risk pandemic, despite the stability of some component economies. Europe and north America remain China's largest markets, and despite the growth in domestic demand, China's growth has partially been driven by exports and its domestic growth rates is both slowing and uncertain, whilst the other massive, and until recently rapidly growing, Asian economy, India, is in near recession.

The relative immunity which PNG enjoyed during the 2008/9 GFC and so-called 'Great Recession' cannot expect to be repeated if the current economic uncertainty deteriorates into widespread economic crisis. There are already signs of declining commodity prices and reports of large stocks of raw materials accumulating, notably in China, whose demand for iron ore, copper and other products have driven large portions of both Australia and PNG's economy in recent years, although gold's continued status as safe haven has provided PNG and its big neighbour some insurance.

The past decade with the strong global commodity prices has provided PNG positive and at times strong economic growth, albeit more modest than many other resource rich regions, such as in Africa but also resource poorer parts of SE Asia. Although the benefits of this growth have translated into increased jobs, and improved incomes, especially from the higher agricultural prices and production (for some crops), there remained large slices of the population, which remain excluded, partly from the continued failure to provide necessary access, such as passable roads, rural ports and airstrips and associated land, sea and air services, but also the inadequate, inequitable and uncoordinated investment in quality health, education and law and order services.

August is the peak month for LNG construction; thereafter, the project will be progressively laying off staff. That might provide good opportunities for other industries and the State to snap up, or recover, capable staff for other projects or to restore and build up technical training capacity, for example. However, with uncertainty in the capital markets, plans for many major new projects are currently on hold, with investors really assessing where their best returns can be made, and particularly where the risk, including political risk, can be minimised. The next few years until late 2014, when LNG is scheduled to export, are likely to be tight and very much dependent upon continued non-mining (notably agricultural) buoyancy, which is far from certain. As the Treasury has highlighted recently, after 2014, in the absence of further major developments the revenue from LNG will merely replace declining revenue from current ageing oil and mining projects.

Economic forecasting, like weather forecasting, is filled with uncertainty, although there are various guides. Banking upon sea levels remaining at current levels, whilst emitting increasing quantities of greenhouse gases, might be considered foolhardy. Likewise, the government spending; so, pre-committing heavily now on ill-judged public investment or extravagant consumption or, in the expectation of an economic bonanza in a few years, would be both irresponsible and like a ghost from the 1990s, remind us of the wasted opportunities from imprudent economic management, and failure to focus on government's core tasks and priorities.

These core priorities are spelt out partly in the preamble to the Constitution, notably of providing equitable opportunities to the men and women of the country, in terms of law, order and safety, access to quality education and health services, access to markets and economic opportunities, whether you live in NCD, next to a mine site or (within practical limits) in remote locations in poorer provinces. Basic infrastructure and utilities, such as water supply, power and ports are State responsibilities, but not all necessarily for the State itself to provide. If others can provide them more cost effectively, particularly through a competitive market, as occurred with information and telecommunications technology over the past 5 years, or some international air services, so be it. The role of the State and its institutions, such as the Bank of Papua New Guinea and ICCG, are also therefore to ensure that market conditions are suitable and competitive, and enable services, such as banking to reach beyond privileged elite to the whole community, which has for too long been deprived of many such services. The State's role is also to ensure that crony deals and uncompetitive practices, such as monopolies for trading staple foods like rice, are not entertained and that customary landowners are not exploited by fraudulent acquisitions, as with some SABLs or urban land grabs.

So, for those new MPs and supporters looking forward to some commercial return on campaign investment, now is certainly not the time for digging further into depleted government coffers. MPs' job satisfaction must not be from personal gain and accumulation, widespread in recent years of overseas property acquisition by leaders in Cairns and elsewhere. Rather, their attention must be focused upon ensuring more accountable government, focusing upon core priorities and prudent expenditure, geared to improving access and improved services, competitive markets and encouraging private

investors to share the costs, but also securing sound returns by streamlining approval processes and weeding out corruption and malpractice, including through more transparent, sometimes electronic mechanisms. To share the financial burden of government and public services, the State must spread the tax burden away from a handful of companies and wage earners, to a wider range of businesses, currently skulking in the sidelines, and often collecting GST without forwarding it to IRC. It also requires that the official watchdogs are adequately resourced, including Auditor-General, Ombudsman Commission, fraud squad etc, but also that the public has much greater access to financial and other information in a timely manner at the national and local levels, so that they can spot waste and abuse readily and report to responsive authorities, including local MPs, who are there as their representatives, rather than financial managers, personally controlling millions of kina for district grants.

Is this election bringing the sea change which (much of) the public demands, or will the benefits of economic development be denied the majority, while the privileged squander the country's uncertain future revenue. If further global economic crisis develops at least it will make little difference to many in PNG, who remain largely self-sufficient and missed out on participation in the modern economy over recent decades, at least.

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