

An experienced hand on the tiller

42 year old Prime Minister Paias Wingti is no stranger to the political scene.

A prime minister on three occasions and a veteran of countless administrations, he has already left his mark on Papua New Guinea's political scene as an advocate of better education and rapid economic diversification. After four years on the backbenches he returned to head the new administration in July last year.

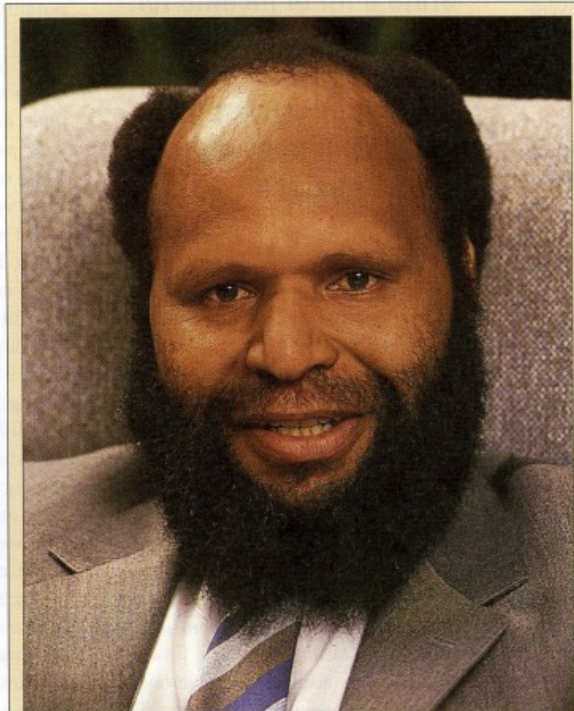
In a recent interview at Government House, Ben Davies of Asiamoney asked him about the government's programmes.

Your appointment as prime minister followed a period of major political and economic uncertainty. In your first eight months in office have you been able to change that?

In the brief period the government has been in office, there has been a return of confidence in this country. We have transformed the mood of the nation so that people from the private sector and the public sector look to the future with renewed optimism. We have instituted important reforms to free up the economy, we have introduced major crop subsidies and we have reduced taxes to encourage new businesses. Now we are tackling other big issues like education, employment and law and order.

But during your previous term as prime minister, you also sought to achieve greater economic self-sufficiency through job creation and agricultural development. Do you have any new policies?

The priorities are the same, but the emphasis is different. One of the most important policies we have come back with is education. We have made education affordable to the whole population. In future that will provide greater



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employment potential as well as creating the sort of skilled workforce necessary for a vibrant economy. Of course the other important area is the rural sector where 70% of the population live. We have introduced major crop subsidies to ensure that these people can maintain

their living standards and to create better employment opportunities.

Some economists might argue that it's good money put into bad business. What is the long term aim?

The government recognises that the social problems will be considerably greater if we ignore the current difficulties in the rural sector. Today we are in a position to subsidise the sector because of our mining income. In future we must make it a good sector with commodities that are competitive out in the market place. Our strategy is to identify those areas of the economy which can be winners. And when I say winners, I mean opportunities for development that we have in the country that the region lacks. Such a strategy also gives us a five year breathing space to look at areas where we can direct the people from inefficient industries into

efficient industries.

Which particular areas?

One of those areas we are looking at is the timber industry. This is a very valuable industry because you are dealing with a diminishing resource. This gov-

ernment will be moving gradually to phase out logging and to shift the industry downstream. At the same time, the government will look at a major reforestation programme for the country. This could pay big dividends given our location, climate, the quality of the soil and the timber. The other area which has massive potential is tourism. At the moment, the country has an image problem because the press and particularly the international press has not been kind to us. We recognise there are social problems and we will address them. Tourism will be a very important industry for Papua New Guinea both in terms of revenue and employment opportunities. And there are other areas which the government is looking at. If we pick winners, then slowly we can reduce the subsidy on crops which are not efficient.

To what extent are you capable of re-directing the economy given external constraints such as worldwide recession and a slowdown in trade?

The most important asset this government has is the experience to handle difficult situations. It is a question of responding to problems or opportunities and making the right choices. Currently we are in the favourable position of having money coming in from non-renewable resources. Porgera is on stream. Petroleum is on stream. Then there are other projects like Lihir and Gobe 2 which we are currently negotiating. These projects will generate a lot of income for the country through taxation and royalties. That will put the government in a considerably stronger financial position than a few years ago. Obviously the position is going to be very temporary. It may be only for three or four years which we are fully aware of, so the real test will be how we manage the economy. One way may be to substantially reduce our level of debt. The other is to invest again in renewable resources. These are options which the government is exploring.

Many people see your toughest task as governmental reform, and especially the

powerful provincial structure that was established more than 15 years ago.

How powerful a challenge is this?

Reforming the government is one of the most difficult tasks which we are facing. When I first confronted the issue head on, there was a big outcry. Now people have come to accept the need for changes to the system. These reforms are now taking place and we have set up a commission that is going to report back to parliament on the issue. After the restructuring is completed, I believe you will have a smaller number of politicians and

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you will have fewer elections taking place in the country. At the moment we have twenty provincial governments and more than 1,000 politicians. Under the new structure we may end up with two hundred or three hundred politicians at most, so of course there will be substantial savings. The decision making process will also be simpler and faster. It is a very big challenge, but I believe the country is beginning to accept it.

Was your recent decision to suspend the Madang provincial government aimed at creating an example?

We have now suspended twelve out of the nineteen provincial governments. The reason we have done so is the auditor general's report. Under the constitution, the auditor general ordered that all our books including the provincial governments' be opened. As a result of the report we dismissed twelve of the provincial governments in eight months.

Another major problem facing the new administration is the lack of infrastructure. How will you tackle that?

Infrastructure is certainly a priority, although only in some areas. Communications in this country are excellent. You can ring out of Port Moresby or Mount Hagen and get through to New York or London or anywhere else. Roads are more of a problem. This government is now in the process of selecting and identifying roads which will be funded in the 1994/5 fiscal year with the revenues that will come from mining. That is a major priority.

The other area we are looking at is power and energy. We have some of the best and fastest rivers in the region and we already have a hydro electricity scheme. But somehow to fully exploit the potential, we have to bring the costs down.

Given that your average wages are four times higher than Indonesia's - and that your productivity is low, how are you going to be able to do that?

What we have done in our 1993 budget is to put in place the measures necessary to reduce labour costs and make the country more competitive. Now we have done that through several tax measures. One way has been to reduce our corporate tax from 35% to 25% which puts us in a strong position compared with other countries in the region. We have also abolished import duty on fuel which is coming into the country as well as import duty on necessary items like aircraft. Our wage system is no longer fixed by union committees. It is now based on productivity. That means employees can determine wages according to output. It's a supply and demand situation which I believe is very important. These big changes will contribute strongly to a lowering of costs. Investors are already seeing these changes and the major benefits.

Concern over law and order also runs high. Given the rapid shift from a subsistence economy to an increasingly sophisticated urban population isn't this inevitably one of the prices you must pay?

It is not a big problem. What has happened is that the issue has been blown

out of all proportion by the Australian press. Because they colonised us, they still have a patronising attitude. And because this is an easy country to write about, they come here to do their sensational stories.

So what is the real situation?

We have social problems, that is undeniable, but we are no worse than many other areas of the world. The position is manageable I would say, and if we can address unemployment we will be able to minimise those problems. Out in the rural areas where the bulk of the population live, there is no trouble. Only in Port Moresby late at night are there some difficulties and that is hardly surprising given that this is a tribal country with high unemployment and rapid urbanisation.

Given these constraints, are you satisfied with the level of foreign investment?

The short term prospects for mining investments are extremely bright. Firstly, there is the Lihir gold mine which will cost in the region of US\$800 million, then there is the Gobe 2 oil field which will cost another US\$700 million. But the biggest investments in future could come from the gas fields. These investments could take place in the next three to four years and we would be talking millions of dollars. Mobil already has a big exploration area where it is undertaking further studies. If the existing high levels of gas are confirmed, then I think we could become one of the biggest gas producers in the region. On top of that you have the recently completed projects like Kutubu which cost US\$1 billion as well as Porgera which is the largest gold mine outside of South Africa. These are all substantial investments.

But recently there has been some controversy over the government's decision to increase its stake in Porgera. Aren't future investors going to think twice?



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The issue was reported to the public one-sidedly. In reality the decision to increase the government's stake in the Porgera mine was taken in full agreement with all the major parties involved. Furthermore, I would like to assure all businessmen and investors that in the history of this country, we have never expropriated any foreign investment and we have never nationalised any industrial, financial or mining concern. Governments in this country have been very fair and reasonable. This was proved in the Bougainville negotiations in 1974 and again in the Porgera negotiations. All we want is a fair share, and when I say fair share, it must be fair for the investors as well as for the state. The investor has to get a fair return on his capital.

What about the problems of land ownership? In the past, this has also acted as a major disincentive

That is one of the biggest issues which we intend to address. But I am not going

to give you the details now as these are some of the most sensitive issues that the government faces and we have to settle them first.

The insurrection at Bougainville which led to the closure of the country's largest mine was probably the most serious event in PNG's post independence history. Can that situation be peacefully resolved?

The problem we now have is a law and order problem, especially in central Bougainville. Almost 90% of the island is under national government control and aircraft are now flying in and out. Many of our schools have been re-opened and people are now going back to producing copra and cocoa for trading. That was not the case eight months ago when I took office.

Does that mean that you will soon be re-opening the Bougainville copper mine?

That is going to happen. I can confidently tell you that it will happen. By the end of this year we will have begun discussions with CRA and then it will only be a question of management re-opening the mine.

Currently the economy is almost wholly reliant on mining. Are plans to diversify into manufacturing realistic?

It can be done if costs are lowered and if the country becomes competitive. At the end of the day the situation comes down to productivity and cost of production. We must be able to seek winners which can compete internationally.

But the local market is small and fragmented with some 70% of the population depending on staple or cash crops.

The population is small. If one selects industries purely for local consumption, then it is too small. We haven't got a home base. Internationally though, there are good prospects for companies looking to export. We have to be very selective

and careful about choosing things that we are good at. In the past, we tried to set up industries and give them all this ridiculous protection, but in the end it was the consumer who was penalised.

What about the potential for tourism?

Tourism has enormous potential to develop. Before independence in 1975 we had around 18,000 visitors a year, today it's only around 8,000. Yet we have beautiful beaches and jungles as well as diverse cultures and peoples. We are strategically located close to Cairns in Australia which has a major airport and which is increasingly becoming a development centre for the north of Queensland.

In the last session of parliament we set up a tourist board which will be charged with marketing the country and getting the private sector involved in promoting tourism in a bigger way. Now we must look at what sort of infrastructure is necessary so that we can direct investment into construction of hotels and other tourist facilities. By the end of the decade tourism along with the timber industry will become a very important revenue earner.

Can these areas ensure that Papua New Guinea has a future when your natural resources run out?

These will provide a very strong base along with investment in people. At the end of the day you must have an industrious, productive population that is competitive. You can't afford to have a lazy population.

Papua New Guinea has traditionally held close links with Australia. Is this special relationship going to be eroded as you seek to play a greater role in the world?

We are strategically located. We share a border with Indonesia, we have historical ties with Australia and we are members of the Pacific community. In many ways we are lucky because we are close to everybody in the region. Now gradually relations with Australia are changing, especially in terms of trade where

our imports are shifting to the cheaper Asian countries. There are however some areas where our ties with Australia remain extremely strong. On a personal level, the relationship is very close. Most senior people in this country are educated in Australia. Under our education programmes, many young Papua New Guineans go to Australia every year to study under scholarships. That is

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a relationship that cannot be taken away. But in terms of which direction we look and how to become more competitive we can learn a lot from the Asian region. Asians are hard working and productive - and these are the countries where the economies are very dynamic and very competitive. Papua New Guinea must put itself in a position where it can learn from others.

So does Papua New Guinea see its future amongst the growth nations of Asia or as part of the Pacific region?

We will do what is in the best interests of our country. Our door is open for everybody. The country's leadership and its people will choose what to accept and what not to accept based on our own conditions.

Do you believe that Papua New Guinea can achieve economic takeoff during your term as prime minister?

Definitely. It's poised to take off. In the coming years, we want to build up a middle class of Papua New Guineans who can contribute to the economy of this country. That does not mean that we can do it all on our own. We still need outside investors, expertise and technol-

ogy. But we must educate our people. We may not become a Korea or Taiwan, but we have the potential to become a successful country. We have a small population, massive resources and a strategic location. Properly managed, that puts us in a position to become a very successful country.

If you weren't prime minister - what other job would you most have liked to do most in life?

Although I went into politics very young, I was always interested in business, because of the satisfaction involved. In the last four years when I was in opposition, I had so much time that I started up several businesses which all made money. Now, however, I am getting rid of them. I always believe that to do a job well, you must give 100%. You cannot afford to divide yourself. When I was in opposition, I had so much energy and so little to do that I put 100% into my business. It was not the money, but the satisfaction about doing things and seeing results. I suppose that is what keeps me going as prime minister. I get satisfaction at seeing things happen.

But having been prime minister three times already, are there not other things you want to achieve?

I am now concentrating on solving the bigger issues that confront this country. Already we have settled the Porgera negotiations. Bougainville is on course. I want to lay the foundations for the complete restructuring of local government. I want the Lihir project and Gobe 2 projects to begin production. I want to promote the rapid development of the timber industry and of downstream processing and I want to see a good education system for the people of Papua New Guinea along with some major roads in the country.

Now these are some of the bigger issues that I want to give my time to - and they are achievable. I don't want to be bogged down in too many little things which make one lose sight of the bigger picture.