Reflections: 39 Years of Sovereign Statehood in Papua New Guinea

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REFLECTIONS: 39 YEARS OF SOVEREIGN STATEHOOD IN PAPUA NEW GUINEA

Charles W Lepani

Speech on the Occasion of Celebrating
39th Anniversary of Independence of Papua New Guinea

Sponsored by ANU State Society and Governance in Melanesia Program
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(Views expressed herein are views of the Author only and do not necessarily reflect views or policies of the Government of Papua New Guinea.)
I am honoured to be invited by Dr Nicole Haley, Head of State, Society and Governance in Melanesia Program, and Mr Peter Niesi, President of Papua New Guinea Canberra Students Association, to speak today in celebrating our 39th Anniversary of Independence and to share with you some of my personal reflections, musings, and thoughts on our journey as a sovereign nation.

Like many others of my generation, I was an active participant in the move to self-government and independence when the journey began. But before that 16th day of September in 1975, there was much by way of preparations, mostly in some haste. A constitution needed to be in place to guide our new nation’s journey. Policies deriving from that Constitution, on the type of society and the direction we wanted to take our nation in, were issues of grave concern for our founding fathers and mothers to ponder and debate in the then Constituent Assembly in the period from 1972 onwards. There was self-government on 1st December 1973. So my first task today is to reflect on the years immediately before self-government and then take us from there to now.

Fortuitously for me, a book has just been published a month or so ago titled *Australians in Papua New Guinea, 1960-1975*, edited by Ceridwen Spark, Seumas Spark and Christina Towmey, and where there are gaps in my recollections I have drawn from these valuable recollections of others and accordingly acknowledge them here. There are others who have also reflected on that journey in their own way. Notable among them is Donald Denoon and his book about PNG’s decolonisation, *A Trial Separation*. Ross Garnaut has written extensively on the foundational macro-economic policies, such as the hard currency (Kina) policy, which arose not because of long hard periods of deliberate policy consideration and formulation but was driven by Port Moresby women, led by Josephine Abaijah, storming the office of the Chief
Minister, Michael Somare, protesting against high cost of goods in trade stores in Port Moresby. Hence, the birth of the Hard Kina Policy, which stood PNG in good stead for a decade or so after independence just to meet its almost total and final demise in 1996 when it was devalued and “floated”—well, kind of floated.

I joined Pangu Party in 1972, working as a Trade Unionist with the then Public Service Association in Port Moresby and busy with some union wage cases. The most significant case was the Port Moresby Urban Minimum Wages which I advocated in 1972 seeking to increase the urban minimum wages of workers in Port Moresby and later in 1974, I was appointed to Chair a General Urban Minimum Wages Board.

The reason why I consider this as a crucial starting point for my reflections is that it inspired a greater appreciation of the challenges PNG faced as it headed towards independence. It was a time of robust debates in policy evolution for incomes policy for PNG after independence, and the link between policy and politics was exemplified by Pangu political leaders at the time, who were drawn mainly from trade union ranks as against other political leaders who were from business and rural plantation and local government council backgrounds. This background is useful in understanding the political underpinnings, and the modicum of ideological underpinnings, of the debates in the Constitutional Planning Committee (CPC).

The CPC was set up initially with a balance of regional and political party representation but as the gravity and urgency of the issues became more apparent, tensions began to emerge and alliances around regional and ideological differences began to emerge. The CPC was eventually dominated and driven by two significant political figures of the time, who continue to have
a strong presence in the political life of PNG to this day. They are, of course, Sir John Momis and Sir John Kaputin (Ley 2014).

Explicit preference for egalitarianism and equal distribution of the benefits of development, over economic growth and trickle-down orthodox economics, for decentralization of powers closer to rural majority of Papua New Guineans, and for self-reliance and the right to be a citizen of Independent PNG, preoccupied the deliberations of our leaders to guide us towards the type of society PNG should become. The Eight Point Plan was conceived and gained nourishment from these debates.

Outside these constitutional debates, those of us in the union ranks and others were arguing for the family minimum wage to include one child as the basis for a family unit to the Port Moresby Urban Minimum Wages Board of 1972. It may come as a surprise for you all today but, yes, in those days a family unit for the purposes of wage fixation was a man and his wife. We argued that the gross injustice of this and other principles driving the colonial incomes policy was that the three big oligarchs—Steamships, Burns Philp, and WR Carpenters—were not reinvesting their profits in PNG but repatriating them. So the unfortunate congruence of policy circumstance, when those in the then Department of Finance and Central Planning Office (CPO), whose minds were pre-occupied in setting incomes, wages and prices policies for an independent PNG, were seen by us as not being realistic, indeed as seeming vacuous and vexatious at the time, in particular, when they argued for wage restraint in towns such as Port Moresby so the Government would have the means to provide services to our rural majority (Langmore 2014).

Their argument that the emerging well-off minority elites in the urban areas needed to sacrifice for their rural majority counterparts lacked serious
appreciation of the workings of PNG society and culture and its redistributive values. I had been advocating to the business organizations and the Minimum Wages Board that, “Some academics, some politicians, and policy makers, in Papua New Guinea...see Papua New Guinea society as consisting of two sections, the Papua New Guinean wage earners both in towns and rural areas and Papua New Guineans living in subsistence (sector) in the villages and the use of their incomes is exclusively in these separate sectors and not intra-sectors.” This may be a useful analytical tool to exercise the intellect of some academics and the then policy makers but I argued that this view was a misconception of the workings of (PNG) society, to deny there are no means of traditional ties and obligations and resultant flow of resources permeating through these two sectors amongst Papua New Guineans (Lepani 1974: 2).

I still hold the view today even more so now that the mobile phone has reached even the most remote areas of the country. Just a few months ago I texted an “edict” in response to my relatives in Trobriands texting me for money for funeral feasts and to repatriate the bodies of dead relatives home: “Tell all the surviving relatives, nobody is to die for the next 2 or 3 years until we catch up with all the outstanding funeral feasts.”

Back in 1972, I argued that policy makers must guarantee two things:

1. That money saved from keeping wages low are actually spent on services to improve health and education and infrastructure for the benefit of our rural majority, and

2. That profits accruing to the oligarchs at the expense of wage earners are reinvested in PNG for PNG’s development.
The essence and indeed the driving force of my case at the time was the emerging Constitutional imperative of equal distribution of wealth and political power in PNG, promulgated in the Eight Point Plan.

Fortunately, there was one economist at that time who shared my view and I asked him to be the expert witness to argue this case with me to the 1972 Port Moresby Urban Minimum Wages Board. Dr Chris Gregory, recently retired from this University, continued this argument in the National Urban Minimum Wages Board, which I chaired in 1974. Chris Gregory argued and was supported by the then Department of Labour and Industry, and the Board agreed that “the extended family system and the redistribution occurring should be considered as complementary to the government’s re-distributary machinery” and that “the characteristics of the extended family system are in accordance with the Eight National Aims, in particular:-

1. More equal distribution of economic benefits to as many Papua New Guineans as possible.
2. Greater participation by Papua New Guineans in economic activity.

As mentioned earlier, there were other government agencies who took the opposing view—Finance and Central Planning arguing for wage restraint and capacity for the PNG economy to pay the wages bill, as well as the Department of Agriculture and the Department of Business Development. It is worth noting these opposing views. The Department of Agriculture representative submitted that “…while much of the village-based agriculture continues to be the basis of community or extended family involvement there is increasingly a shift towards greater independence, particularly of young educated people and towards individualism. Thus, commercialisation or the treatment of farming as a business has important implications for the future of agriculture

The Secretary of Department of Business Development followed suit and said “I do not think you can run modern business along traditional lines. If the local wants his business to be successful he can do it the modern way and there is no doubt about that” (Urban Minimum Wages Board Determination 1974: 9).

The representative of Agriculture Department was asked whether he considered, in view of the emergence of village communal self-help economic activities, that there is still a possibility for communal “commercialism” to develop as a viable economic activity. The officer admitted having no practical experience in this form of activity. In our final decision when referring to the views of the Department of Agriculture and the Department of Business Development that, we determined that in considering the effects of our decision in providing policy guidelines we were moved to comment that “it would serve to achieve very little of the aims of the Eight Point Plan if control of economic activity by a few foreign enterprises is merely replaced by the control of economic activity by a few Papua New Guineans” (Urban Minimum Wages Board Determination 1974: 10).

In 1972, production at Bougainville Copper Mine had commenced and with the latest mining technology applied, the mine was soon making what was considered to be excessive profits. This raised another issue of divergent policy between the Australian colonial administration and the Somare-led self-government of Papua New Guinea. While initially both saw the mine as the source of revenue to sustain PNG into independence, the emerging policy underpinnings for redistribution of wealth to Papua New Guinea led to the renegotiation of the Bougainville Copper Mine Agreement. The Self-
Government of PNG promulgated a resources policy that stated that “resources belong to the people of Papua New Guinea.” It bears noting that similar justification as was introduced by the Rudd-Gillard governments to justify the short lived Resources Rent Tax. Conzinc Rio Tinto (CRA), through its subsidiary Bougainville Copper Ltd (BCL), borrowed $200 million to be repaid over 15 years, to finance the development of the mine. It was soon apparent to PNG self-government that within only 2 years of the 15 year loan repayment period the loan would be repaid and for the balance of the 13 years BCL would be enjoying enormous profits. Hence the necessity to renegotiate the mine agreement with the additional profits tax (APT) provision to ensure PNG obtained a fair share of the profits.

The next phase of the journey for me was my move to head the Bureau of Industrial Organizations (BIO), a body set up and funded jointly by PNG Self-Government and ILO at the request of the then Minister of Labour, Gavera Rea, a unionist and staunch Pangu man from Hanuabada. Three key areas worthy of note are the role the BIO played in settling the Bougainville Copper Ltd workers strike of 1974; my involvement as Chairman of the Urban Minimum Wages Board in 1974; and efforts to expand union activities into income earning businesses and not just limiting unions to wages claims.

The independence phase of my reflections begins at the National Planning Office (formerly CPO), which was a wakeup call for me, particularly as we said in planning in those days, taking a role that involved “flying in the air with a bird’s eye-view” of development issues and challenges for an Independent PNG. I was asked to join National Planning from BIO in early 1975. I took over the reins from David Beatty as Head of the Planning Office in early 1976, after
nearly twelve months as Associate Director to Beatty, a Canadian with extensive consulting work in Tanzania with Mackenzie Consultants.

I must digress here to tell a piece of anecdote on the renegotiation of Bougainville Copper Mine Agreement for additional profits tax to the then Government of PNG. Beatty was instrumental in the renegotiation of the Bougainville Copper Agreement, in fact in many ways he choreographed the performance of our select group of ministers with then Chief Minister Somare when they met with the Chairman of CRA, Ray Bulmer, who flew in from London on his jet. As Beatty, Mekere Morauta (then Finance Secretary), and Garnaut would relate the story of those negotiations, after hours of negotiations with Somare, Abert Maori-Kiki and Paul Lapun, a Bougainvillean himself, in exasperation Bulmer stood up and said, “Look, you have stripped me of my shirt, my shorts and left me in my underwear,” to which Albert Maori Kiki responded, “We will take your underwear off you also.”

My involvement directly with big resources projects commenced with Ok Tedi when Mekere Morauta and I flew to Frankfurt, Germany around 1975, to entice Germans MettalGisellschaft (KoopfaExplorasion) and dealings with Australia’s then BHP to invest in developing Ok Tedi. As some of you may remember, the America mining giant Kennekott originally had plans to develop Ok Tedi but their experience of nationalization of their mines in Chile made them reluctant to proceed with OK Tedi, so the PNG government then saw the necessity to move to develop the project and seek new joint venture partners with the understanding that in future, once the project was operational and in production, PNG would reimburse Kennekott. There was much angst in some international mining and financial circles that PNG in effect expropriated this asset from Kennekott. To cut a long and difficult story short, Ok Tedi has been
a problematic mine technically, environmentally, and politically, and only in the late 1980s it began to pay dividends and taxes to the PNG government.

Most of my reflections as Associate Director and then Head of the National Planning Office are drawn from a paper I prepared for a course I took on Planning in Small Dependent Economies at the Institute of Development Studies, Sussex UK in 1976 (Lepani 1976). The paper was a combined effort of most of the senior staff of the Planning Office which reflected what we saw were the complexity of policy issues for PNG’s development and options available with the limited resources at that time. It outlines in some detail the historical evolution of PNG’s policies as first based on the World Bank Report of 1965 and then the opposing report, the Faber Report in 1972, from an East Anglian development consultancy team. Suffice it to list the policy issues we were grappling with and the approaches to setting the framework for integrating the limited resources of the self-governing PNG, soon to be independent, with these development policy options, interpreted as best we could from the Eight Point Plan. The paper outlined the following:

Historical Perspective of Development In Papua New Guinea; Definition of Development; Basic Targets for Development; Self-Reliance; Internal Constraints; External Constraints; Restraints or Limitations on Alternative Options for Development Planning; Internal Interest Groups; External Interest Groups; Consequences for Decision Making; Risk Minimisation; Planning for Monopoly Structures; Technological Alternatives; Regional Integration; Diversification and Import Substitution; Critical Planning from 1945-1970; and Functions and Organization of Planning System (1973-1982).
I wish to limit my reminiscences of my stewardship of the National Planning Office to the workings of politics, policy making and budgeting as it applies to new spending, the authority for which was basically “outsourced” by the Department of Finance to the National Planning Office under the Public Finance Management Act. A decision-making system needed to be devised so that it gave our leaders (the Cabinet) a greater say and appreciation for the allocation of resources to priorities for the development policies that they also needed to set and approve. The functions of the National Planning Office were twofold: short-term crisis management and attempting to provide some medium to longer term perspective to the government on policy options and resourcing prospects. A National Planning Committee (NPC) of Cabinet was set up with a Budget Priorities Committee (BPC) of Heads of key departments and central agencies. Seven so-called “wise-men” (???) were appointed by the NPC as original members of the BPC. They were: Mekere Morauta, Secretary for Finance and Chairman of BPC; Charles Lepani, Associate Director, Central Planning Office; Joseph Nombri, Commissioner, Public Services Commission; Phillip Bouraga, Secretary, Prime Minister’s Department; William Lawrence, Secretary, Ministry of Natural Resources; Paul Bengo, Principal Private Secretary of Prime Minister; and John Natera, Secretary, Ministry of Agriculture.

A very simple set of five questions, based on what we in the Planning Office could translate and condense from the Eight Point Plan, formed the basis of funding allocation for new priority development projects and programs in various sectors. These questions were:

1. Does this activity increase the income earning opportunities of Papua New Guineans?
2. Does this activity improve the social services directly available to Papua New Guineans?

3. Does this activity reduce inequalities in incomes and services within Papua New Guinea?

4. Does this activity increase economic self-reliance by reducing dependence on foreign aid, manpower or imports?

5. Does this activity stimulate increased community and psychological self-reliance?

The priority review was based on a five-point rating from highest and lowest for each question and then averaged for an overall ranking. An example of how this priority review rating worked is shown in the following chart each from the extreme of lowest (Foreign Affairs) to highest rating Primary Industries).

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The concern we in the Planning Office had was that this was broad and not as watertight as would be expected so an effort was made to produce a Post-Independence White Paper, which was published in 1976 and titled the “National Development Strategy”, often nicknamed the “Little Red Book”, out of which development policies and priorities were better articulated to guide decision-makers on priorities for public expenditure. Thereafter, annually, over
a three-year rolling expenditure cycle, a National Public Expenditure Plan (NPEP) was published by the Planning Office under the purview of BPC and NPC.

I have dwelt quite a bit on these issues of policy planning and allocation of limited resources in the immediate pre and post-independence days to indicate how serious our leaders took to their task of policy making and their concern for resource allocation to implement priorities for national development. There remains another chapter to reflect on reasons why this sense and commitment to these ideals have, from time to time, come to grief over the period from the mid-eighties to the present, and the efforts of some successive governments to stem the tide of lack of concern for adherence to the directions and principles of the Eight Point Plan, variously reincarnated over the years to Vision 2020 and Vision 2050 and the Alotau Accord of the present O’Neill government, let alone the five-yearly development strategies emanating from the National Department of Planning and Monitoring and the plans of sector agencies.

The decentralisation issue also was a significant policy and political issue we had to deal with in the Planning Office, as elsewhere in government. The then 19 provinces were basically set up because of the imperatives of the Constitution and the question remained then, and I think still today, how do we make them function effectively to carry out the aims for which they were set up? For some of us, we were keen that resources be given to the provinces. Others in the public service were concerned that decentralisation would lead to inevitable disintegration of the public service and the nation. The McKenzie Consultants were brought in to advise the post-independence government. After about 18 months and several conferences, heads of departments were
armed with motherhood statements such as the Sirinumu Declaration, One Nation One Public Service, yet it was very obvious to me that the inertia of the status quo was overwhelming despite funding arrangements such as derivation grants, etc.

By 1980, I left to do my postgraduate studies at Harvard University, and was basically out of the loop on how this unfolded. But the issues concerning decentralisation, and the effects of the Bougainville Autonomous Government on policy more broadly, remain to this day vexing and challenging. I have expressed my reflections on these issues in an article I wrote in an Australian Security Policy Institute publication and in an interview I gave to Princeton University researchers, which was published in full and is accessible on the internet.

I must mention two other areas of my involvement briefly. In 1993, when I returned from Brussels as PNG’s envoy, with no immediate plans for a job, I was met by Mekere Morauta, who was the Governor of Central Bank at the time, and we had a lengthy meeting over some bottles of wine from about lunch to dinner, when we cooked some prawns, and he convinced me to take over the Minerals Resources Development Company, or MRDC, the management company set up by the government to manage landowners’ and state assets in mining and petroleum companies with options to take up with new resource projects. Unbeknownst to me at the time, there was much political debate over the management of MRDC over issues that were to me completely foreign then. After such a great “welcome” from my friend Mekere, I undertook to consider the offer. It did not take long before I called him to accept the offer and he in turn did the political pitching and soon I was appointed to head the MRDC from 1993 to 1996.
To cut a long story short, I learnt very quickly why MRDC was such a “hot political potato.” While “managing” the hot political potato, often with threats of being sacked, I was more and more concerned with the idea of the “carry” of state and landowner “interests” in the various resource projects. What the “carry” means is that no beneficial interest will flow to the State and the landowners until and unless that interest is paid through receipts from the respective interests to the Joint Venture partners and with quite a price to pay on the cost of the “carry.”

I was particularly concerned about the risk of the life of the mine, or the petroleum project, coming to an end with no benefits having flowed to the State from the equity holding except for the royalties. Hence, the idea of partial privatisation of the State’s interests and, where landowners were willing, we would purchase their options, which realised cash flow and or shares in the newly and partially privatised vehicle, which was successfully floated internationally in 1996 to become known as Orogen Minerals Limited. This gave the State tax receipts and dividends from its interest in mining and petroleum companies. In 1999, the Soros Hedge Fund in New York listed OML its best performing stock over the year.

But PNG sovereign risk always remains a constant issue, as I was to realise one morning while in New York releasing the year’s financial reports to our shareholders in the USA. I was getting ready to hold meetings with brokers and shareholders to tell them the good news of how well OML was travelling when I received a call from a friend that there was a coup at home. It was the “Sandline” event. I consulted our financial advisors and they advised me to hold a teleconference with all our US shareholders and brokers and explain the situation rather than having meetings with them individually. I did this assuring
them that PNG has strong democratic institutions and there would be an inquiry on the matter and it would be peacefully resolved. When I finished there were no questions asked and nobody sold OML shares but more importantly one fund manager bought OML stock.

The last issue I wish to reference is my views on our dependence on the generosity of our Australian friends with their foreign aid, just to relate it to my current work here to conclude with. I have also mentioned these in two recent publications and those of you who may be interested for research purposes can access them from the book already mentioned and the other a speech I gave at Deakin University a few years ago about to be published in a book titled *A Prosperous Future*. The gist of what I have been advocating is it is time we move from aid dependency to economic interdependency for very important reasons and I have outlined these reasons in the above publications.

I conclude with a few observations.

First, we as Papua New Guineans should continue to hold our heads high despite the challenges we face. PNG has a bright future to look forward to in our region and internationally. I say this for the personal experience I have had here in Australia of the growing interest of nations, particularly those countries accredited to PNG concurrently from Canberra, which increasingly are keen to further establish relations with our country. This is an expanding area of work for the Canberra Mission since I have been here.

The LNG Project now in production and selling gas is undoubtedly a transforming social and economic lifeblood for the nation with very serious caveats to make sure we do not again repeat the errors of our past. A $US19 billion LNG Project is no mean effort and it has well and truly set PNG on the
international radar screen. Our horizon has expanded but our efforts at all levels need to match the expanding horizon to meet the rising awareness of the international community for PNG and what we can contribute to international and regional peace and prosperity.

Second, like most dinosaurs given the opportunity to reflect and reminisce, I will say that “Ah, those were the days”. I refer to the happy confluence and co-existence of politics and policy making. The political atmosphere at the time of self-government and independence was one of exuberance and high expectations and the working relationship between the political level decision-makers and policy advisers could not have been better, and indeed has not been bettered since about the early 1980s. In fact, on a weekend barbeque picnic at Variarata National Park that Rabbie Namaliu, Mekere Morauta and I hosted for Sir John Crawford, he made this almost prophetic remark looking down the gorge to Port Moresby: “PNG is enjoying such a good development phase now that it is impossible to see it do any better. So from hereon, it can only go downhill.”

Only as of early this year, at the Government Leaders Conference in Port Moresby chaired by the Prime Minister, I detected a resurgence of some will to revive those days and it seems to be slowly emerging from hibernation.

Third, for a country so close to us, and tireless efforts of our successive respective Leaders, to build our relations and give credence to the historical “unique” relations we share, Australia remains substantially ignorant of Papua New Guinea. You cannot dig any deeper than the ongoing Manus issue to see the vitriol and vilification borne out of ignorance by Australians of Papua New Guineans and our country. The initiatives by the Australian Foreign Minister for the Colombo Plan reversed and her concern to encourage sporting ties, just
like her predecessor Rudd did, are laudable efforts. But more needs to be done at all levels of our relations, particularly reviving greater academic cooperation in research and exchange of teaching staff.

There are costs to PNG and indeed to Australia for general ignorance by Australians. Costs include sovereign risk when it comes to PNG financing efforts; Australia’s national security interests are linked to PNG national security interests and the more Australia media misreports PNG issues the more they inadvertently or otherwise increase security risks for both our countries.

I wish to conclude my reflections on PNG’s journey since independence by recalling a conversation I had with my father Lepani Watson, a veteran politician pre-and post-independence at the national and provincial levels, one evening on the veranda of our Hohola house in Port Moresby in 1972. He pointed to the hill overlooking Murray Barracks and the shadow it cast and said in a very sombre voice, “I see shadows ahead for our country that worry me, Son”. Often, I ponder on the meaning of the shadow, after 39 years of independence.

Thank you.
References


