

# Foreign **investments** and local expectations: PNG experience



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**2015**

## Types of Chinese investments in PNG.

- major resource extraction project - Ramu Nickel
- construction companies in infrastructure development
- Traders in merchandising sector



- New shopping complex operated by Chinese migrants in Madang town



- PNG economy is booming.
- Yet the nation's wealth is not reflected in the villages, towns and provinces.
- Majority of the people are not benefiting from the wealth that is being generated.



- A child at a squatter settlement within Madang town

More than 80 percent of the people still live a subsistence lifestyle in rural villages.

Landowners near urban centres have lost access to much of the land and resources. They engage in informal sector business to support their livelihood.



Rural village in Madang

- NRI - 90 per cent of businesses in PNG are foreign-owned. Nationals own only 10 per cent.
- PNG's GDP is generated by large firms and so there is expatriation of profits.
- GDP per capita measure does not reflect the incomes for citizens.
- FDI and informal sector

Lihir Mine, PNG



## PNG situation – National Development Bank

- 90 of economic activity is owned by foreign Enterprises.
- 80% of GDP generated by non renewable sector
- 90% of GDP generated by large scale enterprises
- 90% of raw materials are exported.
- Poorly skilled workforce.
- Poor entrepreneurial skills
- Less than 300,000 jobs in the country.



## **What is PNG government doing?**

Effort to provide Universal Based Education.

Increase in schools, and number of students.

Yet only 50% of children are in schools.

Last year 21,430 students graduated from Secondary Schools. Tertiary institutions can only take in 4500.

Without specific skills, where do the rest go?

## **Growing young population who are neglected.**

These imbalances must be addressed by

- Increased tertiary education (technical/vocational).
- Creating employment and opportunities for people to engage in businesses to support themselves.
- development of Small and Medium Enterprises (SME). Increase participation in SME to fill the gap between FDI and informal sector.



## 2009 – Violence against Asians

- Increased Asian migrants in PNG,
- Increased involvement of Asians in ‘reserved’ businesses (cottage industries),
- Corrupt politicians and government officers.
  - Foreign affairs officers admitted to being bribed in an inquiry into the riots (Post-Courier, 2009)
  - Inquiry committee disbanded when it tried to reveal involvement of corrupt politicians (Post-Courier, 2009)

# Angry youths

The rule of the grassroots will be this and very clear: No more Asians owning Cottage Businesses in PNG by 31 December 2009. Or otherwise, we will celebrate 2010 New Year with bonfires of all Asian-owned Takka Shops in flames all around the country. That will be the solution. Forget the government. If they can't do it, we will do it ourselves! No need to buy candlesticks on New Years Eve. We can afford to destroy what we can take back and own ourselves but we cannot let what is rightfully ours be stolen from us permanently!

Forward this to all Patriotic sons and daughters of this beautiful nation.

Remember, DATELINE IS 31 DECEMBER 2009!  
GRASSROOTS WILL ACT! EM MIPLA TOK! EM  
COUNTRY BLO YUMI!

Cardo Stanzo - Patriot and Pro NGO Activist against Asian Infiltration (28 May 2009)

## **Cultural factors**

- 80% live in rural villages – govern by traditional cultures
- Communal nature of PNG traditional societies not conducive to business practices that promote competition, individual achievement and wealth.
- Cultural/family obligations impact on business ventures.
- Communal business models such as cooperative societies tried but have failed. Reintroduce recently.

“I ran my shop all this time, but could not make enough money because of the ‘wantok’ businesses. Every (extended) cousin came for support. Despite the shop being my ‘gold mine’, I did not see any future in my business progressing. Look, what the Shanghai couple are making, at least they are giving my rent money, and the relatives no longer come” (Graeme Smith, 2014)



## What is PNG government doing?

- Government supports Small and Medium Enterprises.
  - Maru plans to outlaw foreign SMEs
  - O'Neill create 50,000 SMEs in 10 years
- 2004 Informal Sector Act
- PNG Micro finance project – support of ADB, PNG gov and donors

### Increase financial literacy

- Bank of PNG estimates 85% of people not in formal financial sector & not using banks.
- US\$24m financial literacy project to train people to manage money & use banks and other businesses.

# Financial literacy training workshop at Gov Stoa settlement - 2014



## **PNG has major governance issues**

Govt systems/processes agencies not functioning, not transparent, or corrupt

Affecting politicians/public servants at national, provincial and local levels of governments

Also impacts on foreign investors including Chinese

Eg: PNG's high crime rate means Chinese businessmen need protection

- Law enforcers, govt officers bribed

## Conclusion

Investors (Chinese or others) face same challenges

- Large projects – PNGneans want to participate, want to benefit
- Governance systems/processes need to work effectively
- PNG government is helping its people in education, SMEs, Microfinance projects, Financial literacy





- Villagers discuss the PMIZ project at Rempi village .