



# SHADOW MINISTER FOR TREASURY & FINANCE

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## Time to really talk about the Kina exchange rate

“The lack of foreign exchange has become the biggest barrier to doing business in PNG according to PNG business leaders. The shortages of foreign exchange have been going on for several years – everything was fine until 2014. Promises keep getting made that things will be better soon – but everyone keeps waiting and waiting. Now is the time to have a really serious national discussion about how to fix PNG's most pressing business issue. We need a solution to get growth going again” said Ian Ling-Stuckey, PNG's Shadow Minister for Treasury and Finance.

“A key issue in this discussion must be whether the Kina has to be devalued. This is an unpopular topic. However, almost all economists are saying that it is now the only option. This view was made very clear at the PNG Update held at the University of Papua New Guinea in June. It is the view of the ANZ Bank. It is the view of the IMF. It is the view of the international credit agencies when commenting on the challenges facing the PNG economy. It is a view that we should openly discuss and make decisions about whether this view is valid or not.

“The actual decision on the exchange rate is formally one for the Bank of PNG. Formally, it is not a government decision. PNG's central bank has a proud history. As it approaches its 45<sup>th</sup> anniversary on 1 November, it is timely for the bank to host a conference on the best foreign exchange arrangements for PNG. This should include those calling for a return back to a market-based exchange rate. It should include representatives of cash-crop farmers groups who could be massive winners from a devaluation. It should include SME representatives that find it hard to export as they can no longer set up foreign currency accounts. It should include trade and investment experts on how the lack of foreign exchange has been dragging down foreign investment. It should also include voices from importing

businesses who could lose from a devaluation. It should also include representatives of unions whose urban members could lose from a devaluation. There will be winners and losers, but clearly the current situation is bad and crippling opportunities for PNG” said the Shadow Treasury.

“In my budget response speech of last November, I indicated that there were a series of actions that should be undertaken to fix the foreign exchange crisis. This included the following statement – ‘Some of the fault of the current foreign exchange crisis lies in the out-dated objectives set in legislation for our central bank. A review would seek to rebalance the current excessive emphasis on just the inflation objective with one that also includes a growth objective. Such a review will provide an important opportunity for a national discussion of our foreign exchange system. PNG has moved away from being a freely convertible currency to being one dominated by central bank controls. Our businesses have been disempowered and the bureaucrats left to make decisions which can make or break struggling PNG businesses. This has been undermining our international competitiveness. If the outcome of a review is to move back to a freely convertible currency, there is a distinct possibility that the currency could gradually move downwards for a period of time before moving back up again. If this is the case, the Alternate Government would do things to ease with any transition.’

“I stand by this statement. The National Alliance stands for better growth opportunities of at least 5 per cent for all those in the non-resource areas of PNG. It is time for a serious national discussion about our foreign exchange rate system and how it is crippling growth, and the 45<sup>th</sup> anniversary of BPNG’s creation on 1 November is a good opportunity” said Mr Ling-Stuckey.

**Hon.Ian Ling-Stuckey,CMG.MP**  
**Shadow Minister for Treasury & Finance**

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