

Questions with regards to New Caledonia

The Trade Sub-Committee

1. How is the COVID-19 pandemic impacting on New Caledonia's traditional revenue sources - particularly mining, and tourism?

As a result of the pandemic, New Caledonia's financial indicators deteriorated sharply in 2020. New Caledonia's GDP in 2020 is expected to fall by 5%, with a 3% decline in employment. Considering New Caledonia's status as an OCT, France and Europe have granted support of €240 million, which has made it possible to finance crisis management measures (quarantine, short-time working, compensation for tax revenue shortfalls, ...).

Impact of the pandemic on mining

The mining sector in New Caledonia is dominated by the production of Nickel and Cobalt (301,000 gross tonnes in 2019) whose quality is recognised as high on the international market. The COVID crisis has had an impact on the prices of these two minerals and therefore on mining activities in NC. Concern has arisen about the continued operation of the Southern plant since the announcement made (in July 2020) by the majority shareholder Vale Group, a Canadian subsidiary, to sell its shares. New Caledonia will take a particular interest in the Australia-Europe trade negotiations on trade in mining products.

With regard to mining production in New Caledonia, COVID 19 resulted in a few days' shutdown of only some mines sites. Metallurgical production as well as the volumes of raw ore exported have, for their part, increased since the beginning of 2020. Although COVID19 had an impact on LME Nickel prices at the peak of the crisis, there was no noticeable effect on sales of exported products. It can therefore be concluded that the impact of COVID19 pandemic on the mining sector in New Caledonia has been minor.

Impact of the pandemic on tourism

The tourism sector is strongly and durably impacted by the health crisis, even if a refocusing of the promotion of products and activities aimed at local tourism has helped to mitigate the shock.

In the air transport sector, the operating losses of the international airline company (*Aircalin*) and the two domestic companies are very important. As a result, the airport platforms and their subcontractors are under activity, not operating at 100%, awaiting the resumption of international flights planned for April 2021.

The maritime sector has been at a standstill since January 2020. The service providers in charge of the reception of the liners of the companies Carnival Australia and Royal Caribbean are suffering heavy losses because nearly 350,000 cruise passengers, mainly Australian, visited New Caledonia in 2019, through the 400 calls made in the ports of Noumea, the Isle of Pines, Lifou and Maré. In the Islands, the communities that have organised themselves to structure their activities to welcome day cruisers are finding it difficult to find new economic opportunities.

New Caledonia plans to gradually resume these activities as soon as the sanitary conditions enable it, by putting in place precautionary measures. New Caledonia thanks the Australian government for the favorable reception given to the setting up of training courses in Australia for the renewal of the licences of New Caledonian pilots.

2. Are there any key initiatives/actions the Australian Government can champion immediately to support trade and investment with New Caledonia?

Australia could represent the interests of the New Caledonia government and the private sector in the field of building materials/construction (technical standards and training in implementation engineering) in the context of the NC-Australia Mutual Recognition of Standards project. Some of the products recognized under this equivalency/standard framework could be used in Australia and the Pacific region in pilot projects.

a. What long-term approaches could be considered by the Australian Government to foster trade and investment, and support bilateral ties?

New Caledonia may find an interest in signing a bilateral agreement in the field of mining and metallurgy.

New Caledonia is in the process of setting up a one-stop shop to facilitate the steps of foreign investors " Choose New Caledonia " <https://choosenewcaledonia.nc/> ”

The sectors of interest are mainly in the field of mining and metallurgy, air and maritime transport, and renewable energies, especially hydrogen, deep-sea fishing and aquaculture, through private projects or public-private partnerships.

3. The submissions from Pacific countries noted the need to enhance regional trade under the PACER Plus arrangement. As an outsider does New Caledonia have any wish to join, and how are the community consultations on joining going?

New Caledonia has been engaged for the past four years in a process of strengthening its integration in the region and has done so both multilaterally and bilaterally.

The multilateral approach of PACER Plus involves resources and expertise that New Caledonia does not currently have. Moreover, its legal and regulatory environment is not currently compatible with this agreement.

New Caledonia has not yet decided on its position on a possible adhesion to this trade agreement. The government has initiated a process of reflection on a prefiguration of regional economic integration in the short and medium term and the approaches that would be favoured within this framework (multilateral, bilateral, a model to be built?).

4. Do you have any insights on some of the benefits and disadvantages to free-trade agreements between Australia-Pacific island nations?

In 2009, Australia and New Zealand proposed the PACER Plus framework, a trade agreement with a development aid component. In 2017, after several years of

negotiations, the small island states (SIDS) obtain an agreement on labour mobility programmes to Australia and New Zealand to be annexed to PACER Plus. This provision contributes to the rebalancing of the agreement in favour of the SIDS, as workers' cash transfers are an important resource for communities in these countries. The loss of tax revenue resulting from too sudden and large a tariff reduction is a major concern for most Pacific Island countries. Financial assistance should mitigate these revenue losses for island nations.

In addition, for the SIDs wishing to export to Australia and New Zealand, stringent sanitary and phytosanitary rules should be relaxed in line with WTO rules. Australia and New Zealand are funding training for island country exporters. Pacific Horticultural and Agricultural Market Access (PHAMA) is recognised as a win-win initiative by Australia, New Zealand and the Pacific Island Countries.

5. Submissions to this Committee have suggested a 'Pacific bubble' to promote tourism and labour mobility. Does New Caledonia support the concept of a 'Pacific bubble' with appropriate protections, or are the risks too great?

New Caledonia's intervention in the Joint Foreign Affairs-Trade-Defence Commission (Parliament, 4 Sept.) emphasised this point. In mentioning :

“Regarding health security, the Pacific has been acknowledged on the international stage for its successful management of the health impacts of the Covid-19 pandemic. New Caledonia is currently Covid-free, with no death, and only 23 cases registered previously. Cooperation with Australia to repatriate New Caledonian citizens during this challenging time is a clear reflection of our close relationship. This relationship was highlighted last August on the occasion of the 80th Anniversary of the bilateral relation.

In June, the President of New Caledonia acknowledged Australia's commitment to regional economic recovery, expressing New Caledonia's interest in being a part of a safe travel zone between Australia, New Zealand and the other Pacific countries”.

The prospect of a resumption of flights with the Australian neighbor (by early next year) is likely to encourage the restart of economic and tourist activities between the two countries.

Today in New Caledonia, the quarantine in a hotel requisitioned by the Government of New Caledonia is still compulsory for passengers arriving in New Caledonia by plane or pleasure boat, except for passengers coming from Wallis and Futuna. A screening test (PCR) is compulsory at the end of the quarantine.

6. Is the High Commission aware of any current challenges/problems associated with seasonal work programs in Australia?

a. What is the perception of these labour mobility schemes in the Pacific islands such as New Caledonia?

As New Caledonia is not eligible for these labour mobility programmes, they remain virtually unknown. These programmes are intended for island countries

in the region that are eligible for Australian Official Development Assistance (ODA), New Caledonia not being eligible.

On the other hand, New Caledonian residents (under the age of 35) can benefit from the "*Working Holiday Maker program*", managed by the Australian Department of the Interior. This programme allows to work up to three times a year in Australia, subject to meeting strict conditions for an extension of the initial visa. If the Trans-Pacific Bubble project comes to fruition, it is expected that more New Caledonians will travel to Australia, pending the resumption of international flights.

b. Any advice on what the Australian Government could do to improve management of these programs, and to encourage greater women participation?

New Caledonia strongly supports all initiatives aimed at enhancing the place of women in society and promoting their involvement in working life.

7. What is China's trade relationship with the New Caledonia, and how does it differ from your relationship to Australia or with France?

In 2019, half of New Caledonia's exports were directed to China, the country that buys most of New Caledonia's nickel ore,

New Caledonia exports little to France, mainly fishery and aquaculture products.

In 2019, New Caledonia imported less from China (-0.8%). China is the 5th trade partner of New Caledonia, behind France, the EU, Singapore and Australia. Fossil energy sources represent a large part of New Caledonian imports (coal, oil, gas).

In 2019, exports to Australia have drastically decreased, representing (3%) of global exports, with products from the metallurgical industry being mainly concerned.

Australian products imported into New Caledonia are mainly food products and minerals.

8. Can Australia support better air, education and sport linkages with the Pacific to help strengthen the relationships and grow trade?

As far as air transport is concerned, there is a strong demand from New Caledonians to travel to Australia. New Caledonia wishes to work from the Sydney Hub in particular and has been in discussions since mid-2019 with Australian airlines.

Concerning education, a Memorandum of Understanding (MoU) was signed last April between the South Province and the NSW Department of Education International. It includes :

- teacher professional development programmes organised by DE International;
- collaboration between schools in the two jurisdictions that may include :
- exchanges of teaching methodologies or curricula,
- digital collaborative activities, including professional learning for staff or project-based learning for students,
- visits by teaching staff between schools.

With regards to sport, in December 2013 New Caledonia hosted the 2nd Regional Youth and Sports Conference, which resulted in the adoption of the "Regional Framework of Action for Youth Development".

Bilateral cooperation with Australia in the field of sport has yet to be finalised.

9. Are you aware of Aid for Trade and does it feature much as part of Australia's relationship in New Caledonia? Are there any views on how it can it be improved, or any standout examples of success?

N/A - New Caledonia is not eligible for this aid scheme because of its status as a French Overseas Countries & Territories (OCT).

10. What is the state of internet infrastructure across the Pacific and is it limiting the readiness of smaller nations such as New Caledonia to access eCommerce, digital payment systems and to information technology?

Despite major initiatives (notably the laying of submarine cables) carried out over the last 5 years for the benefit of the region in terms of connectivity, efforts in this sector deserve to be continued in order to reduce the digital fragmentation that penalises small economies of the Pacific island countries.

In New Caledonia the digital coverage is total and it is planned to reinforce these infrastructures as of 2022. A technical experimentation of 5G will be conducted at the end of 2021 with a view to a possible commercial deployment from 2023.

New Caledonia was represented at the "e-Governance in the Pacific symposium" (Canberra, Oct. 2019) organised by the Australian Strategic Policy Institute (ASPI).

11. Do customs policies and practices across the Pacific region need harmonisation and are they a significant impediment to growing trade?

Since the GATT agreements, tariff barriers have tended to disappear in favour of non-tariff barriers (sanitary, phytosanitary, technical standards) which are no less restrictive for trade. In the region, some countries, including small island states, are members of the WTO, while others are not. Harmonisation in this sense would require technical support and dedicated human resources, which most countries and territories not affiliated to the WTO do not currently have.

Yves LAFOY

**Official Representative of New Caledonia to Australia
New Caledonia's Counsellor at the Embassy of France in Canberra**