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Private Bag, Apia

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Government of Samoa

OFFICE OF THE MINISTER

MINISTRY FOR PUBLIC ENTERPRISES

MINISTRY OF COMMERCE, INDUSTRY AND LABOUR,

(Accident Compensation Corporation, Gambling Control Authority, Samoa Housing Corporation, Samoa Land Corporation,
Samoa Sports and Facilities Authority, Small Business Enterprise Centre, Samoa Airways/Polynesian Airlines Ltd)

17 February 2020

The Chair
Trade Sub-Committee
Joint Standing Committee on Foreign Affairs, Defence and Trade
Parliament of Australia
Canberra
Australia
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Dear Mr. O'Brien,

**Parliament of Australia's inquiry into activating trade and investment between
Australia and Pacific Island Countries**

I refer to your letter dated 5 December 2019 to the Prime Minister of Samoa, Honourable Tuilaepa Sailele Malielegaoi, inviting a submission from the Government of Samoa to the Australian Parliamentary Inquiry into activating trade and investment between Australia and Pacific Island countries.

I am pleased to enclose the submission for your purposes, focussing on PACER Plus as the key platform to activate trade and investment between Australia and Pacific Island Countries.

[Redacted]
Yours sincerely,

[Redacted]
Hon. Dr. Selafi Purcell
Minister of Commerce Industry and Labour

cc: Hon. Tuilaepa Dr Sailele Malielegaoi, Prime Minister

H.E Ms Hinauri Petana, Samoa High Commissioner, Canberra Australia



Government of Samoa

17 February 2020

Submission: Parliament of Australia's inquiry into activating trade and investment between Australia and Pacific Island Countries

Background

Samoa's total land area is 2,820 km² and is made up of the two main islands of Upolu and Savai'i and seven small islands, with around 43% of the land being arable. Samoa's Exclusive Economic Zone (EEZ) – at 98,500 km² – is the smallest of all Pacific countries. Samoa has an estimated population of 193,483 people and a labour force of 48,100.

Samoa graduated from Least Developed Country (LDC) status on 1 January 2014, however, structural vulnerabilities remain. Samoa is classified as a Small Islands Developing State (SIDS) and as a country with a high human development with regards to the Human Development Index (HDI).

Samoa is subject to economic and environmental volatility. Its economic development opportunities are constrained by inherent challenges including distance from major centres of economic activity, a small domestic market, as well as high frequency and intensity of natural disasters largely due to climate change. The economy has suffered significantly from the impacts of the Global Financial Crisis, the Pacific Ocean Tsunami of 2009, and the destruction caused by Tropical Cyclones Evan (2012) and Gita (2018). Samoa is now considering the economic implications of the recent measles epidemic.

Traditionally, Samoa's economy was largely based on agriculture and fisheries, however, industry and services have now become significant contributors to Gross Domestic Product (GDP).

Samoa's Investment Climate

Samoa's investment environment is open to foreign investment as facilitated under the Foreign Investment Act (FIA) 2000. To promote business opportunities for Samoa's small local operators, six business activities are reserved for Samoan citizens under the Reserved List in the FIA:

- i. Bus Transport services for the General Public;
- ii. Taxi Transport services for the General Public;
- iii. Rental Vehicles;

- iv. Retailing of fruit and vegetable; dairy products and eggs; meat products (including poultry); fish and other seafood; bread and flour confectionery; sugar confectionery; beverages not consumed on the spot; tobacco products; and food products not elsewhere classified;
- v. Saw milling; and
- vi. Traditional elei garment designing and printing.

There are three sectors that have minimal restrictions under the Restricted List: Fishing; Manufacturing; and Professional Services.

There are five business activities that are prohibited under the Prohibited List of the Business License Act (BLA) 1998:

- i. Nuclear and toxic waste disposal or storage
- ii. Export of products that are prohibited under any law.
- iii. Prostitution
- iv. Processing and export of endangered species
- v. Production of weapons of warfare.

Samoa-Australia trade and investment relations

Australia is one of Samoa's main export markets. Coconut and taro are the key exports to Australia, with re-exports of fuel and kerosene. The value of exports to Australia in 2018 and 2017 were SAT\$12,849,544¹ and SAT\$24,051,155, respectively. The decline in exports in 2018 was due to the closure of the Yazaki EDS Samoa Ltd who produced wire harnesses for the automotive market in Australia.

About 9% of Samoa's total imports are sourced from Australia mainly food based products such as rice and milk. The value of Samoa imports from Australia for 2018 and 2017 were SAT\$93,039,895 and SAT\$94,592,525, respectively.

Samoa is a beneficiary of the Australian Seasonal Workers Programme (SWP) and the Pacific Labour Scheme (PLS). According to Samoa's 2019 records, 748 and 129 workers have benefitted from the SWP and PLS, respectively. Australia's labour mobility schemes provide temporary employment opportunities for Samoans and help alleviate unemployment. Income earned by the beneficiaries of the schemes have enabled them to support their families and communities including building of new or renovated family homes and generating some business start-up interests.

Barriers to expand Samoa-Australia trade and investment

Samoa's merchandise export base has not diversified much over the past decade. Hence, the cost for exporting these limited quantities of goods is inflated due to Samoa's geographic isolation from its main trading partners. This poses a high risk for

¹ Source: Samoa Bureau of Statistics

Samoa's exports which are mostly unprocessed perishable goods. Efforts are now targeted towards high-end niche products like virgin coconut oil and processed cocoa paste, but the market for these products is also highly volatile.

With high transportation and shipping costs, small business operators in Samoa with export interests in the Australian market tend to send small quantities as added luggage when travelling to Australia.

Samoans are also traditionally accustomed to farming a few products like coconut, taro, banana and cocoa. There is limited understanding for farming and handling other crops. Nonetheless, the international market for Samoa's traditional crops are saturated with mass production from South-east Asian and South-American countries.

Technical barriers to trade also pose a challenge for importers and exporters in procedural measures and market standards.

Some current trade challenges include:

- i. Biosecurity (container delays at port due to GAS Hold);
- ii. Access
 - Commodity Export Pathways. The process to secure commodity pathways takes years. Australia is now considering Samoa's proposal for fresh taro exports submitted in September 2019;
 - Kava – pilot of increase from 2kg to 4kg allowance for personal consumption. Kava is an important alternative crop for Pacific islands countries and therefore seek commercial access to Australia.

The Labour Mobility Arrangement, a key outcome of the PACER Plus negotiations, is now being implemented including the convening of the Pacific Labour Mobility Annual Meeting (PLMAM). One of the key outcomes of the PLMAM 2019 held in Auckland in 2019 was on the "workers' welfare and working conditions" with respect to New Zealand and Australia's domestic policy settings. Related issues from Pacific labour - sending countries requiring priority consideration by New Zealand and Australia include superannuation, full access by workers to health insurance and ACC; and social issues including addressing comprehensively problems around drug and alcohol abuse.

PACER Plus

The PACER Plus can address these trade impediments for Samoa and the Pacific.

As a signatory of the PACER Plus, Samoa has benefitted from the Readiness Package (funded by Australia and New Zealand) to prepare for ratification.

- i. Legislative Compliance Review
- ii. Customs related support including the 2017 HS Transposition, training on rules of origin and transparency for government officials and the private sector

- iii. IMF / PFTAC PACER Plus technical mission (January 2020) to consider tax policy options to mitigate the revenue impacts of tariff liberalisation
- iv. National / local workshops to raise awareness on PACER Plus; and
- v. Development of Samoa Trade Information Portal to facilitate the implementation of transparency obligations.

Only four PACER Plus signatories (Australia, New Zealand, Samoa and Kiribati) have ratified the PACER Plus. The Agreement will enter into force 60 days after eight signatories deposit their instruments of ratification.

The PACER Plus Implementing Arrangement for Development and Economic Cooperation; and the accompanying Work Programme (WP) will commence when the PACER Plus enters into force. The early entrance into force therefore of the PACER Plus is in Samoa's interest so that the AUD\$25million WP can be implemented to address the key areas impeding trade for Forum Island Countries. The WP activities will build the capacity of Pacific governments and private sector to:

- i. Implement Rules of Origin and tariff commitments;
- ii. Cooperate on customs procedures, systems, regulations, valuation etc
- iii. Develop Sanitary and PhytoSanitary measures including export certification and managing quarantine risks and food safety;
- iv. Develop appropriate technical regulations, standards and conformity assessment measures
- v. Develop and enhance trade in services opportunities; and
- vi. Facilitate investment flows

Forum Island Countries have also identified trade related needs requiring broader trade and investment related assistance including the development of labour mobility, economic infrastructure, skills development and building the productive capacities of Pacific island economies.

Signatories should commit to expedite ratification and entrance into force of PACER Plus to secure mobilisation of trade related support.

Enhancing regional trade under the PACER Plus was one of the key discussions of the recent Forum Trade Ministers Meeting (FTMM) held in Suva, Fiji 13 February 2020. The ministerial meeting of PACER Plus Signatories, also held in the margins of the FTMM, confirmed commitment to ensure the early entrance into force of the Agreement so that opportunities to expand trade can be unlocked through the PACER Plus Development and Economic Cooperation Work Programme and broader trade and investment related assistance.

Ministers also committed to ensure the PLMAM remains an open and inclusive forum for regional dialogue while preserving its benefits for the implementation of labour mobility advantages for PACER Plus members. Samoa will host the 4th PLMAM

tentatively scheduled to be held in Apia in October 2020. Labour Mobility is now on the Forum trade agenda including consideration of issues arising out of PLMAM. Australia was represented by the Hon. Simon Birmingham.