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

Overview

New Caledonia is a French overseas territory, situated in the South Pacific, 1,500 km East of Australia and 2,000 km North of New Zealand. New Caledonia covers 18,576 sq.km of land and is composed of a main island, the « Grande Terre », and of 3 islands, the Loyalty Islands. Its Exclusive Economic Zone covers 1,450,000 sq.km. 326,541 people live in New Caledonia (2019). Approximately 44 per cent are indigenous ('Kanak'). The remainder are Caledonians of European, Polynesian and other (including Vietnamese, Indonesian and Japanese) origins. New Caledonia houses the biggest closed lagoon in the world and 30% of the world's pristine coral reefs.

A triple identity

New Caledonia boasts a triple identity as:

- i) an Overseas country of France. New Caledonia benefits from a stable and strong institutional system and from safe regulations, business wise,
- ii) an Overseas country and territory of the European Union. New Caledonia is eligible for European funding and as such, represents a potential portal into France and the EU markets,
- iii) a Territory of the Pacific, and a stable zone of the Melanesian Arc. New Caledonia belongs to the region, not only geographically but more importantly, politically, thanks to its admission as a full member to the Pacific Islands Forum in 2016. New Caledonia is conscious that its geopolitical future lies within the Pacific region and has, over the last decade, focused on strengthening its integration in Oceania.

Political overview

Under the Noumea Accord, which provides the constitutional framework under which New Caledonia is governed, competences previously held by France are irreversibly transferred to New Caledonia, through an ongoing process that started in 1999. The Congress (New Caledonia deliberative Assembly) is mandated to (if agreed to by a three-fifths majority) set the date for up to three referenda on whether New Caledonia should assume the final sovereign powers (justice, public order, defense, monetary and foreign affairs) and become fully independent. The first of the three referenda was held on 4 November 2018, with a record 81% turnout, 56.4% of New Caledonian citizen voters deciding to stay with France. Under the terms of the Nouméa Accord, a second referendum will be called for on September 6 this year.

Foreign relations

As provided for in the Noumea Accord, New Caledonia and France share responsibility for New Caledonia's foreign relations, allowing New Caledonia to join some regional organisations in its own right. New Caledonia is a member of the Pacific Community (SPC), the South Pacific Regional Environment Program (SPREP) and the South Pacific Tourism Organisation (SPTO). New Caledonia is also an associate member of the International Organisation of *La Francophonie* (IOF), an associate member of the UNESCO, and has a non-voting seat on the World Health Organization Western Pacific Regional Committee.

As provided for in the Nouméa Accord, External relations is a competence shared between the Government of the French Republic and the Government of New Caledonia. The 2012 agreement, signed in Paris between France and New Caledonia, has paved the way for New Caledonia to open its first overseas representation (November 2012), housed in the French Embassy in Wellington. Since then, New Caledonia has embarked on a strengthened integration process within its regional environment, in particular by developing an Economic Diplomacy policy. In 2019, the appointment of the first "*Official Representative of New Caledonia to Australia*" preceded that of four others, now posted in New Zealand, Papua New Guinea, Fiji and Vanuatu. Based at the Embassy of France in Canberra, the role of the *New Caledonia Delegation in Australia* consists in reinforcing the political dialogue between the two countries, and growing cooperation in the fields of economy and trade, culture and education, and science and innovation.

The Kanak and Socialist National Liberation Front (FLNKS) is a member of the Melanesian Spearhead Group (MSG).

In 2016, New Caledonia was admitted as a full member of the Pacific Islands Forum (PIF).

Economic overview

New Caledonia is among the wealthiest nation in the Pacific, its GDP per capita (\$US 37,000, 2018) ranking third after Australia and New Zealand. It benefits from extensive nickel resources and reserves, and from significant financial transfers from France (\$1.5 billion per annum), averaging 14% of the Territory's GDP. Foreign Trade, including import regulations and approval of foreign investments, is a power exercised by New Caledonia.

New Caledonia holds 25% of the world's nickel resources, is the 4th largest holder of nickel reserves, and the 6th largest producer. Nickel ore exploitation represents 90% of New Caledonian exports. New Caledonia has levels of development and infrastructure of a developed country, the construction sector representing 11% of GDP. Thanks to its skilled workforce and adherence to French and European regulations, a few developments projects averaging 350 M€ each have taken place in the last decade.

Tourism, although the second economic sector in terms of exports, remains an almost untapped sector, averaging 4% of GDP. The *New York Times* recently described New Caledonia as "*a semi-secret gem of the Pacific*". Other marketing campaigns have described New Caledonia's specific strengths as: *Authentic, Multicultural, a little France in the Pacific, Endemic Nature and a World Heritage Site*. New Caledonia has identified the promotion of Luxury Tourism and Ecotourism as key strategies to differentiate itself from other Pacific Island destinations. It has to focus on "niche markets" & "package products", and change its mindset from a "*Welcoming culture*" to a "*Selling culture*".

To stimulate New Caledonia's economy, the Government has recently undertaken the following main initiatives, announced during the Hon. Christopher GYGES's visit to Australia (March 2-6), New Caledonia's Government Spokesperson, and Minister in charge of the economy, foreign trade, taxation and energy:

- i) update and wide diffusion of "*Choose New Caledonia*", New Caledonia's trade profile (*attached for reference*),
- ii) set-up of a one-stop shop for investments,
- iii) creation of Duty-free areas, with tax exemptions for the first five years of installation,

- iv) engage discussions with France to avoid double taxation for Australian businesses,
- v) increase tourism between the two countries.

Trade and investment between New Caledonia and Australia

Australia is New Caledonia's 4th most important source of imports and 11th most important export destination.

In 2018, Australian merchandise exports to New Caledonia totaled \$440 million (mostly coal and civil engineering equipment and parts). New Caledonia's exports to Australia were valued at \$48 million (with trailers and containers of nickel ores and concentrates). In 2018 Australia was New Caledonia's :

- 4th provider of goods,
- 2nd provider of services,
- first tourist destination (44,000 New Caledonian tourists),
- first provider of cruise passengers (average of 400,000 cruise passengers),
- first destination for outward direct investments, of which 18% in the real estate sector.

An Agreement on Trade and Economic Relations was signed in 2002 between the two governments. To implement the Agreement, the Australia Pacific Islands Business Council (APIBC) has since called on the two governments to meet to discuss the further development of the bilateral economic relationship. These meetings are organized by the Australia-New Caledonia Business Forum, the only business conference held on a yearly basis between the two countries. The 14th Forum took place in Brisbane on 14 September 2018. The New Caledonia's Delegation in Canberra, a member of the French-Australian Chamber of Commerce and Industry (FACCI), regularly participates in events organised by FACCI and APIBC to promote New Caledonia's comparative advantages. On March 5, Mr GYGES, New Caledonia's Minister in charge of the economy, foreign trade, taxation and energy, as guest of honor, gave an address at the conference "*New Caledonia energy projects: from coal to renewables*" organised in Brisbane by FACCI's Queensland Chapter.

Existing and potential areas of bilateral cooperation include mining, agriculture, forestry, marine industries, blue economy and renewable energy.

Economic policy in the region

New Caledonia shares the interests and aspirations of its Pacific neighbors. It has the economic and human capital to add value to the implementation of the Pacific Islands Forum's *Framework for Pacific Regionalism* (PIF, 2017), notably to its marine component, the *Blue Pacific*, and to its security component (environmental data and decision-making products), under the *Boe Declaration* (PIF, 2018). The Coral Sea Marine Park initiative, launched in New Caledonia in 2014 and eligible for European funding, aims to make the preservation of marine biodiversity a vehicle for growth in the Pacific. Last year, New Caledonia sent a secondee (for 3 months) specialized in environmental data processing, to the Pacific Fusion Interim Centre in Canberra, to support Australia's initiative.

New Caledonia has recently shown interest to become more economically integrated in the region. Aware that the PACER Plus Free Trade and Development Agreement has been ratified by four countries (Australia, New Zealand, Samoa and Kiribati) to date, the Government of New Caledonia, willing to establish its position on such an Agreement, has recently launched discussions with the private sector and the civil society. In the absence (at least to our knowledge) of an independent study of PACER Plus economic impacts, a reflection is ongoing on a prefiguration of New Caledonia's regional economic integration in the short and medium term. With the best approach to meet New Caledonia's development needs, through either multilateral or bilateral agreements.

In addition to services (tourism, transport, environment, renewable energy, innovation) the following "*Made in New Caledonia*" products are currently exported to the Pacific:

Decks and fences made of composite wood (recycled from sawmills),
Hydroponic cropping systems, suitable for small farmsteads,
PVC paneling, with applications for ceilings and interior linings,
Solar water heaters,
Tuna and farmed shrimps,
Sea cucumbers,
Scallops,
Agricultural products manufactured for "mouth" niche markets (jams, vanilla, pickled vegetables and cooked chili/pepper),
Sandalwood oil,
Nickel slag, as a potential substitute to natural sand in concrete mixes.

People-to-people links

Australians and New Caledonians have forged longstanding and enduring people-to-people links across business, education, police cooperation, healthcare and defense, the latter being a power still exercised by the French State.

New Caledonia comparative advantages

New Caledonia's specificity in the region is characterized by the following strengths:

- a multicultural society, with a French culture and know-how,
- a stable zone in Melanesia, thanks to its institutional attachment to France,
- the 3rd GDP pc in the region, with a specific but safe environment to do business (XPF pegged to the €),
- a gateway to the EU market, New Caledonia, as an OCT of the EU, being entitled to export goods to the EU, duty-free and quota-free,
- high-performance industrial facilities, aligned with EU standards, with a skilled, well-educated workforce,
- high levels of development (HDI: 0.8), infrastructure (power, ports, airport, road network), and health,
- endemic natural resources, boasting the 3rd Biodiversity Hotspot and the 2nd largest lagoon (UNESCO, 2008) in the world,
- expertise and facilities in RSTI, through a system 90% funded by France,
- expertise in labelling export products to China, South Korea, Japan, Taiwan, and the EU,
- high potential for Tourism (4% of GDP) and Agriculture (2% of GDP),
- a one-stop shop for investments currently being set-up,
- tax incentives for foreign companies (through a share-holding) in the sectors of agriculture; fisheries; transport; construction; hospitality; industry (mining).

New Caledonia is at a crossroads from a constitutional perspective. However, its unique political standing, affiliation with France and Europe, and the strength of its industrial facilities, all mean that it is well-positioned as a trade partner, providing a stable economic environment, well-developed infrastructure, and strong growth prospects. New Caledonia is poised and ready to seize new opportunities to strengthen its cooperation with Australia, bearing in mind two main factors:

- (i) the enhancement of the French-Australian strategic partnership (2017), in which the three French Pacific Territories (New Caledonia, French Polynesia and Wallis and Futuna) have a role to play,
- (ii) New Caledonia's geopolitical regional integration, since its admission as a full member of the Pacific Islands Forum, and its interest in Australia's Pacific Step-Up.

The Official Representative
of New Caledonia to Australia

