



Australian Government
Department of Foreign Affairs and Trade

FOREIGN AFFAIRS AND TRADE PORTFOLIO SUBMISSION

Inquiry into Australia Activating Greater Trade & Investment with Pacific Island Countries



Joint Standing Committee on Foreign Affairs, Defence & Trade

February 2020



Australian Government

Department of Foreign Affairs and Trade



Australian Government

**Australian Centre for
International Agricultural Research**



Australian Government

Australian Trade and Investment Commission

**export
finance
australia**

INQUIRY TERMS OF REFERENCE

The Committee shall examine the conditions necessary to activate greater trade and investment with countries of the Pacific region to the benefit of Australia and our Pacific neighbours. The Committee shall have particular regard to:

- (i) the nature of Australia's existing trade and investment relationships with Pacific island countries and the potential that is presented by the Pacific Agreement on Closer Economic Relations Plus (PACER Plus) for enhancing those relationships;
- (ii) the opportunities to strengthen trade, investment, aid for trade and employment links between Australia and Pacific island countries and how they can be captured;
- (iii) the barriers and impediments to trade and investment between Australia and Pacific island countries and how they can be mitigated;
- (iv) the role and effectiveness of support structures and networks, including government, business, sport, Pacific diaspora communities in Australia, and areas of civil society, and how they can assist with identifying and capturing trade and investment opportunities for Australia and Pacific island countries; and
- (v) the views, norms and cultural practices relating to trade and investment in Australia and Pacific island countries and how differences can be accommodated.

SUBMISSION GUIDE

The Foreign Affairs and Trade portfolio seeks to advance Australia's security and prosperity in a contested and competitive world. Our work is guided by the 2017 Foreign Policy White Paper which identifies increased engagement with Pacific island countries as a priority for Australia.

The Pacific Step-up builds on our longstanding partnerships with Pacific island countries, a key pillar of which is to achieve greater regional economic integration, boost existing trade and investment ties with Pacific island countries and drive economic prosperity across our region.

This submission was prepared by Foreign Affairs and Trade portfolio agencies—the Australian Centre for International Agricultural Research (ACIAR), the Australian Trade and Investment Commission (Austrade), the Department of Foreign Affairs and Trade (DFAT) and Export Finance Australia (EFA)—in consultation with a range of Australian Government agencies. DFAT led the preparation of this submission.

The submission begins with an overview of the Australia's foreign, trade and development policies. We describe ways in which differences in views, norms and cultural practices relating to trade and investment might be accommodated.

In chapter 2, we describe the landscape for trade and investment, including major economic and development players in the region and the significance of economic and development initiatives by Australia and other partners. It also examines some barriers to, and opportunities for, increasing trade and investment.

Chapter 3 outlines Australia's existing initiatives that promote trade and investment for Pacific island countries including through regional economic integration, increased labour mobility, private sector engagement, supporting a stronger business enabling environment and strengthening Pacific-Australian links.

Chapter 4 considers future directions to work more effectively with Pacific island countries, multilateral organisations and across the Australian government to better activate trade and investment.

Supplementary submissions from ACIAR, Austrade and EFA provide more detail on the initiatives being delivered through the Foreign Affairs and Trade portfolio.

Acronyms and abbreviations used in this report are at Appendix A. Trade and investment factsheets for each of the 18 Pacific Islands Forum (PIF) countries can be found at Appendix B.

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EXECUTIVE SUMMARY

Under the Government's Pacific Step-up, Australia is working more closely than ever with Pacific island countries to build a Pacific region that is prosperous, stable and secure. Partnering with Pacific island countries to support strong, inclusive and sustainable economic growth and to deepen trade and investment is a key pillar of the Pacific Step-Up.

Australia is supporting Pacific island countries to create strong trade and investment enabling environments and strengthen private sector capacity, skills, productivity and economic links. Priorities include:

- Delivering **aid for trade** initiatives which help Pacific island countries reduce trade costs, access additional market opportunities, undertake regulatory reform and diversify their economies;
- Expanding **labour mobility and skills** initiatives to increase income and remittances, build skills and experience and foster strong people-to-people and business links;
- Leveraging the **Pacific Agreement on Closer Economic Relations Plus** (PACER Plus) to build regional economic integration and harmonisation, supporting a stable rules-based system with increased transparency, reduced trade costs and support to tackle trade constraints;
- Strengthening **business environments** by promoting macroeconomic stability, reforms that support business growth and development and strengthening the banking and financial sectors in each Pacific island country;
- Promoting **private sector development**, linked directly to increased market opportunities which have direct impacts on inclusive and sustainable growth and development; and
- Stepping up **infrastructure development**, as a means of promoting regional and global connectivity, including through the Australian Infrastructure Financing Facility for the Pacific (AIFFP).

People are at the heart of Australia's partnerships in the Pacific. We are increasingly working with the Australian private sector, civil society and Pacific diaspora communities to build linkages to create opportunities for Australian businesses and investors in Pacific island countries. Australian businesses are already operating across the Pacific in a range of sectors, including construction, energy, healthcare and education. For example, there are 4,400 Australian businesses doing business in Papua New Guinea, and 3,300 in Fiji.¹ The Government's Pacific Labour schemes are also building strong linkages between the Australian private sector and Pacific island countries.

Australia is an active regional and multilateral player on trade and economic issues. We engage with other donors to, and trading partners of, Pacific island countries. We are supporting effective implementation of the PACER Plus agreement, recognising its significant potential to deliver vast benefits to the region. We are also supporting the sustainable development of industries where the Pacific has a comparative advantage, such as tourism.

Despite significant challenges and constraints, we know that tailored engagement to enhance trade, investment and the business enabling environment in the Pacific has worked well. For example, Australia's Pacific Private Sector Development Initiative is also supporting economic growth by working with the Asian Development Bank to improve lending frameworks and competition policies. The Initiative has supported business law reform and the establishment of online business registries in the Pacific, bringing the average

¹ Australian Bureau of Statistics (August 2019) 5368.0.55.006 - *Characteristics of Australian Exporters, 2017-18*. Retrieved from: <https://www.abs.gov.au/AUSSTATS/abs@.nsf/productsbyCatalogue/9F88C6E7C09A03C9CA257210007D8553?OpenDocument>

time to register a business down from 22 days to 1.5 days. Initiatives such as these will help encourage more Australian businesses to invest in the Pacific, and strengthen our economic integration.

We are helping Pacific island countries to better integrate their economies with Australia's economy, while they also take advantage of new technologies and other Pacific-rim trade opportunities. Major initiatives such as the Coral Sea Cable—a 5,500 kilometre undersea telecommunications cable linking Sydney, Papua New Guinea and Solomon Islands—are expected to unlock substantial economic potential. This faster, more affordable and reliable internet, is predicted by the World Bank to translate into an additional GDP of more than US\$5 billion and create 300,000 new jobs in the Pacific by 2040.²

Looking forward and building on current initiatives, Australia will boost efforts to strengthen trade and investment with the Pacific by:

- Continuing to grow participation in Australia's labour market through the Pacific Labour Scheme and Seasonal Worker Program;
- Supporting effective implementation of the PACER Plus agreement;
- Strengthening efforts to build a strong business and investment enabling environment to encourage investment;
- Being an active regional and global player on trade and economic issues;
- Increasing engagement with other donors to and trading partners of Pacific island countries;
- Working to leverage the economic benefits of Australia's new infrastructure investments;
- Supporting an inclusive approach to economic development and sustainable economic growth;
- Supporting industries where the Pacific has a comparative advantage; and
- Developing an integrated Australian Government Pacific Economic Strategy.

Australia is well placed to work in partnership with our Pacific island neighbours to capture the opportunities identified in the submission. The Pacific Step-up provides the additional momentum and focus to build on our existing trade and investment activities, both through the private sector and our aid program. It is in both the Pacific and Australia's interests to strengthen our trade and investment relationship. This will support regional prosperity, security and stability.

1. CONTEXT

1.1 THE FOREIGN POLICY WHITE PAPER & PACIFIC STEP-UP

The prosperity, stability and security of the Pacific region is at the forefront of Australia's foreign policy. The 2017 Foreign Policy White Paper (White Paper) recognises that Australia needs to take our longstanding partnerships with Pacific island countries to a new level to pursue our common interests and respond to our region's fundamental challenges. Encouraging trade, investment and private sector development, particularly in Pacific island countries, is central to the White Paper's core themes of opportunity, security and strength.

Building on the White Paper, and our longstanding partnerships for economic and human development in the region, the Pacific Step-up is a new chapter in our relationship with Pacific island countries. The Step-up

² World Bank (2017) *Pacific Possible: Long-term Economic Opportunities and Challenges for Pacific Island Countries*. World Bank, Washington, DC USA. Retrieved from: <http://documents.worldbank.org/curated/en/168951503668157320/Pacific-Possible-long-term-economic-opportunities-and-challenges-for-Pacific-Island-Countries> accessed 10 February 2020 p.56

further enhances our efforts to support long-term economic development, deeper security cooperation and closer personal connections between Australians and Pacific islanders.

In addition to our ongoing and sustained bilateral engagement with Pacific island countries, Australia is helping to promote economic prosperity through ambitious new initiatives to support economic integration, strengthen economic resilience and unlock new sources of growth. These initiatives include:

- the \$2 billion **AIFFP** and an extra \$1 billion in callable capital for Export Finance Australia across the Indo-Pacific;
- the **Pacific Labour Scheme** and **Seasonal Worker Programme**;
- the **Australia Pacific Training Coalition (APTC)**, the **University of the South Pacific (USP)** and bilateral skills programs to support quality education and skills through investments; and
- the **Coral Sea Cable**, which will deliver high-speed telecommunications to Papua New Guinea and Solomon Islands.

While economic links between Australia and Pacific island countries are longstanding, there is significant room for growth. The Pacific Step-up has increased momentum towards economic integration with Pacific island countries and there is strong, mutual interest in further strengthening our relationships.

Under the forthcoming new development policy, we will work towards further integrating DFAT's development, trade and foreign policy frameworks, with ever-greater whole-of-government coordination. We are also intensifying our engagement in the region with other countries contributing to its development, while promoting greater cooperation and coordination with multilateral and regional organisations (see section 2.3).



³ PROTORG (8 August 2018) *Shining more light on aid in the Pacific* – Alexandre Dayant and Jonathan Pryke. The Oceania Research Project. <https://protorg.org/shining-more-light-on-aid-in-the-pacific-the-lowy-institute>

1.2 THE BENEFITS OF TRADE AND INVESTMENT WITH THE PACIFIC

Greater trade and investment with Pacific island countries is important for Pacific island countries and Australia: it provides new financial opportunities for individuals and businesses; supports sustainable economic growth for Pacific island countries; and promotes greater economic integration and stability in the region.

Through implementation of the Pacific Agreement on Closer Economic Relations Plus (PACER Plus), Pacific island countries stand to benefit through cheaper imports (including cheaper manufacturing inputs) and increased ease of doing business. Local producers of PACER Plus originating goods will also benefit from modernised, more flexible and less-restrictive rules of origin that will facilitate their exports within the region and best practice procedures for determining and claiming origin.

Increased labour mobility between Australia and Pacific island countries will also drive trade and investment. Labour mobility benefits Pacific island countries by increasing foreign exchange through remittances, building skills and creating business links that can lay the foundation for further economic growth. Against a backdrop of high levels of youth unemployment and underemployment, labour mobility also creates job opportunities, positively impacting society more broadly. Workers from Pacific island countries are also making an important contribution to Australian businesses in rural and regional Australia by meeting workforce shortages, boosting domestic economic activity and competitiveness.

Australia's aid for trade development assistance aims to grow private sector capacity and make Pacific island countries more attractive to foreign investors, with infrastructure investments laying the foundation for sustainable economic growth. Australia's development assistance has a strong focus on inclusive economic growth and ensuring the benefits of economic growth are shared.

We are committed to promoting inclusive economic growth in Pacific island countries, increasing economic participation by the most disadvantaged, including people living with a disability, indigenous peoples and the extremely poor. Because women's participation in the economy and girls' education linked to economic pathways has a catalytic impact on economic prosperity and development outcomes, it features in at least 80 per cent of Australia's aid investments in the region. The White Paper affirms gender equality as an Australian value and a top foreign policy priority. DFAT's *Gender Equality and Women's Empowerment Strategy* echoes this priority.

1.3 AUSTRALIA AS A TRADING PARTNER

As a close neighbour, Australia has a long history as a major trade and investment partner with many Pacific island countries. Australia currently represents approximately 18 per cent of the total merchandise trade (imports plus exports) of Pacific island countries. This share has declined over the past decade as other trading partners, notably China, have increased their trade with Pacific island countries.⁴ However, evidence from the Pacific Islands Export Dynamics Survey confirms that Australia and New Zealand are the key target markets for exporters in Pacific island countries.⁵ Given the limited growth drivers available to Pacific island

⁴ Direction of Trade Statistics (24 January 2020), *Data Tables*. International Monetary Fund. Retrieved from <https://data.imf.org/?sk=9D6028D4-F14A-464C-A2F2-59B2CD424B85&slid=1409151240976> accessed 10 February 2020.

⁵ Pacific Trade and Invest Australia, *Pacific Islands Export Survey 2018*. https://www.pacifictradeinvest.com/media/1296/full-report-pti-australia-pacific-islands-export-survey-2018_web2.pdf accessed 23 January 2020.

countries, it is particularly important that Australia maximise trade and investment opportunities with Pacific island countries.

Papua New Guinea dominates Australia's merchandise trade with the Pacific, accounting for 80 per cent of total trade with Pacific island countries. Fiji (8 per cent) and New Caledonia (6 per cent) are our next most significant trading partners, with the remaining 12 Pacific island countries accounting for just 6 per cent of Australia's total trade with Pacific island countries. The concentration is even greater when just looking at Australia's imports from Pacific island countries, with Papua New Guinea accounting for 94 per cent of total imports. These figures are dominated by mineral imports, including gold. Fiji is the only other significant source of imports, accounting for 4 per cent of total imports from Pacific island countries.⁶

Services are an important and growing source of trade between Australia and the Pacific.⁶ Tourism is one of the largest sources of services exports for several Pacific island countries. Fiji recorded almost 900,000 visitor arrivals in 2018 and tourism is Fiji's largest source of foreign exchange – bigger than the combined earnings of their top five merchandise exports combined. Australia is the largest source market for tourists, accounting for over 40 per cent of total arrivals.⁷ Tourism is also a major export sector for Vanuatu, with 115,000 visitor arrivals by air and almost 235,000 arrivals by cruise ship in 2018. More than half of Vanuatu's air arrivals and approximately 80 per cent of cruise arrivals come from Australia.⁸

Australia is also a significant source of investment for Pacific island countries. Although data is patchy, Australian investment in Pacific island countries was valued at around A\$18,466 million at the end of 2018. Papua New Guinea was by far the largest investment destination with A\$16,889 million. Fiji accounted for A\$1,348 million, Vanuatu A\$105 million, Samoa A\$60 million, New Caledonia A\$40 million, Cook Islands A\$13 million, and Kiribati A\$11 million.⁹

2. PACIFIC COUNTRY CONTEXT

Pacific island countries share a number of characteristics, including their scale, geographic remoteness from major markets, narrow economic bases, dispersed population and vulnerability to natural disasters. However, it is important to note the economic and cultural diversity between Pacific island countries. For example, Papua New Guinea has more than twice as many people (with a population of 8.6 million in 2018) as the remaining 15 Pacific island countries combined (with 3.4 million people)¹⁰ and significant natural resources.

⁶ DFAT (2020) *Country Fact Sheets for Pacific island countries*. Department of Foreign Affairs and Trade, Canberra, Australia. [See Appendix B]

⁷ Fiji Bureau of Statistics (17 January 2020) *Visitor Arrivals*. Retrieved from <https://www.statsfiji.gov.fj/latest-releases/tourism-and-migration/visitor-arrivals>

⁸ Vanuatu National Statistics Office (October 2019) *International Visitors Arrival – October 2019*. Retrieved from: <https://vnso.gov.vu/index.php/economic-statistics/tourism-news#latest-tourism-news>

⁹ Australian Bureau of Statistics (9 May 2018) *ABS Catalogue 5352.0 - International Investment Position, Australia: Supplementary Statistics*, 2018. Retrieved from: <https://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/5352.02017?OpenDocument>.

Note: Data for other Pacific countries was either nil or not published.

¹⁰ United Nations Development Program, *Papua New Guinea Human Development Report*. Retried from: <http://hdr.undp.org/en/countries/profiles/PNG>, accessed 23 January 2020; The World Bank, *The World Bank in Pacific Islands*. Retrieved from: <https://www.worldbank.org/en/country/pacificislands/overview> accessed 10 February 2020.

Pacific island countries have import-oriented economies, with most (except Papua New Guinea) importing more than they export, reflecting their small economic bases.¹¹ Trade flows between Pacific island countries are limited. The overwhelming majority of trade flows, in value and volume, occur between Pacific island countries and larger economies, including Australia, China, Singapore and the EU.¹² The pattern and structure of exports differs across Pacific island countries. Papua New Guinea and Solomon Islands both rely heavily on natural resource exports (gas, oil and gold from Papua New Guinea and logs from Solomon Islands despite ongoing concerns around the industry's long term viability). Export industries in Fiji, Vanuatu and the Cook Islands are more strongly oriented towards tourism. Agricultural and fishery products are also important exports for Pacific island countries, including coconut products, kava, cocoa, coffee and tuna.

Investment is a necessary component in stimulating trade between Australia and the Pacific island countries. Like Australia, Pacific island countries rely on foreign direct investment as a key driver of long-term economic growth and development. Pacific island countries have small populations, small revenue bases and relatively high investment needs compared with larger markets or more densely populated countries. While Papua New Guinea has attracted investment in large resource projects, economic growth in Pacific island countries has been impeded by relatively small capital inflows and poorly developed and relatively opaque financial markets.¹² Pacific island country governments face challenges to creating an enabling environment for investment and private sector growth, including limited resources and public sector capacity constraints.¹³

2.1 PACIFIC TRADE ARCHITECTURE

Pacific island countries are engaged in the global trading system to varying degrees. Six Pacific island countries are World Trade Organization (WTO) Members: Fiji, Papua New Guinea, Samoa, Solomon Islands, Tonga and Vanuatu.

A number of trade agreements exist in the region, including the WTO-recognised Melanesian Spearhead Group (MSG) Trade Agreement between Fiji, Papua New Guinea, Solomon Islands and Vanuatu. The Pacific Island Countries Trade Agreement (PICTA) has 11 parties.¹⁴ The PICTA agreement consists of two treaty instruments for regional economic integration open to Pacific island countries that are members of the Pacific Islands Forum. However, one of these two instruments (PICTA Trade in Services Protocol) has not yet entered into force, as only four of the six required parties have ratified it.¹⁵

PACER Plus is a comprehensive regional development-centred free trade agreement between Australia, New Zealand and nine Pacific island countries (Cook Islands, Nauru, Niue, Kiribati, Tuvalu, Samoa, Solomon Islands, Tonga and Vanuatu). PACER Plus was agreed in 2017. When it enters into force (anticipated in 2020), it will be the first trade agreement facilitating regional economic integration open to all Pacific island

¹¹ Bertram, G. (2017) *Trade, regionalism and economic sustainability: how to pay for import needs*. Paper for LARJE UNC conference "Quelle économie pour la Nouvelle-Calédonie après 2018?" Noumea, 15-16 September 2017.

¹² World Bank (2017) *Pacific Possible: Long-term Economic Opportunities and Challenges for Pacific Island Countries*. World Bank, Washington, DC USA. Retrieved from: <http://documents.worldbank.org/curated/en/168951503668157320/Pacific-Possible-long-term-economic-opportunities-and-challenges-for-Pacific-Island-Countries> accessed 10 February 2020.

¹³ Graham Hassall (2018) *Special Issue on public sector enhancement in Pacific Island states*. Journal Asia Pacific Journal of Public Administration. Retrieved from: <https://www.tandfonline.com/doi/full/10.1080/23276665.2018.1553276>

¹⁴ Pacific Islands Forum Secretariat (n.d.) *Regional Trade Development and Integration*. Retrieved from: <https://www.forumsec.org/regional-trade-agreements/> accessed 10 February 2020.

¹⁵ Other notable trade agreements active in the region include, the *Asia Pacific Economic Cooperation*, The *South Pacific Regional Trade and Economic Co-operation Agreement*, the *Australia-PNG and Commercial Relations Agreement*, and the *Australia-PNG Commercial Relations Agreement* and the *Economic Partnership Agreement* between the EU, Fiji, Papua New Guinea and Samoa.

countries that is comprehensive—covering goods, services and investment. It also has a strong development focus with Australia and New Zealand committing A\$25 million in development assistance to help Pacific island countries realise the opportunities of the Agreement. PACER Plus is discussed in detail in chapter 3.



Minister for Trade, Tourism and Investment Simon Birmingham at PACER Plus Ministerial Meeting in February 2020

While Australia and Papua New Guinea do not have a bilateral Free Trade Agreement, the Comprehensive Strategic and Economic Partnership (CSEP) is a high-level bilateral arrangement that will give structure to, and formally recognise, the deep and broad relationship between our two countries. Australian and Papua New Guinean officials are in discussions on the text of the partnership and practical actions to fall under it. Australia and Papua New Guinea also have a bilateral investment treaty which entered into force in 1991. Goods trade is covered by the PNG-Australia Trade and Commercial Relations Agreement (PATCRA II) and the South Pacific Regional Trade and Economic Co-operation Agreement (SPARTECA)—under which Australia and New Zealand provide non-reciprocal duty-free access for nearly all products of 13 Forum Island Country SPARTECA Parties.



Prime Minister Scott Morrison at the Pacific Islands Forum in 2019

The Pacific Islands Forum (PIF), as the peak regional organisation, provides forums for Australian ministers and officials to engage with their Pacific island country counterparts, strengthening ties and encouraging greater trade and investment. Ministerial forums include the annual Leaders Meeting, the Forum Trade Ministers' Meeting (FTMM), and the Forum Economic Ministers Meeting (FEMM). Australia's Minister for Trade, Tourism and Investment attended the FTMM in February 2020.

2.2 SOURCES OF INVESTMENT IN THE PACIFIC

Official Development Assistance (ODA) is a major source of investment in Pacific island countries.¹⁶ Australia invested A\$1.3 billion in grants across the Pacific in 2018-19, and a total of A\$3.8 billion from 2017-2020.¹⁷ Other development partners also invest significant amounts of ODA in the region. New Zealand's development assistance program will provide \$A1.3 billion to Pacific island countries over the next three years, while the World Bank and the Asian Development Bank have allocated A\$4.4 billion, predominantly in concessional loans, to Pacific island countries over the period 2017 to 2020.¹⁶

Aid investments present an opportunity for Pacific island countries to finance much needed infrastructure and public services, dealing with many of the constraints that present challenges to the mobilisation of increased levels of foreign investment. Australia works hard to ensure its aid program is coordinated and managed effectively to expand investment opportunities, while being careful to help ensure private sector investment, foreign and domestic, is not crowded out; particularly given the small scale of many Pacific island countries and the limited number of viable investment opportunities.

Pacific island countries as a group perform relatively well in attracting foreign investment. For example, in 2018 the average net inward foreign direct investment accounted for 4.5 per cent of GDP, which compares well to the equivalent ASEAN measure of 3.9 per cent of GDP in 2018. However, the picture is mixed across individual countries.¹⁶

Pacific island countries face strong competition in attracting the attention of private sector investors and traders. Table 1 highlights the scale of markets competing with Pacific island countries for Australian sourced trade and investment.

Table 1 Selected countries and region share of global GDP and population

	% Global GDP	Market / Population (millions)
United States	25	330
China	14	1,400
Japan	6	127
India	3.5	1,300
ASEAN	3.5	620
Australia	1.7	25
Pacific	0.05	12

On the supply side, the quality of the business environment affects the ability of a country to attract and retain investment, and to harness investment to support sustainable economic growth and development. PACER Plus rules, commitments and cooperative mechanisms in the areas of goods, services and investment

¹⁶ World Bank (2019) *World Development Indicators*. Retrieved from: <http://databank.worldbank.org/data/reports.aspx?source=world-development-indicators> accessed 28 December 2019.

¹⁷ DFAT (2020) *Country Aid Fact Sheets for Pacific island countries*. Department of Foreign Affairs and Trade, Canberra, Australia. Retrieved from: <https://dfat.gov.au/about-us/publications/Pages/development-cooperation-fact-sheets-for-country-regional-and-sector-thematic-programs.aspx> accessed 10 February 2020.

have the potential to ensure business environments of Pacific island countries are more transparent, predictable and harmonised with international rules, standards and best practices.

However, foreign direct investment (FDI) also relies on demand for external investment, which is often offered as equity or debt financing and as such may not be attractive to family enterprises or medium-sized businesses that are comfortable with their scale of operations. Research undertaken by Pacific RISE identified 208 Pacific island enterprises suitable for FDI, of which 36 were assessed to have real investment potential and 7 whose owners were ready to accept external investment partners.¹⁸ These issues are developed further in section 2.5.

While the business environments of Pacific island countries have improved, they remain relatively challenging to invest in and do business with in comparison to other countries. This is reflected by the latest World Bank Doing Business publication, which measures the regulations that enhance or constrain business in 190 countries (Table 2).¹⁹

Constraints to private sector development, like small size, reluctance to share equity or take on debt and remote geography can be exacerbated by weak institutions and governance. Aid investments continue to grow, supporting future opportunities for Australian sourced investment across the Pacific.

Table 2 World Bank Ease of Doing Business rankings 2019

Country	Doing Business Ranking (out of 190 countries)	Net FDI inflows (% GDP)
New Zealand	1	0.8%
Australia	14	4.3%
Samoa	98	1.9%
Fiji	102	6.2%
Tonga	103	3.3%
Vanuatu	107	4.3%
PNG	120	1.4%
Solomon Islands	136	2.8%
Palau	145	6.9%
Republic of Marshall Islands	153	2.6%
Federated States of Micronesia	158	6.4%
Kiribati	164	0.3%

¹⁸ Pacific RISE (October 2018) *Pacific RISE Annual Report December 2018*. Pacific RISE, Canberra, Australia. Retrieved from: <http://www.pacificrise.org/wp-content/uploads/2016/12/Pacific-RISE-Annual-Report-2018-Cleared-20190507.pdf>

¹⁹ The World Bank (24 October 2019) *Doing Business 2020*. Retrieved from: <https://www.doingbusiness.org/en/reports/global-reports/doing-business-2020>

Note: some Pacific island countries are not included in the survey, including Cook Islands, Nauru, Niue and Tuvalu.

2.3 MAJOR PARTNERS IN THE PACIFIC

The Pacific island countries represent a very small percentage of trade and investment in global terms, accounting for just 0.05 per cent of total world goods and services trade in 2018²⁰ (on a per-person basis this is better than India only). Trade flows are relatively concentrated, with five trading partners (Australia, China, the EU, Japan and Singapore) accounting for 65 per cent of total two-way trade.

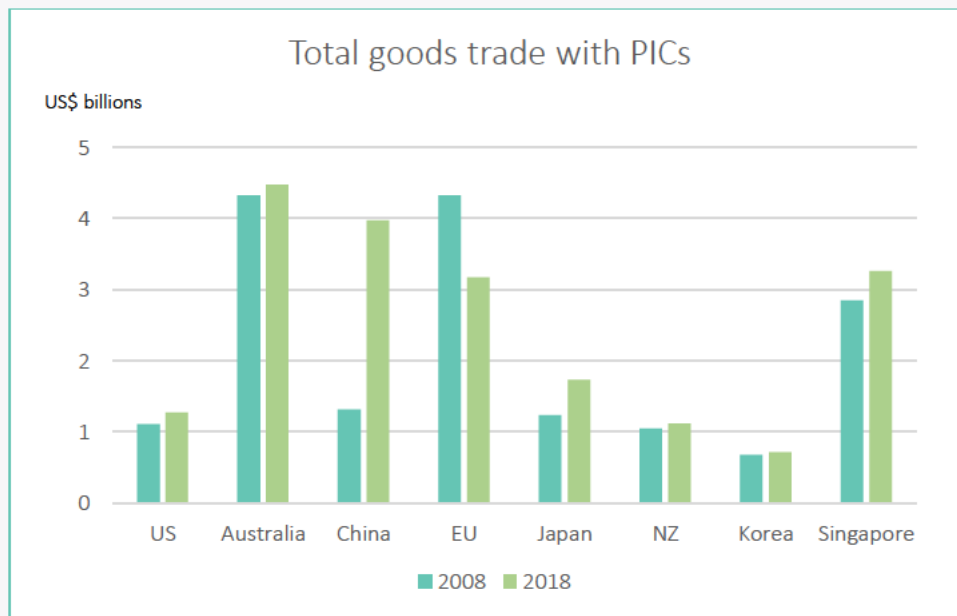


Figure 1 Total goods trade with Pacific island countries²¹

Pacific island countries are highly aid-dependant. Several international partners provide substantial contributions to the Pacific island countries, such as New Zealand, Japan, the United States, China, the European Union, the United Kingdom and France. Some of these partners have been present in the region for many years.

In addition, the World Bank and the Asian Development Bank (ADB) make significant contributions to Pacific island countries. Australia has partnerships with the ADB (such as the Pacific Private Sector Development Initiative – see section 3.5) and International Finance Corporation (IFC), together with New Zealand, aimed at addressing broader business enabling issues, including investment, and promoting small enterprise and broader private sector development. Both have a strong focus on women’s economic empowerment.

New Zealand, like Australia, has close economic ties to the Pacific island countries, driven by its geographic proximity and historical and cultural linkages with them. It is currently the sixth-largest trading partner for

²⁰ United Nations Conference on Trade and Development . *Statistics*. Retrieved from: <https://unctad.org/en/Pages/statistics.aspx> accessed 10 February 2020.

²¹ Direction of Trade Statistics (24 January 2020), *Data Tables*. International Monetary Fund. Retrieved from <https://data.imf.org/?sk=9D6028D4-F14A-464C-A2F2-59B2CD424B85&slid=1409151240976> accessed 10 February 2020.

Note: Trade with the Marshall Islands is excluded from this graph, as data for that country is skewed by the predominance of its major import (ships and other vessels).

Pacific island countries, accounting for 4 per cent of total two-way trade. This share has declined slightly over the past decade from 5 per cent in 2008.

Japan is a significant trading partner for Pacific island countries (enhanced significantly by the introduction of LNG exports from PNG in 2014). Japan remains the world's third-largest economy and is deepening its engagement and investment links with Pacific island countries under Prime Minister Abe. It maintains eight embassies in the region, with another scheduled to open in Vanuatu this year.²²

Japan has also made efforts to boost Japanese tourism in Pacific island countries, relaxing some visa requirements to encourage two-way people-to-people flows, including some seasonal labour to Japan. Japanese infrastructure development and financing in the region is a major pillar of Prime Minister Abe's foreign and trade policy. Japanese projects include the redevelopment of Nadzab Airport in Papua New Guinea, the upgrade of Honiara airport in Solomon Islands and the redevelopment of Lapetasi Wharf in Port Vila, Vanuatu.

The United States is also a significant partner in the region. The Federated States of Micronesia, the Marshall Islands and Palau are in Compacts of Free Association with the United States, whereby the United States has authority for the defence and security of these nations, which in exchange receive economic assistance, the right to serve in the US armed forces and citizens admitted to the United States under the Compacts may reside, work and study in the United States. In addition, the US state of Hawaii is an important transport hub for trade in the Pacific and beyond. Its military bases also have a positive impact on trade, investment and economic growth (both directly and indirectly).²³

Over the past decade, China has emerged as a significant trade and investment partner for many countries, including Pacific island countries. A China-Pacific Island Countries Program of Action on Economic Development and Cooperation was signed in 2019, which includes developing economic relationships with Pacific island countries in agriculture, forestry and fisheries, energy and resources and tourism.

As shown in Figure 1, the value of China's total two-way trade with Pacific island countries increased almost threefold between 2008 and 2018.⁴ Over the same period, China's share of total Pacific island country exports to the world increased from 6 per cent to 20 per cent, while China's share of Pacific island country imports increased from 7 per cent to 13 per cent. This growth in trade is largely attributed to LNG and nickel exports from PNG, with an additional purchase agreement signed in 2019.²⁴ China is now the largest destination for Pacific island country exports and the third largest source of imports (after Australia and the EU).

²² OECD (n.d.) *Aid at a Glance: Oceania*. Retrieved from: <https://www.oecd.org/dac/financing-sustainable-development/development-finance-data/Oceania-Development-Aid-at-a-Glance-2019.pdf> accessed 6 February 2020. Note: Based on net disbursements in 2017.

²³ Heo, U., & Ye, M. (2019). *U.S. Military Deployment and Host-Nation Economic Growth*. *Armed Forces & Society*, 45(2), 234–267. Retrieved from: <https://doi.org/10.1177/0095327X17738219>

²⁴ Reuters, *Papua New Guinea LNG project to supply Sinopec unit*. Retrieved from: <https://www.reuters.com/article/santos-png-sinopec-corp/update-1-papua-new-guinea-lng-project-to-supply-sinopec-unit-idUSL3N21J52H> accessed 6 February 2020.

2.4 AUSTRALIA'S ENGAGEMENT WITH MAJOR PARTNERS IN THE PACIFIC

Australia's commitment to the region is long-standing and enduring. However, no development partner can meet the development challenges of the Pacific island countries alone. It makes sense for Pacific island countries to cooperate with a range of development partners.

Australia is increasing its engagement with other donors and trading partners of interest to the Pacific, including Japan, Korea, China, the US, the EU, New Zealand and the UK. We welcome all investment that supports sustainable development in line with the priorities and ambitions of Pacific island countries, is delivered transparently and aligns with the principles of debt sustainability. As the region's major bilateral grant development partner, Australia is committed to greater cooperation and coordination with other development partners to maximise opportunities for the Pacific.

For instance, Australia and the US are deepening their cooperation in the Pacific on economic infrastructure, macro-fiscal management and financing. We are also working together in concert with Japan on initiatives like the **Trilateral Infrastructure Partnership (TIP)** and the **Blue Dot Network** on infrastructure standards. Some new good practice is emerging and there are opportunities in both systems to improve coordination and overcome barriers to cooperation. The Australia-US Development Dialogue in 2020 is an important opportunity to explore enhanced development cooperation in the future.

Australia and China are also exploring options for further development cooperation in the Pacific, both through the bilateral **Memorandum of Understanding on Development Cooperation** with the Ministry of Commerce renewed in 2017 and China's International Development Cooperation Agency created in 2018. Australia is one of the few countries to have existing trilateral cooperation with China in the Pacific, through the **Australia-China-Papua New Guinea trilateral malaria project**. The first phase of the project was seen by all three partners as a success, with the second phase commencing in January 2020. Shared Australia-China development priorities in the region offer potential to unlock new trade and investment opportunities in priority areas identified by our Pacific partners.

Australia and Japan are deepening their cooperation in the Pacific on development assistance and financing. Japan emphasises the need for quality regional infrastructure investment. It advocates strongly for investment principles which consider environmental and social impact, debt sustainability, safety and reliability, and the use of local employment and technical expertise. Through AIFFP, we are examining projects where we can partner with Japan in third countries in the Pacific. Trilateral cooperation with the United States is also growing, including through the Trilateral Infrastructure Partnership (TIP) with Japan, United States and Australia.

Australia and the Republic of Korea (ROK) are also discussing the possibility of working together on development programs in the Pacific, consistent with our bilateral **Memorandum of Understanding on Development Cooperation** signed on 10 December 2019, which highlights our shared commitment to creating a prosperous, resilient region.

2.5 CHALLENGES AND OPPORTUNITIES FOR BUSINESSES

Australian business will ideally play a critical role to play in support of Australia's Pacific Step-up, creating mutually-beneficial trade and investment opportunities and leading by example on good governance, innovation, adherence to the law and the provision of high-quality products and services and skills development.

Foreign investment, from Australia and elsewhere, on a business-to-business, bilateral and multilateral basis is driving growth in infrastructure, information and communications technology (ICT) and resources sectors across Pacific island countries. Outside the resources sectors though, most of this foreign investment is from public sector or multilateral institutions.

For the private sector, the determinants of an investment decision rely on at least three features of investment: the motive for investment (for example, resource, market, efficiency, or strategic-asset seeking – on both the supply and demand sides of the investment deal); the type of investment (for example, manufacturing or services); and the investment size (for example, small and medium enterprises or large enterprises).²⁵ Analysis of investment in the Pacific by the New Zealand Institute for Pacific Research identified that openness to trade, income and location have significant effects on FDI inflows. Small size in itself was not found to be a significant barrier to attracting inflows of FDI.

The world's lowest and highest income countries attract significantly less FDI inflows than upper-middle income countries (Table 2). The critical implication for Pacific island countries is that they are unlikely to attract significant FDI. However, this does not negate the potential for FDI inflows seeking valuable natural resources – including minerals (*e.g.* Papua New Guinea), fisheries (*e.g.* Solomon Islands) and tourism assets (*e.g.* Fiji).

Most Pacific island people are private sector actors – they either have their own small or medium-sized enterprise or family smallholding, or they work for medium-sized businesses. Scoping work conducted in 2017-2019 by the Pacific Readiness for Investment in Social Enterprise (Pacific RISE) and the Pacific Horticulture and Agriculture Market Access (PHAMA Plus) programs identified many micro and small enterprises and many enterprise ideas, but relatively few large or medium-sized enterprises in the Pacific.²⁶ Given most equity or debt investments are made with established medium-to-large scale enterprises ready to grow, this creates an additional constraint for Pacific island countries trying to attract FDI.²⁷

Prospects for establishing a business presence can be limited by investment barriers, the relatively small scale of opportunities and the availability of human capital for implementation. Access to capital can be a challenge if the market risk is rated too high for entrepreneurs, impacting investors and multi-national companies, as well as commercial banks and financial institutions, such as Export Finance Australia.

Several factors can reduce the appetite for and create barriers to investment. On the demand-side, many Pacific island country entrepreneurs choose not to engage with external finance. Experience from Pacific RISE identified medium-sized enterprises suitable for FDI that did not want to take on debt, were reluctant to dilute family equity or control in their business, or could access finance from family or even domestic banks at lower cost than what was offered by impact investors or other external sources of capital. Both Pacific RISE and PHAMA Plus engaged private sector partners that were reluctant to change because they were comfortable with the status quo in their businesses.¹⁸ There is an opportunity to demonstrate what is possible for these businesses – one role for Australian businesses is to support Pacific island entrepreneurs

²⁵ Milne, S. *et al.* (2017) *Private Sector Investment in the Pacific*. New Zealand Institute for Pacific Research, Wellington, New Zealand. Retrieved from: <https://apo.org.au/sites/default/files/resource-files/2017/09/apo-nid246971-1372421.pdf> Accessed February 7, 2020.

²⁶ Pacific RISE and PHAMA Plus are Australian-funded aid activities. See chapter 3 for more information about these programs.

²⁷ GIIN (2018) *Annual Impact Investor Survey*. Global Impact Investment Network, New York, USA. https://thegiin.org/assets/2018_GIIN_Annual_Impact_Investor_Survey_webfile.pdf Accessed February 6, 2020

with a regional and global view. This is something that PTI (Australia) is doing with its investment promotion work, supported by Australia.

On the supply-side, business investment is affected by an uncertain investment climate in some countries, limited returns, and high costs of operating a business. Other challenges preventing deeper business engagement include insufficient infrastructure, poor access to finance and payment methods, weak governance, lack of transparency, limited land available for development (affected by land tenure and ownership issues) and limited access to local partners and skilled labour in the region. Some of these challenges can be mitigated over time, through improved policies and coordinated support from development partners.

There has been a decline in Australian engagement in the banking sector in the Pacific in recent years, driven in part by de-risking (the closure of accounts considered high risk). De-risking remains an issue for the banking industry, in part due to stricter rules relating to tax evasion, anti-money laundering and combating the financing of terrorism, which have increased compliance costs.¹²

Feedback from Australian business suggests that the lack of finance-ready projects and limited availability of foreign currency in Pacific island countries constrain foreign direct investment.

Understanding the market risk, including foreign exchange restrictions, payment and credit terms, integrity issues, taxation and legal systems, is fundamental to operating in the Pacific. Most investors seek established opportunities ready for scaling; there are few of these in most Pacific island countries and those that are suitable are often family-run, so there is reluctance to dilute equity. Most Pacific island countries are very small markets, with limited liquidity. Nonetheless there are opportunities to facilitate and broker small, niche investments where Pacific island assets complement a broader portfolio.

There are opportunities to build business awareness and knowledge of the values, cultures and business practices in Pacific island countries. For example, in most Pacific island countries, customary land carries special cultural significance. Complex land tenure arrangements and lack of certainty on land title are significant barriers to trade, investment and economic development. Land tenure arrangements have impeded both business formation and investment by Australian companies. A strong understanding of the cultural value of land is critical for businesses engaging in the region.

Greater networks will increase awareness of business and investment opportunities within Pacific island countries. Much of Australia's work in the region is aimed at building awareness of such opportunities, discussed further in chapter 3.

For example, Fiji offers some competitive features for nearshore markets – a large pool of skilled workers with strong English skills and a convenient time zone for Australia and New Zealand markets. While labour costs are higher compared to some other markets (such as the Philippines), Fiji's positive global brand and neutral accents for instance, contribute to higher success rates in business process centres. These factors help offset the higher labour costs. In recognition of the growth potential of the ICT and Business Process Outsourcing (ICT-BPO) sector and the high proportion of women and young people employed, Australia's aid program is working with the peak industry body and the Ministry of Industry Trade and Tourism to market Fiji as an ICT-BPO destination and to ensure Fiji's tertiary and vocational skills providers are delivering relevant courses for the sector.

3. CURRENT EFFORTS TO BOOST TRADE & INVESTMENT

Australia is stepping up its efforts to boost trade and business engagement with Pacific island countries. This includes addressing trade-related supply-side constraints, building productive capacity and supporting private sector development, while also promoting economic resilience and a stable business-enabling environment. Australia's support is wide ranging, provided through bilateral, regional and multilateral channels, as well as by Australian private-sector businesses.

Australia's current efforts are focused on:

- Promoting greater **regional economic integration** through labour mobility, trade and investment reform and aid for trade to help Pacific island countries participate more fully in the global trading system and use trade as a tool to support inclusive development;
- Promoting **private sector engagement**, development and growth;
- Building a better environment for business to operate, grow and contribute to economic development, including through **economic governance programs**;
- **Strengthening Pacific-Australian links**, working directly with Australian and Pacific businesses, civil society and diaspora communities and sports initiatives; and
- Supporting **inclusive and sustainable** economic growth.

3.1 PROMOTING REGIONAL ECONOMIC INTEGRATION

The Foreign Policy White Paper identifies economic integration as vital to the economic prospects of Pacific island countries. Australia's own prosperity has been built upon its open market economy and support for the international trading system. We understand that trade is fundamental to strengthening resilience and stability.

Our **Economic and Commercial Diplomacy agenda** advocates for an open global economy, supports businesses seeking commercial opportunities and strengthens our international competitiveness. It focuses on promoting investment in Australia; addressing non-tariff barriers to trade; actively supporting and facilitating businesses engaged internationally; advocating for the global rules-based trade system; and increasing science, technology and innovation links.

The small scale and remoteness of Pacific island countries creates distinct disadvantages in a competitive global economic environment, placing an imperative on looking for ways for Pacific countries to coordinate, collaborate and integrate to ensure they can take advantage of opportunities, including participation in regional and global value chains, improving competitiveness and attracting investment. It is important for major development partners, like Australia, to ensure broader policies and initiatives are being harnessed to promote economic development in the Pacific, such as labour mobility and building productive capacity, especially in niches where the Pacific island countries have some advantages – for example fisheries, high value horticulture and tourism.

3.2 PACER PLUS

The Pacific Agreement on Closer Economic Relations (PACER Plus) is a comprehensive regional development-centred free trade agreement between Australia, New Zealand and nine Pacific island countries (Cook Islands, Nauru, Niue, Kiribati, Tuvalu, Samoa, Solomon Islands, Tonga and Vanuatu), encompassing goods, services and investment. The Agreement will enter into force once ratified by eight countries. To-date, four countries have ratified the Agreement (Australia, New Zealand, Kiribati and Samoa). The Agreement is expected to enter into force during 2020.

The preamble of PACER Plus states “PACER Plus must be a development tool for the Forum Island Countries to, *inter alia*, increase their production capacity and exports; support their economic and trade diversification, and competitiveness efforts; attract investment to them; and lead to the creation of jobs”.

Reform commitments and enhanced cooperation on policies will foster greater flows of goods, services and investment between Australia, New Zealand and the Pacific island country parties. Certainty for businesses will be provided and costs to businesses and consumers will be reduced as a result of Australia’s and New Zealand’s commitments not to apply tariffs to any products originating in other Parties. Pacific island country parties’ commitments to progressively eliminate tariffs on most products originating in other Parties will also benefit businesses. Pacific island countries will liberalise at a pace that takes into account their levels of development and unique challenges as small island developing economies, subject to flexibilities to deal with specific challenges such as import surges, natural disasters and industry development.

The provision of accompanying aid for trade under PACER Plus will help Pacific island country parties to benefit from the opportunities that are opened up by closer engagement with the international trading system. In implementing PACER Plus, Pacific island country parties will have access to assistance to ensure their regulations address risks at the level they consider appropriate while avoiding unnecessary barriers to trade, which will benefit consumers and businesses across the region. Consumers in Pacific island countries will be able to access a wider range of price-competitive goods and services and businesses will be able to access cheaper inputs. Collectively, these initiatives will create greater certainty resulting in increased business confidence and new opportunities for growth, jobs and rising living standards.

PACER Plus will support countries to implement the specific provisions in the agreement and to:

- modernise customs systems and processes, and adopt transparency practices, which will lead to less red tape and more efficient and accessible import/export procedures;
- access improved and more flexible rules of origin requirements, enabling Pacific island country firms to flexibly source inputs from other countries in the region, boosting opportunities for value addition and participation in regional and global value chains;
- develop the necessary systems and capabilities in application and adoption of sanitary and phytosanitary measures and technical regulations, standards and conformity assessment to help gain and maintain market access;
- help implement predictable investment rules that help attract capital, technology and knowledge to the Pacific, whilst supporting countries to work with the private sector to facilitate flows and address business enabling issues; and
- support regulatory reform and capacity building on trade in services—a major export sector in many Pacific island countries.

CASE STUDY 1: PACER PLUS READINESS PACKAGE

To assist Pacific island countries to implement their PACER Plus commitments and strengthen their capacity to trade, Australia contributed \$4 million to a joint Australia-New Zealand \$7.7 million Readiness Package. This package focused on:

- **Legislative drafting:** Support to assist signatories review and update relevant national laws and regulations.
- **Customs modernisation, harmonisation, implementation of up to date tariff codes and transposition of schedules and rules of origin training:** In PACER Plus, like other current FTAs, goods will be identified by the internationally-recognised system known as the Harmonized Commodity Description and Coding System (HS), which is updated every five years. The Oceania Customs Organisation (OCO) assisted countries to implement the latest version of the code, HS 2017 and positioned them to undertake the five yearly updates. Pacific island countries were also supported to transpose the Agreement's tariff schedules into the latest code. The work also included a training workshop for customs officials promoted understanding of the specific barriers faced by women traders in the customs space and how to overcome them.
- **Training on notification requirements under the Agreement:** PACER Plus sets out obligations which promote transparency, availability of information, contact points and certainty for the private sector which are essential for trade and investment. The United Nations Conference on Trade and Development (UNCTAD), is supporting countries to establish trade portals to make available accurate, up to date and accessible information on trade procedures and requirements are available. This will support businesses to undertake trade more easily, saving time and money. A study has been produced on identifying specific trade transparency barriers and how to address them from a gender perspective, together with an export manual for Pacific women traders on entering the Australian and New Zealand markets in products of interest.
- **Public outreach and stakeholder engagement:** Support provided for the production and dissemination of targeted communication materials to business, civil society and the general public (which explain the Agreement and its benefits).
- **Revenue planning and mitigation:** In anticipation of tariff liberalisation commitments having revenue impacts, support is being provided by the Pacific Financial Technical Centre (PFTAC) to support some countries to adjust by modernising their fiscal systems and mobilising alternative sources of government revenue.

Some of the benefits from PACER Plus are already starting to flow through early support initiatives, including under the PACER Plus Readiness Package by Australia and New Zealand (see the case study above). This support has provided essential building blocks in areas such as customs and trade facilitation so that countries will be positioned to benefit from the agreement immediately upon entry into force.

For example, Pacific island countries have been provided support to adopt the latest global customs nomenclature (HS2017) and undertake future updates. The adoption of an automated customs clearance system in the region, called the Automated System for Customs Data (ASYCUDA World), will improve coordinated and integrated border management. This will increase the efficiency of customs cargo clearance, minimizing the risk of fraud, maximizing revenue collection and facilitating trade. Vanuatu has used Australian support to take the next step by establishing an e-Payment system linked to ASYCUDA

World, a first for the Pacific. In addition, the establishment of trade portals will help increase transparency through accessible and simplified trade processes for businesses wanting to trade in the Pacific, while also helping to reduce trade costs.

3.3 LABOUR MOBILITY

Labour mobility is an important enabler of Australia's broader efforts to promote trade and investment between Australia and the Pacific. Australia's Pacific labour mobility initiatives are the **Seasonal Worker Programme (SWP)**, which is administered by the Department of Education, Skills and Employment and the **Pacific Labour Scheme (PLS)**, which is administered by DFAT. The skills and experience gained by Pacific workers in Australia can be used to boost economic activity and provide the Pacific with a skilled workforce to develop and expand new and existing industries.

Australia's labour mobility initiatives promote the integration of Pacific island countries into Australia's labour market where there is unmet demand. Demand for Pacific workers is growing. The SWP continues to experience strong annual growth and this is expected to continue as awareness of the SWP grows (see Figure 3). The PLS remains in its infancy but has seen significant early interest across multiple sectors, signalling strong future growth potential, especially for regions and industries with labour shortages, including meat processing, hospitality and aged care (see Figure 4).

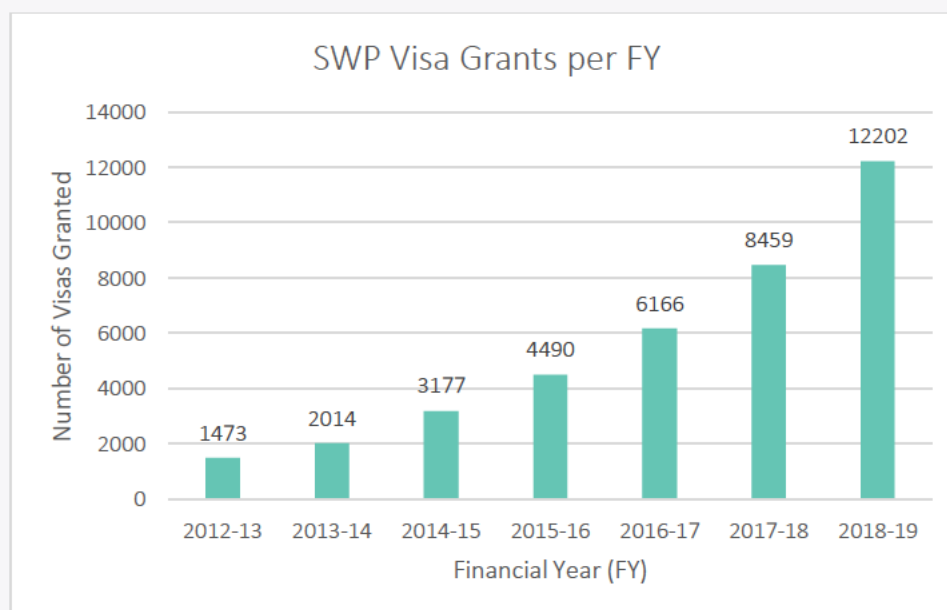


Figure 2 Visa grants for the Seasonal Worker program from 2012-13 to 2018-19

Remittances from income generated under Australia's labour mobility initiatives are providing a growing source of income and foreign exchange for the economies of the Pacific. A report by the World Bank released in 2018 found, on average, SWP workers sent home approximately \$9,000 over six months in Australia. This was found to have resulted in a net income gain of an estimated \$144 million to the Pacific region (although these benefits are most significant for countries with higher participation including Fiji, Kiribati and Vanuatu).

Since the release of the World Bank report, the number of workers that have participated in Australia's SWP has more than doubled from 17,320 to over 45,000 visa grants (Figure 3) and is expected to have trebled by the end of the 2019-20 financial year. Correspondingly, financial benefits will have also grown. This income is spent on home improvements and the accumulation of assets, including farm equipment and vehicles.²⁸

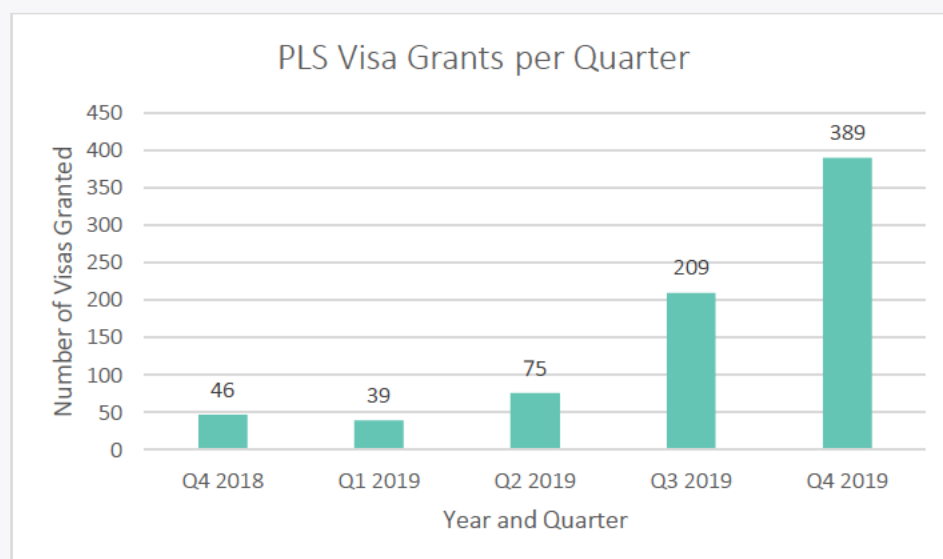


Figure 3 PLS visa grants per quarter from 2018 to 2019

Beyond the monetary value of participation in Australia's labour mobility initiatives, participants in the SWP have reported benefiting from the transfer of skills and experience gained in Australia.²⁸ Many workers are learning more productive methods for growing produce, which have been used in some cases to boost production and start new businesses in their home countries.²⁸ Given the PLS is in its infancy, we expect the link between labour mobility and skills transfer to strengthen over time, as PLS workers spend longer in Australia in higher skilled roles and in a greater variety of sectors. Despite the program being in its infancy, participation in the PLS is increasing (Figure 4).

Additional positive effects generated by labour mobility include: improvements in soft skills (English language, punctuality and presentation skills); increased foreign exchange reserves; anecdotal evidence of reductions in crime rates (workers with criminal records cannot participate in Australia's labour mobility programs); and increased political stability (due to a reduction of pressure from demographic shifts).

Communities around Australia, including in regional and rural areas, also benefit from Australia's labour mobility initiatives. PLS and SWP workers reside in these communities, use local services and join local community and sporting organisations. While SWP and PLS workers are temporary residents, demand for this workforce each year creates, in effect, a semi-permanent population of Pacific islanders which local businesses and communities come to rely on for growth.

²⁸ The World Bank, *Maximizing the Development Impacts from Temporary Migration: Recommendations for Australia's Seasonal Worker Programme* (2018) accessed 6 February 2020

Importantly, Australia's labour mobility initiatives strengthen Australia's bilateral relationships with its Pacific neighbours and build important and long-lasting personal relationships and understanding, as demonstrated by Rosa's story (see Case Study 2).

CASE STUDY 2: THE BENEFITS OF THE SEASONAL WORKER PROGRAMME FOR ROSA FROM PAPUA NEW GUINEA

Rosa David is a single mother from a remote village in the highlands region of Mount Hagen in Papua New Guinea. She joined the SWP in 2018 and travelled to Mundubbera, Queensland to pick fruit at Ironbark Citrus and has since completed two harvest seasons working in Australia. She used her earnings from the first picking season to pay school fees for her four children and buy 208 chicks for A\$2 each. After six weeks, once they had grown, she sold each chicken for A\$12. Having made a good profit from the sales, she bought another 208 chicks after returning from her second season working in Australia.

Rosa said participating in the SWP has improved her status in the community. "In the past people didn't respect me, but now they respect me more...they say nice words to me," Rosa said. "I feel very proud of myself. My daughter is very proud of me too". She said working in Australia gave her the chance to meet new people, travel to new places and experience a different culture.



We are committed to **building human capital** in the Pacific region, including through stronger integration between Pacific island country economies and those of Australia and New Zealand. High quality education and training in skills that meet labour market requirements will boost jobs in Pacific island countries, Australia and elsewhere. Australia is supporting quality education and skills through investments in the Australia Pacific Training Coalition, the University of the South Pacific and bilateral education programs.

The **Australia Pacific Training Coalition (APTC)** is Australia's flagship education and skills investment in the Pacific. APTC delivers Australian qualifications at Certificate III, IV and Diploma levels to Pacific islanders from fourteen countries across five campuses in Fiji, PNG, Samoa, Vanuatu and Solomon Islands. Qualifications are available in the automotive, manufacturing, construction and electrical, tourism, hospitality, health and community sectors. APTC has made a significant contribution towards creating a skilled and competitive Pacific workforce. More than 1,200 Pacific Islander graduates enter the workforce each year with highly regarded qualifications. APTC had trained and graduated over 14,800 graduates with Australian qualifications, including over 5,900 women as at 31 July 2019.



Minister for International Development and the Pacific and Assistant Minister for Defence Alex Hawke visiting the Australia Pacific Training Coalition during his visit to Fiji in December 2019

Australia Awards Pacific Scholarships provide people from Pacific developing countries with opportunities to study at selected education institutions in the Pacific region. The purpose of the Australia Awards Pacific Scholarships is to give people the opportunity to gain and build the knowledge and skills to drive positive change and influence their home country's development.

The Women Trading Globally program is a short course delivered by the Export Council of Australia which assists women entrepreneurs in the Indo-Pacific region to develop their capabilities to trade in international markets. This course has trained 29 women from the Pacific since 2017.

3.4 AID FOR TRADE PROGRAMS

Australia is providing considerable aid for trade to the region, recognising the considerable potential of trade to drive development, but also the specific barriers facing Pacific island countries. Alongside support for PACER Plus implementation, Australia has contributed more than its aid for trade funding target of 20 per cent of its ODA budget for the Pacific. Australia's other regional, bilateral and multilateral aid for trade initiatives are also supporting Pacific island countries to access and benefit from the global trading system.

For example, we fund **Pacific Trade and Invest (PTI)** Australia to introduce Pacific exporters to Australian buyers, Pacific enterprises to Australian investors and connect Pacific tourism operators with Australian tourists and service providers to improve business outcomes for Pacific Island businesses. In 2018, PTI Australia facilitated A\$23.5million in exports and A\$2.29million in investment working with 981 businesses across the Pacific Island Forum nations. PTI Australia is also empowering women in trade, working with 278 women-led enterprises across the Pacific to facilitate 218 deals worth A\$6 million in 2018.²⁹

²⁹ PTI (Australia) (2019) Annual Report 2018. Pacific Trade Invest (Australia), Sydney, Australia. See: <https://pacificperiscope.wordpress.com/2019/08/12/3809/> Accessed January 23, 2020.

CASE STUDY 3: PACIFIC TRADE AND INVEST

PTI Australia has been thinking outside the box with innovative programs, including their digital tourism and trade programs and the work they do with creative industries.

Digital tourism: The World Bank's *Pacific Possible* report forecasts that tourism could generate over US\$1.6 billion in spending and over 110,000 additional jobs in the Pacific by 2040. PTI Australia developed the Digital Tourism Program in 2012 to upskill local tourism operators in digital marketing and provide practical steps to increase sales by enhancing their digital presence. PTI Australia travels to Pacific Island countries to deliver digital tourism workshops.

PTI Australia also supports the development of websites with booking and payment functions for local tourism operators. For tourism operators with an existing strong online presence, seed funding is available for the development and implementation of a digital marketing strategy to further drive sales. Since the beginning of the program, PTI Australia has funded over 300 websites and trained over 1000 enterprises to build their online capability, generating tourism sales in the region worth \$10.3 million in 2018 alone.

Digital trade: According to PTI Australia research, only 36 per cent of companies in the Pacific have their own website. Platforms like Amazon provide an entry point for Pacific Islanders keen to reach international markets, overcoming traditional barriers to cross-border trading and accessing the \$4 trillion global ecommerce industry. PTI Australia's Digital Trade Program teaches Pacific island businesses about the digital e-economy and how to sell products on platforms such as Amazon. The program aims to increase exports, diversify income and reach new foreign buyers, in turn increasing local employment. Export-ready Pacific enterprises can apply for one of 15 places in an e-commerce accelerator to receive one-on-one training with an Amazon coach, learning about selling strategies, warehousing, supply chains and payment logistics. In addition, PTI Australia have delivered a series of workshops in Samoa, Fiji, Vanuatu, covering digital sales strategies, becoming a seller on Amazon and ensuring Pacific products meet international standards. Over 100 enterprises have participated.

Growth in the agriculture sector has been found to be two to four times more effective in raising incomes among the poorest compared to other sectors and is therefore crucial to economic growth in many Pacific island countries.³⁰ Australia, through its aid investments in the Pacific, is focused on increasing small-scale farmers and fishers' participation in markets.

As a part of agricultural export development and private sector engagement, the **Pacific Horticulture and Agriculture Market Access program (PHAMA Plus)** is helping Pacific Island countries maintain and develop their agricultural export markets by assisting them to meet export market biosecurity and quality requirements. The program has been instrumental both in opening new markets for Pacific Island countries and ensuring that existing markets remain open.

PHAMA Plus has helped open, maintain or improve Australian and New Zealand market access for beef, taro, watermelon, cooked breadfruit, ginger, copra, fresh Tahitian limes, vanilla and cinnamon pastes, and sawn timber. It has also facilitated access to other markets for cocoa, coffee, squash, kava and fish. PHAMA Plus

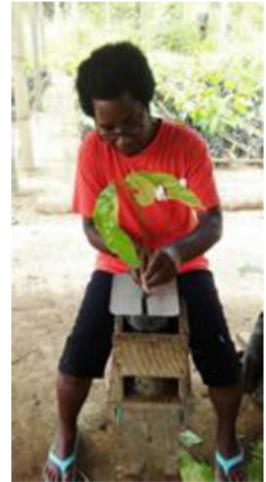
³⁰ World Bank (2015) Ending Poverty and Hunger by 2030: An agenda for the global food system, <http://documents.worldbank.org/curated/en/700061468334490682/pdf/95768-REVISED-WP-PUBLIC-Box391467B-Ending-Poverty-and-Hunger-by-2030-FINAL.pdf>

has supported Solomon Islands market access for tuna to the EU, directly improving the livelihoods of 2,300 workers.

CASE STUDY 4: PHAMA PLUS IN PAPUA NEW GUINEA

Papua New Guinea produces a diverse range of quality handicrafts that are sold primarily to tourists from cruise ships and at duty-free shops and handicraft shops in major centres. Surveys of cruise ship passengers have revealed that tourists are reluctant to buy handicrafts for fear of confiscation by biosecurity authorities back home. PHAMA Plus produced guides to inform sellers and tourists of relevant standards, backed by training and videos for screening on cruise ships and aeroplanes.

For more than 10 years, Grace Klembasa worked on cocoa farms in Aitape, West Sepik. She entered a sample of dried cocoa beans in Papua New Guinea's first Cocoa of Excellence Show, held in Kokopo in May 2017. Hosted by the PNG Cocoa Board and PHAMA Plus, the show helps link PNG cocoa producers to buyers of premium cocoa and craft chocolate makers. International judges ruled her sample the best among 18 finalists and almost 100 cocoa samples. A year later, bars of single origin 70 per cent dark chocolate made from cocoa beans supplied by Grace were among a display of chocolates by the renowned Madre Chocolate in Hawaii. Cocoa is a K300 million industry in PNG, supporting over 150,000 households and providing income for at least 20 per cent of the population who are smallholder farmers.



Bilateral growth and governance programs are also an important feature of Australia's aid program supporting direct trade, private sector development and broader economic growth outcomes through utility and regulatory reform, trade policy and productive capacity building, improved service delivery and public expenditure reform.

In Solomon Islands, \$14 million is being invested in a new **Strongim Bisnis facility** from 2017-2020 under the Solomon Islands Growth Program. Strongim Bisnis works primarily with the private sector on business practice, market development, risks and resilience, and women's participation in the economy. It is focusing initially on the cocoa, coconut and tourism markets.

CASE STUDY 5: GOVERNANCE FOR GROWTH PROGRAM IN VANUATU

The Vanuatu Governance for Growth (GfG) program was established in 2007 to improve Vanuatu's growth and service delivery through regulatory reform and improved public expenditure management. GfG is now in its third phase (2017-2021), investing up to \$20 million to support the Vanuatu Government's reform agenda and economic management in order to provide the right conditions for business and investment.

GfG works through a range of partnerships, including with the Vanuatu Prime Minister's Office, the Ministry of Finance and Economic Management and the Ministry of Tourism, Trade and Industry. These partnerships also provide a platform for dialogue between the Australian and Vanuatu governments on economic policy and for working on issues of mutual interest. GfG's work is predicated on the view that regulatory reform, better sectoral policies and improved governance are pre-requisites for growth.

A key objective of GfG is to contribute to building a better business environment for trade and economic opportunity in Vanuatu. Trade-related activities supported by GfG include modernising trade policy and performance; improving transparency and efficiency; strengthening freight systems; and aligning with international financial rules.

GfG supports Vanuatu to engage in an open economy based on transparent rules; fair and open competition; and transparent, non-discriminatory, and predictable regulatory systems. These measures promote prosperity and stability. They also protect Vanuatu from criminal or foreign interests that run counter to the interest of the Vanuatu people and the institutions that serve them.

Australia is well placed to deliver GfG because of the long-standing relationship between the two countries and Australia's international reputation for strong public finance management, trade development, customs administration and public utility and service delivery systems.

Australia supports a number of multilateral aid for trade programs, bringing global expertise to address priority issues on trade in the Pacific, including through the World Bank, Enhanced Integrated Framework and the WTO Standards and Trade and Development Facility (STDF). These cover areas of direct interest to the Pacific including support for trade facilitation, trade development and mainstreaming, sanitary and phytosanitary measures.

Australia has also demonstrated strong **support for Pacific engagement at the WTO**. We have provided funding for the Pacific Islands Forum Secretariat (PIFS) Office in Geneva and Pacific Trade Invest (PTI Europe) to enable Pacific island countries to better participate in and influence WTO negotiations and rulemaking. It also enables direct Pacific insights and reporting back to capitals to inform national policy and investment decisions. Australia's support assists Pacific island countries, individually and collectively, to access aid for trade resources from multilateral partners. In addition, PIFS Geneva hosts PTI Europe. The desk focuses on the development and promotion of Pacific island country exports across international markets in Europe and the United Kingdom.

Since the launch of the **Global Aid for Trade initiative**, Australia has consistently brought global attention to the trade related challenges faced by the region. For example, at the most recent 2019 WTO Global Aid for trade review, Australia co-sponsored an event to highlight challenges to trade and economic growth in the Pacific region and how Australia's aid-for-trade investments are supporting economic diversification, empowerment and sustainable development in the Pacific.

CASE STUDY 6: ENHANCED INTEGRATED FRAMEWORK (EIF)

The EIF is a global aid for trade partnership comprising 24 donors, 48 LDCs and 8 global agencies, providing coordinated funding and trade related capacity building support to LDCs across Asia, Africa and the Pacific. The EIF aims to support LDCs to use trade as a tool for inclusive and sustainable development. In the Pacific, support is being provided to Samoa, Vanuatu, Solomon Islands, Tuvalu and Kiribati.

After Cyclone Pam, additional funds were leveraged to support a tourism project in Vanuatu, which has helped to transform the Port Vila seafront into a functional, safe and attractive area, contributing to an increase in tourism arrivals, job creation and reduced urban poverty. As key players in the tourism sector, women have been the main beneficiaries of the project, including 11,000 women working in the handicrafts sector, traders and owners of businesses linked to tourism in Vanuatu.

In Samoa, EIF supported scaled-up collaboration between the largest state-owned agricultural producer, trade associations and women's cooperatives, in order to add value to cocoa and coconut destined for export. Emphasis was placed on enhancing private sector participation and manufacturing linkages, which resulted in the 'Buy Samoa Made' initiative and new high value export markets for coconut oil and cocoa.

3.5 SUPPORTING PRIVATE SECTOR DEVELOPMENT & BUILDING A BETTER ENABLING ENVIRONMENT FOR BUSINESS

Infrastructure is a critical element of the enabling environment for business and private sector development. Access to affordable and reliable infrastructure increases productivity, reduces production costs and stimulates private investment. Infrastructure enables access to markets, employment and critical services such as health, education, potable water and sanitation. The ADB estimates that Pacific island countries will require investment in infrastructure of US\$3.1 billion annually to 2030.³¹ Mobilising private investment in infrastructure will be critical to meeting this need.

The **Australian Infrastructure Financing Facility for the Pacific (AIFFP)** became operational on 1 July 2019. This \$2 billion initiative will use grant funding and loans to support transformative infrastructure in Pacific island countries. The AIFFP will deliver three high level outcomes: supporting Pacific countries and Timor-Leste to have greater access to capital to support quality, inclusive and resilient economic infrastructure; delivering infrastructure financing that meets the development needs of the partner countries; and making Australia a partner of choice for infrastructure in the Pacific and Timor-Leste. The AIFFP is currently assessing a range of potential infrastructure investments in the region focused on energy, transport and telecommunications, water and other priority sectors for Pacific partners which will contribute to enhanced connectivity, trade and investment and broader economic development.

³¹ Asian Development Bank (2017) *Meeting Asia's Infrastructure Needs*. Retrieved from: <https://www.adb.org/publications/asia-infrastructure-needs>.

All infrastructure supported through the AIFFP will be built to withstand the impacts of climate change and natural disasters. In addition, we have established a **Climate Infrastructure Window** in the AIFFP, which will help to advance the region's energy ambitions. The aim of this window will be to fund projects which specifically support renewable and lower emission energy generation and transmission.

The Australian Government funded the connection of the **undersea telecommunications cables to Papua New Guinea and Solomon Islands** in 2019. This includes funding for a domestic network in Solomon Islands linking Honiara with Auki in Malaita Province, Noro in Western Province and Taro in Choiseul Province. This will contribute to ongoing efforts to support development of e-commerce and digital trade capabilities, an emerging area of potential for Pacific trade and investment.

CASE STUDY 7: AUSTRALIA HELPING SAMOAN CUSTOMERS ACCESS FASTER, MORE AFFORDABLE & RELIABLE INTERNET

Australia's support for the construction of the Tui-Samoa submarine cable, and the associated legislative reform processes, has significantly improved Samoa's digital connectivity, contributing to economic growth. The wholesale price of internet bandwidth is 90 per cent lower than in 2015, significant increases in the volume of data usage occurred in 2018 -19, and mobile operators are aiming to reach universal 3G coverage by the end of 2019.

Australia has worked with the World Bank and Asian Development Bank to provide Samoa with a new submarine internet cable. Australia has invested in the new cable as a way to support the creation of new jobs and ways of doing business, better access to information and markets and opportunities for revolutionising basic services including health and education. In the early stages of the project, Australia funded three specialists to help plan for the new cable. This included designing and establishing an innovative public-private partnership to manage wholesale internet services.

The Australian government's export credit agency, **Export Finance Australia (EFA)**, plays a critical role in supporting Australian export trade by providing finance to support viable exporters, companies seeking to invest overseas and overseas infrastructure development when financing from the banking market is unavailable. The government expanded EFA's mandate and financing capacity in April 2019. EFA is now supporting a broader range of infrastructure development projects in the Pacific region. EFA can assist the operations of the AIFFP by managing AIFFP loans for infrastructure projects that meet development objectives in Pacific island countries.

To promote private sector development in the Pacific, Australia is also collaborating with business through a partnership approach to initiatives that deliver both commercial and development outcomes. This approach provides mutual benefits, leveraging the innovation, expertise, networks and resources of the private sector and the convening power, deep country knowledge and technical expertise of the Australian Government. Established in 2015, the \$20 million **Business Partnerships Platform (BPP)** enables businesses and their partners to apply for matched co-funding for investments that deliver sustainable economic growth and improved livelihoods. In the Pacific, Australia has supported BPP partnerships in PNG, Samoa, Solomon Islands, Tonga and Vanuatu in clean energy and agribusiness. The BPP will expand to Fiji in 2020.

The World Bank Doing Business publication suggests that investors and people looking to start and develop a business in the Pacific face distinct challenges. However, it also shows that despite the inherent disadvantages faced by Pacific island countries, progress is possible if the policy environment is supportive. The natural barriers to trade, investment and economic growth make a supportive policy and enabling environment even more important for Pacific island countries if the region is to be globally competitive.

Australia's development assistance also has a strong focus on broader economic governance, which helps support a macroeconomic environment that is conducive to business and private sector development. Regionally, we co-finance the International Monetary Fund's (IMF) **Pacific Regional Technical Assistance Centre (PFTAC)**, which provides assistance to Pacific island countries around public financial management (PFM); revenue policy and administration; macroeconomic analysis (including debt sustainability); financial sector supervision; and macroeconomic statistics.

PFTAC support enables governments to pursue greater macro-economic and fiscal stability, and strengthened governance and accountability, in Pacific Island countries, improving the enabling environment for international and domestic businesses. PFTAC supports government reforms that encourage private sector development and make Pacific island countries more attractive for trade and investment.

CASE STUDY 8: BUSINESS ENABLING AND PRIVATE SECTOR DEVELOPMENT INITIATIVES IN THE PACIFIC

Australia provides funding to the Asian Development Bank to implement the Pacific **Private Sector Development Initiative** (PSDI Phase 3: Australia A\$32.14 million, 2013-19) which improves the enabling environment for business, trade and investment.

In Samoa and Solomon Islands, PSDI supported business law and registry reforms increasing the annual rate of company formation by 114 per cent and reduced the time required to start a business from 24 days to just over one. The new companies have generated an estimated 2,000 new jobs and over US\$100 million in new investment. In Solomon Islands, PSDI assistance helped SOEs operate commercially and transparently, leading to an impressive turnaround of returns on equity and assets from 4.3 per cent from 2002-09 to 10 per cent in 2010-14.

Through our bilateral development programs, Australia provides budget support to Kiribati, Papua New Guinea, Solomon Islands, Tuvalu, Samoa and Tonga and contributes to the Tuvalu and Nauru sovereign wealth funds. **Budget support programs** disburse assistance on achievement of agreed actions, including priority economic and fiscal reforms, as well as health and education. Budget support in Solomon Islands is delivered in conjunction with ADB and the World Bank for economic reform is small. Some of Australia's budget support programs are delivered jointly with New Zealand, the World Bank and ADB, and provide a platform for coordinated dialogue on reforms that underpin a thriving private sector.

CASE STUDY 9: INTERNATIONAL FINANCE CORPORATION (IFC) PACIFIC PARTNERSHIP

The Second **International Finance Corporation (IFC) Pacific Partnership** (A\$20 million over five years, July 2017 to June 2022) leverages the IFC's expertise in infrastructure investment to engage private funds through direct and consortium finance, guarantees for high risk ventures, and the provision of advisory services to Pacific governments. The Partnership has leveraged over US\$573 million in private sector investment (as at December 2018). Activities included:

- investing US\$10 million to assist SolTuna (Solomon Islands' largest tuna processor) grow its business and invest in its predominantly female labour force.
- supporting National Fisheries Developments (SolTuna's sister company) to access US\$20 million in loans to boost production and establish an environmental and social action plan to enhance business sustainability.

an assessment of the economic impact of cruising to Vanuatu, identifying the sector's value – US\$24.8 million in 2013, equivalent to approximately 10 per cent of Vanuatu's exports. The report recommended extracting more value for local economies. This study has been replicated in Papua New Guinea and Solomon Islands.

3.6 WORKING DIRECTLY WITH BUSINESS, CIVIL SOCIETY, DIASPORA COMMUNITIES, SPORTS INITIATIVES

As part of a comprehensive approach, we also promote trade and investment through linkages with business, civil society, diaspora communities and sports initiatives.

Given the private sector's role as a job creator and the importance of Australian investment in the Pacific,³² improving Australian private sector engagement and investment is high on our agenda. We are increasing efforts to foster direct linkages between Australian business and Pacific island countries, working more with regional business bodies such as the Australia-Pacific Islands Business Council. We are bolstering and better targeting our trade and investment promotion work, focusing our efforts on particular growth sectors and working more with regional business bodies, such as the three business councils: the Australia Papua New Guinea Business Council, Australia Fiji Business Council and Australia-Pacific Islands Business Council. At the same time, we are advancing our Economic and Commercial Diplomacy strategy through Pacific island country Posts, our State and Territory Offices and our portfolio agencies Austrade and Export Finance Australia (see Supplementary Submissions in Chapter 6).

Developing the business enabling environment is a long-term process and it can be difficult to translate changes in the business environment to impacts on the ground. Working more directly with the private sector through the aid program can help promote change more rapidly, delivering outcomes in the shorter term while broader efforts are continuing.

The **Pacific Readiness for Investment in Social Enterprise (Pacific RISE)** is an example of how a program can connect investors (including Australian investors) to Pacific social enterprises to create long-term investment relationships. Pacific RISE seeks to connect investors to Pacific social enterprises and create long-term investment relationships. The Pacific Investment Readiness Pilot from 2015-16 demonstrated that investors

³² Australia ranks within the top three foreign direct (private sector) investors in Fiji, PNG and Solomon Islands: Anthony Bergin & Rebecca Moore, *Businesses can help Australia's step-up in the Pacific*, Australian Strategic Policy Institute, 28 November 2018.

were interested and ready to invest in the Pacific if they became familiar with the business climate and potential investments. The pilot resulted in two investments: A\$80,000 for a Samoan coconut factory and A\$656,000 for a Vanuatu coffee producer recovering from Tropical Cyclone Pam.

The **Pacific Tourism Development Pilot** – a partnership between Carnival Australia (contributing over A\$200,000), the Difference Incubator, and DFAT’s innovationXchange – is identifying and developing potential new tourism businesses and accrediting them to Carnival Australia in three key ports: Port Vila and Santo (Luganville) in Vanuatu, and Alotau in Papua New Guinea. To date the pilot has worked with 20 tourism businesses in Vanuatu, 55 per cent of which are female led. In Vanuatu, four commercial contracts have been secured with Carnival Australia with another four expected in 2020. These contracts are expected to generate approximately A\$1.4 million of annual income and 90 jobs in Vanuatu alone.



Women in Morobe Province PNG using solar rice mills provided through Australia’s Incentive Fund

Corporate partnerships are an important step toward government, business and the development sector working together to drive economic growth. This private sector engagement enables DFAT to leverage the resources of Australian corporate partners to deliver business benefits while also delivering development outcomes in the Pacific. In 2012, DFAT signed a Memorandum of Understanding (MOU) with Carnival Australia. MOUs with Westpac and ANZ focussed on increasing access to finance, improving financial inclusion and financial literacy and the empowering women through increased access to finance in the Pacific.

We remain committed to supporting **accessible and affordable remittance flows** from Australia to the Pacific. The Pacific Financial Inclusion Program, to which Australia contributes funding, works with industry and Pacific banks to link international remittance platforms to bank accounts and integrate mobile money platforms to Vodafone’s international money transfer hub. Australia’s GfG Program in Vanuatu supports e-Wallet fintech applications for electronic money transfers between phones, including from international locations.

CASE STUDY 10: FIJI'S PUBLIC PRIVATE PARTNERSHIP WITH AUSTRALIAN HEALTHCARE BUSINESS

In early 2019, a respected Australian healthcare business entered into a public private partnership (PPP) with the Government of Fiji to substantially upgrade, maintain and operate two public hospitals in Fiji, providing free health services for Fijian citizens. The PPP is a first for Fiji and the Pacific. It will provide access to a wider range of higher-quality health services for the first time. Heart surgery and radiotherapy for cancer will be available for Fijians for the first time.

The project has great potential to strengthen Fiji's credentials as a medical services hub for the region. The hospitals will be built to international standard, promoting confidence in the level of care available. With one of the hospitals located in close proximity to Nadi International Airport, which enjoys good connectivity with Australia, there is potential for Fiji to become a premier retirement and aged care destination.

The IFC provided technical support to the Fijian Government to structure and tender the PPP. Australia's aid program part-funded IFC's feasibility work on this project. The PPP was awarded following a competitive tender. IFC, which managed the tender process, worked with each tenderer and provided the same financial information to all parties.

Upon being awarded the contract, the business developed a comprehensive financial model and considered the cost estimates for construction upon which the tender was based, under-estimated the likely costs of construction. This demonstrates the need to build in flexibility within PPPs to address perceived financing shortfalls, while avoiding over-investment of partner government resources. There is a need to build business knowledge on the unique circumstances in Pacific Island Countries and potential cost impacts.

DFAT promotes industry dialogue on the challenges facing remittances to the Pacific, including issues relating to de-risking and the withdrawal of correspondent banking relationships. Together with international organisations and the Reserve Bank of Australia, DFAT has supported industry roundtables, attended by representatives from commercial banks and remittance service providers, to discuss trends and challenges for the industry as they relate to the remittance sector.

DFAT has previously coordinated advocacy with other Australian Government agencies to encourage companies to reduce their international money transfer fees, with some welcome progress. For example, the Commonwealth Bank reduced fees for around 30 currencies, including Vanuatu, Papua New Guinea, Fiji and Solomon Islands and ANZ reduced its fees to seven Pacific island countries.



Head of the Office of the Pacific, Ewen McDonald, meets with market vendors at Honiara Central Market

The **Pacific diaspora** in Australia offers strong residual connections and knowledge of local markets in their countries of origin – this is an important element in facilitating increased trade and investment with Pacific island countries.

In Cairns, a large Papua New Guinean diaspora population has facilitated strong trade and investment links with Papua New Guinea, including in education, property and tourism. In Canberra, the Papua New Guinean-themed Niugini Arabica coffee shop and associated roaster in Duffy was established by ANU-affiliated academics from Papua New Guinea and Fiji, who used their links with the Papua New Guinea Highlands to source coffee for the business. In Brisbane, a successful 24-year-old business woman who grew up in Papua New Guinea and attended school in Australia, has entered into business ventures in Port Moresby, Lae and Kimbe through her company Zambilla Co.

Through the Pacific RISE program, we are supporting the design of an investment fund which would enable Pacific diaspora in Australia to invest in Pacific businesses. Through a partnership with the Pacific Business Sports Entrepreneurs (PBSE) group, Pacific RISE will provide technical support on the initial research and design of the fund, including support for a gender analysis, and funding to conduct investor engagement.

In recognition of the strong cultural and economic importance of kava both in Pacific island countries and for the diaspora in Australia, we have eased the restriction on kava imports into Australia. We have doubled the amount of kava that can be imported for personal use from two kilograms to four kilograms and will commence a **commercial importation of kava pilot program** by the end of 2020 Australia.

The Australian Government is also stimulating business and investment through **PacificAus Sports**, which supports new Pacific teams to compete in Australian sporting competitions (see Case Study 10). These new sports teams and businesses will create employment opportunities for Pacific athletes, coaches, support staff and administrators. The teams will also attract sponsorship both in Australia and throughout the Pacific, generating interest when they play home fixtures and among Pacific diaspora communities when they play in Australia. Likewise, Australian teams will contribute to Pacific island countries' economies through regular travel to the region.

CASE STUDY 11: FIJI KAIVITI SILKTAILS RUGBY LEAGUE CLUB

An early PacificAus Sports success is the creation of the Fiji Kaiviti Silktails Rugby League Club. The Fiji-based team will play in the NSW Rugby League Ron Massey Cup in 2020. Australia's support for the team has effectively acted as seed funding for the club, enabling it to attract sponsorship within Fiji and Australia, allowing them to employ coaching and administration staff, sign young Fijians to playing contracts and invest in a training facility in Nadi. PacificAus Sports will seek to replicate their success with other Pacific countries and sports, such as netball, through to 2023.

3.7 SUPPORTING SUSTAINABLE & INCLUSIVE GROWTH

Our commitment to both inclusive and sustainable economic growth is underpinned by our efforts to promote greater trade and investment with Pacific island countries, in line with Pacific island countries' objectives and aspirations.

Sustainable economic growth requires societies to create the conditions that allow people to have quality jobs that stimulate the economy while not harming the environment. Importantly for Pacific Island countries, this includes planning for and adapting to climate change.

Pacific island countries are some of the most vulnerable in the world to the effects of climate change. The World Risk Index 2019 ranks five Pacific island countries among the top 20 most at-risk countries, including Vanuatu and Tonga, which are ranked first and third respectively. Pacific island countries' key economic sectors, including agriculture, fisheries and tourism, are among the most vulnerable to the impacts of climate change. Rises in sea levels, temperature and cyclones can impact infrastructure, which supports connectivity, such as transport (including ports and roads), which directly supports trade. Post-disaster assessments of recent extreme events, including Tropical Cyclone Pam (Vanuatu and Tuvalu) and Tropical Cyclone Winston (Fiji), cite sustained impacts on productivity, supply chains and access to markets in all economic sectors.

Disruptions to trade associated with climate change are already occurring. Resilient infrastructure planning, design and maintenance enables countries to benefit from linkages and connectivity to regional and global markets. Incorporating environmental resilience can help obtain efficiencies towards the already high costs of linking Pacific markets and support improved trade competitiveness (see Case Study 11).

CASE-STUDY 12: BUILDING RESILIENT INFRASTRUCTURE IN NATURAL DISASTER RECOVERY

Australia funded a project to assist Vanuatu's recovery from Tropical Cyclone Pam, delivered through the Enhanced Integrated Framework (EIF)— a multilateral partnership dedicated to assisting LDCs to use trade as an engine for growth, sustainable development and poverty reduction. This project rebuilt and redeveloped the Port Vila commercial cruise ship port, aiding in Vanuatu's economic recovery while also delivering an upgrade to Port facilities building in disaster-resilience.

As part of supporting Pacific island countries through climate challenges, Australia contributes to climate science and information services. Regular rainfall and cyclone outlooks are produced by Pacific metrological services supported by the Climate and Oceans Support Program in the Pacific. Early Action Rainfall Watch bulletins are also being produced by met services in some countries, including Vanuatu, with impact forecasting tailored to sectors such as tourism. The Australia Pacific Climate Partnership is also providing specialist expertise to tailor climate science to the needs of farmers and agribusiness, including through PHAMA Plus and the Australian Humanitarian Partnership.

Inclusive economic growth is economic growth that is distributed fairly across society, creating opportunities for all. Despite some progress, most women and girls remain economically disadvantaged in most Pacific island countries – especially young women, who are almost twice as likely to be unemployed than young men in Fiji, Samoa, Solomon Islands and Tonga, for instance. Women in the Pacific are also concentrated in low-paid and low skilled jobs, informal and often vulnerable employment, as well as having to manage unpaid household and care work.

Investing in women and girls has a powerful effect on overall economic growth and wellbeing and is therefore key to achieving broader development objectives. DFAT is strongly committed to leading efforts to give women and girls the opportunities and resources to reach their full potential.



Minister for Foreign Affairs and Minister for Women, Senator Marise Payne, meeting with community leaders working to improve the lives of women in Papua New Guinea

Trade can empower women through various transmission channels including better economic opportunities, technological upgrades, socioeconomic empowerment, and labour reforms. Australia's aid for trade to the Pacific is increasingly supporting women's economic empowerment, including in areas such as trade policy, trade in services including tourism, digital trade and creative industries. This will be complemented by broader development programs which foster female entrepreneurship and integrate it with targeted support to Micro, Small to Medium Enterprises (MSMEs), promote access to finance and infrastructure and foster more conducive regulatory and institutional frameworks.

Disability inclusive development is another example of Australia's efforts to foster inclusive economic growth. In the Pacific Region, an estimated 1.7 million people have a disability, with many more experiencing serious health conditions. To address barriers to trade for people with disabilities, economic infrastructure such as roads and bridges must be accessible for people with disabilities. Assistive products and technologies are also important in enabling people with disabilities to take advantage of economic opportunities.

Infrastructure such as telecommunications, energy, transport and water is crucial to building an enabling environment for trade and investment. Consistent with principles of inclusive growth, AIFFP includes appropriate safeguards such as gender equality and disability inclusion considerations as an explicit component in each infrastructure project's design, implementation, governance and monitoring, recognising the clear evidence that economic infrastructure has differential impacts on women and men, especially those with disability.

Consistent with principles of sustainable economic growth and evidence of the benefits of managing climate risks and building climate resilience, all infrastructure supported by the AIFFP will be built to withstand the impacts of climate change and natural disasters. The AIFFP will also fund projects which support renewable and lower emission energy generation and transmission.

4. FUTURE DIRECTIONS

As detailed in chapter 3, Australia's existing initiatives directed at promoting trade and investment in the Pacific are wide ranging and long term. Building on this effort, Australia will boost our efforts to strengthen trade and investment with the Pacific by:

- **Continuing to grow participation in Australia's labour market** through the PLS and SWP. Labour mobility offers one of the largest economic opportunities for Pacific economies. The World Bank estimates that expanding labour mobility could generate an additional net income of about US\$13 billion for about 240,000 people in the Pacific.
- **Supporting effective implementation of the PACER Plus agreement.** As part of its implementation, Australia will work to establish an efficient PACER Plus Implementation Unit, providing technical support to implement the agreement and address gaps in key areas such as rules of origin, customs, biosecurity measures, standards and conformance, trade in services and investment.
- **Strengthening efforts to build a strong business and investment enabling environment** to encourage investment. There is significant work remaining to enable broader reforms to support a business enabling environment that is conducive to trade activity and attracting investment.
- **Being an active regional and global player on trade and economic issues.** At the regional level, we will work closely with regional organisations such as the PIF, UNCTAD, the World Organisation for Animal Health (OIE) and the Oceania Customs Organisation (OCO) to ensure our efforts are as coordinated as possible. At the global level, Australia will continue to support and advocate for Pacific interests at the WTO so that the Pacific can benefit from a global rules-based trading system which reflects their needs.
- **Increasing engagement with other donors and trading partners** of interest to Pacific island countries, including Japan, Korea, China, the US, the EU, New Zealand and the UK on aid for trade initiatives and economic infrastructure. As the region's major bilateral grant aid development partner, Australia is committed to greater cooperation and coordination with all other development partners to maximise opportunities for all communities in the Pacific to reach their potential.
- **Working to leverage the economic benefits of Australia's infrastructure investments.** For example, Australia is exploring ways to maximise impact of the Coral Sea cable system to promote Pacific island country trade in goods and services through digital trade.
- **Supporting an inclusive approach to economic development.** Australia's aid for trade to the Pacific will increasingly support women's economic empowerment including in areas such as trade policy, trade in services including tourism, digital trade and creative industries. This will be complemented by broader development programs fostering female entrepreneurship and integrated with targeted support to MSMEs, promoting access to finance and infrastructure and fostering more inclusive regulatory and institutional frameworks. Our efforts to foster inclusive economic growth will also focus on disability inclusive development.
- **Supporting sustainable economic growth:** Going forward, Australia will increasingly look at ways in which planning for natural disaster and climate change impacts on productive sectors can be factored into our programs. Consistent with the 'Pacific Blue' vision based on being a clean and environmentally diverse region for agriculture, fisheries and tourism, there are also opportunities to adopt clean and renewable energy sources.

- **Supporting industries where the Pacific has a comparative advantage:** For example, Australia will continue to work with partners to support sustainable development of the tourism sector in Pacific island countries. The sector also presents a range of related opportunities that Australia can look to support, including in partnership with the private sector, such as agri-tourism, marine-based tourism, cultural tourism, cultural industries and related service industries to women and youth in many Pacific island countries.
- **Developing an integrated Australian Government Pacific Economic Strategy:** Developing an integrated Pacific Economic Strategy will help support a more systematic and coordinated Whole-of-Government approach to boosting economic integration, as well as the Pacific's economic growth, trade, investment and private sector engagement. Such an approach by Australian public service and technical agencies would mean working across portfolio boundaries to achieve our shared goal of boosting trade and investment in the Pacific. There is scope for Australian government agencies to work more closely with Pacific island country government counterparts, including to support to Pacific island countries' trade and investment agencies to increase their capacity to respond to greater trade and investment opportunities.



Cocoa pods on display at the 2019 Bougainville Chocolate Festival

5. CONCLUSION

Australia is well placed to work in partnership with our Pacific island neighbours to capture the opportunities identified in the submission. The Pacific Step-up provides the additional momentum and focus to build on our existing trade and investment activities, both through the private sector and our aid program. It is in both the Pacific and Australia's interests to strengthen our trade and investment relationship. This will support regional prosperity, security and stability.

6. SUPPLEMENTARY SUBMISSIONS

6.1 AUSTRALIAN CENTRE FOR INTERNATIONAL AGRICULTURAL RESEARCH

Trade is essential for ensuring food security and stable economies in the Pacific region

Food security means having reliable access to a sufficient quantity of affordable, nutritious food. For some countries (and regions within countries), food security comes substantially from locally-grown or home-grown food. Other countries and regions within countries are highly dependent on national and international food trade.

Food security within the region is threatened by increasing vulnerability to economic shocks (such as abrupt changes in food and fuel prices) and natural shocks (such as invasive pests and diseases). These vulnerabilities have limited the development of commercially-oriented agriculture, fisheries, and forestry sectors and left many Pacific countries heavily dependent on imports of food and other commodities. For instance, the Coconut Rhinoceros Beetle can result in significant yield losses of coconuts, as well as tree mortality. Coconuts are essential for food security and are also a source of cash income.

All Pacific countries are concerned about the potential impacts of climate change on food security, with predicted stronger periods of drought and wet weather (in some cases causing destructive flooding), associated with El Niño cycles. Some models predict that cyclones may become more severe, even though fewer in number.

The vulnerability of the Pacific island countries is increased by their narrow resource base which implies the economic dependence of many islands on exports of a single commodity or limited range of commodities. For much of the twentieth century, many Pacific island economies were heavily dependent on copra as their principal source of export income; however, with the falling value of coconut oil, this previous source of wealth has become a poverty trap for many communities and countries that lack the resources to diversify into higher value products (which could support the rejuvenation of the industry) or into other higher value crops and commodities.

Some Pacific countries are heavily dependent on marine resources, especially tuna, for their export earnings. In this case significant vulnerability arises from the limited control that each country has over the management of fish resources. An emerging threat is that rising sea temperatures, especially when accentuated by El Niño cycles, may affect the migration of some tuna species, potentially taking fish populations out of the waters of Pacific island countries that depend heavily on them economically.

While under-nutrition remains a severe problem in some poorer, rural areas of Pacific countries, changes in diets and lifestyles associated with increasing incomes and urbanization have led to Pacific countries having experiencing an epidemic of non-communicable diseases with some of the highest levels of obesity in the world, along with record levels of Type II diabetes and heart disease.

Strengthened local, regional and international trade systems and connectivity can provide a buffer to these food security vulnerabilities of the region through greater income earning opportunities and access to more diverse, affordable and nutritious foods.

Australian expertise is well placed to strengthen trade with and within the Pacific

It is in Australia's national interest to ensure a stable and prosperous Pacific through developing trade opportunities that deliver food security benefits and more-stable economies. Over the past ten years, facilitating the development of agricultural commodity trade and related enterprise development has been a major part of Australian development assistance to the Pacific countries, with DFAT supporting the Pacific Horticulture and Agriculture Market Access program (PHAMA) and the Market Development Facility (MDF), and ACIAR supporting the Pacific Agribusiness Research-for-Development Initiative (PARDI) and Transformational Agricultural Development Program (TADEP) In PNG.

ACIAR now has a range of well advanced 'commodity' and 'product development' projects including on pearls and pearl handicrafts, algae, cocoa, breadfruit, local tree nuts, timber products and protected cropping of vegetables. From these experiences, each starting with value chain research to understand the constraints to industry development, ACIAR and its partners have learned how relatively modest injections of public funds can help to facilitate enterprise development and trade in agrifoods and byproducts.

Fostering the development of agrifood, marine products and forestry value chains will continue to be important within the Pacific region, with increasing emphasis needed on inclusion and equity in the functioning of such chains.

Australian research expertise is well placed to work with researchers in the region to address many of the biosecurity threats to trade. Many ACIAR projects – notably in biosecurity but also in crops, livestock, horticulture, fisheries, water and forestry – have delivered significant benefits back to Australian industries through early detection and better management of pests and diseases, access to better varieties, or improved productivity or resilience. As part of combatting the damage caused by the Coconut Rhinoceros Beetle, ACIAR has provided surveillance, clean-up, disease studies and awareness.

Partnerships with the private sector will naturally be important but selection of partners of the optimum scale and appropriate characteristics will be an area meriting further attention.

About ACIAR

The Australian Centre for International Agricultural Research (ACIAR) is an Australian Government Statutory Authority within the portfolio of Foreign Affairs and Trade, funded through Official Development Assistance (ODA). Under the Australian Centre for International Agricultural Research Act 1982, the Chief Executive Officer is accountable to the Minister for Foreign Affairs.

ACIAR was established by the Fraser Government in 1982 to deploy Australia's strengths in agricultural science to improve food security, water security and biosecurity in our region. It is a small agency (78 ASL) that currently spends around 2.5% of the aid budget across four regions: East Asia (45% of ACIAR's bilateral research expenditure), PNG and the Pacific (30%), South Asia (15%) and Eastern and Southern Africa (10%). Independent evaluations of ACIAR projects and programs have consistently found high returns on investment, reflecting both the quality of Australian agricultural science, and ACIAR's partnership model that ensures a high level of engagement with in-country partners and take-up of research results.

The Australian Centre for International Agricultural Research (ACIAR) is Australia's specialist international agricultural research for development agency—an independent statutory agency within the foreign affairs portfolio reporting directly to the Minister for Foreign Affairs. ACIAR was established in 1982 under the *Australian Centre for International Agricultural Research Act* to: *...encourage research for the purpose of identifying, or finding solutions to, agricultural problems of developing countries.*

Under the ACIAR Act, the functions of ACIAR are to:

1. Formulate programs and policies with respect to agricultural research for either or both of the following purposes:
 - a. Identifying agricultural problems of developing countries;
 - b. Finding solutions to agricultural problems of developing countries;
2. Commission agricultural research by persons or institutions (whether the research is to be conducted in Australia or overseas) in accordance with such programs and policies;
3. Communicate to persons and institutions the results of such agricultural research;
4. Establish and fund training schemes related to its research programs;
5. Conduct and fund development activities related to its research programs; and
6. Fund international agricultural research centres.

The rationale for establishing ACIAR remains even more valid today. Through international agricultural research partnerships deploying Australia's strengths in agricultural science, ACIAR seeks to promote more productive and sustainable agricultural systems for the benefit of developing countries and Australia.

ACIAR's mission is to achieve more productive and sustainable agricultural systems, for the benefit of developing countries and Australia, through international agricultural research partnerships.

ACIAR's vision is a world where poverty has been reduced and the livelihoods of many improved through more productive and sustainable agriculture emerging from collaborative international research.

All countries in the Indo-Pacific region are grappling with the complex, intersecting challenges of how to grow more and healthier food and reduce poverty, using less land, water, energy and fewer nutrients per unit of output, in changing climates. For the past 37 years ACIAR has made (and is continuing to make) significant contributions to meeting these challenges by working with partner countries. Its partnership model ensures that partner countries have input into and ownership of research priorities and the delivery of research programs. ACIAR does this by:

- working with partner countries to identify research priorities
- tackling those priorities through research partnerships with universities, governments and private firms
- building scientific and policy capability within the region
- evaluating research outcomes to measure impact and return on investment.

The most-recent independent review of ACIAR (2013) recognised that ACIAR works in an increasingly complex environment, both domestically and internationally, and has an increasingly important role to play. The review examined ACIAR's effectiveness, efficiency and appropriateness in contributing to global food security and poverty alleviation. The review confirmed the important role that ACIAR plays in delivering food security and creating opportunities for many of the world's poorest farmers and concluded that 'ACIAR is an institution of which Australians can be proud'.

Australia has great strengths in agriculture, underpinned by our excellence in agricultural research. Australian agricultural science has much to offer countries in our region as they seek to improve their food security, by increasing agricultural productivity, sustainability and food system resilience.

ACIAR-funded research, while primarily helping smallholder farmers and rural communities in developing countries, also delivers benefits to Australian agriculture through:

- new production technologies
- access to improved varieties of crops
- protection from pests and diseases
- increased trade
- increased skills and knowledge of Australian researchers.

The ACIAR 10-year Strategy 2018-27 was launched by the then Minister for Foreign Affairs, The Hon Julie Bishop MP, in Parliament House on 26 February 2018. This strategy broadened ACIAR's focus to develop the knowledge base that underpins six high-level objectives consistent with the Australian Government's aid policy and the 2030 Agenda for Sustainable Development. The six high-level objectives are:

1. **Food security and poverty reduction** – improving food security and reducing poverty among smallholder farmers and rural communities
2. **Natural resources and climate change** – managing natural resources and producing food more sustainably, adapting to climate variability and mitigating climate change
3. **Human health and nutrition** – enhancing human nutrition and reducing risks to human health
4. **Gender equity and women's empowerment** – improving gender equity and empowerment of women and girls
5. **Inclusive value chains** – fostering more inclusive agrifood and forestry market chains, engaging the private sector where possible
6. **Capacity building** – building scientific and policy capability within our partner countries.

ACIAR and the Pacific

ACIAR has been supporting collaborative research and capacity building with the Pacific since 1982, focusing on Papua New Guinea, Fiji, Vanuatu, Solomon Islands, Tonga, Samoa, Tuvalu and Kiribati. In 2019/20 ACIAR has 69 active research projects in this region valued at \$20.3m and formal capacity building valued at \$2.2m.

6.2 THE AUSTRALIAN TRADE AND INVESTMENT COMMISSION

While ongoing and emerging risks continue to present challenges to the economic advancement of the region changes in the political and business operating environment have the potential to increase economic activity and expand commercial opportunities.

The current level of Australian business activity in Pacific markets reflects the scale of the opportunities on offer as compared to opportunities in other international markets.

Growing investment in the region, increasing commercial activity, and emerging technologies will together drive expansion of business opportunities in the region and present new sectors of growth. The Pacific is currently attracting increased attention from the international business community which will increase competition for Australian firm. This growing number of global firms operating in the region may also create new customers and possibilities for partnerships for Australian businesses in the Pacific.

Austrade has identified the Pacific as a priority and is encouraging a focus on infrastructure services, new technologies, digital education, training and innovation. These enablers will allow Australian firms to explore the possibilities of different technological solutions in areas of service delivery and business activity. When combined with the key strategic drivers contained in the Australian Government's Step-up agenda, as well as other commercial opportunities, Austrade and is supporting its clients to aspire to new markets, products and commercial dividends across the Pacific.

1. Austrade's Presence in the Pacific

The Australian Trade and Investment Commission –Austrade – is the Australian Government's trade and investment agency. Austrade contributes to Australia's economic prosperity by helping Australian businesses, education institutions, tourism operators, governments and citizens as they develop international markets and promote international education, win productive foreign direct investment, strengthen Australia's tourism industry, and seek consular services.

Austrade recognises the geopolitical importance of the Pacific and is committed to reinforcing key existing market sectors, growing new opportunities and promoting the Government's economic and commercial diplomacy agenda in the region.

As part of a 2018 internal International Network Review, Austrade considered various options to enhance agency resources focused on the Pacific, as part of a broader reform agenda. In 2019, Austrade created a dedicated Pacific focused team based in Auckland, overseen by General Manager Pacific and comprising three A-based staff (Brisbane, Australia; Port Moresby, Papua New Guinea (PNG); and Auckland, New Zealand) and 6.5 locally engaged business development managers that service clients across the Pacific.

In addition to its physical presence in the region, Austrade recognises that success in the Pacific requires strong relationships and networks Business Councils, Pacific Trade Invest, Industry Associations, Chambers of Commerce and government trade and investment institutions. These organisations are all important to enhancing Australia's commercial presence in the Pacific and our operating and business model. Equally Austrade works closely with numerous Australian-based Pacific business councils to provide opportunities and link businesses.

2. Austrade's Role in the Pacific

Austrade recognises that the Pacific has long been an attractive market for a range of Australian businesses, which have benefitted from the competitive advantage offered by our geographic location, well established supply chains, historical markets and emerging opportunities in the region.

The most commonly exported Australian goods and services to the Pacific include:

- agribusiness services
- food and beverage products including cereals and grains
- building and construction materials, and
- prefabricated buildings and structures.

2019 AUSTRADE PACIFIC HIGHLIGHTS

PNG Australia Business Forum (17 – 18 June 2019)

- Austrade led the delivery of an Innovation event (17 June) and a business session focused on SMEs (18 June).

Pacific Priorities Seminar (2 May 2019)

- Partnered with DFAT and the US Commercial Service to host a seminar in the margins of the Asian Development Bank AGM in Fiji.

PNG Prime Minister Marape Visit to Australia (22-26 July 2019)

- Delivered two business specific events - CEO Business Breakfast - jointly hosted by Austrade and Export Finance Australia and the Australia – PNG Business Forum Lunch.

Education Missions to PNG and Fiji/Samoa (July 2019)

- Delivered a mission featuring 27 universities, in partnership with DFAT. New digital technologies will be a priority as cable linkages are improved across the Pacific.

Australian exporters also provide a range of services in tourism, education, infrastructure, architecture and mining sectors which vary according to the drivers in each country.

Austrade assists Australian businesses to help them understand the commercial opportunities in the Pacific, and promote Australian capabilities to Pacific nations to help meet their development needs and promote economic growth.

Our services in the region are focused on the sectors and areas where we see the strongest commercial potential. For Fiji and the Pacific Islands, our priority sectors are International Education, Major Infrastructure and Urban Development. In PNG, we are focused on trade opportunities in International Education and Resources and Energy.

Austrade is also focused on leveraging opportunities created under the Australian Infrastructure Financing Facility for the Pacific (AIFFP) for Australian companies to provide services and products to support delivery of projects in the Pacific by accessing funding under the AIFFP.

Investing in and developing human capital in the Pacific is critical to Australia's aspirations in the Government's Step-up agenda and for economic and commercial success by Australian business. There are

skills and capability deficits in key sectors such as infrastructure, agribusiness, digital skills and health which provide opportunities for the Australian training and tertiary sectors to meet future industry needs.

Austrade partners with DFAT in annual education missions to Fiji, Samoa and PNG for potential students to discuss career and course content for studying in Australian universities or online studies. Through these education missions Australia provides Pacific Island students the skills and knowledge to drive change and influence economic and social development.

Looking to the future, Austrade has identified growing opportunities in the resources, energy, water, and infrastructure sectors, as well as encouraging digital and innovative businesses in the Pacific. We will continue to prioritise our efforts in PNG and Fiji as the markets that present the greatest commercial opportunities in the region with ongoing engagement in New Caledonia and Samoa.

FUTURE OPPORTUNITY: DIGITAL TRANSFORMATION OF THE PACIFIC

Australia is supporting the digital transformation of the Pacific by financing infrastructure projects and supporting take-up of digital solutions to drive efficiencies in business, government and communications. Access to high-quality digital technologies in the future will enable the geographically dispersed communities in the Pacific to access the benefits of improved connectivity through:

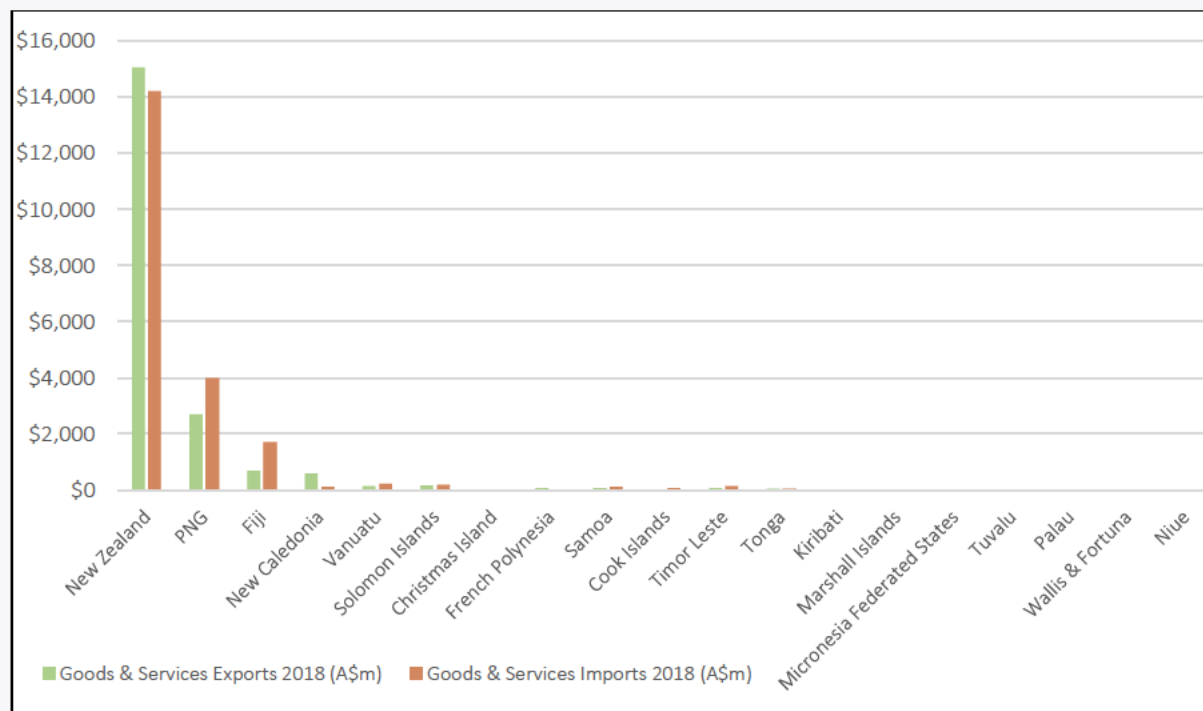
- Improved access to regional and international markets, including leveraging digital trade
- Expanded online delivery of education and training services
- Improved access to services – including banking, business transactions, and government
- Improved communications and connectivity, and
- Leveraging critical geospatial and climate data.

Future strategic investments like the Coral Sea Fibre-Optic Cable (PNG and Solomon Islands) will present new digital business opportunities. Ongoing amplification of existing cables in Fiji and Samoa provides a technology base to introduce e-commerce and new digital solutions that may assist with traditional development needs (e.g. fintech, regional and remote area internet access, education and training, digital technologies for government and business).

3. Doing Business in the Pacific

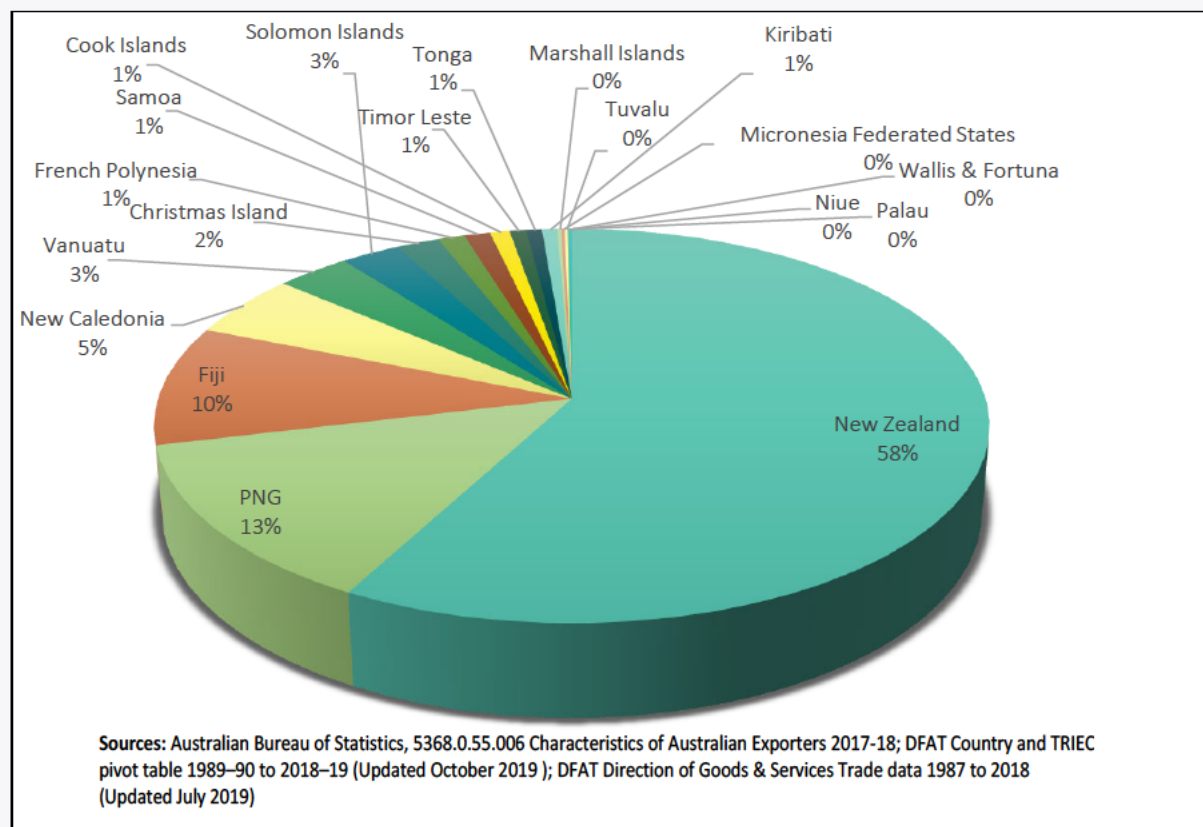
In terms of volume, New Zealand is Australia's largest market in the Pacific with over 18,000 Australian exporters supplying goods and services in 2017-18. As this relationship is mature and highly developed, Austrade's activities focus on supporting the Government's Single Economic Market (SEM) agenda, identifying emerging opportunities, and supporting Australian businesses. In comparison, PNG attracts more than 4,000 Australian exporters and Fiji more than 3,000 exporters (see **Chart 1** and **Chart 2** for export market size and value comparison).

Chart 1: 2017-18 Australian Exports / Imports to the Pacific by Value



Sources: ABS Statistics, 5368.0.55.06 Characteristics of Australian Exporters 2017-18; DFAT Country and TRIEC pivot table 1989-90 to 2018-19 (Update October 2019); DFAT Direction of Goods & Services Trade data 1987 to 2018 (Update July 2019)

Chart 2: 2017/18 Australian Exporters Servicing Pacific Markets (%)



Sources: Australian Bureau of Statistics, 5368.0.55.006 Characteristics of Australian Exporters 2017-18; DFAT Country and TRIEC pivot table 1989-90 to 2018-19 (Updated October 2019); DFAT Direction of Goods & Services Trade data 1987 to 2018 (Updated July 2019)

Despite the number of Australian companies exporting to the Pacific there is a limited number of Australian companies with a direct investment in these markets through, for example, the provision of branch offices or other physical presence in country.

The reasons are varied but market observations highlight limited scale and size of markets, surety of ongoing orders, certainty of project pipeline and scale of projects, variable quality of communication and access systems including telecommunications and internet bandwidth, and adequacy of transport infrastructure. Larger businesses, particularly in the infrastructure sector, often overlook the Pacific in favour of high-growth opportunities in Australia or ASEAN.

COMMERCIAL OPPORTUNITIES FOR AUSTRALIAN BUSINESSES IN PAPUA NEW GUINEA, FIJI AND THE PACIFIC

“Business risk in the Pacific is a consideration with many Australian companies having concerns relating to: contracting procedures, Government procurement policies, taxation, and exchange rates. Further, population size, remoteness, scale, return on investment and behind the border barriers can add to the challenges of doing business”.

In 2019 Austrade commissioned specialist Pacific-focused consultant, Tebbutt Research, to undertake market research into Australian business engaged in the Pacific to highlighting their experiences, successes, advice and barriers to trade.

The report maps Australian business opportunities across PNG , Fiji, the Solomon Islands and Samoa, showcasing:

- Successful Australian firms in the Pacific, and
- Lessons learnt and opportunities to assist Australian firms to enter the market.

Further insights from this report include a summary of the challenges facing Australian businesses in the region, future growth opportunities and thematic observations by individual nations.

Tebbutt Research’s ‘Commercial opportunities for Australian businesses in Papua New Guinea, Fiji and the Pacific’ report is the result of over 20 detailed client interviews with businesses active in the region. These de-identified interviews allowed Tebbutt to gather ‘peer tested’ market intelligence on the challenges facing Australian business in market, identify common themes and trends and provide factual evidence on business practices.

As part of the reporting process, Tebutt Research utilised this information to compose a shortlist of business risks for Australian businesses operating in the Pacific (see **Table 1**). The table commentary also contains additional information on mitigation strategies businesses have utilised as well as environmental observation.

In terms of managing these challenges in-market, it is important to acknowledge that there is no “one-size-fits-all” solution to the needs of Pacific Island nations, however the imperatives of strong relationships (being present), and economic cooperation through partnerships and working local businesses and authorities is common to all markets.

In order to succeed, Australian companies need to deliver projects in partnership with local businesses; facilitate market entry, provide training for local staff, and encourage technology and business practices

transfer. The report noted that successful exporters always focus on due diligence and long term planning and had mitigation strategies in place to help with challenges.

In addition, the researchers found that a number of businesses clearly identify the value of working with Austrade and DFAT officials in market as critical to understanding and navigating local commercial, regulatory and governance frameworks and systems. Equally this applies to an Australian requirement for Pacific Islands to do business with Australia.

Table 1: Summary of Key Business Risks Facing Australian Businesses in the Pacific

Risk	Comment
Networks and Knowledge	<ul style="list-style-type: none"> • In-country network of contacts viewed as fundamental to a successful presence. • Organisations with partners or working as a sub-contractor had significant advantages over businesses establishing a market presence for the first time
Cultural Diversity	<ul style="list-style-type: none"> • The Pacific comprises a diverse range of countries, with different business cultures, beliefs, and faiths • New entrants to the Pacific region shouldn't underestimate the cultural diversity of countries (approach the market with an open mind) • No "one size fits all" approach to the Pacific
Understand Risk	<ul style="list-style-type: none"> • Understanding the risk profile of customers • Understand opportunity / operational challenges and risks regardless of sector <ul style="list-style-type: none"> ◦ This factor was heightened for those businesses operating in PNG • Payment risk was viewed as significant risk factor <ul style="list-style-type: none"> ◦ Payments are slow with businesses expected to offer standard credit terms of 60 -120 days
Unethical Business Practices	<ul style="list-style-type: none"> • Potential exposure to corruption was identified as a major challenge for Australian businesses operating in the Pacific
Governance and Regulation	<ul style="list-style-type: none"> • Government stability across the region was identified as a risk that requires acknowledgement and understanding by business • Larger companies indicated that this factor represented a key component of their engagement planning and risk profiling for projects • Business registration processes, taxation, tariff and duties, and insurances are major imposts for doing business in the Pacific.
Competition is increasing	<ul style="list-style-type: none"> • Aid money is influencing infrastructure opportunities (works funded by donor countries) • New companies (e.g. foreign construction) entering markets based on donor funds • Competition in the region is growing influenced by donor preference
Social License to Operate	<ul style="list-style-type: none"> • In order to operate successfully in the Pacific region it is critical to gain a level of acceptance from local communities and government authorities <ul style="list-style-type: none"> ◦ Develop a holistic engagement strategy when working within communities ('make good and do good for local communities')
Resourcing and Security	<ul style="list-style-type: none"> • Meeting local labour content policies can be challenging for Australian companies needing technical skills • Law and order issues were highlighted as a significant issue facing businesses operating in Papua New Guinea remote areas

6.3 EXPORT FINANCE AUSTRALIA

Export Finance Australia is the Australian government's export credit agency. It plays a critical role in supporting Australian export trade by providing finance to support viable exporters, companies seeking to invest overseas and overseas infrastructure development.

Export Finance Australia was established under the *Export Finance and Insurance Corporation Act 1991* (EFIC Act) and is defined as a corporate Commonwealth entity under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). It is governed by an independent Board that is responsible for managing its affairs. It is part of the Foreign Affairs and Trade Portfolio and reports to the Minister for Trade, Tourism and Investment, Senator the Hon Simon Birmingham.

The role of export credit agencies

Most advanced economies have government-mandated export credit agencies. Their purpose is to support and enable export trade. Generally, these agencies provide government-backed finance solutions to businesses to help them grow exports and invest overseas. The type of support each agency provides depends upon the mandate from government and can include the provision of loans, insurance or equity.

How Export Finance Australia operates

Export Finance Australia's mandate allows it to assist exporters with finance solutions, including:

- Loans: to support export contracts, or to overseas buyers of Australian goods and services;
- Bonds: to help Australian companies with their obligations under overseas contracts;
- Guarantees: to financiers of overseas buyers of Australian goods and services or to an Australian exporter's bank; and
- Insurance: to protect Australian exporters against the possibility of non-payment due to certain commercial and political risks.

Export Finance Australia and the Pacific

Export Finance Australia has a long history of supporting Australian businesses to export their goods and services to the Pacific. For example, Export Finance Australia's US\$350 million loan to support the PNG LNG Project helped Australian companies secure over \$1 billion worth of contracts during the construction phase of the project.

In April 2019, the Government expanded Export Finance Australia's mandate and financing capacity to boost its ability to support infrastructure development in the Pacific region. The amendments to the EFIC Act have increased Export Finance Australia's financing capacity with an extra \$1 billion in callable capital to enable it to support more and larger projects in our region and allow it to support a broader range of infrastructure projects in the Pacific. The legislative changes also allow Export Finance Australia to assist the operations of the AIFFP by managing AIFFP loans for infrastructure projects that meet development objectives in the Pacific and Timor-Leste. These changes allow Export Finance Australia to more actively support Australia's Step-up in the Pacific and Australia's agenda for an open, inclusive and prosperous Indo-Pacific by enhancing its role in overseas infrastructure projects.

7. APPENDICES

A. ACRONYMS AND ABBREVIATIONS

ADB	Asian Development Bank
AIIB	Asian Infrastructure Investment Bank
APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of Southeast Asian Nations
ACIAR	Australian Centre for International Agricultural Research
DAC	Development Assistance Committee of the OECD
DFAT	Department of Foreign Affairs and Trade
FEMM	Forum Economic Ministers Meeting
FTMM	Forum Trade Ministers' Meeting
FSM	The Federated States of Micronesia
G20	Group of Twenty (governments and central bank governors)
GDP	Gross Domestic Product
IMF	International Monetary Fund
iXc	DFAT's innovationXchange hub
LDC	Least Developed Country
MSME	Micro-Small to Medium Size Enterprises
NGO	Non-governmental organisation
ODA	Official Development Assistance
ODE	DFAT's Office of Development Effectiveness
OECD	Organisation for Economic Cooperation and Development
PACER-Plus	The Pacific Agreement on Closer Economic Relations (PACER) Plus
PICs	Pacific island countries
PIF	Pacific Islands Forum
PIFS	Pacific Islands Forum Secretariat
PNG	Papua New Guinea
RMI	The Republic of the Marshall Islands
SDGs	Sustainable Development Goals
SIDS	Small island developing states
SME	Small-to-medium-enterprise
SWP	Seasonal Worker Programme
UN	United Nations
UNDP	UN Development Program
UNESCO	UN Economic, Social and Cultural Organisation
UNICEF	UN Children's Fund
UNFCCC	UN Framework Convention on Climate Change
WBG	World Bank Group
WTO	World Trade Organization

B. PACIFIC FACTSHEETS

DFAT has prepared one-page fact sheets for each of the PIF countries, including comparative factsheets for New Zealand and Australia. The fact sheets have been developed to provide an overview of each country's international trade, ODA budget allocations and other relevant facts and statistics.

AUSTRALIA



General Information

Population:	25.1 million (2018)
GDP:	US \$1,417 billion (2019)
GDP per capita:	US \$55,421 (2019)
Real GDP growth:	2.1 per cent (2019)
Personal remittances:	US \$1,908 million (2019), 0.1 per cent of GDP

International Trade

	2010	2015	2018
Merchandise exports (US \$ millions):	212,634	187,684	257,098
Merchandise imports:	201,639	208,501	235,386
Services exports:	51,899	54,694	69,171
Services imports:	57,709	63,522	71,851
Trade balance:	5,185	-29,645	19,032

Key exports:

Iron ore, coal, gold, natural gas, beef, aluminium ores and conc, wheat, meat (excluding beef), wool, alumina, alcohol

Key imports:

Motor vehicles, refined petroleum, telecommunication equipment and parts; crude petroleum, medicaments, goods vehicles, gold, computers

Key trading partners:

Exports: China 33.5%, Japan 14.6%, South Korea 6.6%, India 5%, Hong Kong 4% (2017)

Imports: China 22.9%, US 10.8%, Japan 7.5%, Thailand 5.1%, Germany 4.9%, South Korea 4.5% (2017)

Australia's trade and investment with Pacific Island Countries

	2008	2018	Growth (%) ³³
Total goods and services exports to PICs (A\$ m):	3,687	4,604	-2.1
Total goods and services imports from PICs:	5,016	6,616	25.4
Trade balance:	-1,329	-2,012	n/a

Key exports to PICs:

Travel services, business and professional services, petroleum oils, coal, meat, civil engineering equipment and parts, wheat, liquefied propane and butane, specialised machinery and equipment, pumps, manufactures of base metals, mechanical handling equipment, electrical switching apparatus, animal feeds, measuring and analytical equipment, taps and valves, data processing machines, edible products and preparations

Key imports from PICs:

Travel services, gold, crude petroleum oils, silver and platinum, salts, coffee, clothing and apparel, trailers and semi-trailers, non-ferrous metals and scrap, vegetables, other textile manufactures, telecommunications equipment, edible preparations, ships and boats, footwear, fruit and nuts

Australia's investment in PICs (2018): A\$18,466 million

PIC diaspora in Australia: 206,682 (2016 Census)

Labour mobility to Australia: Pacific Labour Scheme – 758 (to 31 December 2019)
Seasonal Worker Program – 12,202 (in 2018-19)

Sources: ABS, World Bank, UNCTAD, other international datasets

na – not available np – not published

³³ 5-year trend growth, annualised.

COOK ISLANDS



General Information

Population:	17,000 (2018)
GDP:	US \$0.36 billion (2017)
GDP per capita:	US \$20,354 (2017)
Real GDP growth:	4.9 per cent (2017)
Remittances:	N/A

International Trade

	2010	2015	2018
Merchandise exports (US \$ million):	5	14	16
Merchandise imports:	91	109	134
Services exports:	-	-	-
Services imports:	-	-	-
Trade balance:	-86	-95	-118

Key exports:

Fish; copra, papayas, fresh and canned citrus fruit, coffee; pearls and pearl shells; clothing

Key imports:

Foodstuffs, textiles, fuels, timber, capital goods

Key trading partners:

Exports – China 31.7%, New Zealand 26.2%, Japan 24.1%

Imports – New Zealand 60.9%, Australia 6.4%, Fiji 6.2%, United States 2.9%

Australia's trade and investment with Cook Islands (A\$m)

	2008-09	2018-19	Growth (%) ³⁴
Total G&S exports to Cook Islands:	21	17	10.5
Total G&S imports from Cook Islands:	30	77	11.4
Trade balance:	-9	-60	n/a

Key exports to Cook Islands:

Electric machinery and parts; Alcoholic beverages; Cosmetics and toiletries; Meat (excl. beef)

Key imports from Cook Islands:

Fish; Cheese and curd; Electrical machinery and parts; Fruit juices

Australia's investment in Cook Islands (2018): Total A\$13 million; FDI np

Cook Island diaspora in Australia: 11,400 (2006); 22,223 (2016); Growth – 95%

Labour mobility: Not applicable

Trade and Investment issues and opportunities in Cook Islands

Although its per-capita GDP is high compared to many other Pacific island countries, the Cook Islands economy faces many of the challenges common to other small island developing states. These include relatively limited natural resources, vulnerability to natural disasters, remoteness from major trade and industrial centres, and a small labour force. Despite these constraints, the Cook Islands has developed a successful tourism industry. Developing marine resources within the Cook Islands' large EEZ, including black pearl farming in the Northern Group of islands, is another government priority.

Summary of trade and investment-related programs in Cook Islands

Total ODA \$3.7 million. Infrastructure, trade and effective governance \$0.2 million (5%).

Sources: DFAT, ABS, World Bank, UNCTAD, other international datasets

na – not available np – not published

³⁴ 5-year trend growth, annualised.

FIJI



General Information

Population:	890,000 (2018)
GDP:	US \$5.3 billion (2019)
GDP per capita:	US \$5,909 (2019)
Real GDP growth:	3.4 per cent (2019)
Remittances:	US \$294 million (2018), 5.5 per cent of GDP

International Trade

	2010	2015	2018
Merchandise exports (US \$ million):	841	895	1,041
Merchandise imports:	1,808	2,081	2,720
Services exports:	987	1,297	1,591
Services imports:	449	568	722
Trade balance:	-429	-457	-810

Key exports:

Fuel, including oil, fish, beverages, gems, sugar, garments, gold, timber, fish, molasses, coconut oil, mineral water

Key imports:

Manufactured goods, machinery and transport equipment, petroleum products, food and beverages, chemicals, tobacco

Key trading partners:

Exports - US 20.8%, Australia 14.9%, NZ 7.7%, Tonga 5%, Vanuatu 4.6%, China 4.5%, Spain 4.3%, UK 4.3%, Kiribati 4.1% (2017)

Imports - Australia 19.2%, NZ 17.2%, Singapore 17%, China 13.8% (2017)

Australia's trade and investment with Fiji (A\$m)

	2008-09	2018-19	Growth (%) ³⁵
Total G&S exports to Fiji:	551	673	7.5
Total G&S imports from Fiji:	986	1,769	3.5
Trade balance:	-434	-1,096	n/a

Key exports to Fiji:

Travel services: Transport services; Wheat; Liquefied propane and butane; Meat (excl. beef); Paper

Key imports from Fiji:

Personal travel services; Transport services; Gold; Clothing; Textiles

Australia's investment in Fiji (2018): *Total A\$ 1,348 million; FDI np*

Diaspora in Australia: *19,171 (2006); 37,003 (2016); Growth – 93%*

Labour mobility: *Pacific Labour Scheme – 155 (to 31 December 2019)*

Seasonal Worker Program – 436 (in 2018-19)

Trade and Investment issues and opportunities in Fiji

Fiji has one of the most diversified economies in the Pacific: a sophisticated tourism industry, a niche manufacturing sector and an agricultural sector with strong domestic and international potential. Fiji's services sector continues to grow, driven by the tourism industry and supported by construction, manufacturing and retail activity. The frequency of natural disasters is a constraint.

Summary of trade and investment-related programs in Fiji

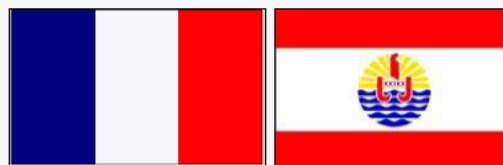
Total ODA \$58.8 million. Infrastructure, trade and effective governance \$24.2 million (41.2%).

Sources: DFAT, ABS, World Bank, UNCTAD, other international datasets

na – not available np – not published

³⁵ 5-year trend growth, annualised.

FRENCH POLYNESIA



General Information

Population:	286,000 (2018)
GDP:	US \$5.4 billion (2018)
GDP per capita:	US \$18,944 (2018)
Real GDP growth:	1.8 per cent (2018)
Remittances:	US \$582 million (2018), 10.7 per cent of GDP

International Trade

	2010	2015	2018
Merchandise exports (US \$ millions):	153	130	148
Merchandise imports:	1,726	1,527	2,236
Services exports:	970	993	-
Services imports:	598	424	-
Trade balance:	-1,201	-828	-

Key exports:

Cultured pearls, coconut products, mother-of-pearl, vanilla, shark meat

Key imports:

Fuels, foodstuffs, machinery and equipment

Key trading partners:

Exports - Japan 23.1%, Hong Kong 21.5%, Kyrgyzstan 15.9%, US 15.9%, France 12.4% (2017)

Imports - France 27.9%, South Korea 12.1%, US 10.1%, China 7.3%, NZ 6.7%, Singapore 4.2% (2017)

Australia's trade and investment with French Polynesia (A\$m)

	2008-09	2018-19	Growth (%) ³⁶
Total G&S exports to French Polynesia:	98	64	2.7
Total G&S imports from French Polynesia:	23	34	4.5
Trade balance:	75	30	n/a

Key exports to French Polynesia:

Cereal preparations; Liquefied propane and butane; Beef; Coffee

Key imports from French Polynesia:

Pearls and gems; Ships, boats and floating structures; Computers; Artwork and antiques

Australia's investment in French Polynesia (2018): Total np; FDI np

Polynesia (2018):

Diaspora in Australia: Not applicable

Labour mobility: Not applicable

Trade and Investment issues and opportunities in French Polynesia

French Polynesia is looking to attract investors in the tourism sector (representing 17% of GDP), especially to build new hotels. There are opportunities in building materials, water and energy solutions, and in the agribusiness and education sectors. French/EU businesses enjoy considerable advantages, including lower or no import duties/quotas, existing relationships, and a common language and legal system.

Summary of trade and investment-related programs in French Polynesia

N/A

Sources: DFAT, ABS, World Bank, UNCTAD, other international datasets

na – not available np – not published

³⁶ 5-year trend growth, annualised.

KIRIBATI



General Information

Population:	115,000 (2018)
GDP:	US \$0.2 billion (2019)
GDP per capita:	US \$1,598 (2019)
Real GDP growth:	2.3 per cent (2019)
Remittances:	US \$19 million (2018), 9.9 per cent of GDP

International Trade

	2010	2015	2018
Merchandise exports (US \$ millions):	4	10	13
Merchandise imports:	73	117	120
Services exports:	12	16	-
Services imports:	52	82	-
Trade balance:	-109	-173	-

Key exports:

Fish, coconut products

Key imports:

Food, machinery and equipment, miscellaneous manufactured goods, fuel

Key trading partners:

Exports - Philippines 50.8%, Malaysia 17.2%, US 11.4%, Bangladesh 5.8%, Fiji 5.4% (2017)

Imports - Australia 29.3%, Fiji 17.3%, NZ 10.7%, China 5.8%, US 5.8%, Singapore 5.1%, Japan 4.6%, Thailand 4.1% (2017)

Australia's trade and investment with Kiribati (A\$m)

	2008-09	2018-19	Growth (%) ³⁷
Total G&S exports to Kiribati:	30	28	-5.6
Total G&S imports from Kiribati:	4	8	-11.1
Trade balance:	26	19	n/a

Key exports to Kiribati:

Meat (excl. beef); Tobacco; Meat (preserved or prepared); Edible preparations

Key imports from Kiribati:

Non-ferrous waste and scrap; Telecom equipment and parts; Aircraft and parts; Men's clothing

Australia's investment in Kiribati (2018):

Total A\$11 million; FDI np

Kiribati diaspora in Australia:

483 (2006); 873 (2016); Growth 81 per cent

Labour mobility:

Pacific Labour Scheme – 55 (to 31 December 2019)

Seasonal Worker Program – 377 (in 2018-19)

Trade and Investment issues and opportunities in Kiribati

Kiribati has significant marine resources, the exploitation of which has produced a growing revenue stream, underpinning its modest economic growth. However, geographic isolation, a narrow resource base and limited private sector activity have contributed to Kiribati remaining one of the least economically developed countries in the region. Aging infrastructure and climate change impacts are constraints to trade and investment. Kiribati ratified the Pacific Agreement on Closer Economic Relations (PACER) Plus in November 2019.

Summary of trade and investment-related programs in Kiribati

Total ODA \$27.3 million. Infrastructure, trade and effective governance \$8.5 million (31.1%).

Sources: DFAT, ABS, World Bank, UNCTAD, other international datasets

na – not available np – not published

³⁷ 5-year trend growth, annualised.

REPUBLIC OF THE MARSHALL ISLANDS



General Information

Population:	56,000 (2018)
GDP:	US \$0.2 billion (2019)
GDP per capita:	US \$3,866 (2019)
Real GDP growth:	2.3 per cent (2019)
Remittances:	US \$30 million (2019), 13.5 per cent of GDP

International Trade

	2010	2015	2018
Merchandise exports (US \$ millions):	32	52	42
Merchandise imports:	150	108	75
Services exports:	-	-	-
Services imports:	-	-	-
Trade balance:	-118	-56	-33

Key exports:

Copra cake, coconut oil, handicrafts, fish

Key imports:

Foodstuffs, machinery and equipment, fuels, beverages, tobacco

Key trading partners:

Exports – Not applicable

Imports – Not applicable

Australia's trade and investment with Marshall Islands (A\$m)

	2008-09	2018-19	Growth (%) ³⁸
Total G&S exports to Marshall Islands:	11	12	5.0
Total G&S imports from Marshall Islands:	37	34	10.8
Trade balance:	-26	-22	n/a

Key exports to Marshall Islands:

Meat (prepared or preserved); Non-electric parts for machinery; Specialised machinery and parts; Pumps and parts

Key imports from Marshall Islands:

Footwear; Crustaceans; Women's clothing (knitted); Taps, cocks and valves

Australia's investment in Marshall Islands (2018): Total np; FDI A\$0 million

Diaspora in Australia: Not applicable

Labour mobility: Not applicable

Trade and Investment issues and opportunities in Marshall Islands

The Republic of the Marshall Islands' (RMI) economy is dominated by grants associated with its Compact of Free Association with the US and constrained by its small population, vulnerability to external shocks, narrow range of natural resources, aspects of its geography (size, remoteness and dispersal) and the impacts of extreme weather events. The construction industry is expanding but there is limited domestic production – fisheries, copra, handicrafts and subsistence agriculture being the most significant sectors of the economy.

Summary of trade and investment-related programs in Marshall Islands

North Pacific* Total ODA \$8.4 million. Infrastructure, trade and effective governance \$2 million (24%).

(* Federated States of Micronesia, the Republic of the Marshall Islands and the Republic of Palau.)

Sources: DFAT, ABS, World Bank, UNCTAD, other international datasets

na – not available np – not published

³⁸ 5-year trend growth, annualised.

FEDERATED STATES OF MICRONESIA



General Information

Population:	102,000 (2018)
GDP:	US \$0.4 billion (2019)
GDP per capita:	US \$3,734 (2019)
Real GDP growth:	1.2 per cent (2019)
Remittances:	US \$24 million (2018), 6.3 per cent of GDP

International Trade

	2010	2015	2018
Merchandise exports (US \$ million):	30	40	75
Merchandise imports:	168	160	110
Services exports:	35	43	-
Services imports:	80	80	-
Trade balance:	-183	-157	-

Key exports:

Fish, sakau (kava), betel nuts, black pepper

Key imports:

Food, beverages, clothing, computers, household electronics, appliances, manufactured goods, automobiles, machinery and equipment, furniture, tools

Key trading partners:

Exports – Thailand 46.3%, China 15.8%, Japan 11.1%

Imports – Indonesia 29.5%, United States 17.8%, Guam 14.7%, Australia 2.6%

Australia's trade and investment with Micronesia (A\$m)

	2008-09	2018-19	Growth (%) ³⁹
Total G&S exports to Micronesia:	5	5	-7.8
Total G&S imports from Micronesia:	2	6	14.8
Trade balance:	3	0	n/a

Key exports to Micronesia:

Meat (prepared or preserved); Mineral manufactures; Electrical circuits equipment; Toys and sporting goods

Key imports from Micronesia:

Computer parts and accessories; Meters and counters

Australia's investment in Micronesia Total A\$0 million; FDI A\$0 million (2018):

Diaspora in Australia: Not applicable

Labour mobility: Not applicable

Trade and Investment issues and opportunities in Micronesia

The Federated States of Micronesia's (FSM) economy is dominated by grants associated with its Compact of Free Association with the US and constrained by its small population, vulnerability to external shocks, narrow range of natural resources, aspects of its geography (size, remoteness and dispersal) and the impacts of extreme weather events. The fisheries sector is regarded as having the greatest development potential. The tourism industry is another area of potential for FSM, particularly diving and eco-tourism, but is constrained by limited airline links, limited infrastructure, and by the country's geographical isolation.

Summary of trade and investment-related programs in Micronesia

North Pacific* Total ODA \$8.4 million. Infrastructure, trade and effective governance \$2 million (24%).

(* Federated States of Micronesia, the Republic of the Marshall Islands and the Republic of Palau.)

Sources: DFAT, ABS, World Bank, UNCTAD, other international datasets

na – not available np – not published

³⁹ 5-year trend growth, annualised.

NAURU



General Information

Population:	13,000 (2018)
GDP:	US \$0.1 billion (2018)
GDP per capita:	US \$8,853 (2018)
Real GDP growth:	-1.0 per cent (2019)
Remittances:	Not applicable

International Trade

	2010	2015	2018
Merchandise exports (US \$ millions):	50	11	16
Merchandise imports:	20	91	118
Services exports:	-	-	-
Services imports:	-	-	-
Trade balance:	30	-80	-102

Key exports:

Phosphates

Key imports:

Food, fuel, manufactures, building materials, machinery

Key trading partners:

Exports - Nigeria 38.6%, Japan 16.6%, Australia 15.9%, South Korea 13.7%, NZ 5.7% (2017)

Imports - Australia 67.5%, Fiji 9.2%, India 8.1%, Singapore 5.4% (2017)

Australia's trade and investment with Nauru (A\$m)

	2008-09	2018-19	Growth (%) ⁴⁰
Total G&S exports to Nauru:	33	60	-16.0
Total G&S imports from Nauru:	15	29	-12.5
Trade balance:	18	30	n/a

Key exports to Nauru:

Refined petroleum; Meat (excl. beef); Passenger motor vehicles; Plastic articles

Key imports from Nauru:

Crude fertilisers; Fish; Measuring and analysing instruments; Women's clothing

Australia's investment in Nauru (2018):

Total A\$0 million; FDI A\$0 million

Diaspora in Australia:

376 (2006); 507 (2016); Growth – 35%

Labour mobility:

Pacific Labour Scheme – 11 (to 31 December 2019)

Seasonal Worker Program – 0 (in 2018-19)

Trade and Investment issues and opportunities in Nauru

Australia is Nauru's largest trade, investment and development assistance partner. Nauru's economy faces significant constraints common to other small island states, including its small size, remoteness, and limited resources. The new port will provide longer term opportunities for shipping lines, export and value-added industries such as the fisheries sector.

Summary of trade and investment-related programs in Nauru

Total ODA \$25.8 million. Infrastructure, trade and effective governance \$10.8 million (41.9%).

Sources: DFAT, ABS, World Bank, UNCTAD, other international datasets

na – not available np – not published

⁴⁰ 5-year trend growth, annualised.

NEW CALEDONIA



General Information

Population:	282,200 (2018)
GDP:	US \$10.8 billion (2018)
GDP per capita:	US \$38,270 (2018)
Real GDP growth:	2.5 per cent (2019)
Remittances:	US \$621 million (2018), 5.7 per cent of GDP

International Trade

	2010	2015	2018
Merchandise exports (US \$ millions):	1,493	1,219	1,935
Merchandise imports:	3,312	2,689	2,807
Services exports:	524	532	-
Services imports:	1,301	1,153	-
Trade balance:	-2,596	-2,091	-

Key exports:

Ferro-nickels, nickel ore, fish

Key imports:

Machinery and equipment, fuels, chemicals, foodstuffs

Key trading partners:

Exports - China 25.4%, Japan 16.6%, South Korea 14.8%, France 8.2%, Belgium 5%, US 4.6% (2017)

Imports - France 24.2%, Singapore 13.1%, China 9.2%, Australia 7.1%, South Korea 5.2%, Malaysia 4.7%, NZ 4.4%, US 4.4% (2017)

Australia's trade and investment with New Caledonia (A\$m)

	2008-09	2018-19	Growth (%) ⁴¹
Total G&S exports to New Caledonia:	557	595	6.1
Total G&S imports from New Caledonia:	142	127	-15.6
Trade balance:	415	468	n/a

Key exports to New Caledonia:

Coal; Civil engineering equipment and parts; Liquefied propane and butane; Goods vehicles

Key imports from New Caledonia:

Salts of inorganic acids and metals; Trailers, semi-trailers and containers; Crustaceans; Non-ferrous waste and scrap

Australia's investment in New Caledonia (2018): Total A\$40 million; FDI np

Diaspora in Australia: 246 (2006); 277 (2016); Growth – 13%

Labour mobility: Not applicable

Trade and Investment issues and opportunities in New Caledonia

New Caledonia is moving to diversify its economy and reduce its reliance on nickel (which constitutes 90 per cent of exports by value), focusing on fisheries, agriculture and tourism. New Caledonia expects one million cruise passengers by 2020, predominantly from Australia. New Caledonia has potential to be a hub for Australian companies wishing to re-export their products to Europe.

Summary of trade and investment-related programs in New Caledonia

N/A

Sources: DFAT, ABS, World Bank, UNCTAD, other international datasets

na – not available np – not published

⁴¹ 5-year trend growth, annualised.

NIUE



General Information

Population:	1,600 (2017)
GDP:	US \$ 10 million (2003)
GDP per capita:	US \$5,800 (2003)
Real GDP growth:	Not applicable
Personal remittances:	Not applicable

International Trade

	2010	2015	2018
Merchandise exports (US \$ millions):	0.02	0.150	2
Merchandise imports:	6	12	19
Services exports:	-	-	-
Services imports:	-	-	-
Trade balance:	-6	-12	-17

Key exports:

Canned coconut cream, copra, honey, vanilla, passion fruit products, paw-paws, root crops, limes, footballs, stamps, handicrafts

Key imports:

Food, live animals, manufactured goods, machinery, fuels, lubricants, chemicals, drugs

Key trading partners:

Not applicable

Australia's trade and investment with Niue (A\$m)

	2008-09	2018-19	Growth (%) ⁴²
Total G&S exports to Niue:	2	0	-4.4
Total G&S imports from Niue:	2	2	5.7
Trade balance:	0	-2	n/a

Key exports to Niue:

Iron, steel, aluminium structures; Alcoholic beverages; Miscellaneous chemical products; Prefabricated buildings

Key imports from Niue:

Gold coin and legal tender

Australia's investment in Niue (2018): *Total A\$0 million; FDI \$0 million*

Diaspora in Australia: *2,182 (2006); 4,959 (2016); Growth - 127%*

Labour mobility: *Not applicable*

Trade and Investment issues and opportunities in Niue

Geographic isolation, limited natural resources and a small and declining population are constraints to Niue's economic development. The island's infrastructure, particularly tourism facilities and housing, is vulnerable to economic devastation from natural disasters, such as cyclones. The fisheries sector, the international lease of Niue's unique four-digit telephone numbers, and noni-juice production are opportunities for economic growth.

Summary of trade and investment-related programs in Niue

Total ODA \$2.9 million. Infrastructure, trade and effective governance \$1.4 million (48%).

Sources: DFAT, ABS, World Bank, UNCTAD, other international datasets

na – not available np – not published

⁴² 5-year trend growth, annualised.

NEW ZEALAND



General Information

Population:	4.9 million (2018)
GDP:	US \$210.5 billion (2019)
GDP per capita:	US \$41,988 (2019)
Real GDP growth:	2.5 per cent (2019)
Personal remittances:	US \$418 million (2019), 0.2 per cent of GDP

International Trade

	2010	2015	2018
Merchandise exports (US \$ millions):	31,396	34,355	39,673
Merchandise imports:	30,617	36,554	43,793
Services exports:	11,558	14,403	16,899
Services imports:	10,225	11,715	13,736
Trade balance:	2,112	489	-957

Key exports:

Dairy products, meat and edible offal, logs and wood articles, fruit, crude oil, wine

Key imports:

Petroleum and products, mechanical machinery, vehicles and parts, electrical machinery, textiles

Key trading partners:

Exports: China 22.4%, Australia 16.4%, US 9.9%, Japan 6.1% (2017)

Imports: China 19%, Australia 12.1%, US 10.5%, Japan 7.3%, Germany 5.3%, Thailand 4.6% (2017)

New Zealand's trade and investment with Pacific Island Countries

	2008	2018	Growth (%) ⁴³
Total goods exports to PICs (A\$ m):	665	961	5.2
Total goods imports from PICs:	168	98	3.1
Trade balance:	496	863	n/a

Key exports to PICs:

Meat (excl. beef); milk, cream and yoghurt; telecom equipment and parts; vegetables; flat-rolled iron and steel; wood (simply worked); butter; edible products and preparations; computers; refined petroleum; medicaments (including veterinary); plastic articles; civil engineering equipment and parts; paper and paperboard; alcoholic beverages; beef; metal containers; fruits and nuts

Key imports from PICs:

Vegetables, crude petroleum, wood (simply worked), coffee and substitutes, edible products and preparations, men's clothing, other textile clothing, women's clothing, electrical distributing equipment, fish, cereal preparations, alcoholic beverages, spices, vegetable oils and fats

New Zealand's investment in PICs (2018): Not available

PIC diaspora in New Zealand: *In the 2013 Census, 7.4% of New Zealand's population (295,941) identified with one or more Pacific ethnic groups.*

Labour mobility: *NZ's Regional Seasonal Employer scheme has a cap of 14,400 places in 2019-20, for workers from nine Pacific island countries.*

New Zealand Trade and Investment issues and opportunities in Pacific Island Countries

In 2018, two-way trade between New Zealand and the Pacific was worth NZ\$3.62 billion (A\$3.48 billion). Like Australia, New Zealand has close geographic proximity and cultural ties with Pacific island countries. While it has a smaller economic base than Australia, New Zealand is well placed to contribute to expanded trade and investment links with the Pacific region.

Sources: DFAT, ABS, World Bank, UNCTAD, other international datasets

na – not available np – not published

⁴³ 5-year trend growth, annualised.

THE REPUBLIC OF PALAU



General Information

Population:	18,000 (2018)
GDP:	US \$0.3 billion (2019)
GDP per capita:	US \$16,632 (2019)
Real GDP growth:	2.0 per cent (2019)
Remittances:	US \$2 million (2019), 0.7 per cent of GDP

International Trade

	2010	2015	2018
Merchandise exports (US \$ millions):	6	6	8
Merchandise imports:	107	150	155
Services exports:	-	-	-
Services imports:	-	-	-
Trade balance:	-101	-144	-147

Key exports:

Shellfish, tuna, other fish (many species)

Key imports:

Machinery and equipment, fuels, metals; foodstuffs

Key trading partners:

Exports - Japan 51.3%, US 15.8%, India 13.8%, Guam 8% (2017)

Imports - US 33.4%, Guam 15.8%, Japan 15.7%, China 13.5%, South Korea 5.3% (2017)

Australia's trade and investment with Palau (A\$m)

	2008-09	2018-19	Growth (%) ⁴⁴
Total G&S exports to Palau:	2	2	5.0
Total G&S imports from Palau:	1	1	6.7
Trade balance:	-1	0	n/a

Key exports to Palau:

Tobacco; Meat (prepared or preserved); Internal combustion engines; Medicaments

Key imports from Palau:

Computers, parts and accessories; Electronic integrated circuits; Computers; Electrical circuits

Australia's investment in Palau (2018): Total A\$0 million; FDI A\$0 million

Diaspora in Australia: Not applicable

Labour mobility: Not applicable

Trade and Investment issues and opportunities in Palau

The Republic of Palau's economy is dominated by grants associated with its Compact of Free Association with the US and constrained by its small population, vulnerability to external shocks, narrow range of natural resources, aspects of its geography (size, remoteness and dispersal) and the impacts of extreme weather events. Tourism has the potential to drive Palau's economic growth, but a surge in the low-budget segment has stretched capacity, infrastructure and supply chains, and put Palau's pristine environment at risk. Palau has sought to reposition its tourist industry to target high-value tourism.

Summary of trade and investment-related programs in Palau

North Pacific* Total ODA \$8.4 million. Infrastructure, trade and effective governance \$2 million (24%).

(*Federated States of Micronesia, the Republic of the Marshall Islands and the Republic of Palau.)

Sources: DFAT, ABS, World Bank, UNCTAD, other international datasets

na – not available np – not published

⁴⁴ 5-year trend growth, annualised.

PAPUA NEW GUINEA



General Information

Population:	8.4 million (2018)
GDP:	US \$21.5 billion (2019) [Ranked XX in world]
GDP per capita:	US \$2,494 (2019) [Ranked YY in world]
Real GDP growth:	3.8 per cent (2019)
Personal remittances:	US \$ 3 million (2019), 0.0 per cent of GDP

International Trade

	2010	2015	2018
Merchandise exports (US \$ millions):	5,742	8,453	10,041
Merchandise imports:	3,950	2,551	2,600
Services exports:	310	146	404
Services imports:	2,757	1,333	1,705
Trade balance:	-655	4,715	6,140

Key exports:

Liquefied natural gas, oil, gold, copper ore, nickel, cobalt logs, palm oil, coffee, cocoa, copra, spice (turmeric, vanilla, ginger, and cardamom), crayfish, prawns, tuna, sea cucumber

Key imports:

Machinery and transport equipment, manufactured goods, food, fuels, chemicals

Key trading partners:

Exports: Australia 18.9%, Singapore 17.5%, Japan 13.8%, China 12.7%, Philippines 4.7%, Netherlands 4.2%, India 4.2% (2017)

Imports: Australia 30.1%, China 17.3%, Singapore 10.2%, Malaysia 8.2%, Indonesia 4% (2017)

Australia's trade and investment with Papua New Guinea

	2008-09	2018-19	Growth (%) ⁴⁵
Total G&S exports to PNG:	2,090	2,995	-0.5
Total G&S imports from PNG:	3,318	4,531	1.8
Trade balance:	-1,228	-1,536	n/a

Key exports to PNG:

Crude petroleum, professional, technical and other business services, civil engineering equip., meat, wheat

Key imports from PNG:

Gold, crude petroleum, personal travel, business travel, silver and platinum, coffee

Australia's investment in PNG (2018): *Total A\$16,889 million; FDI 14,624 million*

Diaspora in Australia: *12,549 (2006); 18,801 (2016); Growth – 50%*

Labour mobility: *Pacific Labour Scheme – 16 (to 31 December 2019)*

Seasonal Worker Program – 128 (in 2018-19)

Trade and Investment issues and opportunities in Papua New Guinea

PNG's long-term prospects are good, though immediate economic and social challenges, and regulatory uncertainty are constraints to investment. Economic growth has slowed due to lower commodity prices, foreign exchange shortages and budget deficits, and is expected to remain at moderate levels over the short-to-medium term. The Papua LNG and P'nyang liquefied natural gas projects, as well as mining projects including the Wafi Golpu gold/copper mine, are major prospective resource projects in PNG. There are opportunities in a range of sectors, including banking, insurance, legal and consulting services, construction and light manufacturing, and digital, communications, energy and transport infrastructure.

Summary of trade and investment-related programs in Papua New Guinea

Total ODA \$607.5 million. Infrastructure, trade and effective governance \$353.2 (58.1%).

Sources: DFAT, ABS, World Bank, UNCTAD, other international datasets

na – not available np – not published

⁴⁵ 5-year trend growth, annualised.

SAMOA



General Information

Population:	199,000 (2018)
GDP:	US \$0.9 billion (2019)
GDP per capita:	US \$4,487 (2019)
Real GDP growth:	3.3 per cent (2019)
Remittances:	US \$166 million (2019), 18.4 per cent of GDP

International Trade

	2010	2015	2018
Merchandise exports (US \$ millions):	70	59	46
Merchandise imports:	310	371	363
Services exports:	172	198	-
Services imports:	82	74	-
Trade balance:	-150	-188	-

Key exports:

Fish, coconut oil and cream, nonu, copra, taro, automotive parts, garments, beer

Key imports:

Machinery and equipment, industrial supplies, foodstuffs

Key trading partners:

Exports - Australia 22.9%, NZ 22.8%, American Samoa 22.1%, Afghanistan 14.9%, US 5.9% (2017)

Imports - NZ 22%, Singapore 20.7%, US 12.5%, China 10.1%, Australia 8.6%, Fiji 5.2% (2017)

Australia's trade and investment with Samoa (A\$m)

	2008-09	2018-19	Growth (%) ⁴⁶
Total G&S exports to Samoa:	71	60	-7.1
Total G&S imports from Samoa:	116	130	3.5
Trade balance:	-45	-70	n/a

Key exports to Samoa:

Aircraft, spacecraft and parts; Milk, cream, whey and yoghurt; Meat (excl. beef); Travel goods, bags and containers

Key imports from Samoa:

Fruits and nuts; non-ferrous waste and scrap; Base metal manufactures

Australia's investment in Samoa (2018): Total A\$60 million; FDI np

Diaspora in Australia: 39,997 (2006); 75,755 (2016); Growth – 89%

Labour mobility: Pacific Labour Scheme – 179 (to 31 December 2019)

Seasonal Worker Program – 677 (in 2018-19)

Trade and Investment issues and opportunities in Samoa

Samoa's 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. Samoa is heavily reliant on imports, and there are trade and investment opportunities in food, beverage and retail products as well as supply of building and construction materials and services. Samoa ratified the Pacific Agreement on Closer Economic Relations (PACER) Plus in June 2019.

Summary of trade and investment-related programs in Samoa

Total ODA \$32 million. Infrastructure, trade and effective governance \$8.1 million (25.3%).

Sources: DFAT, ABS, World Bank, UNCTAD, other international datasets

na – not available np – not published

⁴⁶ 5-year trend growth, annualised.

SOLOMON ISLANDS



General Information

Population:	627,000 (2018)
GDP:	US \$1.5 billion (2019)
GDP per capita:	US \$2,357 (2019)
Real GDP growth:	2.9 per cent (2019)
Remittances:	US \$20 million (2019), 1.3 per cent of GDP

International Trade

	2010	2015	2018
Merchandise exports (US \$ millions):	224	400	524
Merchandise imports:	404	466	615
Services exports:	92	105	158
Services imports:	188	183	201
Trade balance:	-276	-144	-134

Key exports:

Timber, fish, copra, palm oil, cocoa, coconut oil

Key imports:

Food, plant and equipment, manufactured goods, fuels, chemicals

Key trading partners:

Exports - China 64.5%, Italy 6.2%, Switzerland 4.6%, Philippines 4.4% (2017)

Imports - China 21.9%, Australia 19.6%, Singapore 10.7%, Vietnam 7.5%, NZ 6.2%, Papua New Guinea 5%, South Korea 4.7% (2017)

Australia's trade and investment with Solomon Islands (A\$m)

	2008-09	2018-19	Growth (%) ⁴⁷
Total G&S exports to Solomon Islands:	150	165	-5.9
Total G&S imports from Solomon Islands:	157	180	-5.1
Trade balance:	-7	-15	n/a

Key exports to Solomon Islands:

Meat (excl. beef); Wheat; Electrical circuits equipment; Worn clothing and rags

Key imports from Solomon Islands:

Wood; Petroleum products; Gold; Fruit juices

Australia's investment in Solomon Islands (2018): Total np; FDI A\$67 million

Islands (2018):

Diaspora in Australia: 1,118 (2006); 1,882 (2016); Growth – 68%

Labour mobility: Pacific Labour Scheme – 100 (to 31 December 2019)

Seasonal Worker Program – 314 (in 2018-19)

Trade and Investment issues and opportunities in Solomon Islands

Solomon Islands is one of the Pacific's poorest countries, with high costs of service delivery due to a small and geographically dispersed population. Agriculture and raw materials (including logging) accounted for 92 per cent of exports, leaving the narrow-based economy vulnerable to shocks. Despite steady recent economic growth, major constraints to growth and private sector investment remain, including poor infrastructure, under-developed labour skills, high utility costs, and land tenure issues. There are opportunities for investment in the forestry, fisheries, tourism, agriculture and services sectors.

Summary of trade and investment-related programs in Solomon Islands

Total ODA \$174.4 million. Infrastructure, trade and effective governance \$117.3 million (67.3%).

Sources: DFAT, ABS, World Bank, UNCTAD, other international datasets

na – not available np – not published

⁴⁷ 5-year trend growth, annualised.

TONGA



General Information

Population:	101,000 (2018)
GDP:	US \$0.5 billion (2019)
GDP per capita:	US \$4,888 (2019)
Real GDP growth:	4.6 per cent (2019)
Remittances:	US \$190 million (2019), 38.5 per cent of GDP

International Trade

	2010	2015	2018
Merchandise exports (US \$ millions):	8	18	15
Merchandise imports:	159	209	270
Services exports:	35	72	89
Services imports:	48	81	106
Trade balance:	-164	-200	-272

Key exports:

Squash, fish, vanilla beans, root crops, kava

Key imports:

Foodstuffs, machinery and transport equipment, fuels, chemicals

Key trading partners:

Exports - Hong Kong 25.1%, NZ 22.6%, US 14.3%, Japan 12.8%, Australia 10.5% (2017)

Imports - NZ 33.3%, Fiji 11.7%, US 9.8%, Singapore 9%, Australia 8.9%, China 7.9%, Japan 5.9% (2017)

Australia's trade and investment with Tonga (A\$m)

	2008-09	2018-19	Growth (%) ⁴⁸
Total G&S exports to Tonga:	39	61	13.5
Total G&S imports from Tonga:	43	59	8.2
Trade balance:	-3	2	n/a

Key exports to Tonga:

Meat (excl. beef); Liquefied propane and butane; measuring and analysing instruments; beef

Key imports from Tonga:

Vegetables; fruits and nuts; fish; musical instruments and parts

Australia's investment in Tonga

Total np; FDI np

(2018):

Diaspora in Australia: 18,426 (2006); 32,691 (2016); Growth – 77%

Labour mobility: Pacific Labour Scheme – 56 (at 31 December 2019)

Seasonal Worker Program – 3,738 (2018-19)

Trade and Investment issues and opportunities in Tonga

Tonga is geographically isolated and highly vulnerable to natural disasters (rated second on the World Risk Index). Its small, open economy is characterised by a narrow resource, production and export base, and the country relies heavily on foreign assistance and remittances from Tongans working overseas. Agriculture is the leading productive and export sector. The manufacturing sector is very small, and imports cover the full range of consumer and industrial goods. Tourism is currently modest but with a large potential for expansion.

Summary of trade and investment-related programs in Tonga

Tonga – Total ODA \$26.6 million. Infrastructure, trade and effective governance \$7.2 million (27%).

Sources: DFAT, ABS, World Bank, UNCTAD, other international datasets

na – not available np – not published

⁴⁸ 5-year trend growth, annualised.

TUVALU



General Information

Population:	11,000 (2018)
GDP:	US \$ 0.0 billion (2019)
GDP per capita:	US \$4,421 (2019)
Real GDP growth:	4.1 per cent (2019)
Remittances:	US \$4 million (2019), 8.4 per cent of GDP

International Trade

	2010	2015	2018
Merchandise exports (US \$ millions):	0.3	0.212	0.160
Merchandise imports:	16	37	36
Services exports:	4	4	3
Services imports:	34	16	14
Trade balance:	-45.7	-48.8	-46.8

Key exports:

Copra, fish

Key imports:

Food, animals, mineral fuels, machinery, manufactured goods

Key trading partners:

Exports - US 18.2%, Bosnia and Herzegovina 17%, Fiji 14.8%, Nigeria 14.2%, Germany 8.2%, South Africa 5.9%, Colombia 5.1% (2017)

Imports - Singapore 33.4%, South Korea 11.5%, Australia 10.8%, NZ 8%, Fiji 7.5%, Chile 6.1%, South Africa 5%, Japan 5% (2017)

Australia's trade and investment with Tuvalu (A\$m)

	2008-09	2018-19	Growth (%) ⁴⁹
Total G&S exports to Tuvalu:	5	6	11.5
Total G&S imports from Tuvalu:	1	1	-0.9
Trade balance:	4	5	n/a

Key exports to Tuvalu:

Sugars, molasses and honey; meat (excluding beef); Alcoholic beverages; Inorganic chemicals

Key imports from Tuvalu:

Electronic circuits; pumps and parts; Cutlery; Alcoholic beverages

Australia's investment in Tuvalu (2018): *Total A\$0 million; FDI \$0 million*

Diaspora in Australia: *334 (2006); 702 (2016); Growth – 110%*

Labour mobility: *Pacific Labour Scheme – 43 (to 31 December 2019)
Seasonal Worker Program – 0 (in 2018-19)*

Trade and Investment issues and opportunities in Tuvalu

Tuvalu's economic prospects are constrained as a result of its small size, geographic isolation and limited natural resources. Remittances are a significant (but declining) source of income for many families. The formal economy is dominated by government activity. Fishing licences and marketing of Tuvalu's internet domain name '.tv' contribute to government revenue. Agriculture, fisheries, tourism, and labour mobility are priority sectors for development by the government of Tuvalu.

Summary of trade and investment-related programs in Tuvalu

Total ODA \$9.3 million. Infrastructure, trade and effective governance \$2.6 million (28%).

Sources: DFAT, ABS, World Bank, UNCTAD, other international datasets

na – not available np – not published

⁴⁹ 5-year trend growth, annualised.

VANUATU



General Information

Population:	285,000 (2018)
GDP:	US \$ 0.9 billion (2019)
GDP per capita:	US \$3,230 (2019)
Real GDP growth:	3.0 per cent (2019)
Remittances:	US \$27 million (2019), 2.9 per cent of GDP

International Trade

	2010	2015	2018
Merchandise exports (US \$ millions):	49	39	63
Merchandise imports:	285	367	350
Services exports:	277	283	-
Services imports:	125	179	-
Trade balance:	-84	-224	-

Key exports:

Copra, beef (veal), cocoa, timber, kava, coffee, coconut oil, shell, cowhides, coconut meal, fish

Key imports:

Machinery and equipment, foodstuffs, fuels

Key trading partners:

Exports - Philippines 23.9%, Australia 16.5%, US 10.4%, Japan 8.8%, Venezuela 8%, France 4.8%, Fiji 4.5%, Hong Kong 4.4% (2017)

Imports - Russia 35.2%, Australia 19.8%, NZ 9.8%, China 6.3%, Fiji 5.5% (2017)

Australia's trade and investment with Vanuatu (A\$m)

	2008-09	2018-19	Growth (%) ⁵⁰
Total G&S exports to Vanuatu:	126	144	3.1
Total G&S imports from Vanuatu:	24	236	6.0
Trade balance:	-89	-93	n/a

Key exports to Vanuatu:

Medical instruments (incl veterinary), Meat (excl beef), Residual petroleum products, Alcoholic beverages,

Key imports from Vanuatu:

Travel services, Non-ferrous waste & scrap, Ships, boats & floating structures, Animal feed, Oil-seeds and oleaginous fruits

Australia's investment in Vanuatu *Total A\$105 million; FDI \$100 million*

(2018):

Diaspora in Australia: *514 (2006); 964 (2016); Growth – 88%*

Labour mobility: *Pacific Labour Scheme – 97 (to 31 December 2019)*

Seasonal Worker Program – 4,965 (in 2018-19)

Trade and Investment issues and opportunities in Vanuatu

Vanuatu's strong economic growth, averaging around four per cent in recent years, has been driven by tourism, agriculture and construction. Constraints to growth include Vanuatu's narrow market base, infrastructure quality and coverage, limited access to financial services and vulnerability to natural disasters.

Summary of trade and investment-related programs in Vanuatu

Total ODA \$66.2 million. Infrastructure, trade and effective governance \$30.7 million (46.4%).

Sources: DFAT, ABS, World Bank, UNCTAD, other international datasets

Na – not available np – not published

⁵⁰ 5-year trend growth, annualised.