

UK Business opportunities in the Pacific Islands region



British High Commission Port Moresby

Withdrawn 16 May 2019



Foreword



The continuing global economic turmoil has reinvigorated British Government efforts to promote trade and investment. The success of British business is fundamental to a prosperous, secure Britain; one that does not shrink from its role in the world, and upholds its values. It is in our national interest to support British business fully.

The South Pacific is not immune from the downturn. Despite this, the region's largest economy, Papua New Guinea, is expected to grow by 10% in 2011. It is also widely expected to be amongst the world's top performing economies over the next five years; and the overall outlook for the rest of the region is broadly positive. It is an area of moderate risk and high reward.

Given the UK's long history in the Pacific, it has already a visible footprint in the region and our business interests are increasing. There continue to be substantial opportunities for UK business in the area, most notably the delivery of services and the development of natural resources. UK Business can be a positive driver of economic development in the region and can offer the South Pacific expertise for a sustainable future.

Many of the countries of the South Pacific are rich in mineral, oil and gas resources, with much yet to be developed commercially. This report details the commercial opportunities which UK firms might seek to exploit. Our network of High Commissions will be ready to lend political support to would-be investors.

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Chief Executive Officer
United Kingdom Trade & Investment

Resources

Pacific

Regional Organisations

Melanesian Spearhead Group
www.msgsec.info

Pacific Islands Forum
Fisheries Agency
www.ffa.int

Pacific Islands Forum
Secretariat
www.forumsec.org

Pacific Islands Private Sector
Organisation PIPSO
www.pipso.org

Pacific Islands Trade
and Invest
www.invest.pacifictradeinvest.com

Secretariat of the Pacific
Community
www.spc.int

South Pacific Tourism
Organisation
www.south-pacific.travel

Western and Central Pacific
Fisheries Commission
www.wcpfc.int

International Development

Asian Development Bank
www.adb.org

AusAID
www.ausaid.gov.au

European Commission:
EuropeAid
www.ec.europa.eu/europeaid

International Finance
Corporation
www.ifc.org

NZ Aid
www.nzaid.govt.nz

World Bank
www.worldbank.org

Papua New Guinea
British High Commission in
Papua New Guinea
Tel: + 675 325 1677
www.gov.uk/government/world/papua-new-guinea

PNG

PNG Business Associations

Business Advantage PNG
www.businessadvantagepng.com

PNG Chamber of Mines and
Petroleum
www.pngchamberminpet.com.pg

Port Moresby Chamber of
Commerce and Industry
www.pomcci.com

PNG Government Departments

Department of Agriculture
and Livestock
www.agriculture.org.pg

Department of Environment
and Conservation
www.dec.gov.pg

PNG Immigration &
Citizenship Service
www.immigration.gov.pg

Department of Labour
www.workpermits.gov.pg

Department of Lands and
Physical Planning
www.lands.gov.pg

Department of Petroleum
and Energy
www.petroleum.gov.pg

PNG Statutory Authorities

Bank of Papua New Guinea
(Central Bank)
www.bankpng.gov.pg

Investment Promotion
Authority (IPA)
www.ipa.gov.pg

Independent Public Business
Corporation
www.ipbc.com.pg

Mineral Resources Authority
(MRA)
www.mra.gov.pg

Nambawan Super
www.nambawansuper.com.pg

NASFUND (National
Superannuation Fund)
www.nasfund.com.pg

Papua New Guinea Forest
Authority
www.forestry.gov.pg

Port Moresby Stock Exchange
www.pomsx.com.pg

Tourism Promotion Authority
www.pngtourism.org.pg

PNG General

Air Niugini
www.airniugini.com.pg

Airlines PNG
www.apng.com

Enterprise Centre for PNG
(IBBM)
www.enterprisecentre.com.pg

Mineral Resources
Development Company
(MRDC)
www.mrdc.com.pg

PNG LNG
www.pnglng.com

PNG Sustainable
Development Program
www.pngsdp.com

Steamships Trading
www.steamships.com.pg

The Papua New Guinea
Eco-Forestry Forum
www.ecoforestry.org.pg

Solomon Islands

British High Commission in
the Solomon Islands
Tel: +677 21705
www.gov.uk/government/world/solomon-islands

BJS group of companies
(Solomon Islands Trade
Directory)
www.bjs.com.sb

National Provident Fund
www.sinpf.org.sb

RAMSI. Regional Assistance
Mission to the Solomon
Island's
www.ramsi.org

Registrar of Foreign
Investment
www.investsolomons.gov.sb

Solomon Islands Chamber of
Commerce & Industry. SICCI.
www.solomonchamber.com.sb

Fiji

British High Commission
in Fiji
Tel: +679 322 9100
www.gov.uk/government/world/fiji

Fiji Government Portal
www.egov.gov.fj

Immigration Department
www.immigration.gov.fj

Investment Fiji
www.investmentfiji.org.fj

Reserve Bank of Fiji (RBF)
www.reservebank.gov.fj

Business Opportunities in the Pacific Islands Region

A Report on behalf of the South Pacific Network - 2012

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Mapping Courtesy of BMT WBM

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The Pacific Islands Region

Fourteen independent Countries make up the Pacific Region. This report will focus on three of them; namely Papua New Guinea, Solomon Islands and Fiji.

Pacific Island Countries (PICs) Quick Facts

- Regional Population; 9+ million.
- PNG population: 7 million (Est. 2012), growing by 2.7% p.a.¹
- Solomon Islands population: 597,248 (Est. 2012), growing by 2.3% p.a.²
- Fiji population: 896,758 (Est. 2012), growing by 0.5% p.a.³
- The Pacific Island countries account for approx. 15% of the world's total Exclusive Economic Zones (EEZs).
- Home to some of the largest proven mineral deposits in the world.
- The Pacific has perhaps the best fisheries resource in the world.

The PICs encompass over 20,000 islands and atolls scattered across the Pacific. With small populations in remote areas, traditionally PICs have been removed from the global economy, this is changing with improvements in transport and communications. Located within striking distance of the power house economies of Asia, the PICs are benefitting from their abundant wealth in natural resources. The overall economic outlook for the region is positive.

Papua New Guinea, which dominates the region, is bucking the global trend and figures put growth at 9.2% in 2012.⁴

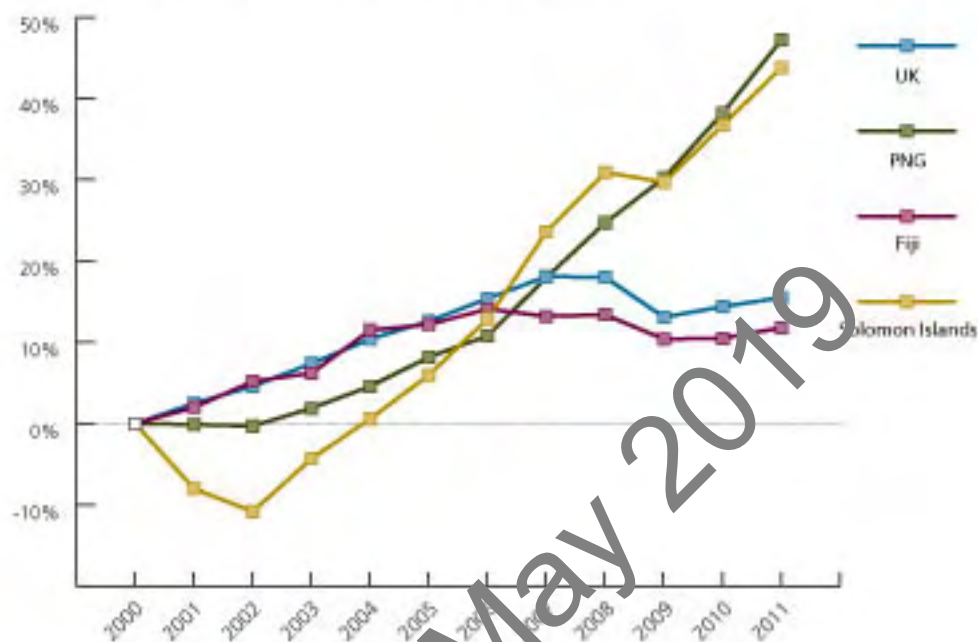
The UK has a long history in the Pacific region. UK business can be a positive driver of economic development and can offer expertise for a sustainable future. There are substantial opportunities for UK business in the Pacific, most notably but not limited to the delivery of services and the development of natural resources.

Countries of the Pacific region:

Vanuatu, Tuvalu,
Tonga, Niue,
Cook Islands,
Federated states
of Micronesia,
Kiribati, Palau,
Marshall Islands,
Nauru, Samoa,
Papua New
Guinea, Solomon
Islands and Fiji.



Accumulated GDP growth over the past decade



Source: World Bank

The Natural Environment

The Pacific plays host to some of the world's best natural environments. The region is incredibly rich in mineral, oil and gas resources with much yet to be developed commercially. Agriculture and agri-business are also experiencing high levels of growth.⁵

Large seabed mineral deposits within the PICs territorial waters will continue to make the Pacific an attractive destination for investment. Pioneering developments within this industry are opening up access to these previously untouched underwater resources. PNG will see the world's first seabed mining project going into production in 2013. The fisheries resource in the Pacific is arguably some of the finest in the world.

Communications & Infrastructure

Challenges of isolated populations and limited finance mean that infrastructure challenges will continue to be a factor.

Mobile communications mean more than convenience in the Pacific. With geography and economies of scale severely limiting fixed line service, mobile technology is connecting populations who previously had limited contact with the outside world. Deregulation in the communications industry has enabled greater access and the laying of new undersea cables means internet services are continually improving.

The ability of the mobile platform to deliver services such as banking promises to have a positive impact on these developing economies. As a result large numbers of new consumers are being brought into the formal economy.

Photo courtesy Papua New Guinea Tourism Promotion Authority

Regionalisation

Cooperation among the PICs, through organisations such as the Pacific Islands Forum (PIF), is helping to remove trade barriers.

- The commercial arm of PIF is Pacific Islands Trade & Invest which has offices in Auckland, Sydney, Beijing and Tokyo. It supports both exports from and investment to the region.
- The Melanesia Spearhead Group (MSG) (PNG, Solomon Islands, Vanuatu, New Caledonia & Fiji) promotes regional trade and provides a common platform for trade relations. The MSG countries have a preferential trade agreement.
- The 2002 Pacific Agreement on Closer Economic Relations (PACER) includes regional powers Australia and NZ but not PNG. Under a Regional Trade Facilitation Programme (RTFP), PACER provides technical and capacity building assistance from Australia and NZ to the less developed parties.

■ In 2011, Pacific trade with the EU was 2.0 billion Euros.⁶

International Interest

The past decade has seen increased business interest and activity from Asia, as their rapidly growing economies demand resources such as copper, fish, timber and energy. Malaysian companies have a strong presence in PNG and Solomon Islands, primarily in logging but also agri-business. China has also become a major player in the region in mining, construction and fisheries.

EU Trade and Economic Partnership Agreements

Bilateral trade agreements with the EU are opening up export markets for products (primary and processed) from the Pacific. Once ratified, the Economic Partnership Agreement (EPA) with the EU will bring substantial benefit to the region in the form of duty and quota free access to the EU market.

The Pacific ACP (PACP) group is made up of 14 small island economies with generally tiny landmasses (with the exception of Papua New Guinea) but vast Exclusive Economic Zones (EEZ) in the surrounding ocean.

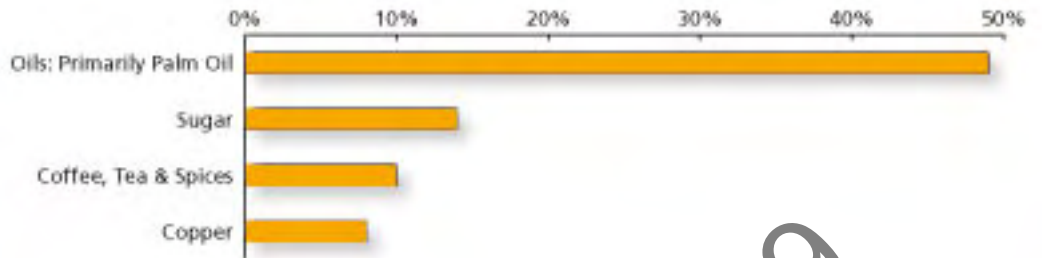
Trade between most of the Pacific States and the EU is limited. The PACP share of EU trade is just 0.06 %. Their most important export products to the EU are palm oil, copper, sugar, coconut (copra) and fish.

In view of the expiry of the Cotonou Agreement's trade provisions on 31 December 2007, the two Pacific ACP countries with any significant exports to the EU - Papua New Guinea (PNG) and Fiji - agreed an interim EPA with the EU in late 2007. Pending the conclusion of a comprehensive EPA between the Pacific States and the EU, the agreement maintains and improves PNG's and Fiji's preferences in the EU market for their main exports and ensures that they benefit from improved rules of origin for key products like canned tuna. Both countries have benefited from dutyfree, quota-free access to the EU market since 1 January 2008.

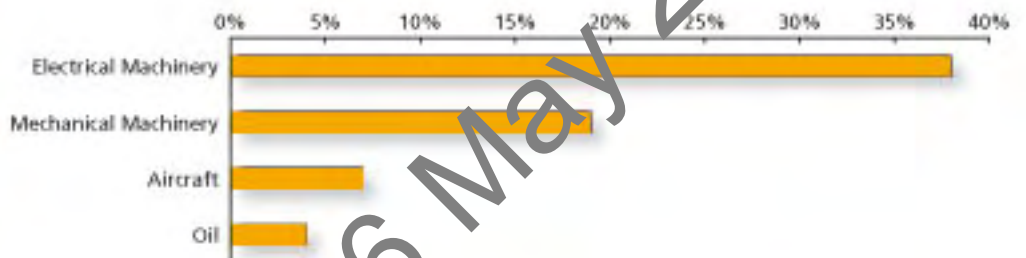
The agreement was signed by the Parties in 2009. Provisional application of the agreement for PNG started on 20 December 2009. The European Parliament ratified the agreement on 19 February 2011, while the National Parliament of Papua New Guinea ratified it on 25 May 2011. Application for Fiji is pending, as Fiji has not notified either provisional application or ratification.



Pacific: main exports to the EU (2008)



Pacific: main imports from the EU (2008)



Source: European Trade Commission website, 2011

In May 2011 the European Union announced a 9 million Euro contribution to support trade effectiveness by private sector operatives in the Pacific. Major exports from the EU to the Pacific are in machinery, an example is the export of seabed mining equipment from British company Structural Metal Decks Ltd in the region for £50 million.

Development Assistance

Australia and New Zealand continue to be the major providers of development assistance to the PICs and provide assistance to almost all the countries in the region. Australia provides almost half of their Official Development Aid (ODA) to the Pacific; this amounts to US\$1.16 billion for the financial year 2011-2012. There is considerable opportunity for the private sector to work together with development and aid organisations.

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Customary Land

Land in the Pacific is predominantly owned by communities rather than individuals. Established to protect traditional owners, the system fails to provide secure and clear tenure for investors. Unlocking land for investment is also challenging but not impossible. Leasing arrangements are possible but identifying who has rights to land can be problematic. Negotiating with landowners requires patience and an informed knowledge of local culture.

Larger companies are often expected to assume a quasi governmental role in service delivery; building schools, roads and houses for communities. Land tenure issues mean that access to finance can be difficult. Banks are unable to lend against collateral that does not have a title or a legally binding lease. Companies who want to invest need to be prepared to put considerable resources into their relationships with landowners.



In PNG "customary land" accounts for 97% of total land area and extends off the coast to traditional fishing areas. A system of Special Agriculture Business Lease's (SABL's) was introduced in 2003 to enable access and encourage investment in commercial agriculture. However, this was widely abused by corruption and logging interests. Currently under commission of enquiry, it is expected that the result will be a better mechanism for leasehold arrangements in the future.



In Solomon Islands "customary land" accounts for 87% of total land area. The government is working on reform; identifying and recording owners of particular areas of land through a registry of names and boundaries.⁷



In Fiji "native lease land" accounts for 87% of total land area. While similar in principle to customary land in PNG and Solomon Islands, companies find the system in Fiji easier to deal with. Land boundaries and the clans who own them were recorded during the colonial period alleviating the problems of competing claims.

Difficulties in leasing land for use prompted the government to establish a "land bank" in 2010 to facilitate the leasing and supply of land.⁸ Under the system, agricultural leases have been extended to 99 years, (up from 30 years).

>> The single most important, no, THE most CRUCIAL thing for your business is your land owner relationship and understanding of Melanesian culture



Roger Benzie, Guadacanal Plains Palm Oil Limited (GPPOL)