

COUNTRY PAPER INPUT FOR WORKSHOP ON EXPORT COMPETITIVENESS IN FIJI

Introduction and Background

Described by many as the Land of Optimism and Opportunity, the Independent Commonwealth nation of Papua New Guinea is the largest nation in the South Pacific region. PNG has a total land area of 462, 840 square kilometers which comprises a mainland and over 600 islands. Its immediate neighbors are Indonesia to the West and Australia to the South. The capital and largest city is Port Moresby situated to the Southern Coast.

PNG has just over 5.2 million people speaking over 800 plus different languages. It gained Independence on 16 September 1975 and enjoys a constitutional parliamentary democracy based on the Westminster system of Government. Majority of PNG's population live in the rural areas of PNG and most of them rely on subsistence farming to support their way of life.

In August 2002 when the current Government upon taking up office announced that the Government's national development strategy is based on three pillars including; good governance export driven economic growth strategy and rural development, poverty reduction and empowerment through human resource development. In the key sectors of the economy, the Government aims to embark on an aggressive market driven trade and investment policy.

Further to the above stated policy strategy, is the overarching policy strategy of the Medium Term Development Strategy 2005-2010 basically compliments the efforts of the Government to achieve sustainable economic growth and poverty reduction through export driven growth and social development. The focus on export driven recognizes the unlimited opportunities provided by the global markets where we could take advantage of given the strength we have in the primary resource sector. Areas where we have competitive advantage over in the likes of exploiting the global market for our organically grown produce and the other potentials we have in the Agriculture, forestry and fisheries together with mining and petroleum as well as our emerging areas of strength in the manufacturing, downstream processing, tourism and gas sectors.

Apart from the MTDS, there are other policies in the likes of the National Investment Policy numbers 1, 2, and yet to be endorsed NIP 3 which specifically looks at sector specific incentives narrowing into the sectoral incentives which can lure investors to come in and invest in the potential areas outlined above. Another policy strategy that specifically targets the rural population is that of the Co-operatives Societies Act which targets the grass roots level.

At present PNG's export trade is characterized by dominance of a few primary commodities in a narrow market. Such dependence on limited number of export items targeting limited markets is not desirable for economic development in the long term. It is in PNG's interest therefore to aim both at product and market diversification or else our export trade will become stagnant in the near future. It is therefore also imperative that PNG identifies new focal or priority sectors , increase export of higher value added items, diversify products , ensure that products produce are to international quality as well as addressing all there issues in so far as international export requirements are concern in the likes of labeling, packaging, and consistency in production and supply.

Having mentioned the above and taking into account the outline concerns, PNG's National Export Strategy should be entail the following broad objectives;

- To achieve optimum national growth through increase of export in regional market;
- To narrow down the gap between the country's export earning and import payment through achievement of the export targets;
- To undertake timely steps for production of exportable goods at a competitive price with a view to exporting and strengthening existing export markets and making dent in new markets;
- To take the highest advantage of entering into the post Uruguay liberalized and globalized international market;
- To make our exportable items more attractive to the market through product diversification and quality improvement;
- To establish backward linkage industries and services with a view to using more indigenous raw materials, expand the product base and identify and export higher value added products;
- To simplify export procedures and to rationalize and solidify export incentives;
- To develop and expand infrastructure;
- To undertake specific intervention programme to develop the capabilities of firms intending to enter the export market.
- To develop trained human resources in the export sector;
- To raise the quality and grading of export products to internationally recognized levels;
- And so forth.

The broad strategies in support of the export policy objectives would require the following actions:

- Simplifying export procedures, and helping the private sector achieve efficiency. More and more involvement of the private sector is desirable while the Government will continue to play its facilitating role but will also drive specific intervention programmes where market failure exist. That is, it will directly invest in impact projects where private sector is reluctant;
- Enhancing technological strength and productivity and facilitating reduce cost and attain internationally accepted standard of quality of exportable products and thereby consolidate their competitiveness;
- Ensuring maximum use of local raw materials in the production of export goods and encouraging establishment of backward linkage industries;
- Participation in the international trade fairs, specialized fairs, single country exhibitions abroad and also sending out trade missions, with a view to consolidating our position in the existing market and creating new markets;
- Establishing Trade Offices in strategic locations around the world to promote PNG export products;
- Undertaking appropriate development and expansion of infrastructure conducive to export;
- Ensuring maximum utilization of financial and other assistance extended international organization such as World Trade Organization, ACP-EU, APEC to PNG as a developing Country;
- Ensuring maintenance of ecological balance and pollution-free environment in the production of exportable goods;
- Extending technical and marketing assistance for development of new products and for funding appropriate marketing strategies; and so forth

The priority sectors remains with the upstream production, harvesting and extraction of both renewable and non-renewable natural resources for the traditional export market. It is equally important to encourage more investment into value added downstream processing of both renewable and non-renewable sectors, as focal sectors under this policy directive.

For us to effectively promote and drive the export driven economic recovery strategy, it would be obligatory in the part of the government offer a comprehensive package of incentives.

The Export Driven Economic Recovery Strategy based on the above-mentioned policy objective will be presented to the National Executive Council, once the relevant data has been compiled.

The challenge is for us to develop specific strategies and intervention programmes aimed at sustaining and expanding the production from the perspective of the supply side. This involves the removal of disincentives/constraints facing the production side.

Green Revolution

Under the National Government Policy on Export Driven Economic Recovery Strategy, the government provided agricultural incentives through the Green Revolution Policy. The incentives provided by the Government included the following;

- Double taxation (tax deduction) for agricultural research and extension expenses
- Increase tax credit rate for agricultural companies to allow maintenance for rural infrastructure
- Given new agricultural investment a 10% corporate tax for a minimum of 10year period , increasing to 20% for the second 10year period
- Allow duty free importation of all machinery and vehicles for agricultural companies
- Remove foreign tax controls that deter foreign investors
- Remove excise and duty rates on diesel fuel
- Remove all taxation assesses on dividend payment for shareholders in the agricultural companies
- Freight subsidies for cocoa, and coconut producers in the outlying remote areas and isolated islands
- Freight surety scheme for coffee producers in isolated hinterlands of the highlands region and the coastal areas.
- Subsidize portable rice mills for rice growers throughout PNG
- Subsidized small copra producing mills.

The implementation of the above program started in 2004 and will be reviewed by the end of this year.