UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

# PAPUA NEW GUINEA TRADE POLICY FRAMEWORK

Prepared by

The United Nations Conference on Trade and Development (UNCTAD)
and the Department of Trade and Industry

UNITED NATIONS
NEW YORK AND GENEVA, 2006

**Note**

- Symbols of United Nations Documents are composed of capital letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.
- References to “dollars” ($) are to United States dollars unless otherwise specified.
- The views expressed in this volume are those of the authors and do not necessarily reflect the views of the United Nations Secretariat. The designations employed and the presentation of the material do not imply the expression of any opinion whatsoever on the part of the United Nations Secretariat concerning the legal status of any country, territory, city or area, or of its authorities, or concerning the delimitation of its frontiers or boundaries.
- Material in this publication may be freely quoted or reprinted, but acknowledgement is requested, together with a reference to the document number. A copy of the publication containing the quotation or reprint should be sent to the UNCTAD secretariat at: Palais des Nations, 1211 Geneva 10, Switzerland.

UNCTAD/DITC/TNCD/2003/10

United Nations Publication

# CONTENTS

**TABLES**



**BOXES**



**CHARTS**

# Abbreviations

| | |
|---|---|
| ACP | African, Caribbean, and Pacific Group of States (ACP Group) |
| ASYCUDA | Automated System for Customs Data |
| AGOA | African Growth and Opportunity Act |
| APEC | Asia-Pacific Economic Cooperation |
| ASEAN | Association of South-East Asian Nations |
| CARICOM | Caribbean Community |
| CN | Combined Nomenclature |
| DNPRD | Department of National Planning and Rural Development |
| DTI | Department of Trade and Industry |
| EBA | Everything But Arms |
| EPAs | Economic Partnership Agreements |
| EU | European Union |
| EVSL | early voluntary sectoral liberalization initiatives (APEC) |
| FICs | Forum Island countries |
| FTA | Free Trade Area |
| FDI | foreign direct investment |
| GATT | General Agreement on Tariffs and Trade (WTO) |
| GDP | gross domestic product |
| GSP | Generalized System of Preferences |
| HS | Harmonized Commodity Description and Coding System |
| IATF | Inter-Agency Task Force |
| IMF | International Monetary Fund |
| IPR | intellectual property rights |
| LDCs | least developed countries |
| MFN | most favoured nation |
| MSG | Melanesian Spearhead Group |
| MTDS | Medium Term Development Strategy |
| PIC | Pacific island country |
| PICTA | Pacific Island Countries Trade Agreement |
| PACER | Pacific Agreement on Closer Economic Relations |
| PATCRA | PNG-Australia Trade and Commercial Relations Agreement |
| PNG | Papua New Guinea |
| RCA | revealed comparative advantage |
| RTAs | regional trade agreements |
| S&D | Special and differential treatment |
| SADC | Southern African Development Community |
| SAF | Structural Adjustment Facility |
| SAR | Special Administrative Region |
| SFR | Socialist Federal Republic |
| SICs | smaller island countries |
| SMEs | small and medium-sized enterprises |
| SITC | Standard International Trade Classification |
| SPARTECA | South Pacific Regional Trade and Economic Cooperation Agreement |
| SPS | sanitary and phytosanitary measures |
| STABEX | System for the Stabilization of Export Earnings |
| SYSMIN | System for the Promotion of Mineral Production and Exports |
| TBT | technical barriers to trade |
| TRIPS | trade-related aspects of intellectual property rights (WTO) |
| UNCTAD | United Nations Conference on Trade and Development |
| VAT | value-added tax |
| WAEMU | West African Economic and Monetary Union |
| WTO | World Trade Organization |

# INTRODUCTION

In July 2002, a new Government was formed in Papua New Guinea (PNG) following national elections. The Prime Minister in his address to the first sitting of the new Parliament stressed that PNG must focus on utilizing international trade as an engine of economic revival, growth and industrial transformation.[1] This vision is captured in the Policy Statement of the Coalition Government by Prime Minister Mr. Michael Somare to the Parliament on 20 August 2002 on "Recovery and Development". The broad objectives are stability, unity and empowerment, and a key aspect will be an "export-driven economic recovery strategy". The export drive will focus mainly on the agriculture, fisheries and forestry sectors, supported by the mining, petroleum, gas and services sectors with an emphasis on value-added production and exports. The Government aims, in these key sectors, to "embark on an aggressive market-driven trade and investment policy." The export drive will go hand in hand with a new foreign policy stance based on "Selective Engagement" in which PNG would not only Look North (to Japan, China, and South and South-East Asia) and Work the Pacific (Australia, New Zealand and the Pacific) but also selectively pursue bilateral and multilateral arrangements both within the region and globally. It is within and in pursuance of this objective that the trade policy regime of PNG is being elaborated.

## BACKGROUND

The need for a coherent trade policy framework for PNG was identified by the Department of Trade and Industry (DTI) in 1997, following the country's entry into the World Trade Organization (WTO) and its participation in the first WTO Ministerial Conference in December 1996. DTI, with assistance from UNCTAD, developed a comprehensive programme of technical cooperation for building endogenous capacities for trade policy formulation, negotiation and implementation. A key component of this programme was the formulation of a trade policy framework. Mobilization of funding for the programme encountered difficulties and delayed its launch. In 2002, DTI extracted the trade policy framework component from the capacity-building programme and approached the Forum Secretariat for support of this crucial activity. The Forum Secretariat in turn approached UNCTAD, which, being involved in the inception of the larger capacity-building programme, agreed to provide financial and technical support for the activity jointly with the Forum Secretariat.

In response to a request from DTI, a fact-finding mission to PNG was undertaken by an UNCTAD official[2] from 23 September to 4 October 2002. The mission was undertaken to Port Moresby (capital city) and Lae (major trading city) to carry out consultations with key Government departments and the private sector on the need and priorities for a trade policy framework for increasing the contribution of international trade in order to create job opportunities and economic growth through, *inter alia*, downstream processing and value addition in commodities, manufactures and services. Two officers[3] from DTI assisted the UNCTAD official in the interviews conducted in Port Moresby, and one officer also

[1] Policy Statement by Rt. Hon Sir Michael Somare, GCMC CH., 20 August 2002.

[2] Mr. Bonapas Onguglo, Economic Affairs Officer, Division for International Trade in Goods, Services and Commodities.

[3] Mr. Elliot Tabua and Mr. John Taru.

participated in the mission to Lae. These consultations formed the basis for the preparation of this report.

The stakeholders consulted during the field mission included: Department of Trade and Industry (DTI); the Department of Education; the Internal Revenue Commission; the National Fisheries Authority; the Department of Finance, Treasury and National Planning and Rural Developmen; Independent Consumer and Competition Commission; the PNG Forestry Authority; the National Research Institute; the Investment Promotion Authority; Intellectual Property Office and Securities Commission; the Tourism Promotion Authority; the Ministry of Trade and Industry; the Department of Agriculture and Livestock; the Department of Mining; the Department of Foreign Affairs; the National Agricultural Research Institute; Kokonas Indastri Koporesen – Lae Branch; the Coffee Industry Corporation – Lae Office; the Department of Social Welfare and Development; the Bank of PNG; the Department of Prime Minister; National Executive Council; the United Nations Development Programme; the PNG Manufacturers Council; the PNG Chamber of Commerce and Industry; the Lae Chamber of Commerce and Industry; and Ramu Sugar Pty Ltd.

## THE NEED FOR A TRADE POLICY

A coherent trade policy framework is needed because of the fact that, upon attaining political independence in 1975, PNG inherited from the colonial administration a system of government that did not have such a framework for the country. Since then, successive Governments have not considered elaborating a coherent framework of rules and regulations to govern and guide the administration and conduct of domestic and international trade. This is not to say that such rules, regulations and practices do not exist; however, these have been drafted and enacted over time without a clear vision or sense of direction as to how PNG can use trade as an engine of economic growth and development.

The lack of a vision and coherent trade policy has resulted in the development of *ad hoc* and often conflicting rules, regulations and practices affecting trade, and in an even greater disconnect between trade policy framework and other key economic (tariff, investment, industrial), sectoral (manufacturing, agriculture, forestry, fisheries, minerals) and social policy issues. This in turn translates into poor coordination between DTI and other economic ministries, with the result that the implementation of trade and other economic and social policies also lacks coordination and is given only minimal consideration in the Government and in wider country development plans.