

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

PAPUA NEW GUINEA TRADE POLICY FRAMEWORK

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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 official² 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 officers³ 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 Development; 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 Industri 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.

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