To become an internationally competitive export-driven economy that is built on and aided by an expanding and efficient domestic market.

Department of Trade, Commerce & Industry
Port Moresby

July, 2017
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<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>ADB</td>
<td>Asian Development Bank</td>
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<tr>
<td>AfT</td>
<td>Aid for Trade</td>
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<td>APEC</td>
<td>Asia Pacific Economic Cooperation</td>
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<td>BPNG</td>
<td>Bank of Papua New Guinea</td>
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<tr>
<td>BSS</td>
<td>Business Support System</td>
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<td>CSO</td>
<td>Civil Society Organizations</td>
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<td>CSTB</td>
<td>Central Supply and Tenders Board</td>
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<tr>
<td>DAL</td>
<td>Department of Agriculture and Livestock</td>
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<tr>
<td>DNPM</td>
<td>Department of National Planning and Monitoring</td>
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<td>DoE</td>
<td>Department of Education</td>
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<td>DoT</td>
<td>Department of Transport</td>
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<td>DoW</td>
<td>Department of Works</td>
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<tr>
<td>DPMNEC</td>
<td>Department of Prime Minister and National Executive Council</td>
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<tr>
<td>DTCI</td>
<td>Department of Trade, Commerce and Industry</td>
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<tr>
<td>EGB</td>
<td>Executive Governing Board</td>
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<td>EPA</td>
<td>Economic Partnership Agreement</td>
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<td>EU</td>
<td>European Union</td>
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<td>FDI</td>
<td>Foreign Direct Investment</td>
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<tr>
<td>FRCS</td>
<td>Facilitators and Regulators Consultative Summit</td>
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<tr>
<td>FTA</td>
<td>Free Trade Agreement</td>
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<tr>
<td>FTAAP</td>
<td>Free Trade Area of Asia Pacific</td>
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<tr>
<td>GATS</td>
<td>General Agreement on Trade in Services</td>
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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
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<tr>
<td>GI</td>
<td>Geographical Indicators</td>
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<tr>
<td>GoPNG</td>
<td>Government of Papua New Guinea</td>
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<tr>
<td>GSP</td>
<td>Generalised System of Preference</td>
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<tr>
<td>GST</td>
<td>Goods and Services Tax</td>
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<tr>
<td>HS</td>
<td>Harmonised Commodity Description and Coding System</td>
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<tr>
<td>ICCC</td>
<td>Independent Consumer and Competition Commission</td>
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<tr>
<td>Abbreviation</td>
<td>Full Form</td>
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<tr>
<td>ICT</td>
<td>Information Communication Technology</td>
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<tr>
<td>IEPA</td>
<td>Interim Economic Partnership Agreement</td>
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<tr>
<td>ILO</td>
<td>International Labour Organisation</td>
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<td>IP POPNG</td>
<td>Intellectual Property Office of Papua New Guinea</td>
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<tr>
<td>IPPA</td>
<td>Investment Promotion and Protection Agreement</td>
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<tr>
<td>IPR</td>
<td>Intellectual Property Rights</td>
</tr>
<tr>
<td>IRC</td>
<td>Internal Revenue Commission</td>
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<tr>
<td>ISO</td>
<td>International Standards Organisation</td>
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<tr>
<td>MFN</td>
<td>Most-Favoured Nation</td>
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<tr>
<td>MSG</td>
<td>Melanesian Spearhead Group</td>
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<tr>
<td>MSGTA</td>
<td>Melanesian Spearhead Group Free Trade Agreement</td>
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<td>MTDP</td>
<td>Medium Term Development Plan</td>
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<td>MTNs</td>
<td>Multilateral Trade Negotiations</td>
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<td>MTR</td>
<td>Mid-Term Review</td>
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<tr>
<td>NAQIA</td>
<td>National Agriculture Quarantine and Inspection Agency</td>
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<td>NCC</td>
<td>National Cultural Commission</td>
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<tr>
<td>NEC</td>
<td>National Executive Council</td>
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<td>NGO</td>
<td>Non-Government Organisations</td>
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<tr>
<td>NIPP</td>
<td>National Intellectual Property Plan</td>
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<tr>
<td>NISIT</td>
<td>National Institute of Standards and Industrial Technology</td>
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<tr>
<td>NTMs</td>
<td>Non-Tariff Measures</td>
</tr>
<tr>
<td>NTO</td>
<td>National Trade Office</td>
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<tr>
<td>NTP</td>
<td>National Trade Policy</td>
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<tr>
<td>PATCRA</td>
<td>PNG Australia Trade and Commercial Relations Agreement</td>
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<tr>
<td>PICTA TIS</td>
<td>Pacific Islands Countries Trade Agreement Trade in Services</td>
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<tr>
<td>PICTA</td>
<td>Pacific Islands Countries Trade Agreement</td>
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<tr>
<td>PNG</td>
<td>Papua New Guinea</td>
</tr>
<tr>
<td>PNG DSP</td>
<td>Papua New Guinea Development Strategic Plan</td>
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<tr>
<td>PNG NTTP</td>
<td>Papua New Guinea National Trade Policy</td>
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<tr>
<td>PPP</td>
<td>Public Private Partnership</td>
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<td>R&amp;D</td>
<td>Research and Design</td>
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Papua New Guinea has come a long way since its nationhood on the 16th September 1975. We will be celebrating our 42nd Independence Anniversary and going for our 9th General Elections this year. As a nation, we have made progress in many areas, at the same time, we have failed in other areas. One such critical area we failed undeniably is international trade.

International trade and investment are vital drivers of economic growth and development. However, shifting geopolitics, new business models, spread of international production networks and growth in digital economy are creating new challenges.

Despite fundamental changes in the way business is done across borders, international regulations and agreements have not evolved at the same speed. The deadlock of the WTO DOHA negotiations and the ratification of the WTO Trade Facilitation Agreement, the ending of Cotonou Agreement (for PACP-EU EPA) in 2020, the United Nations’ Sustainable Development Goals, the Paris Climate Change Agreement, the proposed Free Trade Area of the Asia Pacific (FTAAP) of the APEC member economies, the US’s withdrawal of Trans-Pacific Partnership Agreement (TPP) and protectionism approach on regional trade, the BREXIT issue and obviously the Commonwealth countries ‘Agenda for Growth’ strategies, amongst others are creating new challenges. The implications of these issues will have a far reaching impact on PNG’s economy.

PNG is already party to a few multilateral, regional, and sub-regional trade agreements. PNG has also signed Investment Promotion and Protection Agreements (IPPAs) and Double Taxation Treaties (DTTs) with a number of bilateral partners to ensure it fully integrates into the world economy. Despite its efforts and the resource boom in our economy, we have failed to increase our trade volume by products and by value of exports.

Since independence our economy had been driven primarily by the extractive sector without adequate attention given to the non-extractive industries and services sector. Our over-reliance on the extractive sector has left us exposed to commodity price fluctuations and global financial shocks, and has led us to a situation whereby we continue to face economic and fiscal imbalances.

Our foreign exchange reserves are well behind what we need for efficient economic management. We currently have about USD1.5 billion in reserves each month when the demand is about USD3.0 billion, causing the Bank of PNG to introduce foreign exchange controls for accessing foreign exchange. But these very foreign exchange controls are causing those with foreign exchange to keep it offshore while our economy suffers. Henceforth, our performance in international trade is directly responsible for this weak outcome as international trade is the mechanism by which foreign exchange makes its way into our economy.
By keeping our export earnings above our imports, PNG can have a positive net inflow of foreign exchange into our country.

My Government has taken some very serious corrective measures by introducing policy interventions and reforms that are necessary to change this trend and lay the foundation for a robust, competent and sustainable economy. We have reviewed our trade agreements through a cost–benefit analysis study and have decided which agreements are more important to us and have suspended the Tariff Reduction Program. Further, we are taking tougher measures to suspend trade with countries who continuously and unfairly discriminate against PNG’s trade opportunities/potentials. Through this process, we have also decided not to sign onto the PACER Plus but look at a different agreement/arrangement with Australia and New Zealand that would result in direct and indirect benefits in terms of foreign direct investment, capital inflow, increase export earnings, and more new jobs for our people.

I am therefore pleased that my Government has developed and adopted this first ever National Trade Policy (NTP) for Papua New Guinea and will establish a competent National Trade Office (NTO) to play a lead role in addressing the above issues in direct consultation with all trade regulators and trade actors. This policy document sets a coherent policy framework designed to provide clear policy linkages, with a clear vision “to guide PNG towards an internationally competitive export-driven economy that is built on and aided by an expanding and efficient domestic market”. This vision will be achieved through clearer policy mission as basis for unifying and coordinating actions across all stakeholders both domestically and internationally. The set of principles and goals of the policy provide strategies for specific policy measures to address generally thematic trade-related issues behind the border, at the border, and beyond the border, through trade measures including trade facilitation, safeguards (protection of local industries), trade remedies, market access and trade dispute settlement amongst others.

The NTP will complement other policies and strategies of the government and will contribute immensely towards the realization of the PNG Vision 2050 aspirations for building a “Smart, Fair, Healthy, and Happy Society”.

In view of the fact that Trade is everyone’s business, I commission the NTP to all of us to make the best use of it and call upon all Papua New Guineans to take ownership and implement our historic trade policy.

Peter O’Neill

HON PETER O’NEILL, CMG, MP
Prime Minister of Papua New Guinea

Port Moresby, July 2017
Statement by the Minister for Trade, Commerce and Industry

I am greatly honoured as Minister responsible for Trade to present Papua New Guinea’s first comprehensive National Trade Policy (NTP) that will set a new direction in dealing with international trade.

Since being appointed as Minister responsible for Trade matters, it became clear to me that PNG’s trade practice since independence in 1975 was carried out without a clear and strong policy framework. Trade, investment, and the operation of the domestic market, including marketing our commodities on the export market, were being done without any clear goals and guiding principles linked to the advancement of our economy. They were poorly coordinated, and did not receive the support of all key stakeholders as they rightfully deserve. Compelled by this, I gave instructions to my Department to develop a National Trade Policy as a matter of priority. I am proud to say that this document is the product of this work. But more importantly, it is a testament to the O’Neill/Dion Government’s resolve to make trade a priority in expanding PNG’s economic base.

Since independence our merchandise trade has shown varying performance, recording surpluses, especially in the extractive sectors. In 2014, our merchandise exports were approximately USD9 billion with imports just under USD4 billion, giving a surplus of USD5 billion, whereas in 2004 the surplus was just over USD1 billion. However, in recent years, when we remove the effect of the extractive sectors, the merchandise trade shows a deficit. Further, our services trade balance persistently records a deficit, growing to approximately USD4 billion by 2015. This unbalanced trade performance has weakened our country’s GDP and is a major contributing factor to the foreign exchange crisis. Hence, the NTP provides a policy framework for trade agreements and trade negotiations, for the identification of sectors with comparative advantage, and for opening market access in sectors that can have significant impact on our economy and create jobs.

The key objective of the Policy is to promote sustainable economic growth of our country through encouraging investment in the renewable sector, encourage downstream processing, import substitution, and export diversification development. Accordingly, policy interventions and measures have been adopted to help establish an efficient and competitive domestic market; policy interventions that will help build a competitive and sustainable export based economy; and policy interventions for strengthening administration, coordination and implementation.

Therefore, the NTP sets out policy measures that will increase our exports, for example in coffee (by 10%), cocoa (by 7%), oil palm (by 19%), copra (by 16%) and fish (by 20%); increase downstream processing; diversify our merchandise exports and partners, and increase our services exports. We expect this to result in increased employment of about 50,000, with the creation of new small and medium enterprises. In addition, jobs will be
created in wholesale and retail services, as well as the hotel and tourism sector, information and communications technologies, and professional services.

We have great potential to develop into a first class economy in the Asia-Pacific region. We have a vibrant and growing population that can generate sufficient internal demand for locally produced goods and services. Our strategic geographical proximity with Asia, the Pacific and Australasia, positions us as an attractive trading partner. Our entry into the World Trade Organisation (WTO) in 1996, in addition to a number of bilateral and regional trade agreements, accords us immense opportunities. More significantly, our abundant natural resources, give us the added advantage of expanding our value-added exports. However, to date, these opportunities have not been maximised due to internal market constraints and a lack of international competitiveness. We continue to lag in transforming our primary commodities into processed, valued-added goods for the export market. Presently, our manufacturing sector is small and has remained so for many years. Again, this is unacceptable. We have relied too heavily on our extractive sector (mining, oil and gas) without sufficient diversification of our domestic economy. The NTP gives us a real opportunity to address many of these challenges.

But the NTP is only the beginning, our task ahead is to make this policy work and succeed for our country and our future. The road will not be easy, but I am confident that working together, we can reap the benefits of our National Trade Policy.

As I conclude, it would be fitting for me to say thank you to, the Secretary and the staff of the Department of Trade, Commerce and Industry, the trade policy drafting team and all the stakeholders who have contributed in one way or another, in developing this document. I would also like to thank the European Union for the technical and financial support received in this regard.

Thank You and God Bless Papua New Guinea.

Richard Maru

HON. RICHARD MARU, Bus Tech, MBA, OBE, MP
Minister for Trade, Commerce & Industry

Port Moresby, July 2017
Acknowledgements

We acknowledge with thanks the valuable financial and technical assistance provided by the European Union under the second phase of the EU Trade-related Technical Assistance Programme (TRA II) to Papua New Guinea during the formulation and development of Papua New Guinea’s National Trade Policy. We are thankful to former colleagues and officers of government agencies who provided expertise that greatly assisted in the process of developing Papua New Guinea’s first National Trade Policy.

Our thanks also go to the many stakeholders in the private, public, research and academic institions, civil society organizations, and those individuals who have contributed to the development of this policy. Finally, we acknowledge the leadership of Honourable Richard Maru MP for the political will and the drive to deliver Papua New Guinea’s first ever National Trade Policy.
EXECUTIVE SUMMARY

Papua New Guinea is a small open economy producing a diverse range of products and is the largest island economy of the Pacific region. It is a net exporter of goods owing to the extractive sector, but its services trade balance has reflected a deficit for the last few decades. The Government has secured various trade agreements in the belief that they can cause a transformation of the economy, but this transformation is slow in coming and the vision of the founding fathers of PNG, to make it a happy and wealthy nation, continues to elude its people. Yet, the country is endowed with immense natural wealth: rich deposits of precious minerals, crude oil and liquefied natural gas. It also has an abundance of some of the world’s premium timber and fishery products. It is also strategically positioned in the northern segment of the South Pacific, making it a gateway to the Asian countries and hence conferring significant potential for economic growth through trade.

Notwithstanding, PNG is yet to leverage all of these strengths to bring about the economic transformation and creation of wealth for its ordinary people that is so needed through trade. Therefore, the GoPNG requested its staff at the Department of Trade, Commerce and Industry, to develop a National Trade Policy (NTP) that would address some of these problems and pave the way for growth and transformation through trade. Extensive consultations were undertaken and they revealed that on the supply side, high transaction, transportation and utility costs are major problems that affect PNG’s trade competitiveness. Also, on the demand side tariffs and technical barriers to trade, as well as sanitary and phyto-sanitary measures, limit PNG’s ability to move into exportation of higher value added products. Further, weak enforcement of national standards and technical regulations, weak enforcement of intellectual property rights, unfair trade practices such as dumped products and subsidization of inefficient industries prevent the growth and diversification of PNG’s industries.

The heavy reliance on the extractive sector and limited downstream processing has been detrimental to PNG, as fluctuations in international oil, gas and commodity prices have adversely affected overall economic performance. Also, with a growing trade deficit and overall balance of payments deficit, which has been large and persistent in the services sectors there was a need to adopt measures that clearly set out which countries PNG should engage, the sectors and products of engagement and the specific interests to be pursued in various trade negotiations.

In response, the National Trade Policy is developed to serve as a central repository of all pertinent information about PNG’s trade regime, both for internal and external purposes. Vision 2050 acknowledges that the transformation of the economy from one dependent on the non-renewable sector, particularly mining and minerals sector to the renewable sector: agriculture, fisheries, forestry, eco-tourism and manufacturing, will be a key to achieving sustainable development. The NTP seeks to support Government’s efforts to ensure that economic transformation takes place by using international trade as a key driver of growth. The vision of the NTP is that “PNG has an internationally competitive export-driven economy that is built on and aided by an expanding and efficient domestic market”. The vision has strong linkages with Goal 6 of the Vision 2050 that calls for PNG to be “Progressive and Globally Competitive”. Its Mission is to “promulgate and advance PNG’s vision contained in this document and the policy intentions or goals of Government on international and domestic trade; to provide clear directions on all parties involved in the pursuit of such goals and; to serve as a basis for unifying and coordinating actions across all stakeholders both domestically and internationally”.

In developing this NTP the GoPNG has been mindful of its current context in both the negotiation and implementation of trade agreements. PNG is party to a few bilateral trade relations with key partners in the Pacific. It is also party to several regional trade agreements, notably: MSGTA, SPARTECA and PICTA. Beyond the Pacific rim, PNG concluded an Economic Partnership Agreement (EPA) with the European Union (EU) and is actively engaged in negotiations in the context of the APEC trade agreement. PNG is also a member of the WTO.

In its pursuit of bilateral, sub-regional and regional trade negotiations, PNG will continue to identify markets where it can receive a cost advantage for products of strategic interest and create secure, predictable market access conditions by concluding WTO compatible trade agreements/arrangements wherever possible. In addition to addressing the tariff barriers for PNG’s exports the NTP seeks to harmonize and align PNG’s trade facilitation measures (customs procedures, SPS and TBT requirements), with its trading partners. It will also seek the most effective rules of origin requirements that will allow exports to be competitive in those markets. Further, given the increasing share of services in the country’s GDP, PNG intends to include services in the scope of its trade negotiations and secure better access conditions for their supply.

Accordingly, the main objectives of the NTP may be summarized as follows:

1) To send a strong signal to the international community that PNG is open for business.
2) To expand market access, inclusive of negotiations of terms that will result in market presence for PNG’s products and services in foreign markets, thereby sustaining trade surpluses on both the merchandise and services accounts.
3) To protect consumer welfare through strengthened enforcement of intellectual property rights and ensure national standards and compliance measures are respected.
4) To create an environment in PNG that is conducive for doing business and increasing employment, by ensuring that costs are reduced and are also transparent and predictable.
5) To identify markets where PNG can receive a cost advantage for products of strategic interest and create secure, predictable market access conditions through trade agreements.
6) To advocate for the elimination of large scale subsidies provided by trading partners that distort international trading prices on products of strategic interest to PNG.
7) To mobilize resources to finance needs of the trade and trade-related sectors.
8) To mainstream the SMEs into trade deals by negotiating clear terms of establishment of foreign firms in PNG’s markets in sectors of strategic interest through goods and services scheduling commitments.

GoPNG recognizes that in order to achieve its trade policy objectives there are several internal arrangements that need to be attended to and the NTP addresses these in detail. Also, to facilitate efficient collaboration and coordination amongst all stakeholders a National Trade Office (NTO) will be created. As such the NTP addresses the creation of a legal and regulatory framework that will be more conducive for the conduct of trade and an administrative and coordination mechanism to facilitate the implementation process.

Accordingly, policy objectives and measures have been adopted in the following areas: policies that help establish an efficient and competitive domestic market; policies that help build a competitive and sustainable export based economy; and policies for strengthening administration, coordination and implementation. A synopsis of the objectives of these
policies is presented below.

**Legal and Regulatory Framework**
With respect to the legal and regulatory environment, the NTP introduces a transparent and predictable legal and regulatory framework for improved business and investor confidence. This includes enacting laws and regulations conducive to improving the ease of doing business; general awareness and improved advocacy on trade-related laws and regulations; and private sector participation in the process of securing better regulation through public-private sector partnerships.

**Macro-Economic Policy Environment**
As it relates to the macro-economic policy environment, the NTP’s policy objective is to promote a conducive and stable macro-economic environment aimed at increasing trade and investment flows. The policy measures include implementing proactive measures that promote trade; maintaining regular dialogue with key stakeholders; and promoting collaboration with donor agencies and international partners to address supply-side constraints, productive capacity, structural impediments, structural reforms and adjustment.

**Investment and Competition Policy**
Regarding the area of investment and competition policy, the NTP’s objective is to promote fair competition and good business practices that will support an attractive business and investment environment. The policy measures include deregulation of monopoly in the shipping and energy sectors, inclusive of adequate safeguards; encouraging regular dialogue through establishing an effective coordination mechanism; and developing a transparent competition regime and the implementation of competition law under the co-ordination of the ICCC and related regulatory institutions to address anti-competitive practices.

**Good Governance**
In the area of good governance, the NTP’s objective is to promote the principles of good governance in decision-making and implementation processes relating to PNG’s trade policies and practices. The policy measures include conducting regular reviews of the decision-making and implementation processes to improve efficiency and effectiveness; establish inclusiveness in the trade policy process through regular public-private dialogue and wider consultations on changes in policies, laws and regulations, as well as the timely disclosure of information on the same; and providing open access to and making available trade and trade-related information through online portals for public consumption.

**Trade Related Infrastructure**
In the area of trade related infrastructure, the NTP’s objective is to develop and improve the quality of trade-related infrastructure (roads, ports, wharves and airports) in strategic locations around the country. The policy measures include reviewing existing initiatives for trade-related infrastructure and implementing a comprehensive masterplan, inclusive of a detailed strategic plan for improving trade-infrastructure throughout PNG; and securing the financing of trade-related infrastructure including through Public-Private Partnership (PPP) arrangements both internally and externally, with strategic private sector and development partners.
Infrastructure Services
With regards to infrastructure services, the NTP’s objective is to provide and maintain a
good quality of infrastructure services (transport, electricity, port, financial services, telecom,
and ICT) that are important for PNG’s trade. The policy measures include reviewing exist-
ing initiatives for trade-related infrastructure services and implementing a comprehensive
masterplan, inclusive of a detailed strategic plan, for improving trade-related infrastructure
services throughout PNG; and promoting efficient infrastructure services, by encouraging
reforms aimed at removing barriers and other regulatory constraints imposed by, among
others, monopolistic SOEs providing infrastructure services.

Trade Logistics Services
As it relates to trade logistics services, the NTP’s objective is to improve trade logistics ser-
vice and supply-chain performance for enhanced domestic, regional and international con-
nectivity. The policy measures include encouraging Public-Private Partnerships and public
consultation on issues relating to trade and investment liberalization in logistics services;
and collaborating with donors and international partners to conduct a domestic trade and
logistics audit (using World Bank’s Logistics Performance) on issues relating to institutions
and regulations of transport and logistics services, quality and reliability of logistics services
and business practices.

Other Key Services
With regards to other key services, the NTP’s objective is to progressively liberalize the
other service sectors to encourage the growth and expansion of these services (both inward
and outward) for increased productivity and competitiveness. The policy measures include
conducting negotiations on commitments in Trade in Services (TIS) in various trade agree-
ments; providing a policy and regulatory framework aimed at enhancing the competitiveness
and productive capacity of the other key services sectors; and ensuring that licensing and
certification are administered in a fair, transparent and non-discriminatory way, aimed at
maintaining a high standard of service provision expected of the services industry.

Private Sector Development
With regards to private sector development, the NTP’s objective is to promote a dynamic
and vibrant private sector that is globally competitive, capable of seizing opportunities in
new and emerging markets in addition to traditional markets. The policy measures include
creating an enabling environment for private sector growth and development through a Pri-
vate Sector Development Plan; creating platforms to facilitate public-private partnerships to
enhance private sector participation in trade policy formulation, decision-making and imple-
dentation, and regular dialogue and information sharing; and enacting legislation, inclusive
of safeguards to privatise SOEs in order to encourage competition and facilitate private
sector investment in key sectors of the economy.

SME Specific Issues for Development
Regarding SME specific issues for development, the NTP’s objective is to ensure that
the SMEs are provided with opportunities to grow, develop and reap the benefits of trade liberalization as PNG implements the various trade agreements that it is party to. The
policy measures include mainstreaming the various relevant provisions of the SME Policy
and Master Plan into trade policy; promoting the creation of joint ventures between SMEs
in PNG and foreign firms when undertaking investments in strategic sectors; building
capacity of professionals engaged in the SME sector to undertake all required work for
smooth functioning of their firms; and include adequate representation of SMEs in all trade
negotiation forums.
Foreign Direct Investment
With regards to foreign direct investment, the NTP’s objective is to increase FDI flows into the PNG economy and assist domestic businesses to partner and integrate with foreign investors and grow from FDI investments. The policy measures include removing legal, regulatory and administrative impediments to attracting and retaining FDIs as identified under the “Ease of Doing Business Study”; review and develop a new Investment Policy Framework aimed at channelling FDI into the appropriate sectors of the economy in terms of technology transfer, transfer of capital and assets and organisational know-how, and other related matters of FDI; and review the investment incentives offered, taking into account good practices to attract FDI with the view to identify areas of improvement and then institute reforms.

Trade Development and Promotion
With regards to trade development and promotion, the NTP’s objective is to create efficient product development and export promotion of local products to the targeted markets to increase trade with rest of the world, diversify the economy and ensure that PNG’s goods are globally competitive. The policy measures include development and implementation of a comprehensive master plan inclusive of a detailed strategic plan for efficient product development and export promotion of local products to target markets.

Sector Specific Policies
As it relates to sector specific policies, the NTP’s objective is to ensure that the right policies are adopted and implemented in the areas of agriculture; forestry; fisheries; manufacturing; services; mining; oil and gas; and next generation sectors and industries. With regards to agriculture the policy objective is to promote a vibrant and competitive integrated agriculture and food sector able to compete evenly against imports to promote food security, rural development and poverty alleviation. Some of the policy measures include establishing Special Economic Zones to promote development of the agri-manufacturing industries; support and grow the local stock-feed industry to supply the poultry and livestock industries; and support to Department of Treasury, PNG Customs, ICCC and other relevant agencies to establish clear criteria (guidelines) to use safeguards, anti-dumping and countervailing measures, to protect PNG agri-food industries against unfair trade practices such as dumping and subsidies, and import surges.

With regards to forestry the NTP’s objective is to promote the growth of sustainable forest industry and promote downstream processing activities in the country to increase jobs in the sector. The policy measures include increasing linkages with other government agencies, international organizations, private sector and non-governmental organization to encourage information linkages; and transparency on international trade of forest and wood products; In marketing and promotion of wood products, measures will be taken to maximize in-country returns and to minimize transfer pricing in the log export trade; and, domestic processing of forest products shall be encouraged wherever this is economically and financially viable.

As it relates to fisheries, the NTP’s objective is to support further growth and development of the fisheries industry to maximize the returns on its resource, in terms of jobs and export earnings. Some of the policy measures include establishing marine industrial zones, including expediting the establishment and operation of the Pacific Marine Industrial Zone (PMIZ) to maintain its competitive position in current and future export markets; maintaining export restrictions to encourage downstream processing and value adding onshore, wherever necessary; and identifying and concluding FTAs with trading partners to gain competitive advantages for PNG’s fish exports.
Regarding manufacturing, the NTP’s objective is to double the manufacturing sector’s contribution to the GDP and to generate employment. Some of the policy measures include reintroducing the trade defense legislation to protect local manufacturing industry against unfair trade practices such as dumping and subsidization; developing a clear policy stance on “parallel imports” to support the growth and development of the domestic industry; support Intellectual Property Office and PNG Customs to acquire appropriate external technical assistance and capacity building to strengthen enforcement of intellectual property rights under the Aid for Trade Initiative or other programs; and support national standards making authorities to develop national standards and technical regulations for locally manufactured and imported products to ensure consumer health and safety.

With regards to mining, oil and gas, the NTP’s objective is to promote downstream processing and value adding of mineral and petroleum resources. Some of the policy measures include developing a comprehensive sector specific policy to promote downstream processing and value adding. A quota system for domestic processing will be considered as part of the sector specific policy.

Regarding next generation sectors and industries, the NTP’s objective is to promote the development of new innovative industries; taking into account the principle requirement of contributions of the different economic sectors under the National Climate Change Management Act 2015, the Paris Treaty on Climate Change, and the UN Sustainable Development Goals. The policy measures include developing a road map which includes research and development on the biofuel potential of PNG as well as an appropriate incentive package for companies establishing bio-fuel and other renewable energy sectors; concluding trade in services agreements including IPPAs to protect investment in the bio-fuel and other renewable energy sectors including any emerging innovations in the field of green technology; and developing an incentives package for companies seeking to shift from use of fossil fuels to use of cleaner energy and technologies, to facilitate the adjustment process and user friendly regulations for those that are in transition away from the traditional fossil.

Trade Facilitation
Regarding trade facilitation, the NTP’s objective is to simplify and harmonise import and export processes and procedures for facilitating trade thereby improving the ease of doing business for importers and exporters. The policy measures include instituting procedures to capacitate and modernize trade facilitating agencies and invest in advanced technology, especially ICT and related trade infrastructures; and review and realign the processes of the various trade facilitation institutions (Customs, NAQIA, NISIT, etc.) and streamline and simplify their import and export procedures and practices.

Border Control and Clearances
With regards to border control and clearances, the NTP’s objective is to strengthen border surveillance and control, streamline and simplify clearance procedures, for cross-border flow of goods and services. The policy measures include coordinating all the sectorial policies of the trade facilitating agencies such as PNG Customs, NAQIA, NISIT, and PNG Ports in adopting international best practices to address and improve the movement of goods and services across PNG’s borders.

Digital Trade
With regards to digital trade, the NTP’s objective is to provide appropriate information, communication and technological infrastructure and policies to protect citizens and consumers; and maximize the economic benefits of e-commerce that is critical to promote
inclusive growth. The policy measures include establishing a Working Group on e-commerce to review the good practices of other countries with the view to their adoption; draft, enact and implement legislation to regulate and safeguard e-commerce activities against internet fraudsters and transnational cybercrime; and accede to UNCITRAL Model Law on Electronic Commerce to manage commercial disputes and international arbitration awards arising from e-commerce activities.

Eliminating Anti-Export Bias
With regards to eliminating anti-export bias, the NTP’s objective is to simulate production and enhance the competitiveness of PNG exports, by reducing the cost of inputs through the elimination of tariffs on inputs and intermediate products used in production. The policy measures include carrying out a review, in consultation with Department of Treasury and other stakeholders, on the tariff structure with a view to either lower import tariffs or provide exemptions from duties for inputs and machinery in order to promote downstream processing onshore; and will consider the use of an efficient drawback system on inputs that would enable the remission or drawback of import charges on inputs physically incorporated.

Eliminating Non-Tariff Measures
Regarding eliminating non-tariff measures, the NTP’s objective is to eliminate NTMs in accordance with the relevant provisions of the WTO and other trade agreements thereby stimulating more trade through reduced costs. The policy measures include establishing a working group to identify measures that potentially constitute NTMs with the view to remove them; and promoting dialogue and consultations on NTMs to prevent the use or application of measures that can be interpreted as NTMs.

Rules of Origin
With regards to rules of origin, the NTP’s objective is to promote flexible and transparent rules of origin in trade agreements that will facilitate imports of affordable input materials for domestic production and avoid instances of trade deflection. The policy measures include negotiating the most adequate rules of origin requirements for PNG, based on sector specific assessments about the industrial process and structure of production of local firms, the materials they use, and where they source them from. The policy measures will also promote regional training workshops to raise awareness and train customs officials and other border agency officials on rules of origin requirements.

Treating with Export Taxes and Other Export Measures
Regarding export taxes and other export measures, the NTP’s objective is to pursue limited application of export taxes and other export restrictions as a measure to encourage downstream processing and value adding activities in PNG. The policy measures include conducting sector studies to determine welfare impacts of export taxes on incomes and jobs before introducing export taxes; and developing an appropriate strategy and programs to assess the economic welfare impacts before applying appropriate measures to current and future agreements to ensure that export taxes are applied justifiably.

Market Access for PNG’s Exports
As regards market access for PNG’s exports, the NTP’s objective is to secure enhanced market access conditions and opportunities for PNG’s goods and services in overseas markets. The policy measures include establishing a permanent and reliable national consultation framework for negotiating market access for goods and services based on PNGs interests; aggressively pursuing and negotiating better market access conditions for PNG exports; interact with all trade stakeholders to determine PNG’s interests in securing
market access in other countries as well as what access to offer PNG’s partners; and establish strategic alliances with like-minded countries and strategic partners and defend or promote commonly shared trade and development interests particularly in pluralistic trade agreements.

**Trade Related Aspects of Intellectual Property Rights**

Regarding trade related aspects of intellectual property rights, the NTP’s objective is to support and strengthen a more effective legal and institutional framework to safeguard intellectual property rights, in line with national and international commitments. The policy measures include supporting the Intellectual Property Office of PNG (IPOPNG) in the formulation and implementation of the National Intellectual Property Plan (NIPP) through the National IP Working Group; support IPOPNG in ensuring that all intellectual property rights legislation, regulation and practices comply with the WTO Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement and are adequately enforced; and Continue to advocate for the extension of the protection of Geographical Indications (GIs) beyond wines and spirits in the WTO negotiations to include products such as coffee and other relevant products that are unique to PNG’s geography.

**Trade in Goods**

As it relates to trade in goods, the NTP’s objective is to secure concessions from PNG’s negotiating partners that will facilitate exports of PNG goods to target destination markets. The policy measures include identifying PNG’s key export market destinations for its competitive goods and analyse its market access conditions; introduce periodical analysis of trade flows for trade policy intervention to determine and classify the share of exports which receive Most Favoured Nation (MFN) treatment; General System of Preferences (GSP) treatment, and Free Trade Agreement (FTA) preferences; undertake fact-finding missions to target countries, where PNG has an offensive interest to trade; and capacity building and training for the negotiators to effectively negotiate the concessions of best interest to PNG.

**Trade in Services**

Regarding trade in services, the NTP’s objective is to eliminate regulatory barriers and offer non-discriminatory treatment to services suppliers in order to improve the services sector, and foster competition, improve the quality of service, reduce price, create employment and encourage growth and development. The policy measures include supporting the development of a strong domestic services sector; ensuring regulatory bodies understand Trade in Services commitments under various trade agreements that PNG has secured concessions in; and encourage investments into priority services sectors through elimination of regulatory and procedural barriers where they exist, to foster competition to improve quality of service at reduced cost.

**Aid-for-Trade**

With regards to aid-for-trade, the NTP’s objective is to ensure that PNG benefits from the WTO Aid-for-Trade initiative as well as similar initiatives under other trade agreements. The policy measures include mainstreaming Aid-for-Trade priorities into the Government’s overall aid strategy; encouraging closer collaboration among all stakeholders to identify priority areas under Aid-for-Trade for PNG, including development of an Aid for Trade Strategy; open dialogue with international development partners on PNG’s Aid-for-Trade priorities; and negotiating packages to help PNG with adjustment costs arising from implementation of various trade agreements.
Trade and Sustainable Development
The NTP also contains policy objectives and measures in relation to: trade and environment; trade and labour standards; trade and gender and social inclusiveness; trade and consumer welfare, health and safety; compliance with standards and biosecurity; bilateral trade arrangements; regional trade arrangements; multilateral trade agreements; institutional capacity building; dispute settlement mechanism; trade remedies; research and development.
PART 1
OVERVIEW OF PAPUA NEW GUINEA’S ECONOMY, TRADE PERFORMANCE AND TRADE AGREEMENTS: THE NEED FOR A NATIONAL TRADE POLICY
PART I: OVERVIEW OF PAPUA NEW GUINEA’S ECONOMY, TRADE PERFORMANCE AND TRADE AGREEMENTS: THE NEED FOR A NATIONAL TRADE POLICY
INTRODUCTION

Papua New Guinea’s National Trade Policy (PNGNTP or the NTP) is a significant and ambitious policy document on trade to guide the Government of Papua New Guinea (GoPNG) for trade policy development and implementation. The document defines and sets out the policy and regulatory framework for PNG’s international trade with the primary goal of advancing, consolidating, and maximizing PNG’s trading interests within and outside of the country. The NTP has been drafted against the backdrop of a lack of a coherent trade policy and the need for greater coordination and harmonization of trade efforts. It signifies a genuine commitment by the GoPNG to improve and strengthen PNG’s overall trade orientation and performance and provides a predictable framework for engaging with its trading partners based upon internationally accepted best practices and negotiating modalities. Accordingly, it sets out the legislative and regulatory frameworks and capacity building needs to realise its objectives.

As a key policy of the GoPNG, the NTP is anchored on PNG’s ambition to create a globally competitive export-driven economy, based on and supported by, an expanding domestic market that is efficient and competitive. The document sets out a vision for the future of PNG’s trade, the primary goals of its trade policy, and the regulatory and policy measures aimed at creating a competitive and efficient domestic market, that will lend support to a globally-competitive, export-driven economy. As such, the NTP is a significant enabler for strengthening and expanding PNG’s trade in the medium to long term, and is the basis for coordinating and unifying actions among all stakeholders at the policy, regulatory and operational levels. Further, the NTP will be the basis upon which PNG’s trading patterns and progress will be measured in the medium term.

The NTP further addresses PNG’s competitiveness pertaining to the domestic trade as well as the international trade. PNG does not produce many of the products that it consumes. Therefore, it relies on international trade for imports of physical capital, intermediate products and final consumer goods and services for its economy to function smoothly. Addressing PNG’s competitiveness reduces time and costs of trading, which is an impetus for businesses. Therefore, the additional objective of this National Trade Policy is to provide the business impetus by identifying and removing inefficiencies in PNG’s supply chain management and control system, which should result in more effective and efficient movement of capital, goods, and services at reduced costs.

The NTP is organized as follows: Chapter 1 discusses the need for a National Trade Policy. It elaborates on the Role of the National trade Policy, Vision and Mission, Guiding Principles, Primary Goals, Policies, and their alignment to the Vision 2050 and other development policies and strategies. Chapter 2 presents an analysis of PNG’s trade and economic performance. It summarizes the major trade agreements that PNG is party to, trade policy by sector, major weaknesses in the trading regime and the way forward with trade policy. Part II of the document sets out the trade policies that need to be adopted in order to establish an efficient and competitive economy in PNG. These are detailed in Chapter 3, promoting a transparent and predictable policy and regulatory environment; Chapter 4, developing trade related infrastructure and services; Chapter 5, supporting the growth and development of domestic industries; Chapter 6, improving trade facilitation and connectivity; Chapter 7, other measures for reducing import and export costs; and Chapter 8, addressing other trade-related issues. Part III address the policies required for effective international
trade based upon a competitive and sustainable economy. These are detailed in Chapter 9, gaining market access for PNG’s exports; Chapter 10, maximizing opportunities from trade agreements; and Chapter 11, strengthening the capacity and efficiency of trade institutions. Finally, Part IV sets out the institutional arrangements required to strengthen coordination, administration and implementation of the National Trade Policy in Chapter 12.

The NTP has been developed through a bottom up consultative process over a period of five years. Extensive stakeholder consultations coupled with rigorous technical analysis including the review and application of international best practices have been used in creating this National Trade Policy.

CHAPTER 1: THE RATIONALE FOR A NATIONAL TRADE POLICY

The rationale for the National Trade Policy derives from the following analysis which is developed in detail in the pages below. A summary of the key issues concerning the current state of PNG’s economy is as follows:

- Foreign exchange reserves have decline to USD1.4 billion;
- Balance of payments deficit continues to deteriorate;
- Services sector balance continues to deteriorate to negative USD3.5 billion;
- Goods balance is also negative when extractive industries (oil, gas, gold copper, etc.) is subtracted;
- Unemployment is increasing rapidly especially amount the youth;
- The current debt to GDP ratio is 38.4 %;
- The current balance of payment stands at the deficit of USD350 million;
- Over reliance on the extractive sector resulting in the lack of diversification;
- Limited downstream processing or value adding;
- Over reliance on a limited number of trading partners.

PNG needs the National Trade Policy for the following reasons:

- Grow the economy through trade by creating more than 100,000 jobs;
- Bring in USD5-10 billion in investment in next 5 years;
- Transform the services balance form deficit to surplus in the next 5 -10 years;
- Contribute at least USD2 billion more in surplus in merchandise account;
- Create more than 100,000 new jobs with opportunities for young graduates;
- Increase foreign exchange reserves from USD1.6 billion to USD2.5 billion per month;
- Reduce the debt to GDP ratio from the 38.4% to 28.8% over the next 5-10 years;
- Improve the BOP form deficit of USD350 million to a surplus of USD100 million over 5-10 years;
- Increase diversification of the economy with greater reliance on the renewable sector.

1.1 Background

Papua New Guinea’s (PNG) economy is dominated by a small formal sector focused mainly on minerals and energy, which accounts for nearly two-thirds of export earnings. Another third of the country’s export earnings are derived from the primary sector consisting mainly of agriculture, forestry and fishing. There is also a large informal sector whose contribution to the economy is not easily quantified, but this burgeoning informal sector provides a subsistence livelihood for 85% of the people.
In 2014, the GDP of PNG in constant (1998) prices was USD 16,383 million and a GDP per capita of approximately USD 2,156 was recorded. Over the decade 2004 to 2014 GDP grew from USD 4,177 million to USD 16,383 million or a nearly fourfold increase over that period, demonstrating significant growth in the economy since the turn of the century (Figure 1).

Figure 1 – Growth of GDP (2000-2014)

In terms of the economic structure, GDP is dominated by Industrial activity, which accounted for approximately 49.1% followed by Agriculture and Services with approximately 25.5% and 25.4%, respectively in 2014. Moreover, the trend in the structure of production since 2004 has been for a gradual decline in the contribution of Agriculture to GDP (from 34.9% in 2004 to 25.5% in 2014); and a gradual increase in the shares of Industry (from 42.1% in 2004 to 49.1% in 2014) and Services (from 23.0% in 2004 to 25.4% in 2014). Industrial activity is dominated by the mining and manufacturing sectors. This shows that some economic transformation is taking place as the country has started to diversity its production base.

The growth was largely due to the construction phase of the PNG LNG project coupled with high commodity prices in the global market and liberalization of the telecommunications sector. The heavy reliance on the export of raw and semi-processed goods mainly from the extractive sector and agriculture commodities, makes PNG vulnerable to volatility in global commodity prices, which the country has faced in the last two years has had detrimental effects on the economy.

Another point to note is that whilst the country has recorded high growth over the last decade and despite government efforts, other social indicators such as literacy, employment, health and law and order have been on the decline. This calls for a major shift in policy making and government investment priorities. Hence, the National Trade Policy will support other key Government policies such as the SME Policy and Master Plan to encourage sustainable economic growth that contributes to improvement in the lives of its citizens.

1.2 Current Status of the Balance of Trade

Since independence PNG’s merchandise trade has shown varying performance, recording surpluses, especially in the extractive sectors. In 2014, PNG’s merchandise exports were approximately $9 billion with imports just under USD4 billion, giving a surplus of USD5 billion, whereas in 2004 the surplus was just over USD1 billion (Figure 2). However, in recent
years, when the contribution from the extractive sector is excluded, the merchandise trade shows a deficit. Further, the services trade balance persistently records a deficit, growing to approximately USD4 billion by 2015 (Figure 3).

Moreover, PNG’s exports are concentrated in a few commodities which are exported in either raw form or semi-processed. They include minerals (crude oil, gold, liquefied gas and copper), oil palm, coffee copra, cocoa and fish.

PNG’s reliance on a few export commodities for foreign currency earnings and the unbalanced trade performance has weakened the country’s GDP and is the main factor in the short fall and restriction on foreign currency in the last two years. It is also contributing to the social fall-out that we are seeing, as our young professionals leaving higher education cannot find jobs. This in itself is a recipe for social anarchy in the society if immediate policy measures to create jobs and sustainable economic growth are not put in place. Hence, the Trade Policy is designed to contribute and supplement existing government policies and initiatives such as the SME Policy and Master Plan to encourage sustainable economic growth.

Source: UNCTAD (http://unctadstat.unctad.org)
PNG’s major trading partners are concentrated within few countries in the Asia Pacific Region and recently the EU, especially for fish after the recently concluded iEPA. PNG’s main export partners have been Australia, Japan, China and the EU. (Table 1).

Table 1 – PNG’s Major Export Partners

<table>
<thead>
<tr>
<th>EXPORTS (Values in millions USD and Share in %)</th>
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<tr>
<td>Year</td>
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<td>------</td>
</tr>
<tr>
<td>TOTAL:</td>
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<tr>
<td>Australia</td>
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<tr>
<td>Japan</td>
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<td>China</td>
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<td>South Korea</td>
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<td>Philippines</td>
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<td>India</td>
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<tr>
<td>Netherlands</td>
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<tr>
<td>Spain</td>
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Source: ADB, Key Indicators for Asia and the Pacific 2015 last updated through SDBS on 30 September 2015

There is a need for PNG to diversify its trading partners strategically, as concentrating on a few will have huge ramifications on the economy in the long term. In the event of economic slow-downs or recession in some of PNG’s trading partners there will be severe consequences if PNG does not diversify its exports and continues to depend largely on a few of its trading partners for its export market. Hence, through this Trade Policy, strategic and key trading partners will be identified to diversify its export markets.

Extensive consultations with key stakeholders through one-on-one meetings and workshops, highlighted the following issues that have affected PNG’s Trade Performance since independence:

- PNG has abundant natural resources especially in the extractive sector. These resources are currently being over-exploited and will be depleted over time. Therefore, there is an urgent need to diversify the economic base and to invest heavily in the non-extractive sectors.
- Ensuring the long-term sustainability of current primary sectors to off-set the inevitable depletion of gas, oil and minerals lacks coordinated planning.
- The over-reliance on the extractive industries is a dangerous trend as it can affect the economy due to the fluctuations in the global commodity prices resulting in loss of jobs, depleting foreign reserves and decrease in government spending. Hence, there is the critical need for diversification and export development.
- Diversification and the creation of new, self-sustaining and productive sectors to support this process and boost PNG’s international competitiveness is unsupported.
- Primary renewable resources presently lack sustainable development or suffer from over-exploitation.
- Domestic economic growth is constrained by market limitations and lack of investment.
- Manufacturing and services sectors are growing but only slowly.
- Illuminating the internal infrastructural and bureaucratic impediments to increase the volume and value of traded goods and services is progressing too slowly.
- High cost of doing business and high unemployment rate.
The above are amongst many issues identified by stakeholders. Accordingly, it is imperative that the Trade Policy is put in place to support other government policy initiatives and programs to address these issues.

1.3 The need for National Trade Policy

There is a very well established relationship between trade and economic growth captured in the famous Keynesian equation, which informs that a country’s GDP increases when it exports more than it imports. PNG’s economy grew exceptionally well from about 2008 with GDP at about USD8 billion to 2014 when it reached about USD16 billion. However, the goods surplus has been declining since 2012 and the services balance continues to deteriorate reaching a deficit of just under USD3.5 billion in 2013. In the case of services, the absence of a policy has resulted in major leakages out of the economy as repatriation of profits to multinational corporations, remittances to foreign workers and payments for transport services in international trade, among others. Consequently, the country’s balance of payments situation has worsened and its foreign exchange reserves declined to less than USD1.4 billion per month precipitating a foreign exchange crisis in the country, as businesses cannot readily convert Kina to USD to fulfil their overseas commitments and obligations. Therefore, the impact of not having a trade policy has been: weak merchandise trade performance; poor services sector trade performance; weakening performance of the balance of payments; foreign exchange rationing; worsening debt to GDP ratio and also weakening performance of the GDP. If not addressed, this will result in social fall-out as unemployment will increase especially among the youth, for whom the economy is not responsive to the skills being acquired at university.

PNG did not have a national trade policy, despite some four decades of engagement in domestic and international trade, including its accession to the WTO in 1996. In the absence of a robust trade policy framework, PNG’s trade orientation and activities since gaining independence in 1975 have been guided by the broader economic goals contained in various development plans and successive governments’ policy directives broadly aimed at expanding the economy. However, this approach has been largely inadequate and downplays the importance of trade to PNG’s economy and its national development. Recently, there was an instance of a deficit on the merchandise trade balance and since the consumption of services has grown significantly, the country is recording persistent and growing trade deficits on its services account, as much of this is been imported, and not exported. Continuing this approach risks: plunging the economy into a permanent balance of payments deficit; managing and facilitating trade on unclear directions and goals; not realising the full employment and wealth potential of the country; allowing trade decisions and actions to be taken on a piecemeal and disjointed basis; and allowing for poor coordination and harmonization. At the international level, this approach sends a negative signal to PNG’s trading partners that the Government is not serious about this important activity of PNG’s economy. The NTP seeks to correct that. It provides a firm guiding framework for trade and forms the basis for PNG’s actions on trade matters both at the domestic and international levels.

In its pursuit of foreign trade relations as a pillar of its economic development, PNG has concluded several trade agreements including: PATCRA, MSGTA, PICTA, SPARTECA, and more recently, an IEPA with the EU. It is also party to several bilateral trade deals and is actively engaged in the APEC process. Despite these laudable efforts the benefits of those trade deals are yet to be harnessed by PNG and this is why the country needs a national trade policy: to give it a coherent framework that spells out what it needs to do inside its
borders; which countries it should pursue to conclude trade deals with; what it should seek in trade deals from various countries; and how to leverage those trade deals once concluded to bring about economic growth and development.

1.4 The Role of the National Trade Policy

The NTP provides a policy framework for trade agreements and trade negotiations, for the identification of sectors with comparative advantage, and for opening up market access in sectors that can have quick impact on the economy and create jobs.

Implementing the NTP will create a coherent framework for trade that will: grow the economy through trade; create more than 100,000 new jobs; diversify merchandise exports and increase the participation of young professionals in the economy through improved services sector. The NTP is also expected to bring new investment flows of at least USD5 billion to USD10 billion over the next five years through strategic engagement with the right trading partners; increase merchandise exports by at least USD2 billion per year; transform the services deficit to a services surplus of at least USD5 billion over the next ten years; create a stronger trade surplus, which will improve the balance of payments and create more foreign exchange in the economy; improve the debt to GDP ratio; and provide greater involvement of SMEs in the economy. (Table 2).

Table 2 – Baseline and Projection on NTP on PNG Economy

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<tr>
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<th>BASELINE</th>
<th>PROJECTION</th>
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<tbody>
<tr>
<td>Goods Balance (millions $)</td>
<td>2,120.00</td>
<td>6,000.00</td>
</tr>
<tr>
<td>Services Balance (millions $)</td>
<td>(3,500.00)</td>
<td>3,500.00</td>
</tr>
<tr>
<td>Debt/GDP (%)</td>
<td>38.8</td>
<td>28.8</td>
</tr>
<tr>
<td>Balance of Payments (millions $)</td>
<td>(350.30)</td>
<td>100.30</td>
</tr>
<tr>
<td>Foreign Exchange Reserves (millions $)</td>
<td>1,600.00</td>
<td>2,500.00</td>
</tr>
<tr>
<td>New Jobs</td>
<td>10,000.00</td>
<td>50,000.00</td>
</tr>
</tbody>
</table>

Source: ADB, UNCTAD and Authors’ estimates

The NTP sets out the overarching framework for PNG to develop its trading system and for the country to engage in trade at all levels. As a key policy document of Government, the NTP serves a number of important roles. These include:

Securing the National Interest in Trade: PNG’s trade interest has never been clearly defined and articulated before. This policy document sets out PNG’s national interest in trade by articulating what is important to PNG and how this will be attained through international trade and PNG’s trade policy. In this regard, the NTP is also an important part of PNG’s Foreign Policy direction as it shapes PNG’s international economic relations with its major trading partners.

Establishing a Clear Commitment to Trade based on Sound Policy: The NTP signifies the
commitment given by PNG to trade as an activity critical to PNG’s national development. The NTP provides a strong message to both domestic and foreign stakeholders especially the private sector that Government is willing to work together with all its partners to foster the economy and develop PNG under a unified framework.

Establishing a Clear Direction for Trade: As a policy document, the NTP sets out clear policy directions on where PNG must go and where it must arrive at in achieving its development aspirations as set out in the Vision 2050.

Working on Clear and Common Goals: As a policy document, the NTP defines clear and common goals for all stakeholders to see what Government intends to achieve. While tactics will differ, clear goals help unify different efforts so that tactical action on the ground level is geared towards transparent and agreeable goals set in the policy.

Establishing a Basis for Unifying and Harmonizing Action: The NTP will be the basis for unifying and harmonizing actions of government, private sector and civil society and will be implemented by a variety of actors within and outside of PNG. As such, the NTP will provide the framework upon which actions are rallied towards common causes, vision, goals and strategies.

Providing a Basis for Coordination and Providing Oversight: Coordination and provision of oversight action is necessary for the success of policy and this will be provided by Government through the NTP.

Providing a Basis for Monitoring and Reviewing Progress: Actions on trade should not be disjointed and ad-hoc. Rather they should be monitored and tracked to ensure they create the necessary impact reflected in the NTP. The NTP will be the basis upon which trade actions both at the policy and implementation levels are monitored and impact ascertained.

1.5 The National Trade Policy’s Vision

The Vision for PNG’s National Trade Policy is for PNG “to become an internationally competitive export-driven economy that is built on and aided by an expanding and efficient domestic market”.

This Vision will be accomplished through the implementation of the trade policy measures outlined in the NTP.

1.6 The National Trade Policy’s Mission

The NTP’s Mission is to promulgate and advance PNG’s vision contained in this document and the policy intentions or goals of the Government on international and domestic trade; “to provide clear directions to all parties involved in the pursuit of such goals and; to serve as a basis for unifying and coordinating actions across all stakeholders both domestically and internationally.”
1.7 The National Trade Policy’s Guiding Principles

The following principles will guide the implementation of the NTP and PNG’s overall trade orientation:

**Principle 1: Promotion and Safeguarding of National Interests**
PNG’s national interests and development goals must come first in the conduct of domestic and international trade. Accordingly, PNG hereby adopts disciplines in trade agreements that will transform the country’s position from deficits to surpluses on both its merchandise and services accounts.

**Principle 2: PNG is Open for Business in Priority Sectors**
PNG welcomes and remains open to engage with any trade or investment party in priority sectors, where such engagements are beneficial to PNG and will contribute towards achieving PNG’s sustainable growth and development goals.

**Principle 3: Inclusiveness**
The GoPNG will engage all stakeholders, especially the private sector, in the formulation, ongoing review, implementation and improvement of its National Trade Policy and the development of its trading regime. To this end, the National Trade Policy encourages a fuller participation of PNG businesses and workers in strategic economic activities.

**Principle 4: Role of Government and the Private Sector**
The primary role of Government is to provide oversight and coordination, of the required policy and regulatory framework for trade, and create the necessary enabling environment for an efficient and viable trading system. Government will also be involved in strategic sectors of interest to PNG through PPP arrangements to promote public policy objectives. The role of the private sector is primarily to spearhead trade-related activities within the national economy and export-led growth.

**Principle 5: Respect for Trade Rights and Obligations**
PNG will respect and uphold its rights and obligations arising from existing trade arrangements and future trade agreements that it enters into.

**Principle 6: Commitment to Free and Fair Trade**
PNG is committed to free trade deals that gives it no less than fair and equitable benefits in line with PNG’s national interests.

1.8 Primary Goals of the National Trade Policy

PNG will work to achieve the following goals through its National Trade Policy:

**Goal 1: Build a Stronger and Resilient Economy** – Build a strong domestic economy based on diverse production in competitive and sustainable sectors especially manufacturing and services, inclusive of MSME participation in downstream processing and value adding, to increase PNG’s export capacity and contribute towards a sustainable balance of payments. This will result in an annual average growth of both the manufacturing and services sectors by 5%.
Goal 2: Establish a sound policy and regulatory framework, conducive for Ease of Doing Business and Economic Growth - PNG’s domestic and international trade is based on a sound regulatory and policy framework that fosters a competitive, participatory and attractive trading regime, while at the same time, advancing PNG’s national interests and development goals.

Goal 3: Improvement of national infrastructure and services and developing more efficient infrastructure and services for enhancing competitiveness - The condition of the national physical infrastructure and services such as roads, transportation, logistics and communication has a direct impact on competitiveness of exports. Accordingly, the NTP seeks to develop and improve the country’s national physical and services infrastructure to enhance competitiveness.

Goal 4: Alignment with Trade facilitation obligations and Agreements - Trade Facilitation is a two-way process affecting the cost of the inbound and outbound movement of goods and services at the border. Across-the-board efficiency of the customs and regulatory agencies is of the essence in the quest for national competitiveness.

Goal 5: Promote and implement rights, commitments and obligations arising from trade agreements which PNG is party to - PNG has an open, viable and competitive trading system that together with being party to a number of important bilateral sub-regional, regional and multilateral trade agreements will attract and earn the confidence of those wishing to do business with PNG.

Goal 6: Establish an effective mechanism for delivering international market intelligence and targeting market access - PNG gains competitive advantage in export-led trade, by increasing the volume of trade and diversifying tradable goods and services commanding premium prices.

Goal 7: Establish capacity to develop, negotiate and implement trade agreements - A pro-active approach in trade policy development, negotiation and implementation is critical to achieving beneficial outcomes from bilateral sub-regional, regional and multilateral agreements. It also impacts on investment (FDI), labour mobility and trade-in-services at both regional and global levels.

Goal 8: Build trade-related institutional capacity - Strengthening and developing the capacity of trade-related institutions and creating professional career paths for trade actors is an essential strategy for ensuring the success of the trade policy in the very long term.

Goal 9: Identify, support and involve other institutions and actors in trade policy for sustainable development - Such issues as environmental impacts, societal considerations of gender and inclusiveness, safeguards for Health and Safety etc. will be integral components of trade policy.

Goal 10: Establishment of a mechanism for effective and efficient governance and implementation of the NTP - A National Trade Office shall be established for achieving this goal. Over the long term it will increase in professionalism, its institutional competence and stability, and its outreach into the sectors of the global market-place that will be significant for PNG’s trade-led economic growth.
1.9 National Vision, Policies and Goals Supported by the NTP

The NTP takes into account the MTDP (2011-2015), MTDP2 (2016-2017), the PNG Development Strategic Plan (PNGDSP), the Vision 2050, and the PNG Foreign Policy Initiative of “PNG Connect”. It links these strategies as follows:

- The Vision 2050 which maps out Papua New Guinea’s development aspirations for the next 40 years as identified under seven (7) strategic Pillars underpinning economic growth and development.
- The PNGDSP which translates these Pillars into directions for economic and social policies, and sector interventions with clear objectives, targets and indicators.
- The MTDP (2011-2015) and MTDP2, which is guided by the PNGDSP, spells out how best development will be undertaken through resource utilization focusing on development efforts on key policy areas in the short to medium term.
- The National Strategy for Responsible Sustainable Development, which sets the framework for social and economic development to be pursued in a responsible and sustainable manner for PNG. Therefore, the pursuit of economic growth through trade should not undermine the attainment of better environmental and social outcomes. To this end, the NTP will support and contribute to achieving the United Nations Sustainable Development Goals (SDG).
- PNG Connect (Foreign Policy statement of intent): Connecting these strategies with other regional and global initiatives and strategies.

By using the MTDP, PNGDSP, Vision 2050 and other regional and global initiatives as guides, the NTP will drive Papua New Guinea’s efforts in setting its priorities and achieve its global trade integration and expansion goals. The PNGDSP (2010-2030) envisages a strong and pragmatic foreign relation for PNG in the region by 2030. The NTP will project Papua New Guinea’s national policies riding on the back of its economic growth and increasing productive capacity that will subsequently enhance its international standing in line with its national interests.

Among the four (4) International Relations objectives in the MTDP (2011-2015), two (2) are bound to impact on Papua New Guinea’s multilateral diplomacy in the world. These are: connecting with the key regions of the world by facilitating the institutional framework for trade, investment and bilateral cooperation; and entering into new FTAs/RTAs in the immediate region to lay the foundation for PNG goods and services to gain access to a variety of markets previously out of reach.

The NTP’s core focus is on developing a sound and efficient trading system that will directly support the growth of the domestic economy as well as in strengthening PNG’s international competitiveness and attractiveness as an export-led economy. In this regard, the NTP will be a critical enabler for national economic development as well as in propelling PNG into being an exporter of value added goods and services.

The NTP directly supports PNG’s national development priorities for accelerated economic, physical and social development for the country and its people. The National Constitution promulgates the Five National Goals and Directive Principles which put together, call for a broad-based economic growth that will ensure integral human development and the attainment of national [economic] sovereignty, among others. The third Pillar of Vision 2050 and the PNG Development Strategic Plan 2010-2030 (PNGDSP) builds on the National Goals and Directive Principles of the National Constitution. They specifically place Wealth...
The National Trade Policy of PNG

"Export-oriented growth strategy"
- Building a competitive economy
- Enhancing export competitiveness
- Improving market access
- Strengthening capacity of institutions
- Mainstreaming development into trade policy
- World Class management and implementation

Figure 1: Linkages - PNG Vision 2050, StaRS/DSP, MTDP

International trade will enable PNG to integrate into the regional and global economy.

International trade will be the vehicle for sustained economic growth, prosperity and poverty alleviation.

Export competitiveness will enhance our participate in international trade.
Creation and having a Dynamic and Competitive Economy as primary goals for PNG’s economic advancement.

Vision 2050, for example, specifically states that: “Vision 2050 will ensure that PNG has a strong, dynamic and competitive economy by 2050. The focus is to develop manufacturing, agriculture, forestry, fisheries and tourism ventures to generate 70 percent of GDP, with the balance coming from mining, petroleum and gas ventures in the non-renewable sector” (Vision 2050, p.36)

Without an efficient and competitive trading system, PNG’s prospects for growing its domestic market and hence its national economy, and its quest to have an export-driven economy where its goods and services can be readily traded with global reach, looks bleak. Indeed, the goals of “wealth creation” and “building a dynamic and competitive economy” will be daunting, if not unattainable. The NTP is therefore a necessary catalyst for growing a buoyant and vibrant economy and for lifting PNG to the league of export-oriented countries. In this respect, the NTP will be a necessary building block to propel PNG forward.

1.10 Aligning the NTP’s Primary Goals to Vision 2050 and Other Policy Measures (or Strategies)

Achieving the NTP’s primary goals will be paramount. The task to accomplish that will be Shouldered by all stakeholders across all sectors of the government and the economy working together in unison. Government will provide the leadership and coordination at the strategic level, but the primary responsibility for implementation, including coordination at the tactical level, will rest with the private sector. They will be assisted by the Government providing an enabling environment to do so. A key requirement will be the need to craft and implement a mix of correct policy measures (or strategies) that will bear a positive impact on the NTP’s primary goals and ultimately achieve the National Trade Policy’s vision of making PNG’s economy internationally competitive supported by a growing and efficient domestic market.

This Trade Policy document adopts a mix of policy measures aimed at achieving its ten primary goals summarised in Figure 2. As the figure shows, the ultimate goal is to fulfil the PNG Trade Vision of having an internationally competitive, export driven, dynamic economy. That vision in turn informs the PNG Trade Mission, which rests on six priorities: building a competitive economy; ensuring and enhancing the competitiveness of PNG exports; improving market access; capacity building; other trade-related cross-cutting issues; and world class management and implementation. In turn, ten goals have been set to give expression to these six priorities. Finally, realizing each of these goals require some clear objectives that can be pursued. These have been developed for each of the goals.
**National Trade Policy Framework**

**Vision**

That PNG has an internationally competitive export-driven economy that is built on and aided by an expanding and efficient domestic market.

**Mission**

To promulgate and advance PNG’s vision contained in this document and the policy intentions or goals of the (PNG) Government on international and domestic trade; to provide clear directions on all parties involved in the pursuit of such goals; and to serve as a basis for unifying and coordinating actions across all stakeholders both domestically and internationally.

**GOAL 1:** Build a stronger and Resilient Economy
- **Objectives:** (5.1) Private Sector Development (5.2) Foreign Direct Investment (5.3) Trade and Development Promotion (5.4) Investment and Competition Policy

**GOAL 2:** Establish a sound policy and regulatory framework, conducive for Ease of Doing Business and Economic Growth
- **Objectives:** (5.1) Legal and Regulatory Framework (5.2) Good Governance (5.3) Macroeconomic Policy Environment (5.4) Investment and Competition Policy

**GOAL 3:** Improvement of national infrastructure services and developing more efficient infrastructure and services for enhancing competitiveness
- **Objectives:** (4.1) Trade related infrastructure (4.2) Infrastructure Services (4.3) Trade logistics services (4.4) Other critical services

**GOAL 4:** Alignment with Trade Facilitation obligations and Agreements
- **Objectives:** (7.1) Trade Facilitation (7.2) Customs Procedures (7.3) Border Control and clearance (7.4) Regional Connectivity (7.5) Dispute Settlement Mechanism (7.6) Trade Remedies (7.7) Intellectual Property

**GOAL 5:** Promote and Implement rights, commitments and obligations arising from trade agreements which PNG is party to
- **Objectives:** (6.1) Market Access for PNG Exports (6.2) Trade in Goods (6.3) Trade in Services (10.4) Standards and Compliance

**GOAL 6:** Establishing an effective mechanism for delivering international market intelligence and target market access.
- **Objectives:** (10.1) Market Access for PNG Exports (10.2) Trade in Goods (10.3) Trade in Services (10.4) Standards and Compliance

**GOAL 7:** Establish capacity to develop, negotiate and implement trade agreements.
- **Objectives:** (11.1) Bilateral Trade Agreements (11.2) Regional Trade Agreements (11.3) Multilateral Trading System

**GOAL 8:** Build trade-related institutional capacity.
- **Objectives:** (12.1) Institutional Capacity Building (12.2) Aid-for-Trade (12.3) Dispute Settlement Mechanism (12.4) Trade Remedies

**GOAL 9:** Ensure and enhance the competitiveness of PNG Exports
- **Objectives:** (13.1) Rationale for effective administration coordination and implementation (13.2) Leadership & Coordination (13.3) Role of National Trade Office (13.4) Role of Regulatory & Facilitation agencies of Government

**GOAL 10:** Establishment of a mechanism for effective implementation of NTP.
- **Objectives:** (14.1) Rationale for effective administration, coordination and implementation (14.2) Leadership & Coordination (14.3) Role of National Trade Office (14.5) Role of Private Sector

**WHY WE ARE DOING THIS?**

**WHAT WE WANT TO ACHIEVE**

**HOW WE WILL ACHIEVE IT**

**EXPECTED RESULTS**

- Increase foreign exchange reserves from 1.6 billion to 2.6 billion per month
- Contribute at least 2 billion dollars more in surplus in merchandise account
- Reduce the debt to GDP ratio from the 38.4% to 28.8% over the next 5-10 years
- Improve the BOP form deficit of 350 million to a surplus of 100 million dollars
- Grow the economy through trade by creating more than 100,000 jobs
- Bring in 5-10 billion dollars in investment in next 5 five years
- Transform the services balance form deficit to surplus in the next 5 -10 years
- Increase diversification of the economy with greater reliance on the renewable sector
- 1000 new SMEs involved in exports per annum
- Greater control over Free Trade Agreements
- Increase employment in Service Sector
- Increase Service exports and export partners
- Create more than 100,000 new jobs with opportunities for young graduates

**Figure 2: Summer of Trade Policy Goals and Measures**
1.11 Success and Support to the NTP

The NTP cannot stand nor be implemented alone if it is to be successful. It must have the correct mix of policy measures and it must have strong complementary policies that will directly support it. In terms of direct support, the NTP’s success will depend on a number of key policy initiatives of the Government directly supporting it. These include:

- The Small and Medium Enterprises (SME) Policy aimed at growing SMEs and migrating non-formal infant businesses into the formal SME sector.
- A robust Investment Policy aimed at attracting, easing entry and sustaining Foreign Direct Investments (FDIs) and related investment opportunities.
- A Manufacturing and Industrialisation Policy aimed at value-adding, downstream processing and manufacturing, and intensive high-tech design and production.
- A Research and Design (R&D) Policy aimed at strengthening research and stimulating technological innovative design to support Manufacturing and Industrialisation Policy.

On a broader level, it will need to draw strength from, and be aided by different actors within different sectors of the economy (see Figure 3). The efficacy of PNG’s trading system on the whole will depend on how the sectors and actors work to support each other and advance the goals of the NTP.

**Figure 3: Trade Policy Linkages to Other Sectors and Actors in the Economy**
CHAPTER 2: PAPUA NEW GUINEA’S ECONOMY TRADE CHALLENGES AND OPPORTUNITIES

2.1 Overview of Challenges in Trade

Although there are some exceptions (especially in sugar and canned fish products), PNG has made considerable progress in significantly reducing import restrictions, especially tariffs. The national development plans alluded to in the preceding chapter emphasize social and economic advancement as critical to the development of the country and its people. As such, PNG needs to vigorously reposition its trade policy and strategy, focusing on international trade in order to stimulate social and economic development. The gains from a robust trade policy, especially on the revenue receipts if correctly applied, can result in the empowerment of the poor; improve food security and rural livelihoods; improve infrastructure, and ensure wider access to electricity, water, transport and other critical services.

2.2 Changing Dynamics of Domestic and International Trade

Despite its liberal trade policy, PNG’s merchandise trade structure, as illustrated in Figure 8, remains concentrated in the extractive sector and heavily favour imports. This has been due to limited capacity for value addition in the manufacturing sector and the relatively underdeveloped intermediate and capital goods industries. The trade direction is also expanding to new markets in the EU, Asia and Pacific apart from traditional partners Australia and New Zealand. However, rapid expansion will require PNG to shift gear to be a major exporter of manufactured products.

The deepening and widening of regional integration and increase in bilateral trade agreements has increased the scope for trade opportunities. Consequently, there has been an increase in exports of goods, particularly raw materials and processed food. Another export, which is driving the country’s economic growth, is fisheries targeting the European Union Market. New market opportunities particularly in Europe, Asia, and the MSG countries, have emerged, offering PNG greater opportunities for market access in its exports to these countries.

PNG’s balance of trade in the last five years has been in the surplus, however this may not be sustainable in the long term if PNG continues to rely mainly on the renewable sector for its exports. Imports has averaged K1438.89 million from 1997 until 2014, reaching an all
PART I: OVERVIEW OF PAPUA NEW GUINEA’S ECONOMY, TRADE PERFORMANCE AND TRADE AGREEMENTS: THE NEED FOR A NATIONAL TRADE POLICY

time high of K3242.90 million in the second quarter of 2013, as shown in Figure 9. Imports to PNG decreased to K1691 million in the third quarter of 2014 from a K2558 million in the second quarter of 2014.

![Figure 9: IMPORT BY VALUE](image)

Papua New Guinea mainly imports fuel, rice, vehicles, heavy machinery, meat, iron and steel, and tires from Australia, the United States, Singapore, China, Japan, New Zealand, Malaysia, Hong Kong and Indonesia.

As shown in Figure 10, PNG exports have decreased since 2014. Exports decreased to K3401 million in the third quarter of 2014 from K3981 million in the second quarter of 2014.

![Figure 10: EXPORT BY VALUE](image)

The commodities account for over 90 percent of Papua New Guinea’s total exports mainly gold, oil, copper, coffee, cocoa, vegetable oils, fish and wood. As illustrated in Figure 8, Papua New Guinea’s main exports partners are Australia, Japan, the Netherlands, Germany, China, South Korea, Philippines, Spain, the United Kingdom and the United States.

Exports of PNG averaged K2563.97 million from 1997 until 2014, reaching an all-time high of K4506 million in the second quarter of 2011 and a record low of K623 million in the fourth quarter of 1997.

PNG has the potential of becoming a competitive player in the regional and global economy. However, the country’s global competitiveness remains a major challenge due to low levels of productivity, non-conducive business regulatory environment and, inadequate infrastructure development leading to high costs of doing business. These impediments have to be removed if PNG is to become competitive in global trade and it is one of the objectives of the NTP.
2.3 Trade Agreements

At the heart of the National Trade Policy is the various trade agreements that PNG is already party to and the ones it will negotiate in the future. There are four regional trade agreements that PNG is currently an active party to: Melanesian Spearhead Group Free Trade Agreement (MSGTA); Pacific Islands Countries Trade Agreement (PICTA); Southern Pacific Trade and Economic Cooperation Agreement (SPARTECA). In addition, PNG is party to the IEPA with the European Union and is presently exploring the possibility of negotiating a other bilateral and regional trade agreements.

The Melanesian Spearhead Group Free Trade Agreement (MSGTA) is undoubtedly the most important regional trade agreement to PNG. It comprises four larger members of the Pacific region: Papua New Guinea, Solomon Islands, Vanuatu and Fiji. The parties to this agreement have agreed to liberalize trade on a selected list of products using the positive list principle, i.e. the tariffs are eliminated on those tariff lines for which the country decides it is in a position to do so, while other tariff lines are excluded from liberalization.

PNG does not currently conduct any trade under the PICTA as most of its market interests among the Pacific Island Countries are covered within the MSG. Similarly, there is very little trade taking place under SPARTECA.

The EPA with the EU represents the only new trade deal that has brought enhanced secure market access for PNG’s exports in recent time, covering canned tuna with very flexible rules of origin and has also resulted in significant FDI inflows into the economy in the energy sector. Through the EPA, PNG also enjoys technical assistance to build capacity of its key human resource in strategic sectors, including the provision of supporting infrastructure for conduct of trade, notably in the area of customs and trade facilitation, standards and quality. PNG desires to negotiate similar trade agreements, which delivers both enhanced market access and development benefits.

2.4 The Need for a Forward-looking Trade Policy

Developing a strong forward-looking trade policy for PNG is imperative—a challenge that has been taken on-board by developing this policy document (the NTP). Such a policy must be dynamic in nature and will reflect ongoing challenges and PNG’s long term interest in trade. The policy will not only integrate PNG’s economy into the global economy, but it will also fully maximise the untapped potentials PNG has in international trade and expand PNG’s export and increase foreign reserves. In the long term, gains from a robust trade policy will contribute to alleviating poverty and advance PNG’s social and economic wellbeing.

This trade policy is forward-looking and crafted, taking into consideration PNG’s prevailing trade conditions and environment, its ongoing challenges, and long term interests in growing its national economy. Key to this consideration will be:

- PNG’s unique position in the Asia-Pacific region and the need to take advantage of this unique position to strengthen its trading regime.
- PNG’s aspiration of developing an export-led economy that has a global reach and influence.
- A trade system that fully supports and expands the national economy.
- The untapped opportunities presented by the deepening of regional and global trade agreements, and especially PNG’s joining of the WTO in 1996.
- The need for gaining greater market access at the regional and global levels.
PART I: OVERVIEW OF PAPUA NEW GUINEA’S ECONOMY, TRADE PERFORMANCE AND TRADE AGREEMENTS: 
THE NEED FOR A NATIONAL TRADE POLICY

- The need to make PNG’s exports globally competitive among other competitors.
- The need to make the domestic market more efficient in order to lend support to an export-led economy.
- The need to move away from a heavy reliance on the non-renewable sector to a dependency on the renewable sector as the basis for an export-led economy and improve foreign exchange reserves.
- The removal of supply side constraints and the imposition of a policy and regulatory framework that is efficient and easy for the private sector to do business.
- The need to have a compliant-based trade system that adheres to the obligations that PNG has with its trading partners.

The NTP (this document) has been formulated based on these considerations. It factors the ongoing concerns about PNG’s trade and maps out a future pathway for the country’s trade by anchoring on very clear goals and strategies. It is in many respects forward-looking. It is also a dynamic document and will need to be updated on a periodic basis to reflect the changes in PNG’s trading environment and its developmental goals.
PART 2

ESTABLISHING TRADE POLICIES FOR AN EFFICIENT AND COMPETITIVE DOMESTIC MARKET
CHAPTER 3: PROMOTING A TRANSPARENT AND PREDICTABLE POLICY AND REGULATORY ENVIRONMENT

3.1 Legal and Regulatory Framework

PNG’s legal and regulatory framework is crucial for improving competitiveness, doing business, minimising transaction costs, and attracting new investments. Whilst the transparency and predictability of trade-related laws and regulations will make it easier for businesses to operate in the country, their unpredictability will drive away investment, inhibit business growth and, ultimately discourage businesses. Therefore, the Government will work to strengthen its legal and regulatory environment to make it attractive for doing business.

Policy Objective
To introduce a transparent and predictable legal and regulatory framework for improved business and investor confidence.

Policy Measures
The Government will adopt the following policy measures:

- To enact laws and regulations conducive to improving the ease of doing business.
- Conduct general awareness and improved advocacy on trade-related laws and regulations.
- Develop and manage an online website (portal) that will provide easy accessibility to all trade and investment related laws and regulations.
- Maintain regular dialogue and consultations with all stakeholders.
- Include the private sector participation in the process of securing better regulation through public-private sector partnerships.
- Maintain regulations or promote legal and regulatory reforms only where necessary to improve efficiency and competitiveness.
- Conduct Regulatory Impact Assessment (RIA) before introducing new policy and regulations.
- Enhance business compliance with domestic regulatory requirements and international standards.
- Enhance capacity and efficiency of government institutions to perform their regulatory functions.

3.2 Macro-Economic Policy Environment

A stable and conducive macro-economic environment is a necessary conduit for stimulating increased trade activities to achieve high growth rates. This requires appropriate monetary and fiscal policies aimed at lowering and controlling inflation, taxation and stabilising exchange/interest rates.

Policy Objective
To promote a conducive and stable macro-economic environment aimed at increasing trade and investment flows.
Policy Measures
The Government will adopt the following policy measures:

- Implement proactive measures that promote trade.
- Maintain regular dialogue with key stakeholders (including BPNG, Department of Treasury, Department of Finance, Department of National Planning & Monitoring, and IRC) and other established bodies on macro-economic policy issues.
- Promote collaboration with donor agencies and international partners to address supply-side constraints, productive capacity, structural impediments, structural reforms and adjustment in relation to the macro-economic policy environment.

3.3 Investment and Competition Policy

Competition law and policy are essential to foster freedom of trade, freedom of choice and access to markets. Among other things, competition law and policy are essential in preventing common anti-competitive practices, such as abuses of a dominant position or establishing price-fixing cartels that raise costs to consumers and business users. This is important for attracting investment in public infrastructure (transport, electricity and telecommunication) because the effects of excessive prices or poor quality service in the infrastructure sector have a nation-wide effect.

Policy Objective
To promote fair competition and good business practices that will support an attractive business and investment environment.

Policy Measures
The Government will adopt the following policy measures:

- Implement necessary measures such as deregulation of monopoly in the shipping and energy sectors, inclusive of adequate safeguards.
- Encourage regular dialogue/consultation through establishing an effective coordination mechanism (comprising ICCC and other regulatory bodies and relevant stakeholders) to address concerns relating to restrictive business practices, concentration of economic power and monopolies.
- Develop a transparent competition regime and the implementation of competition law under the co-ordination of the ICCC and related regulatory institutions to address anti-competitive practices and behaviour by state and business monopolies.
- Enhance capacity-building and strengthening of institutional linkages to foster coordination and enforcement (compliance) of competition law and good business practices.
- Adopt good regulatory practices and international best practices in investment and competition policy.
- Ensure transparency and accountability in Government Procurement, as well as reforms in government procurement practices, including carrying out a possible study to review benefits/costs of signing on to the Plurilateral WTO Government Procurement Agreement.

3.4 Good Governance

The Government has a responsibility for ensuring policy predictability, accountability, transparency, participation, equity and responsiveness, and the respect for the rule of law
in the administration of PNG’s trade policies and practices. This includes improving the environment for businesses to operate by addressing the challenges related to law and order, corruption and unethical conduct, and bad governance — issues which can adversely impact on investor confidence and business operations.

Policy Objective
To promote the principles of good governance in decision-making and implementation processes relating to PNG’s trade policies and practices.

Policy Measures
The Government will adopt the following policy measures:

- Develop and introduce clear policies that address the principle of good governance.
- Conduct regular reviews of the decision-making and implementation processes to improve efficiency and effectiveness.
- Maintain clear policies, as well as streamline and simplify rules/regulations.
- Establish inclusiveness in the trade policy process through regular public-private dialogue and wider consultations on changes in policies, laws and regulations as well as the timely disclosure of information on changes in policies, laws and regulations.
- Provide open access to and make available trade and trade-related information through online portals for public consumption.
- Address corruption and bribery issues through existing anti-corruption instruments and measures (anti-corruption legislation and enforcement), ethical standards (codes of conduct); and mechanisms for dispute resolution.
- Conduct general awareness/advocacy for public and private sector on principles of good governance and practices.
- Enhance capacity-building for all other stakeholders on promoting good governance.

CHAPTER 4: DEVELOPING TRADE RELATED INFRASTRUCTURE AND SERVICES

4.1 Trade Related Infrastructure

PNG’s poor infrastructure contributes to the high costs of doing businesses. As such, the development of quality trade-related infrastructure in PNG is critical for building a competitive domestic economy and for broader participation in world trade. To this end, a joint effort involving the Government and private sector, through a public-private partnership approach to infrastructure development, is necessary to provide quality trade-related infrastructure.

Policy Objective
To develop and improve the quality of trade-related infrastructure (roads, ports, wharves and airports) in strategic locations around the country.

Policy Measures
The Government will adopt the following policy measures:

- Review existing initiatives for trade-related infrastructure and implement a comprehensive masterplan, inclusive of a detailed strategic plan for improving trade-infrastructure throughout PNG.
- Secure the financing of trade-related infrastructure including through Public-Private Partnership (PPP) arrangements both internally and externally, with strategic private sector and development partners.
● Review the progress of addressing trade-related infrastructure issues and refine the implementation of activities as needed to support its realisation.
● Establish a platform that encourages and supports dialogue on opportunities and mechanisms available for improving PNG’s trade-related infrastructure.

4.2 Infrastructure Services

Infrastructure services such as transportation, electricity, telecommunications and ICT services, are important for reducing transaction costs for businesses. However, the key challenge for PNG is to ensure that the appropriate infrastructure services vital for supporting export competitiveness and the success of businesses are adequately provided and continue to remain operational.

Policy Objective
To provide and maintain a high quality of infrastructure services (transport, electricity, port, financial services, telecom, and ICT) that are important for PNG’s trade.

Policy Measures
The Government will adopt the following policy measures:
● Review existing initiatives for trade-related infrastructure services and implement a comprehensive masterplan, inclusive of a detailed strategic plan, for improving trade-related infrastructure services throughout PNG.
● Review the current state of trade-related infrastructure services, with the view to assessing their efficiency and impact on business production and transaction costs and institute changes where necessary.
● Promote efficient infrastructure services, by encouraging reforms aimed at removing barriers and other regulatory constraints imposed by, among others, monopolistic SOEs providing infrastructure services.
● Carryout assessment of the costs and benefits of joining the WTO Plurilateral Trade in Services Agreement (TiSA) negotiations as well as other FTAs, and where appropriate, undertake commitments on key infrastructural services that will promote investment in infrastructure services for PNG.

4.3 Trade Logistics Services

PNG’s competitiveness is also strongly linked to having efficient and affordable trade logistics services in the country. These services mainly take place “behind-the-border” and include domestic transport, warehousing, port services, information management and tracking of goods.

Policy Objective
To improve trade logistics services and supply-chain performance for enhanced domestic, regional and international connectivity.

Policy Measures
The Government will adopt the following policy measures:
● Encourage Public-Private Partnerships and public consultation on issues relating to trade and investment liberalization in logistics services.
● Collaborate with donors and international partners to conduct a domestic trade and logistics audit (using World Bank’s Logistics Performance) on issues relating to institutions.
and regulations of transport and logistics services, quality and reliability of logistics services and business practices.

4.4 Other Key Services

Services other than those listed above are critical to the economy as they significantly contribute to national economic output, employment and trade. The services sector has become an important in supporting both export diversification and the expansion of the productive capabilities and competitiveness of the economy. From a trade policy perspective, some domestic regulation is crucial, however, this cannot be overly done to the detriment of services. While PNG’s focus on services has traditionally been on restrictions, there is a greater need to focus more on adopting a regulatory framework that allows the service industry to be flexible and to operate with ease and minimal transaction costs.

Policy Objective
To progressively liberalize the other service sectors to encourage the growth and expansion of these services (both inward and outward) for increased productivity and competitiveness.

Policy Measures
The Government will adopt the following policy measures:

- To undertake negotiations on commitments in Trade in Services (TIS) in various trade agreements.
- Provide a policy and regulatory framework aimed at enhancing the competitiveness and productive capacity of the other services sectors.
- Ensure that licensing and certification are administered in a fair, transparent and non-discriminatory way, aimed at maintaining a high standard of service provision expected of the services industry.

CHAPTER 5: SUPPORTING THE GROWTH AND DEVELOPMENT OF DOMESTIC INDUSTRIES

5.1 Private Sector Development

Recognising the important role of the private sector to trade and the economy as a whole, the Government will take necessary measures to strengthen the growth and development of the private sector and will include the private sector in any policy and regulatory developments pertaining to trade and economic development. This policy initiative is in line with the Export Driven Economic Recovery and Growth Strategy embedded in the PNGDSP 2010-2030, which calls for the establishment of a stable investment environment and the facilitation of private sector growth, among others.

Policy Objective
To promote a dynamic and vibrant private sector that is globally competitive, capable of seizing opportunities in new and emerging markets in addition to traditional markets.

Policy Measures
The Government will adopt the following policy measures:

- Create the enabling environment for private sector growth and development through a Private Sector Development Plan.
- Create platforms to facilitate public-private partnerships to enhance private sector
participation in trade policy formulation, decision-making and implementation, and regular dialogue and information sharing.

- Enact legislation, inclusive of safeguards to privatise SOE monopolies in order to encourage competition and facilitate private sector investment in key sectors of the economy.
- Facilitate business networking and connections through existing arrangements such as PNG/Australia Business Council and PNG/EU Business Council and with other regional and international counterparts.
- Provide appropriate incentives to promote research and innovation to develop new products.

5.2 SME Specific Issues for Development

The SMEs are very crucial for the development of PNG, as many Papua New Guineans do not have the financial and human resources required for large scale capital investment. In that regard, many companies operate within the construct of an informal sector and do not enjoy any government incentives that could otherwise stimulate production and ultimately, economic growth through trade. Recognizing this, the GoPNG took the decision to develop the SME Policy backed up by the SME Master Plan with the goal of leveraging the SMEs to become the next most important pillar of economic development. As PNG formalizes its trade policy the role of the SMEs has become very important as future drivers of economic growth. GoPNG will therefore introduce measures that will create the enabling environment conducive for growth and development of the SMEs.

Policy Objective
To ensure that the SMEs are provided with opportunities to grow, develop and reap the benefits of trade liberalization as PNG implements the various trade agreements that it is party to.

Policy Measures
The Government will adopt the following policy measures:

- Mainstream the various relevant provisions of the SME Policy and Master Plan into trade policy.
- Promote the creation of joint ventures between SMEs in PNG and foreign firms when undertaking investments in strategic sectors.
- Build capacity of professionals engaged in the SME sector to undertake all required work for smooth functioning of their firms.
- Provide adequate incentives, including fiscal incentives to SMEs that would encourage their growth and development in key strategic sectors.
- Support the research and development agenda of SMEs and strengthen their role in innovation and technology transfer through the establishment of collaboration mechanisms between firms in PNG and firms in partner countries of interest.
- Secure financial instruments that could be utilized by SMEs to foster their growth and development in relation to sectors where they may have strategic interest.
- Include adequate representation of SMEs in all trade negotiation forums.

5.3 Foreign Direct Investment

Foreign Direct Investment (FDI) is important for developing domestic industries in terms of additional investments, technological transfer and capital acquisition, market access, job creation, income generation, research & development and development of an efficient trade services sector. PNG sees FDI as a vital part of the development of its domestic industries
for greater integration into world trade.

**Policy Objective**
To increase FDI flows into the PNG economy and assist domestic businesses to partner and integrate with foreign investors and grow from FDI investments.

**Policy Measures**
The Government will adopt the following measures:

- Remove legal, regulatory and administrative impediments to attracting and retaining FDIs as identified under the “Ease of Doing Business Study”.
- Foster transparency and better governance, improve administrative efficiency, costs-benefits optimization and minimise distortions to competition.
- Review and develop a new Investment Policy Framework aimed at channelling FDI into the appropriate sectors of the economy in terms of technology transfer, transfer of capital and assets and organisational know-how, and other related matters of FDI.
- Review the investment incentives offered, taking into account good practices to attract FDI with the view to identify areas of improvement and then institute reforms.
- Strengthen the legal enforcement of compliance for investment disputes to boost investor confidence.
- Carry out a full implementation of existing Investment Promotion and Protection Agreements (IPPAs) and enter into new IPPAs with countries of common interest.
- Create a portal for dissemination of information about FDI to affected stakeholders in a timely and transparent manner.

### 5.4 Trade Development and Promotion

Trade development and promotion is critical for gathering market intelligence and information, facilitating and supporting domestic product development for export, and promotion of PNG made products. These will improve the competitiveness of PNG’s exports and increase PNG’s participation in the global economy. Strengthening trade development and promotion creates opportunities for accelerated growth and ensures the diversification of PNG’s export base in international markets, a goal espoused in Vision 2050. The key challenges in this area include having an appropriate mechanism for gathering and disseminating market information; ineffective government support and interventions in export product development; promotion and marketing strategies of export promotion; and ineffective promotion and marketing tools at the disposal of missions abroad.

**Policy Objectives**
Efficient Product Development and Export Promotion of Local Products to the targeted markets to increase trade with rest of the world, diversify the economy and ensure that PNG’s goods are globally competitive.

**Policy Measures**
The Government will adopt the following policy measures:

- Develop and implement a comprehensive master plan inclusive of a detailed strategic plan for efficient product development and export promotion of local products to target markets; inclusive of the following interventions:
- Put in place mechanism for ongoing analysis of domestic and export products and review of marketing strategies with the view to understand challenges and strengths of the domestic industries.
- Review and implement export market research program and survey to gather market...
intelligence and identify target markets for local products.

- Implement programs and strategies to facilitate and strengthen SME product development for export.
- Implement financial incentives to support the development of export products and services.
- Develop export promotion websites/portals for efficient dissemination and exchange of information with all stakeholders including external partners.
- Put in place legislation to facilitate development of effective Business Support System (BSS) and strengthen the same industry associations.
- Establish a platform for dialogue and information sharing on product development and export promotion.

CHAPTER 6: SECTOR SPECIFIC POLICIES

6.1 Agriculture

Agriculture is an important sector of the economy because it supports 85% of the population living in rural areas. The agriculture sector suffers from low productivity evidenced by the fact that agriculture only contributes 24% of GDP while 85% of the population is currently employed, albeit informally, in the sector.

The modernization of the agriculture sector could see a fundamental transformation as millions would move out from the subsistence informal sector to the formal economy. The contribution to the economy would be significant in terms of creation of formal jobs, increased government revenue (through taxes) that government can use to improve quality of health and education leading to higher productivity and standards of living.

The major challenges affecting productivity in the sector as identified in the WTO Trade Policy Review (2010) and other studies include:

- Inadequate research and development;
- Poor application of technological improvements;
- Lack of scale economies inherent in smallholder farming; and
- Other major constraints, which include inadequate transport facilities, unreliable and expensive utilities, prevalent crime and lawlessness, and insecurity of land ownership and tenure.

Agriculture exports comprise of cash crops, mainly: palm oil, coffee, cocoa, coconut, tea, and rubber. Agriculture export performance is strongly linked to movements in international prices and when there is a downturn in commodity prices production falls. Therefore, a mechanism is required to support producers during times of global agriculture commodity price downturns.

Most cash crops are exported in raw form and are transformed abroad into finished products for final consumption, which are then re-imported. For example, in 2012, PNG imported coffee based products (US 10 million), cocoa based manufactured products (US 4 million), cooking oil etc.

Fresh vegetables (such as potatoes, bulb onion, cabbage, carrot, tomatoes, capsicum, pumpkin, peas, zucchini, eggplant, Chinese cabbage, French bean, lettuce and celery) are locally produced. However, data reveals that in 2012, US$4,626 million (K13,878 million) of these products were imported to meet the local demand mainly in the urban market and
in the mining sector. Local supply is constrained by high internal logistical costs, transport costs and inadequate storage facilities to move goods efficiently from where the goods are produced to the urban centres and mining sites. Furthermore, production and processing methods could be improved to ensure that products meet the specifications of consumers, as well as to maintain product integrity in terms of quality and safety.

Other viable agri-industries, include dairy, rice and stock feed, if proper government support is provided. In 2012, dairy imports were valued at US$ 7.481 million, rice US$147.210 million and stock-feed imports were valued at US$ 28.246 million. Thus, the combined effect of replacing these food and agriculture imports could save PNG US$182.937 million in import receipts.

Tariffs continue to be an important policy instrument used to protect the domestic agri-industries against cheaper foreign substitutes. High tariffs on sugar and chicken (poultry) continue to make the domestic industry viable. However under the Tariff Reform Program, high protective tariffs on these products are progressively being reduced and these industries fear that they will have to close due to increased competition from cheaper imports. One of the major reasons why cost of production of local poultry is high is due to high input costs from prices of imported stock feed. The production of local stock-feed would significantly reduce the cost of domestically produced poultry.

A number of manufacturing industries have also alleged that certain trading partners are engaged in unfair trade practices such as dumping. However, there is no established process or procedure by government to authenticate these claims and provide adequate remedial action.

Policy Objective
To promote a vibrant and competitive integrated agriculture and food sector able to compete evenly against foreign imports to promote food security, rural development and poverty alleviation.

Policy measures:
The Government will adopt the following measures:

- Establish Special Economic Zones to promote development of agri-manufacturing industries;
- Support and grow the local stock-feed industry to supply the poultry and livestock industries;
- Support Department of Treasury, PNG Customs, ICCC and other relevant agencies to establish clear criteria (guidelines) to use safeguards, anti-dumping and countervailing measures to protect PNG agri-food industries against unfair trade practices such as dumping and subsidies, and import surges if required;
- Develop a list and/or guidelines to designate agriculture goods as “special products” and/or “sensitive products” which will be exempt from any tariff reduction commitments in PNG’s various multilateral, regional and bilateral trade agreements;
- Support NISIT, DAL, NAQIA, Department of Health and PNG Customs and commodity boards to establish adequate national standards for production and processing agri-food products of importance to maintain food quality and safety along the supply chain, and progressively implement these standards;
- Support PNG Customs, Department of Health, NAQIA, NISIT, NARI to test and verify imports meet national standards;
- Support DAL, commodity boards, PNG Customs, NAQIA, etc. to simplify and
streamline the administrative processes and procedures to obtain export approvals and permits for agriculture products of export interest; and

- Reintroduce price stabilization funds to protect farmers against agriculture commodity price downturns.

### 6.2 Forestry

PNG has significant forest resource which has been commercialized since the 1970s. According to data from the PNG Forest Authority, forest cover was 71.7% in 2014. This forest acts as a ‘carbon sink’ and plays an important part in controlling global warming.

In 2010, the sector’s GDP contribution fell to some 3-5%. Round logs are the main export, comprising 80 percent of total exports. Other exports are mainly timber, plywood, and woodchip. Most large-scale logging is in the West New Britain, East New Britain, Western, and Gulf provinces. Log exports rose from K 255.7 million in 2001 to K 468 million in 2008 accounting for 3.0% of total merchandise exports.

PNG logging costs are reportedly higher than Asian suppliers (e.g. Indonesia and Malaysia). This reflects many factors, including PNG’s difficult terrain and large distances from forests to log export centres. PNG forests are traditionally on customary owned land. Logging is regulated by the PNG Forest Authority (the Forestry Act 1991) in line with the National Forest Policy. The logging industry is continuously attacked by various NGOs for engaging in labour exploitation, illegal logging and corruption, transfer pricing and other issues. However according to the industry they are complying with all national requirements.

In addition to annual royalties of some US$6 million paid to landowners, and the provision of services and infrastructure in remote areas, the sector contributes substantially to government revenue through income tax and log export taxes, mainly 28.5% of the f.o.b. value of logs (excluding plantation logs). Loggers must also implicitly bear the export tax on domestic sales since these prices are also reduced by the amount of the tax. Wood and timber imports are generally levied an MFN tariff of 15%, except for veneer and plywood, for which the rate is 40%.

The recent MTDP2 Plan 2016-2017 states that in recent years the forest resource has been degraded and depleted due to excessive logging and calls for this practice to be stopped. The Government though has made a decision to ban all round log exports by 2020. In addition, there is a moratorium on issuance of new logging permits in place.

**Policy Objective:**
Promote a financially and economically sustainable forest industry through improved international market visibility.

**Policy Measures:**
The Government will:

- Increase connectivity with private sector, other government agencies, civil society and international organizations to encourage information linkages and transparency on international trade of forest and wood products;
- In marketing and promotion of wood products, measures will be taken to maximize in-country returns and to minimize transfer pricing in the log export trade.
Domestic processing of forest products shall be encouraged wherever this is economically and financially viable.

6.3 Fisheries

PNG has considerable marine resources, its exclusive economic zone (EEZ) of 2.4 million km² is the largest in the South Pacific. The fisheries sector comprises large-scale deep-water tuna (mainly skipjack and yellowfin), as well as barramundi, lobster, shark, crabs, prawns, beche-de-mer (sea cucumbers), and pearl oysters. However, tuna remains the main product of substantial commercial value. Around 15% of the world’s total tuna stock is found in this EEZ and 70 percent of the 550,000 tons of tuna caught in PNG waters annually is taken out of the country for processing.

PNG signed the Interim Economic Partnership Agreement (IEPA) with the EU in 2009. Under the IEPA rules of origin global sourcing is allowed for fish. Under the global sourcing requirement, PNG is able to catch fish anywhere in the world and export to the EU duty free and quota free on the condition that it is substantially transformed in-country. Through the IEPA a number of fish canneries were established to exploit the cost advantages received through the IEPA to access the lucrative EU market. About 20,000 new jobs were created as a result of establishment of canneries. However, PNG canneries are under threat of scaling down market share because the EU has included fish products under its GSP+ scheme. PNG will not be able to compete with its Asian competitors in the EU market because cost of production is much lower in Asia.

Policy Objective
Support further growth and development of fisheries industry to maximize the returns on its resource, in terms of jobs and export earnings.

Policy Measures
The Government will:
- Establish marine industrial zones, including expediting the establishment and operation of the Pacific Marine Industrial Zone (PMIZ) to maintain its competitive position in current and future export markets;
- Maintain export restrictions to encourage downstream processing and value adding onshore, wherever necessary; and
- Identify and conclude FTAs with trading partners to gain competitive advantages for its fish exports.

6.4 Manufacturing

Manufacturing sector contributes about 6% of GDP. However, its contribution to providing jobs is significant since it employs about half of people employed in the formal sector. The promotion of the manufacturing sector’s contribution to economic output should have the highest impact on job creation.

The domestic manufacturing industry has argued that it is not able to compete fairly against imported products, mainly from Asia where the manufacturing costs are lower due to efficient reliable infrastructure services and higher productivity of its work force. Tariffs are therefore the main trade policy instrument that currently maintain the viability of the manufacturing sector in PNG. Certain manufacturers have complained that they may have to close or scale down if protective tariffs are gradually eliminated under the Tariff Reform Program (TRP).
There have been concerns about cheaper “parallel imports” from Asia (e.g. Coca-Cola, British American Tobacco, etc.). Furthermore, there are concerns raised by the industry and general public about the health and safety risks posed by imports of fake and counterfeit manufactured products.

Policy Objective
To double the manufacturing sector’s contribution to the GDP by 2025 and to generate significantly more employment.

Policy Measures
The Government will:

- Reintroduce the trade defense legislation to protect local manufacturing industry against unfair trade practices such as dumping and subsidization;
- Develop a clear policy stance on “parallel imports” to support the growth and development of the domestic industry;
- Support Intellectual Property Office and PNG Customs to acquire appropriate external technical assistance and capacity building to strengthen enforcement of intellectual property rights under the Aid for Trade Initiative or other programs;
- Support national standards making authorities, NISIT, to develop national standards and technical regulations for locally manufactured products to promote consumer health and safety;
- Support the buy “PNG made” initiative;
- Support Department of Treasury to progress the structural reform agenda to address the high cost of production in PNG through attracting private investment in key infrastructural services, if necessary to improve efficiency, quality and accessibility of these services; and
- Support PNG Customs, the manufacturing industry and other relevant agencies to expedite the clearance of imports of basic inputs into production by simplifying, streamlining and automating the administrative requirements to obtain import permits.

6.5 Services
Services accounted for 24.5% of GDP at current prices in 2014 according to ADB. Services trade performance currently disproportionately favours imports. According to WTO data, in 2014 PNG exports were valued at USD177 million and imports USD 2,262 million. Therefore, developing a more effective services sector policy and assuming stronger offensive positions in services negotiations can increase PNG’s services exports and overall wealth over time. This would also contribute to the overall development priority to reduce reliance on imports and achieve economic diversification. The reduction of services imports can save about USD 5 to USD10 billion in leakages within ten years. Since this new wealth will hinge on new economic activity inside PNG, when effectively leveraged through the SME policy potentially more than 100,000 jobs can be created over that same period.

The SME policy identifies specific sectors to be prioritized to maximize job creation. These sectors include: Utility Services (electricity, gas, water and waste service); Construction and Infrastructure Services; Wholesale and Retail Services; Hotel and Food Services; Tourism and Hospitality Services; Transport, Postal and Warehousing Services; Financial and Insurance Services; Rental, Hiring and Real Estate Services; Professional, Scientific and Technical Services; Administrative and Support Services; Public Administration and Safety; Education and Training Services; Health Care and Social Assistance Services; and Arts and Recreational Services.
Unfortunately, service sector data available is not disaggregated to a level where detailed assessments can be made about the specific service where export potential exists. Furthermore, there are no umbrella associations that adequately represent the service sectors in a coordinated manner, which is a major challenge for trade in services policy formulation and implementation.

Policy Objective
The Government will create a robust and vibrant domestic services industry to maximize job creation and growth of GDP.

Policy measures
The Government will:
- Ensure that trade in services commitments in current/future trade agreements reflect the market access and national treatment limitations in the specific sectors identified in the SME Policy;
- Support the creation of a consultative mechanism for services industry;
- Improve statistical data on trade in services; and
- Establish Mutual Recognition Agreements (MRAs) with its trading partners for the recognition of qualifications of professionals.

6.6 Mining, Oil and Gas

Although Government’s overarching goal is to encourage growth in the non-extractive sectors, the extractive sector, in particular the minerals, petroleum and recently the gas sector will continue to underpin the economy. Oil reserves have declined and its contribution to the economy has declined. Furthermore, the oil sector is under additional pressure due to lower global prices of oil. The mining sector on the other hand remains an important contributor to the economy. However, the mining sector is characterized as an enclave industry with limited opportunities for employment. Very limited processing takes place in-country and more could be done to encourage further value adding and downstream processing onshore to create jobs in this sector.

The gas sector has recently become the key driver of growth in the economy with the development of the LNG Project. Economic growth levels reached 11% during the construction phase of the LNG Project. The expected lifespan of the LNG Project is about 85 years and all exports are currently in raw form.

Policy Objective
Encourage downstream processing and value adding of mineral and petroleum resources to be aligned with the national socio-economic development objectives.

Policy Measures
The Government will:
- Develop a comprehensive sector specific policy to promote downstream processing and value adding. A quota system for domestic processing will be considered as part of the sector specific policy.
6.7 Next Generation Sectors and Industries

The global challenges, such as climate change have unlocked potential opportunities for PNG, e.g. through the Paris Agreement that was agreed at the COP21 in 2015, which commits countries to make a contribution toward managing global warming.

The soon to become Treaty has now been ratified by more than 60 country parties surpassing the number required to enable its transition into a treaty with the exception of the global carbon budget which now rises up to 47.7% with less than a tiny fraction before it becomes a Treaty for compliance by Parties who have ratified it.

Article 4 of the Paris Agreement sets out the global temperature goal meanwhile Article 6 promotes cooperative measures in which all countries can undertake, or engage into promoting the development of low carbon economies.

The focus and emphasis will now be on the implementation of Nationally Determined Contributions (NDCs) which is basically an official commitment of each country outlining how they see their sectors being transformed into low emission sectors including but not limited to: Forestry; Land Use and Land-Use Change; Mining; Petroleum, Oil & Gas; Manufacturing; Service Industries; Transportation; Shipping; and Aviation. Article 6 also sets out the pillars for non-market and market based mechanisms, which ties into various aspects of trade that will need to be built into necessary regulatory requirements.

Other areas which will also undergo a massive shift to align with a low carbon economy that produces low emissions and sustainable development products are:

Forestry and Carbon Offsets:
It is unclear whether this will be treated as a commodity for trade considerations, but as we progress towards the future, lessons from around the world will at some point inform how this product is treated in the Forestry sector.

If carbon offsets from the Forestry mitigation concept under Article 5 are packaged as emission reduction offsets in tonnes and given a monetary value, they may be considered as a ‘green-commodity’ and necessary measures shall apply to ensure that it becomes a tradable commodity.

Agriculture and Sustainable Green Certified Products:
Sustainable agriculture will also place emphasis on the increase production of sustainable and green certified products compatible with world standards. A low carbon economy encourages society to have a sustainable outlook towards how they engage in agricultural practices, and its contributions. This will also include looking at improved practices that also improve the standard and quality of agricultural goods and products PNG produces for the world, including examples such as; Fair Trade Coffee and Cocoa, and the RSPO certified Palm Oil products.

Renewable Energy and Efficient Technologies:
In a low carbon economy, much emphasis will now be renewable energy and renewable technology. PNG has the potential to harness the power of renewable energy from all traditional sources including water, wind and sun. Hydro and solar energy will be the next most important resource assets to fuel the economy of Papua New Guinea. These are important assets in trade, which we as a country can also explore to incubate and develop further.
Sustainable and Alternative Fuel-Options, e.g. Biofuel:
As part of the actions toward achieving the goals of the Agreement, countries have committed to reduce their reliance on fossil fuels for their industries and have opted to use cleaner forms of energy such as solar energy, wind energy, geo-thermal energy and bio-fuels and adopt energy efficient technologies to sustain their industrial growth. Bio-fuels refined from coconut oil and oil palm are a potential sector that can be developed in PNG as production of these two crops exists. Oil palm is able to produce the highest yield per hectare (7133 per litre) followed by coconut (3223 litres) under optimum conditions. Bio-fuel use on a commercial scale is already taking place in the aviation industry in Europe (e.g. KLM airlines) and Asia (Japan Airline).

Policy Objective
Promote the development of new innovative industries, taking into account the principal requirement of contributions of the different economic sectors under the National Climate Change Management Act 2015, the Paris Treaty on Climate Change, and the United Nations SDG.

Policy Measures
The Government will adopt the following policy measures:

- Through relevant agencies and DTCI, develop a road map which includes research on the biofuel potential of PNG as well as an appropriate incentive package for companies establishing bio-fuel and other renewable energy sectors;
- Conclude trade in services agreements and/or IPPAs to protect investment in the bio-fuel and other renewable energy sectors including any emerging innovations in the field of green technology;
- Advocate for the reduction of tariffs and technical barriers on bio-fuels produced from oil palm and coconut oil in the multilateral and bilateral free trade agreements;
- Emphasise investments in high skilled training and capacity building for both men and women in the area of science, maths, engineering, bioengineering and stem cell products; and
- Develop an incentives package for companies seeking to shift from use of fossil fuels to use of cleaner energy and technologies, to facilitate the adjustment process and user friendly regulations for those who are in transition away from the traditional fossil fuels.

CHAPTER 7: IMPROVING TRADE FACILITATION AND CONNECTIVITY

7.1 Trade Facilitation

Trade facilitation's core objectives are to reduce the complexity involved in transacting trade thus making it simple and understandable and reducing the transaction costs borne by businesses in the conduct of trade. These objectives are pursued using a number of strategies, including streamlining trade procedures to reduce the risk and transaction costs, and enhancing the efficiency, transparency and predictability of international trade as measured in time and money, and appropriate training and awareness for businesses involved in trade.

Policy Objectives
To simplify and harmonise import and export processes and procedures for facilitating trade thereby improving the ease of doing business for importers and exporters.
Policy Measures
The Government will adopt the following policy measures:

● Institute measures to capacitate and modernize trade facilitating agencies and invest in advanced technology, especially ICT (e.g. migration of ASYCUDA++ to ASYCUDA World) and related trade infrastructures.

● Carryout in-depth training and awareness on trade facilitation, on import/export matters aimed at improving business awareness and practices.

● Review and realign the processes of the various trade facilitation institutions (Customs, NAQIA, NISIT, etc.) and streamline and simplify their import and export procedures and practices.

● Ratify the WTO Agreement on Trade Facilitation (TFA) and expedite implementation of its provisions in line with PNG’s capacity to do so.

7.2 Customs Procedures
PNG has made significant progress in improving customs procedures by implementing effective measures to ensure a smooth and timely clearance and physical movement of goods and services. This notwithstanding, key challenges continue to exist on inter-agency coordination among border enforcement agencies, the use of advanced technology to identify illegal and counterfeit goods and detect bio-security risks, and building the capacity of personnel within relevant agencies to discharge their roles professionally. Addressing these challenges will be critical if Customs and other border enforcement agencies are to be brought up to speed and their personnel fully capacitated to carry out their duties professionally.

Policy Objectives
To strengthen the capacity of Customs and other border agencies in regulating the inflow and outflow of goods and services within PNG’s border and enhance inter-agency cooperation without compromising the operational efficiency and procedural uniformity of cross-border transportation of goods.

Policy Measures
The Government will adopt the following policy measures:

● Support PNG Customs, NAQIA, NISIT and other trade facilitating agencies to simplify and harmonise processes and procedures for import and export of goods and services.

● Introduce a unified and coordinated approach for all border protection agencies in facilitating trade across PNG’s borders.

● Support PNG Customs and other border agencies implement the “Single Window” initiative in a manner that is consistent with the WTO Trade Facilitation Agreement’s operating procedures and practices.

7.3 Border Control and Clearances
Border control and clearance is a major factor in ensuring efficient and effective trade facilitation. The challenge is to implement border control and clearance measures that result in relative ease of doing trade while not compromising national safety and security of PNG.
Policy Objectives
To strengthen border surveillance and control, streamline and simplify clearance procedures, for cross-border flow of goods and services through effective risk management systems.

Policy Measures
The Government will adopt the following policy measures:

- Coordinate all the sectorial policies of the trade facilitating agencies such as PNG Customs, NAQIA, NISIT, and PNG Ports in adopting international best practices to address and improve the movement of goods and services across PNG’s borders.
- Coordinate the efforts of the trade facilitating agencies to develop more transparent, predictable and international best practices to address administrative processes and delays in clearing times.

7.4 Regional Connectivity

The ability of businesses to connect successfully to international markets depends on the performance of a strong supply chain, connecting the domestic market with international markets. This will require a wider approach to trade facilitation that addresses traditional issues, such as customs procedures and infrastructure quality, to new concerns, such as tracking and tracing shipments, timeliness in reaching a destination and the competence of the domestic logistics industry. A key aspect will be to equip businesses, especially SMEs, with the required know-how and support to transact goods and services from domestic destinations through to international market destinations on time and on a competitive basis.

Policy Objective
To improve domestic and international supply chain management in trade facilitation and to build the capacity of facilitating agencies and businesses to transact the movement of goods domestically and internationally in a timely and cost-effective manner.

Policy Measures
The Government will adopt the following policy measures:

- Conduct a trade logistics audit to identify the areas of concern for improving supply-chain performance.
- Strengthen regional efforts on trade facilitation and supply-chain efficiency through initiatives such as the UNESCAP Paperless Trade for Cross Border Trade and APEC’s Supply-Chain Connectivity Framework.
- Create a database on good practices on how best to transact goods and services both domestically and through international trade.
- Facilitate and encourage the internationalization of SMEs.
7.5 Digital Trade

Digital economy is identified as the next generation trade and investment trend that is transforming the global and regional environment whereby extensive supply chains and network connections are developed given the rapid adoption of new information and communication technologies. PNG must pursue building of ICT infrastructure and platforms, establish cyber security and ensure protection to consumer data flow from security threats. Business information and data are being rapidly transmitted around the world electronically, slashing the compliance and regulatory costs for businesses that regularly depend on these information flows to operate and grow. The volume and speed of the personal data crisscrossing in the virtual world is intensifying online trade by firms and consumers.

Policy Objective
To provide appropriate information, communication and technological infrastructure and policies to protect citizens and consumers; and maximize the economic benefits of e-commerce that is critical to promote inclusive growth.

Policy Measures
The Government will adopt the following policy measures:

- Establish a Working Group on e-commerce to review the good practices of other countries with the view to their adoption following addressing issues specific to PNG.
- Draft, enact and implement legislation to regulate and safeguard e-commerce activities against internet fraudsters and transnational cybercrime.
- Provide appropriate infrastructure and ICT platforms to safeguard and promote the safety and authenticity of e-commerce.
- Accede to UNCITRAL Model Law on Electronic Commerce to manage commercial disputes and international arbitration awards arising from e-commerce activities.
- Collaborate with other APEC members, especially developed country partners for good practices in the area of e-commerce.
- Seek technical assistance and capacity building programmes to comply with and fully implement good practices in the area of e-commerce.
PART II: ESTABLISHING TRADE POLICIES FOR AN EFFICIENT AND COMPETITIVE DOMESTIC MARKET
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PART 3
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CHAPTER 8: OTHER MEASURES FOR REDUCING IMPORT AND EXPORT COSTS

8.1 Eliminating Anti-Export Bias

Reducing the cost of imported inputs into manufacturing is important because not all input materials required to assemble the final product can be sourced locally. Tariffs on imported inputs increase production cost for domestic manufacturers. These costs translate into higher prices of domestically produced products thereby reducing export competitiveness against foreign substitutes.

Policy Objective
To stimulate production and enhance the competitiveness of PNG exports by reducing the cost of inputs through the elimination of tariffs on inputs and intermediate products used in production.

Policy Measures
The Government will adopt the following policy measures:

- Carry out a review, in consultation with Department of Treasury and other stakeholders, on the tariff structure with a view to either lower import tariffs or provide exemptions from duties for inputs and machinery in order to promote downstream processing onshore; and will consider the use of an efficient drawback system on inputs that would enable the remission or drawback of import charges on inputs physically incorporated.
- Carry out an independent review and assessment on the feasibility of export taxes to be used as an instrument. Government will put in place export support measures in the priority sectors, such as exemptions from duties on imported inputs.
- Access to trade finance in order to boost the level of exports.

8.2 Eliminating Non-Tariff Measures

PNG has a few non-tariff measures (NTMs) and the Government recognizes that NTMs can have a negative impact on the free flow of trade. NTMs can increase the cost of trade and reduce the competitiveness of producers, possibly leading to an unpredictable business environment.

Policy Objective
To eliminate NTMs in accordance with the relevant provisions of the WTO and other trade agreements thereby stimulating more trade through reduced costs.

Policy Measures
The Government will adopt the following policy measures:

- Establish a working group to identify measures that potentially constitute NTMs with the view to remove NTMs.
- Promote dialogue and consultations on NTMs to prevent the use or application of measures that can be interpreted as NTMs.
- Raise awareness and information on non-tariff measures.
8.3 Rules of Origin

Preferential Rules of Origin are associated with free trade agreements and/or regional trade agreements. In order to access a concession (duty free access) through a trade agreement, the exporting Party to the agreement must ensure that the product meets the Rules of Origin requirements which are negotiated and included in the agreement. Flexible rules of origin allow Parties to source inputs from any country as long as “sufficient transformation” takes place before the product is exported. On the other hand, restrictive rules of origin require a significant proportion of the final product to be sourced from the Parties to the agreement. Currently, PNG’s export industries rely on imported inputs because they are unable to source most of them domestically. Having flexible rules of origin in some of PNG’s agreements (e.g. IEPA “global sourcing”) have proved successful in promoting export oriented manufacturing industries.

Policy Objective
To promote flexible and transparent rules of origin in trade agreements that will facilitate imports of affordable input materials for domestic production and avoid instances of trade deflection.

Policy Measures
The Government will adopt the following policy measures:
- Negotiate the most adequate Rules of Origin requirements for PNG based on sector specific assessments about the industrial process and structure of production of local firms, the materials they use, and where they source them from.
- Introduce a new legislation for non-preferential Rules of Origin (RoO).
- Direct Customs to prepare an Operational Handbook for the administration of non-preferential rules of origin.
- Carry out regional training workshops to raise awareness and train customs officials and other border agency officials on rules of origin requirements.

8.4 Treating with Export Taxes and Other Export Measures

Export taxes, subsidies and other export restriction, are measures used to encourage export of goods. Export taxes can be used to promote domestication of value adding and downstream processing of PNG’s abundant natural resources. In PNG, export taxes are currently being applied to a limited number of products to promote downstream processing and value adding activities (i.e. round log exports) on shore and/or for environmental conservation reasons (i.e. crocodile skins, rare species of wood, etc.). Export taxes, however tend to benefit processors at the expense of producers (mainly rural populace) because producers are denied access to better affordable international prices for their product. PNG recognizes that export taxes are not encouraged by the WTO. Therefore, before making a decision on introducing export taxes the Government will assess the economic welfare impacts on the economy, especially incomes of producers. Accordingly, PNG will only pursue a limited application of export taxes to address growth in production and trade of select products over a limited period of time.

Policy Objective
To pursue limited application of export taxes and other export restrictions as a measure to encourage downstream processing and value adding activities in PNG.
PART III: INTERNATIONAL TRADE - BUILDING A COMPETITIVE AND SUSTAINABLE EXPORT BASED ECONOMY

Policy Measures
The Government will adopt the following policy measures:

- Conduct sector studies to determine welfare impacts of export taxes on incomes and jobs before introducing export taxes.
- Develop an appropriate strategy and programs to assess the economic welfare impacts before applying appropriate measures to current and future agreements/arrangements to ensure that export taxes are applied justifiably.

CHAPTER 9: TRADE AND SUSTAINABLE DEVELOPMENT

9.1 Trade and Environment

The push for economic transformation and attainment of higher rates of growth tends to lead to environmentally degrading production practices. To this end, there is a need for pro-active measures to mitigate the emergence of environmentally harmful production practices that endanger the environment and cause disruptions to the socio-economic livelihood of PNG’s people.

Policy Objective
To develop and implement appropriate policies and measures to ensure that trade and development are sustainable and environmentally friendly practices.

Policy Measures
The Government will adopt the following policy measures:

- Maintain the right to control and regulate trade for environmental reasons.
- Strengthen institutions entrusted with the execution and enforcement of environmental laws and regulation.
- Mainstream environmental issues into the development agenda.
- Develop and implement environmental policies to ensure environmental issues are taken into account when formulating and implementing growth strategies.

9.2 Trade and Labour Standards

Labour mobility in areas such as trade-in services and FDIs has become a key element of trade as people migrate across countries to render services or through cross border supply. The movement of people across countries for work purposes has ushered in challenges of maintaining labour standards in conformity with international labour standards and the need to properly regulate migratory labour in conformity with domestic laws. Also, some countries do not fully comply with international labour laws which gives their workers unfair advantages in trade. PNG wants to secure trade agreements with partners who treat workers fairly by adopting at least the minimum labour standards of the International Labour Organisation (ILO).

Policy Objective
To uphold and strengthen PNG’s labour laws, as well as to ensure compliance with the International Labour Organisation’s “core” labour standards as necessary.
Policy Measures
The Government will adopt the following policy measures:

- Implement the ILO’s core labour laws and standards as necessary and affirm PNG’s support for ILO’s role in promoting the standards.
- Undertake a legal review of PNG’s labour laws and strengthen where necessary taking into account good practices.
- Collaborate with professional bodies in imposing and regulating labour standards and negotiate mutual recognition agreements with other countries for purposes of labour mobility.
- Develop and monitor policies and frameworks with institutions and governments to create opportunities for service delivery by PNG’s labour force.
- Ensure that the partners with which PNG concludes trade agreements comply with the various ILO core labour laws and standards.

9.3 Trade, Gender and Social Inclusiveness

Women continue to be disproportionately poor and disadvantaged in spite of the continued economic growth in PNG. Their ownership, control, and access to economic resources, assets and markets are often limited by social norms. They also tend to work in specific sectors of the economy for example, in textiles, the informal sector, and agriculture where government support is often inadequate. Mainstreaming gender and youth issues in economic activity through facilitating their effective participation in domestic and foreign trade is constrained by limitations in their accessibility to key production assets, including capital, education and skills.

Policy Objective
To promote gender, youth and other disadvantaged groups in business and trade activities in PNG.

Policy Measures
The Government will adopt the following policy measures:

- Develop and incorporate strategies to streamline gender policies into the business, trade, and economic planning processes.
- Establish a framework to strengthen dialogue on gender, youth and social inclusiveness in development.
- Undertake a review of existing policies to identify any gaps that exist and to consolidate into a single policy for more effective implementation.
- Promote efforts to extend the right of free movement of persons with skills other than academic qualifications and remove remaining gender specific restrictions on services and movement of natural persons.

9.4 Trade, Consumer Welfare, Health and Safety

A well-functioning market should enhance and protect consumer welfare through effective consumer protection policies. As liberalization of the domestic market deepens, consumer welfare continues to be threatened by the influx of substandard goods and counterfeits into the country. This calls for effective and well-coordinated intervention measures to protect consumers through the use of technical regulations and standards particularly on household consumables and food products without becoming trade barriers.
Policy Objective
To promote and protect the welfare, health and safety of consumers and human capital by adopting and enforcing appropriate policies and measures.

Policy Measures
The Government will adopt the following policy measures:

- Introduce and/or upgrade, as necessary, legislations, technical regulations and standards based on international standards, for household consumables to protect the consumers without themselves becoming trade barriers.
- Support relevant Working Groups to work with NISIT and NAQIA to strengthen enforcement of national standards, quality and safety.
- Develop and enact legislation taking into account international consumer protection frameworks inclusive of adequate sanctions to address consumer protection issues.
- Review and strengthen existing legislations and mechanisms in order to protect consumers.

9.5 Trade-Related Aspects of Intellectual Property Rights (TRIPS)

Protecting intellectual property rights rewards individuals and companies who invest in research and development, encourages the promotion and marketing of ground-breaking products to international markets, and enhances the competitiveness of companies in the domestic and global market. PNG has introduced, after its accession to the WTO, legislation in conformity with the TRIPS Agreement to provide a balanced and improved intellectual property framework that provides adequate minimum standards of protection for intellectual property within the country. However, counterfeit and fake products continue to pose a huge risk to consumer health, safety and welfare, and undermine genuine competition. Therefore, enforcement of intellectual property rights is necessary to guard against intellectual property rights infringements and instill confidence in the intellectual property framework. A National Intellectual Property Plan (NIPP) is being developed to provide a proper roadmap and direction in developing intellectual property and establishing a balanced and improved IP framework as well as addressing trade-related IP issues in the economy.

Protection of traditional knowledge is also an emerging issue and an issue of concern in PNG, particularly in the context of the use of traditional knowledge and traditional cultural expressions in commerce and/or trade. As such, steps have been taken through the National Cultural Commission (NCC) to develop an appropriate policy and legal framework for protection of traditional knowledge and traditional cultural expressions.

Policy Objective
To support and strengthen a more effective legal and institutional framework to safeguard intellectual property rights, in line with national and international commitments.

Policy Measures
The Government will adopt the following policy measures:

- Support Intellectual Property Office of PNG (IPOPNG) in the formulation and implementation of the National Intellectual Property Plan (NIPP) through the National IP Working Group.
- Support IPOPNG in ensuring that all intellectual property rights legislation, regulation and practices comply with the WTO Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement and are adequately enforced.
- Support and encourage an effective enforcement mechanism that is adequate to
deal with intellectual property infringements and other issues including the importation of products that are deemed as counterfeit and fake products.

- Continue to advocate for the extension of the protection of GI beyond wines and spirits in the WTO negotiations to include products such as coffee and other relevant products that are unique to PNG’s geography.
- Support and encourage greater usage of the intellectual property system to enhance competitive advantage and improve market opportunities for export-driven sectors.
- Give recognition to, and provide the necessary support for, the protection of traditional knowledge and traditional forms of cultural expression.

CHAPTER 10: GAINING MARKET ACCESS FOR PNG’S EXPORTS

10.1 Tariff Liberalization Policy

Tariff liberalization is the process through which PNG will reduce its tariffs when engaging any of its trading partners in the context of a trade in goods agreement. It results in the gradual reduction in the level of tariffs in foreign markets and hence provides greater access for PNG produced goods. However, equally important, it is also the process through which foreign countries will gain access to PNG’s goods market when PNG undertakes any tariff cuts. The management of this tariff liberalization process is critical to realizing gains from trade to PNG and hence it has to be undertaken in a systematic and well informed manner.

Policy Objective
To ensure that PNG receives optimal market access in foreign trading partners while supporting its own domestic industries and preserving some policy space.

Policy Measures
- Establish a solid process for decisions on the liberalization of tariffs based upon technical analysis of trade flows and the gains from trade
- Provide the mandate for the tariff liberalization function to the Ministry with responsibility for international trade
- Periodically review the WTO bound rates versus the applied rates for certain products, especially sensitive products prior to any tariff liberalization process in any trade agreements
- Ensure coherence in the tariff concessions made in the various trade agreements so that the benefits received in new trade agreements are not undermined by costs resulting from other trade agreements and conversely

10.2 Market Access for PNG’s Exports

Trading countries set conditions that allow foreign exporters of goods or services and service suppliers and investors to access their markets. If PNG is to access foreign markets, it has to meet access conditions set by its trading partners. While it would pursue other smart ways of securing market access for its goods and services, PNG will have to negotiate better access conditions such as for goods, tariffs and non-tariff measures; rules of origin; technical barriers to trade; sanitary and phytosanitary measures; and domestic regulations for its services, investment and labour movements. However, PNG lacks a transparent, predictable and reliable national consultation process, supported by skilled negotiators and adequate budgetary support to determine national interests and secure enhanced market access for its exports.
Policy Objective
To secure enhanced market access conditions and opportunities for PNG’s goods and services in overseas markets.

Policy Measures
● Establish a permanent and reliable national consultation framework for negotiating market access for goods and services based on PNGs interests.
● Aggressively pursue and/or negotiate better market access conditions for PNG exports.
● Interact with all trade stakeholders to determine PNG’s interests in securing market access in other countries as well as what access to offer PNG’s partners.
● Establish a State Trade Negotiating Team with the support of technical agencies and the private sector to negotiate trade agreements/arrangements and secure international markets.
● Conduct pre and post negotiations consultation with affected stakeholders based on cost benefit analysis.
● Secure sufficient funding for conducting negotiations with strategic trade partner(s).
● Proactively negotiate WTO compliant trade agreements/arrangements to ensure PNG’s trade interests are promoted through any regional and bilateral trade negotiations process to secure enhanced market access conditions for PNG made goods and services, investments, labour, and development assistance tied to specific commitments.
● Establish strategic alliances with like-minded countries and strategic partners and defend or promote commonly shared trade and development interests particularly in pluralistic trade agreements/arrangements.
● Conduct market intelligence and research for promoting and/or securing new market access for PNG goods and services.

10.3 Trade in Goods
PNG is a commodity exporting country based on its natural resources from the agriculture, forestry, marine and fisheries, mining and petroleum sectors. The government directives and policies are now moving towards value addition and focus on the services sector. PNG has duty free and quota free market access for its traded goods under preferential/free trade agreements with its traditional trading partners. However, it faces major challenges of underutilization of these trade opportunities mainly due to supply-side constraints, and a narrow and fragmented domestic export production base for increased export volume. While on the one hand PNG is promoting trade benefits through liberalization, the country will need to maintain its policy space in order to promote its national development interests.

Policy Objective
Secure concessions from PNG’s negotiating partners that will facilitate exports of PNG goods to target destination markets.

Policy Measures
The Government will adopt the following policy measures:
● Identify PNG’s key export market destinations for agricultural goods and analyse its market access conditions.
● Introduce periodical analysis of trade flows for trade policy intervention to determine and classify the share of exports which receive Most Favoured Nation (MFN) treatment; General System of Preferences (GSP) treatment, and Free Trade
Agreement (FTA) preferences.
- Undertake fact-finding missions to target countries, where PNG has an offensive interest to trade.
- Capacity building and training for the negotiators to effectively negotiate the concessions of best interest to PNG.
- Funding to adequately prepare for and conduct the negotiations.

10.4 Trade in Services

Trade in Services is a critical component of any economy in the world. Trade in Services is defined by the Four Modes of Supply of the General Agreement on Trade in Services (GATS) as Cross border supply of service, Consumption abroad, Commercial presence, and Presence of natural persons in 12 categories of services identified by WTO. Despite its significant contributions to the economy in terms of its share of the Gross Domestic Product (GDP), and its support to employment creation and the development of primary and manufacturing industries, the sector is not clearly coordinated and is affected by ambiguity and unclear regulatory measures. This has contributed towards high prices and costs as well as poor service delivery which affects the services sector. Services sector is an important part of the economy in terms of domestic supply and export potential of cost effective services can act as a catalyst for development.

Unlike trade in goods, services require removal of regulatory barriers to allow free movement of foreign and domestic investments into services sector. Over the years PNG has not done this effectively as most services regulators operate in isolation from each other.

Policy Objective
To eliminate regulatory barriers and offer non-discriminatory treatment to services suppliers in order to improve the services sector, and foster competition, improve the quality of service, reduce price, create employment and encourage growth and development.

Policy Measures
The Government will adopt the following policy measures:
- Support the development of a strong domestic services sector including the following sub-sector: business support services, construction services, transportation services, telecommunication services, educational services, health services, distribution services, finance and banking services, tourism and hospitality, sports and culture.
- Ensure regulatory bodies understand Trade in Services commitments under various trade agreements that PNG has secured concessions in.
- Conduct regular awareness amongst services regulators to ensure they fully embrace the significance of services to the economy.
- Encourage investments into priority services sectors through elimination of regulatory and procedural barriers where they exist, to foster competition to improve quality of service at reduced cost.
- Negotiate and secure market access and national treatment commitments for Mode 3 and Mode 4 for the temporary movement of semi-skilled and skilled service suppliers with strategic trading partners.
- Negotiate mutual recognition agreements for specific sectors and with specific trading partners with which PNG has strategic interest to do so.
- Ensure any new/future services agreements must build on the existing services commitments.
- Consider participating in the on-going WTO TiSA plurilateral negotiations, and deepening of the IEPA on services to obtain improved market access in other...
countries in specific service sectors such as health, education, hospitality, construction, and professional services.

- Identify internationally recognized and used software models to analyse PNG’s services structure and regulatory framework and to assess the impact of the domestic services sector on the economy.
- Progressively liberalize monopoly sectors like shipping and energy.

10.5 Compliance with Standards and Biosecurity

Technical Barriers to Trade (TBTs) and Sanitary and Phyto-Sanitary (SPS) measures are technical standards and biosecurity requirements that PNG’s major trading partners put in place to protect its human wellbeing and plants and animals’ health to enhance trade. Other standards are also being used as instruments of trade policy to ensure that imports and exports are in conformity with international safety requirements and regulations thus protecting health of consumers, and facilitating trade in agriculture and environmental biosafety and bio-diversity. PNG does not have an internationally recognized body accredited to regulate and supervise the application of technical specifications/standards such as Codex Alimentarius Commission (CAC) International Food Standards, Office of Animal Epizotics (OIE) International Animal Standards, International Plant Protection Convention (IPPC) for International Plant Standards including ISO and quarantine inspections, and develop its national technical standards and the SPS measures in conformity with internationally acceptable standards and other measures.

Policy Objective
To take appropriate actions to comply with the TBT and SPS Agreements of the WTO thereby affording PNG’s goods access in foreign markets.

Policy Measures
The Government will adopt the following policy measures:

- Develop legislation and regulations on standards and quality in conformity with international standards such as the relevant WTO Agreements, on TBT and SPS measures, Codex Alimentarius Commission (CAC) International Food Standards, Office of International Epizotics (OIE) International Animal Standards, International Plant Protection Convention (IPPC) International Plant Standards and ISO, and relevant provisions of other trade agreements/arrangement.
- Apply standards, quality, certification and technical regulations on goods to be exported from PNG to target trading partners in accordance with their respective regimes.
- Develop the capacity of enforcement agencies and the private sector to comply with required standards, quality, certification and technical regulations of destination markets.
- Promote access to information, and support in technical infrastructure and capacities to the private sector which are most likely to be negatively affected by NTMs.
- Investigate the application of NTMs that affect PNG’s exports and make improvements.
CHAPTER 11: MAXIMIZING OPPORTUNITIES FROM TRADE AGREEMENTS

11.1 Bilateral Trade Agreements

Bilateral trade agreements are agreements between two countries (or grouping of countries) that have decided to give preferential treatment to each other in their commercial relationship. They facilitate trade and investment between themselves by reducing or eliminating tariffs, import quotas, export restrictions and other barriers that may exist. PNG has already concluded several bilaterals over the years notably: PNG-Australia Trade and Commercial Relations Agreement (PATCRA). However, with a limited manufacturing base, these agreements have not been exploited to any extent. Thus, PNG will continue to pursue bilateral trade agreements to secure better market access for its goods and services with strategic partners.

Policy Objective
To utilise opportunities in existing bilateral trade agreements/arrangements and negotiate additional bilateral trade agreements to secure market access and other benefits from trade such as investment, growth, technology transfer and human capital development.

Policy Measures
The Government will adopt the following policy measures:

- Identify strategic partners with which PNG desires to pursue its bilateral trade relations.
- Deepen/widen PNG’s existing bilateral trade agreements/arrangements with strategic partners.
- Undertake bilateral trade missions to partner countries aimed at promoting PNG’s goods and services and take steps to secure market presence.

11.2 Regional Trade Agreements

Regional Trade Agreements (RTAs) are reciprocal trade agreements between two or more partners which also include free trade agreements and customs unions. Despite being a member of several regional economic co-operation/trading arrangements such as: APEC, MSG, PICTA, and SPARTECA; PNG has not benefited fully from these arrangements mainly because of supply-side constraints, which has resulted in a lack of competitiveness of PNG’s exports and non-tariff measures of major destination markets. In addition, under existing arrangements PNG is still unable to address trade imbalances with regional partners, acquire technical and financial assistance to achieve harmonization of policies, and is unable to diversify and promote its products in the most effective way to gain market presence.

Policy Objective
To fully make use of these agreements/arrangements with the objectives of reducing trade imbalances, promote diversification of exports, gain economic competitiveness, and enhance market presence for various products.

Policy Measures
The Government will adopt the following policy measures:

- Encourage production and export readiness of goods that qualify for preferential market access under the various trade agreements.
- Address logistics of transporting goods to destination markets.
● Support Private Sector with a line of credit to grow SME sector to penetrate markets.
● Undertake trade missions to destination markets.
● Establish appropriate mechanisms to review PNG’s position and take steps to strengthen regional integration initiatives.
● Develop appropriate programs to conduct periodic review of existing regional trade agreements/arrangements against PNG’s national interest and commercial objectives in order to determine their relevancy and usefulness to achieve PNG’s economic and developmental goals.
● Explore opportunities to widen and deepen regional trade agreements/arrangements with strategic partners around the world to enhance PNG’s national interest.

11.3 Multilateral Trade Agreements

Multilateral trading rules refer to rules of trade agreed among multiple countries where such rules are used to coordinate and harmonise national policies to facilitate cross border trade. The World Trade Organization (WTO) is the main institution responsible for coordinating trade policy in the world. However, PNG’s ability to effectively participate in the WTO processes is largely constrained by a range of factors, the key one being the lack of capacity. While benefits from trade expansion through enhanced access to the world market are apparent, PNG has not been able to benefit from these opportunities given its limited participation and follow up at the committee meetings. These committee meetings are important avenues for discussing operational and implementation issues on trade policy, and for finding solutions for trade-related problems.

As a developing country, PNG has an interest in Special and Differential (S&D) Treatment which will provide lesser obligations to PNG on important issues of market access preferences, zero tariffs and derogation on compliance for specified periods. PNG still has a long way to go to achieve these. Also, the country has not been able to effectively utilise technical assistance from multilateral and bilateral development partners to build its capacity to comply with international standards and SPS requirements. Overall, current measures are not effective to facilitate smoother and effective integration into the global economy. It is clear that PNG has to work harder on these issues if it wants to deepen its trade engagement with the rest of the world.

Policy Objective
To introduce the various relevant provisions of WTO Agreements into PNG law especially in relation to Anti-dumping, Countervailing Measures and Safeguards; SPS; TBT; and Intellectual Property Rights.

Policy Measures
The Government will adopt the following policy measures:
● Draft and enact legislation to give effect to the WTO Agreements on Anti-dumping, Countervailing Measures and Safeguards; SPS; TBT; and Intellectual Property Rights.
● Undertake stakeholder consultations on the implications of the various provisions of the law for conducting trade in PNG.
● Conduct capacity building activities for the affected agencies.
CHAPTER 12: STRENGTHENING THE CAPACITY AND EFFICIENCY OF TRADE INSTITUTIONS

12.1 Institutional Capacity Building

The administrative capacity and efficiency of trade institutions is fundamental to the efficient running of PNG’s trade system. Inefficiency and a lack of capacity can significantly undermine PNG’s overall trade regime and thus render the goals of the NTP unattainable. PNG will work to strengthen both the administrative and operational capacity of its trade institutions, ensuring that each institution is capacitated and efficient, and that they work in unison to deliver the goals of the NTP.

In the context of PNG’s future development agenda, strengthening institutions will involve strengthening and diversifying the supply-side of its trading regime in tandem with changing trends in the world market. This also requires enhancing productivity of the factors of production and raising efficiency for products to become competitive both in the domestic and export markets. Moreover, it requires building capacities and skills to predict and interpret changes and adopting appropriate responses. This capacity depends on human skills development and institutional capacity building, transformation of production systems and overall private sector development.

Policy Objective
To strengthen and develop the capacity of institutions involved in trade and trade-related activities through the formulation and implementation of relevant programmes.

Policy Measures
The Government will adopt the following policy measures:

- Establish a National Trade Office with a mandate to oversee the implementation of the NTP and coordinate the trade-related functions of the individual institutions responsible for effective operation of the National Trade Policy.
- Coordinate all trade-related capacity development programs including those provided by development partners, NGOs and other stakeholders and develop institutional capacity of trade regulatory and trade facilitating agencies through the formulation and implementation of relevant programmes.
- Secure the technical and financial resources required for the effective and efficient operation of trade-related institutions including restructuring their operations if required.
- Encourage close collaboration with the private and public sectors to ensure required skills are developed for the needs of various industries.
- Provide assistance in the areas of national legislations and regulations to support existing institutions.

12.2 Aid for Trade

Trade has the potential to be an engine for sustained economic growth and social development, but internal barriers, for example, a lack of critical knowledge-base, excessive red tape, inadequate financing and poor infrastructure hamper that potential. The Aid for Trade Initiative of the WTO, which started in 2005, provides an avenue for helping developing countries, to build the trade capacity and infrastructure they need to benefit from trade opening. The WTO Aid for Trade initiative has four components:
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- Trade policy and regulation focusing on building capacity to formulate trade policy, participate in negotiations and implement agreements;
- Economic infrastructure which focuses on investing in the infrastructure such as roads, ports, telecommunications, energy networks needed to link products to global markets;
- Productive capacity building: aimed at strengthening economic sectors, from improved testing laboratories to better supply chains to increase competitiveness in export markets; and
- Adjustment assistance which looks at helping with any transition costs preference erosion, loss of fiscal revenue, or declining terms of trade from liberalisation.

Despite the existence of the WTO Aid-for-Trade Initiative, PNG continues to miss out from the benefits of this initiative as it has not taken serious steps to utilise it. It is now imperative that PNG takes steps to utilize this initiative.

Policy Objective
To ensure that PNG benefits from the WTO Aid for Trade initiative as well as similar initiatives under other trade agreements.

Policy Measures
The Government will adopt the following policy measures:
- Mainstream Aid for Trade priorities into the Government’s overall aid strategy.
- Encourage closer collaboration among all stakeholders to identify priority areas under Aid for Trade for PNG, including development of an Aid for Trade Strategy.
- Open dialogue with international development partners on PNG’s Aid for Trade priorities.
- Negotiate packages to help PNG with adjustment costs arising from implementation of various trade agreements.

12.3 Dispute Settlement Mechanism

As a member country, PNG is required to comply with the WTO dispute settlement mechanism. However, a key challenge for PNG is getting its legal framework in tandem with various international dispute settlement mechanisms to enable effective resolution of trade disputes should they arise. PNG has been slow in this regard and it is important that actions be taken to rectify this.

Policy Objective
To provide PNG with the capacity to effectively utilise the dispute settlement provisions in various trade agreements and other international dispute settlement mechanisms which PNG is party to.

Policy Measures
The Government will adopt the following policy measures:
- Capacity building for lawyers, economists, trade negotiators, etc., to effectively engage in the various dispute settlement processes.
- Secure funding to participate in dispute settlement processes.
- Adopt/establish clear processes and procedures for consultation, open dialogue and mediation for resolving international trade disputes.
● Adopt and domesticate the United Nations Commission on International Trade Law (UNCITRAL) model laws on international commercial conciliation, contracts for international sale of goods, electronic commerce, arbitration, and related laws to resolve disputes between parties from other jurisdictions.
● Establish PNG Trade Arbitration Board to represent PNG on all trade and investment related disputes.

12.4 Trade Remedies
Recent liberalization commitments and increased competition has resulted in a series of complaints by domestic industries against illegal and subsidized imports into PNG. However, PNG’s current legislative framework for trade does not provide adequate safeguards and enforcement measures against dumping, illegal subsidies and sudden surges in imports. This will need to be addressed. The Government is fully aware of the need to protect legitimate interests of its small and growing industries, and is committed to formulate appropriate legislation targeting antidumping, countervailing measures and safeguards to protect PNG’s domestic industries. This law will be in full compliance with the country’s obligations under the respective WTO Agreements.

Policy Objective
PNG will institute policy and legal measures to protect its industries from dumped, subsidized or damaging surges in imports which have the potential to cause material or serious injury to domestic industries.

Policy Measures
The Government will adopt the following policy measures:
● Develop, enact and implement legislation governing anti-dumping, countervailing measures and safeguards.
● Establish an independent investigative body with capacity to determine dumping and appropriate remedial measures to be applied.
● Enact legislation to give effect to the relevant provisions on anti-dumping, countervailing measures and safeguards under the WTO Agreement, IEPA and other trade agreements PNG is a party to.
● Empower the appropriate authority to take decisions on trade defense, including instituting appropriate remedial measures on dumped, subsidized or damaging import surges.
● Establish a market intelligence and research unit, in collaboration with PNG Customs and other stakeholders, to collect trade data and data necessary to verify dumping and subsidization of imports.
PART 4

STRENGTHENING ADMINISTRATION, COOPERATION AND IMPLEMENTATION
CHAPTER 13: STRENGTHENING ADMINISTRATION, COORDINATION AND IMPLEMENTATION

Strong administration, oversight and coordination at all levels will be required to ensure the successful implementation of the NTP, and to ensure that an efficient and competitive trading system for PNG is developed. In this regard, it would be necessary to develop the required infrastructure for such and ensure it works. Leadership from Government and its lead agencies the National Trade Office and the Department of Trade, Commerce and Industry will be required to spearhead this. But this task cannot be carried by Government alone. For it to work, it must include all stakeholders, the private sector, the key sector engaged in the conduct of trade and commerce must be a major partner on this.

13.1 Rationale for Effective Administration, Coordination and Implementation

Creating a viable and effective trading system for PNG will require the undivided effort of all stakeholders. Different actors across all sectors of the economy will bring their actions to bear on the implementation of the NTP, its ongoing development and improvement, and ultimately its success. There will be leadership at the centre of Government who must take ownership and provide overall policy guidance and set the directions on where the trade policy must go. Respective agencies will be expected to facilitate and manage aspects of trade policy that falls within their mandates. More significantly, there will be business operators directly involved in trade and marketing. These are the key actors upon which all actions will revolve and support, and whose operations are fundamental to trade. There are other stakeholders whose efforts are critical for creating the enabling environment in which the private sector and all the other stakeholders will depend on. Trade is an interdependent activity in which all stakeholders must effectively contribute for the country to benefit. The challenge therefore is to marshal the support of everyone and ensure that they work in unison - one vision, one goal and one direction - in developing and making trade effective.

Building cohesiveness and unification will require the creation of administrative, coordination and implementation mechanisms necessary for harmonising different actions, garner and inject support for trade, and monitor and improve trade practices. The challenge is to first recognise the important link between the NTP and different sectors of the economy, and then to ensure that the different trade actors are coordinated and their roles are complementary to each other under the NTP framework (Figure 13).

To this end, the Government will be required to play the lead role in putting in place the required administrative and coordination mechanism for harmonising all trade activities and ensure the delivery of PNG’s trade policy goals.
13.2 Leadership and Coordination Role of Government

Government will play a significant role in the implementation of the NTP and other trade-related matters. However, its role will be limited to providing overall leadership and direction across all sectors of the economy; develop the relevant policy framework for trade in partnership with the private sector; coordinate and unify actions of all trade actors; and more importantly, create the enabling environment for businesses to carry out their trading activities with ease and efficiency. This role is already carried out by a number of policy, oversight, regulatory and facilitating agencies on behalf of Government. Ensuring that these agencies work in tandem and with other stakeholders to effectively deliver will be key to the success of the NTP.

13.3 The Role of the National Trade Office

A National Trade Office (NTO) will be established as part of the overall effort by Government to improve trade and to attain PNG’s quest to build a globally competitive economy identified in the NTP.

Acting on behalf of the Government, the NTO will assume the leadership and coordination role of Government and will provide strategic oversight and supervision of the NTP and trade-related matters. Its primary role can be synthesised into five key areas:

- To provide leadership and policy advice on the implementation of the NTP and trading matters across all sectors of the economy.
- To spearhead the development and improvement of policy, negotiations, promotion and regulations of trade and advise Government accordingly.
- To coordinate and maintain oversight across all sectors on the implementation of the NTP.
- To play an advisory role of oversight for regulatory and facilitating agencies of Government on trade related issues.
● To enhance capacities of trade officers and post them as Trade Attachés to strategic Diplomatic and Trade Missions to pursue PNG’s trade interests.

13.4 The Role of Regulatory and Facilitating Agencies of Government

Government provides the policy and regulatory environment for businesses to carry out trade and commerce. This environment is effectively administered and regulated by a range of government agencies responsible for aiding and facilitating trade and commerce. It is the responsibility of Government to ensure that its respective agencies operate with the highest degree of efficiency, therefore allowing businesses to operate freely with the lowest transaction costs possible. Consistent with the NTP’s goals, regulatory and facilitating agencies will be required to reorganise and streamline their operations to improve their regulatory and facilitative role and their overall efficiency. This responsibility will fall on the respective heads of each agency, of course with the assistance from the Government. Working through the NTO and the DTCl, the Government will also strengthen inter-agency cooperation and coordination between the respective agencies and between such agencies and the private sector through a number of coordination and oversight arrangements.

13.5 The Role of the Private Sector

The conduct of trade in domestic and international markets is private sector-led, private sector-run and private-sector managed. As such, the private sector will be the key implementer of the NTP. This implementation role will be facilitated and enabled by Government by creating the conducive environment for the private sector to carry out trade and commerce. At the operational (micro) level, the private sector will be required to establish the administrative and coordination mechanisms among its own actors, utilising new and existing mechanisms such as the PNG Business Council and Chamber of Commerce and Indigenous Business Council. Included among these activities will be provision of detailed constraints experienced by firms in foreign markets as well as the capacity to implement obligations under the various trading agreements. However, a key issue remains at the strategic level, and that is to marry the actions of the private sector and the Government into a unified whole so that they work in partnership and for better implementation.

13.6 Governance, Accountability and Consultation

A key requirement for the success of the NTP will be the need for Government to partner with the private sector and other stakeholders, not only for coordination and implementation purposes, but also to assist in the ongoing developments/improvements of the trade policy and regulations under the NTP framework. To address this, the Government, through the Department of Trade, Commerce and Industry, will establish a National Trade Office with an Executive Governing Board and a non-executive Trade Policy Advisory Council and will also provide for the mobilisation of Technical Working Groups where required. Membership and participation in these bodies will be open to and sought from the private sector and all other trade-related stakeholders.

● The Executive Governing Board of the NTO (EGB). The Executive Governing Board will provide the Governance, Strategic Direction and overall Control over the exercise of the functions and powers of the Trade Office, and undertake such other functions, and exercise such powers as may be conferred on it under its constitution. Membership of the EGB will be by invitation and subject to such persons having either direct or delegated decision-making authority on behalf of their organisation. Non-State Stakeholders will
always make up at least 50% of the EGB. The Chief Trade Officer will be a member of the EGB but will also be accountable to it for the operational management and performance of the Trade Office. The DTCI will propose a Chairman who will report to the Minister with responsibility for Trade. The EGB will meet monthly but may also hold special meetings as may be required to properly fulfil its functions.

- **The Trade Policy Advisory Council (TPAC).** The TPAC will act as a non-executive platform for stakeholder consultation and a reference panel on matters pertaining to trade policy formulation, implementation and monitoring. It will provide a channel to the Executive Governing Board through the Chief Trade Officer as the Chair for trade-related stakeholders from the private sector, civil society, other trade-related government ministries, departments and agencies to contribute to trade policy formulation, implementation and monitoring. The TPAC shall be led by representatives of the stakeholders and populated with a representative balance of stakeholder interests.

- **The Technical Working Groups (TWGs):** The TWGs will be groups of experts from institutions and agencies with statutory mandates and private sector with key expert knowledge in specific trade matters. The TWGs will provide valuable input and technical assistance in strategic trade policy matters. They will be authorised by the EGB on the recommendation of the Chief Trade Officer or the TPAC as the case may be. TWGs are intended to provide a flexible mechanism for targeting specific issues and/or support and consultative needs. They may therefore be organised on a formal or semi-permanent status or may be mobilised ad hoc according to unforeseen or critical circumstances. It will be necessary for the National Trade Office to consult with stakeholders, agencies and the key trade-related technical agencies to establish and catalogue the expertise available, identify the experts and practitioners in these organisations who can provide it and secure the consent of parties to participate.

### 13.7 Other Coordination and Policy Advisory Mechanisms

Formal consultative and policy advisory mechanisms such as those above are good but they are not sufficient in themselves for policy learning and development, as they are often found at the higher end of the decision-making process and therefore are most likely to draw inputs from only a selected few. For the NTP to be successful, trade operators and regulators on the ground level must be given a voice in the decision-making process; they must be able to share their concerns and identify the best means to enhance PNG's trading regime. To address this, the Government will establish two other important consultative avenues aimed at eliciting maximum participation of ground-level operators. They are:

- **The Facilitators and Regulators Consultative Summit (FRCS).** The FCRS will be an important consultative meeting for all administrators, facilitators and regulators of trade. The FRCS will be held annually and will draw the participation of all agencies of Government involved in the policy and regulatory aspects of trade with the view of sharing experiences, identify common problems and solutions, and build rapport and support across agencies on trade matters. The FRCS will be a key contact point for trade policy and practice review and will be an important basis for learning and improving both policy and practice.

- **The Trade Practitioners Consultative Summit (TPCS).** The TPCS will be an important consultative meeting for all businesses with the attendance of an important ally, the Government. The TPCS will provide an avenue for business to share their experiences, identify common problems and solutions, and build rapport and support with other businesses and Government. The TPCS will be a key contact point for trade policy and practice review by the private sector and will be a significant conduit upon which the private sector will be involved in trade policy development and improving practice.
Heads of Missions Conference. This will provide general advice on areas of potential interest to be considered by PNG in its negotiating agenda as well as provide an external coordination of funding in areas of mutual interest with PNG.

National Working Group on Improving Business and Investment Climate (NWGIBIC). The Government established the NWGIBIC through an NEC Decision, to provide a high level dialogue process between the government and private sector to collaborate on, and share issues affecting the business and investment operations, particularly the cost of doing business. The CTO as the Chair of the TPAC will represent the NTO at the NWGIBIC meetings.

National Committee on Trade Facilitation (NCTF). The Government established the NCTF through an NEC Decision No. 02/2014 to facilitate domestic coordination and implementation of trade facilitation matters under various agreements including the WTO Trade Facilitation Agreement (TFA).

Collaboration with any other relevant committees established by the Government. The NTP coordination mechanism will provide the basis for collaboration and networking with, and between other relevant committees.

13.8 Review and Improvement of Trade Policy and Practice

The NTP and trade practice will be subject to ongoing review to improve policy and implementation (trade practice).

Ongoing Reviews: While each trade organisations will have its own review and monitoring arrangement at the micro level, the consultative and coordination mechanisms outlined above, including the FRCS and the TPCS, provide important avenues for ongoing monitoring and improvement and it will be the responsibility of the NTO to ensure that ongoing inputs are properly channelled and utilised to shape policy and practice at the appropriate levels of decision-making.

The ongoing reviews will be aided by two other major reviews aimed at assessing the NTP’s ongoing implementation. They will be aimed at tracking progress on the delivery of specific policy measures in each thematic area including the achievement of their required objectives and, the achievement of NTPs Primary Goals and the overall impact on trade and PNG’s economy under the NTP. They are the Mid-Term Review and an Impact Evaluation to be carried out at the point of the expiry of the policy.

Mid-Term Review (MTR): The MTR will be a major review exercise and will be carried out at five year intervals and will provide a thorough assessment of the implementation of policy measures and the achievement of their objectives under the thematic areas outlined in the NTP. The MTR will identify the constraints both in policy and practice and will identify the changes needed for improvement. On a broader level, the MTR will give a prospective assessment of the future of the NTP’s progress in terms of attaining its primary goals in the context of changing domestic and global trading environment, and outline what must be done.

Outcome-Based Evaluation: This exercise will be a summative evaluation entailing the assessment of the entire policy in terms of its impact on PNG’s trading regime and on the economy as a whole. The exercise will be carried out based on a specific terms of reference but it will be impact based. In determining impact, analysis will focus on the overall impact of the NTP on PNG’s trading regime and its economy. In judging impact, assessment will be made what has worked and more importantly what has not worked and why. Findings from this exercise will be used for framing the next round of the NTP.
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