

PAPUA NEW GUINEA

A new vision for sustainable development

New dawn in South Pacific

As political stability and a massive natural gas project power Papua New Guinea's economy to new heights, Japanese companies are taking advantage of the wealth of investment opportunities as the government's ambitious and dynamic Vision 2050 plan sets new standards for socioeconomic development in the South Pacific country.

An emerging force in the Asia-Pacific region and one of the world's fastest-growing economies, Papua New Guinea is fully embracing foreign direct investment (FDI) and taking advantage of the many lucrative opportunities that exist in the oil and gas, mining, agriculture and tourism sectors.

A proud, traditional and diverse nation that boasts more than 850 indigenous languages among its 6 million citizens, Papua New Guinea is improving its key infrastructure, such as transport and information and communications technology networks, and investing substantial amounts in the development of better education and health facilities as part of a huge socioeconomic development plan known as PNG Vision 2050. Launched in November 2009, the initiative aims to generate



Puka Temu
Deputy Prime Minister
and Minister of Lands,
Physical Planning
and Mining

wealth, create employment and make the nation more self-sufficient.

"PNG Vision 2050 is a beacon of fresh hope for our people and future generations," says Prime Minister Michael Somare. "The plan maps out the future direction our country should take, reflecting the hopes and aspirations of our people."

A stable democracy since the election of the present government in 2002, the country's economy has been largely unaffected by the global downturn. The business-friendly policies of Prime Minister Somare are transforming the country into a regional investment hub.

"Papua New Guinea is enjoying political stability, which is an important prerequisite for sustaining policy development and providing assurance to investors and our citizens," says Puka Temu, deputy prime minister.

Papua New Guinea has enjoyed impressive economic growth in recent years with

rates are low, while foreign reserves are at a record high.

The key driver of the export-oriented economy is the agricultural industry, which produces a wide range of products including cocoa, coconut, tea, sugar, rubber and palm kernels. Papua New Guinea is also blessed with many natural resources such as oil, gas, gold and other minerals.

"PNG Vision 2050 reflects the hopes and aspirations of our people and maps out the country's future direction."

Prime Minister Michael Somare

gross domestic product (GDP) up 6.2 percent in 2009 following a similar-sized jump in 2008. That positive trend is seen as continuing, with GDP forecast to grow 8.5 percent in 2010. Inflation levels and interest

A member of the Commonwealth of Nations, having gained independence from Australia in 1975, Papua New Guinea has been a key trade partner of Japan for many years, with Japan the second-

largest donor of aid. The Asian country enjoys a strong presence on the island through the work of the Japan International Cooperation Agency (JICA).

"We have enjoyed a cordial relationship with the Japanese government," states Temu. "JICA is doing an excellent job here and providing money for new infrastructure, better education and health facilities."

These solid bonds will be reinforced further through the construction of a massive \$15 billion integrated, upstream natural gas and liquefied natural gas (LNG) development involving Japanese company Nippon Oil Corp. and other industry giants.

The state-of-the-art project comprises a dozen well pads, production wells, gathering systems and processing plants, associated gas facilities and a gas pipeline between the central highlands region and a major LNG plant near the capital, Port Moresby.

It is expected to double Papua New Guinea's GDP as it will generate up to 6.6 million tons of gas per year when fully operational.

"We are joining the exclusive club of gas-producing nations and Japan will play a key role in this success."

Deputy PM Puka Temu

With the Papua New Guinea government holding a lucrative 19.4 percent stake in the project, ministers plan to establish a sovereign wealth fund to manage the estimated \$50 billion windfall from tax and dividends over the next 20 years. Japan is a key target market for LNG products, along with China, India, South Korea and Taiwan.

"This LNG project will transform our country," says Temu. "We will join the exclusive club of gas-producing nations. The first shipment of gas will leave before the target date of 2014. We are signing land agreements for the downstream gasoline industry and already have many Japanese companies present."

"Japan will play a critical role in terms of participating in the purchasing of our gas. It is a win-win situation and improves regional cooperation." Revenue from the LNG plant will play a key role in funding PNG Vision 2050.

One of the greatest challenges facing the government is land reform. Some 97 percent of the country's total land is "cus-

tomary" — traditional land of indigenous people that cannot be taken away. This "locked" land has hampered development and deterred investors for many years, but Temu, who is also minister of lands, physical planning and mining, has led reforms that mean companies are now assured legal rights over sites and facilities.

"Investors can now invest confidently in customary land as they will have tenure security," he says.

With the vision of utilizing land to improve the quality of life of all citizens, the Department of Lands and Physical Planning aims to promote the best use of terrain in Papua New Guinea by ensuring that an orderly process exists and land is made available for sustainable economic and social development.

Services are delivered through a range of responsible and coordinated land management strategies and activities.

For a real experience in PNG, please visit:
www.pngexplorers.com

Head for a horizon of opportunities

SANDAUN



DOWNSTREAM
PROCESSING



TIMBER



FISHERY



MINING

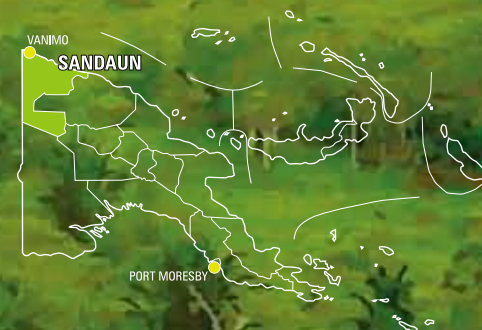


OIL AND GAS



ECO-TOURISM

Known as the last frontier of Papua New Guinea's timber industry, Sandaun Province is now at the forefront of its transformation into a major economic hub for the Asia-Pacific region. Ambitious new enterprise Sandaun Free Trade Development Ltd. (SFTD) is proud to be pioneering growth and development in the downstream processing of the strategically located area's wealth of natural resources. These include oil and gas, mining, fisheries and timber. There is an also an abundance of eco-tourism openings. SFTD's new Special Economic Zone offers intelligent investors a range of golden investment opportunities that will act as a profitable platform for growth.



SFTD
SANDAUN FREE TRADE
DEVELOPMENT LTD

Sandaun Free Trade Development Ltd. · Sec. 23 Lot 12 · Reke Street, Boroko · P.O. Box: 1886 · N.C.D. · Papua New Guinea · Tel: +675 325 0600 · Fax: +675 325 8295

Green light to growth

Substantial investment in infrastructure and technology means investors are playing a key role in the shaping of Papua New Guinea's future via enterprise, commerce and industry.

The commerce and industry sector in Papua New Guinea has struggled to develop itself in recent years, meaning major investment opportunities exist throughout the sector.

The government is focusing on the creation of a value-added industry and the development of infrastructure through public-private partnerships (PPP).

“For any country to develop, the most important thing is infrastructure, such as proper roads, bridges, communications networks, education facilities and health services,” says Gabriel Kapris, minister of commerce and industry. “We have achieved a lot in the last five years and this political stability means our economy is growing rapidly.”

In partnership with Commerce and Industry Secretary Anton Kulit, Minister Kapris is concentrating on value-added products instead of the export of raw materials.

“By focusing on downstream processing we are creating jobs for Papua New Guineans and developing the capacity for them to access better technology, which



Gabriel Kapris
Minister of
Commerce and
Industry

is very important,” he explains. “We are encouraging a policy of PPPs and our main objective is to develop agriculture such as palm oil, coffee, cocoa and even rice, and make logging our secondary sector rather than the primary industry.”

A key ingredient of its future economic development is the new Pacific Marine Industrial Zone (PMIZ), which means fish caught in local waters qualify for special status under the European Union’s (EU) “rules of origin” program. Fish will be exported to the EU as a Papua New Guinean product and be exempt from duties.

“The PMIZ is very important as our waters are rich in fish such as tuna,” says Kapris. “We will now be in a better position to take advantage of the rules of origin legislation and would like to encourage investors from other countries — particularly



Anton Kulit
Secretary of
Commerce and
Industry

Japan — to consider investment here. Japan has been our second-strongest trading partner for many years and they are a very important partner in our development and the introduction of new technology. We are trying to make Papua New Guinea as competitive as other countries and are ready to work closely with investors.”

One shining example of Papua New Guinea’s desire and determination to attract major overseas investors is the development of its first free trade zone. Called Sandaun Free Trade Zone (SFTZ), the venture offers foreign partners a series of benefits and incentives.

Based in the northern province from which it takes its name, SFTZ will allow firms to take tax holidays, promote their products with the help of government resources, and reduce red tape for permits and visas.

Centered in the provincial capital Vanimo, the zone is being created by Sandaun Free Trade Development Ltd. The massive project includes new industrial parks, power plants, sewerage and water systems, information and communications technology networks, housing, seaports, schools, health clinics and entertainment facilities. New hotels and resorts are also planned in conjunction with the Border Development Authority.

The brainchild of Forestry Minister Belden Namah, SFTZ is an innovative step forward in the country’s development as a regional economic hub and offers investors a valuable strategic location in the heart of the Asia-Pacific region.

“We are looking for investors to come and sign a joint venture agreement with the new national company, Sandaun Free Trade Zone Development Ltd.,” Namah says. “Once they sign they will be eligible for mining and fishing licenses in Sandaun Province, and will also be eligible for a forestry concession that is currently being surveyed from 155,000 hectares.”

Flying high on natural charms

Tourism is playing an increasingly important role in Papua New Guinea’s economic and social development, with the country’s lush tropical rainforests, sandy beaches, mountains and exotic wildlife drawing visitors from Japan and beyond.

Its stunning natural beauty and physical charms offer a diverse range of memorable experiences and locations, with excursions and adventures available across the main island, as well as its smaller islands.

Up to 100,000 tourists visit each year, of which the vast majority arrive at Jacksons International Airport in Port Moresby before taking part in eco-tourism trips or diving, surfing, white-water rafting and hiking. Accommodation is provided by hotels, guesthouses, lodges and village resorts.

Due to the tough terrain, visitors travel by air on a network provided by leading operators Air Niugini Ltd. and Airlines PNG. The airline industry has been given a huge boost with the recent announcement by the Asian Development Bank to provide \$480 million for infra-

structure, security, and safety improvements and upgrades at Papua New Guinea’s 21 airports through an ambitious project that will see the government inject \$85 million and the private sector a further \$75 million. Aviation officials say the major works, which are due to for completion in 2018, will open up new economic opportunities as the country strives to achieve international standards at all of its airports.

waters of Bootless Bay, Airways Hotel is a unique Papua New Guinea hotel. Located close to Jacksons International Airport, its wide range of luxury suites and executive rooms are complemented by first-class facilities such as wireless Internet, a health and racquet club (pictured on opposite page) plus gourmet restaurants. The hotel is increasing its capacity and building luxurious apartments as it prepares for an influx of

PNG Explorers International. Offering tourists a “one-stop shop” of products and services, the travel agency’s range of packages includes accommodations, tours, flights and transfers, diving and fishing excursions and other activities.

Meanwhile, the government is placing an increased emphasis on education and the development of human resources as it looks to attract investors and boost living standards. The large LNG project includes the upgrading of a technical college for 800 students, providing training for mechanics, electricians, plumbers and carpenters.

Helping the nation achieve this aim is the University of Papua New Guinea. Established in 1965, the university has graduated more than 15,000 students. It offers programs in medicine, health, law, science, humanities and social sciences. “Our quest for excellence and merit sees no limit,” says Vice Chancellor Ross Hynes. “We are dedicated to the pursuit, advancement and dissemination of knowledge, understanding and wisdom.”

“The \$640 million airports upgrade project will focus on runways and help to improve safety standards.”

Joseph Kintau, CEO of Civil Aviation Authority

“The improvements will primarily concentrate on the runway, extension runway pavements, runway extensions and the safety aspect of airport operations,” states Papua New Guinea Civil Aviation Authority CEO Joseph Kintau.

Nestled in the side of a majestic mountain and boasting spectacular views of its own botanical gardens and the crystal clear

foreign business executives .

“We are unique because we are a transit hotel as well as a resort hotel with wonderful facilities,” says Airways Hotel General Manager Kevin Yaxley. “We are the benchmark by which service is measured.”

Helping people make the most of all Papua New Guinea has to offer is leading Japan-based tour company specialist

Caring and Sharing in Economic Prosperity for All

As part of its mission to maximize income-earning potentials, create jobs and achieve sustainable growth for everyone in Papua New Guinea, the Department of Commerce and Industry is breathing new life into cooperative societies.

The proactive and hugely democratic concept, which sees small groups of people, usually rural dwellers, pooling resources such as cash crops, retail and credit facilities to grow economically, was first introduced into PNG by the colonial administration in 1947. For around 30 years, co-ops were vibrant business entities, but when the country became independent in the mid-1970s, the movement all but dried up. In 2000, however, the government established a Cooperative Societies Unit in an attempt

to resurrect the movement. Since then, it has registered six Cooperative Associations and almost 500 Societies.

Minister of Commerce and Industry Gabriel Kapris lists some of the benefits members of a co-op enjoy: “From being your own boss, having access to resources, obtaining maximum prices for products and the possibility of obtaining an import or export license, cooperatives give everyone the chance to participate in economic activities and develop both themselves and their environments. We have an overwhelming number of applications and the numbers received increases each week.”

The social benefits are as important as the economic ones. Co-ops are based on the values of self-help, equality and solidarity, and members display honesty, openness, responsibility and care for each other.

Cooperative Societies Unit

Dept. Commerce and Industry: Moale Haus. Sir John Guise Drive Waigani, NCD, P.O. Box 375, Papua New Guinea
Tel: +675 325 9225 Fax: +675 325 6108



The transport infrastructure sector: moving toward better transport services for PNG

As Papua New Guinea continues along the path of social and economic development, so the Department of Transport remains at the forefront of change as it steers a steady course through major new investment in air, sea and highway networks.



Don Polye
Minister for Works,
Transport and Civil Aviation

With 80 percent of the country’s population living in coastal regions or mountainous areas, the importance of providing citizens based in such rugged and difficult terrain with a decent and affordable transport network cannot be underestimated.

By modernizing and expanding the transport networks, the government is improving the quality of life for people and sending out a powerful signal to potential foreign investors from Japan and beyond that now is the ideal time to invest in the country.

Papua New Guinea’s road network covers an estimated 30,000 km and its long-established aviation sector is one of the region’s best devel-

and I would like to see Japan involved in more local mega-projects,” he states. “Our policy emphasizes good governance, export-driven economic growth and the fostering of rural development, poverty alleviation and human resources development, for which transport infrastructure improvement and development is a cornerstone to keep the wheels of the economy turning.

“The corporate plan is a challenging one and articulates the core functions that will assist us in achieving efficient and effective management, implementation, monitoring and coordination and control of the department’s responsibilities. The successful implementation of this plan



Henry Parakei
Secretary of the Department
of Transport

Transport, and Civil Aviation, is the construction of a road network in the smaller islands. The \$800 million project is being funded by the Asian Development Bank. In addition, Minister Polye is hopeful further funding for the ambitious Trans-Island Highway project will be secured in the near future, most likely in conjunction with the private sector. The 600-km-long highway would link the capital, Port Moresby, with the nation’s second city, Lae, and the highland province, where there are large-scale mining and agricultural operations that have received heavy investment from foreign companies, including enterprises from Japan. The project would

could not be more timely as it comes at a time when we are thinking very seriously about the future of our network of roads, airports, wharves, navigational aids and other related infrastructure facilities.”

Civil Aviation Changes

Improvements to the aviation infrastructure combined with a series of regulatory reforms have led to a surge in demand for services from locals, tourists and foreign businesspeople. Lower ticket prices, larger planes, increased competition and a wider range of destinations are cited by the Department of Transport as the key reasons for such successful growth. Furthermore, a multibillion-dollar LNG project, led by two of the world’s largest oil companies, is slated to boost passenger numbers by more than 7,000 a year, with the growth of mineral exploration also adding fresh impetus to the rapidly growing economy.

“Over the past five years, we have reformed the civil aviation sector considerably by restructuring the administration,” explains Polye. “We now have an open-skies policy and invite competition from overseas carriers and operators. We would also like to establish direct connections to Japan, China and Europe, as well as opening up the Pacific region by building on our success with flights to Australia.”

While Papua New Guinea has hundreds of small airports, Jacksons International Airport in Port Moresby remains the key gateway to the Asia-Pacific region and beyond. Passengers can access all of the world’s major cities from the premier port of entry, with direct flights to Australia, the Solomon Islands, Singapore, the Philippines and Hong Kong.

The Department of Transport has ambitious expansion plans for the main airport and projects are also in the pipeline for regional airports in Lae, Madang, Tokua and Kargan. The ability to handle larger aircraft would pave the way for a flood of opportunities for investment in tourism-related industries, including hotels, local transportation, food and beverages

“After more than 30 years of independence, Papua New Guinea is at a major turning point in its development and a cornerstone for improved social and economic development in transport infrastructure.”

Henry Parakei, secretary of the Department of Transport



Papua New Guinea highways will get a major face-lift.

and telecommunications. The Civil Aviation Authority (CAA) also plans to transform the regional airport at Gurney in Milne Bay Province into the next international airport.

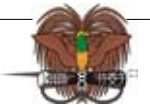
Flag carrier Air Niugini Ltd. is the country’s leading airline and is majority-owned by the government. Its modern fleet comprises Fokker F-100, F-28 jets and Dash 8 aircraft that suit the requirements of flying within the unique Papua New Guinean terrain, and a Boeing 767 jet for international routes. It has a number of codeshare deals with other international airlines, including Australia’s Qantas. These coveted agreements further reinforce Papua New Guinea’s emergence as an important destination in the region.

Provincial niche charter players such as Tropicair and Heli Niugini are also gaining a stronger foothold in the fast-growing market for domestic and international air services. As the Department of Transport and CAA continue to work closely to improve airport infrastructure around the country, the airlines are meeting the increased demand through improved route mapping, scheduling and load factoring. A recent major restructuring and streamlining of

CAA divided the entity into two divisions: regulatory and nonregulatory. The latter has three units with a largely commercial mandate: PNG Air Services looks after operational matters such as air traffic control; PNG Airports Ltd. is responsible for airport infrastructure development; and PNG Airport City Developments handles all projects related to the development of airport precincts. Opportunities exist for luxury hotels, business and industrial parks and office blocks within the airport boundary, through either joint ventures or private sector projects.

However, it is not only in the sky that major transport investment is due to take place, with maritime trade extremely important to the country’s economic and social prospects. Cargo ships carry large quantities of key export commodities such as coffee, cocoa, spices and oil to destinations throughout the region and beyond.

“We are looking to build a massive port that will act as a regional hub,” says Minister Polye. “It would facilitate maritime trade with countries like Singapore, Malaysia and the Philippines. Further development and expansion of our port is crucial, as I believe it will soon become the most important port of its kind in the region.”



Forestry fuels the future

Sustainable forest management lies at the heart of Papua New Guinea's forestry sector as officials seek to secure the country's magnificent rain forests for future generations while promoting downstream processing that will create employment for thousands of people.

Blessed with tens of millions of hectares of forests and with a firm commitment to the environment through sustainable forest management, Papua New Guinea is creating thousands of jobs in its lucrative forestry sector.

And with the battle against climate change playing an increasingly important role in the shaping of governmental policy around the world, Papua New Guinea is leading the way in the development of environmentally friendly forestry projects.

Home to some of the world's largest and most spectacular woodlands, the country's 35 million hectares of forests comprise trees of high-quality tropical hardwood. As one of the few sectors able to operate in the remote areas of the country, the forestry industry provides valuable jobs and income for countless villagers in rural communities.

Concerns over logging practices and deforestation were among the first issues dealt with by Forestry Minister Belden Namah following his appointment to the highly prestigious post two years ago. His ministry keeps a watchful eye on the industry and oversees the duties and activities of the Papua New Guinea Forest Authority (PNGFA) — led by Managing Director Kanawi Pouru. The authority monitors and controls the wood and forest-based industries and manages forest re-



sources. Founded in 1993 when it replaced the Department of Forestry, the PNGFA aims to "promote the management and wise utilization of the forest resources of Papua New Guinea as a renewable asset for the well-being of present and future generations." At the center of its progressive policy is the management of forest resources on a sustainable basis to achieve stronger economic growth,

"I encourage Japanese investors to take advantage of our forestry concessions and premium wood production."

Belden Namah, forestry minister

create employment and improve viable onshore processing.

Under the careful guidance of Minister Namah and his colleagues, the forestry sector is now more heavily focused on sustainable forest management and downstream processing projects than ever before.

"My priorities are sustainable forest management, a return on resources for landowners, and the fight against climate change," he says. "We have aligned ourselves with the office of climate change to ensure we meet the global requirements

for this timber include Japan, China, Hong Kong and South Korea, which among them comprise 80 percent of the market.

Namah highlights the fact that many tables and chairs made from locally sourced logs are actually finished overseas and then sent back to Papua New Guinea as evidence that the sector needs to develop and evolve if it is to be more successful.

"By concentrating on downstream processing, we will have more control over our logs, more sustainable forest management

and younger trees will have more time to regenerate," he explains.

Not surprisingly, Japanese companies are among the many overseas enterprises that are exploring the unlimited investment opportunities among the country's wilderness.

"We have one Japanese company operating in the eastern region and they are doing very well as they are experts in reforestation," says Namah. "Since they are doing so well, I encourage other Japanese investors to come and take advantage of our forestry concessions and premium wood production. I do not want a monopoly, I want the market to be open so other industry players have the chance to enter."

Deputy Prime Minister Puka Temu agrees that Japan can play a vital role in the ongoing development of the forestry business due to its valuable experience and knowledge of the fast-growing industry.

"Japan has been helping us in the forestry sector and is influencing our forestry policy," he explains. "They are helping us add value to our forestry products but we also want Japan to participate in quality control and development. They can help us produce agricultural products as they have the technical expertise and knowledge."

Meanwhile, plans to develop a more commercial, efficient and productive agriculture industry



The Health and Racquet Club, Airways Hotel.

www.airways.com.pg

that will boost export levels are gathering pace as the country looks to take advantage of its fertile soil and excellent climate. The highlands area boasts some of the world's oldest agriculture systems, but access is limited due to inhospitable terrain.

The government is investing huge sums in the sector, including substantial spending on key transport infrastructure like roads, wharves, and airstrips.

"We have a 10-year agriculture plan to develop this sector, but it is vital we develop transport networks," says Temu. "We want to move into more commercial agriculture because our land is excellent for certain commodities — for example, we have some of the best organically grown

"Our land is great for certain commodities — we've some of the best organically grown coffee in the world."

Deputy PM Puka Temu

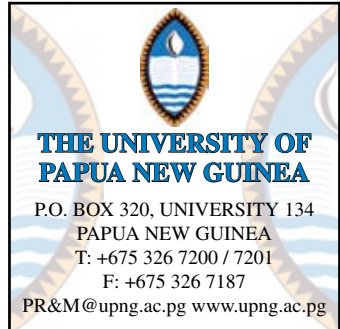
coffee in the world. Our national agricultural plan is empowering our people further as they already possess first-class agricultural skills and knowledge."

Rich in minerals and metals, the country's mining sector offers major FDI openings. A gold exporter since the 1930s, the country operates several world-class open-pit mines and smaller-scale operations.

"We have very favorable mining conditions and leading gold mining companies are visiting us," adds Temu. "Political stability and government assurances are attracting these top companies and we have a lot of

exploration going on."

Meanwhile, the Border Development Authority is inviting tenders for vital infrastructure works along the border with Indonesia. The construction program includes roads, bridges, power plants and schools.



This report was produced by Panorama Reports and can also be read online at www.japantimes.co.jp/international-reports

PRESERVING
OUR ASSETS
FOR GENERATIONS
TO COME

With sustainability and wise forest management as top priorities, the government of Papua New Guinea is promoting opportunities in downstream processing through joint ventures, a wide-scale initiative that will create jobs and a fair deal for the landowners and population at large, allow greater control of resources and give younger trees more time to grow...Join us in our bid to protect the environment and create a better quality of life.



Papua New Guinea Forest Authority
P.O. Box 5055, Boroko, NCD, Papua New Guinea
Tel: +675 327 7841 Fax: +675 325 4433