

PAPUA NEW GUINEA

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2014 — The Year of Implementation

The international spotlight is shining brightly on Papua New Guinea after the resource-rich country was chosen to host the high-profile APEC 2018 and the 2015 Pacific Games.

The world's most linguistically diverse country with more than 800 languages spoken across its 600 islands, Papua New Guinea — PNG for short — is blessed with a wealth of natural resources that have long been a magnet for foreign direct investment (FDI), particularly in the lucrative mining, forestry and fisheries sectors.

As the largest and most powerful nation in the Pacific Islands region, the ambitious country of 7 million people enjoys strong political and trade relations with Japan and many other developed nations, including former colonial leaders Great Britain and Australia.

Financial and political leaders from both these countries and other world superpowers will be among the high-profile faces visiting the capital, Port Moresby, in five years' time for the Asia-Pacific Economic Cooperation (APEC) 2018 forum.

The announcement delighted PNG Prime Minister Peter O'Neill who described the decision as a real vote of confidence in his country.

"The APEC nations account for close to half the world's trade and commerce. By hosting the 2018 leaders' summit, we will



James Marape
Minister for Finance

exports that will be placed in a special sovereign wealth fund to boost investment in public infrastructure and increase spending on vital public services such as health and welfare.

In his upbeat speech to the country during last year's Independence Day celebrations on September 16, Prime Minister O'Neill said his government has established a solid platform for future economic growth and socioeconomic development.

"Although we have traveled far as a nation in 38 years, we have not traveled far enough," he said. "Massive challenges lie ahead of us — we have a population that is growing rapidly, we have

allow for increased government investment whilst the current construction phase of PNG LNG slows and the new LNG project begins," Minister Marape added. "We have deliberately entered into a budget deficit over 2013-2014 to focus on the government priorities of building schools, medical facilities and major infrastructure. This will maintain consistency in our construction industry and bridge the gap until the next phase of development in LNG begins."

"As PNG's economy grows the size of our budget will grow along with it. As a government it is our responsibility to develop the systems to handle the size of our increasing budget. The major weakness in our system of governance so far has been the ability with which people can encroach on the system and shift development priorities elsewhere.

"We must ensure that the systems are put in place so that we get what we budgeted for as a government.

"For the last decade we have run almost 70 billion kina (2.8 trillion yen) worth of budget and apart from a few key infrastructures we are yet to establish a permanent legacy throughout

to ensure that those funds that are supposed to get directly to the sectors of PNG's economy are not being misappropriated along the way. Our government has recently amended the law on corruption and much harsher jail sentences, of up to 50 years, face those responsible," he said.

"We are facing the prospect of economic prosperity but must ensure the systems are in place so this nation gets the roads, bridges, schools and health centers that it deserves. We are hosting APEC in 2018 and the Pacific Games in 2015 so the capital will be transformed but Port Moresby is not PNG.

"We are the second most rural based country in the world, and with the way we are now dispersing funds we are going to achieve greater development in the areas that matter. A decade from now we will have communities with roads highways, schools and colleges, and it will be a more happy, healthy and wealthy place for everyone."

Turning his attention to PNG's long and successful bilateral relations with Japan, Minister Marape says only Australia invests more in PNG than Japan and so the mutually beneficial relationship is held in high regard.

"I am a strong advocate of people-to-people relationships between Papua New Guineans and Japanese as I have my own deep personal relationships with Japanese people. Papua New Guinea is a land rich in natural resources of every kind, so there is a lot of opportunity with regards to business, we are so fortunate to sit at the crossroads of the Asian economies and the Western economies, and PNG aims to capitalize on its relationships with both areas.

"We are living in the Asian century and PNG is well placed to supply all the resource needs of these countries but most importantly we appreciate the ethics of Japanese business, they take their time, are honest, hardworking and true to their word. The more we can learn from the Japanese people's resilience, work ethic and morals, the better."



A land so rich in pristine, natural beauty, it will take your breath away.

Buried treasures fund growth

PNG's mining industry is forecast to grow by 60 percent in 2014 and power the country's GDP growth over the coming decades.

In October 2013 in Washington D.C., PNG's Minister of Treasury, Don Pomb Polye, delivered a speech to a high-profile audience at the 2013 Annual Meetings of the World Bank Group and International Monetary Fund (IMF) where he explained how the government is committed to ensuring such growth results in a better quality of life for its citizens.

"The PNG economy continues to grow strongly and confidence remains high with the major investments most notably in the petroleum sector with the PNG LNG project progressing uninterrupted, and on schedule for completion and delivery of the first cargo," he said.

"The strong growth is being further reflected in increased business confidence, higher employment growth, stronger investment and higher business profits. We need to ensure that

the significant revenue streams from the LNG petroleum sector over the next decade are prudently managed and reinvested in other growth sectors to generate more long-term, broad-based and therefore sustainable growth."

Minister Polye underlined the point that PNG's annual economic growth had increased each year since the turn of the millennium and that this positive upward trajectory shows no sign of fading anytime soon.

"The government is committed to continuing this trend and will return its debt-to-GDP ratio from 35 percent to below 30 percent from 2015, creating a fiscal buffer for future global, regional and domestic economic shocks," he said.

"Ensuring this growth translates into tangible economic benefits for our people remains a great challenge ... the government has reviewed its

existing service delivery mechanisms to improve service delivery at the provincial and district levels. There will be increased investment in the non-mining sectors to diversify the economy with a commitment to increase the share of the total budget allocated to the key enablers of the Medium-Term Development Plan (health, education, law and order, agriculture — particularly at SME level — and transport infrastructure) to two-thirds by 2017. A number of key structural reforms such as the telecommunications, energy, financial and public-sector reforms will continue to be undertaken to strengthen and support on-going economic growth and development outcomes.

"PNG's mineral sector is leading growth ... as production bottlenecks clear at a number of gold and copper mines, and the production at the new Ramu

nickel and cobalt mine ramps up," Polye added. "Continued declines in petroleum production, as reserves in major oil fields become depleted, will offset some of this growth in 2013, but the onset of LNG exports will greatly boost mineral output late in 2014, with overall growth in the sector expected to surpass 60 percent for the coming years.

"With the winding down of PNG LNG construction and lowering of FDI in the mineral sector, fiscal stimulus is being applied to boost activity in the non-mining sectors, notably the construction sector, with spending on projects expected to pick up in the second half of 2013.

"From small businesses to large enterprises; all are expected to benefit from the positive impacts of the government's fiscal stimulus and provide for alternative employment streams required due to decline in the PNG LNG construction phase. Future spending growth must be contained to maintain macroeconomic stability."

"We appreciate the ethics of Japanese business, they take their time, are honest, hardworking and true to their word."

James Marape, Minister for Finance

have the unique and historic opportunity to showcase our rich culture, our robust democracy, and the tremendous trade and investment opportunities we offer," he says.

Home to the largest and most exciting liquefied natural gas (LNG) project in the region, PNG LNG, the island nation is on course to see the first delivery of LNG from the \$19 billion state-of-the-art energy facility during the second half of 2014.

With more than 7,500 locals employed on the onshore and offshore project out of a total workforce of 19,000, the huge plant is set to earn the PNG government vast sums from global

roads, air- and seaports, schools, hospitals, and barracks we must rebuild or expand. But I believe that we have laid the foundations for change in the policies that we are implementing."

LNG to drive development

This positive outlook is echoed by James Marape, Minister for Finance, who said the government being able to secure 100 percent bank finance for the PNG LNG project in the midst of the global financial crisis is a testament to the progress it has made in terms of the nation's investment security.

"We are currently remodeling our debt framework to

the different sectors of our economy. Yet in that last 10 years we have moved from a GDP growth below 2.5 percent to consistently posting GDP growth figures at 8 percent to 10 percent per annum."

Minister Marape explained that this year there has been a big shift in the way his department operates as previously the finance department was responsible for direct allocation of all funds throughout the country. However, now the central government is responsible for administering the funds to agencies, local governments and development programs.

"The challenge we now face is

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Ensuring premium-grade cocoa

Renowned for its excellent quality and taste, Papua New Guinean cocoa is enjoyed by more consumers in key international markets thanks to the country's Cocoa Board. The dynamic organization is now growing its network to encourage more regional agricultural production and achieve a high-quality cocoa output every year.



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Green light for better transport networks

Roads, ports and airports are set to be transformed over the next few years as the government seeks to allocate billions of dollars to major infrastructure works with the help of foreign investors and companies.

One of the key challenges facing the PNG government as it looks to accelerate socioeconomic growth is the country's tough, mountainous terrain and tropical climate that combine to make the construction of new roads difficult, and means individuals and businesses often utilize air or water transport-based services instead.

Given its composition of hundreds of islands, PNG uses boats and barges to transport freight and passengers, with its main seaports, including Alotau, Port Moresby, Madang, Wewak, Rabaul, Kieta and Momote. PNG has 22 airports and the main international gateway to the country is the two-terminal Port Moresby International Airport (Jacksons), although smaller airports at Lae and Mount Hagen also handle international flights. Other major airports include Buka, Goroka, Hoskins, Kiunga, Momote and Tari.

According to official government data, PNG has one of the world's lowest road densities in the world despite the highway network being "the lifeline of most rural communities providing people with access to markets and services." With transport widely seen as the catalyst for economic development in PNG, ministers have pledged to improve the condition of the nation's road infrastructure so that by 2017 at least three-quarters of its highway network is in good condition.

Earlier this year, the government unveiled its comprehensive



Ano Pala
Minister for Transport

and wide-ranging National Transport Strategy, which has been developed and aligned with the republic's long-term development blueprint — Development Strategic Plan 2010-2030.

Officials in Port Moresby — which is not connected by road to

"We have more resources than ever to construct good new transport infrastructure and to reconstruct most of them based on our current needs."

any major cities or towns — are now tendering vital road-building and highway infrastructure projects to foreign companies, including Japanese firms.

Transport Minister Ano Pala says the National Transport Strategy covers all PNG's transport policies, including international obligations to aviation and maritime transport, safety and security issues, and also clarifies investment strategies.

"This is a master document that takes into account all of the policies and various views from our development partners," Minister Pala, whose ministry is part of the Department of Works, explains. "We know that the funding through our national budget will be insufficient for our own needs so we are looking at public-private partnerships (PPP), where investors will come in to develop the infrastructure for us and then transfer it."

"Our National Transport Strategy document addresses the three modes of transport; for ports we will develop the three main ports, Port Moresby, Lae and Kimbe. We are also strengthening our 22 airports and working to reopen our closed rural airstrips, at present there are only approximately 100 out of a possible 400 in use.

(ADB) and others like the Japan International Cooperation Agency (JICA) to develop this area with us.

"Since my time at the Department of Works, the funding available has increased dramatically, there is money available for our essential infrastructure and there are good economic prospects for PNG. We have more resources than ever to construct good new transport infrastructure and to reconstruct most of them based on our current needs.

"Some missing links are identified under what we call economic corridors, there are already trade and agricultural activities taking place in those areas. Other links are identified for improved connectivity. With this clear strategy the government will ensure strong economic growth throughout the whole of PNG.

"In our first five-year plan we are looking at 7 billion kina's worth of transport development projects that our implementing

Ano Pala, Minister for Transport

agencies have identified as priority projects. This is an immediate opportunity for our development partners. There are good financial resources now available for the sector and so there is a very good potential for us to improve our infrastructure."

Roads rehabilitation

Minister Pala said among his goals for 2013-2016 are the recapitalization, reinvestment

and reconstruction of 1,000 kilometers of roads that are presently in poor condition and the preservation of 4,000 kilometers of roads that are currently designated in good condition.

"We have a population of over 7 million people scattered throughout PNG and the country is not properly connected yet," he continued. "Some areas can be connected by sea, some by road and some only by air. For all provincial areas it is fair to say that none are yet connected by all three modes of transport.

"This is the major challenge we have: The major centers are connected but the majority of the country is not and where they are the roads have not been properly maintained. For example, the Highlands Highway, the backbone of our economy, when there is a problem with this road economic activity comes to a standstill and it pushes up the cost of doing business.

"We have committed to work on the Highlands Highway from Lae and have a financial arrangement in place. We are also working on connecting the Central Province and Milne Bay Province and have made a commitment to link the Highlands through the Gulf Province with a port service. We have made a commitment to build a new port to the Kikori area, which will cut travel time down to three hours.

"We are upgrading Lae Port and relocating Port Moresby Port, this will cost about 700 million kina. Lae Airport and Port Moresby Airport will be upgraded for increased international flights and we have made funding available to upgrade 22 rural airstrips, to encourage economic growth in the rural areas. This will also facilitate



Billions of kina are being plowed into new roads over the next five years.

government services like health care and education."

Connectivity is key to growth

One well-known organization that is helping fund key infrastructure works in the transport sector and other areas is the ADB, whose president, Japan's Takehiko Nakao, gave a keynote address on June 25 this year to the Port Moresby Chamber of Commerce.

He highlighted the importance of an efficient transport network for national socioeconomic development: "The government must use revenues effectively to restore and upgrade the national infrastructure network," he said. "It must ensure that different parts of the PNG economy are well connected and that the benefits of economic growth are shared equitably.

"Connectivity facilitates the availability of technology, know-how and other services. It helps to make goods cheaper and more widely available. It also weakens the grip of local monopolies, and promotes competition. For this reason, ADB will continue to support the government's renewed effort to improve the overall quality of its transport infrastructure.

"By the end of 2013, we expect to have an active lending portfolio reaching \$1 billion, and 70 percent of this will be directed to enhancing road, civil aviation, shipping and port infrastructure networks."

"ADB's flagship Highlands Region Road Improvement Investment Program is one important example. The program is investing up to \$750 million in rehabilitating 1,400

kilometers of the Highlands Region Core Road Network by 2015. Improving PNG's national transport networks will also enable the country to leverage cooperation and integration in the Asia-Pacific region."

With a mission to facilitate and promote investment in a range of sectors, the Investment Promotion Authority (IPA) supports foreign investors of all sizes and origins who wish to invest in local industry, enterprises or projects.

The IPA is responsible for providing information on investment opportunities in PNG and on fresh openings to foreign markets, creating awareness on investment queries and facilitating business introductions through its large database of foreign and domestic investors and networking partners.

Promoting and facilitating investment in Papua New Guinea

Established in 1992 to promote and facilitate investment in Papua New Guinea, the Investment Promotion Authority (IPA) presents a wealth of opportunities to the international business community.

Although Papua New Guinea's economy is defined by booming mining, petroleum and gas industries, there are openings in many other fields. Other natural resources in abundance include fish, forests, cocoa, coffee, copra, oil palm, pineapples and further agricultural commodities.

In order to reach our full potential, we need investors that can help us unlock these industries and add value in the form of processing and manufacturing.

The country is serious about development and offers a business-friendly environment with high returns. The IPA will therefore provide a full and professional service to guide investors through the necessary channels. It provides various programs including the establishment and maintenance of a company/business registry, certification of foreign enterprise and promotion of investment opportunities in PNG. And, as a one-stop shop, the IPA is also home to the Companies Office, the Securities Commission and the Intellectual Property Office of Papua New Guinea.



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Tropical paradise is a tourist magnet

Foreign travelers are flocking to PNG in record numbers to sample its spectacular scenery, lush rain forests, diverse flora and fauna, rich cultural heritage and mouthwatering cuisine.

Where to begin? That is the intriguing question facing tourists looking for the vacation of a lifetime in a county that has something for everyone, whether they want to relax on golden beaches, explore virgin rain forest, trek magnificent mountains or swim, surf or kayak in crystal-clear waters.

Often described as a colorful patchwork-landscape, rich with culture and character, PNG's unique attractions are not just restricted to its natural assets, with its indigenous inhabitants showcasing the country's many languages, cultures, styles and cuisine to new arrivals.

Part of a great arc of mountains stretching from Asia, through Indonesia and into the South Pacific, PNG consists of four regions made up of 19 provinces and the National Capital District, each with their own distinctive character and cultures. Untouched by time, many tribes live in remote villages scattered throughout this tropical paradise, with the country home to the largest area of intact rain forest outside of the Amazon.

Meanwhile, the country's historical connections with Japan can be seen in wonderful old relics that document Japan's involvement with the island during World War II. These include the largest Japanese war memorial in the Pacific, which stands proudly on Rabaul, a beautiful volcanic peninsula. The center of the memorial features an altar with a hole that allows a single ray of sunlight onto the dials and the back wall a large map of the Pacific.

Growth in the tourism industry has been steady rather than spectacular, as illustrated by figures from the World Travel and Tourism Council (WTTC), which reveal the direct contribution of travel and tourism to PNG's GDP was 437.5 million kina, or 1.3 percent, in 2012. The WTTC predicts that figure will climb to 454.5 million kina in 2013 and by an average of 4.8 percent a year to 727.6 million kina by 2023.

Ministers have identified tourism as a priority sector for development with the help of

"I urge the international community to look at Air Niugini as the mark of professionalism in PNG."

Simon Foo, CEO, Air Niugini

local and foreign investors. Ministers are seeking businesses or entrepreneurs willing to build tangible infrastructure such as hotels, hostels, restaurants and golf courses, as well as run a range of tourism-related services such as overland and marine tours.

According to the government's tourism master plan, the industry should become sustainable by 2017 and be recognized globally as a destination that offers a range of unique niche adventure tourism experiences. The sector should also generate significant investment and employment through profitable business opportunities, provide visitors with enjoyable, distinct and memorable experiences, and

celebrate, protect and enhance PNG's unique cultural heritage and natural environment by showcasing these attributes. The wide-ranging strategy should also provide a broad distribution of benefits across PNG that improve the lifestyles of rural and urban communities.

"The country is open for both Japanese businessmen and the public for tourism," says Ano Pala, Minister for Transport. "This is the time for entrepreneurs to move in, the country has many virgin areas and it is opening up fast. I think our com-

mitment to open up flights to Tokyo and connections through Australia and Singapore mean our country is open for Japanese investment."

Spearheading the global drive to make more people aware of PNG's stunning portfolio of natural, cultural and historical attractions is the Tourism Promotion Authority, which says 160,000 tourists visited in 2011, up nearly 10 percent year-on-year, but only around 5 percent were from Japan.

Flag carrier flying high
Established 40 years ago, Air Niugini is the national airline of PNG and operates a fast-growing domestic flight network from Port Moresby and Lae, in addi-

tion to international services in Asia, Oceania and Australia.

From its base at Jacksons International Airport in the capital, the successful airline proudly flies the flag for PNG in all the countries it serves and is responsible for bringing the vast majority of the tens of thousands of business executives, investors and tourists who travel to PNG each year.

The airline operates regular flights to Tokyo, and is looking to increase its schedule to Japan. Air Niugini also operates services to Hong Kong, Singapore, Kuala Lumpur and Manila, as well as the Australian cities of Cairns, Brisbane and Sydney.

Last year, the airline refurbished all its cabin interiors on international flights to PNG, with its Boeing 767 fleet now featuring new seats, upgraded inflight entertainment and attractive new decor in light grey with red highlights.

The 160 reclining seats in economy class offer seat-back personal TV screens, with a selection of "on demand" movies, TV shows, audio programming and games, while the luxurious new business class cabin offers 28 cocoon-style seats that convert into comfortable fully-flat beds.

Air Niugini CEO, Simon Foo, says: "In the last year we have expanded rapidly due to the demand imposed on the country by the LNG developments that caused some service delivery issues. The next two years will most likely be a period of consolidation for us to get our processes working and bed down the new capacity.



Visitors to PNG will see rare and beautiful paradise birds among the breathtaking natural sights.

"Our initial strategy is to develop our tourism resources for the future so we don't have to rely as much on energy and mining. Currently, international travelers must pass through Port Moresby, which is not practical for people traveling to the various regions. All regions have expressed a desire to have direct international flights but we have to weigh that desire against the demand. Every center in PNG wants and deserves direct flights but it has to be managed in a responsible way."

Foo, who is very proud of the fact that the airline has only recorded one operating loss in the past decade while providing an essential service to the nation, adds: "There is a lot of interest from Japanese investors looking into PNG, particularly in the Rabaul, Kavieng, Alotau

and Madang areas. This would become more of a reality if we had direct flights and so we are working on the feasibility studies. I urge the international community to look at Air Niugini as the market leader and the mark of professionalism in PNG.

"The new Grand Papua Hotel is setting an example to the rest of the country in terms of standards."

Alex Wilson, General Manager, Grand Papua Hotel

Air Niugini is the face of PNG in the outside market and I have always looked to project a professional image of the cabin crew, captains and aeroplanes. We have just completed a full cabin refit on our aeroplanes so we are right up there in terms of standards and quality of service."

An iconic hotel that reopened in late 2011 after the original was destroyed by fire in the 1970s, the Grand Papua Hotel is encased in tradition and history, and stands on the same estate as the original building.

Ideal for business or leisure, the Grand Papua is the only deluxe hotel situated in the center of Port Moresby, where it enjoys an enviable location close to major banks and the headquarters of many international businesses, including the ADB.

"The new Grand Papua Hotel embodies the modern way in

which this country is heading and is setting an example to the rest of the country in terms of standards," says hotel General Manager Alex Wilson. "The key thing for us is to deliver a five-star service... [but] this is a major challenge in PNG as we have to set the benchmark ourselves. Many trade delegations stay with us and we are the hotel of choice for the high-end discerning business traveller to PNG."

Wilson sees plenty of potential for investors in PNG's tourism sector: "The country has a very unique tourism product and with the right expertise and planning now, PNG will see huge sustainable growth in tourism that will outstrip the resources sector. I think it's good that tourism has not been developed yet as it offers the country huge potential."



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A world away from the daily stresses and strains, yet close enough for a comfortable break, Papua New Guinea should feature on every traveler's wish list. Vast, crystal-clear waters, beautiful, natural surroundings, hospitable people, and relics from Japan's involvement in World War II all contribute to make this one of the Asia-Pacific's most awe-inspiring destinations.



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Agricultural sector ripe for investment

PNG is eager to sow the seeds for future socioeconomic success by inviting foreign investors to take advantage of its broad range of cash crops that are among the most organic in the world.

Exports of fresh agricultural produce are the natural driving force behind commercial agriculture in PNG, with the country's strong cash crop portfolio including coffee, cocoa, coconut (copra), oil palm and kernels.

According to the IPA, investment opportunities can be found in all of these agricultural activities, which thrive thanks to a moderate tropical climate featuring high levels of seasonal rainfall, as well as minor export commodities like spices, tea and rubber.

Prime Minister O'Neill acknowledges agriculture is one area that has yet to achieve its full potential.

"We have a very small agricultural sector in PNG," he says. "However, we believe that by the government taking the lead in providing easy access to credit and better support in terms of management and accounting, we can significantly grow the agricultural industry."

O'Neill's Cabinet colleague, Minister of Transport Ano Pala, adds:

"I would like the Japanese to consider PNG, as they have a lot to offer the agricultural sector. They have knowledge and technical expertise, and we can offer them enough land to grow 10 million to 15 million tons of rice."

"Agriculture has the potential to bring in huge revenues, so that's the direction our country needs to take. We have plenty of land, yet we have been importing rice for the last 40 years. We have 3 million hectares of land



Boto Gaupu
CEO, Cocoa Board of PNG

that can be developed immediately; we only need 100 hectares to satisfy our domestic need. We also have the capacity to export 30 million tons a year of corn."

Superb quality cocoa

The nation's second-largest agricultural cash crop after coffee, cocoa is largely grown by smallholder farmers and is essential for the development of the real economy. The government has set a target of 300,000 tons/year output by 2050, an ambitious goal considering the country only produced around a tenth of that figure in 2012.

While PNG only produces 1 percent of the world's cocoa, the Cocoa Board of PNG believes with further public and private sector investment that figure could jump sharply and PNG become a larger presence on the world cocoa map.

Established in the early 1970s and empowered to provide both leadership and services

to the PNG cocoa industry, the Cocoa Board aims to maintain a competitive marketing environment by ensuring quality standards are observed with the utmost diligence so as to maximize financial returns to all stakeholders.

Boto Gaupu, Cocoa Board CEO, says PNG cocoa enjoys fine flavor status as the beans are grown in a pristine environment that is essentially organic as there are no pesticides or fertilizers used in its production. He also provides a valuable insight into just how important the industry is, both directly and indirectly, to the lives of hundreds of thousands of people throughout the country.

"There are 22 provinces in the country of which 15 are producing cocoa," he says. "Out of those 15 provinces, an estimated 1 million people depend on cocoa for their livelihoods."

"Because cocoa in PNG is produced by smallholders or village farmers on their own land and who do not use fertilizers, chemical inputs or hire workers, the country's cocoa production has no additives and is considered organic."

Highlighting the success of government investment elsewhere in the region, Gaupu believes the government's pledge to invest more heavily in the industry will make a real difference, with the success witnessed in other countries repeated locally.

"Indonesia began producing cocoa relatively recently and

now, due to government support, produces almost a million tons per year," he says. "PNG was growing coffee almost 60 years ago when Vietnam was at war but now they are the second-largest producer in the world."

"We are a very small producer but our objective is to have the best quality. PNG cocoa is not like Ghana's but more like Brazil's; it's mainly used for blending. You need to use ten times more Ghanaian cocoa compared to ours. Our strength is in the quality."

"Our cocoa is 100 percent natural and a product of fine flavor, and is produced by smallholder farmers. The quality is nature. Everything you get from PNG is good quality. I would urge the Japanese to contact our PNG-based exporters to expand trade between our two nations."

"PNG produces organic and fine flavor cocoa because of the small holding model and the lack of man-made fertilizers and pesticides. The production level last year was 38,000 tons generating 180 million kina

"Our cocoa is 100 percent natural, a product of fine flavor, and it is produced by smallholder farmers."

Boto Gaupu, CEO of the Cocoa Board of PNG

in foreign exchange, although we have been averaging 300 million kina."

Home to a huge variety of marine life and resources, PNG boasts some of the best fishing waters in the world, with Japanese favorite tuna among the many species caught, processed and exported to stores and restaurants across the Asia-Pacific region.

Nearly 50 percent of the country's exports are frozen tuna and the government believes the capacity resource base for tuna alone is 600,000 to 700,000 tons per year, with tens of thousands of people employed by the industry.

PNG is the leading nation in the Pacific Island region after Australia and New Zealand, and its shipping industry adheres to international standards and best practice. The country is a member of the International Maritime Organization (IMO), the International Hydrographic Organization (IHO) and the International Association of Marine Aids to Navigation and Lighthouse Authorities (IALA).

With the mission to promote safety at sea among the thousands of fishing vessels, bulk cargo carriers and oil and gas tankers that use its waters, the National Maritime Safety Authority (NMSA) aims to ensure a fully functioning and effective network of maritime navigational aids and up-to-date navigational charts.

The authority also carries



Most PNG produce is organic and of unbeatable quality.

national, provincial and local governments and coastal communities.

"The maritime industry in PNG is expanding, with the development of oil, gas and

unanimously passed the Marine Pollution Act to protect the marine environment, which allows us to collect a marine pollution levee based on the pollutant-based principal.

"All ships carrying oil or potential harmful substances must pay a levee to the NMSA, so we can set systems and procedures to protect the marine environment."

Open for partnership

The NMSA chief also highlighted some of the maritime areas where Japanese investors are welcome to invest in new business or joint ventures and he urged Japanese or companies to bring their state-of-the-art technology and valuable knowledge to PNG.

"Both our cultures are closely linked to the sea and a lot of

trade is taking place between the two nations," Rupen says.

"Technical assistance is important as capacity building is a high priority in our organization, particularly in areas like ship inspection and servicing."

"There's a pressing need to develop more boat building as people go out to certain places and bring in boats that do not meet minimum standards and safety requirements."

"There is a lot of money currently being put into ships that are of low standards."

"We are implementing a small craft act now in partnership with 15 coastal provinces. They need to take care, register the boats, license the drivers and actually regulate."

"It's difficult and a big challenge for us and we would welcome assistance."

PNG-Japan bonds tighten

PNG citizens now qualify for multiple-entry visas to Japan, whether they are visiting for business or leisure purposes.

The strong bonds between Japan and PNG were strengthened even further in 2013 following Prime Minister O'Neill's visit to Tokyo in March and the introduction of multiple-entry visas in November for short-term stay for PNG passport holders who reside in their home country.

Introduced from November 25 by the Ministry of Foreign Affairs of Japan, the new visa regulations are a clear sign of the importance Japan places on its relationship with PNG.

Valid for up to three years and for trips of up to 15 days, the new visas are available to PNG citizens who fulfill certain conditions and possess a machine-readable passport or an ordinary IC passport.

"The further development of Japan-PNG exchange is expected as a result of the issuance of multiple-entry visas, including increases in the number of tourists from PNG who visit Japan and the enhancement of the ease of business transactions between the two countries," the Ministry said.

One Japanese organization playing a key role in the further development of these bilateral



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relations and PNG's socioeconomic development is the JICA.

Over the past 35 years, the agency has provided a wealth of funding, experience and help through initiatives such as grant assistance, Japanese yen loans, technical cooperation (including grassroots technical cooperation), training programs in Japan and Japan Overseas Cooperation Volunteers (JOCVs).

Speaking in October 2013, Shigeru Sugiyama, Chief Representative of JICA PNG,

paid tribute to the government's continued efforts to improve the fortunes of the country and build a better future, and said JICA was looking forward to helping improve people's quality of life.

"Since his re-election in 2012, Prime Minister O'Neill has been seeking ways to transform the wealth accrued from the mining/energy sector into sustainable economic development so that

the contemporary generation and the future generation can benefit from these natural blessings. The seriousness of the O'Neill administration seems to be genuine and so far successful, evidenced by a number of new and drastic initiatives such as free primary education, realistic need assessment and the prioritization of public works."




"The bilateral relationship between Japan and PNG is expected to grow even further, given that our economic ties are increasingly strengthened with PNG's booming mining/energy sector. The coming LNG export to Japan from PNG — about 50 percent of the total output of the LNG plant in Port Moresby is said to be for Japanese export — is a reflection of this momentum."

As Prime Minister O'Neill recently acknowledged when talking to *Global Insight*:

"Our strategy is to develop trade and investment, and encourage further cooperation in education and health. This includes the valuable support we receive from JICA and other Japanese institutions, and companies."


"Fundamentally, we aim to build on what we already have."

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




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