One Region, One Family, One Future: Deepening relations with the Pacific nations through trade
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Foreword

The global coronavirus pandemic has closed borders across the Pacific region since 2020 and subsequently disrupted tourism and trade between Australia and many Pacific island countries. Unsurprisingly the ramifications of the COVID-19 pandemic have impacted every area of consideration throughout the inquiry into activating Australia’s trade and investment with Pacific island countries.

Measures aimed at protecting public health from the worst of the coronavirus pandemic have had a devastating economic impact on many Pacific island countries, especially those islands more reliant on international tourism or communities receiving remittances from seasonal workers employed across many sectors in Australia. The complex challenges imposed on economies and societies across the Pacific, Australia included, reinforce the importance of strong, transparent and predictable trade and investment relations.

This report outlines the significant role the Australian economy may be able to play in the region, through improved and more open trade relations with Pacific nations. The sub-committee recognises the growing importance of labour mobility and remittances to many families and communities in Pacific island countries, and the devastating economic impact of the travel restrictions during the coronavirus pandemic. This highlights the need, in accordance with relevant public health advice, for a safe travel bubble to be developed between Australia and those Pacific islands countries willing to participate. This will not only support Australia’s trade and investment ties with the Pacific, but is critical to supporting Pacific employees and their communities abroad. Also critical will be job creating investment to improve the Pacific’s lagging infrastructure across the islands. Much will be gained
by Australia and the Pacific nations embracing the Pacific Quality Infrastructure Initiative to support the delivery of quality infrastructure and assist with further economic development.

The Trade Sub-Committee supports the implementation of the Pacific Agreement on Closer Economic Relations (PACER Plus) with Pacific island countries. Members also want the Australian Government to forge closer economic ties with two key nations outside of PACER Plus – in Papua New Guinea and Fiji. The sub-committee agreed with pursuing measures to develop with Australian expertise and support for a regional Pacific standard to assist both Australian and Pacific exporters or service providers to activate their trade opportunities and gain easier access to larger markets.

With sporting linkages between Australia and Pacific islander people long established, the selection of the Pacific gateway state of Queensland to stage the 2032 Olympics and Paralympics also represents another opportunity to strengthen these bonds and open the door to related business opportunities.

Like some Australians, the sub-committee was not fully aware of the deep cultural and economic significance of drinking the ceremonial beverage of kava to the people of many Pacific island countries and their diaspora living in Australia. Members welcomed any moves to expand a regulated market in Australia for the safe consumption of kava and opening up trade opportunities.

I thank our Committee Chair Senator the Hon David Fawcett, my sub-committee Deputy Chair Senator Malarndirri McCarthy, and my fellow committee members. I also acknowledge and appreciate all the efforts of those who have participated in the inquiry by writing submissions or appearing at public hearings despite the travel limitations related to the COVID-19 pandemic. A special mention must also go to the diplomatic and government representatives of Pacific island countries who attended, in person and by teleconference, a parliamentary roundtable in Canberra, and shared invaluable insights on the challenges faced by communities on their home islands and the opportunities ahead.

Mr Ted O’Brien MP
Chair
### Abbreviations

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<td>AANZFTA</td>
<td>ASEAN-Australia-New Zealand Free Trade Agreement</td>
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<td>AAPMI</td>
<td>Australia Asia Pacific Media Initiative</td>
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<td>ABS</td>
<td>Australian Bureau of Statistics</td>
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<td>ACCI</td>
<td>Australian Chamber of Commerce and Industry</td>
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<td>ACIAR</td>
<td>Australian Centre for International Agricultural Research</td>
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<td>ACI-FTA</td>
<td>Australia-Chile Free Trade Agreement</td>
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<td>ADB</td>
<td>Asian Development Bank</td>
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<td>AFAS</td>
<td>Australian Fumigation Accreditation Scheme</td>
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<td>AFGC</td>
<td>Australian Food and Grocery Council</td>
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<td>AFTINET</td>
<td>Australian Fair Trade and Investment Network Ltd</td>
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<td>AIFFP</td>
<td>Australian Infrastructure Financing Facility for the Pacific</td>
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<td>AIIB</td>
<td>Asian Infrastructure Investment Bank</td>
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<td>AiG</td>
<td>Australian Industry Group</td>
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<td>AMIC</td>
<td>Australian Meat Industry Council</td>
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<td>ANU</td>
<td>Australian National University</td>
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<td>ANZCERTA</td>
<td>Australia-New Zealand Closer Economic Relations</td>
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<td>APEC</td>
<td>Asia-Pacific Economic Cooperation</td>
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<td>APTC</td>
<td>Australia Pacific Training Coalition</td>
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<td>ASEAN</td>
<td>Association of Southeast Asian Nations</td>
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<td>ASBFEO</td>
<td>Australian Small Business &amp; Family Enterprise Ombudsman</td>
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ASF  African Swine Fever
AUSFTA  Australia-United States Free Trade Agreement
Austrade  Australian Trade and Investment Commission
BAI  Business Advantage International
CCES  Centre for Customs and Excise Studies
ChAFTA  China-Australia Free Trade Agreement
CoO  Certificate of Origin
COVAX AMC  The Gavi COVAX Advance Marketing Commitment
COVID-19  2019 novel coronavirus
CPTPP  Comprehensive & Prog. Agreement for Trans-Pacific Partnership
CSEP  PNG-Australia Comprehensive Strategic and Economic Partnership
CSGs  Country Specific Guidelines
DAC  Development Assistance Committee of the OECD
DAWE  Department of Agriculture, Water and the Environment
DESE  Department of Education, Skills and Employment
DFAT  Department of Foreign Affairs and Trade
DISER  Department of Industry, Science, Energy and Resources
DJSB  Department of Jobs and Small Business
DNTMS  Fiji’s Department of National Trade Measurement and Standards
ECA  Export Council of Australia
EFA  Export Finance Australia
ELICOS  English Language Intensive Courses for Overseas Students
EMDG  Export Market Development Grants
FDI  Foreign Direct Investment
fDi Markets  Database of Foreign Direct Investment
FEMM  Forum Economic Ministers Meeting
FICs  Forum Island Countries of the Pacific Islands Forum
FSM  The Federated States of Micronesia
FTA  Free Trade Agreement
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<td>FTMM</td>
<td>Forum Trade Ministers' Meeting</td>
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<td>G20</td>
<td>Group of Twenty (governments and central bank governors)</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>GEi</td>
<td>Global Energy Institute</td>
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<td>GfG</td>
<td>Vanuatu Governance for Growth</td>
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<td>GIs</td>
<td>Geographical indications</td>
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<td>GTPA</td>
<td>Global Trade Professionals Alliance</td>
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<td>Global Value Chains</td>
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<td>IELTS</td>
<td>International English Language Test System</td>
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<td>IFC</td>
<td>International Financial Corporation</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<td>IP</td>
<td>Intellectual property</td>
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<td>iXC</td>
<td>DFAT’s innovationXchange hub</td>
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<td>JAEP A</td>
<td>Japan-Australia Economic Partnership Agreement</td>
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<td>JCU</td>
<td>James Cook University</td>
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<td>LDC</td>
<td>Least Developed Country</td>
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<td>MCA</td>
<td>Minerals Council of Australia</td>
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<td>MCTTT</td>
<td>Fiji’s Ministry of Commerce, Trade, Tourism and Transport</td>
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<td>MDF</td>
<td>Market Development Facility</td>
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<td>MHRA</td>
<td>Medicines and Healthcare products Regulatory Agency</td>
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<td>MLA</td>
<td>Meat and Livestock Australia</td>
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<td>MoP</td>
<td>Margin of Preference</td>
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<td>Mutual Recognition Agreement</td>
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<td>Melanesian Spearhead Group</td>
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<td>MSME</td>
<td>Micro, Small and Medium sized Enterprise</td>
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<td>NAQLA</td>
<td>National Agriculture and Quarantine Inspection Authority</td>
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<td>NFF</td>
<td>National Farmers’ Federation</td>
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<td>NGO</td>
<td>Non-governmental organisation</td>
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<td>National Plant Protection Organisations</td>
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<td>NSB</td>
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<td>Non-tariff Barrier</td>
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<td>New Zealand Ministry for Primary Industries</td>
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<td>Oceania Customs Organisation</td>
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<td>Official Development Assistance</td>
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<td>DFAT’s Office of Development Effectiveness</td>
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<td>OECD</td>
<td>Organisation for Economic Cooperation and Development</td>
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<td>Peru-Australia Free Trade Agreement</td>
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<td>Pacific Network on Globalisation</td>
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<td>Pacific Agribusiness Research-for-Development Initiative</td>
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<td>PNG-Australia Trade and Commercial Relations Agreement</td>
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<td>Pacific Private Sector Development Initiative</td>
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<td>Public Service International</td>
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<tr>
<td>PTA</td>
<td>Preferential Trade Agreement</td>
</tr>
<tr>
<td>PV</td>
<td>Photovoltaic</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>Research and development</td>
</tr>
<tr>
<td>RCEP</td>
<td>Regional Comprehensive Economic Partnership</td>
</tr>
</tbody>
</table>
RDP  Regulatory data protection
RFMOs  Regional Fisheries Management Organisations
RoO  Rules of Origin
RMI  The Republic of the Marshall Islands
SCHS  Sea Container Hygiene System
SDGs  Sustainable Development Goals
SIDS  Small island developing states
SME  Small and Medium Enterprise
SMEx  Small and Medium Exporter
SPARTECA  South Pacific Regional Trade and Economic Co-op. Agreement
SPS  Phyto-Sanitary standards
SWP  Seasonal Worker Programme
TA  Tourism Australia
TADEP  Transformational Agricultural Development Program (in PNG)
TBT  Technical Barriers to Trade
TCO  Tariff Concession Order
TRQ  Tariff rate quota
UA  Universities Australia
UK  United Kingdom
UN  United Nations
UNDP  UN Development Program
UNESCO  UN Economic, Social and Cultural Organisation
UNICEF  UN Children’s Fund
UNFCCC  UN Framework Convention on Climate Change
UPNG  University of Papua New Guinea
US  United States of America
VAT  Value Added Tax
WBG  World Bank Group
WCPFC  Western and Central Pacific Fisheries Commission
<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>WTO</td>
<td>World Trade Organization</td>
</tr>
<tr>
<td>YWAM</td>
<td>Youth with a Mission NGO</td>
</tr>
</tbody>
</table>
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Ms Alexandra Grimes (from 07/09/2020)
Ms Renee Dennis (12/09/2019 to 29/06/2020)
Terms of Reference

The Joint Standing Committee on Foreign Affairs, Defence and Trade shall examine the conditions necessary to activate greater trade and investment with countries of the Pacific region to the benefit of Australia and our Pacific neighbours. The Committee shall have particular regard to:

- the nature of Australia’s existing trade and investment relationships with Pacific island countries and the potential that is presented by the Pacific Agreement on Closer Economic Relations Plus (PACER Plus) for enhancing those relationships;
- the opportunities to strengthen trade, investment, aid for trade and employment links between Australia and Pacific island countries and how they can be captured;
- the barriers and impediments to trade and investment between Australia and Pacific island countries and how they can be mitigated;
- the role and effectiveness of support structures and networks, including government, business, sport, Pacific diaspora communities in Australia, and areas of civil society, and how they can assist with identifying and capturing trade and investment opportunities for Australia and Pacific island countries; and
- the views, norms and cultural practices relating to trade and investment in Australia and Pacific island countries and how differences can be accommodated.
List of Recommendations

Recommendation 1

9.2 The Committee recommends that the Australian Government prioritises its support for the Pacific region to recover from COVID-19 by:

- increasing its development assistance contributions to countries in the region to help them mitigate economic and health crises resulting from the pandemic (refer paragraphs 6.3, 6.5, 6.8 - 6.11, 6.17 & 6.22);

- providing vaccine coverage for countries in the region including health workforce training and education campaigns (refer paragraphs 6.9 - 6.10 & 6.25);

- providing urgent assistance in the event of outbreaks to protect health workers and vulnerable people in affected countries in the region (refer paragraphs 6.9 & 6.25); and

- assessing opportunities to restore international trade and travel when it is safe to do so (refer paragraphs 3.30, 6.8, 6.11, 6.23 & 6.24 - 6.25).

Recommendation 2

9.4 The Committee recommends that, given the evidence received, the Australian Government prioritises the activation of greater trade and investment with countries of the Pacific region by:

- considering measures and reforms to the Pacific Agreement on Closer Economic Relations (PACER Plus) to address any gaps in key areas such as in rules of origin, customs, biosecurity measures, standards, trade in
services and investment during the Agreement’s implementation by Australia, New Zealand and Pacific island countries (refer paragraphs 4.5, 4.8, 4.10, 4.37, 4.40, 4.82, 4.91);

- providing training, seed funding, and targeted support to allow Pacific islanders, including Pacific islander small business owners and Pacific exporters, to gain access to Australian markets and also meet the standards required (refer paragraphs 3.102 - 3.104, 4.88 - 4.89, 7.45 & 8.4);

- supporting further research and evaluation of Australia-Pacific island trade and investment (refer paragraphs 3.49, 5.127 & 5.129);

- focusing its Aid for Trade program in the Pacific on building human resource, educational and institutional capacity in the Pacific island countries to reform national economic and trade policies, improve trade facilitation processes and build trade-enhancing institutions (refer paragraphs 3.90, 3.91, 3.93 & 3.95 – 3.104);

- supporting with technical assistance and expertise the establishment of National Standards Bodies (NSB) in Pacific island countries with the ambition of developing a regional Pacific standard (refer paragraphs 7.26 – 7.38);

- supporting the Pacific Quality Infrastructure Initiative and other bilateral, regional and multilateral projects involving Australia in the Pacific region aimed at delivering quality infrastructure (refer paragraph 7.39);

- coordinating with interested super funds to support and promote pilot investor tours of Pacific island countries (refer paragraph 6.112); and

- assisting interested governments of the Pacific island countries to join Australia’s kava commercial importation pilot and for the pilot to consider the feasibility of classifying kava as a food under a joint food standard of Food Standards Australia New Zealand (refer paragraphs 8.13 – 8.33).
Recommendation 3

9.6 The Committee recommends that the Australian Government improves travel and mobility between Australia and the countries of the Pacific region by:

- establishing a Pacific travel bubble between Australia and New Zealand that includes interested countries of the Pacific region, subject to health advice and the implementation of COVID-safe travel and quarantine arrangements (refer paragraphs 3.30 – 3.46);

- investigating the potential for improving infrastructure and its maintenance to encourage and enable increased air and sea links between Australia and the Pacific (refer paragraphs 3.142, 3.145 - 3.146, 3.148, 3.157 - 3.158 & 3.160);

- introducing a Pacific Business Travel Card, similar to the visa APEC Business Travel Card (refer paragraphs 6.44, 6.48 - 6.49 & 6.51 - 6.52);

- reviewing existing labour mobility arrangements, including the Seasonal Worker Programme and the Pacific Labour Scheme, for workers from countries of the Pacific region with consideration for:
  - improving regulatory and administrative processes (refer paragraphs 5.33, 5.70 - 5.71 & 5.105);
  - improving working conditions including improved monitoring and enforcement activity in compliance with relevant provisions on workers’ entitlements (refer paragraphs 5.72 - 5.75 & 5.108 – 5.114);
  - improving workers’ access to superannuation by making the transfer of funds into workers’ superannuation accounts in the Pacific easier and faster (refer paragraphs 5.76 - 5.79);
  - improving workers’ access to health care and insurance while on assignment in Australia (refer paragraphs 5.81 & 5.108);
  - improving communication and access to information on workers’ rights (refer paragraphs 5.80 & 5.108 - 5.110);
  - incorporating industry-led third-party audited certifications, such as Fair Farms which is used in the horticultural industry, to help oversee ethical treatment of Pacific island workers (refer paragraphs 5.92 & 5.111 - 5.114);
introducing induction training on labour mobility schemes to new diplomats from countries of the Pacific region (refer paragraph 5.103); and

identifying youth and women employment opportunities (refer paragraphs 5.115 – 5.117, 5.125 & 5.126).

Recommendation 4

9.8 The Committee recommends that the Australian Government works towards deepening people to people ties between Australia and countries of the Pacific region through:

- **sport** – by expanding its Sports Diplomacy 2030 and Australia’s Pacific Step-up initiatives through a new program called ‘Team AusPac’. Team AusPac would be spearheaded by the Australian Government and, in partnership with relevant sporting organisations, the program would aim to (refer paragraphs 7.67 – 7.70):
  
  - maximise opportunities for Pacific island countries to be closely associated with, and actively participate in, the 2032 Olympic and Paralympic Games in Australia (refer paragraph 7.74);
  
  - create a special Pacific islands program as part of the Australian Institute of Sport (AIS) in support of elite athletes from the Pacific (refer paragraph 7.70);
  
  - support efforts by the Pacific to have a team from a Pacific island country enter the National Rugby League (NRL) competition (refer paragraph 7.68);
  
  - expand the number of sports to receive special focus under the PacificAus Sports program beyond netball, rugby union, football and rugby league (refer paragraph 7.70);
  
  - expand the scope of the PacificAus Sports program to include a capacity building program for sporting coaches and trainers from the Pacific (refer paragraphs 7.67 & 7.70).

- **churches** – by continuing and building upon investment in cultural bridging programs such as the Pacific Church Partnerships program (refer paragraphs 8.34 – 8.39);
media – by supporting the provision of more Pacific-related Australian media content on issues such as seasonal work opportunities or aid projects to Pacific nations while also assisting with the expansion and the quality of Pacific-focused business media services to the Pacific (refer paragraphs 6.113 – 6.115, 6.121 – 6.123, 6.127 – 6.130 & 8.35);

education – by offering a capped number of Commonwealth Supported Places, or equivalent, to prospective students from countries of the Pacific region, to attend Australian secondary schools, technical and further education institutes, and universities (refer paragraphs 2.92 – 2.93, 2.101, 3.88 & 7.59 – 7.61).

**Recommendation 5**

9.10 The Committee recommends that the Australian Government recognise the role played by Australian states and territories, in particular by Queensland, in Australia’s relationship with countries of the Pacific by:

- analysing the recommendations in this report within a Queensland context;

- undertaking a feasibility study on expanding the services of a Pacific-focused office for the Department of Foreign Affairs and Trade in Queensland, resourced by senior departmental staff (refer paragraphs 3.151 – 3.152 & 3.162); and

- engaging with the Queensland State Government and relevant local government authorities in Queensland on opportunities to work collaboratively on the recommendations in this report and other initiatives to further strengthen Australia’s relationship with countries of the Pacific region.
1. Introduction

Pacific island countries and global trade

1.1 The Pacific island countries (or PICs) are the independent island member countries of the Pacific Islands Forum, namely Cook Islands, Fiji, Federated States of Micronesia (FSM), Kiribati, Republic of Marshall Islands, Nauru, Niue, Palau, Papua New Guinea (PNG), Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu. Timor-Leste is classified as both a Pacific and Asian country, and is also included by the Australian government in the seasonal worker programs.¹

1.2 Pacific island countries share a number of characteristics, according to the Department of Foreign Affairs and Trade, including their scale, geographic remoteness from major markets, narrow economic bases, dispersed population and vulnerability to natural disasters. But DFAT also highlighted the economic and cultural diversity between Pacific island countries.²

For example, Papua New Guinea has more than twice as many people (with a population of 8.6 million in 2018) as the remaining 15 Pacific island countries combined (with 3.4 million people) and significant natural resources.³

1.3 DFAT submitted that the Pacific island countries represent a very small percentage of trade and investment in global terms, accounting for just 0.05 per cent of total world goods and services trade in 2018. The trade flows

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¹ ANU Development Policy Centre, Crawford School of Policy, Submission 52, p. 1
² Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 10.
³ Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 10.
with the PICs are relatively concentrated, with five trading partners in Australia, China, the EU, Japan and Singapore accounting for 65 per cent of total two-way trade.⁴

Pacific island countries are highly aid-dependent. Several international partners provide substantial contributions to the Pacific island countries, such as New Zealand, Japan, the United States, China, the European Union, the United Kingdom and France. Some of these partners have been present in the region for many years.⁵

1.4 DFAT outlined that almost all Pacific island countries have import-oriented economies, except Papua New Guinea, importing more than they export, reflecting their small economic bases.⁶

Trade flows between Pacific island countries are limited. The overwhelming majority of trade flows, in value and volume, occur between Pacific island countries and larger economies, including Australia, China, Singapore and the EU.⁷

1.5 Most countries export in order to import, according to the Australian National University’s Development Policy Centre, but Pacific island countries are different. For most, ‘...exports are not their major earner of foreign exchange’ when compared to remittances or official development assistance (ODA), as shown in Figure 1.1.⁸

Other very or more important sources of foreign exchange for the Pacific are foreign aid, remittances, and fishing licence revenue. The figure below shows the dollar values of exports, aid and remittances for a number of PICs. Exports are the major source of revenue only for the larger countries of Vanuatu, Solomon Islands, Fiji, and PNG.⁹

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⁴ Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 15.
⁵ Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 15.
⁶ Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 11.
⁷ Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 11.
⁸ ANU Development Policy Centre, Crawford School of Policy, Submission 52, p. 6.
⁹ ANU Development Policy Centre, Crawford School of Policy, Submission 52, p. 6.
1.6 DFAT detailed the differences in the pattern and structure of exports across Pacific island countries.

Papua New Guinea and Solomon Islands both rely heavily on natural resource exports (gas, oil and gold from Papua New Guinea and logs from Solomon Islands). Export industries in Fiji, Vanuatu and the Cook Islands are more strongly oriented towards tourism. Agricultural and fishery products are also important exports for Pacific island countries, including coconut products, kava, cocoa, coffee and tuna.\(^\text{10}\)

1.7 The Development Policy Centre submitted the importance of non-conventional sources of foreign exchange for the Pacific by looking country-by-country at the top three sources of foreign exchange. To identify the top three, the Centre considered the following: tourism, remittances, fishing licence revenue, aid, and other merchandise exports, as shown in Table 1.1.\(^\text{11}\)

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\(^{10}\) Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, *Submission 14*, p. 11.

\(^{11}\) ANU Development Policy Centre, Crawford School of Policy, *Submission 52*, p. 6.
Aid is a top-three source for ten of the countries; tourism for seven; frozen or fresh fish exports for four; remittances, fishing licence revenue and resource exports (gold, gas or timber) for three.12

Table 1.1  Top three sources of foreign exchange

<table>
<thead>
<tr>
<th>Country</th>
<th>Foreign exchange sources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiji</td>
<td>Tourism, remittances, aid</td>
</tr>
<tr>
<td>Federated States of Micronesia</td>
<td>Aid, fishing licence revenue, frozen fish</td>
</tr>
<tr>
<td>Kiribati</td>
<td>Fishing licence revenue, frozen fish, aid</td>
</tr>
<tr>
<td>Marshall Islands</td>
<td>Boat registrations, aid, fishing licence revenue</td>
</tr>
<tr>
<td>Palau</td>
<td>Tourism, aid, fresh fish</td>
</tr>
<tr>
<td>Papua New Guinea</td>
<td>Gas, gold, aid</td>
</tr>
<tr>
<td>Samoa</td>
<td>Tourism, aid, remittances</td>
</tr>
<tr>
<td>Solomon Islands</td>
<td>Timber, aid, tourism</td>
</tr>
<tr>
<td>Tonga</td>
<td>Remittances, aid, tourism</td>
</tr>
<tr>
<td>Vanuatu</td>
<td>Tourism, aid, frozen fish</td>
</tr>
</tbody>
</table>


Economic overview of Pacific island countries

1.8 The ANU Development Policy Centre outlined that the economic structures of Pacific countries vary. Most have a large agricultural and rural sector, with a high level of subsistence, according to the Development Policy Centre. Using World Bank data, 70 per cent or more of the population of the Federated States of Micronesia, Papua New Guinea, Vanuatu, Samoa, Solomon Islands, Timor-Leste and Tonga reside in rural areas.13

1.9 Despite differences in economic structure, the Development Policy Centre described the economic growth across the Pacific as disappointing. In recent

12 ANU Development Policy Centre, Crawford School of Policy, Submission 52, p. 6.

13 ANU Development Policy Centre, Crawford School of Policy, Submission 52, p. 2.
decades Pacific island countries are generating only very modest levels of growth, as shown in Figure 1.2, when compared to countries in East Asia.  

**Figure 1.2  GDP per capita in Asia and the Pacific**

ANU Development Policy Centre, Submission 52, p. 3 & World Bank 2017.

1.10  Professor Stephen Howes, the Director of the Development Policy Centre at the Australian National University described these Pacific nations as some of the ‘…very smallest countries in the world’.  

…economically it’s a relatively poor but diverse region. Some of the economies of the Pacific are as poor as sub-Saharan African countries. You see Kiribati and Solomon Islands in the bottom 20 poorest countries in the world. Others are more middle-income, such as Fiji.

Overall their economic growth is disappointing. This is, again, very different to Asia in the Pacific, where you see a very solid growth trajectory. That GDP per capita is much more a flat variable over many decades in the Pacific. I think the biggest economic problem is the lack of employment opportunities. There just aren’t enough jobs being created for the number of people who are

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14 ANU Development Policy Centre, Crawford School of Policy, *Submission 52*, p. 3.


coming onto the labour market, particularly bearing in mind rapid population growth—so very young countries.\(^{17}\)

1.11 Pacific island countries face strong competition in attracting the attention of private sector investors and traders, according to DFAT. Table 1.2 highlights the scale of markets competing with Pacific island countries for Australian sourced trade and investment.\(^{18}\)

### Table 1.2  Selected countries and region share of global GDP and population

<table>
<thead>
<tr>
<th>Country or region</th>
<th>% Global GDP</th>
<th>Population (millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>25</td>
<td>330m</td>
</tr>
<tr>
<td>China</td>
<td>14</td>
<td>1,400m</td>
</tr>
<tr>
<td>Japan</td>
<td>6</td>
<td>127m</td>
</tr>
<tr>
<td>India</td>
<td>3.5</td>
<td>1,300m</td>
</tr>
<tr>
<td>ASEAN</td>
<td>3.5</td>
<td>620m</td>
</tr>
<tr>
<td>Australia</td>
<td>1.7</td>
<td>25m</td>
</tr>
<tr>
<td>Pacific</td>
<td>0.05</td>
<td>12m</td>
</tr>
</tbody>
</table>

*Source: DFAT, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 13*

1.12 Apart from rural commonality, the Development Policy Centre noted there is considerable economic divergence between PICs as shown by Table 1.3.\(^{19}\)

We can distinguish between three types of economies. Economic rents (unearned profits or income) are important sources of income for all Pacific economies. There are five for whom they are particularly important relative to the overall economies. These ‘rentier economies’ include Kiribati and Nauru (for whom aid and fishing licence revenues are very important); and PNG, Timor-Leste, and Solomon Islands, whose rents derive from petroleum and/or minerals and/or forestry.\(^{20}\)

\(^{17}\) Professor Stephen Howes, ANU Development Policy Centre, *Committee Hansard*, 18 June 2020, p. 1.

\(^{18}\) Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, *Submission 14*, p. 13.

\(^{19}\) ANU Development Policy Centre, Crawford School of Policy, *Submission 52*, p. 2

\(^{20}\) ANU Development Policy Centre, Crawford School of Policy, *Submission 52*, p. 2
The Development Policy Centre believed aid and fishing licence revenues are also important, but so too are remittances and/or, more generally, migration opportunities for five other Pacific nations: these are the Marshall Islands, Federated States of Micronesia, Tuvalu, Samoa, and Tonga. Finally, there is the group of more successful Pacific economies who benefit from tourism as well as rents and migration: namely, Fiji, Vanuatu, Cook Islands, and Palau.

Table 1.3 An economic typology of the Pacific

<table>
<thead>
<tr>
<th>Countries</th>
<th>Distinctive features</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Rentier economies</strong></td>
<td></td>
</tr>
<tr>
<td>Kiribati, Nauru</td>
<td>Aid and fisheries</td>
</tr>
<tr>
<td>PNG, Timor-Leste</td>
<td>Minerals and/or petroleum</td>
</tr>
<tr>
<td>Solomon Islands</td>
<td>Forestry</td>
</tr>
<tr>
<td><strong>Rents &amp; migration</strong></td>
<td></td>
</tr>
<tr>
<td>Marshall Islands, FSM, Tuvalu, Samoa, Tonga</td>
<td>Aid, fisheries and/or migration</td>
</tr>
<tr>
<td><strong>Rents &amp; migration &amp; tourism</strong></td>
<td></td>
</tr>
<tr>
<td>Fiji, Vanuatu, Cook Islands, Palau</td>
<td>Aid, fisheries, migration, tourism</td>
</tr>
</tbody>
</table>

Source: ANU Development Policy Centre, Submission 52, p. 2.

Professor Howes explained the three categories of Pacific economies.

…those that are rentiers, so they rely largely on rents, aid, fisheries, minerals; those that have those rents but also have migration opportunities; and then those that have the rents and the migration opportunities but are also tourism destinations.

The ANU Development Policy Centre contrasted the low growth over the last few decades in the Pacific with the much higher growth in East Asia.

Regardless of differences in economic structure, economic growth has been disappointing across the Pacific, with PICs generating only very modest levels

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21 ANU Development Policy Centre, Crawford School of Policy, Submission 52, p. 2
22 ANU Development Policy Centre, Crawford School of Policy, Submission 52, p. 2
23 Professor Stephen Howes, ANU Development Policy Centre, Committee Hansard, 18 June 2020, p. 1.
24 ANU Development Policy Centre, Crawford School of Policy, Submission 52, p. 2
of growth in the past few decades...Projected growth rates from current levels are also low, with per capita income levels in 2040 projected to be only moderately higher than at present.  

1.16 The Centre submitted two explanations as to why development performance had been so poor in the Pacific – their remoteness and their small, widely dispersed populations. Pacific island countries dominate the Top 10 of global remoteness ranking shown in Figure 1.3.  

Using the World Bank’s remoteness ranking, 7 PICs – Tonga, Fiji, Vanuatu, Samoa, Tuvalu, Solomon Islands, and PNG – are ranked in the top ten most remote economies, measured by their distance from major economic markets.  

Figure 1.3  Remoteness ranking

Source: ANU Development Policy Centre, Submission 52, p. 4, & Pacific Possible: Long-term Economic Opportunities and Challenges for PICs. Data labels-remoteness ranking (1-most remote, 199-least remote)

1.17 The Development Policy Centre also highlighted in Figure 1.4 the challenges presented by the isolation of many Pacific islands countries, and the limitations of such small populations.  

PICs also have some of the smallest and most dispersed populations in the world. Four are in the smallest 20 countries in the world; all are in the smallest 100, except for PNG which stands out with a population of nearly nine million.

25 ANU Development Policy Centre, Crawford School of Policy, Submission 52, p. 2  
26 ANU Development Policy Centre, Crawford School of Policy, Submission 52, p. 4.  
27 ANU Development Policy Centre, Crawford School of Policy, Submission 52, p. 4.  
28 ANU Development Policy Centre, Crawford School of Policy, Submission 52, p. 4.
Smallness is not necessarily a disadvantage, but dispersion is. The small populations of the Pacific reside on hundreds of islands that are spread across an area that is equivalent to 15 per cent of the earth’s surface. In the case of PNG, inland (highland) areas are often inaccessible as well.\(^{29}\)

**Figure 1.4  Population size by country**

![Bar chart showing population size by country](Image)

Source: ANU Development Policy Centre, Submission 52, p. 4 & UN Population Division; 2019 estimates

**Pacific trade architecture**

1.18 Pacific island countries are engaged in the global trading system to varying degrees. Six Pacific island countries are members of the World Trade Organization (WTO): Fiji, Papua New Guinea, Samoa, Solomon Islands, Tonga and Vanuatu.\(^{30}\)

1.19 A number of trade agreements exist in the region, including the WTO-recognised Melanesian Spearhead Group (MSG) Trade Agreement between Fiji, Papua New Guinea, Solomon Islands and Vanuatu. The Pacific Island Countries Trade Agreement (PICTA) has 11 parties. The PICTA agreement consists of two treaty instruments for regional economic integration open to Pacific island countries that are members of the Pacific Islands Forum.\(^{31}\)

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\(^{29}\) ANU Development Policy Centre, Crawford School of Policy, *Submission 52*, p. 4.

\(^{30}\) Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, *Submission 14*, p. 11.

\(^{31}\) Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, *Submission 14*, p. 11.
Australia’s economic partnership with Papua New Guinea

1.20 While Australia and Papua New Guinea, one of the largest economies in the Pacific region, do not have a bilateral Free Trade Agreement, the Prime Ministers of Australia and PNG both signed the Papua New Guinea-Australia Comprehensive Strategic and Economic Partnership (CSEP) on 5 August 2020. The CSEP is described by DFAT as a high-level bilateral arrangement that provides structure to, and formally recognises, the deep relationship between the two countries.\(^{32}\)

The CSEP provides an enduring and overarching framework for deepening bilateral cooperation across security, trade and investment, governance, development cooperation, health, education, gender equality, climate change, people-to-people and institutional links, underpinned by a commitment to achieving concrete outcomes by 2030.\(^{33}\)

1.21 Australian and PNG officials remain in discussion on the text of the partnership and practical actions to fall under it.\(^{34}\)

1.22 Australia and Papua New Guinea also have a bilateral investment treaty which entered into force in 1991. Goods trade is covered by the PNG-Australia Trade and Commercial Relations Agreement (PATCRA II) and the South Pacific Regional Trade and Economic Co-operation Agreement (SPARTECA)—under which Australia and New Zealand provide non-reciprocal duty-free access for nearly all products of 13 Forum Island Country SPARTECA Parties.\(^{35}\)

Foreign Policy White Paper and Pacific Step-up

1.23 According to the Australian Government, the prosperity, stability and security of the Pacific region is at the forefront of Australia’s foreign policy.

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\(^{32}\) Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, *Submission 14*, p. 12.


\(^{34}\) Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, *Submission 14*, p. 12.

\(^{35}\) Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, *Submission 14*, p. 12.
The Government’s 2017 Foreign Policy White Paper (White Paper) recognises that Australia needs to take its longstanding partnerships with Pacific island countries to a new level to pursue its common interests and respond to its region’s fundamental challenges.36

Encouraging trade, investment and private sector development, particularly in Pacific island countries, is central to the White Paper’s core themes of opportunity, security and strength.37

1.24 Through its ongoing and sustained bilateral engagement with Pacific island countries, the Department of Foreign Affairs and Trade (DFAT) states Australia is helping to promote economic prosperity through ‘...ambitious new initiatives to support economic integration, strengthen economic resilience and unlock new sources of growth’.38

1.25 Australia’s initiatives across the Pacific include:

- the $2 billion Australian Infrastructure Financing Facility for the Pacific (AIFFP) and an extra $1 billion in callable capital for Export Finance Australia across the Indo-Pacific;
- the Pacific Labour Scheme and Seasonal Worker Programme;
- the Australia Pacific Training Coalition (APTC), the University of the South Pacific (USP) and bilateral skills programs to support quality education; and skills through investments; and
- the Coral Sea Cable, which will deliver high-speed telecommunications to Papua New Guinea and Solomon Islands.39

1.26 DFAT submitted that Australia expects its Pacific Step-up initiative will further enhance efforts to ‘...support long-term economic development, deeper security cooperation and closer personal connections between Australians and Pacific islanders’.40

36 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 7.
37 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 7.
38 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 8.
39 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 8.
40 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, pp. 7-8.
1.27 DFAT believes the Pacific Step-up will provide the additional momentum and focus to build on Australia’s existing trade and investment activities, both through the private sector and its aid program.\(^{41}\)

It is in both the Pacific and Australia’s interests to strengthen our trade and investment relationship. This will support regional prosperity, security and stability.\(^{42}\)

1.28 While economic links between Australia and Pacific island countries are longstanding, DFAT claimed there is significant room for growth.\(^{43}\)

The Pacific Step-up has increased momentum towards economic integration with Pacific island countries and there is strong, mutual interest in further strengthening our relationships.\(^{44}\)

1.29 Deputy Head of Mission in Canberra for the Kingdom of Tonga, Mr Curtis Leonard Tuihalangingie, told a parliamentary roundtable he accepted that the Australian Government was ‘…conscious of the need to be fair and to promote trade under the current Pacific Step-up’.\(^{45}\)

Nevertheless, to make the Pacific Step-up policy more relevant, we hope that the federal government, the Australian parliament and the state level will continue to work together to pass policies and regulations to really benefit the Pacific.\(^{46}\)

1.30 The Australian Government submitted it is well placed to work in partnership with its Pacific island neighbours to capture opportunities. Australia, according to DFAT, would boost its efforts to strengthen trade and investment with the Pacific by:

\(^{41}\) Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 7.

\(^{42}\) Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 7.

\(^{43}\) Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 8.

\(^{44}\) Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 8.

\(^{45}\) Mr Curtis Leonard Tuihalangingie, Deputy Head of Mission, Kingdom of Tonga, Committee Hansard, 4 September 2020, p. 3.

\(^{46}\) Mr Curtis Leonard Tuihalangingie, Deputy Head of Mission, Kingdom of Tonga, Committee Hansard, 4 September 2020, p. 3.
Continuing to grow participation in Australia’s labour market through the Pacific Labour Scheme and Seasonal Worker Program;

Supporting effective implementation of the PACER Plus agreement;

Strengthening efforts to build a strong business and investment enabling environment to encourage investment;

Being an active regional and global player on trade and economic issues;

Increasing engagement with other donors to and trading partners of Pacific island countries;

Working to leverage the economic benefits of Australia’s new infrastructure investments;

Supporting an inclusive approach to economic development and sustainable economic growth;

Supporting industries where the Pacific has a comparative advantage;

and

Developing an integrated Australian Government Pacific Economic Strategy.47

1.31 The Director of the Asia Pacific Division at the Kiribati Ministry of Foreign Affairs and Immigration, Mr Teata Terubea, acknowledged the potential benefits of the Pacific Step-up for Kiribati and other countries during challenging times.

Kiribati strongly encourage the Australian government to strengthen its step-up programs to assist some our issues at this time of unprecedented challenges and difficulties of the COVID-19 pandemic.48

1.32 Deputy Head of Mission in Australia for the Kingdom of Tonga Mr Curtis Leonard Tuihalanginige compared Australia’s relations with the Pacific islands with a Tongan proverb ‘pikipiki hama kae vaevae manava’. Mr Tuihalanginige told a parliamentary roundtable with Pacific diplomatic representatives the proverb’s meaning that underpins the ‘…methodology of our friendship, centering values of relationality, connection and reciprocity’.49

47 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 7.

48 Mr Teata Terubea, Ministry of Foreign Affairs and Immigration, Kiribati, Committee Hansard, 4 September 2020, p. 4.

49 Mr Curtis Leonard Tuihalanginige, Deputy Head of Mission, Kingdom of Tonga, Committee Hansard, 4 September 2020, p. 4.
‘Pikipiki hama’ means to bind together to the outrigger of a seafaring vessel; ‘vaevae’ means to share; and ‘manava’ means breath. It represents working together for a shared purpose and good consequences. Let us be ‘pikipiki hama kae vaevae manava’ for the benefit of Australia and the Pacific islands—our people and our future.

1.33 His Excellency Mr John Ma’o Kali, High Commissioner in Australia for Papua New Guinea declared that like Tonga, ‘...we also have a saying that goes something like this: the pole at the back of the canoe is the most powerful because that’s the pole that steers the canoe’.50

As the biggest country in the Pacific region with the biggest land mass and with almost 50 per cent of the Pacific island population, Papua New Guinea must be listened to.51

1.34 High Commissioner Kali recalled when the Papua New Guinea Prime Minister Hon James Marape MP came to Australia in July 2019 on his first official visit outside of PNG, he came as a guest of the Australian government and met with Prime Minister Hon Scott Morrison MP.

I believe that was the starting point of what was to be different, a step-up and an elevation of the relationship of Papua New Guinea and Australia. I encountered the first moment when the two leaders came together. I believe the personal touch at the top needs to be translated and must cascade all the way down to the rank and file of the government and the bureaucracy. Almost a month ago, that transpired into a comprehensive strategic economic partnership (CSEP).52

1.35 PNG, which had opted against becoming a signatory of PACER Plus agreement, had preferred a bilateral agreement with Australia and on 5 August 2020 both countries agreed to a 10 year Comprehensive Strategic and Economic Partnership (CSEP).

History has been kind to us, because we have very common geographic proximity. Some might want to say that we are joined at the hip by geographic proximity. We have common strategic interests. We have deep people-to-

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50 HE Mr John Ma’o Kali, High Commissioner, Papua New Guinea, Committee Hansard, 4 September 2020, p. 8.
51 HE Mr John Ma’o Kali, High Commissioner, Papua New Guinea, Committee Hansard, 4 September 2020, p. 8.
52 HE Mr John Ma’o Kali, High Commissioner, Papua New Guinea, Committee Hansard, 4 September 2020, p. 9.
people links. We have mutual respect and cooperation across all spheres. I believe that CSEP...is really crucial to developing and enhancing the connections which have been shared over decades between Australia and Papua New Guinea.\textsuperscript{53}

**Figure 1.5  Map of the Pacific region**

![Map of the Pacific region](Image)

*Source: Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia. Submission 14, p. 8 - PROTORP (8 August 2018) Shining more light on aid in the Pacific – Alexandre Dayant and Jonathan Pryke. The Oceania Research Project.*

\textsuperscript{53} HE Mr John Ma’o Kali, High Commissioner, Papua New Guinea, *Committee Hansard*, 4 September 2020, p. 9.
2. Australia's existing trade and investment relationships with Pacific island countries

Introduction

2.1 The challenges of doing business and developing trade opportunities in the Pacific were identified in numerous submissions to the Sub-Committee and at hearings. Despite the economic rise of China and impediments to trade from the isolation of many Pacific island countries with limited infrastructure, Australia remains a major trading and investment partner.

2.2 This chapter outlines Australia’s existing trade and investment relationships with Pacific island countries, the challenges faced, the growth of Pacific tourism prior to the COVID-19 pandemic and importance of labour mobility.

Australia as a trading partner

2.3 Australia, as a close neighbour, has a long history as a major trade and investment partner with many Pacific island countries. Australia currently represents approximately 18 per cent of the total merchandise trade (imports plus exports) of Pacific island countries. According to DFAT this share has declined over the past decade as other trading partners, notably China, have increased their trade with Pacific island countries.¹

However, evidence from the Pacific Islands Export Dynamics Survey confirms that Australia and New Zealand are the key target markets for exporters in Pacific island countries. Given the limited growth drivers available to Pacific island countries, it is particularly important that Australia maximise trade and investment opportunities with Pacific island countries.\(^2\)

2.4 Papua New Guinea dominates Australia’s merchandise trade with the Pacific, accounting for 80 per cent of total trade with Pacific island countries. According to DFAT, Fiji (8 per cent) and New Caledonia (6 per cent) are Australia’s next most significant Pacific trading partners, with the remaining 12 Pacific island countries accounting for just 6 per cent of Australia’s total trade with Pacific island countries.\(^3\) Figure 2.1 shows changes in total trade in goods and services between Australia and eight Pacific island signatories of the PACER Plus agreement from 2008 to 2018.

**Figure 2.1** Total trade in goods and services between Australia and 8 Pacific Island Countries (PICs) signatories to PACER plus Agreement

![Graph showing changes in total trade in goods and services between Australia and eight Pacific island signatories of the PACER Plus agreement from 2008 to 2018.](Image)

World Bank Group & International Finance Corp; Submission 12, p. 2; using DFAT Trade time series data, WEO.

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\(^3\) Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, *Submission 14*, p. 10.
2.5 Professor Stephen Howes, the Director of the ANU’s Development Policy Centre identified that Australia has ‘…traditionally been the Pacific’s main trading partner, but this is changing’.4

It’s probably no surprise to you to see that China has overtaken Australia’s role as the Pacific’s main trading partner. It’s a bigger recipient of exports from the Pacific and, more recently, it has become a bigger source of imports to the Pacific as well. That’s for the Pacific Islands, excluding PNG. Of course, PNG is so much bigger than the other countries that we often treat it separately. You can see, if you look at PNG, a similar story. Australia is still a bigger source of imports to the Pacific than China, but the gap is closing and China has taken over on the export front.5

2.6 The Department of Agriculture, Water and the Environment conceded the nature of Australia’s existing agricultural trade with Pacific island countries was small in comparison to Australia’s other markets.6

In 2017-18, Australia exported $591.1 million of agricultural products to the Pacific, while imports from Pacific island countries totalled $95.4 million. Despite the relatively small overall size of trade, some key products are significantly traded in both directions. Australian wheat exports in 2017-18 to Pacific island countries were $124.4 million and Australian coffee imports from Pacific island countries were $34.5 million.7

2.7 The Department of Industry, Science, Energy and Resources identified that in 2018, Australia’s trade and investment with the Pacific island countries was ‘…relatively small, with two-way trade in goods valued at $3.45 billion, representing approximately one per cent of Australia’s total (global) goods exports’.8

Of this, industrial and resources goods were valued at $2.81 billion, comprising approximately 81 per cent of trade. Of the two-way trade in industrial and resources goods between Australia and the Pacific islands in

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4 Professor Stephen Howes, ANU Development Policy Centre, Committee Hansard, 18 June 2020, p. 2.
5 Professor Stephen Howes, ANU Development Policy Centre, Committee Hansard, 18 June 2020, p. 2.
6 Department of Agriculture, Water and the Environment, Submission 9, p. 2.
7 Department of Agriculture, Water and the Environment, Submission 9, p. 2.
8 Department of Industry, Science, Energy and Resources, Submission 22, p. 5.
2018, trade with PNG was clearly the greatest in value, almost 10 times greater than the second country of Fiji.\(^9\)

2.8 The ANU Development Policy Centre outlined the growth of trade between China and the Pacific major traders PNG and Fiji compared to trade with Australia, as shown by Figures 2.2 and 2.3.\(^10\)

With a good understanding of the Pacific, and how it interacts with the outside world, we can turn to the interaction between the Pacific and Australia, under the three headings of trade, aid and remittances. Australia has traditionally been the Pacific’s major trading partner, but China now shares that role. Fiji and PNG are by far the Pacific’s biggest traders...while exports to and imports from China are increasing, Fiji’s and PNG’s exports to and imports from Australia have been falling or stable.\(^11\)

**Figure 2.2 Fiji exports & imports with Australia and China**

![Graph showing Fiji exports & imports with Australia and China](ANU Development Policy Centre, Submission 52, p. 10 & UN Comtrade.)


\(^10\) ANU Development Policy Centre, Crawford School of Policy, *Submission 52*, p. 10.

\(^11\) ANU Development Policy Centre, Crawford School of Policy, *Submission 52*, p. 10.
2.9 Economist Professor Stephen Howes, the Director of the ANU’s Development Policy Centre described the Pacific business environment as unique.

Every country has to earn foreign exchange to survive and prosper. Most countries do that mainly by exporting, but the Pacific has a more diversified strategy. It benefits from high levels of aid, but it also has high levels of remittances.\(^{12}\)

There are a whole range of things, but the ones that pop up frequently are aid, remittances, tourism, and fishing license revenue, because of the big Pacific fisheries. So, it’s a very diverse set of foreign exchange earning portfolios... The Pacific is certainly a lot more open—it has a higher export-to-GDP ratio than Australia, just because any small country has to trade a lot—but, if you look at those numbers, they go across the spectrum.\(^{13}\)

2.10 In terms of volume, DFAT submitted that New Zealand, as shown by Figures 2.4 and 2.5, is Australia’s largest market in the Pacific with over 18,000 Australian exporters supplying goods and services in 2017-18.\(^{14}\)

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\(^{12}\) Professor Stephen Howes, ANU Development Policy Centre, Committee Hansard, 18 June 2020, p. 2.

\(^{13}\) Professor Stephen Howes, ANU Development Policy Centre, Committee Hansard, 18 June 2020, p. 2.

\(^{14}\) Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 47.
As this relationship [with New Zealand] is mature and highly developed, Austrade’s activities focus on supporting the Government’s Single Economic Market (SEM) agenda, identifying emerging opportunities, and supporting Australian businesses. In comparison, PNG attracts more than 4,000 Australian exporters and Fiji more than 3,000 exporters.\footnote{Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 47.}

**Figure 2.4  2017-18 Australian exports/imports to the Pacific by value**

\footnote{Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 48.}

2.11 In terms of volume, DFAT submitted that New Zealand, as shown by Figures 2.4 and 2.5, is Australia’s largest market in the Pacific with over 18,000 Australian exporters supplying goods and services in 2017-18.\footnote{Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 47.}

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Australian businesses. In comparison, PNG attracts more than 4,000 Australian exporters and Fiji more than 3,000 exporters.\textsuperscript{17}

**Figure 2.5  2017-18 Australian exporters servicing Pacific markets**

\begin{figure}
\centering
\includegraphics[width=\textwidth]{chart.png}
\caption{2017-18 Australian exporters servicing Pacific markets}
\end{figure}

\textsuperscript{17} Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 47.

2.12 Highlighting the growing importance of China in Pacific trade, in 2019 ‘…half of New Caledonia’s exports were directed to China, the country that buys most of New Caledonia’s nickel ore’.\textsuperscript{18}

2.13 Despite its French Overseas Countries & Territories (OCT) status New Caledonia ‘…exports little to France, mainly fishery and aquaculture products’.\textsuperscript{19}

\textsuperscript{18} New Caledonia Government, Submission 17.1 – Supplementary Submission, Questions on Notice, p. 4.

\textsuperscript{19} New Caledonia Government, Submission 17.1 – Supplementary Submission, Questions on Notice, p. 4.
2.14 In 2019, New Caledonia imported less from China (-0.8 per cent). China is the fifth trade partner of New Caledonia, behind France, the European Union, Singapore and Australia. Fossil energy sources such as coal, oil and gas, represent a large part of New Caledonian imports.\(^{20}\)

In 2019, exports to Australia have drastically decreased, representing (3%) of global exports, with products from the metallurgical industry being mainly concerned. Australian products imported into New Caledonia are mainly food products and minerals.\(^{21}\)

2.15 Australia is one of Solomon Islands’ closest neighbours and the two countries share a common maritime boundary, according to the Solomon Islands Government.

The two countries share a long history of interaction, including colonial and trade relations. Solomon Islands and Australia are members of the World Trade Organization and trade relations between the two countries has continued to grow over the years.\(^{22}\)

Trade in goods between the two countries over the past 3 years 2017 – 2019) was valued at SBD$299,913,901 of exports by Solomon Islands to Australia and with imports valued at SBD$2,704,494,479.50. The figures represented a net deficit of trade for Solomon Islands in its trade in goods with Australia of some SBD$2.4 billion.\(^{23}\)

2.16 The Solomon Islands Government noted from its summary of export and import value and volumes of goods between the two countries it must work ‘…more with Australia towards opening the potential for exports of its products’.

And although Australia being a much larger economy will have the inevitable dominance in the balance of the trading activities between the two countries, it also offers a window of opportunity for Solomon Islands, in terms of potential investments and opening up of new markets for products that could be

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\(^{21}\) New Caledonia Government, *Submission 17.1 – Supplementary Submission, Questions on Notice*, p. 4.


developed and produced to meet required export standards of the Australian market.²⁴

2.17 As for connectivity associated with travel and business, the Solomon Islands Government identified that Australia can be ‘…singled out as the most dominant gateway for Solomon Islands in international travel to Asia, Europe and the rest of the world’.²⁵

Australia also made up the largest number of tourist visitors to Solomon Islands in the tourism sector.²⁶

Table 2.1  Australia’s top five two-way trade partners of industrial and resources goods

<table>
<thead>
<tr>
<th>Country</th>
<th>Exports to (CY18; FOB value)</th>
<th>Imports from (CY18; Customs value)</th>
<th>Total two-way trade (CY18; combined)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 - Papua New Guinea</td>
<td>$1,829,052,955</td>
<td>$3,560,588,134</td>
<td>$5,389,641,089</td>
</tr>
<tr>
<td>2 - Fiji</td>
<td>$387,467,668</td>
<td>$151,649,074</td>
<td>$539,116,742</td>
</tr>
<tr>
<td>3 – New Caledonia (Fr)</td>
<td>$324,708,825</td>
<td>$45,976,842</td>
<td>$370,685,667</td>
</tr>
<tr>
<td>4 – Solomon Islands</td>
<td>$100,363,629</td>
<td>$8,452,837</td>
<td>$108,816,466</td>
</tr>
<tr>
<td>5 – Vanuatu</td>
<td>$59,104,508</td>
<td>$953,209</td>
<td>$63,402,246</td>
</tr>
</tbody>
</table>

Source: Dept. of Industry, Science, Energy & Resources, Submission 22 based on ABS data, Dec 2019

2.18 Deputy Head of Mission in Canberra for the Kingdom of Tonga, Mr Curtis Leonard Tuihalangingie, told a parliamentary roundtable of the range of economic challenges faced by Tonga in 2020.

COVID-19, along with Tropical Cyclone Harold, hit Tonga in April this year (2020) and have highlighted Tonga’s vulnerabilities—a dependence on imports and economic exposure to external shocks. These events are beyond Tonga’s control. Let me be honest: Tonga and Australia’s trade are [more or] less a one-way trade. At the same time, restrictions and strict specifications

²⁴ Solomon Islands Government, Submission 54, p. 2.
²⁵ Solomon Islands Government, Submission 54, p. 2.
²⁶ Solomon Islands Government, Submission 54, p. 2.
imposed by Australia on our farmers coupled with our limited technology prevent us from fully accessing the Australian market.27

2.19 To better promote more Pacific trade, the Whitlam Institute at Western Sydney University, submitted for the Australian Government to support hosting a regular Pacific Expo in Australia to showcase products and grow business to business linkages.28

The excellence of many Pacific products is not well known to Australians and investment in prioritising Pacific products needs to be matched with investment in building up the Australian market. A regular Expo would showcase primary and value-added products, foster business-to-business ties and offer an incentive to Pacific producers to get their products ready for the Australian market.29

2.20 The Counsellor and Official Representative of New Caledonia to Australia, Dr Yves Lafoy, told the Sub-Committee while New Caledonia was at the crossroads from a constitutional perspective, it remained well positioned as a ‘…trade partner, providing a stable economic environment, well-developed infrastructure and strong growth prospects’.30

With regard to the second pillar of the Pacific step-up, last year the balance of goods remained largely in Australia’s favour. Trade with Australia remains limited due to difficulties in adapting to the Australian market and its non-tariff barriers. It is therefore essential for New Caledonian companies to capture niche markets, particularly in services that require tropical expertise.31

2.21 Dr Lafoy stated New Caledonia’s Minister for the Economy, Foreign Trade and Energy, Mr Christopher Gyges, highlighted New Caledonia’s

27 Mr Curtis Leonard Tuihalangingie, Deputy Head of Mission, Kingdom of Tonga, Committee Hansard, 4 September 2020, p. 3.

28 Whitlam Institute, Submission 16, p. 3.

29 Whitlam Institute, Submission 16, Attachment 1, p. 35.

30 Dr Yves Lafoy, Counsellor and Official Representative, New Caledonia, Committee Hansard, 4 September 2020, p. 7.

31 Dr Yves Lafoy, Counsellor and Official Representative, New Caledonia, Committee Hansard, 4 September 2020, p. 7.
comparative advantages as a trading partner during his visit to Australia in March 2020.32

The visit aimed to attract potential Australian investors to boost existing cooperation in mining, agriculture and forestry, education, health, research and innovation, renewable energy and the environment. Regarding the latter, the creation of the Coral Sea Marine Park in 2014 and the Pacific Islands Forum commitment to make the preservation of the oceans its priority under the Blue Pacific narrative should lead New Caledonia to increase its regional action in this area.33

**Doing business in the Pacific**

2.22 Despite the number of Australian companies exporting to the Pacific, Austrade conceded there was a ‘…limited number of Australian companies with a direct investment in these markets through, for example, the provision of branch offices or other physical presence in country’.34

The reasons are varied but market observations highlight limited scale and size of markets, surety of ongoing orders, certainty of project pipeline and scale of projects, variable quality of communication and access systems including telecommunications and internet bandwidth, and adequacy of transport infrastructure. Larger businesses, particularly in the infrastructure sector, often overlook the Pacific in favour of high growth opportunities in Australia or ASEAN.35

2.23 The Australia-PNG, Australia-Fiji and Australia-Pacific business councils jointly submitted that ‘…doing business in the Pacific islands countries has never been straight forward but generally has become more challenging for Australia business in recent years than was the case previously’.36

There are a plethora of reasons for this, but some of them are:

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32 Dr Yves Lafoy, Counsellor and Official Representative, New Caledonia, *Committee Hansard*, 4 September 2020, p. 7.
33 Dr Yves Lafoy, Counsellor and Official Representative, New Caledonia, *Committee Hansard*, 4 September 2020, p. 7.
34 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, *Submission 14*, p. 47.
35 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, *Submission 14*, p. 49.
Poor governance and corruption in many Pacific governments including the introduction of business practices which tilt the playing field against Australian business.

Poor business regulation environment in many countries which leads to the highest ranked Pacific islands countries in the World Bank’s Ease of Doing Business rankings being Tonga at 91. We do not regard the rankings as an absolute measure, but they are indicative.

The high production input costs. Some of the contributing factors to this are the cost and reliability of utilities, transportation costs, poor infrastructure, and low productivity at all stages of the production cycle.

Foreign exchange risk in jurisdictions with their own currency.

2.24 Indra Australia is the Australian arm of global technology business Indra, with 49,000 employees in 140 countries, and earning $5 billion in revenue in the 2019 financial year. The Managing Director Mr Tehmur Khan Galindo outlined the challenges of contracts and doing business in the Pacific.

In our view, even though...the Pacific islands are a compendium of countries with different cultures and different ways of approaching business, we experience more or less the same issues across the board, from a problematic financial perspective. I believe that the way contracts are managed here in Australia is very different to how contracts are being managed in the region, and also with some of the adherence to contractual frameworks and schedules. Obviously, the financing is very important. Many customers struggle meeting funding requirements and, therefore, have problems with payments. We believe that is something that is pretty much common across the board in the Pacific nations.

2.25 The Australia-PNG, Australia-Fiji and Australia-Pacific business councils also raised the ‘...less than optimum Australian political support for Australian business in the region especially by comparison to that provided to New Zealand business by the New Zealand Government’ and ‘...reduced Austrade staffing in Pacific’. ...

...all of the business councils, including Fiji, have a wealth of knowledge and a deep history that can be accessed to assist government. We really encourage

38 Mr Tehmur Khan Galindo, Indra Australia Pty Ltd, Committee Hansard, 12 November 2020, p. 8.
39 Mr Tehmur Khan Galindo, Indra Australia Pty Ltd, Committee Hansard, 12 November 2020, p. 9.
40 Australia-PNG, Australia-Fiji & Australia-Pacific business councils, Submission 28, p. 2.
that proactive communication from Canberra. We’re very, very happy to be involved. Something to keep in mind is that when we compare Australia’s performance in this area to New Zealand we are outshone, frankly, by what the Kiwis do up in Fiji.41

2.26 In recent years some Australian companies with history of operating in the region have also re-assessed their business models and made changes to their operating profile in the region, according to the Australia-PNG, Australia-Fiji and Australia-Pacific business councils.42

2.27 The councils submitted examples of this including Westpac Banking Corporation in 2015 exiting from operating in five countries (Cook Islands, Samoa, Solomon Islands, Tonga and Vanuatu), ANZ Banking Group exiting retail banking in Papua New Guinea in 2019, and Australian insurance companies changing their insurance underwriting arrangements in part because of recent major cyclones in the region changed the risk.43

Some companies have transferred the management oversight of their Pacific operations from Australia to New Zealand or Singapore effectively putting them at arm’s length from Australian business although this may not have been the intention. However, we have also seen some companies (eg: ANZ PNG) move management oversight to Australia.44

Overcoming poor internet and dated IT hardware in the Pacific

2.28 After being approached by a Fijian business in 2019, the Director of an Australia software company, Connect Direct Pty Ltd, Mrs Robyn Peters, relayed her company’s positive experience of providing its medical software Direct Control to medical centres in Fiji. Zens Medical Centres used it for administration and clinician purposes in Nadi and three other locations in Fiji. The experience highlighted to Mrs Peters the importance of physically being able to travel to Fiji to support and help the medical centre make the transition.

41 Ms Allison Haworth West, Australia Fiji Business Council, Committee Hansard, 2 November 2020, pp. 3-4.

42 Australia-PNG, Australia-Fiji & Australia-Pacific business councils, Submission 28, p. 2.

43 Australia-PNG, Australia-Fiji & Australia-Pacific business councils, Submission 28, p. 2.

44 Australia-PNG, Australia-Fiji & Australia-Pacific business councils, Submission 28, p. 2.
We had to reduce our pricing because the biggest problem that they have—is the infrastructure. They don’t have the tier one computers or the levels of what we have [in Australia]. You can’t rely on internet for many reasons…but we managed, over a 12-month or even a six-month period, to get it started.45

2.29 Direct Control was installed at the Nadi head office with remote access for all of Zens Medical Centre’s staff, along with a Fiji Revenue and Customs Service point of sale facility. There were also 140,000-plus patient records scanned into the program.

[Zens Medical Centre] went from totally paper to paperless. The doctors could sit in their rooms and do pathology requests, radiology requests and get the results back, the reports, all without paper at all, just through using a system. The system happens to be called Direct Control, but it’s purely the system that works. He can, say, click a button and know exactly how much revenue he has earned today.46

Cairns as a business gateway to the Pacific

2.30 Cairns Regional Council highlighted the North Queensland city’s potential for activating greater trade capacity through Cairns’ air and sea ports into the Pacific. These links bolster Cairns’ strong business connections with Pacific nations and why it is home to Tradelinked Cairns-PNG-Pacific, a regionally focused network established to facilitate the engagement of businesses trading between Cairns and Pacific neighbours. Furthermore, Cairns also hosts 12 foreign consulates.47

Tradelinked Cairns-PNG-Pacific also hold monthly networking events in Port Moresby, regularly attracting around 150 businesses with an interest in trade with Australia via Cairns. Bougainville and the Solomon Islands are also regions engaging in reciprocal activity between business groups and Tradelinked Cairns-PNG-Pacific.48

2.31 Cairns air and sea ports exported 730,210 tonnes in 2017-18 to countries which are signatories to the PACER Plus, according to the Regional Council.

45 Mrs Robyn Peters, Connect Direct Pty Ltd, Committee Hansard, 2 November 2020, p. 7.
46 Mrs Robyn Peters, Connect Direct Pty Ltd, Committee Hansard, 2 November 2020, p. 7.
47 Cairns Regional Council; Submission 1, p. 3.
48 Cairns Regional Council; Submission 1, p. 3.
These exports included telecommunications equipment, electrical machinery, aircraft and equipment, ships/boats and floating equipment. Additionally, the figures almost triple to 2,184,106 tonnes in the same period with the inclusion of other Pacific island nations which are not PACER Plus signatories, such as PNG and Fiji.\(^{49}\)

2.32 In terms of investment, the Regional Council submitted the value of land acquisitions from PNG in Cairns over the 2016/17 and 2017/18 financial years was $3,793,248, which represents 2.3 per cent of the total foreign land acquisition for that period.\(^{50}\)

**Papua New Guinea dominates Australia’s trade with the Pacific**

2.33 The concentration of trade with Papua New Guinea is even greater when just looking at Australia’s imports from Pacific island countries, with PNG accounting for 94 per cent of total imports, according to DFAT. These figures are dominated by mineral imports from PNG, including gold. Fiji is the only other significant source of imports, accounting for 4 per cent of total imports from Pacific island countries.\(^{51}\)

2.34 Australia’s trade relationship with PNG is underpinned by significant Australian business investment, according to the Department of Industry, Science, Energy and Resources (DISER).

Australian companies invested $17 billion into PNG in 2018, with some 4,600 Australian firms doing business there. This strong investment relationship has been driven by the resources sector with many Australian companies having a long history of operating in PNG.\(^{52}\)

2.35 DISER described Australian investment in PNG’s resources and energy sector as extensive and multifaceted.

Australian companies have holdings in four of the eight major mines operating in PNG, and have significant interests in oil and gas operations. Australia is also a leading player in the delivery of resources infrastructure in

\(^{49}\) Cairns Regional Council; *Submission 1*, p. 4.

\(^{50}\) Cairns Regional Council; *Submission 1*, p. 4.

\(^{51}\) Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, *Submission 14*, p. 10.

PNG, with numerous companies and expatriate workers operating in the light manufacturing and mining service delivery sectors.\textsuperscript{53}

2.36 DISER noted the largest Australian industrial and resources exports to PNG are crude petroleum, civil engineering equipment and parts.

...major imports to Australia from PNG are gold, crude petroleum, silver and platinum. Accounting for most of Australia’s imports from PNG are gold ore imports that are processed further in Australia and then re-exported.\textsuperscript{54}

2.37 DISER also noted the growing international interest in PNG and warned of the impact on Australian businesses and the need for continued Australian government efforts to ‘strengthen resources engagement with PNG’ to promote sustainable growth in the sector.\textsuperscript{55}

...Australian interests are competing in PNG against a growing number of trade and investment interests from other major international players. This rapidly changing global business landscape, against the backdrop of political and regulatory challenges and uncertainty caused by PNG tariff increases and proposed foreign investment regulatory amendments, means that the PNG economic environment can be challenging for Australian business. Continued Australian government efforts to strengthen resources engagement with PNG necessary to promote sustainable growth for the sector and facilitate opportunities for business.\textsuperscript{56}

The importance of fisheries access fees for smaller Pacific nations

2.38 The Pacific region contains one of the largest exclusive economic zones in the world, according to the Development Policy Centre, and control over the largest sustainable tuna purse seine fishery is through the Parties to the Nauru Agreement (PNA). PNA member countries generate revenues as shown by Figure 2.6 by selling fishing licences and charging fishing access fees to foreign nations.\textsuperscript{57}

...fishing licence and access fee revenue is in the top 3 most important sources of foreign exchange for Kiribati, FSM and Marshall Islands. A comparison of

\textsuperscript{53} Department of Industry, Science, Energy and Resources, Submission 22, p. 6.

\textsuperscript{54} Department of Industry, Science, Energy and Resources, Submission 22, p. 6.

\textsuperscript{55} Department of Industry, Science, Energy and Resources, Submission 22, p. 6.

\textsuperscript{56} Department of Industry, Science, Energy and Resources, Submission 22, p. 6.

\textsuperscript{57} ANU Development Policy Centre, Crawford School of Policy, Submission 52, p. 9.
revenue earned in 2008 and 2016 shows that all PICs have increased their fishing licence revenue over that period, most by more than 200 per cent.\(^{58}\)

**Figure 2.6  Fishing licence and access fee revenues, 2008 & 2016**

Looking at these revenues on a per capita basis, the Development Policy Centre outlined in Figure 2.7 that fishing licences and access fees particularly benefit PICs with smaller and more remote populations such as Tokelau (a dependent territory of New Zealand), Nauru, Tuvalu and Kiribati.\(^ {59}\)

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\(^{58}\) ANU Development Policy Centre, Crawford School of Policy, *Submission 52*, p. 9.

\(^{59}\) ANU Development Policy Centre, Crawford School of Policy, *Submission 52*, p. 9.
Combating illegal, unreported and unregulated fishing

Australia is a key regional surveillance and enforcement partner in the Pacific region, according to the Department of Agriculture, Water and the Environment. Australia’s fisheries engagement is directly supporting the implementation of the Department of Defence’s Pacific Maritime Security Programme, ‘...critical for both Australia’s and Pacific island countries’ maritime domains awareness’.

Australian fisheries authorities have invested heavily for many years in both building our own national capabilities and bolstering regional monitoring, control and surveillance (MCS) capabilities to combat illegal, unreported and unregulated fishing (IUU). Australia provides a range of activities aimed at building Pacific island countries’ capacity to combat IUU. This includes training and cooperative activities involving Australian Fisheries Management Authority (AFMA) fisheries officers and legal and operational support for the implementation of the Niue Treaty Subsidiary Agreement.

International law for sustainable management of Pacific fisheries

The Pacific island countries rely heavily on their fisheries industries and exports for economic security, according to the Department of Agriculture,
Water and the Environment. The department leads Australian Government engagement in Regional Fisheries Management Organisations (RFMOs), which facilitates cooperation in the management of shared fish stocks.  

2.42 The department outlined that Australia’s engagement in the Western and Central Pacific Fisheries Commission (WCPFC) is interlinked to the Pacific Islands Forum Fisheries Agency (FFA), which operates as a ‘…regional bloc to ensure Pacific island countries maintain effective representation’.  

The department’s involvement and leadership in both forums is critical to helping Pacific island countries maximise economic gains while ensuring a sustainable catch. The WCPFC manages the world’s largest tuna fishery, accounting for 55 per cent of the total tropical tuna catch and providing up to 98 per cent of government revenue for some Pacific Island nations.  

Tourism a growing source of trade before COVID-19  

2.43 Before the international travel restrictions put in place to minimise the spread of COVID-19, tourism was one of the largest sources of services exports for several Pacific island countries.

Fiji recorded almost 900,000 visitor arrivals in 2018 and tourism is Fiji’s largest source of foreign exchange – bigger than the combined earnings of their top five merchandise exports combined. Australia is the largest source market for tourists, accounting for over 40 per cent of total arrivals.  

2.44 Executive Committee member of the Australia Pacific Islands Business Council Ms Tessa Price, noted ‘…tourism is almost everything in the Pacific’.  

We know the economic damage. A lot of countries will actually get downgraded, which will also mean it will be more expensive to borrow

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62 Department of Agriculture, Water and the Environment, Submission 9, p. 3.  
63 Department of Agriculture, Water and the Environment, Submission 9, p. 3.  
64 Department of Agriculture, Water and the Environment, Submission 9, p. 3.  
65 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 10.  
money. With the borders still shut, the tourism economies of Fiji, Cook Islands, Vanuatu, Samoa and, to a lesser extent, Tonga have not had any travellers since April [2020].  

2.45 Professor Stephen Howes, the Director of the ANU’s Development Policy Centre identified that the one area of trade before the COVID-19 pandemic that was very important for much of the Pacific was tourism.

You can see that Fiji is the tourism giant, but Vanuatu, Samoa and Palau are also countries where tourism is important and where it constitutes the bulk of their exports. We’re not talking about the export of goods; we’re talking about the export of services, in particular tourism.

2.46 Acting Assistant General Manager of Austrade’s International Branch Mr Dan Williams, highlighted Australia’s role with the Fijian tourism sector.

Australian inputs to what is that key earner are really essential. Whether it’s a providoring side, whether it’s room-booking systems, whether it’s a desal plant — because they’re out on an island — or a diesel generator, these are all critical inputs to what is one of the country’s core offerings and core earners.

2.47 Tourism was a major export sector for Vanuatu, with 115,000 visitor arrivals by air and almost 235,000 arrivals by cruise ship in 2018. Half of the air arrivals and about 80 per cent of cruise arrivals come from Australia.

2.48 According to the ANU Development Policy Centre island nations such as Palau, Vanuatu, Samoa, and Fiji are more reliant on tourism for their exports as shown in Figure 2.8 as compared to PNG and the Solomon Islands that rely on the export of their natural commodities such as gold or timber.

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68 Ms Tessa Price, Australia Pacific Islands Business Council, Committee Hansard, 2 November 2020, p. 6.

69 Professor Stephen Howes, ANU Development Policy Centre, Committee Hansard, 18 June 2020, p. 2.

70 Professor Stephen Howes, ANU Development Policy Centre, Committee Hansard, 18 June 2020, p. 2.

71 Mr Dan Williams, Austrade, Committee Hansard, 27 February 2020, p. 2.

72 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 10. Using Vanuatu National Statistics Office (October 2019)
Figure 2.8  Exports (goods & services) and tourism as proportion of GDP

ANU Development Policy Centre, Submission 52, p.7; World Bank exports/GDP & Tourism receipts

Do fears of violence hamper Papua New Guinea tourism

2.49  With respect to Papua New Guinea tourism and COVID-19 travel restrictions aside, it was not correct to say there was zero tourism in PNG before 2020, according to the President of the Australia PNG Business Council, Mr Mark Baker.

2.50  ‘The perception of PNG being a violent and dangerous place does hold back tourism…’\(^{73}\) and despite unsavoury criminal acts and even tribal violence occasionally, Mr Baker stated he has travelled the country with his young family when they visit.

   It’s also, I’d suggest, not correct that it’s entirely unsafe to travel. My family all come from Australia at least once a year and we travel extensively around PNG. Tourism here is small and bespoke. I absolutely agree with you that, actually, there is a huge untapped potential for tourism in PNG, but I would suggest that PNG will never be able to go down the route of Fiji. PNG will be a more bespoke type of tourism—more experiential, if you like. For example, there are the Conflict islands, which are repositioning themselves now cruise ships no longer go there, and there is quite an extensive local tourist arrangement which is going on.\(^{74}\)

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2.51 Mr Baker described violence in Papua New Guinea as multifaceted.

It’s extraordinarily complex. Some of it is simply a question of criminal activity, which is really people who don’t have much wanting to get things that other people have. So, really, that’s when you talk about raskols.75

2.52 Mr Baker believed before the pandemic struck in 2020 that the PNG government was trying different things to drive tourism.

One was to have direct flights from Cairns into Kokopo—it is generally safer in East New Britain—and avoid Port Moresby. Port Moresby will never be a tourist destination to speak of. When I describe those two types of violence, Port Moresby is much more around the criminal element rather than the purely tribal.76

2.53 PNG has a future in tourism away from Port Moresby, including trekking the popular World War Two Kokoda Trail, according to Mr Baker.

I think the future for tourism is going to be around tourist hubs in areas which are generally perceived to be safer than Port Moresby and building upon that. It was tried a few years ago. It didn’t really go anywhere, and, again, I think it’s probably still because of the perception of PNG in general. There is no easy solution to the lawlessness in PNG. It’s a capability piece amongst the Papua New Guinean police. It’s a resourcing issue. I think the Australian partnership on the ground certainly helps, but that is really pretty much focussed on Port Moresby and Lae.77

**Australian investment in the Pacific**

2.54 Australia is also a significant source of investment for Pacific island countries. Although data is patchy, Australian investment in Pacific island countries was valued at around A$18,466 million at the end of 2018.78

2.55 According to the Australian Bureau of Statistics’ *International Investment Position 2018*, Papua New Guinea was by far the largest investment destination with A$16,889 million. Fiji accounted for A$1,348 million,

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78 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, *Submission 14*, p. 10.
Vanuatu A$105 million, Samoa A$60 million, New Caledonia A$40 million, Cook Islands A$13 million, and Kiribati A$11 million.79

2.56 DFAT outlined that investment is a necessary component in stimulating trade between Australia and the Pacific island countries.80

Like Australia, Pacific island countries rely on foreign direct investment as a key driver of long-term economic growth and development. Pacific island countries have small populations, small revenue bases and relatively high investment needs compared with larger markets or more densely populated countries. While Papua New Guinea has attracted investment in large resource projects, economic growth in Pacific island countries has been impeded by relatively small capital inflows and poorly developed and relatively opaque financial markets.81

2.57 Mr Peter Taylor, the Immediate Past President of the Australia Papua New Guinea Business Council believed that the 1991 Agreement (No. 38) between the Australian and PNG governments for the promotion and protection of investments had helped encourage significant Australian investment.

What I think has made investment, particularly large investments, in Papua New Guinea more palatable despite all the issues is the fact that we have a treaty with PNG that more or less discourages expropriation of Australian company assets. That’s very important, and there is talk of renegotiating or looking at the treaties we have with Papua New Guinea. If that’s the case, I certainly hope that stays in.82

2.58 Mr Taylor would also welcome further protections in dispute mediations for investors in any new treaties.

The other thing I think would help is, if there is to be a new look at treaties, to include the rights of Australian investors in Papua New Guinea—and some pretty big investments go in there, billions of dollars’ worth—and have a provision that allows any dispute, and the resolution thereof, to go to a third country. Singapore’s a bit of a favourite. There have been problems in this area

79 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 10.
80 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 11.
81 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 11.
82 Mr Peter Taylor, Australia PNG Business Council, Committee Hansard, 2 November 2020, p. 17.
where you find yourself before PNG courts only and that does in some cases discourage investors.\textsuperscript{83}

2.59 Mr Taylor raised currency manipulation of the PNG Kina as a concern.\textsuperscript{84}

Currency manipulation as occurs in PNG is an impediment to investment because;

- A. The PNG Kina is overvalued which discourages bringing hard currency into PNG. An investor is taking a discount on the way in and out, if in fact hard currency is available to repatriate.

- B. One consequence of A is a hard currency shortage in PNG thus limiting the ability of local businesses to fund foreign sourced inputs to local production. It also restricts the ability of foreign businesses to remit dividends because hard currency cannot be sourced.

- C. The result is de facto exchange controls which discourages foreign investment. Australia should look at using Export Finance Australia to provide a hedge for Australian overseas investors in ‘soft’ currency jurisdictions. Longer term something akin to Special Drawing Rights based on the Australian and/or New Zealand currency to underpin Australian Pacific investment.\textsuperscript{85}

2.60 Dr Stephen Nash, who has an extensive experience as an institutional fund manager with direct experience in PNG, submitted there are two main initiatives that are required to ‘…assist the private sector, specifically, the institutional superannuation community, to increase investment in the Pacific region’.\textsuperscript{86}

2.61 Dr Nash believed these two initiatives are required to ‘…alleviate some problems that are apparent in terms of investment in the Pacific’, which are as follows:\textsuperscript{87}

- Lack of institutional investor knowledge of the Pacific: Even though Australia is physically adjacent to Pacific region, hereafter ‘the region’, most institutional investors are focussed on developed world, and emerging market investments, which are far from the region. While the

\textsuperscript{83} Mr Peter Taylor, Australia PNG Business Council, \textit{Committee Hansard}, 2 November 2020, p. 17.

\textsuperscript{84} Mr Peter Taylor, \textit{Answers to Questions on Notice, Submission 56}, p. 1.

\textsuperscript{85} Mr Peter Taylor, \textit{Answers to Questions on Notice, Submission 56}, p. 1.

\textsuperscript{86} Dr Stephen Nash, \textit{Submission 18}, p. 3.

\textsuperscript{87} Dr Stephen Nash, \textit{Submission 18}, p. 3.
region has vast potential and while it also has a strong strategic alignment with Australia, the level of knowledge remains low…, and

- Market failures in the Pacific: Australian institutional investors face three main risks, or market failures, which require government intervention to address...\(^88\)

2.62 Dr Nash outlined in order to assist the Australian Government, in terms of developing the Pacific region, ‘…institutional investors first need to acquire knowledge of the Pacific, especially of PNG’.\(^89\)

While large potential rewards await investors, the strategic risks for investors are large, and the strategic risk for Australia remains elevated. In order to unlock the potential rewards, and to moderate risk, a long-term, strategic, approach is needed to be initiated by the Commonwealth government. Even if this approach was adopted, the requisite knowledge of the Pacific needs to be acquired, and then several market failures need to be addressed. Accordingly, the Commonwealth government will need to take steps to work cooperatively with institutional investors, so as to gradually alleviate knowledge deficiencies and to address these failures.\(^90\)

2.63 Dr Nash outlined the vast trillion-dollar size of the pool of private-sector capital in Australia that’s ‘ready, willing, and able, to invest’ in regional infrastructure.\(^91\)

Specifically, the Australian institutional superannuation market is very large, at around $2.5 trillion. As investors begin to appreciate the benefits of infrastructure investment, the search for ‘good’ infrastructure projects is, among other things, pushing new transaction yields lower and lower around the world.\(^92\)

Yet, despite the demand for infrastructure projects by the large Australian superannuation sector, virtually no institutional investor is looking to the Pacific for infrastructure investment opportunities. In many ways, the Pacific

\(^88\) Dr Stephen Nash, Submission 18, p. 3.
\(^89\) Dr Stephen Nash, Submission 18, p. 3.
\(^90\) Dr Stephen Nash, Submission 18, p. 3.
\(^91\) Dr Stephen Nash, Submission 18, p. 5.
\(^92\) Dr Stephen Nash, Submission 18, p. 5.
constitutes an investment vacuum, which the institutional investor must traverse, so as seek infrastructure opportunities elsewhere.\textsuperscript{93}

**Linkages between Australia and the Pacific**

2.64 The Australian Government, according to the Department of Foreign Affairs and Trade, is ‘increasingly working with the Australian private sector, civil society and Pacific diaspora communities to build linkages to create opportunities for Australian businesses and investors in Pacific island countries. Australian businesses are already operating across the Pacific in a range of sectors, including construction, energy, healthcare and education’.\textsuperscript{94}

For example, there are 4,400 Australian businesses doing business in Papua New Guinea, and 3,300 in Fiji. The Government’s Pacific Labour schemes are also building strong linkages between the Australian private sector and Pacific island countries.\textsuperscript{95}

2.65 Australia, according to DFAT, is an active regional and multilateral player on trade and economic issues. Australia engages with other donors to, and trading partners of, Pacific island countries.\textsuperscript{96}

We are supporting effective implementation of the PACER Plus agreement, recognising its significant potential to deliver vast benefits to the region. We are also supporting the sustainable development of industries where the Pacific has a comparative advantage, such as tourism.\textsuperscript{97}

**Pacific diaspora, employment and labour mobility**

2.66 Dr Newton Cain the Project Lead from the Griffith Asia Institute’s Pacific Hub outlined that most Pacific islanders, aside from those living in Fiji, are

\textsuperscript{93} Dr Stephen Nash, *Submission 18*, p. 5.

\textsuperscript{94} Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, *Submission 14*, p. 6.

\textsuperscript{95} Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, *Submission 14*, p. 6.

\textsuperscript{96} Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, *Submission 14*, p. 6.

\textsuperscript{97} Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, *Submission 14*, p. 6.
more concerned about the transport infrastructure to get their agricultural produce to market than the potential for e-commerce.

…in Pacific island countries the predominant economic and livelihood activity that people are engaged in is agriculture and what is sometimes referred to as a subsistence-plus livelihood—that is, providing for yourself and your family and then generating a surplus to sell, whether domestically or for export.98

2.67 Australia is one of the major destinations for migrants from the Pacific, according the ANU Development Policy Centre and Figure 2.9.

There are around 130,000 Pacific islander-born residents in Australia, compared to 156,000 in New Zealand, and 185,000 in the United States. Yet Pacific islander-born migrants are a very small proportion of the overall population in Australia at 0.6 per cent, compared to 3.3 per cent in New Zealand.99

2.68 The Development Policy Centre highlighted there has been no dedicated permanent migration pathways to Australia for Pacific Islanders.100

Australia’s policy focus on skilled migration has favoured migrants from Fiji – around 61,500. Most Pacific islander-born residents in Australia have entered via the New Zealand Special Category Visa pathway due to long-existing opportunities for Polynesians to migrate to New Zealand and become New Zealand citizens.101

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98 Dr Tess Newton Cain, Griffith Asia Institute, Committee Hansard, 2 November 2020, p. 9.
99 ANU Development Policy Centre, Crawford School of Policy, Submission 52, p. 11.
100 ANU Development Policy Centre, Crawford School of Policy, Submission 52, p. 11.
101 ANU Development Policy Centre, Crawford School of Policy, Submission 52, p. 11.
Figure 2.9  The three major destination countries for Pacific islanders

ANU Development Policy Centre, Submission 52, p.12; NZ Stats, ABS, US Census Bureau & OECD DIOC

2.69 Professor Stephen Howes from the ANU’s Development Policy Centre identified Australia as one of three major destinations for Pacific Islanders, alongside New Zealand and USA.

…but it’s a very small proportion of the Australian population. It’s less than half a per cent. In particular, the composition of Pacific migrants to Australia is very skewed in favour of Polynesia. That’s Polynesia, which is Samoa and Tonga mainly. The small one is Melanesia and Micronesia, which is PNG and the Solomons.102

2.70 Professor Howes explained the anomaly of Polynesian migration being so much higher than from Melanesian countries was due to New Zealand being a gateway to Australia for Tongans and Samoans than Solomon Islanders.

That’s a very surprising result because the Melanesian countries are so much bigger. In fact Australia, historically, has had a closer relationship with Melanesia in particular; PNG used to be an Australian colony. But the reason for this is really New Zealand. New Zealand has given a lot of access to Polynesian countries and they have then become New Zealand citizens and then migrated to Australia. So that has benefited Polynesia, but there has been

102 Professor Stephen Howes, ANU Development Policy Centre, Committee Hansard, 18 June 2020, p. 3.
no similar route to benefit Melanesia and Micronesia....The good news is that Australia is now providing more labour market opportunities to the Pacific, and Melanesia, in particular Vanuatu are taking advantage of this and so we are now providing more remittances. And these Melanesian countries that have large levels of unemployment and low levels of remittances really need these labour mobility opportunities.103

**Figure 2.10 Diaspora in Australia from Polynesia, Melanesia & Micronesia**

![Graph showing population size of diaspora in Australia from Polynesia, Melanesia & Micronesia.]

The Development Policy Centre also contrasted the numbers of migrants in Australia from Samoa compared with PNG with Figure 2.10 above highlighting that many more Polynesian migrants are living in Australia than from Melanesia and Micronesia.

Samoa has a population of 198,000 and was a former New Zealand colony; PNG has a population of almost nine million, and was a former Australian colony. However, there are 24,000 Samoan migrants in Australia and 21,000 from PNG.104

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103 Professor Stephen Howes, ANU Development Policy Centre, *Committee Hansard*, 18 June 2020, p. 3.

104 ANU Development Policy Centre, Crawford School of Policy, *Submission 52*, p. 11.
New Zealand’s more accessible visas for Pacific Islanders have led to a much higher percentage of its population with Pacific Islander origins than in Australia.

At the time of the 2018 New Zealand Census, the Pacific diaspora population was estimated to be 381,642 (8.1 per cent of the overall population), in comparison to the Pacific diaspora in Australia which was 265,796 (1 per cent of the overall population). Around 85 per cent of the Pacific diaspora in Australia is of Polynesian ancestry, predominantly Samoan, Fijian and Tongan (Figure 2.11).\(^\text{105}\)

The World Bank Group and International Finance Corporation submitted that Pacific island countries face ‘unique constraints to economic growth that result from a combination of smallness, isolation, and dispersion’.\(^\text{106}\)

Demographic trends put additional pressure on the job market, with many Pacific island countries, especially those in Melanesia, witnessing rapidly growing populations along with a ‘youth bulge’. In this context, domestic employment growth is not taking place rapidly enough to absorb all new entrants, especially for low-skilled workers who are more likely to be poor.

\(^{105}\) ANU Development Policy Centre, Crawford School of Policy, Submission 52, p. 12.

\(^{106}\) World Bank Group & International Finance Corp; Submission 12, p. 4.
Tonga, for example, there are an estimated 250 – 300 formal sector jobs created annually compared to 2,000 – 3,000 new labour market entrants.\footnote{World Bank Group & International Finance Corp; \textit{Submission 12}, p. 4.}

2.74 A history of labour mobility opportunities have long provided Pacific Islanders with a means to gain employment, skills and an income where such opportunities are not available domestically, according to the World Bank Group.\footnote{World Bank Group & International Finance Corp; \textit{Submission 12}, p. 4.}

Many countries in Polynesia and Micronesia already have a successful history of engaging with labour mobility and migration opportunities. Large overseas diasporas have helped these countries avoid the ‘youth bulge’ affecting parts of Melanesia while also generating remittance income and business opportunities for those that remain.\footnote{World Bank Group & International Finance Corp; \textit{Submission 12}, p. 4.}

2.75 The ANU Development Policy Centre reiterated from its economic research that the populations of Pacific island countries (PICs) are ‘young and characterised by high levels of underemployment’.\footnote{ANU Development Policy Centre, Crawford School of Policy, \textit{Submission 52}, p. 3.}

2.76 Ms Tessa Price, on the Executive Committee of the Australia Pacific Islands Business Council stressed the importance of Australia’s labour mobility programs to help the economies of Pacific island countries.

We have high levels of unemployment and Fijians and Vanuatuans can go and earn in six month’s time what it takes two years to earn if there actually was a job in their country. I know that they’re exceptionally keen, and the governments also know that the remittances that the seasonal workers send home can equate to up to 25 per cent of a Pacific islander’s disposable income as well. It’s a huge economic driver. In countries like Tonga, it can be up to 40 per cent. So they’re very keen and they know the value of the Seasonal Worker Program in Australia.\footnote{Ms Tessa Price, Australia Pacific Islands Business Council, \textit{Committee Hansard}, 2 November 2020, p. 15.}

2.77 The Australia labour mobility program could be extended further, according to Ms Price.
I welcome the fact that there’s an annual review of it. We have fruit pickers. But if you think about aged care and what’s happened in Australia, with the high level of education, English, short courses that people can now do in aged care, there could be an opportunity to extend that further and get high-quality caregivers out of countries like Fiji into the Australian market. Rest assured on that front: the Pacific countries and governments are very keen to supply more workers.\footnote{Ms Tessa Price, Australia Pacific Islands Business Council, Committee Hansard, 2 November 2020, p. 16.}

When I went back to Fiji recently, all the seasonal workers were coming back from New Zealand. They had done their time, but they were keen to go back. So they go back, year one, two and three and, by year three, they’ve achieved a lot of goals, whether it’s a fishing boat, a water tank or whatever it happens to be, for their village back home. They’re invaluable programs that I encourage the Australian government to keep supporting.\footnote{Ms Tessa Price, Australia Pacific Islands Business Council, Committee Hansard, 2 November 2020, p. 16.}

2.78 Drawing upon the UN World Population Prospectus’ 2020 estimates, the Development Policy Centre noted that ‘54 per cent of the PIC population (including Timor-Leste) are aged under 25 creating what is referred to as a “youth bulge”.’\footnote{ANU Development Policy Centre, Crawford School of Policy, Submission 52, p. 3.}

Formal sector employment opportunities are limited; PICs are not creating enough formal sector jobs to meet demand. For example, in PNG 87,000 people enter the labour force each year and are competing for just under 12,000 formal sector jobs created annually. A similar mismatch between demand and supply is present in Kiribati, Solomon Islands, Tonga, and Vanuatu. Of course, in developing countries most workers are engaged in the informal economy. But the numbers here show the limited opportunities to move out of the low-productivity informal sector into the formal sector. It is difficult to measure unemployment...definitely underemployment is rife.\footnote{ANU Development Policy Centre, Crawford School of Policy, Submission 52, p. 3.}
Table 2.2  Pacific labour force entrants and formal sector jobs created

<table>
<thead>
<tr>
<th>Country</th>
<th>Labour force entrants (annually)</th>
<th>Formal sector jobs created (annually)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kiribati</td>
<td>3,200</td>
<td>65</td>
</tr>
<tr>
<td>Papua New Guinea</td>
<td>87,000</td>
<td>11,932</td>
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<tr>
<td>Solomon Islands</td>
<td>13,000</td>
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</tr>
<tr>
<td>Tonga</td>
<td>5,600</td>
<td>325</td>
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<td>Vanuatu</td>
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</tbody>
</table>

Source: ANU Development Policy Centre, Submission 52, p. 3; & Pacific Possible Labour mobility: the ten million dollar prize & census data. Submitter cautioned these numbers are approximations only.

2.79 The Development Policy Centre submitted that the Census of Population and Housing data (2016) on labour force status (Figure 2.12) showed that within Pacific Islander communities both males and females were employed full time at a ‘…higher rate than all male and female residents of working age within Australia’\(^{116}\) and in many sectors (Figures 2.13 & 2.14).

While the Pacific Islander community in Australia is relatively small, the population was employed across a diverse range of industries. The top three industries for males were manufacturing (14%), construction (14%), and transport, postal and warehousing (13%). Health care and social assistance stood out as the most prominent industry of employment for females (25%), followed by retail trade (10%), and education and training (9%).\(^{117}\)

2.80 Development Policy Centre Research Officer, Ms Beth Orton, examined where Pacific Islanders were employed in Australia.

Certainly there’s a lot of employment particularly in those aged-care service industries—nursing, health care and social services.\(^{118}\)

\(^{116}\) ANU Development Policy Centre, Crawford School of Policy, Submission 52, p. 13.

\(^{117}\) ANU Development Policy Centre, Crawford School of Policy, Submission 52, p. 14.

\(^{118}\) Ms Beth Orton, ANU Development Policy Centre, Committee Hansard, 18 June 2020, p. 5.
Figure 2.12 Pacific Islander communities and Australian residents, labour force status, aged 15+, sex

ANU Development Policy Centre, Submission 52, p.13 & ABS Table Builder

Figure 2.13 Pacific Islander communities, industry of employment, aged 15+, males

ANU Development Policy Centre, Submission 52, p.14 & ABS Table Build
Dependence on remittances varies across the Pacific

2.81 The ANU Development Policy Centre highlighted Tonga’s dependence on remittances but also that some Pacific island countries such as PNG were much less dependent on remittances.\textsuperscript{119}

2.82 Professor Howes identified the receipt of remittances as where you see the greatest diversity between PICs.

Tonga has the highest ratio of remittances to GDP in the world, but PNG is the third lowest. You see the entire spectrum in the Pacific in terms of remittances.\textsuperscript{120}

\textsuperscript{119} ANU Development Policy Centre, Crawford School of Policy, \textit{Submission 52}, p. 8.

\textsuperscript{120} Professor Stephen Howes, ANU Development Policy Centre, \textit{Committee Hansard}, 18 June 2020, p. 2.
2.83 The Policy Centre outlined that the importance of remittances varied according to the extent to which Pacific countries have been able to build up an overseas diaspora in countries such as Australia and New Zealand.\textsuperscript{121}

Strikingly, for Cook Islands there are 118 per cent more emigrants than residents. A relatively high proportion of Palauans, Tongans, and Marshallese have also immigrated to other countries. These are all countries with full (Cook Islands) or partial (Tonga) access to New Zealand or with full access to the United States (Palau, Marshall Islands).\textsuperscript{122}

2.84 The six countries with the smallest diaspora relative to domestic population according to the Development Policy Centre are: Nauru, Kiribati, Timor-Leste, Vanuatu, Solomon Islands, and PNG.\textsuperscript{123}

…these countries lack special immigration arrangements: their populations have historically been, and largely remain, isolated.\textsuperscript{124}

2.85 Professor Howes explained the great diversity of remittances reflected more upon how many migrants of certain islands lived overseas.

In Cook Islands, you’ve got more Cook Islanders living outside Cook Islands than in Cook Islands, right? Massive diaspora—there are going to be a lot of remittances. Tonga and Samoa are around 50 per cent. Down the other end, Vanuatu, Solomons and Papua New Guinea have very small percentages of their population living overseas and, therefore, are unable to benefit a lot from remittances.\textsuperscript{125}

2.86 Her Excellency Ms Hinauri Petana, High Commissioner in Australia for the Independent State of Samoa welcomed the importance of Australia’s labour mobility schemes such as the Seasonal Worker Programme and the Pacific Labour Scheme to provide work opportunities for Samoans but stressed the schemes are not without problems either.\textsuperscript{126}

Since their implementation we have seen a steady increase in numbers and acknowledge the benefits of these schemes in supporting families and

\begin{footnotesize}
\begin{enumerate}
\item \textsuperscript{121} ANU Development Policy Centre, Crawford School of Policy, \textit{Submission 52}, p. 8.
\item \textsuperscript{122} ANU Development Policy Centre, Crawford School of Policy, \textit{Submission 52}, p. 8.
\item \textsuperscript{123} ANU Development Policy Centre, Crawford School of Policy, \textit{Submission 52}, p. 8.
\item \textsuperscript{124} ANU Development Policy Centre, Crawford School of Policy, \textit{Submission 52}, p. 8.
\item \textsuperscript{125} Professor Stephen Howes, ANU Development Policy Centre, \textit{Committee Hansard}, 18 June 2020, p. 2.
\item \textsuperscript{126} HE Ms Hinauri Petana, High Commissioner, Samoa, \textit{Committee Hansard}, 4 September 2020, p. 6.
\end{enumerate}
\end{footnotesize}
communities back in Samoa, not to mention the positive impact on our foreign exchange, balance of payments and overall liquidity. There are still some areas which require further review to ensure worker welfare is consistently addressed under both schemes. They range from accommodation to contractual issues, insurance and access to superannuation.127

Figure 2.15  Emigrants/Pacific Island resident population

ANU Development Policy Centre, Crawford School of Policy, Submission 52, p. 8 & OECD 2015-16

Australia’s past history of exploitative recruitment

2.87  Senior Research Fellow from Deakin University, Dr Victoria Stead, drew on her SWP-focussed research project Race, Labour and Belonging: Strengthening Rural Workforces and Communities to highlight Australia’s past history with Pacific workers.128

People are often grateful for their employment, and the benefits they have access to, but may also feel that the situations they are in are exploitative or otherwise unequal.129

2.88  Dr Stead claimed SWP workers often articulated to her an awareness of the history of ‘blackbirding’ in Australia – the ‘coercive or exploitative

127  HE Ms Hinauri Petana, High Commissioner, Samoa, Committee Hansard, 4 September 2020, p. 6.

128  Dr Victoria Stead, Submission 13, p. 3.

129  Dr Victoria Stead, Submission 13, p. 3.
recruitment’ of Pacific Islanders to work the cane-fields of Queensland and northern NSW through the 19th century.\textsuperscript{130}  

Workers sometimes invoke a language of ‘modern day slavery’ to describe parallels between the past and their own present experiences. At the same time, the same people may also strongly desire and actively pursue the continuation of their own employment. These facts are not contradictory, but rather reflect the reality of an unequal field in which workers seek to make the best of situations that are nevertheless marked by sharp inequalities.\textsuperscript{131}

**Concerns about exploitation of workers on Kokoda Track tours**

2.89 Dr Stead, drew on her Papua New Guinea research project *War Memories and War Tourism* that local people on PNG’s Kokoda Trail were being impacted by their interactions with region’s growing war tourism industry. Dr Stead found in the context of the trekking industry around the Kokoda Track, local people who describe the ‘...socio-economic inequalities that structure their relations with Australians’.\textsuperscript{132}

Locals who have attempted to enter the industry as operators or trek companies describe the difficulty they face in doing so, because they cannot meet the costs or effectively compete against Australian trekking companies. Here, too, the perception is that the kinds of work available to Papua New Guineans (as porters carrying Australian trekkers’ bags, for example) are more junior, and less profitable kinds of work compared to those available to Australians. Many Papua New Guineans described seeing benefits and profits accruing to outsiders.\textsuperscript{133}

2.90 Dr Stead some local people viewed their own employment challenges, and their interactions with Australian trek companies and trekkers, within the context of Australia’s colonial history in PNG.\textsuperscript{134}

Indeed, awareness of this colonial history is much more widespread and alive for Papua New Guineans than it is for the vast majority of Australian trekkers.

\textsuperscript{130} Dr Victoria Stead, *Submission 13*, p. 3.

\textsuperscript{131} Dr Victoria Stead, *Submission 13*, p. 3.

\textsuperscript{132} Dr Victoria Stead, *Submission 13*, p. 2.

\textsuperscript{133} Dr Victoria Stead, *Submission 13*, p. 2.

\textsuperscript{134} Dr Victoria Stead, *Submission 13*, p. 2.
2.91 Papua New Guineans draw attention to the inequalities and grievances ‘...they see as reflective of this colonial dynamic continuing into the present day’, even as they also pursue and desire participation in the industry.\(^{136}\)

In PNG, porters on the Kokoda Track were highly reluctant to complain because they feared (based on experience and the experiences of those they worked with) that they would not be picked for work on future treks. They described, moreover, a strong compulsion to ‘be friends’ with the Australians whose bags they carried, and to maintain good relations at all costs because the gifts and tips that Australians sometimes give at the end of a trek have become a critical part of people’s livelihood strategies.\(^{137}\)

### Education linkages between Australia and the Pacific

2.92 The Director of the Partnership Development Branch of the Department of Education, Skills and Employment (DESE), Mr Stephen Trengrove-Jones, confirmed education engagement with the Pacific island countries has largely been driven out of DFAT than DESE. As of August 2020, more than half of the Pacific students studying in Australia came from PNG.\(^{138}\)

We work closely with the Department of Foreign Affairs and Trade, which has a number of initiatives in place to support international engagement in the school sector, also through the Asia Pacific Training Coalition...and working with the University of the South Pacific. At present, as at August, we had about 2,200 international students from the Pacific island countries studying with Australian providers on a student visa. Most of them, about 1,100, came from Papua New Guinea and a bit more than 800 came from Fiji—828 students. For the remaining countries, the numbers are...very small and...in part, that reflects the size of the countries and the opportunities and pathways into education for their populations.\(^{139}\)

\(^{135}\) Dr Victoria Stead, *Submission 13*, p. 4.

\(^{136}\) Dr Victoria Stead, *Submission 13*, p. 4.

\(^{137}\) Dr Victoria Stead, *Submission 13*, p. 3.

\(^{138}\) Mr Stephen Trengrove-Jones, Department of Education, Skills and Employment, *Committee Hansard*, 12 November 2020, pp. 4-5.

\(^{139}\) Mr Stephen Trengrove-Jones, Department of Education, Skills and Employment, *Committee Hansard*, 12 November 2020, pp. 4-5.
INQUIRY INTO AUSTRALIA ACTIVATING GREATER TRADE AND INVESTMENT WITH PACIFIC ISLAND COUNTRIES

Figure 2.16  Number of Pacific islander students studying in Australia 2009-19

<table>
<thead>
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<td><strong>Sub-Total</strong></td>
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<td>294</td>
<td>274</td>
<td>279</td>
<td>243</td>
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<td>Northern Mariana Islands</td>
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<td>Palau</td>
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<td><strong>Papua New Guinea</strong></td>
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<td>Wallis and Futuna</td>
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<td><strong>Sub-Total</strong></td>
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<td><strong>Total students</strong></td>
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Figure 2.17  2019 Pacific islander student enrolments in each education sector

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<th>ELICOS</th>
<th>Non-award</th>
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<tr>
<td>Solomon Islands</td>
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<td>0</td>
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<td>0</td>
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</tr>
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<td>Other Pacific island countries</td>
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<td>21</td>
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<td>Other</td>
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<tr>
<td><strong>Papua New Guinea</strong></td>
<td>626</td>
<td>263</td>
<td>428</td>
<td>35</td>
<td>22</td>
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<tr>
<td>American Samoa</td>
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<td>0</td>
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<tr>
<td><strong>Total enrolments</strong></td>
<td>1,064</td>
<td>962</td>
<td>523</td>
<td>74</td>
<td>49</td>
</tr>
</tbody>
</table>

Department of Education, Skills and Employment, Submission 31, Attachment D, p. 21
2.93 DESE submitted that the number of Pacific islander students studying in Australia is ‘…very small, representing approximately 0.31 per cent of the total 758,154 international students as at December 2019’.140

Pacific island student numbers have been steadily increasing over the last 10 years, from 1,316 in 2009 to 2,349 in 2019. Only 312 students (13 per cent) of the Pacific islander student cohort came from PACER Plus countries in 2019 – the majority (86 per cent) came from Papua New Guinea (1,251 students) and Fiji (779 students).141

2.94 Dr Wesley Morgan, Adjunct Research Fellow at the Griffith Asia Institute highlighted that Fiji is a slight exception to most Pacific island countries due to Fijians having much better access to reliable internet and higher education.142

Fiji is and has long been on the undersea cable that connects the United States to Australia and New Zealand, so it has good, fast internet, and it has a well-educated and urban workforce and lots of people who have IT skills. So there are internet service providers. There are web designers. I think ANZ has a call centre based in Suva. Fiji does have some competitive capabilities in IT, but I would say that Fiji is something of an exception in the region in that regard. It has that unique set of circumstances going on.143

2.95 The New Caledonia Government outlined its own improved education linkages with Australia after a Memorandum of Understanding (MoU) was signed April 2020 between the South Province and the NSW Department of Education International.144

The MoU includes:

- teacher professional development programmes organised by DE International;
- collaboration between schools in the two jurisdictions that may include:
  - exchanges of teaching methodologies or curricula,

140 Department of Education, Skills and Employment, Submission 31, p. 16.
141 Department of Education, Skills and Employment, Submission 31, p. 16.
142 Dr Wesley Morgan, Griffith Asia Institute, Committee Hansard, 2 November 2020, p. 10.
143 Dr Wesley Morgan, Griffith Asia Institute, Committee Hansard, 2 November 2020, p. 10.
144 New Caledonia Government, Submission 17.1 – Supplementary Submission, Questions on Notice, p. 4.
– digital collaborative activities, including professional learning for staff or project-based learning for students,
– visits by teaching staff between schools.145

Australia Pacific Training Coalition

2.96 The Australia Pacific Training Coalition (APTC) is Australia’s flagship education and skills investment in the Pacific, according to DFAT. APTC delivers Australian qualifications at Certificate III, IV and Diploma levels to Pacific islanders from 14 countries across five campuses in Fiji, PNG, Samoa, Vanuatu and Solomon Islands.146

The APTC works with the Pacific Labour Facility, that administers the Pacific Labour Scheme (PLS) on behalf of DFAT, to match APTC graduates to PLS Approved Employers.147

Both Seasonal Worker Programme (SWP) and PLS workers are able to access Add-on Skills Training which includes basic training in First Aid, English and IT skills. This is provided at no cost to participants.148

Qualifications are available in the automotive, manufacturing, construction and electrical, tourism, hospitality, health and community sectors. APTC has made a significant contribution towards creating a skilled and competitive Pacific workforce. More than 1,200 Pacific Islander graduates enter the workforce each year with highly regarded qualifications. APTC had trained and graduated over 14,800 graduates with Australian qualifications, including over 5,900 women as at 31 July 2019.149

2.97 Mrs Kylie Sterling, Austrade’s Trade and Investment Commissioner Pacific, highlighted a practical example of capability development by a company

145 New Caledonia Government, Submission 17.1 – Supplementary Submission, Questions on Notice, p. 4.
146 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 10.
149 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 25.
CEQ. CEQ have set up in Papua New Guinea and have been working with the Australia Pacific Training Coalition, which is DFAT funded.\textsuperscript{150}

They’ve been training locals to work on the projects that they’ve been winning in the country. What’s exciting about that is they’ve now moved into Fiji and set up an office, and are developing that relationship with the APTC. They’re also now investigating the mobility scheme—so trying to get some of these Pacific islanders coming to their projects in Australia to help develop that link and the capability of having the ticket, the qualifications from the APTC, in their Pacific region, but then also coming and having that practical experience in Australia on the projects and then going back home to work with the Australian businesses there.\textsuperscript{151}

2.98 The ANU Development Policy Centre recommended a strengthened focus on promoting migration opportunities to improve employment outcomes for Australia Pacific Training Coalition (APTC) graduates.\textsuperscript{152}

Recent analysis shows that APTC graduates are increasingly struggling to find employment. Among the roughly half of APTC graduates who do not have a pre-existing employment arrangement to return to, more than one-third are out of work at the time of follow-up tracer surveys, compared to less than 10 per cent at the start of the last decade. The APTC needs to train fewer graduates for domestic markets and more for overseas markets.\textsuperscript{153}

Developing Cairns as an education destination for PNG students

2.99 The Cairns Regional Council submitted that Cairns according to a Deloitte Access Economics, International education and training snapshot, was a ‘key destination for international education’ pre-COVID-19 with 249 international students from PNG enrolled in education locally, also nine from Fiji and three from the Solomon Islands.\textsuperscript{154}

PNG as the third largest source market for enrolments which therefore indicates Cairns is a natural destination for students travelling from the Pacific...The city enjoys an excellent English Language Intensive Courses for Overseas Students (ELICOS) and tertiary offer. With two major universities

\begin{footnotesize}
\textsuperscript{150} Mrs Kylie Sterling, Austrade, \textit{Committee Hansard}, 27 February 2020, pp. 3-4.
\textsuperscript{151} Mrs Kylie Sterling, Austrade, \textit{Committee Hansard}, 27 February 2020, pp. 3-4.
\textsuperscript{152} ANU Development Policy Centre, Crawford School of Policy, \textit{Submission 52}, p. 17.
\textsuperscript{153} ANU Development Policy Centre, Crawford School of Policy, \textit{Submission 52}, p. 17.
\textsuperscript{154} Cairns Regional Council; \textit{Submission 1}, p. 7.
\end{footnotesize}
having a significant presence in Cairns (James Cook University and CQUniversity) there is an opportunity to further grow this sector. Darwin based Charles Darwin University also has a presence in Cairns through the EiiC (Exchange Innovation & Information Centre).

2.100 The Regional Council expected the Pacific Secondary Scholarships program, that commenced in January 2020, to open new opportunities for connections between Cairns and the Pacific.

Building intellectual capacity within Pacific countries (including PNG) is a way to respond to one of the key challenges identified by Pacific leaders and communities themselves, that challenge being to support the growth and promotion of educated populations. Initiatives aimed at addressing this challenge are therefore in direct alignment with the Federal Government’s Pacific Step-up policy.

2.101 The Regional Council believed the Pacific’s education capability and intellectual capacity would be bolstered by the Australian Government offering Commonwealth Supported Places (CSPs) at North Queensland universities to some Pacific students, in addition to CSP allocations to Australian students.

A further opportunity to boost engagement in this regard would be to offer a capped number of Commonwealth Supported Places (CSPs), or equivalent, to prospective students from Pacific nations (including PNG), at universities in Far North Queensland on the proviso they would return to their home countries upon graduation.

2.102 The Regional Council outlined there was also a strong alignment between Cairns’ tertiary institutions and the Australia Pacific Training Coalition, with structures already in place to administer the new Australia-University of the South Pacific partnership worth $84 million over six years from 2019-24. University research projects with the Pacific already exist and there is scope for further engagement.

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155 Cairns Regional Council; Submission 1, p. 7.
156 Cairns Regional Council; Submission 1, p. 7.
157 Cairns Regional Council; Submission 1, p. 7.
158 Cairns Regional Council; Submission 1, p. 7.
159 Cairns Regional Council; Submission 1, p. 7.
160 Cairns Regional Council; Submission 1, pp. 7-8.
2.103 James Cook University (JCU)’s Cairns Institute also has established links with PNG via its Twinning Partnership with the University of Papua New Guinea (UPNG).\textsuperscript{161}

The UPNG-JCU Twinning Partnership is a product of the University of Papua New Guinea and JCU’s desire to work together to expand cooperation and the exchange of ideas, knowledge and expertise in areas of mutual interest…JCU’s Cairns Institute also has a relationship with the University of Technology in Lae, PNG, as well as relationships with education providers in a number of other Pacific Countries.\textsuperscript{162}

2.104 Cairns according to the Regional Council also offers marine training through its Great Barrier Reef International Marine College, and avionics training through the Cairns Aviation Skills Centre, which provides the ‘…opportunity to contribute to the development of South Pacific nations’ capacities in both marine and aviation capabilities’.\textsuperscript{163}

Sources of investment for the Pacific

2.105 DFAT submitted that foreign investment, from Australia and elsewhere, on a business-to-business, bilateral and multilateral basis is ‘…driving growth in infrastructure, information and communications technology (ICT) and resources sectors across Pacific island countries’.\textsuperscript{164}

Outside the resources sectors though, most of this foreign investment is from public sector or multilateral institutions.\textsuperscript{165}

2.106 Department of Industry, Science, Energy and Resources noted the investment statistics between Australia and the other Pacific islands also highlighted the ‘difference in size of the bilateral economic relationships, in comparison to Australia’s relationship with PNG’.\textsuperscript{166}

\textsuperscript{161} Cairns Regional Council; \textit{Submission 1}, p. 8.

\textsuperscript{162} Cairns Regional Council; \textit{Submission 1}, p. 8.

\textsuperscript{163} Cairns Regional Council; \textit{Submission 1}, p. 8.

\textsuperscript{164} Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, \textit{Submission 14}, p. 18.

\textsuperscript{165} Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, \textit{Submission 14}, p. 18.

Australian investment into Fiji, our second largest two-way trading partner in the Pacific was only $1.3 billion in 2017. This then drops to $40 million of Australian investment into New Caledonia, the third largest Pacific trading partner, in 2018.  

2.107 Official Development Assistance (ODA) is a major source of investment in Pacific island countries. Australia invested A$1.3 billion in grants across the Pacific in 2018-19, and a total of A$3.8 billion from 2017-2020.

2.108 Other development partners also invest significant amounts of ODA in the region. According to the World Bank’s World Development Indicators, New Zealand’s development assistance program will provide A$1.3 billion to Pacific island countries over the next three years, while the World Bank and the Asian Development Bank have allocated A$4.4 billion, predominantly in concessional loans, to Pacific island countries over the period 2017 to 2020.

Aid investments present an opportunity for Pacific island countries to finance much needed infrastructure and public services, dealing with many of the constraints that present challenges to the mobilisation of increased levels of foreign investment. Australia works hard to ensure its aid program is coordinated and managed effectively to expand investment opportunities, while being careful to help ensure private sector investment, foreign and domestic, is not crowded out; particularly given the small scale of many Pacific island countries and the limited number of viable investment opportunities.

2.109 DFAT submits that Pacific island countries as a group perform relatively well in attracting foreign investment. For example, in 2018 the average net inward foreign direct investment accounted for 4.5 per cent of GDP, which compares well to the equivalent ASEAN measure of 3.9 per cent of GDP in 2018. However, the picture is mixed across individual countries.

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168 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 13.
169 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 13.
170 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 13.
171 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 13.
2.110 International Business Development Manager for Entura, Mr James Mason, warned that many of the projects in the Pacific were funded through multilateral development banks often working in partnerships but sometimes with different goals to each other.

The fairly active ones are the Asian Development Bank and the World Bank, and also some of the European banks, although less so. Compared to internationally, the Pacific is probably the only region where we see those agencies working together. They are challenged because they’re all trying to achieve their goals and sometimes differing goals, but they do work together in the Pacific. However, the funding stream is a little bit disconnected, so the ability of a country in the Pacific to plan the funding with multiple banks and then put it into a program is a little bit challenging.  

2.111 Mr Mason noted compared to South-East Asia, Australia has a much stronger presence financing projects in the Pacific.

In South-East Asia, they tend to co-fund with other agencies; they will tack onto the World Bank and the ADB. But we do see a change in the Pacific where they are wanting to be much more overt. I think the AIFFP is an example where they are looking to take a leading role and coordinate funding from other bodies to put those countries in the Pacific.  

2.112 Her Excellency Ms Hinauri Petana, High Commissioner in Australia for the Independent State of Samoa stated her government wanted to make it easier for Australian businesses to invest in Samoa.

On investment, we would seek the active promotion of Samoa and the Pacific to Australia’s manufacturing and investment businesses, to allow direct investment into the region. Samoa’s investment landscape has improved considerably in the last 5-7 years with streamlined processes for setting up businesses, including procedures and essential information available online.  

Private sector investment in the Pacific

2.113 For the private sector, DFAT using analysis of investment in the Pacific by the New Zealand Institute for Pacific Research claimed that the determinants of an investment decision rely on at least three features of investment:

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172 Mr James Mason, Entura, Committee Hansard, 18 June 2020, p. 9.

173 Mr James Mason, Entura, Committee Hansard, 18 June 2020, p. 9.

174 HE Ms Hinauri Petana, High Commissioner, Samoa, Committee Hansard, 4 September 2020, p. 5.
the motive for investment (for example, resource, market, efficiency, or strategic-asset seeking – on both the supply and demand sides of the investment deal);

the type of investment (for example, manufacturing or services); and

the investment size (for example, small and medium enterprises or large enterprises).  

Pacific Research identified that openness to trade, income and location have significant effects on FDI inflows. Small size in itself was not found to be a significant barrier to attracting inflows of FDI.

DFAT submitted that Pacific island countries face strong competition in attracting the attention of private sector investors and traders.

On the supply side, the quality of the business environment affects the ability of a country to attract and retain investment, and to harness investment to support sustainable economic growth and development. PACER Plus rules, commitments and cooperative mechanisms in the areas of goods, services and investment have the potential to ensure business environments of Pacific island countries are more transparent, predictable and harmonised with international rules, standards and best practices.

DFAT research undertaken by Pacific RISE in 2018 identified 208 Pacific island enterprises suitable for foreign direct investment, of which 36 were assessed to have real investment potential and seven whose owners were ready to accept external investment partners.

However, foreign direct investment (FDI) also relies on demand for external investment, which is often offered as equity or debt financing and as such may not be attractive to family enterprises or medium-sized businesses that are comfortable with their scale of operations...While the business environments

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175 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 18.

176 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 18.

177 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 13.

178 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, pp. 13-14.

179 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 14.
of Pacific island countries have improved, they remain relatively challenging
to invest in and do business with in comparison to other
countries…Constraints to private sector development, like small size,
reluctance to share equity or take on debt and remote geography can be
exacerbated by weak institutions and governance.180

Infrastructure development in the Pacific

2.116 The Pacific island countries that are members of the World Bank Group have
a combined population of just over 2 million scattered over more than 600
islands.181

These island countries are known for their remoteness and the infrastructure
connectivity is often a challenge. Such remoteness can also be perceived as an
obstacle for investors and companies working across major international
markets. The outer islands in the Pacific, in particular, have limited access to
basic infrastructure, public services and economic opportunities.182

2.117 DFAT agreed that infrastructure will be the critical element of the enabling
environment for business and private sector development in the Pacific.183

Access to affordable and reliable infrastructure increases productivity, reduces
production costs and stimulates private investment. Infrastructure enables
access to markets, employment and critical services such as health, education,
potable water and sanitation.184

2.118 Ms Danielle Heinecke, First Assistant Secretary, Pacific Operations and
Development, DFAT indicated there were lots of synergies between the
development agenda and the trade agenda, and there are ‘lots of ducks lined
up essentially to really take forward that economic and trade agenda’.185

180 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia,
181 World Bank Group & International Finance Corp; Submission 12, p. 5.
182 World Bank Group & International Finance Corp; Submission 12, p. 5.
183 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia,
Submission 14, p. 30.
184 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia,
Submission 14, p. 30.
185 Ms Danielle Heinecke, DFAT, Committee Hansard, 27 February 2020, p. 2.
I think one of the things that really illustrates that is the work that we’re doing in the infrastructure sector, where there is a higher level of small companies that are interested in providing services and commercial arrangements in the Pacific, whether that’s through a PPP, like the Aspen example…or whether that’s in the climate change and energy renewables space.186

2.119 The Asian Development Bank (ADB) report *Meeting Asia’s Infrastructure Needs* estimates that Pacific island countries will require investment in infrastructure of US$3.1 billion annually to 2030, according to DFAT. DFAT submitted that ‘mobilising private investment in infrastructure will be critical to meeting this need’.187

2.120 To help fund the infrastructure need is the Australian Infrastructure Financing Facility for the Pacific (AIFFP), which became operational on 1 July 2019.188

This $2 billion initiative will use grant funding and loans to support transformative infrastructure in Pacific island countries.189

2.121 Mrs Kylie Sterling, Austrade’s Trade and Investment Commissioner Pacific, outlined that the focus of Austrade in the Pacific was around the development of ‘…infrastructure—renewable energy, transport and more around ports and airports—and water’.190

We have great expertise in Australia around remote water solutions. There is also a focus on telecommunications now. There is big investment in the Pacific around data cables et cetera, there are a lot of opportunities around that digital space.191

2.122 Mrs Sterling recalled a forum in Sydney in February 2020 around Pacific investment opportunities.

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186 Ms Danielle Heinecke, DFAT, *Committee Hansard*, 27 February 2020, p. 2.


190 Mrs Kylie Sterling, Austrade, *Committee Hansard*, 27 February 2020, p. 3.

191 Mrs Kylie Sterling, Austrade, *Committee Hansard*, 27 February 2020, p. 3.
We could only fit 160 people in the room, and we were oversubscribed. We had over 50 different Australian businesses that couldn’t make it to that forum, which is a great indication of the interest.\textsuperscript{192}

We have been working closely with the Australian Infrastructure Financing Facility [for the Pacific] and helping them collaborate with the Pacific super funds. There is a lot of money in the Pacific around infrastructure—trying to marry the debt with the equity and getting private business engaged and excited about infrastructure.\textsuperscript{193}

**Improving energy and water infrastructure in the Pacific**

2.123 The generation of utility power in the Pacific is traditionally through diesel power, with larger centralised units in the capital cities and smaller decentralised units in the outer islands, according to Entura, a specialist Australia power and water professional services firm linked with Hydro Tasmania. Entura currently provides renewable energy, water and power engineering services in Australia and the Indo-Pacific.\textsuperscript{194}

2.124 Entura submitted the main exception to diesel power are Tahiti, Samoa, Fiji and Papua New Guinea (PNG) who have access to baseload hydropower, other renewables and indigenous gas, while also using heavy fuel oil systems as part of their energy mix.\textsuperscript{195}

There are some small hydropower projects (under 10MW [megawatts] each) scattered throughout the Pacific. Over the last 5 years there has been an increase in photo voltaic solar battery installations, to reduce the consumption of diesel.\textsuperscript{196}

2.125 Larger power grids in the Pacific face challenges and have outages, according to Entura.

For the larger grids, the transmission networks are often antiquated due to the challenges of developing new lines (such as land acquisition, access, mountainous terrain and tropical vegetation) and as a result suffer from poor

\textsuperscript{192} Mrs Kylie Sterling, Austrade, *Committee Hansard*, 27 February 2020, p. 3.

\textsuperscript{193} Mrs Kylie Sterling, Austrade, *Committee Hansard*, 27 February 2020, p. 3.

\textsuperscript{194} Entura, *Submission 5.1 – Supplementary Submission, Questions on Notice*, p. 1.

\textsuperscript{195} Entura, *Submission 5.1 – Supplementary Submission, Questions on Notice*, p. 1.

\textsuperscript{196} Entura, *Submission 5.1 – Supplementary Submission, Questions on Notice*, p. 1.
reliability, reduced availability and forced outages. Populations are often dispersed, providing challenges for the network to reach all residents, resulting in fewer residents having access to electricity and lower electrification rates.\textsuperscript{197}

2.126 Entura believed the renewable energy projects were economically feasible and provide significant contribution to the governments’ carbon reduction program, however, they are ‘...challenged by reducing diesel prices and increasing cost of enabling technology (energy storage, integrated control systems, UPS, flywheels and resistors) to support high renewable energy penetration outcomes’.\textsuperscript{198}

The diesel cost for a Pacific utility (and thus the government) is a significant component of their budget, with the on-going benefits of avoided diesel costs able to be re-invested into other assets and services.\textsuperscript{199}

We have seen no issues with reliability of renewable energy at this stage, with quality and performance of the equipment increasing. However, the availability of skilled maintenance personnel familiar with renewable hybrid energy systems is limited in the Pacific.\textsuperscript{200}
2.127 Entura’s International Business Development Manager, Mr James Mason, explained that many of the Pacific island countries have announced that they ‘…want to be 100 per cent renewable by a certain date, anything from 2030 to 2040’.  

They’re probably a bit optimistic; however, there has been a significant drive over the last five years to displace diesel. They have an abundance of solar in certain areas and they have an abundance of wind. But every litre that’s displaced is beneficial to the communities. So, definitely, most of the islands have a basic plan, and probably a handful of them are 50 per cent renewable already. That will continue.

2.128 Mr Mason outlined on average about 30 to 40 per cent of the islands in the Pacific have access to small hydropower projects—less than 10 megawatts.

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201 Mr James Mason, Entura, Committee Hansard, 18 June 2020, p. 10.

202 Mr James Mason, Entura, Committee Hansard, 18 June 2020, p. 10.
Some of the bigger islands like Fiji and PNG obviously have large-scale hydropower, but most of the other islands have small grids so they only need a small power source, but they often are quite mountainous so they have that ability to have a head that can generate some electricity. So we find that 30 to 40 per cent of countries in the Pacific would have a small hydro project either in being or proposed...and it would replace the diesel. Most of the Pacific is fuelled off diesel, so every time the hydro facility works the generators can turn off.  

2.129 Access to secure and sustainable energy sources is one particular issue for Pacific island countries that is exacerbated by their geographic isolation and limited natural resources, according to a global technology business Indra.\(^\text{204}\)

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\(^\text{203}\) Mr James Mason, Entura, *Committee Hansard*, 18 June 2020, p. 10.

\(^\text{204}\) Indra Australia, *Submission 25*, p. 9.
This acts as a handbrake on economic growth and adds further difficulty for PICs to maintain reliable and unrestricted access with global markets.\textsuperscript{205}

However, technological developments in renewable energy and smart micro-grids provide potential solutions that are increasingly affordable for small and isolated communities.\textsuperscript{206}

2.130 Managing Director of Indra Australia Pty Ltd, Mr Tehmur Khan Galindo, declared ‘…unrestricted and reliable access to critical utilities, such as energy, through sustainable networks’ as crucial to the development of trade and investment in the Pacific’.\textsuperscript{207}

In this space, Indra is interested in offering smart energy solutions to Pacific Island nations, allowing them to better integrate renewable sources into their networks and to move away from imported fuel sources, such as diesel. Indra’s solution has been a smart energy microgrid to provide a cost-effective approach that optimises the use of renewable sources and which minimises the need for fossil-fuel-generated baseload or expensive storage. One of the key enablers of this solution is smart metering systems. These are being adopted extensively throughout Asia.\textsuperscript{208}

2.131 Entura stated the peak power demands on the Pacific islands were relatively modest and typically at dinner time.

From 10am until 4pm the load is at around 80 per cent demand and tends to drop off at around 8 pm, with a night-time load of around 20-40 per cent.

In the Pacific, 1MW of power will supply around 700 – 2 000 households, with large variability depending on the level of development. Demand in the Pacific is less than 40MW in the capital cities and for, Guam, Tahiti, Fiji and PNG it is typically between 100MW and 250MW.

Demand growth in the Pacific is either driven by population growth and the tourist industry or by small and major industrials or mining developments.\textsuperscript{209}

\textsuperscript{205} Indra Australia, \textit{Submission 25}, p. 9
\textsuperscript{206} Indra Australia, \textit{Submission 25}, p. 9
\textsuperscript{207} Mr Tehmur Khan Galindo, Indra Australia Pty Ltd, \textit{Committee Hansard}, 12 November 2020, p. 9.
\textsuperscript{208} Mr Tehmur Khan Galindo, Indra Australia Pty Ltd, \textit{Committee Hansard}, 12 November 2020, p. 9.
\textsuperscript{209} Entura, \textit{Submission 5.1 – Supplementary Submission, Questions on Notice}, p.2.
2.132 A not-for-profit Australian company jointly established and owned by federal and state governments, eWater Ltd, to further develop Australia’s world-class water modelling tools is warning of the impact of water scarcity in the Pacific.\textsuperscript{210}

2.133 eWater provides modelling tools, technical support, capacity building and a community of practice in:

- Integrated catchment management
- Water resource planning
- River system management and operations
- Stormwater quality modelling
- Urban water management
- Planning environmental water use
- Water management governance\textsuperscript{211}

2.134 Climate induced water scarcity, according eWater, threatens to undermine economic development in many regions of the world, including in the Pacific.\textsuperscript{212}

Rising sea level and storm surges from the more intense and more frequent cyclones are causing increased saltwater intrusion into the freshwater lenses that provide drinking water to the remote low lying coral atoll islands.\textsuperscript{213}

2.135 In the volcanic island nations, especially in Melanesia, eWater outlined how informal urban settlements and isolated communities ‘…often have inadequate water supply and sanitation, leaving people vulnerable to drought and to water borne diseases’.\textsuperscript{214}

In some islands, increased storm surges are causing people to move away from the coast where water and sanitation services are available. With the result that increased investment is needed to relocate services to areas higher on the island where people are relocating their homes.\textsuperscript{215}

\textsuperscript{210} eWater, Submission 19, p. 6.
\textsuperscript{211} eWater, Submission 19, p. 6.
\textsuperscript{212} eWater, Submission 19, p. 1.
\textsuperscript{213} eWater, Submission 19, p. 1.
\textsuperscript{214} eWater, Submission 19, p. 1.
\textsuperscript{215} eWater, Submission 19, p. 1.
3. Strengthening trade, investment, aid for trade and employment links with the Pacific

Introduction

3.1 Representations on how Australia can strengthen trade and investment with Pacific island countries were made to the Sub-Committee at public hearings and in submissions. Greater regional economic integration between Australia and Pacific island countries is seen as important to helping grow trade and drive development in largely rural agricultural-based economies.

3.2 While opinions on the projected benefits of the Pacific Agreement on Closer Economic Relations (PACER Plus) differed, its implementation will be seen as a driver of closer economic integration despite two of the Pacific’s largest economies in Papua New Guinea and Fiji remaining outside of PACER Plus. The Sub-Committee would welcome Australia developing a safe effective travel bubble with the Pacific and New Zealand to help reboot tourism in Pacific island countries hit hard by the COVID-19 pandemic-related travel restrictions. The Pacific bubble would also open up Australia, especially its agricultural sector, to accessing much needed seasonal workers from the Pacific region. Other areas to help strengthen trade with the Pacific are improving biosecurity for Pacific food and timber exports, aid for trade programs, bolstering private sector development and Queensland as a Pacific hub. Australia can take a role in delivering infrastructure projects that provide more reliable and sustainable water and electricity, better transport links, improved health services and affordable internet.
Promoting greater regional economic integration

3.3 The World Bank Group submitted the decline in the share of trade in goods and services between Australia and Pacific island countries between 2008 and 2018, as shown by Figure 3.1, except for the Cook Islands, also highlighted the potential benefits of regional economic integration from the Pacific Agreement on Closer Economic Relations (PACER Plus) trade agreement.¹

While trade in goods and services as a share of GDP for the Pacific countries has grown overall, the share going to Australia has largely declined. This is partly due to increased trade between the Pacific and other trade partners, particularly China, but it points toward the opportunities that PACER Plus can provide to Australia with reduced barriers to trade, investment, and greater avenues for labour mobility.²

Figure 3.1 Total trade in goods and services with Australia as a share of country GDP (Change from 2008 to 2018)

World Bank Group & International Finance Corp; Submission 12, p. 2; using DFAT Trade time series data.

3.4 DFAT described PACER Plus as a comprehensive regional development-centred free trade agreement between Australia, New Zealand and nine

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¹ World Bank Group & International Finance Corp; Submission 12, p. 1.
² World Bank Group & International Finance Corp; Submission 12, pp. 1-2.
Pacific island countries (Cook Islands, Nauru, Niue, Kiribati, Tuvalu, Samoa, Solomon Islands, Tonga and Vanuatu). PACER Plus was agreed in 2017. When PACER Plus enters into force after expected ratification in late 2020, it will be the first trade agreement facilitating regional economic integration open to all Pacific island countries that is comprehensive—covering goods, services and investment. It also has a strong development focus with Australia and New Zealand committing A$25 million in development assistance to help Pacific island countries realise the opportunities of the agreement.³

3.5 The Vice President of the Australia Pacific Islands Business Council, Mr Denis Etournard, as a businessman in New Caledonia highlighted the importance of an Indo-Pacific agreement between Australia, New Zealand and France to help Pacific island countries protect their environment and economies.⁴

It’s very important that we reinforce that agreement. If you look at the green economy and the blue economy, the blue economy is devastated in the Pacific by countries that can’t control their oceans, and it’s creating devastating results on tuna. On the green economy, countries have lost their forests and they’ve damaged forests in the Solomon Islands, in PNG and everything. We have a responsibility to ensure that the future green and blue economy is done well for the populations of the countries. Those are general points: education standards, infrastructure, logistics and green and blue economies.⁵

….we have regions of those European countries that are specialised in green and blue economies for the tropical regions. That’s why we have scientists, research centres and high-development technology businesses being developed, because of the quality of the green and blue economies of the Pacific.⁶

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³ Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, pp. 11-12.
⁴ Mr Denis Etournard, Australia Pacific Islands Business Council, Committee Hansard, 2 November 2020, p. 5.
⁵ Mr Denis Etournard, Australia Pacific Islands Business Council, Committee Hansard, 2 November 2020, p. 5.
⁶ Mr Denis Etournard, Australia Pacific Islands Business Council, Committee Hansard, 2 November 2020, p. 5.
3.6 Dr Wesley Morgan, Adjunct Research Fellow at the Griffith Asia Institute highlighted that while broadly speaking Pacific island countries are really uniquely rural, many islanders want to trade globally.

They have very large numbers of people who are not employed in the formal economy—they’re often working their own land. But that doesn’t mean that these people are not entrepreneurial, innovative and participating in international trade; often they are. In very remote parts of the Pacific, people will still be producing coffee that ends up in cafes in Amsterdam. They’ll be producing high-value, niche chocolates that will be sold into markets around the world. Here there is a link between agriculture and ICT.7

3.7 Dr Morgan believed the Australian Government ‘…really needs to be thinking about how Australia can promote Pacific products into the Australian market as high-value, niche products’.8

Here I’m thinking single-source chocolate and single-source coffee. These things are happening already. To be sure, they’re not likely to be a mass industry in the way that commodity trades of the past have been—things like sugar and copra—but there is a lot of potential when you marry those two things, both agriculture and ICT. The importance of the ICT there is in the marketing and in the helping to ensure that producers themselves understand what the consumers at the Australian end are wanting.9

3.8 Austrade’s Acting General Manager of Government and Partnerships, Ms Margaret Bowen declared prior to COVID-19 pandemic the Pacific was certainly attracting increased attention from the Australian business community and the global business community.10

There is growing investment in the Pacific and increased commercial activity, and emerging technologies are helping to drive business opportunities in the Pacific in a way that previously we couldn’t do.

3.9 The Department of Industry, Science, Energy and Resources (DISER) submitted its relationship with the Pacific region was relatively small and dominated by the resources sector in PNG.11

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7 Dr Wesley Morgan, Griffith Asia Institute, Committee Hansard, 2 November 2020, p. 10.
8 Dr Wesley Morgan, Griffith Asia Institute, Committee Hansard, 2 November 2020, p. 10.
9 Dr Wesley Morgan, Griffith Asia Institute, Committee Hansard, 2 November 2020, p. 10.
10 Ms Margaret Bowen, Austrade, Committee Hansard, 27 February 2020, p. 2.
To achieve growth in trade more broadly, Australia will need to rely on an array of technical and scientific connections to build opportunities for technology adoption and services trade, increase efforts to reduce technical barriers, and influence good regulatory practices that facilitate trade.\textsuperscript{12}

3.10 DISER declared that its broad portfolio was well placed though to contribute to Australia ‘...activating greater trade and promoting sound investment between Australia and the Pacific islands’.\textsuperscript{13}

It has well-established relationships across a range of sectors, including in natural resource management, quality infrastructure, biosecurity risk management and other technical fields. These relationships have the potential to be scaled up, with better linkages to opening up trade and investment flows where possible. The opportunities will be diverse, with digital transformation and the adoption of technology a useful priority that can be leveraged to assist a broad range of sectors and smaller business in accessing global value chains.\textsuperscript{14}

3.11 DISER outlined there were significant opportunities growing trade with Australia’s largest trading partner in the Pacific and for the continued development in the PNG resources sector.

It is believed that there is a vast wealth of resources in PNG left undiscovered as rough terrain and harsh climate makes exploration difficult. Australian companies are well placed to support the development of the PNG resources sector, given their experience operating in rough terrain and in remote and harsh conditions. Major project proposals that are being developed by Australian firms in PNG include the Wafi Golpu copper-gold mine and the Freida-River copper-gold mine.\textsuperscript{15}

3.12 A key insight on the development impact of trade and investment by the World Bank Group was the importance of people to people contact in the Pacific. It builds broad-based connectivity through multiple channels such as in trade, foreign direct investment, labour mobility, telecommunications, the


\textsuperscript{15} Department of Industry, Science, Energy and Resources, Submission 22, p. 6.
internet, and transportation, and it ‘...facilitates the transfers of knowledge and technology that are critical to long-term growth and development’.\textsuperscript{16}

While all these forms of connectivity can enhance knowledge and technology transfers, it should be highlighted that person-to-person contact remains an essential part of facilitating business. Managers need to travel for their businesses and trade and investment is facilitated through personal relationships and local market knowledge. Multiple channels of connectivity complement one another because of the tacit (learning by doing), rather than explicit (contained in books or blueprints) nature of knowledge transfers. People-to-people contact through labour mobility including work programs, overseas studies, and tourism, enhances the knowledge spill-overs by people transferring information between markets and supporting connections to them.\textsuperscript{17}

3.13 The World Bank Group believed linkages between firms in global value chains as well as foreign ownership and management practices can generate local knowledge spill-overs in the Pacific.\textsuperscript{18}

In the Pacific, despite progress made on enhancing connectivity, the region remains among the least connected globally, even when accounting for the physical distance to large markets and other development challenges such as market size and exposure to natural disasters.\textsuperscript{19}

3.14 Australia is also increasing its engagement with other donors and trading partners with interests in the Pacific, according to DFAT, including Japan, Korea, China, the US, the EU, New Zealand and the UK.\textsuperscript{20}

We welcome all investment that supports sustainable development in line with the priorities and ambitions of Pacific island countries, is delivered transparently and aligns with the principles of debt sustainability. As the region’s major bilateral grant development partner, Australia is committed to

\textsuperscript{16} World Bank Group & International Finance Corp; \textit{Submission 12}, p. 2.

\textsuperscript{17} World Bank Group & International Finance Corp; \textit{Submission 12}, p. 3.

\textsuperscript{18} World Bank Group & International Finance Corp; \textit{Submission 12}, p. 3.

\textsuperscript{19} World Bank Group & International Finance Corp; \textit{Submission 12}, p. 3.

\textsuperscript{20} Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, \textit{Submission 14}, p. 17.
greater cooperation and coordination with other development partners to maximise opportunities for the Pacific.\(^{21}\)

### PNG seeks assistance with downstream processing of products

3.15 Deputy High Commissioner of Papua New Guinea in Australia, Mr Sakias Tameo, highlighted trade was an important pillar of the Comprehensive Strategic and Economic Partnership (CSEP) with Australia, and the need for more Pacific products to get to market in Australia.

In PNG, trade is very important. I go to a whole lot of Woolworths and other shopping places here. As I go through the aisles I see so many products made out of coconut. There are drinks and all these other products. Have they come from the Solomon Islands, Vanuatu, Papua New Guinea, Tonga or Samoa? We have so much coconut, yet so many products on the shelves are made somewhere else. These things we have it in our own communities in our own countries.\(^{22}\)

3.16 Mr Tameo outlined the big challenge for PNG as a resource rich country was getting help from partners like Australia to develop its downstream processing industries.\(^{23}\)

That’s why our government is talking about downstream processing. That’s very important. I think that’s more important than development cooperation. Investment in those industries can help in terms of economic stability and performance, improve living standards and so on. I think Pacific island countries could be helped in terms of downstream processing of things like coconuts.\(^{24}\)

3.17 Mr Tameo conceded that PNG and other Pacific countries lack the efficiencies of many South-East Asian countries but they do have the raw materials and manpower to add value to these sought after resources.

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\(^{21}\) Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, *Submission 14*, p. 17.

\(^{22}\) Mr Sakias Tameo, Deputy High Commissioner, Papua New Guinea, *Committee Hansard*, 4 September 2020, p. 16.

\(^{23}\) Mr Sakias Tameo, Deputy High Commissioner, Papua New Guinea, *Committee Hansard*, 4 September 2020, p. 16.

\(^{24}\) Mr Sakias Tameo, Deputy High Commissioner, Papua New Guinea, *Committee Hansard*, 4 September 2020, p. 16.
We definitely can’t compete with Vietnam and all Asian countries. They’re very efficient. We can’t compete with them, but we’ve got the raw materials. If Australia can focus in terms of helping us with our downstream processing, that would help us a lot. As people say, if you teach a man how to fish they will fish for life.

At the moment the Australian investors are so focused on the mining industry, banking and service. They get the money from PNG and come to Australia. We want some diversification to take place. That’s why all the Chinese and everybody else are going in and cutting down the trees and taking them off to Asian countries. All that is happening. If we can have some downstream processing, it can help the communities to maximize gains from their own resources. I think that’s where Australia can really help us. We can look at downstream processing, create employment and so on.

### Importance of labour mobility to the Pacific

3.18 Temporary migration programs provide overseas employment opportunities to low- and semi-skilled workers who according to the World Bank Group would be unable to migrate through skilled migration channels. The World Bank Group stressed these schemes are especially important in countries where other types of migration are limited, such as in Vanuatu and Kiribati.

3.19 At the personal level, income gains for Pacific islanders from such programs were found by the World Bank Group in 2018 to be ‘...several orders of magnitude larger than those generated from domestic employment’.

The average Pacific island worker participating in the Seasonal Worker Programme (SWP) remits approximately $A2,200 and transfers $A6,650 in savings home over a 6-month period. These income gains per worker are significantly larger than those of other employment focused interventions (public works programs, entrepreneurship programs etc.).

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25 Mr Sakias Tameo, Deputy High Commissioner, Papua New Guinea, Committee Hansard, 4 September 2020, p. 16.

26 Mr Sakias Tameo, Deputy High Commissioner, Papua New Guinea, Committee Hansard, 4 September 2020, p. 16.

27 World Bank Group & International Finance Corp; Submission 12, p. 4.

28 World Bank Group & International Finance Corp; Submission 12, p. 4.

29 World Bank Group & International Finance Corp; Submission 12, p. 4.
3.20 The World Bank Group believed that schemes like the Seasonal Worker Programme, Pacific Labour Scheme, and New Zealand’s Recognised Seasonal Employer scheme thereby deliver a true ‘triple win’, benefiting both the receiving and sending country, as well as the migrant worker.\(^{30}\)

3.21 The High Commissioner for New Zealand in Australia, Her Excellency Hon. Dame Annette Faye King told a parliamentary hearing that labour mobility was ‘…absolutely crucial for the Pacific but also for Australia and New Zealand employers’.\(^{31}\)

> We’ve been pleased to be able to work alongside Australia and Pacific partners to build the architecture for labour mobility cooperation. This will be supported by the implementation of the arrangement on labour mobility, which is a unique aspect of the PACER Plus agreement…We see that as a very important part of regional economic integration and development.\(^{32}\)

3.22 The World Bank Group also highlighted Tonga as an example of the national importance of remittances to some Pacific island countries. In 2018 remittances back to Tonga from Tongans working overseas in Australia and New Zealand were ‘equivalent in value to 35.2 percent of GDP—more significant than in any other country’.\(^{33}\)

> Studies have shown that remittances in the Pacific alleviate poverty and raise living standards. While temporary migration is not the solution to domestic development challenges, it can be a safety-value for low or under-employment and provide an avenue for skills and future business development.\(^{34}\)

3.23 With support from DFAT, the World Bank has conducted analytical studies and technical assistance for the expansion of labour mobility opportunities for the Pacific for over the last decade. This work included World Bank support for a pilot for ni-Vanuatu people to work on New Zealand farms in 2006 forming the precursor to the establishment of New Zealand’s

\(^{30}\) World Bank Group & International Finance Corp; Submission 12, p. 4.

\(^{31}\) HE Hon. Dame Annette Faye King, High Commissioner, New Zealand, Committee Hansard, 4 September 2020, p. 4.

\(^{32}\) HE Hon. Dame Annette Faye King, High Commissioner, New Zealand, Committee Hansard, 4 September 2020, pp. 4-5.

\(^{33}\) World Bank Group & International Finance Corp; Submission 12, p. 4.

\(^{34}\) World Bank Group & International Finance Corp; Submission 12, p. 4.
Recognized Seasonal Employer (RSE) scheme and Australia’s more recent Pacific Labour Scheme (PLS), which is managed by DFAT.35

The World Bank’s analytical work has included evaluations assessing the development impacts of Pacific migration; sectoral labour market assessments (aged care, for example); and long-term modelling examining the economic and labour market impacts of migration from the region.36

3.24 The ANU Development Policy Centre submitted the expansion of labour mobility has been the most positive development in the Pacific over the last decade.37

…the Pacific is not a traditional trading region. But decades of experience show that aid is not the solution either. Labour mobility is a private sector activity, appropriate to Pacific characteristics. While we have made a start there is much that can be done to boost Australia-Pacific labour mobility pathways.38

3.25 The First Assistant Secretary, Delivery and Employer Engagement Division, at the Department of Education, Skills and Employment, Ms Margaret Kidd, highlighted that more than 95 per cent of workers in Australia on the Seasonal Worker Programme came from PACER-Plus countries with only a few from Fiji and PNG.

If I look at our figures for 2019-20, we had 9,800 workers and only three per cent were from non-PACER Plus countries, so from Fiji and Papua New Guinea. That’s a very small proportion.39

3.26 The World Bank’s advisory work has centred on knowledge sharing and regional cooperation; supporting labour migration policy frameworks; female participation; and strengthening institutional capacity through direct hands-on support to labour sending units. More recently, the World Bank

35 World Bank Group & International Finance Corp; Submission 12, p. 4.
36 World Bank Group & International Finance Corp; Submission 12, p. 4.
37 ANU Development Policy Centre, Crawford School of Policy, Submission 52, p. 17.
38 ANU Development Policy Centre, Crawford School of Policy, Submission 52, p. 17.
submitted it has also moved to support labour mobility in its lending and operations.\textsuperscript{40}

The Skills and Employment for Tongans project supports recruitment efforts with a focus on disadvantaged households, while also funding skills development and training that is relevant (and importantly, recognized) for temporary migration opportunities overseas. There is potential to extend such support to new areas and to other countries.\textsuperscript{41}

3.27 The World Bank believed more can be done to increase female participation in labour mobility schemes and to ensure that sending households receive appropriate support.\textsuperscript{42}

3.28 The World Bank welcomed the inclusion of more of those islanders living in remote and rural areas of the Pacific to help increase the poverty alleviation impact of temporary migration schemes, with ‘development partners potentially assisting through financing of pre-departure costs using revolving funds or micro-finance programs’.\textsuperscript{43}

Nonetheless, 39 percent of PLS workers are female, a big improvement on the established and the larger Seasonal Worker Programme, where the ratio is 18 percent. Through these labour mobility schemes, in addition to improving domestic investment climate, the hope is that investment and trade opportunities will expand in the PICs.\textsuperscript{44}

\section*{Making remittances to the Pacific more affordable}

3.29 DFAT outlined its commitment to supporting accessible and affordable remittance flows from Australia to the Pacific. The Pacific Financial Inclusion Program, to which Australia contributes funding, works with industry and Pacific banks to link international remittance platforms to bank accounts and integrate mobile money platforms to Vodafone’s international money transfer hub. Australia’s GfG Program in Vanuatu supports e-Wallet

\begin{enumerate}
\item World Bank Group & International Finance Corp; \textit{Submission 12}, pp. 4-5.
\item World Bank Group & International Finance Corp; \textit{Submission 12}, p. 5.
\item World Bank Group & International Finance Corp; \textit{Submission 12}, p. 5.
\item World Bank Group & International Finance Corp; \textit{Submission 12}, p. 5.
\item World Bank Group & International Finance Corp; \textit{Submission 12}, p. 5.
\end{enumerate}
fintech applications for electronic money transfers between phones, including from international locations.\textsuperscript{45}

**Pursuing a Pacific travel bubble with interested countries**

3.30 While travel restrictions remain in place beyond the Australia and New Zealand travel bubble as of early June 2021 due to the much greater impact of the COVID-19 pandemic upon public health internationally, the ANU Development Policy Centre supported the expansion of a Pacific travel bubble outside of Australian and New Zealand’s borders to include willing Pacific island countries. Possible ‘Pacific bubble’ countries include the likes of Fiji, Vanuatu, Tonga, Samoa and the Solomon Islands.\textsuperscript{46}

The Pacific bubble should be pursued with interested Pacific countries to support tourism and labour mobility. In the current environment, the immediate need is to help the Pacific re-open its international borders. Australia can do this by proactively working towards a Pacific bubble, supporting Australian tourists to visit the Pacific and Pacific workers to work on Australian farms. With evidence of a looming harvest shortage over summer, supporting a pathway, with appropriate safeguards, for Pacific Islanders to work in Australia is particularly important.\textsuperscript{47}

3.31 Executive Committee member of the Australia Pacific Islands Business Council, Ms Tessa Price, knew firsthand that many Pacific island countries have been hit hard by COVID-19 travel restrictions decimating their tourism, the ability of their seasonal workers to work in Australia and New Zealand and also with attracting new business ventures.

Really the opportunity is…to open up safe air bridges or quarantined free-travel areas between New Zealand, Australia and some Pacific island countries. I think you can do that from a business perspective and from a tourism perspective as well.\textsuperscript{48}

\textsuperscript{45} Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, *Submission 14*, p. 34.

\textsuperscript{46} ANU Development Policy Centre, Crawford School of Policy, *Submission 52*, p. 18.

\textsuperscript{47} ANU Development Policy Centre, Crawford School of Policy, *Submission 52*, p. 18.

\textsuperscript{48} Ms Tessa Price, Australia Pacific Islands Business Council, *Committee Hansard*, 2 November 2020, p. 6.
Whilst tourism is not almost everything, it would actually help, and we do need to get tourists back in country and airlines back in the air. That will certainly help the Australian airlines as well and will stimulate the economies. I know you’re aware that the Pacific countries don’t have the same stimulus packages…it is a tough time in the Pacific, with a large chunk of the workforce out of work. We think that sharp economic contractions are due this year in the Pacific as a result.49

We know that remittances, which is money that family and friends send back home, are holding up at this stage. Really, the long-term solution to the current crisis is recovering international tourism.50

3.32 The Development Policy Centre believed Australia will need to work with Pacific island countries that will want to open their borders at different times due to legitimate public health concerns and their ability to contain any COVID-19 outbreaks.51

Australia should work with those Pacific island countries who are willing to reactivate their economies, and thereby ease their suffering.52

3.33 Save the Children Australia agreed with any establishment of a ‘Pacific Bubble’ to support Pacific labour mobility, and the flows of remittances and trade into Pacific communities during ongoing COVID-19 restrictions. Save the Children Australia welcomed discussions between Australia, New Zealand and some interested PICs, aimed at creating a ‘Pacific bubble’ to protect both Pacific tourism jobs and Pacific labour mobility into Australia.53

Of course, we expect that such discussions will cover the appropriate quarantine and isolation safeguards, as well as labour protections so that the wages and conditions of Pacific workers in Australia align with Australian community expectations.54

49 Ms Tessa Price, Australia Pacific Islands Business Council, Committee Hansard, 2 November 2020, p. 6.

50 Ms Tessa Price, Australia Pacific Islands Business Council, Committee Hansard, 2 November 2020, p. 6.

51 ANU Development Policy Centre, Crawford School of Policy, Submission 52, p. 18.

52 ANU Development Policy Centre, Crawford School of Policy, Submission 52, p. 18.

53 Save the Children Australia, Submission 39, p. 9.

54 Save the Children Australia, Submission 39, p. 9.
3.34 Noting the value of tourism too, Save the Children Australia highlighted in 2020 the lack of COVID-19 infections on some Pacific islands and stressed the importance of remittances as a ‘critical source of financial flows into the Pacific, improving the prosperity of the communities they support’.55

Further, to date [May 2020], Vanuatu and Solomon Islands have suffered no COVID-19 infections, while Fiji has reported only a small number of cases. Assuming the PICs (and Australia) continue to contain the virus, implementing a Pacific bubble could permit labour migration between the two locations to continue, helping to ease the burden created by disruptions across other sectors.56

Remittances are already a greater share of Pacific economies than aid and represent 5-40 per cent of PICs’ GDP. The World Bank estimates that due to COVID-19, global remittances are projected to decline by approximately 20 per cent, making this economic shock the largest decline in remittances in recorded history.57

3.35 The Counsellor and Official Representative of New Caledonia to Australia, Dr Yves Lafoy, told the Sub-Committee that New Caledonia would welcome a Pacific travel bubble because on health security grounds, the Pacific has been acknowledged on the international stage for its ‘successful management of the health impact of the COVID-19 pandemic’.58

New Caledonia is currently COVID-free, with no deaths and only 23 cases registered previously. Cooperation with Australia to repatriate New Caledonian citizens during this challenging time is a clear reflection of our close relationship…In June 2020 the president of New Caledonia acknowledged Australia’s commitment to regional economic recovery, expressing New Caledonia’s interest in being a part of a safe travel zone between Australia, New Zealand and the other Pacific countries.59

55 Save the Children Australia, Submission 39, p. 9.
56 Save the Children Australia, Submission 39, p. 9.
57 Save the Children Australia, Submission 39, p. 9.
58 Dr Yves Lafoy, Counsellor and Official Representative, New Caledonia, Committee Hansard, 4 September 2020, pp. 6-7.
59 Dr Yves Lafoy, Counsellor and Official Representative, New Caledonia, Committee Hansard, 4 September 2020, pp. 6-7.
The prospect of a resumption of flights with the Australian neighbour (by early 2021) is likely to encourage the restart of economic and tourist activities between the two countries.60

3.36 In late 2020 in New Caledonia, the quarantine in a hotel requisitioned by the Government of New Caledonia was ‘compulsory for passengers arriving in New Caledonia by plane or pleasure boat, except for passengers coming from Wallis and Futuna. A screening test (PCR) is compulsory at the end of the quarantine’.61

3.37 President of the Australia Fiji Business Council, Ms Allison Haworth West, called for the first phase that would ‘urgently be a business bubble to try to allow easier flow of businesspeople to establish businesses of their own or other businesses that are trying to function’.62

We’re proposing a process with an organised structure with less onerous conditions for travel, reduced isolation requirements, stay within a COVID hotel, have social-distanced and pre-organised meetings and then leave the country, possibly having never left that hotel.63

3.38 The Vice President of the Australia Pacific Islands Business Council, Mr Denis Etournard, as a businessman echoed frustration with the closed international borders during 2020 despite minimal COVID-19 cases.

On the COVID-19 bubble, I’ve done three quarantines in hotels going from Australia to New Caledonia, and I’ll be doing my fourth. I can’t understand that, because there are tests now and we’re coming from COVID-free areas. At the same time we’re having seasonal workers coming into the Northern Territory and other places, yet we can’t have business people travelling. That’s something I have difficulties with.64

60 New Caledonia Government, Submission 17.1 – Supplementary Submission, Questions on Notice, p. 3.
61 New Caledonia Government, Submission 17.1 – Supplementary Submission, Questions on Notice, p. 3.
62 Ms Allison Haworth West, Australia Fiji Business Council, Committee Hansard, 2 November 2020, p. 4.
63 Ms Allison Haworth West, Australia Fiji Business Council, Committee Hansard, 2 November 2020, p. 4.
64 Mr Denis Etournard, Australia Pacific Islands Business Council, Committee Hansard, 2 November 2020, p. 5.
3.39 Ms Allison Haworth West accepted it will be difficult, but she believed most Fijians want Australia and New Zealand to move forward with the proposed Pacific travel bubble to kick-start the economy.

The context of this is we know there are discussions going on with America for opening up in some limited capacity; however, 65 percent of Fiji’s arrivals traditionally are from Australia and New Zealand. So it is very important for Fiji. In addition to our trade links, the Fiji economy relies on Australia for economic strength. So we implore the Australian government to get on the front foot and make this happen.65

3.40 The High Commissioner for New Zealand in Australia, Her Excellency Hon. Dame Annette Faye King outlined on September 2020 that New Zealand was ‘…very committed to a Trans-Tasman safe travel zone’ with Australia first before expanding into the Pacific.66

A lot of work has been done by officials—putting in place the building blocks for a Trans-Tasman travel zone. But, of course, the public health considerations do remain paramount for both our countries. When it is safe and the opportunities are there we will pursue them. Our Prime Minister hasn’t put a time frame on it yet, but she’s made it clear that we’re not ready yet, as we both our countries are currently focused on an outbreak at home. But we do know that the benefits of a safe travel zone will be real and significant, and we will look for a Pacific expansion once we do have an effective travel zone in place across the Tasman. We will explore those opportunities, but at the forefront will have to be the safeness of travel, because we do not want to see the pandemic spread to the Pacific islands and some who do not have it at all at present.67

3.41 A safe travel zone was important because Australia is the important source of 26 per cent of remittances into Pacific island countries (PICs), according to Save the Children with Pacific, with seasonal workers sending home approximately $2,200 each over a six-month period in Australia, and

65 Ms Allison Haworth West, Australia Fiji Business Council, Committee Hansard, 2 November 2020, p. 4.

66 HE Hon. Dame Annette Faye King, High Commissioner, New Zealand, Committee Hansard, 4 September 2020, p. 4.

67 HE Hon. Dame Annette Faye King, High Commissioner, New Zealand, Committee Hansard, 4 September 2020, p. 4.
bringing an average of $6,650 in savings back at the end of their period of work in Australia.\(^{68}\)

The Australian government has allowed Pacific Islanders on labour mobility schemes to stay in Australia during the pandemic and to keep working, allowing this form of trade to continue, and we argue that it should further extend this capacity during the crisis.\(^{69}\)

3.42 Save the Children supported the creation of a regional bubble that includes the Pacific islands because it would allow Australia’s temporary labour programs to continue as much needed agricultural and seasonal labour from other countries, such as backpackers, dries up.\(^{70}\)

As a result, Australia can ensure a well-regulated labour supply for key industries such as horticulture, marking a departure from the poorly regulated use of backpacker and other migrant labour in these sectors to date. It could also give Pacific Islanders a chance to send money back to their families, supporting children to stay in school and continuing their access to healthcare.\(^{71}\)

3.43 In November 2020, the Griffith Asia Institute found it disappointing that conversations about a ‘Pacific bubble’ had not progressed at the regional level much earlier in response the impact of COVID-19 travel restrictions as advocated by Dame Meg Taylor, Secretary-General of the Pacific Islands Forum Secretariat.\(^{72}\)

Initial conversations were very much focused around tourism and, in relation to some countries such as Fiji and Cook Islands, this remains the case. However, in many other places (Vanuatu, Tonga, Samoa, Solomon Islands) the main focus is around re-opening of labour mobility options via the Seasonal Worker Program and the Pacific Labour Scheme. This is not surprising and more needs to be done to ensure that all stakeholder needs and concerns are heard and addressed. Again, it has become evident that for many employers, these options have had low visibility thus far.\(^{73}\)

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\(^{68}\) Save the Children Australia, *Submission 39*, p. 9.

\(^{69}\) Save the Children Australia, *Submission 39*, p. 9.

\(^{70}\) Save the Children Australia, *Submission 39*, p. 9.

\(^{71}\) Save the Children Australia, *Submission 39*, p. 9.

\(^{72}\) Griffith Asia Institute, *Submission 34 – Supplementary Submission, Questions on Notice*, p. 7.

\(^{73}\) Griffith Asia Institute, *Submission 34 – Supplementary Submission, Questions on Notice*, p. 7.
3.44 The Griffith Asia Institute highlighted labour shortages in Australia, it estimated at over 20,000 plus seasonal workers in agricultural sector, and believed it point to an opportunity to develop a greater regional commitment.\footnote{Griffith Asia Institute, Submission 34 – Supplementary Submission, Questions on Notice, p. 7.}

…to maximising the benefits that are to be gained from using labour mobility as a pathway to greater economic integration as between Australia and the Pacific islands region. However, in order for this to be a long-term success and to minimise reputational and diplomatic risk, more care and attention will be required to address community concerns (here in Australia and in sending countries) around protection of workers’ rights and safeguarding their wellbeing. This is even more the case in the Covid era.\footnote{Griffith Asia Institute, Submission 34 – Supplementary Submission, Questions on Notice, p. 7.}

3.45 The project lead of the Pacific Hub at the Griffith Asia Institute Dr Tess Newton Cain warned the economies of Pacific island countries and their communities would struggle if remittances diminish due to COVID-19.\footnote{Dr Tess Newton Cain, Griffith Asia Institute, Committee Hansard, 2 November 2020, p. 7.}

…we also feel that a labour bubble is required between Australia and established labour sending countries such as Vanuatu, Tonga and Samoa, and then increasingly with countries that are newer to the labour sending space. This will allow for much needed injections of cash into Pacific island countries by way of remittances and for Australian businesses, especially those in agriculture, to fill critical labour shortages.\footnote{New Caledonia Government, Submission 17.1 – Supplementary Submission, Questions on Notice, pp. 3-4.}

3.46 Even though its status as a French Overseas Territory means New Caledonia is not eligible for the Australian labour mobility programmes, New Caledonian residents under the age of 35 can still participate in the Working Holiday Maker programme once international travel resumes.\footnote{New Caledonia Government, Submission 17.1 – Supplementary Submission, Questions on Notice, p. 4.}

This programme allows people to work up to three times a year in Australia, subject to meeting strict conditions for an extension of the initial visa. If the Trans-Pacific Bubble project comes to fruition, it is expected that more New Caledonians will travel to Australia, pending the resumption of international flights.\footnote{New Caledonia Government, Submission 17.1 – Supplementary Submission, Questions on Notice, p. 4.}
Agricultural aid and trade development

3.47 The Australian Centre for International Agricultural Research (ACIAR) declared it is in ‘Australia’s national interest to ensure a stable and prosperous Pacific through developing trade opportunities that deliver food security benefits and more-stable economies’.

3.48 ACIAR has been supporting collaborative research and capacity building with the Pacific since 1982, focusing on Papua New Guinea, Fiji, Vanuatu, Solomon Islands, Tonga, Samoa, Tuvalu and Kiribati.\(^79\)

In 2019/20 ACIAR has 69 active research projects in this region valued at $20.3m and formal capacity building valued at $2.2m.\(^80\)

3.49 ACIAR submitted that facilitating the development of agricultural commodity trade and related enterprise development has been a major part of Australian development assistance to the Pacific countries. It outlined DFAT has been supporting the Pacific Horticulture and Agriculture Market Access program (PHAMA) and the Market Development Facility (MDF), and ACIAR supporting the Pacific Agribusiness Research-for-Development Initiative (PARDI) and Transformational Agricultural Development Program (TADEP) in PNG.\(^81\)

ACIAR now has a range of well advanced ‘commodity’ and ‘product development’ projects including on pearls and pearl handicrafts, algae, cocoa, breadfruit, local tree nuts, timber products and protected cropping of vegetables. From these experiences, each starting with value chain research to understand the constraints to industry development, ACIAR and its partners have learned how relatively modest injections of public funds can help to facilitate enterprise development and trade in agrifoods and byproducts.\(^82\)

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\(^79\) Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 44.

\(^80\) Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 44.

\(^81\) Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 42.

\(^82\) Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 42.
Fostering the development of agrifood, marine products and forestry value chains will continue to be important within the Pacific region, with increasing emphasis needed on inclusion and equity in the functioning of such chains.\textsuperscript{83}

3.50 The Griffith Asia Institute’s Dr Tess Newton Cain outlined concerns about food security due to COVID-19 pandemic was driving a renewed emphasis on agriculture in the Pacific island countries.

….in the face of COVID-induced economic downturn, and we have heard quite a bit of that already, many Pacific island communities and their governments are re-engaging with agriculture to provide for food security, to facilitate import substitution and also to generate a surplus for export. Australia can and should play an important role in this by supporting agricultural value chains at all of their stages.\textsuperscript{84}

We are particularly keen to see more work done in the parts of the value chain that operate in this country at the retailer and consumer end. We see this as part of how Australia can support Pacific island countries in their quest for economic survival.\textsuperscript{85}

3.51 According to DFAT many ACIAR projects – notably in biosecurity but also in crops, livestock, horticulture, fisheries, water and forestry – have delivered significant benefits back to Australian industries through early detection and better management of pests and diseases, access to better varieties, or improved productivity or resilience.\textsuperscript{86}

As part of combatting the damage caused by the Coconut Rhinoceros Beetle, ACIAR has provided surveillance, clean-up, disease studies and awareness.\textsuperscript{87}

3.52 President of the Australia Fiji Business Council, Ms Allison Haworth West, saw a great potential for Australia to take a mentoring role in some capacity with Fijian agriculture to share ideas and assistance.\textsuperscript{88}

\textsuperscript{83} Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 42.

\textsuperscript{84} Dr Tess Newton Cain, Griffith Asia Institute, Committee Hansard, 2 November 2020, p. 6.

\textsuperscript{85} Dr Tess Newton Cain, Griffith Asia Institute, Committee Hansard, 2 November 2020, pp. 6-7.

\textsuperscript{86} Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 42.

\textsuperscript{87} Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 42.
Fiji has a huge opportunity, sharing climate commonalities with Queensland. If you look at the successful crops in Queensland, many of them could be grown in Fiji, where there is a very low labour cost. The challenges that they have are skills and infrastructure. Obviously investment is needed to bring mechanisation to that agribusiness. But, in addition to that, even the more labour-intensive crops, the more niche, high-yielding crops, are a real opportunity for a country like Fiji. Australia is uniquely placed to be able to support that, but it takes a proactive approach to reach out and provide that assistance.89

3.53 The Department of Agriculture, Water and the Environment outlined it leads the Australian Government’s engagement with the United Nations Food and Agriculture Organization (FAO) with a core annual membership contribution of approximately $15.9 million in 2018-19.90

Australia is an active member of the FAO South West Pacific region and ensures the FAO’s assistance is well targeted and adequately resourced to meet the needs and priorities of Pacific island countries.91

Improving the biosecurity of Pacific exports into Australia

3.54 The Department of Agriculture, Water and the Environment submitted it has a number of capacity building programs in place with Pacific island countries which provide the opportunity to strengthen trade through an increased ability to meet international biosecurity and technical standards.92

The department’s strong technical support is well regarded and valued across the Pacific. This ongoing engagement has nurtured strong and productive relationships between institutions and officials and is a critical element to promoting trade and unlocking opportunities.93

88 Ms Allison Haworth West, Australia Fiji Business Council, Committee Hansard, 2 November 2020, p. 10.
89 Ms Allison Haworth West, Australia Fiji Business Council, Committee Hansard, 2 November 2020, p. 10.
90 Department of Agriculture, Water and the Environment, Submission 9, p. 3.
91 Department of Agriculture, Water and the Environment, Submission 9, p. 3.
92 Department of Agriculture, Water and the Environment, Submission 9, p. 3.
93 Department of Agriculture, Water and the Environment, Submission 9, p. 3.
3.55 The United Nations Conference on Trade and Development called for Australia to ‘simplify trade/imports for products that are specific to Pacific Islands (taro, kava, red toddy syrup, copra, coconut products) for instance in reducing the processing quarantine processing time for the registration of new crops/agricultural products’.  

**Sea Container Hygiene System**

3.56 The Sea Container Hygiene System (SCHS) is a long-term strategy developed by industry in collaboration with the Agriculture Department and the New Zealand Ministry for Primary Industries (NZMPI) to manage biosecurity risks associated with sea containers at the port of loading.

This system rewards compliant parties with reduced intervention and delay on arrival, and effectively screens for approaching risks. Losing time on arrival in Australia is a major irritant for Pacific exporters. The offshore management of biosecurity risks under the SCHS offers both economic and biosecurity benefits to Australia, New Zealand and participating Pacific island countries.

3.57 The SCHS is operational in Fiji, Papua New Guinea, the Solomon Islands, Tonga and Samoa with future expansion plans to include the recognition of additional facilities in Papua New Guinea, Vanuatu, and Samoa.

**Australian Fumigation Accreditation Scheme**

3.58 The Australian Fumigation Accreditation Scheme (AFAS) improves offshore biosecurity treatments, according to the Agriculture Department, by working directly with ‘…overseas governments and methyl bromide fumigators to improve technical skills, and biosecurity treatment regulatory systems’.

3.59 AFAS is voluntary, with interested National Plant Protection Organisations (NPPOs) participating through bilateral agreements with the Agriculture Department.

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95 Department of Agriculture, Water and the Environment, *Submission 9*, p. 3.
96 Department of Agriculture, Water and the Environment, *Submission 9*, p. 3.
97 Department of Agriculture, Water and the Environment, *Submission 9*, p. 3.
AFAS is established in Fiji as a regional centre for providing ongoing training to Pacific island countries on biosecurity treatment measures. However, other Pacific island countries lack national funding and human resources limiting its delivery across the region.\(^{100}\)

### Animal disease investigation and veterinary epidemiology training

3.60 The Agriculture Department outlined its role in coordinating the delivery of animal health surveys and capacity building activities with its biosecurity counterparts in Pacific island countries.\(^{101}\)

The department provides training and mentoring to Pacific island animal health officials in a number of areas such as data collection and analysis, veterinary epidemiology, animal disease investigation, public awareness and survey design.\(^{102}\)

3.61 The Agriculture Department’s more recent attention has been focused on containing the threat of African Swine Fever (ASF) in the Pacific, but especially to rural communities in PNG.\(^{103}\)

In Papua New Guinea alone, the National Agriculture and Quarantine Inspection Authority (NAQIA) estimates that there are 360,000 village pig farmers, 2.4 million pigs, and hundreds of thousands of families depending on their pigs for economic and cultural wellbeing. Controlling ASF in the Pacific is critical in managing Australia’s capacity to prevent ASF from reaching Australia.\(^{104}\)

### Supporting the trade in legal timber products

3.62 The Agriculture Department submitted its forestry engagement in the Pacific focuses on addressing illegal logging and associated trade in the Pacific while complementing the work of the Australian Centre for International Agricultural Research on value chains for legal timber product.

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\(^{100}\) Department of Agriculture, Water and the Environment, *Submission 9*, p. 4.

\(^{101}\) Department of Agriculture, Water and the Environment, *Submission 9*, p. 4.

\(^{102}\) Department of Agriculture, Water and the Environment, *Submission 9*, p. 4.

\(^{103}\) Department of Agriculture, Water and the Environment, *Submission 9*, p. 4.

\(^{104}\) Department of Agriculture, Water and the Environment, *Submission 9*, p. 4.
Some larger forestry players in the Pacific are facing emerging risks related to forest management, timber supply and processing, and legality.\textsuperscript{105}

3.63 The department has been negotiating Country Specific Guidelines (CSG) with several Pacific island countries for several years to provide a forestry management framework to mitigate these emerging risks.\textsuperscript{106}

These are recognised under Australia’s logging laws, and will facilitate the trade of legal timber products from Pacific Island countries to Australia.\textsuperscript{107}

…opportunities exist for the department to support the mutual interests of Australia and the Pacific through developing and maintaining legal and sustainable forestry systems. This work is complementary to ACIAR’s work on value chains focussed on legal forestry markets, which includes engagement with the private sector where possible.\textsuperscript{108}

**Australian aid in the Pacific**

3.64 Australia remains the most important donor of aid to the Pacific region, according to the ANU Development Policy Centre and Figure 3.2. Based on data from the Lowy Pacific Aid Map, in 2017 Australia’s aid program to the Pacific was US$750 million, well ahead of New Zealand (US$221 million) and China (US$199 million).\textsuperscript{109}

This leading position does not always apply when it comes to individual countries. The largest proportion of Australia’s aid spend in 2017 was directed to PNG (US$415 million). In Samoa, however, China was the largest donor of aid – US$30 million, with Australia’s aid program to Samoa reported as US$26 million.\textsuperscript{110}

\textsuperscript{105} Department of Agriculture, Water and the Environment, *Submission 9*, p. 5.

\textsuperscript{106} Department of Agriculture, Water and the Environment, *Submission 9*, p. 5.

\textsuperscript{107} Department of Agriculture, Water and the Environment, *Submission 9*, p. 5.


\textsuperscript{109} ANU Development Policy Centre, Crawford School of Policy, *Submission 52*, p. 11.

\textsuperscript{110} ANU Development Policy Centre, Crawford School of Policy, *Submission 52*, p. 11.
International trade and aid partners in the Pacific

3.65 The World Bank and the Asian Development Bank (ADB) make significant contributions to Pacific island countries, according to DFAT. Australia has partnerships with the ADB and International Finance Corporation (IFC), together with New Zealand, aimed at addressing broader business enabling issues, including investment, and promoting small enterprise and broader private sector development. Both the World Bank and ADB have a ‘strong focus on women’s economic empowerment’.\(^{111}\)

3.66 According to the ANU Development Policy Centre the Pacific remains ‘highly dependent on aid’ as shown by Figure 3.3, with the Marshall Islands, Federated States of Micronesia and Tuvalu the three most aid dependent nations in the world on 2017 OECD data.\(^{112}\)

With the exception of PNG and Fiji, PICs all fall within the top 20 most aid dependent countries in the world, measuring aid as a proportion of Gross

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\(^{111}\) Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 15.

\(^{112}\) ANU Development Policy Centre, Crawford School of Policy, Submission 52, p. 7.
National Income. Six are in the top ten – Marshall Islands, FSM, Tuvalu, Nauru, Tonga, and Solomon Islands.\textsuperscript{113}

3.67 Professor Stephen Howes, the Director of the ANU’s Development Policy Centre highlighted that Australia is by far the most important Pacific donor of foreign aid, even when China is into account.\textsuperscript{114}

China has become more important, but we’re still a long way in front—but not in every country. We have a particular focus on Melanesia. In PNG we dominate the aid front, but in Samoa we’re one of a number of important donors rather than the dominant donor.\textsuperscript{115}

\textbf{Figure 3.3 Aid as proportion of Gross National Income}

\begin{center}
\begin{figure}
\centering
\includegraphics[width=\textwidth]{aid.png}
\caption{Aid as proportion of Gross National Income}
\end{figure}
\end{center}

\textit{ANU Development Policy Centre, Crawford School of Policy, Submission 52, p. 7 & OECD 2017: Data labels ranks global aid dependency (From 1=most dependent, to 143=least dependent)}

\textbf{Major Aid for Trade donors in the Pacific}

3.68 The Institute for International Trade outlined that in Aid for Trade (AfT) the ‘…focus of some of the largest donors to the Pacific region, some with far deeper budget capacity than Australia, is on economic and trade infrastructure’.\textsuperscript{116}

Japan, the Asia Development Bank, World Bank and China put most of their AfT disbursements into [trade-related and] economic infrastructure, and

\textsuperscript{113} ANU Development Policy Centre, Crawford School of Policy, Submission 52, p. 7.
\textsuperscript{114} Professor Stephen Howes, ANU Development Policy Centre, Committee Hansard, 18 June 2020, p. 2.
\textsuperscript{115} Professor Stephen Howes, ANU Development Policy Centre, Committee Hansard, 18 June 2020, p. 2.
\textsuperscript{116} Institute for International Trade, Submission 37, p. 8.
Germany has a particular focus on quality infrastructure in support of laboratories and export/import facilities that improve trade facilitation.117

3.69 Since China does not conform to OECD DAC reporting standards, according to Institute for International Trade, it was difficult to estimate China’s spend on AfT.118

However, given the total 2017 aid spend from China was about US$165 million, as estimated by the Lowy Institute, and with ongoing commitments mainly to infrastructure and roads construction in PNG, the multi-year nature of Chinese aid commitment and the fact that China, like other donors, does not always meet the announced commitments, one could reasonably estimate that China disbursed around US$100 million on AfT in 2017, making it the sixth largest AfT donor in the region.119

Table 3.1  Major Aid for Trade donors to the Oceania region: 2017

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>DISBURSEMENTS (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>$213.6 M</td>
</tr>
<tr>
<td>Australia</td>
<td>$157.6 M</td>
</tr>
<tr>
<td>World Bank Group</td>
<td>$148.3 M</td>
</tr>
<tr>
<td>New Zealand</td>
<td>$134.1 M</td>
</tr>
<tr>
<td>Asian Development Bank</td>
<td>$104.4 M</td>
</tr>
<tr>
<td>China</td>
<td>$100.0 M (estimate only)</td>
</tr>
<tr>
<td>European Union</td>
<td>$62.0 M</td>
</tr>
<tr>
<td>Green Climate Fund</td>
<td>$42.9 M</td>
</tr>
<tr>
<td>South Korea</td>
<td>$33.4 M</td>
</tr>
<tr>
<td>Germany</td>
<td>$11.3 M</td>
</tr>
</tbody>
</table>


117 Institute for International Trade, Submission 37, p. 8.
118 Institute for International Trade, Submission 37, p. 9.
119 Institute for International Trade, Submission 37, p. 9.
New Zealand

3.70 DFAT outlined that New Zealand, like Australia, has close economic ties to the Pacific island countries, driven by its geographic proximity and historical and cultural linkages with them.\(^\text{120}\)

It is currently the sixth-largest trading partner for Pacific island countries, accounting for 4 per cent of total two-way trade. This share has declined slightly over the past decade from 5 per cent in 2008.\(^\text{121}\)

3.71 High Commissioner for New Zealand in Australia, Her Excellency Hon. Dame Annette Faye King told a parliamentary hearing about its Pacific Reset that compliments Australia’s Pacific Step-up.\(^\text{122}\)

We’ve now got 30 of our government agencies responsible for New Zealand’s interaction with Pacific peoples in the region … the Reset seeks to anchor New Zealand’s relationship in the Pacific on a genuine, mature political relationship and partnership. It’s a conscious reframing and deliberate move away from the donor-recipient dynamic. To reinforce this, the Reset is underpinned by some key principles of engagement in the Pacific—understanding, friendship, mutual benefit, collective ambition and sustainability … We prioritise our close cooperation with Australia, in particular, as well as others in this respect.

3.72 High Commissioner King said New Zealand’s immediate priority for its development work was ‘supporting Pacific countries respond to the impact of COVID-19’.\(^\text{123}\)

Australia and New Zealand have a history of effective coordination in responding to humanitarian challenges and natural disasters, including the recent Samoa measles outbreak.\(^\text{124}\)

\(^{120}\) Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 15.

\(^{121}\) Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, pp. 15-16.

\(^{122}\) HE Hon. Dame Annette Faye King, High Commissioner, New Zealand, Committee Hansard, 4 September 2020, p. 4.

\(^{123}\) HE Hon. Dame Annette Faye King, High Commissioner, New Zealand, Committee Hansard, 4 September 2020, p. 5.

\(^{124}\) HE Hon. Dame Annette Faye King, High Commissioner, New Zealand, Committee Hansard, 4 September 2020, p. 5.
Japan

3.73 Japan is another significant trading partner for Pacific island countries, enhanced significantly by the introduction of Liquefied Natural Gas exports from PNG in 2014. Japan remains the world’s third-largest economy and is deepening its engagement and investment links with Pacific island countries under former Prime Minister Abe. It maintains eight embassies in the region, with another scheduled to open in Vanuatu this year.\(^\text{125}\)

Japan has also made efforts to boost Japanese tourism in Pacific island countries, relaxing some visa requirements to encourage two-way people-to-people flows, including some seasonal labour to Japan.\(^\text{126}\)

3.74 DFAT detailed Australia and Japan are deepening their cooperation in the Pacific on development assistance and financing, and also in trilateral; projects with both Australia and the United States.\(^\text{127}\)

Japan emphasises the need for quality regional infrastructure investment. It advocates strongly for investment principles which consider environmental and social impact, debt sustainability, safety and reliability, and the use of local employment and technical expertise. Through AIFFP, we are examining projects where we can partner with Japan in third countries in the Pacific. Trilateral cooperation with the United States is also growing, including through the Trilateral Infrastructure Partnership (TIP) with Japan, United States and Australia.\(^\text{128}\)

3.75 DFAT highlighted that Japanese infrastructure development and financing in the region was a major pillar of former Prime Minister Abe’s foreign and trade policy.\(^\text{129}\)

\(^{125}\) Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 16.

\(^{126}\) Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 16.

\(^{127}\) Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 17.

\(^{128}\) Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 17.

\(^{129}\) Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 16.
Japanese projects include the redevelopment of Nadzab Airport in Papua New Guinea, the upgrade of Honiara airport in Solomon Islands and the redevelopment of Lapetasi Wharf in Port Vila, Vanuatu.\textsuperscript{130}

**United States of America**

3.76 The United States is another significant partner in the region, DFAT submitted.

The Federated States of Micronesia, the Marshall Islands and Palau are in Compacts of Free Association with the United States, whereby the United States has authority for the defence and security of these nations, which in exchange receive economic assistance, the right to serve in the US armed forces and citizens admitted to the United States under the Compacts may reside, work and study in the United States.\textsuperscript{131}

3.77 According to DFAT the US state of Hawaii is an important transport hub for trade in the Pacific and US military bases also have a positive impact on trade, investment and economic growth in the region.\textsuperscript{132}

3.78 Australia and the US have, according to DFAT, been deepening their cooperation in the Pacific on economic infrastructure, macro-fiscal management and financing.\textsuperscript{133}

We are also working together in concert with Japan on initiatives like the Trilateral Infrastructure Partnership (TIP) and the Blue Dot Network on infrastructure standards. Some new good practice is emerging and there are opportunities in both systems to improve coordination and overcome barriers to cooperation.\textsuperscript{134}

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\textsuperscript{130} Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, *Submission 14*, p. 16.

\textsuperscript{131} Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, *Submission 14*, p. 16.

\textsuperscript{132} Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, *Submission 14*, p. 16.

\textsuperscript{133} Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, *Submission 14*, p. 17.

\textsuperscript{134} Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, *Submission 14*, p. 17.
China

3.79 DFAT outlined how over the past decade, China has emerged as a significant trade and investment partner for many countries, including Pacific island countries.

A China-Pacific Island Countries Program of Action on Economic Development and Cooperation was signed in 2019, which includes developing economic relationships with Pacific island countries in agriculture, forestry and fisheries, energy and resources and tourism.¹³⁵

3.80 The value of China’s total two-way trade with Pacific island countries increased almost threefold between 2008 and 2018, according to the International Monetary Fund’s Direction of Trade Statistics. Over the same period, China’s share of total Pacific island country exports to the world increased from 6 per cent to 20 per cent, while China’s share of Pacific island country imports increased from 7 per cent to 13 per cent.¹³⁶

This growth in trade is largely attributed to LNG and nickel exports from PNG, with an additional purchase agreement signed in 2019. China is now the largest destination for Pacific island country exports and the third largest source of imports (after Australia and the EU).¹³⁷

3.81 DFAT submitted that Australia and China were also exploring options for further development cooperation in the Pacific, both through the bilateral Memorandum of Understanding on Development Cooperation with the Ministry of Commerce renewed in 2017, and China’s International Development Cooperation Agency created in 2018.¹³⁸

3.82 The Institute for International Trade highlighted Australia’s examples of close cooperation with major infrastructure donors, including China.¹³⁹

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¹³⁵ Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 16.

¹³⁶ Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 16.

¹³⁷ Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 16.

¹³⁸ Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 17.

¹³⁹ Institute for International Trade, Submission 37, p. 10.
Chinese aid in the provision of anti-malarial programs to PNG for example, was a joint venture where Australia provided knowledge of local expertise and capacity, as well as information on institutional and cultural processes required in order for the program to be successful, while China provided the materials (e.g. mosquito nets and other medical infrastructure).140

3.83 DFAT claimed Australia is one of the few countries to have existing trilateral cooperation with China in the Pacific, through the Australia-China-Papua New Guinea trilateral malaria project.141

The first phase of the project was seen by all three partners as a success, with the second phase commencing in January 2020. Shared Australia-China development priorities in the region offer potential to unlock new trade and investment opportunities in priority areas identified by our Pacific partners.142

Improving higher education outcomes in the Pacific

3.84 His Excellency Mr John Ma’o Kali, High Commissioner in Australia for Papua New Guinea declared that any arrangement between Australia and PNG has to be a ‘two-way thing’.143

Absolutely. At the moment, Pacific labour mobility, which is under two schemes—the Seasonal Worker Program and the Pacific Labour Scheme—seems to be in one direction, where we are supplying to the Australian labour market. But the reverse should also happen, where Australia should supply some expertise into our country to develop the capacity in our countries in order to generate the skills that are needed. We have some options with the current statement of intent to develop TVET, technical and vocational education and training, and potential institutional partnerships in primary schools, secondary schools and tertiary institutions to address this, but I think it is going to be a challenge with COVID now.144

140 Institute for International Trade, Submission 37, p. 10.
141 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 17.
142 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 17.
143 HE Mr John Ma’o Kali, High Commissioner, Papua New Guinea, Committee Hansard, 4 September 2020, p. 26.
144 HE Mr John Ma’o Kali, High Commissioner, Papua New Guinea, Committee Hansard, 4 September 2020, p. 26.
Her Excellency Ms Hinauri Petana, High Commissioner in Australia for the Independent State of Samoa highlighted the exciting potential for improved education outcomes in Samoa due to advancing technology.

We have to take into consideration the different levels of advancement of technology and its use in our respective countries. Some have made great strides using that as a medium for sharing of experiences, especially education...We have our own respective institutions who safeguard the qualifications and the standards of qualifications. It’s a very worthwhile pathway to consider, but a lot of preparation internally is needed in our respective countries to be able to engage.145

High Commissioner Petana noted Samoa had been approached individually by Australian tertiary institutions, such as Monash University and University of Melbourne about the delivery of courses.

Some of them have got relationships going with our respective institutions at home. Maybe this is really the new mode we’re heading into. We don’t know how long it’s going to take to develop to where we have uniformity in acceptable standards in the type of education or whatever sector that will be brought into this.146

High Commissioner of Vanuatu His Excellency Mr Samson Vilvil Fare claimed Vanuatu was one of the beneficiaries of technology in education, because they use a lot of distance education, especially with France, because they speak both French and English.147

Last year, we launched the bachelor of tourism degree. That’s a bilingual bachelor degree with La Trobe University, the University of Malaya and three universities in France. Teachers also come to teach this bilingual bachelor degree. It’s definitely a great advantage to us because we’re a small country and we’re trying to get benefits from the technologies that are there.148

High Commissioner Vilvil Fare requested Australia look at providing different opportunities for a quota of Pacific islanders to study in Australia,
in the higher education system but only pay local fees or be able to access the student loan scheme.\textsuperscript{149}

…open that up to the Pacific countries in terms of setting a quota, where Pacific islanders can come to Australia and study in universities and pay the local fees. Some countries—for example, Canada and France—put in quotas like that and would accept a number of francophone students to come and study, but they pay the local fee rather than the international fee. This would be a great support to our Pacific intellect, when you open up those studies. In Australia, especially higher education is quite expensive for our Pacific island countries to afford, when you pay $30,000 a year for tuition fees.\textsuperscript{150}

I’m a great believer in countries with a very good higher education system opening the market to Pacific island countries so they can come and study, and pay the local fees.\textsuperscript{151}

If we come here, maybe we could have some incentives to help us in accessing higher education here, especially in very specific areas. I’m talking about health or engineering or other areas that would be of importance to our countries in the region.\textsuperscript{152}

3.89 High Commissioner Kali asked why Papua New Guinea has the lowest number of seasonal workers in Australia; when it was the biggest country in the Pacific. He would also welcome more Australians under the New Colombo Plan studying on exchange in PNG.\textsuperscript{153}

So we ask ourselves why it is that we have not been able to break through. We are trying to address all these issues, but there is a lot of political will to try to increase the number of our people coming into the workforce in Australia and to work with the Australian people to address our supply side as well as understand the demand side. At the same time, we also ask if there could be

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\textsuperscript{149} HE Mr Samson Vilvil Fare, High Commissioner, Vanuatu, Committee Hansard, 4 September 2020, p. 25.

\textsuperscript{150} HE Mr Samson Vilvil Fare, High Commissioner, Vanuatu, Committee Hansard, 4 September 2020, p. 25.

\textsuperscript{151} HE Mr Samson Vilvil Fare, High Commissioner, Vanuatu, Committee Hansard, 4 September 2020, p. 25.

\textsuperscript{152} HE Mr Samson Vilvil Fare, High Commissioner, Vanuatu, Committee Hansard, 4 September 2020, p. 25.

\textsuperscript{153} HE Mr John Ma’o Kali, High Commissioner, Papua New Guinea, Committee Hansard, 4 September 2020, p. 26.
\end{flushright}
Australians coming into Papua New Guinea to, for example, teach English, maths and science—core subjects—and students, under the New Colombo Plan, to come and study in our institutions—to share and study our cultures—not necessarily only in Port Moresby, but also have the same number in the districts, where they can work and live with the people and be part of the community. Those types of exchanges into the future will be good...154

3.90 Mr Sakias Tameo, the Deputy High Commissioner of PNG, outlined that PNG has its own universities and colleges but he believed it would be of greater value to PNG if these graduates gained work experience in Australian government departments before returning home.

Definitely Australia’s are top class, but in terms of making my point let’s look at Divine Word University and UPNG. There’s not really much of a difference between the degrees that are offered in PNG and Australia...We have people coming here to do a PhD and all that. They are focused on getting their degrees. That would be the same degree that UPNG or Divine Word would offer. The difference is that they are learning in this great country. But they’re not actually going out working with the departments in the various environments. They can really add a lot of value in going back to PNG. They achieve a good qualification in Australia at the ANU, but they don’t know how the Australian system works. That really puts us in a disadvantaged position.155

3.91 Mr Tameo claimed in the PNG’s education department, there were a lot of highly-educated PhD people, but problems still exist with the education department.156

Why is that? It’s not a degree or qualification. They have done their studies in Australia, but they have not understood how the best country functions in terms of the education department and in terms of health. If our students could be given the opportunity to work alongside Australians so they can see how the Australian system functions then they could effectively go back to

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154 HE Mr John Ma’o Kali, High Commissioner, Papua New Guinea, Committee Hansard, 4 September 2020, p. 26.
155 Mr Sakias Tameo, Deputy High Commissioner, Papua New Guinea, Committee Hansard, 4 September 2020, p. 24.
156 Mr Sakias Tameo, Deputy High Commissioner, Papua New Guinea, Committee Hansard, 4 September 2020, p. 24.
PNG and the Pacific island countries and contribute in a much more meaningful way.157

Of course some of them are coming from education and other [PNG] departments to further their education in their respective fields. Then they come to the ANU and other universities to do their academic studies, but they haven’t actually learnt. If they can be given opportunities to get some work placements, some experience for a couple of years with the Australians, then they’ll definitely know that they’ve got a qualification. They can acquire the necessary skills and learn how Australians do their business, so when they go back [to PNG] they can effectively work. With only qualifications, it’s not helping us.158

**Aid for Trade programs**

3.92 According to DFAT, Australia is providing considerable aid for trade to the region, recognising the considerable potential of trade to drive development, but also the specific barriers facing Pacific island countries.159

Alongside support for PACER Plus implementation, Australia has contributed more than its aid for trade funding target of 20 per cent of its ODA budget for the Pacific.160

3.93 DFAT claimed Australia’s other regional, bilateral and multilateral aid for trade initiatives are also supporting Pacific island countries to access and benefit from the global trading system.161

For example, we fund Pacific Trade and Invest (PTI) Australia to introduce Pacific exporters to Australian buyers, Pacific enterprises to Australian investors and connect Pacific tourism operators with Australian tourists and service providers to improve business outcomes for Pacific Island businesses.

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158 Mr Sakias Tameo, Deputy High Commissioner, Papua New Guinea, *Committee Hansard*, 4 September 2020, p. 24.

159 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 26.


161 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 26.
In 2018, PTI Australia facilitated A$23.5 million in exports and A$2.29 million in investment working with 981 businesses across the Pacific Island Forum nations. PTI Australia is also empowering women in trade, working with 278 women-led enterprises across the Pacific to facilitate 218 deals worth A$6 million in 2018.\footnote{162}

3.94 Aid for Trade (AfT) continues to play a vital role in supporting trade and economic development in the Pacific Islands.\footnote{163}

3.95 According to the Institute for International Trade (IIT) the Pacific Islands Forum Secretariat’s (PIFS) Aid for Trade Strategy 2020-2025 is about helping developing countries, in particular the least developed, to build the trade capacity and infrastructure needed to benefit from trade opening.\footnote{164}

It has a critical role to play in helping Pacific Island countries turn trade policies and strategies into real world trade development.\footnote{165}

3.96 The IIT outlined the stated objective of the AfT Initiative, launched at the 2005 Hong Kong WTO Ministerial Conference, was helping ‘…developing countries to build the supply-side capacity and trade-related infrastructure that they need to implement and benefit from WTO Agreements and more broadly to expand their trade’.\footnote{166}

AfT seeks to provide particular support to the private sector to build their capacity to trade, through technical assistance, provision of appropriate economic infrastructure, and by supporting the capacity of governments and institutions to implement trade and regulatory reform in favour of more efficient and cost-effective private sector participation in trade.\footnote{167}

\footnote{162}Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 26.

\footnote{163}Institute for International Trade, Submission 37, p. 8.

\footnote{164}Institute for International Trade, Submission 37, p. 8.

\footnote{165}Institute for International Trade, Submission 37, p. 8.

\footnote{166}Institute for International Trade, Submission 37, p. 8.

\footnote{167}Institute for International Trade, Submission 37, p. 8.
Categories of Aid for Trade

1. Technical assistance for trade policy and regulations: comprising the following sub-categories: trade policy and administrative management; trade facilitation; regional trade agreements; multilateral trade negotiations; and trade education/training.\textsuperscript{168}

2. Trade-related and economic infrastructure: for example, building roads, ports and telecommunications networks to connect domestic markets to the global economy.\textsuperscript{169}

3. Productive capacity building: (including trade development), for example focuses on support for the private sector to exploit its comparative advantages and diversify its exports.

4. Trade-related adjustment: helping countries with the adjustment costs associated with trade liberalisation, such as tariff reductions or identifying contributions to developing country budgets to assist in the implementation of trade reforms.\textsuperscript{170}

3.97 In the Pacific, the IIT detailed that most AfT funds are distributed for trade-related and economic infrastructure with funding to this category increasing substantially over the last decade. IIT noted there has also been a gradual increase in support of the productive capacity building category.\textsuperscript{171}

In 2017 for example, almost 45 per cent of AfT currently spent on productive capacity building targets the private sector.\textsuperscript{172}

\textsuperscript{168} Institute for International Trade, Submission 37, p. 8.
\textsuperscript{169} Institute for International Trade, Submission 37, p. 8.
\textsuperscript{170} Institute for International Trade, Submission 37, p. 8.
\textsuperscript{171} Institute for International Trade, Submission 37, p. 8.
\textsuperscript{172} Institute for International Trade, Submission 37, p. 8.
Table 3.2  Pacific Aid for Trade Disbursements by Category 2006 - 2017

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>DISBURSEMENTS (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade Policy &amp; Regulations</td>
<td>2.4</td>
</tr>
<tr>
<td>Economic Infrastructure</td>
<td>137.7</td>
</tr>
<tr>
<td>Building Productive Capacity</td>
<td>116.4</td>
</tr>
<tr>
<td>Trade-related Adjustment</td>
<td>0.0</td>
</tr>
<tr>
<td>Sub-total</td>
<td>256.1</td>
</tr>
</tbody>
</table>


3.98  Ms Mele Amanaki, the Tonga-based Chair of Public Services International Oceania cautioned against Australia’s use of Aid for Trade during the COVID-19 pandemic and an increasing reliance in the Pacific on remittances.

Australia’s promotion of PACER Plus and its ‘aid for trade’ strategy looks to advance this problematic approach across the Pacific. This moment of crisis is an opportunity to review and recalibrate Australia’s approach across the Pacific using a public goods model. The pandemic has laid bare that unique position of our small island countries and the fragility of our economies. While swift border closures have thankfully spared most of us from COVID-19 outbreaks, this has worsened economic, social and political crises in our countries. This includes an unsustainable reliance on remittances from migrant workers, international tourism and a lack of domestic production capacity.  

3.99  The Institute for International Trade (IIT) believed there was a serious gap in the provision of technical assistance for trade policy and regulations

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173 Ms Mele Amanaki, Public Services International Oceania, Committee Hansard, 3 September, pp 6-7.
category of AfT to the Pacific, but it was a strength of Australia’s aid programs, which it had experience in delivering.\textsuperscript{174}

...an area where Australia has a particular comparative advantage given its history of ODA support for good governance, economic reform, health reforms, education and scholarships, and building business and trade relationships, together with socially inclusive development. Australia’s standing as a donor more focussed on people to people and human development programs is an important reputation to preserve, and it is strongly recommended that the focus of our AfT programs should be strengthened to increase our attention to institutional capacity building, as well as capacity building of the private sector.\textsuperscript{175}

3.100 The IIT claimed this focus would be ‘...consistent with stated demand driven needs of a number of PICs’.

As part of a more comprehensive review of AfT for DFAT, a short AfT survey of Developing Countries (DCs) was undertaken including Samoa, Kiribati, Vanuatu, and the Pacific Islands Forum Secretariat. Each government or organisational representative was asked to share their three principal AfT priorities. Kiribati, Vanuatu and Samoa all ranked ‘institutional capacity building and trade policy support’ as their number one priority. The Pacific Island Forum Secretariat prioritised regional connectivity and digital technology.\textsuperscript{176}

3.101 The IIT outlined the priority areas of the Pacific Island Forum Secretariat 2020-25 Aid for Trade strategy as:

- Support for the expansion of services trade especially tourism, telecommunications, transport, energy and finance.
- Regional connectivity in particular digital connectivity through ICT infrastructure and services, and including the need for institutional capacity building in support of strengthening inter-agency cooperation.
- E-Commerce targeting the private sector as supported by regulatory reform.
- Deepening Pacific Forum Markets, meaning closer integration of the region and the freer movement of goods, services, capital and labour, and including trade facilitation reforms and capacity building in the

\textsuperscript{174} Institute for International Trade, Submission 37, p. 9.

\textsuperscript{175} Institute for International Trade, Submission 37, p. 9.

\textsuperscript{176} Institute for International Trade, Submission 37, p. 9.
public sector...as well as the strengthening of Pacific quality systems to allow Pacific goods to meet quality and sustainability product standards.\textsuperscript{177}

3.102 Following its own review of Australia’s AfT programs, and of the priorities as determined by Pacific island countries, the Institute for International Trade (IIT) declared Australia should ‘…focus its AfT program in the Pacific on building human resource, educational and institutional capacity in the region’.\textsuperscript{178}

This includes a strong focus on trade related capacity building and technical assistance, as this form of AfT assists PICs to build their capacity to negotiate favourable trade terms, implement multilateral, regional and bilateral trade commitments, reform national economic and trade policies, improve trade facilitation processes and procedures, and build trade-enhancing institutions that understand the importance of prudential regulation and social inclusion objectives.\textsuperscript{179}

3.103 IIT also called for AfT investments delivered by DFAT to focus on the following thematic priorities, consistent with Australia’s 2015 Aid for Trade Strategy and the PIFS AfT Strategy:

- Digital Technology and E-Commerce - Capacity building and technology transfer with a focus on capacity building for private sector partners including SMEs and MSMEs.
- Trade in Services - Utilising Australian private and public sector expertise across a range of services, including services in support of facilitating tourist services in the Pacific, ICT and business services, health services and agricultural related trade services.
- Women-Centred Capacity Building - A particular niche for Australia is the utilisation of its expertise in focusing on the capacity building of women-managed SMEs and trading enterprises in the Pacific region, given the growing number of small-scale business.\textsuperscript{180}

3.104 Senior Research Fellow from Deakin University, Dr Victoria Stead also recommended the importance of Australia prioritising ‘…forms of training,

\textsuperscript{177} Institute for International Trade, \textit{Submission 37}, p. 9.

\textsuperscript{178} Institute for International Trade, \textit{Submission 37}, p. 10.

\textsuperscript{179} Institute for International Trade, \textit{Submission 37}, p. 10.

\textsuperscript{180} Institute for International Trade, \textit{Submission 37}, p. 10.
seed funding, and targeted support to allow Pacific Islanders, including Pacific Islander small business owners, to operate on equal footing with Australian corporate operators’.  

**Case study of Pacific Trade and Invest Australia’s digital programs**

DFAT submitted its support of PTI Australia to deliver innovative programs across the Pacific, including their digital tourism and ecommerce trade programs.

**Digital tourism:** The World Bank’s Pacific Possible report forecasts that tourism could generate over US$1.6 billion in spending and over 110,000 additional jobs in the Pacific by 2040. PTI Australia developed the Digital Tourism Program in 2012 to upskill local tourism operators in digital marketing and provide practical steps to increase sales by enhancing their digital presence. PTI Australia travels to Pacific island countries to deliver digital tourism workshops. PTI Australia also supports the development of websites with booking and payment functions for local tourism operators. For tourism operators with an existing strong online presence, seed funding is available for the development and implementation of a digital marketing strategy to further drive sales. Since the beginning of the program, PTI Australia has funded over 300 websites and trained over 1000 enterprises to build their online capability, generating tourism sales in the region worth $10.3 million in 2018 alone.

**Digital trade:** According to PTI Australia research, only 36 per cent of companies in the Pacific have their own website. Platforms like Amazon provide an entry point for Pacific Islanders keen to reach international markets, overcoming traditional barriers to cross-border trading and accessing the $4 trillion global ecommerce industry. PTI Australia’s Digital Trade Program teaches Pacific island businesses about the digital economy and how to sell products on platforms such as Amazon. The program aims to increase exports, diversify income and reach new foreign buyers, in turn increasing local employment. Export-ready Pacific enterprises can apply for one of 15 places in an e-commerce accelerator to receive one-on-one training with an

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181 Dr Victoria Stead, *Submission 13*, p. 2.

182 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, *Submission 14*, p. 27.

183 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, *Submission 14*, p. 27.
Amazon coach, learning about selling strategies, warehousing, supply chains and payment logistics. In addition, PTI Australia have delivered a series of workshops in Samoa, Fiji, Vanuatu, covering digital sales strategies, becoming a seller on Amazon and ensuring Pacific products meet international standards. Over 100 enterprises have participated.  

**Pacific Horticulture and Agriculture Market Access program**

3.106 DFAT has been targeting growth in the agriculture sector since it has been found by the World Bank report *Ending Poverty and Hunger by 2030* to be ‘two to four times more effective in raising incomes among the poorest compared to other sectors and is therefore crucial to economic growth in many Pacific island countries’. DFAT claims Australia, through its aid investments in the Pacific, is focused on increasing small-scale farmers and fishers’ participation in markets.  

3.107 The Pacific Horticulture and Agriculture Market Access program (PHAMA Plus) as a part of agricultural export development and private sector engagement is helping Pacific Island countries maintain and develop their agricultural export markets.  

...by assisting them to meet export market biosecurity and quality requirements. The program has been instrumental both in opening new markets for Pacific Island countries and ensuring that existing markets remain open.

3.108 DFAT submitted that PHAMA Plus has helped open, maintain or improve Australian and New Zealand market access for beef, taro, watermelon, cooked breadfruit, ginger, copra, fresh Tahitian limes, vanilla and cinnamon pastes, and sawn timber. PHAMA Plus has also facilitated access to other markets for cocoa, coffee, squash, kava and fish. PHAMA Plus has

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184 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, *Submission 14*, p. 27.  
185 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, *Submission 14*, p. 27.  
186 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, *Submission 14*, p. 27.  
187 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, *Submission 14*, p. 27.
supported Solomon Islands market access for tuna to the EU, directly improving the livelihoods of 2,300 workers.\textsuperscript{188}

3.109 DFAT’s Aid for Trade Adviser Mrs Sabrina Varma praised PHAMA as a really good example of a regional aid for trade program in the Pacific which is ‘…helping a number of developing countries, as well as least developed countries, to be able to access markets by meeting sanitary and phytosanitary related standards’.\textsuperscript{189}

Obviously, agriculture is a really important sector, as well as exports for the Pacific, so being able to meet those standards is really important, and they need technical assistance to be able to do that. Our funding and working with partners in the region who have the expertise to help these countries meet those standards goes a long way.\textsuperscript{190}

3.110 The Department of Agriculture, Water and the Environment outlined its key role with DFAT on programs such as PHAMA that improve market access for Pacific agricultural and horticultural exports to Australia.\textsuperscript{191}

PHAMA has been a practical collaborative tool which helps establish new markets for agricultural commodities and assist in regional harmonisation of trade across Pacific island countries. PHAMA has supported a dedicated officer in the department who facilitates access to Australia from Pacific island countries such as ginger, taro, Tahitian limes, leafy vegetables, baked breadfruit, dried spices and handicrafts.\textsuperscript{192}

3.111 DFAT provided an example of the benefits of PHAMA Plus in Papua New Guinea to educate tourists how to safely buy handicrafts that meet biosecurity concerns.\textsuperscript{193}

PNG produces a diverse range of quality handicrafts that are sold primarily to tourists from cruise ships and at duty-free shops and handicraft shops in major centres. Surveys of cruise ship passengers have revealed that tourists

\textsuperscript{188} Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, pp. 27-28.

\textsuperscript{189} Mrs Varma, DFAT, Committee Hansard, 27 February 2020, p. 10.

\textsuperscript{190} Mrs Varma, DFAT, Committee Hansard, 27 February 2020, p. 10.

\textsuperscript{191} Department of Agriculture, Water and the Environment, Submission 9, p. 3.

\textsuperscript{192} Department of Agriculture, Water and the Environment, Submission 9, p. 3.

\textsuperscript{193} Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 28.
are reluctant to buy handicrafts for fear of confiscation by biosecurity authorities back home.  

3.112 PHAMA Plus produced guides to inform sellers and tourists of relevant standards, backed by training and videos for screening on cruise ships and aeroplanes.

Case study of PHAMA Plus in PNG – Grace Klembasa’s cocoa

For more than 10 years, Grace Klembasa worked on cocoa farms in Aitape, West Sepik. She entered a sample of dried cocoa beans in Papua New Guinea’s first Cocoa of Excellence Show, held in Kokopo in May 2017. Hosted by the PNG Cocoa Board and PHAMA Plus, the show helps link PNG cocoa producers to buyers of premium cocoa and craft chocolate makers. International judges ruled her sample the best among 18 finalists and almost 100 cocoa samples. A year later, bars of single origin 70 per cent dark chocolate made from cocoa beans supplied by Grace were among a display of chocolates by the renowned Madre Chocolate in Hawaii. Cocoa is a K300 million industry in PNG, supporting over 150,000 households and providing income for at least 20 per cent of the population who are smallholder farmers.

Supporting private sector development in the Pacific

3.113 To promote private sector development in the Pacific, DFAT submitted Australia is also collaborating with business through a partnership approach to initiatives that deliver both commercial and development outcomes. DFAT claims this approach provides mutual benefits, leveraging the innovation, expertise, networks and resources of the private sector and the convening power, deep country knowledge and technical expertise of the Australian Government.

Established in 2015, the $20 million Business Partnerships Platform (BPP) enables businesses and their partners to apply for matched co-funding for

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194 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 28.

195 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 28.

196 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 28.

197 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 31.
investments that deliver sustainable economic growth and improved livelihoods. In the Pacific, Australia has supported BPP partnerships in PNG, Samoa, Solomon Islands, Tonga and Vanuatu in clean energy and agribusiness. The BPP will expand to Fiji in 2020.

3.114 The Vice President of the Australia Pacific Islands Business Council, Mr Denis Etournard, highlighted the potential opportunities possibly from PACER Plus for joint ventures with businesses in Pacific island countries.

Coming to PACER Plus, I think there’s a great opportunity for Australian businesses to do joint ventures with businesses in the Pacific, in subcontracting manufacturing and the transformation of agricultural products to create added value at a cheaper cost with the expertise of the Australian businesses. I can give you a few examples that we’re working on with certain businesses where we’re manufacturing, with traceability, high-quality products for Europe, Japan and other places. We do it in the Pacific, in New Caledonia and in Tahiti. I think that’s an opportunity for Australian businesses to see precisely, through our councils, what businesses could subcontract part of the manufacturing, or the processing, that might be done in Australia or other places, and subcontract it in a joint venture to businesses in the Pacific with Australian shareholding.

3.115 Managing Director of Indra Australia Pty Ltd, Mr Tehmur Khan Galindo, outlined the need for the Australian Government support smaller enterprises seeking new opportunities in the Pacific. From a funding perspective, it would be much easier for the private sector from Indra’s experience to plan out its projects and its resources in advance if it had a clearer path as to ‘...where the money would be allocated and to what extent’.

Then it’s also very important, especially for the companies that don’t have as much experience in the Pacific, that the government facilitates working groups or workshops between industry with experience in the region and the government. For those new companies that would like to go to these countries and do business I think it’s very important, in order to attract reliable and good companies in Australia, that they understand the business environment

198 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 31.

199 Mr Denis Etournard, Australia Pacific Islands Business Council, Committee Hansard, 2 November 2020, p. 12.

200 Mr Tehmur Khan Galindo, Indra Australia Pty Ltd, Committee Hansard, 12 November 2020, p. 9.
and that they understand that they will be supported if they face challenges, because I think that’s one of the biggest challenges for smaller companies.⁷⁺°¹

If I go to Vanuatu and I try and execute a project there and I start to face problems, who will I be able to go to and ask for help? I understand that there are contractual obligations and those must be met. I’m not saying in any way that the government should intervene there. That’s why we signed contracts. But there are nuances from a way of doing business. It is sometimes important that the government supports the smaller enterprise.⁷⁺°²

**Solomon Islands sees private sector as engine for growth**

3.116 Solomon Islands Government submitted it was encouraging foreign direct investments (FDI) into the country through its policies and regulations, which ‚...help to offer incentives for interested investors’ but also to protect some sectors too.⁷⁺°³

At the same time, in a bid to grow its small indigenous and local business interests, certain specific areas of business activities are targetedly protected and restricted by policy statute.

The Solomon Islands recognizes the private sector as the engine for economic growth and development of the economy.⁷⁺°⁴

3.117 The following sectors were identified by the Solomon Islands Government as key areas for investment through foreign direct investments:⁷⁺°⁵

- Tourism Development – accommodation/resorts, adventure services.
- Fishing & Fish Processing.
- Food & Agribusiness.
- Commercial Livestock Farming.
- Timber Processing & Manufacturing.
- Mineral Prospecting and extraction
- Infrastructure.

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⁷⁺°¹ Mr Tehmur Khan Galindo, Indra Australia Pty Ltd, *Committee Hansard*, 12 November 2020, pp. 9-10.

⁷⁺°² Mr Tehmur Khan Galindo, Indra Australia Pty Ltd, *Committee Hansard*, 12 November 2020, p. 10.

⁷⁺°³ Solomon Islands Government, *Submission 54*, p. 3.

⁷⁺°⁴ Solomon Islands Government, *Submission 54*, p. 3.

⁷⁺°⁵ Solomon Islands Government, *Submission 54*, p. 3.
• Transport & Telecommunication Services.

3.118 Foreign investments being targeted by the Solomon Islands Government with the following features, including having a vision for a long term investment in the country, were being encouraged by tax incentives.\(^{206}\)

• strengthen the technical and marketing expertise of the private sector
• maximise the use of local raw materials through different stages of production
• promoting export and import substitutes
• creating employment for and training of Solomon Islanders
• transfer and integrate knowledge and technology into the economy
• have a vision for a long term investment in the country.

Case study of private sector development initiatives in the Pacific

3.119 DFAT submitted Australia provided funding to the Asian Development Bank to implement the Pacific Private Sector Development Initiative (Pacific PSDI Phase 3: Australia A$32.14 million, 2013-19) which improves the enabling environment for business, trade and investment.\(^{207}\)

In Samoa and Solomon Islands, PSDI supported business law and registry reforms increasing the annual rate of company formation by 114 per cent and reduced the time required to start a business from 24 days to just over one. The new companies have generated an estimated 2,000 new jobs and over US$100 million in new investment. In Solomon Islands, PSDI assistance helped SOEs operate commercially and transparently, leading to an impressive turnaround of returns on equity and assets from 4.3 per cent from 2002-09 to 10 per cent in 2010-14.\(^{208}\)

3.120 Australia’s aid program, according to DFAT, supports direct trade, private sector development and broader economic growth outcomes through utility and regulatory reform, trade policy and productive capacity building, improved service delivery and public expenditure reform.\(^{209}\)

\(^{206}\) Solomon Islands Government, Submission 54, p. 3.

\(^{207}\) Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 32.

\(^{208}\) Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 32.

\(^{209}\) Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 28.
3.121 In Solomon Islands, DFAT submitted $14 million is being invested in a new Strongim Bisnis facility from 2017-2020 under the Solomon Islands Growth Program.\(^{210}\)

Strongim Bisnis works primarily with the private sector on business practice, market development, risks and resilience, and women’s participation in the economy. It is focusing initially on the cocoa, coconut and tourism markets.\(^{211}\)

**Case study of Governance for Growth (GfG) program in Vanuatu**

3.122 The Vanuatu Governance for Growth (GfG) program was established in 2007, according to DFAT, to improve Vanuatu’s growth and service delivery through regulatory reform and improved public expenditure management. GfG is now in its third phase (2017-2021), investing up to $20 million to support the Vanuatu Government’s ‘…reform agenda and economic management in order to provide the right conditions for business and investment’.\(^{212}\)

GfG works through a range of partnerships, including with the Vanuatu Prime Minister’s Office, the Ministry of Finance and Economic Management and the Ministry of Tourism, Trade and Industry. These partnerships also provide a platform for dialogue between the Australian and Vanuatu governments on economic policy and for working on issues of mutual interest. GfG’s work is predicated on the view that regulatory reform, better sectoral policies and improved governance are pre-requisites for growth.\(^{213}\)

3.123 A key objective of GfG is to contribute to building a better business environment for trade and economic opportunity in Vanuatu by ‘modernising trade policy and performance; improving transparency and

\(^{210}\) Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, *Submission 14*, p. 28.

\(^{211}\) Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, *Submission 14*, p. 28.

\(^{212}\) Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, *Submission 14*, p. 29.

\(^{213}\) Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, *Submission 14*, p. 29.
efficiency; strengthening freight systems; and aligning with international financial rules’.  

GfG supports Vanuatu to engage in an open economy based on transparent rules; fair and open competition; and transparent, non-discriminatory, and predictable regulatory systems. These measures promote prosperity and stability. They also protect Vanuatu from criminal or foreign interests that run counter to the interest of the Vanuatu people and the institutions that serve them.

**Improving infrastructure to grow business and trade**

3.124 For bilateral trade and investment to flourish, according to the World Bank Group, Pacific island countries (PICs) will need to establish a solid enabling business environment that includes, among other factors, the ‘…provision of reliable infrastructure services such as electricity, transport, as well as information and communication technology (ICT)’.  

3.125 Accordingly, the Save the Children Australia recommended that the Australian Government adopt a suite of measures for ‘…shoring up the economic wellbeing of Pacific communities, without which the idea of enhancing trade relations with the PICs lacks foundation, given present conditions [under COVID-19 travel restrictions]’.  

The first of these measures is adopting a more holistic view of infrastructure so that it encompasses the human and social systems that protect the resilience of Pacific communities.

**Development of water infrastructure in the Pacific**

3.126 In 2017, the Asian Development Bank (ADB) according to Australian company eWater Ltd, assessed that Pacific countries require infrastructure investments of USD3.1 billion per year to 2030 to meet their needs.
The World Bank has estimated USD130 million is needed every year to 2030 for PNG’s water and sanitation infrastructure alone.\textsuperscript{220}

3.127 eWater submitted that expanding access to clean water and basic sanitation services is fundamental to reducing poverty.\textsuperscript{221}

Under-investment in water infrastructure can have very serious health and social implications and impede economic development. The impact of poor water and sanitation services falls disproportionately on women who bear responsibility for all household water and sanitation related tasks such as cleaning, cooking, washing, caring for children and the sick. As a result, women are also commonly locked out of contributing to economic development in the village and in the broader society.\textsuperscript{222}

3.128 eWater noted the 2017 Joint Monitoring Program data indicates that only half of the population (52 per cent in 2017) in the Pacific used improved drinking water sources, whereas one third (31 per cent) used improved sanitation, with very little progress over the past 25 years.\textsuperscript{223}

3.129 eWater believed Australia is well placed to assist improved water management in the region and could significantly diversify its trading relationships through a focus on water related goods and services.\textsuperscript{224}

\begin{quote}
eWater can assist with higher level water assessments, determining water supply and demand in rivers and regions that can enable national water planning and management of the available resources. Such assessments are critical to ensure supply for agriculture, industry, communities and for sanitation. The Pacific is keen to learn from Australia’s water management skills and experience…\textsuperscript{225}
\end{quote}

3.130 eWater agreed with the ambition of the UN World Water Development Report 2020 that climate finance for water resource management and

\begin{itemize}
\item \textsuperscript{219} eWater, Submission 19, p. 3.
\item \textsuperscript{220} eWater, Submission 19, p. 3.
\item \textsuperscript{221} eWater, Submission 19, p. 3.
\item \textsuperscript{222} eWater, Submission 19, p. 3.
\item \textsuperscript{223} eWater, Submission 19, p. 3.
\item \textsuperscript{224} eWater, Submission 19, p. 3.
\item \textsuperscript{225} eWater, Submission 19, pp. 3-4.
\end{itemize}
sanitation supports community climate resilience, job creation at the local level and helps to improve sustainable development outcomes.226

Barriers to increased access to climate finance, such as lack of capacity and lack of institutional coordination, must be urgently addressed.227

**Provision of more affordable and reliable energy**

3.131 The World Bank Group (WBG) submitted that the cost of energy services in the PICs is among the ‘highest in the world, energy access rates are among the lowest, as well as being vulnerable to imported fossil fuel products and price volatility’.228

The quality of services is generally poor. Private sector participation in the energy sector is challenged not only by the inadequate policy, legal, and regulatory environment but also by underdeveloped supply chains, and shallow financial markets.229

3.132 However the World Bank Group believed some of these underlying challenges also presented opportunities for ‘…leapfrogging conventional technology options and delivering affordable, reliable, and sustainable energy services to the people and businesses in the region’.230

The high cost of energy services makes new and innovative technologies to become cost competitive relatively early compared to other countries.231

3.133 The Managing Director of energy and water consulting firm Entura, Ms Tammy Chu, saw opportunities for developing hydropower schemes in the Pacific that also improves water supply.

…if there is potential for small to medium hydropower, that can provide secondary requirements, particularly from a dam perspective, or water that could be used for potable water requirements, flood mitigation and also recreational activities on the reservoir itself. So there is that additional benefit,

228 World Bank Group & International Finance Corp; *Submission 12*, p. 5.
229 World Bank Group & International Finance Corp; *Submission 12*, p. 5.
230 World Bank Group & International Finance Corp; *Submission 12*, p. 5.
231 World Bank Group & International Finance Corp; *Submission 12*, p. 5.
depending on the size of the scheme and potentially the size of the dam and the reservoir.\textsuperscript{232}

**Pacific’s need for long-term planning and improved maintenance**

3.134 Entura’s Ms Tammy Chu, identified the challenges with delivering renewable energy, water management and climate-resilient infrastructure projects. Ms Chu declared the Pacific requires sustainable, affordable and reliable energy, that requires a ‘...long-term energy vision and planning, an ongoing funding model and the expansion of local skills and expertise’.\textsuperscript{233}

We believe the most efficient use of funding needs to start with planning. This is not uncommon, due to the size of the utilities and often the subsistence nature of some cultures. As a result we see money spent in an ad hoc fashion to address immediate issues. Seldom is there an opportunity to plan for the next stage. As a result the outcomes are often less tangible, benefits cannot be demonstrated and funding can dry up. Where we have been involved in providing planning services and road maps we’ve seen the benefits of staged funding aligned to a common goal. That enables shovel-ready projects that are economically feasible to be prepared, programmed and implemented in achieving strategic objectives.\textsuperscript{234}

3.135 Once an energy infrastructure project is built and operational, Ms Chu highlighted the importance of keeping the power source reliable and running often in harsh environments requiring the training of local maintenance crews to develop their skills and expand their expertise.

The next challenge is to prevent the build-neglect-rebuild paradigm that we so often see in developing countries. This requires a program of training and upskilling of locals as part of a development program to ensure that there is sufficient expertise to operate and maintain the facility throughout its life cycle. Due to the limited resources available, together with high mobility, training and upskilling requirements, a continuous program needs to be effective.\textsuperscript{235}

We believe that the whole region could, for example, be a regional trading hub or training centre of excellence that would enable local skills development in

\textsuperscript{232} Ms Tammy Chu, Entura, *Committee Hansard*, 18 June 2020, p. 10.

\textsuperscript{233} Ms Tammy Chu, Entura, *Committee Hansard*, 18 June 2020, p. 8.

\textsuperscript{234} Ms Tammy Chu, Entura, *Committee Hansard*, 18 June 2020, p. 8.

\textsuperscript{235} Ms Tammy Chu, Entura, *Committee Hansard*, 18 June 2020, p. 8.
areas of renewable energy and trade skills to be developed. We see that there is an opportunity to provide a regional major projects office for the coordination and project execution of infrastructure. As a whole region, this could be helpful in applying consistent standards and guidelines across the region.\textsuperscript{236}

**Solomon Islands’ Tina River Hydropower Development Project**

3.136 The World Bank Group expected established regional institutions that represent a collective vision for the future of the PICs and partners can coordinate their aid and economic activities around a shared future in improving access to energy.\textsuperscript{237}

For example, in Solomon Islands, WBG has been supporting Tina River hydropower development, which would transform the country’s energy supply and cost of doing business. Similarly, in PNG, the WBG, along with Australia and other development partners, are jointly supporting major electrification initiatives.\textsuperscript{238}

3.137 High Commissioner of Solomon Islands, His Excellency Mr Robert Sisilo, welcomed Australia’s offer to provide the requested further support for the development of the Tina River hydro-electric project, through the Australian Infrastructure Financing Facility for the Pacific.\textsuperscript{239}

Over the past 10 years Australia has supported the Tina River Hydropower Development Project, which will provide cheaper electricity to the country’s capital, Honiara. This certainly will boost household incomes, reduce business costs, provide opportunities for better services and support Solomon Islands post-COVID-19 economic recovery.\textsuperscript{240}

\textsuperscript{236} Ms Tammy Chu, Entura, *Committee Hansard*, 18 June 2020, p. 9.

\textsuperscript{237} World Bank Group & International Finance Corp; *Submission 12*, p. 5.

\textsuperscript{238} World Bank Group & International Finance Corp; *Submission 12*, p. 5.

\textsuperscript{239} HE Mr Robert Sisilo, High Commissioner, Solomon Islands, *Committee Hansard*, 4 September 2020, p. 8.

\textsuperscript{240} HE Mr Robert Sisilo, High Commissioner, Solomon Islands, *Committee Hansard*, 4 September 2020, p. 8.
3.138 High Commissioner Sisilo believed as a renewable energy source, the Tina hydro will also enable Solomon Islands to meet its commitment for emissions reduction under the Paris Agreement.  

Lest we forget, climate change, not COVID-19, not even China, is the biggest threat to our security.

Role for smart energy systems

3.139 Indra Australia submitted despite the growing penetration of photovoltaic (PV) solutions, small Pacific island countries still ‘…rely on thermal, mainly diesel, baseload power generation’.  

Beyond the sensitivities surrounding fossil fuel use in a region at the forefront of climate change and rising sea levels, there are well-documented risks arising from price volatility and a fragile supply chain.

On the other hand, PV and wind generation can be fickle and their ‘firming-up’ requires investments in energy storage technologies such as batteries. This new mix of energy sources creates its own challenges in matching supply with demand and maintaining frequency and voltage to protect the grid and provide an adequate quality of service.

3.140 Indra detailed it has developed a solution to these challenges, a smart energy micro-grid currently being deployed at Monash University’s Clayton Campus in Melbourne. Its micro-grid provides a ‘…cost-effective approach to real-time coordination, that optimises the use of renewable sources and minimises the need for thermal generation baseload or expensive storage’.  

One of the key enablers of this solution is smart metering systems, which are being adopted extensively throughout Asia, where mini- or micro-grids are

241 HE Mr Robert Sisilo, High Commissioner, Solomon Islands, Committee Hansard, 4 September 2020, p. 8.

242 HE Mr Robert Sisilo, High Commissioner, Solomon Islands, Committee Hansard, 4 September 2020, p. 8.

243 Indra Australia, Submission 25, p. 9.

244 Indra Australia, Submission 25, p. 9.

245 Indra Australia, Submission 25, p. 9.

246 Indra Australia, Submission 25, p. 9.
also becoming the preferred alternative to transmission and distribution grids for isolated townships and rural areas.247

3.141 Indra’s claimed its metering data management suite is manufacturer-agnostic and interoperable, meaning customers avoid vendor lock-in, allowing them to take advantage of the best metering hardware and communications infrastructure on offer.248

This solution would be particularly well-suited to the needs and environment of dispersed and isolated Pacific island communities.249

**Improving transport connectivity across the Pacific**

3.142 The World Bank Group highlighted the importance of land, aviation and maritime transport infrastructure for tourism, logistics and trade, local economic development, and in providing access to other economic and social activities.250

As the economies of many PICs are highly dependent on revenue from fisheries, maritime infrastructure is critical for international, inter-state and inter-island trade, and for access to education and health services to and from the main and outer islands.251

3.143 Although connectivity capabilities among the Pacific island countries vary significantly according to the World Bank Group, these countries often face similar challenges:

i. the remoteness and resource constraints that result in high logistic costs and impediment to trade;

ii. insufficient maintenance and lack of construction skills that lead to poor condition of roads, jetties and wharves;

iii. rural and outer island populations lack access to reliable roads and must contend with unsafe jetties and wharves, which

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250 World Bank Group & International Finance Corp; *Submission 12*, p. 5.

251 World Bank Group & International Finance Corp; *Submission 12*, pp. 5-6.
results in safety issues and high transportation costs for many farmers selling goods in markets; and

iv. transport sector that is critically exposed to the effects of climate change, including higher extreme and average temperatures, sea-level rise, increased rainfall intensity and an increased intensity of wind from tropical cyclones.²⁵²

3.144 The focus of the World Bank Group’s transport sector engagement has been in the areas of ‘…connectivity, safety, security and enhancing infrastructure resiliency to climate change’.²⁵³

For example, the maritime transport projects in the Northern Pacific provide improvements to maritime infrastructure, security and safety equipment, as well as emergency response ability. The regional aviation program contributes to strengthening air transport safety and oversight through upgrading and rehabilitation of runway as well as building capacity in aviation operations.²⁵⁴

3.145 Indra Australia submitted its involvement in the World Bank Pacific Aviation Investment Program has supported ‘safer and more efficient air travel to and from Pacific nations – including Kiribati, Samoa, Tonga, Tuvalu and Vanuatu – through improvements to aviation infrastructure, management and operations’.²⁵⁵

This program is supported by the Australian government and acknowledges that greater flight access and improved travel conditions are critical to promoting tourism and trade and also allow Pacific islanders to access jobs, markets and services overseas. It will boost regional integration through shared technology, systems and an effective air transport network, especially through connectivity with Australia and New Zealand.²⁵⁶

3.146 The Managing Director of Indra Australia Pty Ltd, Mr Tehmur Khan Galindo stressed the efficient operation of transport networks, ‘underpinned

²⁵² World Bank Group & International Finance Corp; Submission 12, p. 6.
²⁵⁵ Indra Australia, Submission 25, p. 3.
²⁵⁶ Indra Australia, Submission 25, p. 3.
by safe and effective navigation and air traffic control, are the lifeblood of trade and investment’. 257

Indra’s air traffic management, communication, surveillance and navigation systems are helping to overcome the Pacific’s tyranny of vastness. While COVID-19 has restricted the Pacific’s connectivity with Australia and other international markets, regular and trusted air connections actions will remain vital to the region’s prosperity. However, the long-term viability of these essential systems is dependent upon successful maintenance programs and contracts. 258

3.147 Indra Australia has also outlined its significant contribution to improving air traffic management and communications capabilities in Papua New Guinea, working in partnership with the Australian Government and the Asian Development Bank. 259

3.148 Indra, which has installed air traffic management, communication, surveillance and navigational systems in nations such as Fiji, Samoa, Tonga, Cook Islands and Papua New Guinea, warned that all these systems require regular maintenance and support to function effectively. 260

By establishing maintenance and support contracts for these systems, Australia would help create a more resilient air traffic network for PICs that will underpin greater connectivity and facilitate greater trade and investment between Australia and its Pacific neighbours. 261

These contracts must include appropriate provisions on scheduled maintenance, non-scheduled maintenance, repairs and replacement of safety-critical spare parts to keep these systems available to airlines and other operators in the area. The programs will also need to include continued upgrades to keep the systems compatible with systems in the rest of the world. A typical price per year for full maintenance and support is US$1 million per nation. 262

257 Mr Tehmur Khan Galindo, Indra Australia Pty Ltd, Committee Hansard, 12 November 2020, p. 8.
258 Mr Tehmur Khan Galindo, Indra Australia Pty Ltd, Committee Hansard, 12 November 2020, pp. 8-9.
259 Indra Australia, Submission 25, p. 3.
260 Indra Australia, Submission 25, p. 6.
261 Indra Australia, Submission 25, p. 6.
262 Indra Australia, Submission 25, p. 6.
3.149 Indra noted that without such maintenance and support agreements, ‘supplied systems will fail to operate, or operate with a downgraded performance, as nations typically lack the skillset to adequately maintain them themselves’.  

Not only does this undermine the significant investment in these systems, it causes safety concerns for airlines and operators.

Developing Cairns and Queensland as a Pacific hub

3.150 The Cairns Regional Council declared that Cairns is strategically positioned to support initiatives relating to engagement with neighbouring Pacific island countries, for the benefit of both Australia and its Pacific neighbours, both in relation to PACER Plus and Australia’s Pacific Step-up program.

3.151 The Regional Council highlighted that Cairns is the ‘closest Australian city to the PNG capital Port Moresby, less than a 90 minute flight away, with a large expat community of PNG and Pacific island nationals calling Cairns and the region home’.

Cairns has a strong economic, cultural, and social connection with PNG and the Pacific, including a long established sister-city relationship with Lae, PNG’s second largest city.

3.152 The Regional Council believed many factors aligned with the Australian Government’s Pacific Step Up agenda supported establishment of Cairns as the Pacific hub for Australia. According to the 2016 Census Cairns has a multicultural population, 2.7 per cent of which claim Pacific island ancestry, compared to 1.5 per cent and 0.9 per cent for Queensland and Australia respectively.

Cairns is already a base for Australia’s participation in the development of cultural and education research and teaching, health care, marine training, logistical support including maintenance, and security for South Pacific.

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263 Indra Australia, Submission 25, p. 6.
264 Indra Australia, Submission 25, p. 6.
265 Cairns Regional Council, Submission 1, p. 2.
266 Cairns Regional Council, Submission 1, p. 2.
267 Cairns Regional Council, Submission 1, p. 2.
268 Cairns Regional Council, Submission 1, p. 4.
nations. Cairns also has strong established networks and links with nations of the Pacific, together with expertise in working with dispersed populations and tropical climates. A direct example is that an estimated 470 Fly In Fly Out (FIFO) workers are based in Cairns who work in PNG.269

3.153 With major forthcoming projects such as the Wafi-Golpu gold and copper mine due to open near Lae in PNG, the Regional Council sees potential for increased levels of international FIFO activity from Cairns, providing an ‘increase in expertise to PNG with potential for knowledge sharing and upskilling of the local workforce’.270

3.154 Due to its strategic location, according to the Council, Cairns plays a pivotal role in supporting the ongoing deployment of the Pacific Patrol Boat Program. Under this program, 22 Pacific Class patrol boats were donated by the Australian Government to 12 South Pacific countries where they are operated by militaries, coast guards and/or police forces.271

Cairns’ marine businesses, located in the Cairns Marine Precinct, have supported the program through the provision of refit and maintenance services. Additionally, the recently announced $162 million HMAS Cairns expansion (part of the Department of Defence’s broader Navy Capability Infrastructure Sub-program) will set the foundation for Cairns to play a greater role in the security of the region, complementing the joint capabilities of the Australia-US redevelopment of Lombrum naval base on Manus Island.272

3.155 The Cairns Regional Council believed Cairns’ ‘...well-established and connected airport and seaport provide an opportunity to further strengthen Australia’s relationships in the Pacific’.273

Improving air connectivity between Australia and PNG

3.156 PNG carrier Air Niugini was the first airline to operate international flights into Cairns, according to the Regional Council, and before the COVID-19 restrictions on travel in March 2020, it was operating a 90 minute service

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269 Cairns Regional Council, Submission 1, p. 4.
270 Cairns Regional Council, Submission 1, p. 4.
271 Cairns Regional Council; Submission 1, p. 2.
272 Cairns Regional Council; Submission 1, pp. 2-3.
273 Cairns Regional Council; Submission 1, p. 3.
between Port Moresby and Cairns 10 times per week using a Fokker aircraft.\textsuperscript{274}

Over 60,000 people travel this route each year. With support from the Queensland Government, Cairns Airport, and Cairns Regional Council, Air Niugini has recently enhanced this service by operating a larger Boeing 767-300ER wide-body aircraft on the route twice per week. This new wide-body aircraft has a freight capacity of 18 tonnes per flight. The increase in capacity will provide a valuable airfreight link between Cairns, Port Moresby, and Hong Kong, as well as a number of other destinations in Asia and the Pacific (notably Solomon Islands and Vanuatu…) through Air Niugini’s international network … It presents a significant trading opportunity for the Cairns region.\textsuperscript{275}

\textbf{Establishing an airlink between Cairns and Lae in PNG}

3.157 With support from Cairns Regional Council, Tradelinked Cairns-PNG-Pacific had investigated, pre-COVID-19 restrictions on air travel, the potential opportunities that direct air links between Cairns and the PNG port city of Lae, with a population over 100,000, may deliver when the Nadzab Airport is upgraded to international status. The Regional Council believed the study highlighted the opportunity of 1.8 to 2.4 services per week using a 70-seater aircraft going to PNG’s second largest city Lae based on current conditions, and potentially an additional 2.7-3.6 services per week to meet associated demand for the Wafi Golpu mine near Lae when it is operational.\textsuperscript{276}

It should also be noted that Lae is home to PNG’s largest trade shipping port. Accordingly, a direct flight link between Cairns and Lae would further strengthen trade routes into the Pacific.\textsuperscript{277}

3.158 The Regional Council submitted a business case for a Lae service using Tradelinked Cairns/Cummings Economics research that for those passengers leaving Lae, who are transiting to and from other Australian centres, there is a saving of one transit via Brisbane or Sydney (1 flight per week).\textsuperscript{278}

\textsuperscript{274} Cairns Regional Council; Submission 1, p. 5.
\textsuperscript{275} Cairns Regional Council; Submission 1, p. 5.
\textsuperscript{276} Cairns Regional Council; Submission 1, p. 5.
\textsuperscript{277} Cairns Regional Council; Submission 1, p. 5.
\textsuperscript{278} Cairns Regional Council; Submission 1, Attachment 1, p. 3.
There will be flight time savings and airfare savings especially to Darwin, Perth and Adelaide. Current passenger numbers over the next 12 months, to/from PNG (Port Moresby) Cairns, are estimated at 65,000 – 70,000.\(^{279}\)

3.159 Based on City-Pair Sabre data supplied by Cairns airport pre-COVID-19 restrictions, estimated passenger numbers between Lae and Cairns to be a minimum of 120 per week.\(^{280}\) The business case for an air service between Cairns and Lae also included potential for carrying a range of freight. Survey of businesses in Cairns and Lae indicated freight opportunities ex Cairns mainly in machinery and parts, possible workwear and dairy products marine, hospital and education material, tourism gear, bicycles and fresh fruit and vegetables, and ex Lae agricultural products (including coffee, cocoa and vanilla), PNG artisan products and machinery and equipment sent down for repair, reconditioning.\(^{281}\)

3.160 The Regional Council submitted that additional airfreight export capacity, specifically in regard to perishable agricultural goods, will also be supported by a proposed $10 million Regional Export Distribution Centre to be built at Cairns International Airport.\(^{282}\) Agricultural trade has traditionally been limited due to legislative barriers however PACER Plus represents an additional opportunity to develop trade in this sector.\(^{283}\)

More demand for airlinks between New Caledonia and Australia

3.161 The New Caledonia Government submitted there was a ‘strong demand from New Caledonians to travel to Australia’ by air.\(^{284}\) New Caledonia wishes to work from the Sydney Hub in particular and has been in discussions since mid-2019 with Australian airlines.\(^{285}\)

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\(^{279}\) Cairns Regional Council; *Submission 1, Attachment 1*, p. 4.

\(^{280}\) Cairns Regional Council; *Submission 1, Attachment 1*, p. 4.

\(^{281}\) Cairns Regional Council; *Submission 1, Attachment 1*, p. 4.

\(^{282}\) Cairns Regional Council; *Submission 1*, p. 6.

\(^{283}\) Cairns Regional Council; *Submission 1*, p. 6.

\(^{284}\) New Caledonia Government, *Submission 17.1 – Supplementary Submission, Questions on Notice*, p. 4.

Regional Office of the Pacific based in Cairns

3.162 The Cairns Regional Council suggested DFAT’s Office of the Pacific that is supporting Australia’s engagement with the Pacific consider the benefits of establishing a regional office in North Queensland as a link with Canberra and Brisbane offices and to help ‘…enhance whole-of-government coordination consistent with the priorities of Pacific countries’.286

The presence of senior departmental personnel and the creation of a Cairns-based trade officer role with a specialism relating to regional Pacific trade programs, would be an asset in educating the market on accessing opportunities linked to PACER Plus and existing Free Trade Agreements. There is also an opportunity to further leverage local industry sectors, particularly tourism and agriculture, to support the Pacific Labour Scheme (PLS) and Seasonal Worker Schemes.287

3.163 As of January 2020, the Cairns region had 65 employees participating in the PLS, mostly from Vanuatu and Solomon Islands, with PNG, Tonga and Tuvalu also represented.288

Upgrading internet communications technology in the Pacific

3.164 The World Bank Group (WBG) anticipated digital transformation can accelerate economic growth, facilitate trade, increase social inclusion and provide access to better services in Pacific island countries. The World Bank Group believed access to basic telecommunications and internet services has ‘improved dramatically in recent years in most Pacific countries, despite the remote and dispersed environment of the Pacific’.289

However, overall adoption of digital technologies in the Pacific is relatively low, compared to East Asia or the Caribbean. The low rate of adoption is a symptom of the high costs of reaching small dispersed populations and the relatively delayed rollout of the core backbone submarine cable infrastructure.290

286 Cairns Regional Council; Submission 1, p. 4.
287 Cairns Regional Council; Submission 1, p. 5.
288 Cairns Regional Council; Submission 1, p. 5.
289 World Bank Group & International Finance Corp; Submission 12, p. 6.
290 World Bank Group & International Finance Corp; Submission 12, p. 6.
3.165 The World Bank Group outlined during the last decade there has seen sizable financing invested in improving the digital technology infrastructure in the Pacific. The WBG submitted alone has provided more than US$200M in financing for the sector.\textsuperscript{291}

When coupled with the adoption of an enabling legal and regulatory environment and strong and effective regulatory institutions, this connectivity layer will encourage the private sector to expand its investments in digital technologies, generate an increase in e-commerce, financial services and help launch a new wave of digital content for Pacific countries.\textsuperscript{292}

3.166 Overall the World Bank Group expected the development of the digital economy will lead to ‘…improved service delivery, reduced business transaction costs, new business opportunities, new job opportunities, greater and more inclusive economic growth, and stronger national and regional integration in the Pacific’.\textsuperscript{293}

In the next phase of investment, the WBG, together with the other development partners, will focus on digital transformation programs that support the client countries in building the foundations for government digital platforms as a basis for enhanced service delivery.\textsuperscript{294}

**Australian Infrastructure Financing Facility for the Pacific**

3.167 The $2 billion Australian Infrastructure Financing Facility for the Pacific (AIFFP) will, according to DFAT, deliver three high level outcomes, including being able withstand the impacts of climate change:

- supporting Pacific countries and Timor-Leste to have greater access to capital to support quality, inclusive and resilient economic infrastructure;
- delivering infrastructure financing that meets the development needs of the partner countries; and

\textsuperscript{291} World Bank Group & International Finance Corp; *Submission 12*, p. 6.

\textsuperscript{292} World Bank Group & International Finance Corp; *Submission 12*, p. 6.

\textsuperscript{293} World Bank Group & International Finance Corp; *Submission 12*, p. 6.

\textsuperscript{294} World Bank Group & International Finance Corp; *Submission 12*, p. 6.
making Australia a partner of choice for infrastructure in the Pacific and Timor-Leste.\footnote{295}{Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, 
\textit{Submission 14}, p. 30.}

3.168 DFAT submitted that the AIFFP is currently ‘assessing a range of potential infrastructure investments in the region focused on energy, transport and telecommunications, water and other priority sectors for Pacific partners which will contribute to enhanced connectivity, trade and investment and broader economic development’.\footnote{296}{Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, 
\textit{Submission 14}, p. 30.}

All infrastructure supported through the AIFFP will be built to withstand the impacts of climate change and natural disasters. In addition, we have established a Climate Infrastructure Window in the AIFFP, which will help to advance the region’s energy ambitions. The aim of this window will be to fund projects which specifically support renewable and lower emission energy generation and transmission.\footnote{297}{Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, 
\textit{Submission 14}, p. 31.}

3.169 Australia Pacific Islands Business Council member Ms Tessa Price really welcomed the AIFFP and Australian-funded construction work to help bolster struggling Pacific island economies.

\ldots what we’ve seen successfully work in the past from a GDP-growth perspective is construction. When cyclones go through the region and ports, roads, seawalls, schools et cetera have to be rebuilt, that is when you can actually help stimulate economies and drive economic growth as well.\footnote{298}{Ms Tessa Price, Australia Pacific Islands Business Council, \textit{Committee Hansard}, 2 November 2020, p. 6.}

3.170 eWater welcomed the focus of AIFFP in support of capacity building and whole of life maintenance for water related investments but questions whether resources are being made available to ensure their implementation.\footnote{299}{eWater, \textit{Submission 19}, p. 4.}

\textcolor{black}{As manager of the Australian Water Partnership on behalf of DFAT, eWater is aware of the efforts of the Pacific Water and Wastewater Association (PWWA)}
to prepare their 30 member utilities from 21 Pacific countries for increased investment in water and sanitation in the region and to build the planning and management capacity of staff in their member utilities.\(^{300}\)

3.171 DFAT detailed the Australian Government had funded the connection of the undersea telecommunications cables to Papua New Guinea and Solomon Islands in 2019. This includes funding for a domestic network in Solomon Islands linking Honiara with Auki in Malaita Province, Noro in Western Province and Taro in Choiseul Province.\(^{301}\)

This will contribute to ongoing efforts to support development of e-commerce and digital trade capabilities, an emerging area of potential for Pacific trade and investment.\(^{302}\)

3.172 The Australia-PNG, Australia-Fiji and Australia-Pacific business councils jointly submitted their support for the establishment of the AIFFP.

The establishment of the AIFFP is seen as an opportunity to reinvigorate Australian business engagement in the Pacific as well as improve the economic capabilities in the region and assist develop business capability in the region.\(^{303}\)

3.173 The business councils proposed a number of measures as characteristics of the AIFFP including that the Governing Board of the Facility should include ‘…at least two Australian business representatives with extensive experience in the region selected in consultation with the [three] Business Councils’.

The representatives so selected should be one with extensive regional legal experience in major commercial and financial transactions and one with extensive financial services experience in the region. This will help ensure the Fund is able to draw on the knowledge, understanding and expertise of people who have decades of experience working in various Pacific jurisdictions.\(^{304}\)
3.174 The business councils also urged the AIFFP must mandate in its contracts an ‘…enforceable requirement for contractors to ensure they engage effectively with local contracting and sub-contracting entities to build capacity and grow the MSME sectors in the Pacific islands economies’.\(^{305}\)

…contracts allow for an appropriate margin of preference for Australian contractor bidders to be awarded work to assist attract more Australian companies into the region. Determining what that margin might be will require some study. This is not put forward as a means of feather bedding for Australian companies, but rather as a means of redressing what is currently an uneven playing field under which some contracting parties from third countries are not required to comply with local labour requirements.\(^{306}\)

3.175 The Save the Children Australia submitted that since Australia announced its major Pacific infrastructure financing initiative, the AIFFP, in 2017 will focus on telecommunications, energy, transport, water, and ‘…other priority infrastructure,’ the AIFFP was yet to announce an ‘approved infrastructure project financed under its auspices’.\(^{307}\)

Yet the Facility is holding $500 million in ODA funds over four years, with an additional $1.5 billion in the form of a line of credit from the Australian federal budget. In addition, its administering agency, Export Finance Australia, has access to an additional $1 billion in callable capital, should it be required in an emergency.\(^{308}\)

3.176 The Save the Children warned the COVID-19 pandemic and its resulting economic devastation in the Pacific, should be enough of an emergency to prompt Australia to now expand the scope of the AIFFP so that it can ‘…finance the creation of social and economic protection schemes that complement the PICs’ national stimulus packages’.\(^{309}\)

The AIFFP could be used to finance a set of packages consisting of cash transfer funds for immediate relief for households, such as those devastated by Tropical Cyclone Harold in Vanuatu, in addition to finance for job and income protection schemes across the region, to support their resilience in this

\(^{305}\) Australia-PNG, Australia-Fiji & Australia-Pacific business councils, Submission 28, p. 4.

\(^{306}\) Australia-PNG, Australia-Fiji & Australia-Pacific business councils, Submission 28, p. 4.

\(^{307}\) Save the Children Australia, Submission 39, p. 5.

\(^{308}\) Save the Children Australia, Submission 39, p. 5.

\(^{309}\) Save the Children Australia, Submission 39, p. 5.
COVID-19-induced recession. These packages can be designed at national and regional scales, to assist micro-states like Kiribati, for example, who argue they are at a disadvantage due to their small size, causing them to be overlooked by large infrastructure initiatives like the AIFFP. \(^{310}\)

3.177 Even most of the larger PIC economies, whether they depend on tourism, resources, infrastructure construction, or combinations of these activities, cannot finance their economic recoveries single-handedly, according to Save the Children Australia. \(^{311}\)

For example, PNG and the Solomon Islands are experiencing either resource gluts or weakening demand respectively, resulting in reduced revenues from LNG and timber. The PNG government has limited fiscal resources and cannot implement an expansionary, stimulus-based budget alone, so is urgently seeking loans from development partners like Australia. \(^{312}\)

The PNG state is in significant debt, and in addition, the prevalence of extreme poverty is high in PNG – around 38 per cent of the population lived beneath the poverty line in 2010 (the last time data was collected). According to the World Bank, PNG is headed for zero to negative growth in the short term, while travel bans present the risk that food and healthcare supplies to PNG’s poor, who are largely concentrated in rural areas, will be disrupted. \(^{313}\)

3.178 Likewise the Save the Children highlighted concerns about low government cash reserves in the Solomon Islands exacerbating ‘...vulnerability, especially in rural areas, which have experienced substantial reductions in development expenditures, resulting in less effective service delivery and little development expenditure’. \(^{314}\)

3.179 Save the Children Australia outlined that like PNG, the Solomon Islands, was also looking for more donor-funded infrastructure spending and loans to stimulate the economy and offer tax relief measures and concessional loans aimed at ‘...shoring up smallholder agriculture, for example’. \(^{315}\)

\(^{310}\) Save the Children Australia, Submission 39, pp. 5-6.

\(^{311}\) Save the Children Australia, Submission 39, p. 6.

\(^{312}\) Save the Children Australia, Submission 39, p. 6.

\(^{313}\) Save the Children Australia, Submission 39, p. 6.

\(^{314}\) Save the Children Australia, Submission 39, p. 6.

\(^{315}\) Save the Children Australia, Submission 39, p. 6.
Even Fiji, with its relative lack of poverty, cannot afford measures such as wage subsidies and wage transfers to households. This situation affords the Australian Government an opportunity to assist the PICs by funding measures that complement their own.316

3.180 Save the Children urged the Australian Government to address the PICs’ social protection needs by ‘expanding the focus of its Pacific Step-Up from hard infrastructure to the various forms of soft and human infrastructure that can protect communities facing simultaneous, interlocking, and potentially devastating social security challenges’.317

Case study helping Samoans access better more affordable internet

3.181 DFAT declared that Australia’s support for the construction of the Tui-Samoan submarine cable, and the associated legislative reform processes, has ‘…significantly improved Samoa’s digital connectivity, contributing to economic growth’.318

The wholesale price of internet bandwidth [in Samoa] is 90 per cent lower than in 2015, significant increases in the volume of data usage occurred in 2018-19, and mobile operators are aiming to reach universal 3G coverage by the end of 2019.319

Australia had worked with the World Bank and Asian Development Bank to provide Samoa with a new submarine internet cable. Australia has invested in the new cable as a way to support the creation of new jobs and ways of doing business, better access to information and markets and opportunities for revolutionising basic services including health and education.320

316 Save the Children Australia, Submission 39, p. 6.
317 Save the Children Australia, Submission 39, p. 6.
318 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 31.
319 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 31.
320 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 31.
Providing improved health services to the Pacific

3.182 Solomon Islands High Commissioner His Excellency Robert Sisilo believed provision of a multi-role health vessel similar to the YWAM training and medical ship, *YWAM PNG*, a small cruise liner refitted to provide dental services, day procedures, a laboratory, four patrol tenders and accommodation for more than 100 volunteers on board, would make a huge difference to the lives of those Solomon Islanders in remote villages isolated from medical services.

I mean coming from a country made up of about 800 islands, it certainly would be a very useful thing if we have a medical ship or health vessel with a multipurpose role going around the islands, especially for the rural areas where health facilities are very much wanting.\(^\text{321}\)

3.183 High Commissioner Sisilo recalled his own experiences coming from a Polynesian atoll on the outskirts of the Solomon Islands.

The only way to get there is by boat, and the boat goes there once every three months—if you are lucky. Most of the time the clinic at home is without medication or medicines, and even without a registered nurse, so it’s really a challenge for some of our outlying islands. If we had this kind of vessel working in Solomon Islands, visiting the islands every now and then, that would certainly be a game changer. It would also prevent people from coming every now and then to the main town. It can be very expensive coming over to Honiara, and then you have to spend another two or three months before the next boat goes back.\(^\text{322}\)

3.184 Mr Sakias Tameo, the Deputy High Commissioner of Papua New Guinea, acknowledged the YWAM medical ship does a good job in servicing remote coastal parts of PNG.

It goes to the western and gulf provinces. They really provide a lot of valuable services, because obviously our people need help out there in terms of health.\(^\text{323}\)

\(^{321}\) HE Mr Robert Sisilo, High Commissioner, Solomon Islands, *Committee Hansard*, 4 September 2020, p. 25.

\(^{322}\) HE Mr Robert Sisilo, High Commissioner, Solomon Islands, *Committee Hansard*, 4 September 2020, p. 25.

\(^{323}\) Mr Sakias Tameo, Deputy High Commissioner, Papua New Guinea, *Committee Hansard*, 4 September 2020, pp. 23-24.
3.185 Health services provider Aspen Medical submitted with respect to health services and given the context of the COVID-19 pandemic, there is significant opportunity to assist Pacific island countries improve ‘the standard and quality of local healthcare services, including the enhancement of disaster planning and preparation activities’.  

3.186 Acknowledging that two major trading partners in PNG and Fiji are not members of the PACER Plus group of Pacific nations, Aspen Medical does see opportunities to work within PACER Plus to enhance their health capabilities of the member nations.  

The needs of our respective regional neighbours are changing and evolving. We should not assume to understand what each country needs now and/or into the future.  

Accordingly, we support the current DFAT Policy initiative and supporting actions being undertaken and led by DFAT relating to the ‘Partnerships For Recovery’ policy document. Specifically, we welcome ‘Health Security’ being identified and included as a key pillar within current Australian Federal Government policies and planning.  

3.187 Aspen Medical was also example of an Australian company that Austrade have assisted in the Pacific since the company first started delivering services in the Solomon Islands in the early 2000s, according to Austrade’s Acting General Manager of Government and Partnerships, Ms Margaret Bowen.  

In 2018, the government of Fiji announced that Aspen Medical would be its key partner in delivering health care in reforming Fiji’s healthcare system. Austrade has stood side by side with Aspen Medical throughout its two decades in the Pacific, in a number of Pacific countries now. Importantly, Aspen Medical has helped to accredit hospitals in the Pacific and to bring them up to international standards. The work is commercial but the effect is kind of universal.  

324 Aspen Medical, Submission 53, p. 3.  
325 Aspen Medical, Submission 53, p. 3.  
326 Aspen Medical, Submission 53, p. 3.  
327 Aspen Medical, Submission 53, p. 3.  
328 Ms Margaret Bowen, Austrade, Committee Hansard, 27 February 2020, p. 2.  
329 Ms Margaret Bowen, Austrade, Committee Hansard, 27 February 2020, p. 2.
3.188 In light of the global pandemic Aspen Medical also welcomed the country-by-country analysis that will help determine relevant needs, areas of improvement and health priorities at an individual country level.\(^{330}\)

Once the analysis is completed, and as a high-level approach, the Government could consider utilising some of the funding allocated to the Australian Infrastructure Financing Facility for the Pacific (AIFFP) which could potentially be directed toward boosting Regional Health Security initiatives which will ensure that all Pacific nations are better equipped and trained to respond more effectively to manage future major health challenges, such as the COVID-19 pandemic.\(^{331}\)

3.189 Australia should use the AIFFP, according to Save the Children, to help finance some of the health capacity expansion that many of the Pacific island countries require, in collaboration with multilateral funds.\(^{332}\)

While the medical supplies and personal protective equipment that Australia is delivering are a good start, longer-term support needs to be considered, including via new initiatives and social enterprises being developed in Australia.\(^{333}\)

3.190 Save the Children submitted that Australia could finance an important Australian initiative aimed at ‘…protecting Pacific children (and adults) from acute respiratory infections and pneumonia by providing oxygen in conditions where a constant electricity supply cannot be guaranteed’.\(^{334}\)

Save the Children is calling for support for the FREO2 Foundation, based at the University of Melbourne, which has developed a range of new technologies to ensure 100 per cent availability of oxygen even in low electricity environments, and which, in partnership with Save the Children, plans to establish a pilot of this technology in the Solomon Islands – a country which has some of the highest incidence of pneumonia in the Pacific, even before COVID-19.\(^{335}\)

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\(^{330}\) Aspen Medical, Submission 53, p. 3.

\(^{331}\) Aspen Medical, Submission 53, p. 3.

\(^{332}\) Save the Children Australia, Submission 39, p. 7.

\(^{333}\) Save the Children Australia, Submission 39, p. 7.

\(^{334}\) Save the Children Australia, Submission 39, p. 7.

\(^{335}\) Save the Children Australia, Submission 39, p. 7.
Case study of a public private partnership in Fiji healthcare

3.191 DFAT submitted a respected Australian healthcare business entered into a public private partnership (PPP) with the Government of Fiji in early 2019 to ‘…substantially upgrade, maintain and operate two public hospitals in Fiji, providing free health services for Fijian citizens’.  

The PPP is a first for Fiji and the Pacific. It will provide access to a wider range of higher-quality health services for the first time. Heart surgery and radiotherapy for cancer will be available for Fijians for the first time.

The project has great potential to strengthen Fiji’s credentials as a medical services hub for the region. The hospitals will be built to international standard, promoting confidence in the level of care available. With one of the hospitals located in close proximity to Nadi International Airport, which enjoys good connectivity with Australia, there is potential for Fiji to become a premier retirement and aged care destination.

The International Finance Corporation (IFC) provided technical support to the Fijian Government to structure and tender the PPP. Australia’s aid program part-funded IFC’s feasibility work on this project. The PPP was awarded following a competitive tender.

Upon being awarded the contract, the business…under-estimated the likely costs of construction. This demonstrates the need to build in flexibility within PPPs to address perceived financing shortfalls, while avoiding over-investment of partner government resources.

336 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 35.
337 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 35.
338 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 35.
339 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 35.
340 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 35.
Supporting sustainable growth in the Pacific

3.192 DFAT submitted sustainable economic growth requires ‘societies to create the conditions that allow people to have quality jobs that stimulate the economy while not harming the environment’.  

Importantly for Pacific Island countries, this includes planning for and adapting to climate change.

3.193 According to DFAT, Pacific island countries are some of the most vulnerable in the world to the effects of climate change. The World Risk Index 2019 ranks five Pacific island countries among the top 20 most at-risk countries, including Vanuatu and Tonga, which are ranked first and third respectively.

Pacific island countries’ key economic sectors, including agriculture, fisheries and tourism, are among the most vulnerable to the impacts of climate change. Rises in sea levels, temperature and cyclones can impact infrastructure, which supports connectivity, such as transport (including ports and roads), which directly supports trade. Post-disaster assessments of recent extreme events, including Tropical Cyclone Pam (Vanuatu and Tuvalu) and Tropical Cyclone Winston (Fiji), cite sustained impacts on productivity, supply chains and access to markets in all economic sectors.

3.194 DFAT believed disruptions to trade associated with climate change are already occurring, and required resilient infrastructure planning, design and maintenance that enables countries to maintain linkages to regional and global markets.

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341 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 37.
342 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 37.
343 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 37.
344 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 37.
345 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 37.
Incorporating environmental resilience can help obtain efficiencies towards the already high costs of linking Pacific markets and support improved trade competitiveness.\(^\text{346}\)

**Resilient infrastructure projects in the Pacific**

3.195 DFAT highlighted a resilient infrastructure project in Vanuatu. Australia funded a project to assist Vanuatu’s recovery from Tropical Cyclone Pam, delivered through the Enhanced Integrated Framework (EIF) - a multilateral partnership dedicated to assisting Least Developed Countries (LDCs) to use ‘...trade as an engine for growth, sustainable development and poverty reduction’.\(^\text{347}\)

This project rebuilt and redeveloped the Port Vila commercial cruise ship port, aiding in Vanuatu’s economic recovery while also delivering an upgrade to Port facilities building in disaster-resilience.\(^\text{348}\)

\(^{346}\) Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, *Submission 14*, p. 37.

\(^{347}\) Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, *Submission 14*, p. 37.

\(^{348}\) Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, *Submission 14*, p. 37.
4. Pacific Agreement on Closer Economic Relations (PACER Plus)

Introduction

4.1 The Trade Sub-Committee received various submissions and briefings from stakeholders who repeatedly emphasised the Pacific Agreement on Closer Economic Relations (PACER Plus) as a fundamental component of Australia-Pacific trade and investment in the future.

4.2 This chapter considers the core objectives of PACER Plus alongside evidence pertaining to the Agreement’s advantages and disadvantages. Complementing this, the chapter will highlight upcoming challenges to PACER Plus before noting potential opportunities to strengthen the trade and investment arrangement moving forward.

PACER Plus Overview

4.3 The Department of Foreign Affairs and Trade (DFAT) summarises the core tenets of PACER Plus:¹

PACER Plus is a comprehensive regional development-centred free trade agreement between Australia, New Zealand and nine Pacific island countries (Cook Islands, Nauru, Niue, Kiribati, Tuvalu, Samoa, Solomon Islands, Tonga and Vanuatu). PACER Plus was agreed in 2017.

4.4 Elaborating further on the significance of PACER Plus, DFAT notes:²

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¹ Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 11.
When [PACER Plus] enters into force (anticipated in 2020), it will be the first trade agreement facilitating regional economic integration open to all Pacific island countries that is comprehensive – covering goods, services and investment. It also has a strong development focus with Australia and New Zealand committing A$25 million in development assistance to help Pacific island countries realise the opportunities of the Agreement.

4.5 From a broader regional perspective, DFAT highlights PACER Plus as a valuable policy apparatus to build regional economic integration and harmonisation, supporting a stable rules-based system alongside increased transparency, reduced trade costs and support to tackle existing trade constraints.³

4.6 The World Bank Group and International Finance Corporation concurs DFAT’s standpoint, noting opportunities exist to strengthen Australia’s trade and investment relations with Pacific island countries. Examining PACER Plus’ current progress towards ratification, The World Bank Group and International Finance Corporation’s submission states:⁴

PACER Plus has now been signed by nine of the 14 members of the Pacific Islands Forum that have committed to making it easier for trade in goods, services and investment in support of regional growth.

4.7 Noting the unique nature of the PACER Plus arrangement from an industry perspective, the Australian Fresh Produce Alliance discussed via their submission:⁵

Given that many Pacific countries are small island economies, the nature of Australia’s trade and investment relationships with each country is different to many of our larger trading partners. The shape of Australia’s future opportunities with Pacific island countries will reflect the strengths and constraints of each country.

4.8 DFAT further explains that Australia is supporting Pacific island countries to implement their PACER Plus commitments and strengthen their capacity

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² Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 11.
³ Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 6.
⁵ Australian Fresh Produce Alliance, Submission 42, p. 4.
to trade.\(^6\) In particular, Australia has contributed $4 million to a joint Australia-New Zealand $7.7 million Readiness Package. This package aims to support legislative drafting, customs modernisation, training on notification requirements, public outreach, stakeholder engagement and revenue planning and mitigation.\(^7\)

4.9 Indra Australia warned trade agreements are ‘not a panacea in and of themselves, and the private and public sectors acting alone will not be capable of meeting PIC development objectives’.\(^8\)

Australian and PIC authorities will need to collaborate with businesses to proactively develop a secure and attractive investment environment for agreements like PACER Plus to be fully utilised and achieve their objectives. This will need to see all parties working together to develop robust infrastructure that can facilitate transactions, both physical and digital.\(^9\)

4.10 The United Nations Conference on Trade and Development called for investment by Australia in the capacity building of Pacific island countries to demonstrate the practical benefits or implications of the entry-into-force of the PACER Plus agreement to both the public and private sector, beyond the respective Ministries of Foreign Affairs:\(^10\)

- Implement trainings/workshops on the ground in Pacific countries to better understand the realities of the respective small island countries and learn from their challenges
- Take frequent fluctuation of key personnel as well as the restricted availability of human capital into account in all relationships/communication
- Involve Trade Facilitation Committees/ Customs/Quarantine and other relevant institutions for the collection/update of data and legislation into national trade portals
- Involve women in the function and tasks of contact points

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\(^6\) Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, *Submission 14*, p. 22.

\(^7\) Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, *Submission 14*, p. 22.

\(^8\) Indra Australia, *Submission 25*, p. 5.

\(^9\) Indra Australia, *Submission 25*, p. 5.

Set-up mechanisms in the Pacific Islands for submitting enquiries and complaints related to the functioning and implementation of Pacer Plus

Strengthen the role and competencies of the Pacific Islands Forum Secretariat (PIFS) and Oceanic Customs Organization (OCO)\(^\text{11}\)

4.11 The Centre for Customs and Excise Studies (CCES) at Charles Sturt University, which has previously provided training and management programs to Customs officials from Pacific island countries, submitted the need for knowledge and skills required to effectively and efficiently carry out their regulatory responsibilities. The last such CCES program the Pacific Customs Management Program (PCMP) was conducted in 2012. The purpose of the Australian Government-funded program was to develop the operational leadership, skills and knowledge of PICs customs managers in order to strengthen their capacity under PACER Plus to support ‘regional economic integration, international trade facilitation and enhanced cross-border controls’…‘and the OCO is keen to see its reintroduction’.\(^\text{12}\)

4.12 The Centre for Customs and Excise Studies believed sustainable economic growth through international trade will be ‘…greatly dependent upon the efficiency of a country’s customs administration’.\(^\text{13}\)

This is true of any economy, regardless of its size. In this regard, the breadth of border management responsibilities in a PIC does not vary significantly from that of a developed economy such as Australia - the regulatory issues are the same, even though the volume of internationally traded goods is much smaller. As a result, while a developed economy may devote a large team of officers to the management of one particular aspect of customs activity, there is an expectation that a handful of PIC customs officers will manage every conceivable cross-border situation that may arise.\(^\text{14}\)

4.13 Due to the absence of economies of scale, the Centre for Customs and Excise Studies declared most ‘…PIC customs administrations face significant capacity building challenges in introducing reforms and applying international customs standards’.\(^\text{15}\)


\(^{12}\) Centre for Customs and Excise Studies, Submission 7, p. 1.

\(^{13}\) Centre for Customs and Excise Studies, Submission 7, p. 1.

\(^{14}\) Centre for Customs and Excise Studies, Submission 7, p. 1.

\(^{15}\) Centre for Customs and Excise Studies, Submission 7, p. 1.
PIC countries tend to rely on development and regional partners to provide the necessary education and training in these areas, which is generally delivered on an ad-hoc basis...For example, as part of the implementation of the PACER Plus Agreement, the Australian Government through the OCO provided Rules of Origin training to those countries that are signatories to the Agreement. Whilst this is to be commended, it typically reflects the tendency for donors to provide subject-specific or country-specific training that can justifiably fit within the (often restrictive) terms of reference of a particular aid project...16

4.14 Understanding the key components of PACER Plus, it is important to note contrasting advantages and disadvantages associated with the arrangement.

**Advantages of PACER Plus**

4.15 Examining the advantages of PACER Plus as it pertains to trade and investment, it is useful to understand the agreement as it benefits both Pacific islands and Australia.

4.16 As identified by DFAT, PACER Plus seeks to benefit Pacific countries to achieve the following provisions, which in turn support trade and investment in the region:17

- Modernise customs systems and processes, and adopt transparency practices, which will lead to less red tape and more efficient and accessible import/export procedures;
- Access improved and more flexible rules of origin requirements, enabling Pacific island country firms to flexibly source inputs from other countries in the region, boosting opportunities for value addition and participation in regional and global value chains;
- Develop the necessary systems and capabilities in application and adoption of sanitary and phytosanitary measures and technical regulations, standards and conformity assessment to help gain and maintain market access;
- Help implement predictable investment rules that help attract capital, technology and knowledge to the Pacific, whilst supporting countries to

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work with the private sector to facilitate flows and address business enabling issues; and

- Support regulatory reform and capacity building on trade in services – a major export sector in many Pacific island countries.

4.17 The World Bank Group and International Finance Corporation further note the benefit of deep and comprehensive free trade agreements (DCFTAs), including PACER Plus, as a means of strengthening trade and investment ties.\(^\text{18}\) In particular:\(^\text{19}\)

DCFTAs, such as PACER Plus, have been shown world-wide to be mutually beneficial to all partners by creating a framework for expanding economic opportunities – not just through promoting trade and investment flows, but more importantly for what it implied for knowledge transfers, which is a fundamental building block to faster long-run economic growth for developing countries.

4.18 Furthermore, the World Bank Group and International Finance Corporation states:\(^\text{20}\)

Streamlining border processes will reduce input costs, improve agribusiness and tourism viability and increase the potential to engage in global value chains. Benefits include a more predictable trading environment, consistent and transparent rules on sanitary and phytosanitary measures, technical barriers to trade, and customs procedures, more liberal and product-specific rules of origin and greater certainty around tariffs for exporters.

4.19 Discussing further the potential for PACER Plus to support Pacific countries overcome investment constraints, Professor Ronald Duncan AO of the Australian National University (ANU) highlights the value of PACER Plus if implemented successfully:\(^\text{21}\)

If PACER Plus leads to overcoming the binding constraints to investment, trade and growth, it can become a valuable vehicle for transforming the FICs. However, it must be acknowledged from the outset that overcoming their binding constraints will require them to do much more than simply

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\(^\text{21}\) Professor Ronald Duncan AO, Australian National University, *Submission 20 – Supplementary Submission, Questions on Notice*, p.1.
implementing their PACER commitments. These alone, while a start, must be supported by unilateral policy decisions that are at the heart of good economic management.

4.20 Elaborating further on the potential of PACER Plus to support sustainable and successful economic management in the Pacific, Professor Duncan noted: 22

FICs have generally failed to do this up to now in any sustainable way, and so hopefully they will adopt the PACER Plus framework to seize such reform opportunities. After all, the main economic problems confronting FICs are domestic supply constraints that can only be tackled at home by governments, supported by the developed PACER Plus partners along with other aid donors.

4.21 Underlining the benefit of PACER Plus’ ability to push for services liberalisation, including stimulating increased regional investment in Pacific countries, Mr James Redden, a Visiting Fellow of the University of Adelaide’s Institute of International Trade, openly advocated for the immediate ratification and implementation of PACER Plus. Regarding services liberalisation, Mr Redden reasoned that: 23

Getting investment, training and Aid for Trade into services is the key to the future of the Pacific islands. The PACER Plus agreement has what’s called a positive listing. It means that if there are particular services they want to protect, they can. It’s a very open service liberalisation agreement that is encouraging Pacific islanders to get more investment, more training and more support to open up everything from air services, tourism services, financial services and health services, and that will bring greater investment and greater competition that will assist the Pacific islanders into the long term. That’s No. 1.

4.22 Elaborating further on advantages associated with opening Pacific island economies up to larger regional markets, specifically Australia and New Zealand, Mr Redden noted: 24

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22 Professor Ronald Duncan AO, Australian National University, Submission 20 – Supplementary Submission, Questions on Notice, p.1.

23 Mr James Redden, Visiting Fellow, Institute of International Trade, University of Adelaide, Committee Hansard, Canberra, 14 May 2020, p.3.

24 Mr James Redden, Visiting Fellow, Institute of International Trade, University of Adelaide, Committee Hansard, Canberra, 14 May 2020, p.3.
As the rest of the world globalises and improves technology and ability and skills to use technology, they don’t want to be left behind. PACER Plus brings with it the investment and the competition policy that enables the Pacific islanders to keep up with the rest of the world, almost using Australia and New Zealand as a gateway to be part of the modern, globalised world. For example, on infrastructure, Australia has supported a submarine cable that is improving infrastructure access for Pacific islanders to telecommunication. During the malaria virus in Samoa and even today with the coronavirus, a number of Pacific islanders have better access to technology, but they don’t have the skill levels to access it. Nurses were unable to use data and were unable to use some of the modern technology to assist their patients. By joining PACER Plus, they’ll get access not only to the technology, the investment and the infrastructure but also to stronger support for education, and a skills base.

4.23 The Government of New Zealand’s Minister for Trade and Export Growth further recognises PACER Plus as assisting in the provision of new and purposeful aid for trade initiatives, whilst simultaneously supporting and facilitating greater regional labour mobility and social welfare impacts.25

4.24 Likewise, via submission to the Sub-Committee, the Department of Agriculture, Water and the Environment highlighted PACER Plus’ benefits to the agricultural sectors of Australia and the Pacific:26

PACER Plus provides opportunities for increased agricultural trade through trade liberalisation whilst maintaining protection for human, animal and plant life and health. It achieves this through incorporating key features of the World Trade Organization (WTO) international framework of rules and standards in relation to measures that protect against sanitary and phytosanitary risks as well as the application of technical regulations.

4.25 Concurring this perspective, the Institute for International Trade noted:27

Improvements in agriculture and fishing capacity as well as productivity, along with related infrastructure development, arising from implementation of the agreement will increase the potential for investment in agriculture and fishing.

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26 The Department of Agriculture, Water and the Environment, Submission 9, p. 2.
27 Institute for International Trade, Submission 37, p. 6.
4.26 From an industry perspective, the Asian Development Bank reinforced PACER Plus as supporting Pacific countries to activate and benefit from regional and global trade opportunities. Specifically, the Asian Development Bank highlighted via their submission:

PACER Plus is expected to create greater opportunities for growth, long-term job creation, and increased living standards. The agreement is also expected to contribute to advancing more gender-inclusive trade policies and strategies in the region, primarily through enhancing women’s access to trade and markets, as well as facilitating labour mobility initiatives that support women’s empowerment.

4.27 Furthermore, Indra also corroborates the advantages of PACER Plus to Pacific island neighbours:

When it comes into force, PACER Plus can be expected to have a positive impact … due in part to the importance it places on supporting PIC economies to improve connectivity and the ease of doing business. The agreement will be an important facilitator of improvements that increase opportunities for intra-PIC and inter-regional trade, and in its text acknowledges that improved PIC access to international markets will support the region’s own development objectives.

4.28 Submissions to the Sub-Committee particularly highlight the expected advantages of PACER Plus to the Pacific islands’ business sector. The Department of Industry, Science, Energy and Resources discussed:

PACER Plus, once it enters into force, will provide for a rules-based trading architecture which mandated ongoing engagement with Pacific partners that will be of real benefit to business in the region.

4.29 DHL Express Oceania that operates extensively throughout all Pacific Islands submitted that elimination duties and taxes and streamlining of border clearance will help Pacific businesses such as theirs and their clients. DHL Express has been operating in Fiji since 1976, employs 147 people, has

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30 Indra, Submission 25, p. 6.
eight facilities, a fleet of delivery vehicles, and operates 69 commercial flights per week.\textsuperscript{32}

4.30 DHL Express transports a variety of goods to and from the Pacific Islands on behalf of a wide cross section of import and export customers. Several key industries exist within the Pacific islands that contribute to much of this international trade.\textsuperscript{33}

The textile clothing and footwear industry, for example, is an important part of many Pacific Island economies and provides investment and employment throughout the region.\textsuperscript{34}

4.31 According to DHL Express it is imperative, therefore, that any initiatives in trade agreements to support the textile clothing and footwear industry are supported.\textsuperscript{35}

In this regard, both SPARTECA [South Pacific Regional Trade and Economic Co-operation Agreement] and PACER Plus are vital to ensure trade is facilitated both within the Oceania Region and throughout the world.\textsuperscript{36}

4.32 DHL Express highlighted that industries such as handicrafts and other manufactured goods were an important cultural and economic driver in the region.\textsuperscript{37}

Similarly, beauty and personal care products (such as Pure Fiji and Volcanic Earth) represent burgeoning Pacific Island industries. Trade facilitation initiatives should therefore be encouraged, ranging from the elimination of duties and taxes through to streamlined border clearance processes that reduce regulatory burden.\textsuperscript{38}

4.33 Additionally, the Institute for International Trade concurred.\textsuperscript{39}

\textsuperscript{32} DHL Express Oceania, \textit{Submission 29}, p. 1.

\textsuperscript{33} DHL Express Oceania, \textit{Submission 29}, p. 1.

\textsuperscript{34} DHL Express Oceania, \textit{Submission 29}, p. 1.

\textsuperscript{35} DHL Express Oceania, \textit{Submission 29}, p. 1.

\textsuperscript{36} DHL Express Oceania, \textit{Submission 29}, p. 1.

\textsuperscript{37} DHL Express Oceania, \textit{Submission 29}, p. 1.

\textsuperscript{38} DHL Express Oceania, \textit{Submission 29}, p. 1.

\textsuperscript{39} Institute for International Trade, \textit{Submission 37}, p. 6.
Improved trade facilitation implicit in PACER Plus and associated Aid for Trade (AfT) programs will reduce overall trade costs and time to trade, as well as drive customs reform in support of a more harmonised systems of customs and quarantine procedures of benefit to all PICs. As discussed further below, AfT can assist SMEs and MSMEs to meet the standards and sustainability requirements of not only Australia and New Zealand but also those of other developed economies.

4.34 Expanding further on associated Aid for Trade benefits, DFAT highlighted:\(^{40}\)

The provision of accompanying aid for trade under PACER Plus will help Pacific island country parties to benefit from the opportunities that are opened up by closer engagement with the international trading system. In implementing PACER Plus, Pacific island country parties will have access to assistance to ensure their regulations address risks at the level they consider appropriate while avoiding unnecessary barriers to trade, which will benefit consumers and businesses across the region. Consumers in Pacific island countries will be able to access a wider range of price-competitive goods and services and businesses will be able to access cheaper inputs. Collectively, these initiatives will create greater certainty resulting in increased businesses confidence and new opportunities for growth, jobs and rising living standards.

4.35 Consequently, DFAT made specific mention of benefits to businesses in the Pacific region, stating:\(^{41}\)

Reform commitments and enhanced cooperation on policies will foster greater flows of goods, services and investment between Australia, New Zealand and the Pacific island country parties. Certainty for businesses will be provided and costs to businesses and consumers will be reduced as a result of Australia’s and New Zealand’s commitments not to apply tariffs to any products originating in other Parties. Pacific island country parties’ commitments to progressively eliminate tariffs on most products originating in other Parties will also benefit businesses. Pacific island countries will liberalise at a pace that takes into account their levels of development and unique challenges as small island developing economies, subject to flexibilities to deal with specific challenges such as import surges, natural disasters and industry development.

4.36 Complementing this, DFAT noted:\(^{42}\)

\(^{40}\) Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 21.

\(^{41}\) Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 21.
Pacific island countries stand to benefit through cheaper imports (including cheaper manufacturing inputs) and increased ease of doing business. Local producers of PACER Plus originating goods will also benefit from modernised, more flexible and less-restrictive rules of origin that will facilitate their exports within the region and best practice procedures for determining and claiming origin.

4.37 Several Pacific island governments provided submissions to the Subcommittee, noting advantages for their domestic trade and investment-related sectors. In particular, the Government of Kiribati addressed expected benefits to the country, specifically:\textsuperscript{43}

Kiribati, a signatory to the PACER Plus trade agreement, is expected to strengthen its Trade and Investment relationship with Australia through implementation of the PACER Plus trade agreement and broader trade related development assistance as guided by the Development and Economic cooperation chapter of PACER Plus.

4.38 Furthermore, the Government of Kiribati highlights:\textsuperscript{44}

Kiribati underscores PACER Plus as an opportunity to deepen its engagement with Australia in regards to Trade and Investment Development. The linkage between PACER Plus and development strategies and policies will be instrumental in ensuring that trade contributes to economic growth, employment and sustainable development.

4.39 His Excellency Mr Robert Sisilo, the High Commissioner in Australia for the Solomon Islands declared if properly managed, Australia’s Pacific Step-up—and New Zealand’s Pacific Reset, and hopefully the early entry into force of PACER Plus—as the way forward.\textsuperscript{45}

Solomon Islands ratified PACER Plus on 22 June 2020. With two more ratifications, this landmark agreement will enter into force and the benefits can start to be fully realised. We really look forward to PACER Plus

\textsuperscript{42} Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, \textit{Submission 14}, p. 9.

\textsuperscript{43} Government of Kiribati, \textit{Submission 32}, p. 2.

\textsuperscript{44} Government of Kiribati, \textit{Submission 32}, p. 2.

\textsuperscript{45} HE Mr Robert Sisilo, High Commissioner, Solomon Islands, \textit{Committee Hansard}, 4 September 2020, p. 8.
implementation, so much so that we have submitted our bid to host its implementation unit in the country.46

4.40 Likewise, the Government of Samoa identified PACER Plus as a vehicle to address trade impediments for Samoa and the Pacific – impediments including access to commodity export pathways, limited kava allowances and biosecurity restrictions.47

4.41 Additionally, the Government of Samoa underlined PACER Plus as particularly benefiting the Seasonal Workers Programme (SWP), a key area that will be explored in later chapters. Samoa recognised that:48

The early entrance into force of PACER Plus is in Samoa’s interest so that the AUD$25 million Seasonal Workers Programme (SWP) can be implemented to address the key areas impeding trade for Forum Island Countries.

4.42 In turn, the Government of Samoa argued that PACER Plus’ support for the SWP would assist in building the capacity of Pacific island governments and private sector organisations as a whole.49

4.43 For Australia, PACER Plus also provides a range of benefits to enhancing trade and investment with the Pacific. The Department of Industry, Science, Energy and Resources identified PACER Plus as an ‘important vehicle’ in Australia’s relationships with the Pacific, which in turn justified the need for continued efforts to ensure the agreement enters into force in a timely manner.50

The agreement will help Pacific countries build necessary standards and conformance infrastructure, for which Australia can play an important role in generating mutually beneficial outcomes.51

4.44 Evidently, advantages exist surrounding PACER Plus’ implementation in the Pacific, particularly for strengthening trade and investment ties.

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46 HE Mr Robert Sisilo, High Commissioner, Solomon Islands, Committee Hansard, 4 September 2020, p. 8.

47 Government of Samoa, Submission 10, p. 3.

48 Government of Samoa, Submission 10, p. 5.

49 Government of Samoa, Submission 10, p. 5.


4.45 Nevertheless, submissions also identified prominent concerns and associated disadvantages to the agreement which warrant the Australian Government’s attention.

**Disadvantages of PACER Plus**

4.46 Supported by the perspectives of additional submissions, The Australian Fair Trade and Investment Network Ltd (AFTINET) was particularly critical of PACER Plus. Specifically, AFTINET argued that:

Fiji and Papua New Guinea (PNG), which together make up over 80 per cent of Pacific island economic output, have not signed PACER Plus, despite the completion of negotiations in 2017. This severely undermines claims that PACER Plus is an effective regional agreement.

4.47 Expanding on this issue further, AFTINET noted:

Fiji and PNG did not sign PACER Plus because they say the deal is lopsided and does not meet their development needs. All Pacific island countries already have tariff free access for their exports to Australia. PACER Plus mainly benefits Australia and New Zealand through reducing Pacific island tariffs on imports and reducing regulation of foreign investment.

4.48 Following on this argument, Professor Duncan cautioned the potential for PACER Plus to trigger revenue losses amongst smaller Pacific island economies, or the smaller Forum Island Countries (FICs):

Some of the smaller FICs are likely to suffer substantial government revenue losses from tariff cuts under PACER Plus because their economies are so small and narrowly based that alternative taxes such as VAT are unlikely to be feasible through excessive administrative costs and lack of domestic supply chains i.e. a tax base. Prime examples are the US compact FICs of the Republic of the Marshall Islands and Federated States of Micronesia where efforts to introduce a VAT have collapsed. While these FICs trade little with Australia and New Zealand, they will nevertheless incur large government revenue falls from PACER Plus tariff reductions by virtue of their Compact agreement with the US...

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52 The Australian Fair Trade and Investment Network Ltd, Submission 23, p. 3.

53 The Australian Fair Trade and Investment Network Ltd, Submission 23, p. 3.

54 Professor Ronald Duncan AO, Australian National University, Submission 20 – Supplementary Submission, Questions on Notice, p. 2.
Dr Wesley Morgan, Adjunct Research Fellow at the Griffith Asia Institute expressed doubts about the value of a new regional trade agreement to drive exports from Pacific island countries to Australia.

Unfortunately, that trade agreement won’t do much to ameliorate the barriers that make it difficult for Pacific island countries to export to Australia and New Zealand, and it’s not even likely to do an awful lot to improve other important areas like tourism and investment to the Pacific. I do think that there is an opportunity here for Australia to think about ways to create new access to the Australian market for the export of Pacific goods and for the movement of Pacific people.\(^{55}\)

...obviously, we’re in the middle of a global pandemic, I think Australia really needs to capitalise on that moment by creating new pathways for Pacific exports, particularly for agricultural exports, which have always been very important for Pacific economies, but particularly important right now as tourism, as we’ve heard, has crashed in all Pacific island countries where tourism has been important.\(^{56}\)

Providing a local perspective, supplementary evidence supplied to the Subcommittee by New Caledonia noted PACER Plus’ multilateral approach as requiring resources and expertise beyond domestic capacities:\(^{57}\)

The multilateral approach of PACER Plus involves resources and expertise that New Caledonia does not currently have. Moreover, its legal and regulatory environment is not currently compatible with this agreement.

ANU Development Policy Centre described the PACER Plus approach as ‘shallow and broad’ seeing more merit in forging bilateral agreements with individual countries.\(^{58}\)

An alternative approach to the broader goal of Pacific integration would be deep and narrow. This would involve Australia reaching a bilateral agreement with one or more Pacific island countries. The bilateral agreements would offer Pacific economies greater access to the Australian labour market, and perhaps other benefits (such as participation in various government services,

\(^{55}\) Dr Wesley Morgan, Griffith Asia Institute, Committee Hansard, 2 November 2020, p. 7.  
\(^{56}\) Dr Wesley Morgan, Griffith Asia Institute, Committee Hansard, 2 November 2020, p. 7.  
\(^{57}\) New Caledonia, Submission 17.1, p. 2.  
\(^{58}\) ANU Development Policy Centre, Crawford School of Policy, Submission 52, p. 16.
such as meteorological or drug registration). In return, the Pacific economy would have to make various commitments.\(^{59}\)

4.52 The Policy Centre thought it ‘unlikely’ that many Pacific countries would enter into security compacts with Australia, but believed alternative requirements could relate to ‘standards of good governance, and/or education and health’.\(^{60}\)

Such an approach should be pursued together with New Zealand, and seen as an expansion of the Closer Economic Relationship, with the end goal of extending that relationship beyond Australia and New Zealand. While that goal would take decades to reach, it could be approached incrementally, starting with one or two interested Pacific countries.\(^{61}\)

4.53 This evidence provides an important standpoint – for PACER Plus to be successful in the Pacific, greater understanding of local contexts, including regulatory environments, is necessary to support its implementation. Otherwise, PACER Plus’ associated benefits may not be sufficiently achieved.

4.54 In particular, AFTINET argued that PACER Plus dramatically lacks detailed studies of economic, gendered, health and environmental impacts of PACER Plus.\(^{62}\) Climate change was specifically focused on as an area inadequately addressed by PACER Plus, with AFTINET noting:\(^{63}\)

During the nine years of negotiations, Pacific island governments said consistently that their priorities were addressing the climate change crisis, not a trade agreement that would mainly benefit Australia and New Zealand.

4.55 Elaborating further:\(^{64}\)

Pacific island countries are already experiencing the effects of climate change from rising sea levels and have asked Australia for greater support in reducing climate change and mitigating its effects. Despite this, PACER Plus contains

\(^{59}\) ANU Development Policy Centre, Crawford School of Policy, Submission 52, p. 16.

\(^{60}\) ANU Development Policy Centre, Crawford School of Policy, Submission 52, p. 16.

\(^{61}\) ANU Development Policy Centre, Crawford School of Policy, Submission 52, pp. 16-17.

\(^{62}\) The Australian Fair Trade and Investment Network Ltd, Submission 23, p. 5.

\(^{63}\) The Australian Fair Trade and Investment Network Ltd, Submission 23, p. 3.

\(^{64}\) The Australian Fair Trade and Investment Network Ltd, Submission 23, p. 5.
no environment chapter committing governments to implement international environmental agreements, including those on climate change.

4.56 With regards to PACER Plus’ potential impact on gender issues, AFTINET recognises:\(^\text{65}\)

Many Pacific island women are involved in agriculture … this sector could be adversely affected by tariff cuts, which could therefore have a disproportionately severe impact on women. Women employed in the public sector in areas like health and education could also be affected if tariff cuts result in revenue losses and cuts to public services. Such cuts in services could also affect women disproportionately as they and their children are large users of health services, for example.

4.57 ActionAid Australia was also explicitly critical of PACER Plus and confirmed the standpoints of AFTINET. From a broad level, ActionAid contends:\(^\text{66}\)

ActionAid is concerned that the current agreement, PACER Plus, has the potential to undermine development outcomes and pose significant risks to women’s rights in the Pacific region in its current form.

4.58 Furthering this, ActionAid identified that the refusal of Fiji and PNG to sign the trade deal highlighted the region’s general lack of support for the agreement.\(^\text{67}\) Likewise, the organisation argued that as only two Pacific countries, Samoa and Kiribati, have ratified the deal along with Australia, Pacific support for the agreement is low.\(^\text{68}\)

4.59 Identifying key causes for the minimal support of PACER Plus, ActionAid argued:\(^\text{69}\)

PACER Plus reduces tariffs, which are a significant source of revenue for Pacific island countries. A 2007 report found that eliminating tariffs could reduce total revenue for the Cook Islands, Kiribati, Samoa, Tonga, and Vanuatu by more than 10.3 per cent. This could cause the erosion of public services that support gender equality, such as healthcare, education, transport, and justice services.

\(^\text{65}\) The Australian Fair Trade and Investment Network Ltd, Submission 23, p. 5.

\(^\text{66}\) ActionAid Australia, Submission 24, p. 1.

\(^\text{67}\) ActionAid Australia, Submission 24, p. 1.

\(^\text{68}\) ActionAid Australia, Submission 24, p. 1.

\(^\text{69}\) ActionAid Australia, Submission 24, p. 2.
4.60 Specifically highlighting PACER Plus as undermining gender equality in the region, ActionAid elaborated that:\(^{70}\)

PACER Plus has the potential to threaten women’s livelihoods by increasing competition in sectors with the highest rate of women’s participation, such as small holder farming and industries in their infancy such as garment manufacturing and food processing. One analyst is projecting that 75 per cent of manufacturing in the Pacific will be forced to close because of competition.

4.61 Ultimately, ActionAid concluded that PACER Plus fails to sufficiently address the development needs of Pacific island countries, neglects their concerns over climate change and threatens social equality. The organisation reasoned that:\(^{71}\)

PACER Plus trade negotiations were conducted largely in private between governments and multinational corporations. ActionAid Australia is concerned that this lack of transparency has effectively excluded Pacific women’s voices from the negotiations given their low rate of representation in formal government structures.

4.62 The Pacific Network on Globalisation (PANG), a non-governmental advocacy body, acts as a ‘regional watchdog’ promoting Pacific islander rights and regional development.\(^{72}\) PANG’s evidence, received both via submission and public hearing, highlighted multiple concerns pertaining to the agreement’s ‘erroneous’ trade obligations.\(^{73}\)

4.63 Specifically, PANG highlighted that:\(^{74}\)

PACER Plus was touted as supporting regional integration however the exclusion of over 80 per cent of the economy proves that PACER Plus is a failure … the overly ambitious and erroneous demands placed on the major economies of PNG and Fiji (particularly in regards to infant industries and safeguards for domestic producers) resulted in them walking away from the outcome. The insistence that PICs agree to obligations that could undermine their productive sectors was a bridge too far and an approach that Australia

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\(^{70}\) ActionAid Australia, *Submission 24*, pp. 2-3.

\(^{71}\) ActionAid Australia, *Submission 24*, p. 3.


\(^{73}\) Pacific Network on Globalisation, *Submission 30*, p. 2.

\(^{74}\) Pacific Network on Globalisation, *Submission 30*, p. 2.
must remember when dealing with sovereign nations no matter how big or small.

4.64 Furthermore:

PACER Plus will hamper government revenue, provide inadequate safeguards for Pacific producers, undermine the ability to nurture infant industries and contains no improved market access for Pacific exporters to Australia and New Zealand. PACER Plus places no binding commitments of Australia to assist in the areas that would help Pacific island producers meet and have access to Australian fruit and vegetable markets.

4.65 Interestingly, PANG raised specific concern that PACER Plus would undermine the ability of PICs to determine the policy needs for their domestic industries and producers. In turn, PANG cautioned that this would not only negatively impact Pacific islands and their communities, but would undermine the nature and trust of Australia’s relationship with the PICs.

4.66 Discussing these concerns further:

By using PACER Plus to define the trade and investment relationship – and as a way to address barriers or impediments to trade between Australia and the PICs – it is choosing to enshrine in a legal treaty an asymmetrical and unfair relationship that will erode the trust of Pacific island governments and communities. It will also undermine the long-term interests of both the Pacific and Australia, that is, an economically sovereign and prosperous Pacific.

There is nothing within the purported benefits of PACER Plus that require a binding free trade deal to be imposed on the PICs. The benefits of liberalising trade in goods and services as well as investment are free to any PIC that wants to undertake such unilateral steps (like Kiribati has with tariffs). Locking them in under PACER Plus is a liability for both the PICs and Australia when the liberalisation impacts those communities negatively or circumstances change (as we have seen already in 2020).

4.67 The Sub-Committee also received a submission from Public Service International (PSI) who identified similar disadvantages associated with

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75 Pacific Network on Globalisation, Submission 30, p. 3.
76 Pacific Network on Globalisation, Submission 30, p. 3.
77 Pacific Network on Globalisation, Submission 30, p. 3.
78 Pacific Network on Globalisation, Submission 30, p. 6.
PACER Plus. In particular, PSI argues that PACER Plus, and Australia’s Aid for Trade model in general, will work to erode Pacific state ability to:79

- Generate revenue equitably through progressive fiscal policy;
- Regulate markets to ensure the interest of all citizens; and
- Provide universal essential services to citizens run and operated by the state.

4.68 In particular, PSI contends:80

PACER Plus and Australia’s Aid for Trade model is based on a failed economic model which assumes that the benefits that accrue to foreign investors from a liberalised foreign investment environment, with reduced corporate and labour regulation, will ‘trickle down’ to the general population. The interregional adviser for the United Nations Committee for Development Policy, Mr Daniel Gay, has analysed the agreement and concluded the neoliberal model upon which PACER Plus is based ‘isn’t relevant in tiny, isolated islands featuring permanent shortfalls of domestic demand, inadequate capital stocks and extremely inflexible factor market’. Moreover, as has been demonstrated in both the developed and developing worlds, even if a case can be made that reduced trade barriers create aggregate gains, those gains are likely to be appropriated by a minority, leaving most people no better off.

4.69 Furthermore:81

The PICs already have duty-free and quota-free market access to Australia and New Zealand under the South Pacific Regional Trade and Economic Cooperation Agreement (SPARTECA) but have struggled to meet the stringent rules to take advantage of this … Consequently PACER Plus will improve market access for Australian and New Zealand enterprises and not the PICs.

4.70 Of equal concern to PSI:82

PACER Plus is currently asking PICs to forgo their ability to regulate with regard to their development interests, placing additional burdens on already stretched services. It is not clear that PACER Plus will protect government

80 Public Service International, Submission 36, p. 3.
rights to regulate in the public interest or that essential public services will be completely excluded.

4.71 Ms Mele Amanaki, the Chair of Public Services International Oceania; and Secretary General of Public Services Association in Tonga, believed the time was right to reassess the impact of PACER Plus in light of the economic hit from the COVID-19 pandemic and recent natural disasters.83

Promoting a binding free trade agreement through PACER Plus or private investment in public services through the aid for trade strategy or other investment mechanisms is not in the interests of nor a priority for Pacific island countries at the moment. This approach will hamper our governments’ abilities to: firstly, generate revenue equitably through progressive fiscal policy; secondly, regulate markets to ensure the interests of all citizens; and, lastly, provide to citizens universal essential services run and operated by the state.84

4.72 Ms Amanaki wanted the Australian Government with work more closely with Pacific trade unions.85

Australia is well placed to partner with us to ensure a public goods approach to sustainable development and inclusive growth for the creation of decent work and the strengthening of democratic institutions. Quality public services owned and operated by the states and staffed by public employees are central to this. Australia can do this through increasing official development assistance to provide reliable and grants-based funding to the governments…86

4.73 Importantly, it is not solely non-governmental, advocacy organisations that identify concerns about PACER Plus. Specifically, the Griffith University Asia Institute (the Griffith Asia Institute) acknowledged the disadvantages associated with PACER Plus for PIC communities, reinforcing the existence of concerns across sectors.

4.74 The Griffith Asia Institute was particularly critical of the argued benefits associated with PACER Plus, contending:87

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83 Ms Mele Amanaki, Public Services International Oceania, Committee Hansard, 3 September, p 7.
84 Ms Mele Amanaki, Public Services International Oceania, Committee Hansard, 3 September, p 7.
85 Ms Mele Amanaki, Public Services International Oceania, Committee Hansard, 3 September, p 7.
86 Ms Mele Amanaki, Public Services International Oceania, Committee Hansard, 3 September, p 7.
87 Griffith Asia Institute, Submission 34, p. 14.
PACER Plus does little to enhance market access for Pacific exports into Australia and New Zealand, and does not address key barriers to trade – such as burdensome quarantine requirements for agricultural exports from Pacific island countries. The agreement does reduce border tariffs and provide market access benefits to Australian and New Zealand exporters. However, neither of the two largest Pacific island economies (PNG and Fiji) have signed on to PACER Plus, citing concerns about the utility of the agreement, and this limits potential benefits to Australian businesses as well.

4.75 Expanding on this disadvantage further:\(^{88}\)

Optimistic observers have suggested tariff reductions for Australian exports to the Pacific will see reduced prices for Pacific island consumers. In many cases however, projected gains are likely to be offset – at least somewhat – by the introduction of increase of consumption taxes. Close analysis suggests that lowering domestic tariffs will entail difficulties for island states reliant on import taxes for government revenue.

For smaller island countries, replacing trade taxes with less distorting, but harder-to-administer, consumption taxes would also do little to generate economic growth. In the few Pacific island states that have a significant manufacturing sector – most notably Fiji, but also PNG – there also remains concern that removing import tariffs will undercut local manufacturing (with resultant business closures and job losses).

4.76 Instead, Griffith University urges the Australian Government to pursue further initiatives other than PACER Plus to successfully activate greater trade and investment.\(^{89}\) Notably, they contend that:\(^{90}\)

Australia should, through its aid program, build supply-side capacity and address market access barriers in a direct way. Simply implementing World Trade Organization-compliant rules for regional trade will not substantially boost trade and investment.

4.77 Considering the above evidence, it is apparent that concerns exist across many trade and investment-specific sectors with regards to PACER Plus. These comments provide important contrasting perspectives to submissions favouring PACER Plus’ ratification.

\(^{88}\) Griffith Asia Institute, Submission 34, p. 15.
\(^{89}\) Griffith Asia Institute, Submission 34, p. 16.
\(^{90}\) Griffith Asia Institute, Submission 34, p. 16.
Therefore, considering these noted concerns, it is worthwhile investigating opportunities the Australian Government can champion to safeguard PACER Plus’ successful and effective implementation in the Pacific.

**Safeguarding PACER Plus’ effective implementation**

A key challenge to the successful implementation of PACER Plus, which was identified in multiple submissions, was the broad theme of needing to create a more attractive business climate in Pacific island countries. This in turn was noted as a means of enhancing progress towards trade and investment flows.

Professor Duncan recognised this necessity through a joint submission with ANU academics. It was noted:

> All FICs (Pacific Forum Island Countries) need an improved environment for investment, both domestic and foreign. If trade in goods and services is to increase between the members of the Agreement in response to the opportunities created by PACER Plus, there must be increased private sector investment. Of course, public investment in infrastructure and essential services will often be needed to enhance the environment for private investment.

The World Bank and International Finance Corporation concur with Professor Duncan’s perspective, highlighting that for PACER Plus to be successful in the Pacific, supporting greater development and broad-based connectivity via enhanced trade and investment, both developing and developed countries will need to take further joint steps to foster an improved business climate.

Specifically, the World Bank and International Finance Corporation argue that:

> While lowering trade barriers and reducing investment restrictions may provide some impetus for foreign investors to view developing Pacific country markets as more attractive for investment, easing trade and investment restrictions may not be sufficient to overcome the lack of transport connectivity, an educated workforce, and a transparent regulatory environment that are critical for improving the investment climate.

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91 Professor Ronald Duncan, *Submission 20*, p. 9.


4.83 Elaborating further on this perspective, it is contended that:

Deep and comprehensive trade agreements can open the door to greater economic opportunities, but unless complementary activities are taken within developing Pacific Countries to improve the investment climate, this opening will only provide limited economic benefits.

4.84 In turn, The World Bank Group and International Finance Corporation recommend sector-wide reforms to support the opening of access to trade and investment opportunities as well as basic investments in education, health, infrastructure and governance.

4.85 Alternatively, the Cairns Regional Council identified the opportunity for Cairns to support the implementation of PACER Plus by providing opportunities for capacity building. In particular, it was suggested that:

There is also the potential for organisations in Cairns to provide capacity building services to the region, for example, training and mentoring for key industry sectors such as tourism, healthcare, maritime, civil/structural engineering, arts and cultural services and corporate governance.

4.86 From the Council’s perspective, Cairns is strategically positioned to support the Australian Government’s engagement with Pacific island countries, particularly in relation to PACER Plus. For example, activating greater trade and investment regionally would not only support Pacific island communities, but could enhance trade capacity through Cairns’ air and sea ports.

4.87 Australia’s peak non-government, not-for-profit standards organisation, Standards Australia, addressed similar suggestions through their submission to the Sub-Committee. Noting Australia’s preference for pursuing trade opportunities with the Asia-Pacific region, Standards

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96 Cairns Regional Council, *Submission 1*, p. 4.
97 Cairns Regional Council, *Submission 1*, p. 4.
98 Cairns Regional Council, *Submission 1*, p. 4.
Australia highlighted Pacific islands as accounting for only 4.89 per cent of Australian imports despite abundant trading opportunities.\footnote{Standards Australia, Submission 8, p. 2.}

4.88 In turn, Standards Australia corroborated:\footnote{Standards Australia, Submission 8, p. 2.}

To better realise the economic potential of the region and the opportunities that PACER Plus will bring, there is a need to build and enhance quality infrastructure across Pacific island countries. This is especially relevant for standards development, adoption and implementation, with the Organization for Economic Cooperation and Development (OECD) estimating that up to 80 per cent of trade is impacted by standards and related technical regulations.

4.89 Complementing this suggestion, Professor Duncan urged the Australian Government to consider training opportunities to build awareness and understanding of international trading practices and standards.\footnote{Professor Ronald Duncan, Submission 20, p. 6.}

Specifically:\footnote{Professor Ronald Duncan, Submission 20, p. 6.}

There appears to be widespread demand for training to gain an understanding of the standards applied in other PACER Plus member countries. This will be necessary for any successful development of supply and value chains, in order to trade between FIC members, Australia and New Zealand. However, this will have to be an ongoing process in order to meet the improving standards in other FICs.

4.90 On this matter, DFAT highlighted current efforts to foster the smooth and effective integration of PACER Plus trade and investment standards, noted by Australia’s efforts to establish a PACER Plus Implementation Unit.\footnote{Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 39.}

DFAT defined the responsibilities of this Unit as:\footnote{Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 39.}

Providing technical support to implement the agreement and address gaps in key areas such as rules of origin, customs, biosecurity measures, standards and conformance, trade in services and investment.
4.91 Solomon Islands’ Government identified the importance of overcoming technical barriers and enhancing understanding of international standards to successfully reap PACER Plus’ associated advantages.\textsuperscript{106} In particular, the Solomon Islands noted:\textsuperscript{107}

The PACER Plus Agreement presents a unique opportunity for Solomon Islands, especially with regards to the Rules of Origin and in particular the product specific rules … There are challenges for Solomon Islands in the areas of Technical Barriers to Trade (TBT), and Sanitary, Phyto-Sanitary (SPS) and/or Biosecurity standards to meet the expected standards in Australia and New Zealand markets. These challenges could be addressed through the development assistance components under PACER Plus to help support and strengthen the ability to trade under the agreement.

4.92 Mr Aidan Devitt submitted the importance of standards for growing trade and also the problems with a lack of regulatory framework and enforcement throughout much of the Pacific. Mr Devitt had spent six months working in Fiji as the Trade Standards Coordinator at the Ministry of Commerce, Trade, Tourism and Transport (MCTTT) under the Australian Volunteer Program.\textsuperscript{108}

Living in Fiji gave me first-hand experience on the comparable quality of goods and services available in the Pacific. Whilst tariffs and/or logistics do not help, a significant challenge is the lack of regulatory frameworks and associated enforcement.\textsuperscript{109}

To demonstrate, I provide the example of a taskforce I assisted in Fiji, trying to devise a practical solution for poor quality electrical appliances being sold in country. This taskforce was convened due to many complaints about poor quality electrical appliances. Products were not performing as intended, and in the worst circumstances were causing loss of property and lives through electrical fires. The lack of appropriate standards and conformity assessment in policy and regulatory frameworks plays a major role in enabling these poor-quality electrical goods being sold in Fiji and the broader region.\textsuperscript{110}

\textsuperscript{106} Solomon Islands Government, Submission 54, p. 5.

\textsuperscript{107} Solomon Islands Government, Submission 54, p. 5.

\textsuperscript{108} Mr Aidan Devitt, Submission 40, p. 3.

\textsuperscript{109} Mr Aidan Devitt, Submission 40, p. 3.

\textsuperscript{110} Mr Aidan Devitt, Submission 40, p. 3.
4.93 Mr Devitt’s experience came from working within the Fijian Department of National Trade Measurement and Standards (DNTMS). DNTMS is the National Standards Body (NSB) of Fiji, with responsibility to produce Fijian Standards and to represent Fiji’s views at international standards organisations.\(^{111}\)

4.94 Explaining further efforts required by the Australian Government to successfully implement PACER Plus, submissions identified the need for PACER Plus to be tailored to address pressing regional challenges. Identifying the challenges posed by climate change, ActionAid Australia urged:\(^{112}\)

> Australia should ensure a reformed PACER Plus or alternative agreement includes clear and binding targets for emissions reductions in accordance with the Paris Agreement given the importance of climate change to the security of Pacific nations.

4.95 Also adopting a broader analysis of the need for PACER Plus to target trade and investment benefits to regional challenges, the Government of Kiribati suggested PACER Plus focus on contributing to gender and economic empowerment.\(^{113}\) In particular, it was suggested that:\(^{114}\)

> In order to maximise the development benefits of PACER Plus through broader trade and investment development assistance, there is a need to mainstream aid-for-trade initiatives in bilateral programs targeting productive sectors, gender and economic empowerment, women in business, and domestic violence programs. Trade and economic empowerment programs could contribute to household income which would directly contribute to supporting general equality and reducing domestic violence as women will be equally economically empowered.

4.96 Finally, Mr Redden highlighted, whilst giving evidence to the Subcommittee, of the need for Australia to push for PNG and Fiji’s participation in PACER Plus given their economic weight in the region. Recommending the need to introduce incentives for the countries to join PACER Plus, Mr

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\(^{111}\) Mr Aidan Devitt, *Submission 40*, p. 1.

\(^{112}\) ActionAid Australia, *Submission 24*, p. 3.


Redden suggested exploring specific Pacific work visas associated with a potential COVID-19 Pacific bubble:\footnote{Mr James Redden, Visiting Fellow, Institute of International Trade, University of Adelaide, \textit{Committee Hansard}, Canberra, 14 May 2020, p. 5.}

We believe that perhaps Fiji and Papua New Guinea have been able to gain a number of market-access concessions to Australia’s market without there being many incentives for them to join PACER Plus. I’d like to see something like a Pacific work visa that is attached to a Pacific bubble that is open for those who ratify PACER Plus so those members who ratify PACER Plus are part of a regional community that benefits from Pacific work visas that enable freer travel and freer movement of labour mobility as part of a regional or a trans-Pacific arrangement. I think we need to be giving more incentives for the bigger countries of PNG and Fiji to actually join PACER Plus.

4.97 In turn, such suggestions would be useful for pursuing greater Pacific engagement and support for PACER Plus, therefore enabling all associated benefits for respective stakeholder countries.

\textbf{Committee Comment}

4.98 The Sub-Committee acknowledges the Australian Government, particularly DFAT, for their efforts in supporting increased trade and investment between Australia and the Pacific via the PACER Plus agreement.

4.99 Nevertheless, the Sub-Committee recommends that, given the evidence received, certain measures and reforms to PACER Plus could and should be considered as Australia, New Zealand and Pacific island countries seek its implementation.

4.100 In turn, such efforts would work to ensure PACER Plus meets the objectives of Pacific Island economies and can provide equal benefits for all parties.
5. Seasonal worker programmes

Introduction

5.1 Another defining theme made prominent to the Sub-Committee through submissions and public hearings was the strategic linkage between labour mobility programmes with the Pacific and its impact on trade and investment ties with Australia.

5.2 Two key cornerstone labour mobility initiatives are operated by the Australian Government in collaboration with Pacific partners. In particular, the Seasonal Worker Programme (SWP), which is administered by Australia’s Department of Education, Skills and Employment, and the Pacific Labour Scheme (PLS), administered by DFAT.

5.3 It is important to note that as most submissions to the inquiry particularly highlighted the SWP prior to the full impact of the COVID-19 pandemic on international travel restriction when discussing labour mobility activities, consequential of PLS’ fairly recent implementation, this chapter will focus predominantly on the SWP.

5.4 This chapter examines the core tenets of the SWP, and its associated advantages and disadvantages to Pacific trade and investment. The chapter then concludes with an investigation as to how the SWP could be reformed to provide greater effectiveness and overarching success.

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1 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 23.
Overview of the Seasonal Worker Programme

5.5 The ANU Development Policy Centre believed the temporary migration programs, such as Australia’s Seasonal Worker Programme (SWP) and the Pacific Labour Scheme (PLS), have provided welcome new opportunities for the Pacific (including Timor Leste) to work in Australia. Prior to the COVID-19 travel restrictions, the Policy Centre noted the SWP, which began in 2012, had been growing rapidly in recent years with 12,200 visas approved for 2018-19.2

SWP visa approvals were on track to increase for 2019-20, however due to Australia’s international border closure to non-permanent residents and non-citizens in March 2020, the number of SWP visa approvals for 2019-20 is only 8,594.3

5.6 According to the Griffith Asia Institute, by 2030 the number of Pacific seasonal workers travelling to Australia and New Zealand each year could reach 50,000.4

5.7 Labour mobility initiatives play a significant role in trade and investment ties between Australia, New Zealand and Pacific partners. In 2019 alone, more than 12,000 workers participated in Australia’s SWP, supporting temporary work in fruit picking and other horticultural jobs in rural and regional areas.5

5.8 Consequently, according to Professor Ronald Duncan AO of the Australian National University, Australia has increasingly recognised the benefits of labour mobility initiatives, including the SWP, to deliver economies benefits to all stakeholders.6

5.9 In particular, remittances form a large part of Pacific island economies. Taking Tonga as an example, research from the Australian National University highlighted Tonga’s aggregate net SWP earnings have more than

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2 ANU Development Policy Centre, Crawford School of Policy, Submission 52, p. 15.
3 ANU Development Policy Centre, Crawford School of Policy, Submission 52, p. 15.
4 Griffith Asia Institute, Submission 34, p. 28.
5 Griffith Asia Institute, Submission 34, p. 28.
6 Professor Ronald Duncan AO, Australian National University, Submission 20.1 – Supplementary Submission, Questions on Notice, p. 3.
tripled from $11.7 million in 2012-13 to $36.5 million in 2018-19.\textsuperscript{7} In turn, this means SWP net earnings by Tongan workers in 2018-19 exceeded Australia’s aid to Tonga and imports from Tonga both separately and combined.\textsuperscript{8}

5.10 Programme administrator, the Department of Education, Skills and Employment (DESE) outlines the administrative structure of the SWP as split across relevant Australian Public Service (APS) agencies.\textsuperscript{9} In particular, whilst the SWP is managed by DESE, this is achieved in consultation with DFAT, the Fair Work Ombudsman and the Department of Home Affairs.\textsuperscript{10}

5.11 In a broad sense, DESE defines the SWP as providing:\textsuperscript{11}

Employment opportunities for workers from nine participating Pacific Island countries and Timor Leste to meet seasonal labour needs in the agriculture sector, and the accommodation sector (in certain locations) where there is insufficient local labour supply available.

5.12 DESE’s submission to the Sub-committee further identified the methods of recruitment for seasonal workers, noting three distinct pathways:\textsuperscript{12}

- A work ready pool;
- Through an appointed or licensed agent (appointed or licensed by the sending country); or
- Direct recruitment by employers.

5.13 Further, DESE notes that each participating country selects the recruitment pathway/s that will be available to citizens of that country.\textsuperscript{13} As such, DESE identified that the Australian Government has no direct involvement in the recruitment processes undertaken in each country.\textsuperscript{14}

5.14 Figure 5.1 visually outlines the available recruitment streams available to workers in each participating Pacific country:

\textsuperscript{7} Institute for International Trade, Submission 37, p. 12.
\textsuperscript{8} Institute for International Trade, Submission 37, p. 12.
\textsuperscript{9} Department of Education, Skills and Employment, Submission 31, p. 3.
\textsuperscript{10} Department of Education, Skills and Employment, Submission 31, p. 3.
\textsuperscript{11} Department of Education, Skills and Employment, Submission 31, p. 3.
\textsuperscript{12} Department of Education, Skills and Employment, Submission 31, p. 3.
\textsuperscript{13} Department of Education, Skills and Employment, Submission 31, p. 3.
\textsuperscript{14} Department of Education, Skills and Employment, Submission 31, p. 4.
5.15 In addition to maintaining responsibility over selecting available recruitment methods, participating Pacific countries are also responsible for ensuring eligible candidates meet relevant criteria. The criteria specifies that candidates must be:

- Of good character;
- Fit and healthy;
- Aged 21 years or over;
- Be a citizen of the participating country;
- Have their identity verified; and
- Have a genuine intention to return to the participating country following the conclusion of their employment.

5.16 Ms Margaret Kidd, First Assistant Secretary, Delivery and Employer Engagement Division, Department of Education, Skills and Employment (DESE) confirmed that each of the 10 countries involved in SWP have labour-sending units established within the country. Returning workers from previous stints are also highly sought after by employers.

They do the prescreening of applicants in those labour-sending units. They’ll apply some eligibility criteria, which go to age, health and a range of other

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criteria, and they will do the screening and have those people in the labour-sending units. Separately to that, when workers have been out before often there’s an established relationship with a particular approved employer and so they may request individual workers to come back. We know there’s a big jump-up in productivity of returned workers, so it’s quite a popular thing for approved employers to request the same workers back.\(^\text{17}\)

5.17 Assistant Secretary at the Seasonal Work Programs Branch, DESE, Ms Helen McCormack, confirmed that employers often want the same workers from the same countries back, and more than half do return.\(^\text{18}\)

\[\ldots\] it is a demand-driven program as well and so it is approved employer demand and that could drive where they get their workers from\ldots there’s been a number of returnees over the duration of the program since 2012—around 54 per cent are returnees. So, when it’s demand-driven, the approved employers are probably more likely to go back to the same country and get the returning workers because it increases productivity.\(^\text{19}\)

5.18 Considering this figure, DESE identified the SWP as continuously monitored according to a program assurance framework. This framework works to safeguard the success of the SWP initiative, providing a trajectory to deal effectively with associated risks.\(^\text{20}\) This trajectory maps risk mitigation factors of prevention and deterrence, detection, correction and subsequent corrective action.\(^\text{21}\)

5.19 Evidently, the SWP’s fundamental objectives to support employment and economic growth impact the economies of Australia and Pacific neighbours simultaneously. This is but one advantage of SWP identified in submissions.

5.20 Further, DESE emphasises that an employee’s completion of the SWP is organised around a specific set of milestones, some of which are identified in the following graphic of SWP worker journey shown as Figure 5.3:

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\(^\text{17}\) Ms Margaret Kidd, Department of Education, Skills and Employment, *Committee Hansard*, 12 November 2020, p. 2.


\(^\text{19}\) Ms Helen McCormack, Department of Education, Skills and Employment, *Committee Hansard*, 12 November 2020, p. 4.


5.21 Her Excellency Ms Hinauri Petana, High Commissioner in Australia for the Independent State of Samoa welcomed how the Pacific Labour Scheme is managed under DFAT by an outsourced ‘...entity that’s totally focused on the PLS’ as a way to also manage the SWP.22

Also, the operation of the PLS is outsourced under the guidance of PLF and DFAT. So, in some ways, there’s a separation of policy, operation and oversight in that respect, which makes it much clearer. On the other hand, I think the SWP, which is the scheme that has been operating longer but is also the biggest, still has issues. I think it’s the bureaucratic setting. You probably need to look at a similar arrangement of outsourcing, or, hopefully, at some point in time, integrating them. The difference, of course, is the time frame: one is short term, six to nine months, and the other one is three years.23

5.22 Nine banana growing businesses from North Queensland all made submissions stressing the importance of the Seasonal Worker Programme and the Pacific Labour Scheme to their businesses.

5.23 One such banana grower, the Mackay Group, outlined that the Mackay family had been growing bananas in Tully, North Queensland, for 75 years and was now Australia’s largest producer employing 550 full time employees 52 weeks a year.24

We see it as essential that the Seasonal Worker Program continues. Of the enquiries for work we receive, less than 10 per cent are from Australian citizens or permanent residents, the vast majority are from visa holders.

Harvesting jobs are not desired by Australians who dislike the physical nature of the work and the need to relocate to remote areas. This is why this work is predominantly done by visa holders, as it is in many countries like the EU and the USA.25

5.24 The CTR Banana Group from Mareeba North Queensland agreed with the on-going need for workers from the Pacific for fruit and vegetable growers despite the numbers of jobless Australians.

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22 HE Ms Hinauri Petana, High Commissioner, Samoa, Committee Hansard, 4 September 2020, p. 18.
23 HE Ms Hinauri Petana, High Commissioner, Samoa, Committee Hansard, 4 September 2020, p. 18.
It is a difficult time with rising unemployment. However, it is critical that we acknowledge the structure of the Seasonal Workers Programme, and any change would likely trigger an inability to supply fruit and vegetables to Australian families. It would also jeopardise related jobs, on and off farm, that are done by Australian residents (one Australian is employed because of three seasonal workers).26

5.25 All the banana growers, who submitted, supported the continued development of the Seasonal Worker Programme and the Pacific Labour Scheme as ‘...key elements of our relationship with each Pacific Island country’.27

5.26 Mr Daniel Alcock, the director of Justeatum banana producers who employ seasonal workers as their harvesting workforce, stressed that both the SWP and PLS ‘...provide substantial benefits’ to Australia and also Pacific nations where workers come from, and to ‘...his farming business’.28

5.27 The COVID-19 travel restrictions had greatly impacted on the SWP, according to Ms Kidd from the Department of Education, Skills and Employment.

Since COVID hit and the borders were closed, we’ve been working very closely on ensuring that the Seasonal Worker Program could continue to the extent possible. This has involved looking at workers who remained in the country, looking at where the work is and redeploying where appropriate. We’ve got something like 6,300 seasonal workers in the country at the moment. It’s a lot lower than you would expect given the growth over past years, but that’s primarily due to the border closures. We’ve redeployed most of the workers throughout the year. A typical model would be workers would come over on a nine-month visa, would stay in that role and then would return home. Given they haven’t been able to return home, we’ve concentrated on redeploying them to where the work is. Obviously that’s had some constraints in terms of internal border closures and quarantine requirements, and obviously we’re mindful of the health and safety of the workers.29

5.28 Ms Kidd outlined included some new measures, including additional numbers of what DESE called Pacific Labour Mobility Officers.

26 CTR Banana Group, Submission 46, p. 1.
27 CTR Banana Group, Submission 46, p. 1.
We’ve got a fleet of officers across the country, 19 in total, that will help engage with the workers and farmers at the coalface. Their remit is around contract management and program assurance, and, importantly, the welfare of workers.\textsuperscript{30}

5.29 Ms Kidd denied the SWP would contribute to any risk of a loss of skilled workers wanting to relocate permanently from their home islands.

There is the fact that it is short term by nature; it is a seasonal program...generally the visa is up to nine months. The workers will come out and they’ll earn good money. The remittances are incredibly significant for the Pacific, including contribution to GDP and also, obviously, individual family improvements. There are a lot of very strong positives with that, but the workers do go back at the end of the period and go back home. They do have an opportunity to return [to Australia]. I think up to 95 per cent of them are interested in returning—when we asked them...and we’ve had a very high return rate. So there’s coming and going—a fly in, fly out, if you like.\textsuperscript{31}

5.30 From a Solomon Islands’ perspective, PACER Plus is about labour mobility which presents an important opportunity for Solomon Islanders according to Solomon Islands High Commissioner His Excellency Mr Robert Sisilo. High Commissioner Sisilo noted more than 500 men and women from his country had come to Australia to work in the SWP between 2012 and 2018, and fewer under the PLS.\textsuperscript{32}

Under the Pacific Labour Scheme, launched in 2018, we now have about 80 workers here, including four women who have worked in aged-care homes for three years. They are our first women to be engaged in aged-care facilities in Australia. Our Labour Mobility Strategy 2019-2023 has identified Australia as the market with the highest potential for growth, and by 2023 we plan to have almost 50 per cent of Solomon Islands labour mobility workers in the Seasonal Workers Program and the Pacific Labour Scheme, and the total number of migrant workers to migrate to Australia for work under either the SWP or PLS is projected to grow to 2,600 in 2023. Increasing employment opportunities present enormous opportunities for both countries, addressing


\textsuperscript{31} Ms Margaret Kidd, Department of Education, Skills and Employment, \textit{Committee Hansard}, 12 November 2020, p. 2.

\textsuperscript{32} HE Mr Robert Sisilo, High Commissioner, Solomon Islands, \textit{Committee Hansard}, 4 September 2020, p. 8.
labor and skills shortage in Australia while also increasing economic security in households in Solomon Islands.\textsuperscript{33}

**Overview of the Pacific Labour Scheme**

5.31 Given the Pacific Labour Scheme (PLS) is in its infancy, DFAT submitted before the COVID-19 travel restrictions that it expected participation in the PLS to keep increasing as shown in Figure 5.2, despite the scheme only beginning in 2018.\textsuperscript{34}

The PLS remains in its infancy but has seen significant early interest across multiple sectors, signalling strong future growth potential, especially for regions and industries with labour shortages, including meat processing, hospitality and aged care.\textsuperscript{35}

We expect the link between labour mobility and skills transfer to strengthen over time, as PLS workers spend longer in Australia in higher skilled roles and in a greater variety of sectors.\textsuperscript{36}

5.32 The Development Policy Centre agreed the PLS, which allows work for up to three years and in different sectors, is still a new scheme with potential.

...there are currently 981 participants in the scheme, with workers from Fiji, Kiribati, Nauru, PNG, Solomon Islands, Timor-Leste, Tonga, and Vanuatu.\textsuperscript{37}

5.33 The Director of the Pacific Economic Trade and Private Sector Engagement Section at DFAT, Mr Cameron Reid, highlighted the whole-of-government coordination effort for the DFAT-run PLS including working ‘really closely with Pacific island governments and the labour sending units from Pacific Island governments’.\textsuperscript{38}

\textsuperscript{33} HE Mr Robert Sisilo, High Commissioner, Solomon Islands, *Committee Hansard*, 4 September 2020, p. 8.

\textsuperscript{34} Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, *Submission 14*, p. 24.

\textsuperscript{35} Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, *Submission 14*, p. 23.

\textsuperscript{36} Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, *Submission 14*, p. 24.

\textsuperscript{37} ANU Development Policy Centre, Crawford School of Policy, *Submission 52*, p. 15.

\textsuperscript{38} Mr Cameron Reid, DFAT, *Committee Hansard*, 27 February 2020, p. 7.
We have very close relationships with them, and they’ll often send delegations across and go talk to their workers around Australia, and we will accompany them, together with the department of employment. As Danielle said, they also have liaison officers. There are a number of Pacific island countries which have liaison officers based in Australia. We think that’s one of the most effective and critical ways to get early warnings of any issues going on so we can resolve them quickly, either through the whole of government or through the Pacific Labour Facility. That’s the other element: the Pacific Labour Facility, managed by Palladium, has a very strong worker-welfare team. That’s a core element of our work in this space. They have expertise around resettlement issues, social welfare and social services...

Figure 5.2  PLS visa grants per quarter from 2018 to 2019

![Graph](https://example.com/graph.png)

Dept. of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p.24.

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39 Mr Cameron Reid, DFAT, Committee Hansard, 27 February 2020, p. 7. 
Figure 5.3  SWP Worker Journey

**SEASONAL WORKER PROGRAMME – WORKER JOURNEY**

**Selection process**
- Application to participate in the SWP
- Worker applies through their participating Government

**Pre-departure**
- Worker eligibility assessment:
  - Undertaken by Participating Country LSU
  - Worker is:
    - Fit and healthy
    - Aged 21 or over
    - Citizen of the Country
    - Identity verification
    - Confirm intention to return home
  - Labour sending Unit list of workers
  - Linking worker with employment
    - LSU matches workers with Approved Employers
- Pre-departure briefing delivered by LSU:
  - Understanding their employment contract
  - Offer of Employment, pay and deductions, conditions
  - Australian workplace laws, visa arrangements, work health and safety
  - General information on banking, tax, superannuation, sending money home
  - Information from the employer on what the local area will be like they are going to
- Flight to Australia
- DHA grant visa
- All book return flights
- In some countries, in addition to LSU, employers can recruit through an agent or directly
- LSU assists worker to:
  - Apply for passport (if not already held)
  - Apply for visa (L/C 403)
  - Attend visa medical check (if required)

**Arrival and Stay**
- Workers arrive in Australia
- AE arranges transport from the airport to the workplace / accommodation
- Arrival briefing by AE:
  - All must write the EMO and the relevant Union
  - Must provide information on workplace and living arrangements, and community contacts
  - Can use FWO employment law videos in language
- Workplace induction briefing by AE:
  - In addition to Arrival Briefing
  - WHS requirements and arrangements
  - Must ensure workers understand what is communicated
  - Provision of any PPE necessary for work

**Return home**
- On-arrival home
- Completion of work
- Departure briefing by AE
- Return home
- Transport to the airport arranged by AE
- Flight home

**Seasonal Worker Programme**
- On expiry of visa, worker claims superannuation with assistance of LSU
- Post-placement de-brief conducted by the LSU

Advantages of the Seasonal Worker Programme

5.34 There are several key advantages, identified by witnesses that the SWP achieves in terms of promoting trade and investment flows between Australia and the Pacific. These include:

- Direct trade and investment ties;
- Earning of remittances; and
- Development of soft-skills, including regional connections.

Broad value to regional trade and investment

5.35 DFAT’s submission to the Sub-committee recognised the value of labour mobility initiatives such as SWP for stimulating trade and investment across the region.\(^771\)

5.36 In particular, DFAT contends that:\(^772\)

> Australia’s labour mobility initiatives promote the integration of Pacific Island Countries into Australia’s labour market where there is unmet demand.

5.37 Delving deeper into this argument, DFAT noted that:\(^773\)

> Increased labour mobility between Australia and Pacific Island Countries will drive trade and investment. Labour mobility benefits Pacific Island Countries by increasing foreign exchange through remittances, building skills and creating business links that can lay the foundation for further economies growth.

5.38 DFAT also referenced the existence of unemployment and structural inequalities in the Pacific as underlining the SWP’s potential:\(^774\)

> Against a backdrop of high levels of youth unemployment and underemployment, labour mobility also creates job opportunities, positively impacting society more broadly.

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\(^771\) Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, \textit{Submission 14}, p. 23.

\(^772\) Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, \textit{Submission 14}, p. 23.

\(^773\) Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, \textit{Submission 14}, p. 9.

\(^774\) Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, \textit{Submission 14}, p. 9.
5.39 Moreover, the benefit to Australia’s economic growth is apparent: 

Workers from Pacific Island Countries are also making an important contribution to Australian business in rural and regional Australia by meeting workforce shortages, boosting domestic economic activity and competitiveness.

5.40 Thus, from a policy perspective, DFAT reinforces the importance of the SWP and other labour mobility initiatives as a vehicle for stimulating trade and investment flows regionally. Further, as the demand for Pacific workers continues to grow, DFAT argues the SWP will continue to experience strong annual growth and broader societal awareness. Figure 5.4 shows the growth and mix of workers from Polynesian islands such as Tonga, Samoa and Tuvalu with Melanesian islands such as Papua New Guinea, Solomon Islands, Vanuatu and Fiji. The Micronesian islands include Kiribati, Palau, Nauru and Federated States of Micronesia.

**Figure 5.4 Participants from Polynesia and Melanesia in the SWP**

[Graph showing participation growth by year from 2013-14 to 2018-19]

*ANU Development Policy Centre, Crawford School of Policy, Submission 52, p. 15 & Dept. of Home Affairs*

5.41 The popularity of the SWP initiative has become particularly apparent in recent years. Prior to the onset of COVID-19, the number of workers that have participated in Australia’s SWP has more than doubled from 17,320 to

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775 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, *Submission 14*, p. 9.

776 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, *Submission 14*, p. 23.
nearly 45,000 visa grants in 2015-16, with the expectation that this figure will be tripled by the 2019-20 financial year. Figure 5.5 visualises this growing trend:

**Figure 5.5  Visa grants for the SWP from 2012-13 to 2018-19**

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5.42 The value derived from this sharp rise in SWP participation is apparent in the financial benefits reaped by both Pacific and Australian communities. According to DFAT, income spending increased dramatically on agricultural assets including farm equipment and vehicles.  

5.43 Additionally, the Australian Fresh Produce Alliance reinforced the importance of the SWP for generating greater workforce participation and support in the fresh produce sector. Specifically:  

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777 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 24.  
778 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 24.  
779 Australian Fresh Produce Alliance, Submission 42, p. 3.
For the fresh produce sector, the SWP is a key and growing element of Australia’s workforce planning. There are currently up to 12,000 people eligible to participate in the program from across the Pacific and Timor Leste … The SWP is an example of a program with commercial, diplomatic, economic, political and individual benefits.

5.44 Growcom, a peak representative body for horticultural industries or growers of fruits, vegetables and nuts in Queensland, Australia, corroborates Australian Fresh Produce Alliance’s support for the SWP. Noting benefits to both Pacific economies and Australia, Growcom notes:

For Pacific Island people, their own labour remains one of their most important exports, remittances one of their most valuable sources of revenue. For Australian businesses producing safe and nutritious fresh vegetables, fruits and nuts for domestic and overseas markets, reliable and industrious employees are highly prized.

Workers from Pacific Islands invariably find employment in the Australian horticultural industry exceptionally rewarding, both monetarily and otherwise. Employers value the work ethic of Pacific Islanders and their ability to easily adapt to the conditions.

5.45 The Manager of Policy and Advocacy at Growcom, Mr Richard Shannon, highlighted a dire labour shortage for agricultural industries by the end of 2020 and 2021 due to the COVID-19 travel restrictions.

It’s estimated that we have approximately half the number of backpackers in Australia. We would normally have around 150,000; there are now estimated to be fewer than 70,000. Backpackers have historically made up a significant proportion of our labour force. More growers have relied entirely on backpackers than any other source of labour.

Here in Queensland the department of agriculture has estimated we’ll be short 7,000 workers between now and Christmas. At a national level, Ernst & Young did a piece of work which found that around 2,000 roles will go unfilled in Australia, peaking in March next year. There’s an enormous opportunity for Pacific islanders to fill this gap. We don’t expect backpackers to return to this country in anywhere near the sorts of numbers we’ve seen historically any time soon.

780 Growcom, Submission 43, p. 3.

781 Mr Richard Shannon, Growcom, Committee Hansard, 2 November 2020, p. 16.

782 Mr Richard Shannon, Growcom, Committee Hansard, 2 November 2020, p. 16.
5.46 Mr Shannon supported as a ‘…really important decision’ the Queensland government approving four trial flights from Pacific islands to allow workers to quarantine for two weeks on a farm in Queensland.\footnote{783}{Mr Richard Shannon, Growcom, Committee Hansard, 2 November 2020, p. 16.}


We would love, as an industry, to see more Pacific islanders arrive in Queensland, in Australia, for the purpose of harvesting our crops. We find Pacific Island workers to be far more reliable, dedicated workers than the backpacking cohort. As an industry, that’s all we want. We don’t care necessarily where people come from, just that they are willing and dedicated workers. We’re certainly find that’s the case with Pacific islanders, so we would support an expansion of these programs.\footnote{785}{Mr Richard Shannon, Growcom, Committee Hansard, 2 November 2020, p. 16.}

5.48 Evidently, from a broad economic standpoint, the SWP carries significant advantages for boosting trade and investment links between Australia and the Pacific.

**Importance of remittance flows from labour mobility**

5.49 Complementing SWP’s broad economic value, remittances, a key advantage associated with the SWP for Pacific countries, should also be highlighted.

5.50 According to DFAT, remittances from income generated through Australia’s labour mobility initiatives provide a growing source of income and foreign exchange for economies in the Pacific. In particular:\footnote{786}{Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 23.}

A report by the World Bank released in 2018 found, on average, SWP workers sent home approximately AUD $9,000 over six months in Australia. This was
found to have resulted in a net income gain of an estimated $144 million to the Pacific region (although these benefits are most significant for countries with higher participation including Fiji, Kiribati and Vanuatu).

5.51 The ANU’s Development Policy Centre at the Crawford School of Public Policy provided valuable research into the reliance of Pacific communities on remittances generated under programs including the SWP.

5.52 According to the Development Policy Centre:787

PIC reliance on remittances is highly variable, with Pacific nations represented at either end of the international spectrum. At one extreme, Tonga is the most remittance-dependent nation in the world. At the other, PNG is the third least dependent on remittances in the world.

5.53 Figure 5.6 encapsulates this trend identified by the Development Policy Centre, highlighting the varying degrees of remittance-dependency throughout the Pacific region:

Figure 5.6 Remittances as a proportion of GDP

ANU Development Policy Centre, Crawford School of Policy, Submission 52, p. 8 & World Bank 2018 (1=most dependent, 178=least dependent)

5.54 Recognising the significant role remittances play for Tonga’s GDP, the Development Policy Centre breaks down Tonga’s net GDP earnings further.788

787 ANU Development Policy Centre, Crawford School of Policy, Submission 52, p. 8.
788 ANU Development Policy Centre, Crawford School of Policy, Submission 52, p. 15.
Tonga is the biggest SWP participant in per capita terms, and is the leading example of how important seasonal migration opportunities have become to the Pacific. Estimates suggest that net earnings from the SWP now exceed Tonga’s income from aid from Australia and exports to Australia, combined.

5.55 The following Figure 5.7 reinforces this argument:

**Figure 5.7** Tonga: net earnings from SWP, aid and trade

![Bar chart showing net earnings from SWP, aid, and exports to Australia in Tonga](image)

ANU Development Policy Centre, Crawford School of Policy, Submission 52, p. 16, World Bank 2019 & DFAT

5.56 Noting Tonga and the wider-Pacific region’s use of SWP-stimulated remittances as a means of generating broader economic growth, the SWP initiative evidently contributes to strengthening trade and investment ties regionally.

5.57 Solomon Islands High Commissioner His Excellency Mr Robert Sisilo urged more needed to be done to lower the cost of workers sending remittances back to home islands. The High Commissioner welcomed the efforts of the International Finance Corporation and World Bank in Tonga to lower costs.789

On remittances, I’m told that the average cost of sending remittances from Australia and New Zealand to the Pacific Island countries is among the

789 HE Mr Robert Sisilo, High Commissioner, Solomon Islands, *Committee Hansard*, 4 September 2020, p. 19.
highest in the world…I understand that the World Bank, through the IFC I think, is seeking to reduce this cost through innovative programs. I think Tonga is a good example of this. I understand that an innovative scheme supported by the World Bank advisory project, under the Tongan Development Bank, I think, has lowered the average cost of sending remittances from Australia and New Zealand back to Tonga…But this is certainly an issue that needs to be addressed, especially now with COVID-19, on remittances by our workers back to their respective countries. People at home are expecting a lot of remittances from their fellow workers in both Australia and, of course, New Zealand.790

5.58 High Commissioner of Vanuatu His Excellency Mr Samson Vilvil Fare claimed ‘…Vanuatu has the highest cohort of seasonal workers coming’ to Australia, and he also thanked Australia for finding a way through COVID-19 restrictions to allowing 160 workers under a pilot project to go to work in the Northern Territory in late 2020.791

…we’re privileged that Australia has chosen Vanuatu in this pilot project under this COVID pandemic.792

In terms of remittances, Vanuatu is grateful to be one of the biggest ones sending remittances back home to Vanuatu, to their families, and it has really impacted the community at all levels. But we’ve asked a number of times now that we would like to see, when Vanuatu engages with different departments that are looking after labour mobility, if there could be studies done in Australia to see how much our Vanuatu citizens and our Pacific island countries’ workers are contributing to the Australian economy, especially in the agricultural and horticultural industry here, in the country.793

5.59 The Solomon Islands Government also highlighted the broad benefits from the employment opportunities under the Australian and New Zealand labour mobility schemes that serve to ‘unlock opportunities in small family

790 HE Mr Robert Sisilo, High Commissioner, Solomon Islands, Committee Hansard, 4 September 2020, p. 19.

791 HE Mr Samson Vilvil Fare, High Commissioner, Vanuatu, Committee Hansard, 4 September 2020, p. 20.

792 HE Mr Samson Vilvil Fare, High Commissioner, Vanuatu, Committee Hansard, 4 September 2020, p. 20.

793 HE Mr Samson Vilvil Fare, High Commissioner, Vanuatu, Committee Hansard, 4 September 2020, p. 20.
business, construction of better homes, support towards education and other family needs and wellbeing of those that participation in the programmes’.  

In 2018, a review of the schemes over a ten-year period estimated that up to AU$30 million were remitted [home to Solomon Islands] by those that participated in the Labour Mobility schemes.

**Soft-Skills: development of regional connections**

5.60 Complementing the benefits of boosted trade and investment ties as well as remittance flows, the development of soft-skills, such as regional connections, skills and experience, are also valuable benefits associated with the SWP.

5.61 This benefit is recognised by DFAT, who specifically note:

> Beyond the monetary value of participation in Australia’s labour mobility initiatives, participants in the SWP have reported benefitting from the transfer of skills and experience gained in Australia.

5.62 Elaborating further on direct benefits to Pacific economies:

> Many workers are learning more productive methods for growing produce, which have been used in some cases to boost production and start new businesses in their home countries.

5.63 At a broader societal level, DFAT highlights the SWP has generated positive effects in:

- Improvements in communication skills (including English language usage and presentation skills);
- Increased foreign exchange reserves;

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794 Solomon Islands; Submission 54, p. 5.

795 Solomon Islands; Submission 54, p. 5.

796 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 24.

797 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 24.

798 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 24.
• Anecdotal evidence of reductions in crimes rates (workers with criminal records cannot participate in Australia’s labour mobility programmes); and
• Increased political stability due to a reduction of pressure from demographic shifts.

5.64 Likewise, benefits to soft-skills through the SWP also support Australia’s diplomatic ties with Pacific nations. DFAT notes:799

Australia’s labour mobility initiatives strengthen Australia’s bilateral relationships with its Pacific neighbours and build important and long-lasting personal relationships and understanding.

5.65 Explaining this concept further:800

Communities around Australia, including in regional and rural areas, also benefit from Australia’s labour mobility initiatives. PLS and SWP workers reside in these communities, use local services and join local community and sporting organisations. While SWP and PLS workers are temporary residents, demand for this workforce each year creates, in effect, a semi-permanent population of Pacific islanders which local businesses and communities come to rely on for growth.

5.66 Senior Research Fellow from Deakin University, Dr Victoria Stead highlighted the importance of kinship and community networks within Pacific Island cultures are widely recognised. Dr Stead believed these networks often extend across countries and oceans, and are ‘...fundamental for supporting good trade and labour relations’.801

5.67 Dr Stead’s research into the Seasonal Worker Programme found this kinship and sense of community was particularly important to recognise in the context of the SWP.802

The temporary nature of the scheme, and the regulatory measures preventing workers bringing family members with them, contribute to a popular understanding of SWP workers as unattached. My research in Australia highlights though that SWP workers are still often connected to extended

799 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 25.
800 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 24.
801 Dr Victoria Stead, Submission 13, p. 4.
802 Dr Victoria Stead, Submission 13, p. 4.
kinship (family) or community networks, and that these networks are vital to workers’ wellbeing. SWP workers are also often connected to more established Pacific Islander communities, including in regional Australia.\(^{803}\)

5.68 Consequently, it is apparent that significant advantages, pertaining to the SWP and its impact on Pacific-Australia trade and investment ties, exist.

5.69 Critically however, it is also important to examine criticisms surrounding the SWP and as such potential avenues of improvement.

**Criticisms of the Seasonal Worker Programme**

5.70 Several common criticisms of the SWP initiative were noted in submissions to the Sub-committee, ranging from excessive administrative and regulatory processes to exploitative working conditions.

5.71 Western Sydney University’s Whitlam Institute identified existing ‘expensive, cumbersome and intrusive administrative barriers’ as a key issue limiting the popularity of the SWP.\(^{804}\)

5.72 Further to administrative burdens, exploitative and vulnerable working conditions were consistently reiterated as an area of key concern in submissions. The Australian Fair Trade and Investment Network Ltd (AFTINET) drew particular concern to this aspect of the SWP, raising the exploitation of Pacific workers in areas including:\(^{805}\)

- Lack of payment or payment of less than the minimum wage;
- Long hours of work in extreme heat conditions;
- Exceeding laws on maximum work hours;
- Sub-standard and overcrowded accommodation;
- Exploitation by migration agents through misrepresentation and deduction of large sums from wages; and
- Employers violating rights to Freedom of Association and collective bargaining by banning union membership.

5.73 Identifying the root cause of these problems, AFTINET argues:

> Thousands of Pacific Island workers come to Australia each year under the SWP, and other programs included in a non-binding agreement which was

\(^{803}\) Dr Victoria Stead, *Submission 13*, p. 4.

\(^{804}\) Whitlam Institute, *Submission 16, Attachment 1*, p. 35.

\(^{805}\) Australian Fair Trade and Investment Network Ltd., *Submission 23*, p. 6.
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negotiated separately from (but in parallel to) PACER Plus. Temporary workers are vulnerable to exploitation because they are sponsored by employers and can be deported if they lose the job. The SWP should include regulation of employers and training of workers to address this vulnerability.

5.74 Furthermore, AFTINET contends that PACER Plus, the cornerstone of the Australia-Pacific trade and investment relationship, overlooked labour rights and the opportunity to commit respective governments to implement international agreements to ensure workers are not exploited.806

5.75 Non-governmental organisation, the Pacific Network on Globalisation (PANG), concur with AFTINET’s argument. PANG contends that whilst labour mobility was addressed in PACER Plus, its inclusion was contentious as it likened the movement of people to the movement of goods and capital.807 In turn, PANG contends that by likening labour mobility to stimulating trade and investment, a slippery-slope of worker vulnerability and exploitation can occur as human labour becomes a commodity.808

5.76 Her Excellency Ms Hinauri Petana, High Commissioner in Australia for the Independent State of Samoa highlighted the issue of Pacific islanders accessing their superannuation collected in Australia when they return home to Samoa.

We have workers who have been here [in Australia] since the beginning of the SWP, and now the PLS, but especially the SWP, who have gone back and cannot access their superannuation benefits. We are right in the middle of a crisis and many have not been able to be re-engaged or employed. As well as that, there are no means of accessing any other benefit, welfare or otherwise...Essentially, the key point is legislation. There is a requirement to change the laws before we can move on this issue.809

5.77 His Excellency Mr Samson Vilvil Fare agreed seasonal workers from Vanuatu needed better and easier access to their superannuation funds.

Our workers are still having difficulties in having access to their super. This is something that Vanuatu was looking at very closely before COVID. Unfortunately, COVID-19 came in and stopped everything. We explored the opportunities of probably having our pension fund established in Australia as

806 Australian Fair Trade and Investment Network Ltd., Submission 23, p. 6.
807 Pacific Network on Globalisation, Submission 30, p. 4.
808 Pacific Network on Globalisation, Submission 30, p. 4.
809 HE Ms Hinauri Petana, High Commissioner, Samoa, Committee Hansard, 4 September 2020, p. 6.
a super, where our workers can pay their contributions directly into that super.810

5.78 Ms Danielle Heinecke, First Assistant Secretary, Pacific Operations and Development at DFAT, stressed an important ambition on the agenda was to make it easier for people working under the Pacific labour mobility programs to transfer their superannuation funds to the Pacific.811

At the moment they basically can’t transfer it to their provident fund, so that is a future policy agenda that’s going to be really important for the Pacific and for the workers so they don’t lose their super. At the moment they have to go through a process when they get back to their country to claim that super back, which can be difficult if they’re from an outer island. So that’s something that’s very much one of the policy priorities that we’re working through with the Pacific, and it will require change in Australia as well, on the legislative side.812

5.79 The Director, Pacific Economic Trade and Private Sector Engagement Section at DFAT, Mr Cameron Reid, detailed the complexity.

…that’s a process of closing their super account in Australia, getting that money deposited into a local bank account in their home country and then getting that deposited into a provident fund. There’s no mechanism by which we can go straight from our super funds in Australia to the provident funds in the Pacific, and that’s the legislative process on our side...813

5.80 Ms Heinecke outlined the importance of the role of the employer in the Seasonal Worker Program, who ‘…actually play the main role around welfare’ but also defended the audit processes in place to help workers with workplace and welfare issues.814

What is really important there is the Department of Employment’s own compliance checks and the role that they play—they do monthly audits as well, but that’s something really for you to go into detail with...So we’re putting a lot more effort into the pre-departure briefings. The Fair Work

810 HE Mr Samson Vilvil Fare, High Commissioner, Vanuatu, Committee Hansard, 4 September 2020, p. 21.
811 Ms Danielle Heinecke, DFAT, Committee Hansard, 27 February 2020, p. 6.
812 Ms Danielle Heinecke, DFAT, Committee Hansard, 27 February 2020, p. 6.
813 Mr Cameron Reid, DFAT, Committee Hansard, 27 February 2020, p. 6.
814 Ms Danielle Heinecke, DFAT, Committee Hansard, 27 February 2020, p. 7.
Ombudsman now produces material in, I think, seven different Pacific languages on people’s rights. This is all very new, as I’m sure you’re aware, for them. The Fair Work Ombudsman also has an app, the Record My Hours app, which you may be aware of, where people can put their pay. They can record their hours in that app so if there’s a problem down the track the hotline that we set up in the country and the comms team that correspond with workers in Australia can actually come and help them if they’ve got a query around their pay.\textsuperscript{815}

There is a cultural issue in many ways. People don’t want to complain, because they think that might jeopardise their future opportunities. That is the biggest barrier. It is one of the reasons that around half of our staff who sit on the welfare team are Pacific Islanders.\textsuperscript{816}

But what are really important are the compliance checks that happen through the Fair Work Ombudsman, so that we can start to make sure that people understand what their rights are and that those cases are taken forward.\textsuperscript{817}

5.81 High Commissioner Vilvil Fare outlined that limited health insurance coverage was another big issue faced by workers from Vanuatu who are also paying taxes and GST while in Australia.\textsuperscript{818}

This is mainly because each labour hire company or employer has a different plan for them and sometimes, when you look at the plans they offer, they are the cheapest plans out there that they offer them. My question is: why is it that? Because our workers come to Australia and they work here, but they also pay GST and taxes here in Australia. How about giving them access to Medicare as well so that they can be fully insured? In terms of health insurance, maybe give them the same packages as backpackers when they come to Australia to work here, so give them that same ability to have access to Medicare, if that could be possible.\textsuperscript{819}

\textsuperscript{815} Ms Danielle Heinecke, DFAT, \textit{Committee Hansard}, 27 February 2020, pp. 7-8.

\textsuperscript{816} Ms Danielle Heinecke, DFAT, \textit{Committee Hansard}, 27 February 2020, p. 8.

\textsuperscript{817} Ms Danielle Heinecke, DFAT, \textit{Committee Hansard}, 27 February 2020, p. 8.

\textsuperscript{818} HE Mr Samson Vilvil Fare, High Commissioner, Vanuatu, \textit{Committee Hansard}, 4 September 2020, p. 20.

\textsuperscript{819} HE Mr Samson Vilvil Fare, High Commissioner, Vanuatu, \textit{Committee Hansard}, 4 September 2020, p. 20.
5.82 High Commissioner Petana said Samoa does raise issues with DFAT and DESE, with respect to things like superannuation access and insurance cover.\(^{820}\)

…and contract issues, in terms of letters of offer that have been the starting point of engaging on island. In some groups, they’ve seen a shift from the original letters of offer. Unfortunately, there is an issue which is basically about literacy or language barriers that contributes to the lack of understanding. I know there’s a lot of predeparture briefing that goes on.\(^{821}\)

5.83 High Commissioner Petana also recommended Australia following New Zealand’s lead in helping employers to build a better cultural understanding of where their season workers come from.

One of the things that Samoa has found which is quite advantageous, because we’ve had longer experience with the [Recognised Seasonal Employer scheme] in New Zealand, is the enculturation process of recruitment. On an annual basis, employers are encouraged to visit the villages of their workers. Because of the bonding that’s been established, they’re also allowed to bring on board two members of the village or a member of the family so that social cohesion is maintained in the group.\(^{822}\)

5.84 Following discussions with other High Commissioners, High Commissioner Petana understood that while some Australian worker programs are relatively new compare to New Zealand, there was a tendency to treat all workers from across the Pacific as more or less the same people.

We understand that the perspective from which Australia recruits is that we’re from the Pacific. Yes, we may look the same and we may have traditions and cultures that are quite similar, but in actual fact they’re very different entities—Melanesian, Polynesian. So, it’s in that mix that we come as a group. There’s no homogeneity, in either the type of work they’re engaged in or the locations, so you have some of these issues cropping up.\(^{823}\)

5.85 Senior Research Fellow from Deakin University, Dr Victoria Stead, drew on her SWP-focussed research project \textit{Race, Labour and Belonging: Strengthening Rural Workforces and Communities} shared some workers’ concerns about the

\(^{820}\) HE Ms Hinauri Petana, High Commissioner, Samoa, \textit{Committee Hansard}, 4 September 2020, p. 18.  
\(^{821}\) HE Ms Hinauri Petana, High Commissioner, Samoa, \textit{Committee Hansard}, 4 September 2020, p. 18.  
\(^{822}\) HE Ms Hinauri Petana, High Commissioner, Samoa, \textit{Committee Hansard}, 4 September 2020, p. 18.  
\(^{823}\) HE Ms Hinauri Petana, High Commissioner, Samoa, \textit{Committee Hansard}, 4 September 2020, p. 18.
scheme. Dr Stead’s research, conducted from 2016 onwards on Pacific Islander workers, farmers and Pacific diaspora in the Greater Shepparton Region of Victoria, highlighted the impact of socio-economic inequalities on the workers.\(^{824}\)

These inequalities underpin, and indeed set the conditions of possibility that enable schemes like the Seasonal Worker Programme. Pacific Islanders travel to Australia to pursue horticultural labour because it holds the promise (if not always the reality) of superior wages to those which it is possible for people to earn in their home countries.\(^{825}\)

5.86 Dr Stead found while the SWP scheme has many positives, many workers conceded they would rather be working on their home islands.

…however in my research in Shepparton over the past four years many Pacific Islander workers have also explained that they would have preferred to stay in their home countries, with their families, if the same work opportunities were available to them there.\(^{826}\)

5.87 Ms Kidd outlined that Department of Education, Skills and Employment does seek feedback on the SWP from countries involved through the Pacific Labour Facility and mostly positive views from the workers themselves.\(^{827}\)

Some of it is through the workers, where we ask them about their experience here. I think 95 per cent are satisfied with their experience. Word of mouth is pretty critical in that sort of way. Also, we have formed a relationship with the heads of mission from the countries here in Australia, and we meet regularly with them…so that’s a very good feedback mechanism as well. They’ll let us know what they’re hearing through their channels, and it’s an opportunity for us to engage with them and resolve issues as required.\(^{828}\)

We don’t have any wholesale negative views. Definitely the program is perceived in a very positive light. It’s very popular. People are very keen to get on it, and individuals who return are held in high esteem: they’ve been on the program and they’ve sent remittances home. So there’s a lot of very good

\(^{824}\) Dr Victoria Stead, Submission 13, p. 1.

\(^{825}\) Dr Victoria Stead, Submission 13, pp. 1-2.

\(^{826}\) Dr Victoria Stead, Submission 13, p. 2.

\(^{827}\) Ms Margaret Kidd, Department of Education, Skills and Employment, Committee Hansard, 12 November 2020, p. 2.

\(^{828}\) Ms Margaret Kidd, Department of Education, Skills and Employment, Committee Hansard, 12 November 2020, pp. 2-3.
feeling about it. What we hear are individual issues, and they’ll be brought to our attention and, where possible, we’ll resolve them.\footnote{Ms Margaret Kidd, Department of Education, Skills and Employment, Committee Hansard, 12 November 2020, p. 3.}

5.88 Many of the workers interviewed by Dr Stead articulated their keen awareness of the unequal socio-economic conditions between themselves and many Australians, and the inequalities in status that they see being replicated through the scheme.\footnote{Dr Victoria Stead, Submission 13, p. 2.}

Pacific Islander workers describe, for example, a feeling that they are being perceived as suitable only for kinds of work (like fruit picking) that Australians deem undesirable. There is a danger, inherent in the scheme, that Australia is representing and treating the Pacific as a particular kind of place (a source of cheap, compliant labour), and Pacific Islanders as particular kinds of people (good for low-skilled, otherwise undesirable work).\footnote{Dr Victoria Stead, Submission 13, p. 2.}

5.89 Dr Stead warned such characterisations would be ‘...reductive, dangerous, insulting, and harmful to [Australia’s] regional relationships’.\footnote{Dr Victoria Stead, Submission 13, p. 2.}

5.90 During a public hearing for the Sub-Committee, Ms Mellisa Silaga, Social Cohesion Officer/Pacific Islands Community Leader, Ethnic Council Shepparton and District, gave first-hand evidence as to the extent to which exploitation of SWP employees was prominent. Specifically referencing wages, Ms Silaga stated:\footnote{Ms Mellisa Silaga, Ethnic Council Shepparton and District, Committee Hansard, Canberra, 13 February 2020, p. 2.}

... there are parts of the schemes that are exploiting our people—and that’s due to how high the costs are to the farmers but also to our people, because it gets taken out of their income. So they are offered minimal wage and then it’s taken away from them. By the time they go home, they could walk out of Australia with AUD$11,000, which translates—and I will speak on behalf of the Samoan people—as maybe 20,000 to 25,000 tala. That is a lot more than they had when they came here; however, in research terms, the amount of money that they take away after being here for six months is kind of known as modern slavery, at best.
Furthermore, Ms Silaga highlighted the issue of Pacific workers enduring prolonged family separation, whilst employed via the SWP, as leading to local disengagement and mental health risks:  

Nobody gets to bring their wife or their children over here—and that’s lonely; there’s no connection. They try to make connections in the community; however, they have to spend all day on the farm and then, by the time they get home, they are tired—so, again, isolation.

The ANU Development Policy Centre submitted a need for Australia recommend lifting enforced family separation, under the Pacific Labour Scheme (PLS).  

There are serious concerns about the potentially harmful social effects of family separation. For example, there is convincing evidence that, in the context of migration to New Zealand, Pacific household members left behind are often worse off in terms of poorer diets, higher rates of alcohol consumption, declining child weight, and lower asset holdings. Allowing accompanying family members would go a long way to improve optics, strengthen positive relationships, and alleviate some of the ethical concerns around our Pacific temporary migration programs.

If families were allowed to accompany Pacific workers, the ANU Development Policy Centre welcomed the possibility of school-age children building ‘...enduring relationships and obtaining improved education outcomes while accompanying their working parents’.  

If Pacific workers want to take out the benefits of PLS participation via better education for their children, that choice should be respected. On the other hand, making the PLS Australia’s only temporary migration scheme that bars accompanying families is simply not viable in the longer run.

Furthering Ms Silaga’s perspective, Mr Mohammad Al-Khafaji, Chief Executive Officer of the Federation of Ethnic Communities’ Councils of Australia, raised the existence of a power imbalance between employees and

834 Ms Mellisa Silaga, Ethnic Council Shepparton and District, Committee Hansard, Canberra, 13 February 2020, p. 2.
835 ANU Development Policy Centre, Crawford School of Policy, Submission 52, p. 17.
836 ANU Development Policy Centre, Crawford School of Policy, Submission 52, p. 17.
837 ANU Development Policy Centre, Crawford School of Policy, Submission 52, p. 17.
838 ANU Development Policy Centre, Crawford School of Policy, Submission 52, p. 17.
employers. As a consequence, employees were not empowered to openly discuss work exploitation for fears of losing their employment.

5.95 At the heart of this issue, Mr Al-Khafaji identified the need for improved procedures to deal with disputes and complaints made by employees against employers. In particular, Mr Al-Khafaji recognised that:839

Any whistleblower system needs to ensure that the complainant remains anonymous. There needs to be a third party that is trusted, and people who potentially blow the whistle need to be reassured that they will not be in trouble, sent back home or whatever. So they need to be protected and have the assistance to be able to transition from, for example, one employer to another and not fear: if I make a complaint, then I’m going to lose my job and they’re going to send me back home.

5.96 Discussing the subsequent need for rebalancing SWP employment power balances and expectations, Mr Al-Khafaji stated:

I think the problem is that a lot of these people are powerless. I think there is a power imbalance between the employer and the employee. If we can remove or rebalance or have a third party that can administer and conduct audits, or act as a conduit and make sure that people are getting paid the right amount and the employees are meeting their requirements at no cost to either of the parties, I think that would work. Also, somebody mentioned if we impose too much burden on this particular program then farmers will go back to the backpacker program. I would say the programs should not be any different. If people are going back to the backpacker program because it’s easier to exploit people then there is another problem there that we need to look at. No-one should feel that this program is easier because I get more control over how I can pay people less. The same set of rules should apply across these programs and I think the power imbalance needs to be addressed here.

5.97 Research on the SWP by Dr Victoria Stead, from Deakin University, also found many SWP workers in Australia who believe they work under the threat of losing their job without redress.840

Workers typically work for periods of up to 6 months, and the prospect of return in subsequent seasons (years) is held out by the industry and Australian government advocates of the scheme as a key benefit. However

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839 Mr Mohammad Al-Khafaji, Federation of Ethnic Communities’ Councils of Australia, Committee Hansard, Canberra, 13 February 2020, p.8.

840 Dr Victoria Stead, Submission 13, p. 3.
workers’ capacity to return is often dependent on the inclinations of the farmers they work for and/or the labour hire agents who mediate their employment. This greatly inhibits their willingness to complain or advocate for their rights and conditions.\textsuperscript{841}

5.98 Dr Stead documented a ‘tremendous turnover of [SWP] staff across three years’ in one fruit-packing shed in Shepparton.\textsuperscript{842}

Of an original group of ~20 workers in the first year, only three were included in the return group the second year (which also had ~20 workers), despite all of the original group wanting to return. The third year, only two returnees were included in the cohort. One worker, who had been vocal in organising the group, was not chosen to return, with the packing shed manager identifying ‘personality issues’ as a vague explanation for the decision. Under Australian workplace legislation, this would not be an acceptable justification for the cessation of a workers’ employment, but the conditions of the SWP make it possible for Pacific Islander workers to be treated in this way.\textsuperscript{843}

5.99 Therefore, whilst it has been identified that significant advantages are linked with labour mobility arrangements including the SWP, particularly for stimulating trade and investment ties, fundamental concerns persist.

5.100 This in turn warrants an examination of potential future avenues for SWP reform, particularly as a means of safeguarding worker rights and protections.

**Opportunities for reform of labour mobility**

5.101 Many submissions to the Sub-committee noted the potential for the SWP to be deepened and enhanced in the coming years. DFAT noted their commitment to enhancing labour mobility in the Pacific region, including through improving integration between Pacific Island economies with those of Australia and New Zealand.\textsuperscript{844}

\textsuperscript{841}Dr Victoria Stead, *Submission 13*, p. 3.

\textsuperscript{842}Dr Victoria Stead, *Submission 13*, p. 3.

\textsuperscript{843}Dr Victoria Stead, *Submission 13*, p. 3.

\textsuperscript{844}Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, *Submission 14*, p. 25.
5.102 As DFAT recognises, labour mobility remains one of the largest economic opportunities for Pacific economies. According to DFAT, the World Bank estimates that expanding labour mobility could generate additional net income of approximately USD$13 billion for over 200,000 people in the Pacific.

5.103 His Excellency Mr Samson Vilvil Fare believed the Pacific diplomatic corp would welcome much more information themselves on Australia’s labour mobility programs and even an induction on the SWP and PLS for new diplomats, if possible, from the two departments responsible.

Sometimes when we come here—and I speak from experience—we’re not too well versed with the labour mobility program in Australia. We would love to see, when we came as new high commissioners to Australia, that departments responsible for labour mobility should have at least an induction for us to brief us.

It is now becoming more obvious that the high commissioners and ambassadors here in Australia are engaging more actively on the labour mobility because of the issues that have been brought to us as consular matters to address to our respective high commissions, so it would be good for the responsible departments to organise an induction for all new high commissioners and ambassadors in Australia in terms of labour mobility, especially from sending countries.

That will be one of my recommendations so that we would not only understand clearly where our limitations as high commissioners are and

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845 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 39.
846 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 39.
847 HE Mr Samson Vilvil Fare, High Commissioner, Vanuatu, Committee Hansard, 4 September 2020, p. 20.
848 HE Mr Samson Vilvil Fare, High Commissioner, Vanuatu, Committee Hansard, 4 September 2020, p. 20.
849 HE Mr Samson Vilvil Fare, High Commissioner, Vanuatu, Committee Hansard, 4 September 2020, p. 20.
understand our role better but also assist our citizens here, providing consular services to them when they’re in need.  

5.104 Given the regulatory and administrative burdens noted previously, several submissions centred on reforms aimed at easing the flows of Pacific people into Australia.

5.105 The Whitlam Institute urged the Australian Government to offer increased access to short-term visas, student and professional exchange programs and minimise ‘onerous’ administrative and financial burdens to support individuals engaging in the SWP.

5.106 This perspective was further highlighted by the Griffith Asia Institute:

Australian policymakers should look to build on the successes of labour mobility by creating new pathways for temporary mobility, and permanent migration, for Pacific Island workers.

5.107 Drawing upon research conducted by the World Bank and the Development Policy Centre at the ANU, the Griffith Asia Institute suggested:

Australia [could] initiate a new ‘Pacific Integration Visa’ that would allow a quota of Pacific Islanders (initially set at 9,000 visas per annum) to enter Australia and to become permanent residents after a period of employment. As well as helping to meet labour shortages in Australia, such a scheme would have many of the same benefits (and fewer challenges) of longer-stay mobility schemes.

5.108 However, as noted by the Griffith Asia Institute, ‘…Australia’s temporary mobility schemes are not without their challenges’. Further:

[Policy makers] need to ensure that Pacific Island workers are not subjected to exploitation by unscrupulous employers abroad. Migrant workers in Australia and New Zealand need effective representation to protect their rights around pay, conditions, and health and safety in the workplace.

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850 HE Mr Samson Vilvil Fare, High Commissioner, Vanuatu, Committee Hansard, 4 September 2020, p. 20.

851 Whitlam Institute, Submission 16, p. 35.

852 Griffith Asia Institute, Submission 34, p. 29.

853 Griffith Asia Institute, Submission 34, p. 29.

854 Griffith Asia Institute, Submission 34, p. 28.

855 Griffith Asia Institute, Submission 34, p. 28.
5.109 Noting the need for a cross-sector, collaborative approach to overcoming concerns pertaining to SWP work conditions, Griffith Asia Institute further highlights:\textsuperscript{856}

[An effective response] will continue to require tripartite dialogue between governments, trade unions, and private sector representatives. Schemes that allow for longer stays … present a particular challenge for Pacific Island families. Considerations should be given to allowing families to accompany workers to Australia…

5.110 Importantly, as noted by Ms Silaga at a public hearing, despite the existence of worker exploitation through the SWP, this initiative should not be taken away or cancelled entirely. Rather, Ms Silaga suggested:\textsuperscript{857}

…a third party able to be a part of … ensuring that these things are in place and are not going to put our people in positions where they feel like they’re not getting enough or they’re getting very little is a good recommendation to put forward. I would, however, add to that recommendation the idea that we ensure whatever third party we put in always includes our Pacific island people in the discussion and in these third-party organisations that are going to bring our people and those who are passionate—not just any Pacific islander, because you could get any in doing that job, but ensuring that they also are people connected to their community locally and have Australia’s and their people’s best interests at heart.

5.111 Highlighting concerns over the fair and ethical treatment of employees in Australia’s horticultural sector, Growcom concurs the possibility of bringing in a third-party body to provide oversight and audit employment practices.

5.112 Reflecting on Growcom’s own efforts to date in this area, the organisation identified that:\textsuperscript{858}

Growcom on behalf of the Australian industry has developed and is now delivering Fair Farms, the industry-led, independent, third party audited certification of fair employment practice. Fair Farms has witnessed a great rate of uptake by employers since being launched mid-2019 and now enjoys recognition from each of the major supermarkets as an option for their supplies to satisfy ethical sourcing requirements.

\textsuperscript{856} Griffith Asia Institute, Submission 34, p. 28.

\textsuperscript{857} Ms Mellisa Silaga, Ethnic Council Shepparton and District, Committee Hansard, Canberra, 13 February 2020, p. 7.

\textsuperscript{858} Growcom, Submission 43, p. 3.
5.113 Subsequently, Growcom recommended the Australian Government consider incorporating Fair Farms as either a recommended or mandatory requirement for employer participation in the SWP.\textsuperscript{859} This in turn would work to safeguard worker rights and reduce risks of employee exploitation.

5.114 To minimise risks for seasonal workers, the Manager of Policy and Advocacy at Growcom Mr Richard Shannon hoped Fair Farms could be included to address the problems with exploitation.\textsuperscript{860}

\begin{quote}
 It’s an independent third-party certification of fair employment practice. Government could give some consideration to making that certification recommended or a mandatory requirement of participating in the Seasonal Worker Program and the Pacific Labour Facility.\textsuperscript{861}
\end{quote}

5.115 Complementing these suggestions, other submissions also highlighted the existence of high youth unemployment rates in Pacific nations as an avenue of future opportunity for the SWP.\textsuperscript{862}

5.116 This approach was elaborated on by the Institute for International Trade, who recognised that:\textsuperscript{863}

\begin{quote}
 In most Pacific Island Countries, there is a rapidly expanding youth population where labour supply far outstrips demand. The Australian Government is to be commended for its expansion of the Pacific Labour Facility but we need to continue to expand to other sectors of skill shortage in Australia, such as the construction and trades sector. The maintenance and expansion of temporary labour mobility schemes is consistent with commitments made under PACER Plus that member countries will benefit from increased access to temporary labour market opportunities in Australia and New Zealand.
\end{quote}

5.117 Importantly, via submission to the Sub-Committee, the Solomon Islands further reinforced the local value of engaging Pacific youth populations in labour opportunities. Specifically:

\begin{quote}
The youth population accounts for some 60 per cent of the Solomon Islands population. With high unemployment levels in the country, the opportunities
\end{quote}

\textsuperscript{859} Growcom, \textit{Submission 43}, p.3.

\textsuperscript{860} Mr Richard Shannon, Growcom, \textit{Committee Hansard}, 2 November 2020, p. 18.

\textsuperscript{861} Mr Richard Shannon, Growcom, \textit{Committee Hansard}, 2 November 2020, p. 18.

\textsuperscript{862} Oaktree, \textit{Submission 27}, p. 2.

\textsuperscript{863} Institute for International Trade, \textit{Submission 37}, p. 12.
availed through the SWP and the PLS, as well as the New Zealand Recognised Seasonal Employment (RSE) Schemes, offer a temporary reprieve while medium to long term efforts are made to address creation of sustainable employment opportunities in the Solomon Islands economy.\textsuperscript{864}

5.118 The ANU Development Policy Centre declared a need for Australia to move beyond a focus on temporary migration for Pacific islanders to build better pathways to permanency.\textsuperscript{865}

Recycling workers in and out of countries that lack the jobs to employ them is of less benefit than building up the Pacific diaspora in Australia. Pacific Islanders are very poorly represented in the Australian population, with some nationalities particularly marginalised. There are fewer Papua New Guineans in Australia than there are Samoans (Samoans enter Australia via New Zealand). We recommend a permanent lottery scheme, as per the New Zealand model. The PLS could also be reformed to include a permanent pathway.\textsuperscript{866}

5.119 Professor Stephen Howes from the ANU’s Development Policy Centre supported the New Zealand approach to providing seasonal workers with opportunities for permanent migration and a better education believing it would not lead to a brain drain.\textsuperscript{867}

[permanent migration] is good for the countries and gives a strong incentive for education—if we look at Samoa or Tonga they have much higher levels of education than in Melanesian countries—and the diaspora doesn’t lose touch with the home country. They are neighbours; they go back every Christmas; and there are lots of ongoing and very strong cultural connections. So I think it is a sort of false dichotomy to think that these permanent opportunities are going to lead to brain drain. If managed well they can actually lead to a brain gain.\textsuperscript{868}

5.120 Dr Tess Newton Cain from the Griffith Asia Institute called on Australia to improve the seasonal worker programs to become a pathway to further education and permanent migration.

\textsuperscript{864} Solomon Islands; Submission 54, p. 5.
\textsuperscript{865} ANU Development Policy Centre, Crawford School of Policy, Submission 52, p. 17.
\textsuperscript{866} ANU Development Policy Centre, Crawford School of Policy, Submission 52, p. 17.
\textsuperscript{867} Professor Stephen Howes, ANU Development Policy Centre, Committee Hansard, 18 June 2020, p. 4.
\textsuperscript{868} Professor Stephen Howes, ANU Development Policy Centre, Committee Hansard, 18 June 2020, p. 4.
There are plenty of opportunities to enhance both the Seasonal Worker Program and the Pacific Labour Scheme to make them true drivers of regional economic and social integration. Increased access to Australia for work, study, leisure and, in some cases, permanent relocation is something that Pacific people have told us that they seek as part of Australia’s vuvale or family.  

5.121 According to New Zealand Immigration, New Zealand allows residents of Kiribati, Tuvalu, Tonga and Fiji aged between 18 and 45 to register for a ballot that if their name is successfully drawn from the other applicants then they are invited to apply for a Pacific Access Category Resident Visa. Once granted the visa, the ballot winner can work, live and study in New Zealand indefinitely. The New Zealand visa ballot will make these visas available to 75 Kiribati citizens, 75 Tuvaluan citizens, 250 Tongan citizens and 250 Fijian citizens.  

5.122 Professor Stephen Howes described the New Zealand Pacific Access Category ballot as a lottery to gain permanent residency.

…it’s like the green card [lottery in the United States]. Again, the demand is about six times the amount of supply. So people put in their bid. The lucky ones are chosen and then they’ve got six months to get a job. I think a strong aspect of the scheme is that you can’t just rock up and get the unemployment benefits; you’ve got six months to get a job. So they use the diaspora, and the New Zealand government also has a small team that kind of helps you find a job…You don’t get that unless you have a job.  

5.123 The ANU Development Policy Centre also recommended reversing recent policy changes to the Working Holiday Maker visa, specifically the provision of a third-year extension, because it impacts on the SWP.

The Working Holiday Maker visa extensions currently undermine the SWP by incentivising the Working Holiday Maker program and introducing an unregulated and poorly-targeted de facto agricultural visa. The strategic returns to Australia are dubious, and the consequences for worker exploitation dire.

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869 Dr Tess Newton Cain, Griffith Asia Institute, Committee Hansard, 2 November 2020, p. 7.
871 Professor Stephen Howes, ANU Development Policy Centre, Committee Hansard, 18 June 2020, p. 5.
872 ANU Development Policy Centre, Crawford School of Policy, Submission 52, p. 17
873 ANU Development Policy Centre, Crawford School of Policy, Submission 52, p. 17.
5.124 The World Bank Group and International Finance Corporation declared that it has moved more recently to support labour mobility in its lending and operations with also a focus on assisting the more disadvantaged islanders.\textsuperscript{874}

The Skills and Employment for Tongans project supports recruitment efforts with a focus on disadvantaged households, while also funding skills development and training that is relevant (and importantly, recognized) for temporary migration opportunities overseas.\textsuperscript{875}

**Bolstering female participation in worker programmes**

5.125 The International Women’s Development Agency (IWDA) highlighted its concerns with current cornerstone for boosting employment links between Pacific nations and Australia is the Pacific Labour Scheme, launched in July 2018. The IWDA noted while remittances from family members working overseas are one of the fastest growing sources of finance for developing countries, less than 20 per cent of PLS workers were women.

However, the unequal participation of women in the scheme, as well as the likely social impacts of prolonged absence of working age population, pose concerns and require further steps to understand and mitigate potential negative effects of the scheme.\textsuperscript{876}

According to live data provided on the Pacific Labour Scheme homepage, as at 11 March [2020], the gender split of workers currently in Australia was 80.4 per cent men, 19.6 per cent women.

5.126 The IWDA believed the expansion of eligible industries to include service, care and hospitality sectors has been ‘...billed as an effort shift this balance, but is yet to yield results’.

While this may lead to increased participation by women, it also problematically perpetuates existing gendered aspects of workforce participation. Exploration of potential incentives for male-dominated industries to employ more women should be undertaken, to avoid reinforcing

\textsuperscript{874} World Bank Group & International Finance Corp; *Submission 12*, p. 4.

\textsuperscript{875} World Bank Group & International Finance Corp; *Submission 12*, p. 4.

existing gendered work roles and to support the transformation of wider
gender norms.\textsuperscript{877}

5.127 To more fully understand the factors deterring or preventing women from
participating, the IWDA called for Australia government investment in
research, monitoring, evaluation and learning processes.\textsuperscript{878}

Reducing the isolation of workers through systematic connections to trade
unions, overseas employee networks and other supports stands to diminish
vulnerability concerns.\textsuperscript{879}

5.128 The IWDA was concerned by the prolonged absences as a result of the
Pacific Labour Scheme having the ‘…potential to skew social dynamics in
communities left behind’.

With prolonged family separation, women’s social role in undertaking unpaid
care is likely to increase, while at the same time, the absence of working age
people will further put pressure on those left at home to carry forward the
requirements of the paid labour force. The significant extension of time spent
in Australia by unaccompanied workers through the Labour Scheme
(maximum three years) compared to the longer running Seasonal Worker
Program (maximum nine months), is likely to have significant repercussions
that must be addressed with urgency.\textsuperscript{880}

5.129 The IWDA pointed to the research by the NZIPR Labour Mobility for
Sustainable Development Project which found the potential consequences of
such absences included ‘…marital dissolution or family abandonment,
domestic violence, poor nutrition of workers and/or those who remain at
home, disciplinary problems with children, cultural transgressions, and
extreme emotions felt by workers and those who remain at home’.\textsuperscript{881}

5.130 The IWDA wanted the Australian government to explore the possibility of
whether ‘…expanding eligibility for family accompaniment could reduce the
severity of such separation, and support increased participation by women
with family and care responsibilities’.\textsuperscript{882}

\textsuperscript{878} International Women’s Development Agency, \textit{Submission 26}, p. 2.
\textsuperscript{882} International Women’s Development Agency, \textit{Submission 26}, p. 3.
Complementary initiatives that support the transformation of social norms around unpaid care will be vital to both mitigate the impacts of the scheme, and transform unequal gender norms.\footnote{International Women’s Development Agency, \textit{Submission 26}, p. 3.}

5.131 The World Bank Group believed there is potential to extend its financial support with an extra focus on growing the numbers of women workers from rural and regional parts of the Pacific, by helping to finance some pre-departure costs.\footnote{World Bank Group & International Finance Corp; \textit{Submission 12}, p. 5.}

More can be done to increase female participation in labour mobility schemes and to ensure that sending households receive appropriate support. Support for participation of those in remote and rural areas could further increase the poverty alleviation impact of temporary migration schemes, with development partners potentially assisting through financing of pre-departure costs using revolving funds or micro-finance programs. Nonetheless, 39 percent of PLS workers are female, a big improvement on the established and the larger Seasonal Worker Programme, where the ratio is 18 percent.\footnote{World Bank Group & International Finance Corp; \textit{Submission 12}, p. 5.}

5.132 Solomon Islands High Commissioner Sisilo believed more can be done by governments to encourage more women and workers from remote regions to take on season work under SWP or PLS.

However, various barriers on both the supply side and the demand side hinder the participation of potential migrants, especially women and residents of more remote provinces of the Solomon Islands. This is an area that we will seriously look into.\footnote{HE Mr Robert Sisilo, High Commissioner, Solomon Islands, \textit{Committee Hansard}, 4 September 2020, p. 8.}

5.133 Through these labour mobility schemes, in addition to improving domestic investment climate, the hope is that investment and trade opportunities will expand in the PICs.

\textbf{Need for a Pacific labour bubble during the pandemic}

5.134 Considering the opportunities apparent for further reform and progression of the SWP, Save the Children Australia suggest the establishment of a
'Pacific Bubble’ to support Pacific labour mobility and remittance flows into Pacific during COVID-19 pandemic.887

5.135 Despite the challenges of COVID-19 and the impact of closing many state borders in 2020 on limiting the movement of the SWP workers to where they were needed in Australia, Ms Kidd from the Department of Education, Skills and Employment managed to avoid workers missing out employment and being paid.888

There shouldn’t be, because our aim is to move them as quickly as possible. There might be gaps between, and in terms of our commitment to the workers, or the approved employer’s commitment, they should expect an average of a minimum of 30 hours work per week. That might mean some weeks dip down to 10, for example, as the season was dropping off, and ideally you’d relocate them before there was too big a gap. So there might be a bit of a variation in their income, but ideally not a gap.889

5.136 Ms Kidd confirmed approved rest breaks or unpaid leave from work were also granted to some of the 6,300 Pacific workers who remained in Australia who felt they needed it after staying longer in Australia due to the COVID-19 travel bans.890

…the workers that have been here for a while: we introduced approved rest breaks. The seasonal worker program participants are casual workers, and so they don’t have annual leave. They generally don’t need it because they’re here for a short period of time but, given the extension of their stay, we’ve built in approved rest breaks so, in effect, they can take some leave to refresh and have a break from work.891

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887 Save the Children Australia, Submission 39, p. 9.
888 Ms Margaret Kidd, Department of Education, Skills and Employment, Committee Hansard, 12 November 2020, p. 4.
889 Ms Margaret Kidd, Department of Education, Skills and Employment, Committee Hansard, 12 November 2020, p. 4.
890 Ms Margaret Kidd, Department of Education, Skills and Employment, Committee Hansard, 12 November 2020, p. 4.
891 Ms Margaret Kidd, Department of Education, Skills and Employment, Committee Hansard, 12 November 2020, p. 4.
5.137 Professor Duncan of the ANU concurs the importance of maintaining remittance flows into the Pacific during the COVID-19 crisis. Professor Duncan recognises:

The COVID-19 pandemic has essentially stopped tourism. This is devastating for the six FICs very dependent on tourism: Cook Islands, Fiji, Palau, Samoa, Tonga and Vanuatu.

5.138 Given the dramatic halt to tourism regionally, particularly due to the suspension of airline traffic, many Pacific diplomats highlighted that many Pacific economies were struggling. Consequently, Professor Duncan notes Australia’s attempts to support Pacific economies via continuation of the SWP, allowing the recent temporary migration of 200 seasonal workers from Vanuatu to the Northern Territory to assist fruit picking.

5.139 Dr Wesley Morgan from the Griffith Asia Institute believed as part of the compromise with PICs that was worked out for PACER Plus, there’s now an annual Pacific labour mobility meeting to ‘…nut out practical policy for improving opportunities for labour mobility’. Dr Morgan hoped that meeting could be the forum to drive the urgent need for a labour bubble.

It’s been a kind of a ‘Learn as we go’. Over the last decade, labour mobility has been a huge success for both Australian farms and Pacific workers. Along the way there have been policy learnings, and these things get tweaked every year.

…using that annual labour mobility meeting to push for a labour bubble. Right now, when Pacific island workers aren’t going to other markets around the world, there’s a real opportunity to bed down what will be a long-term, mutually beneficial relationship in terms of people working in Australia and travelling to and from the Pacific in a COVID-safe way.

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892 Professor Ronald Duncan AO, Australian National University, Submission 20 – Supplementary Submission, Questions on Notice, p.3.

893 Professor Ronald Duncan AO, Australian National University, Submission 20 – Supplementary Submission, Questions on Notice, p.3.

894 Dr Wesley Morgan, Griffith Asia Institute, Committee Hansard, 2 November 2020, p. 13.

895 Dr Wesley Morgan, Griffith Asia Institute, Committee Hansard, 2 November 2020, p. 13.

896 Dr Wesley Morgan, Griffith Asia Institute, Committee Hansard, 2 November 2020, p. 13.
5.140 From a broad perspective, Professor Duncan’s standpoint highlights the potential for labour mobility initiatives, including the SWP, to be an important economic vehicle in the Pacific.

5.141 Consequently, noting the importance of progressing labour mobility initiatives in a COVID-19 environment, particularly when alternate revenue flows have been impacted, the Australian Government should seek to support programmes including the SWP for economic viability.

5.142 The caveat to this argument being that any such action taken by the Australian Government must be considerate of Pacific worker rights and the importance of providing safe, secure and respectful workplaces.

5.143 Vanuatu’s High Commissioner His Excellency Mr Samson Vilvil Fare urged both departments DFAT and DESE that manage the seasonal worker programs to engage with diplomatic missions more and consider hosting meetings every one or two months with the Pacific high commissioners. These meetings can discuss the latest issues with SWP and PLS to help the missions service their citizens while they are in Australia.\(^{897}\)

> I know that I’ve been engaging a lot with DFAT and DESE on a number of issues that we face, that our workers face in Australia. This is also a platform. We could have a monthly meeting or a bimonthly meeting or something like that where they could engage more with us and tell us about the program itself and the new developments that are coming into the program as well.\(^{898}\)

**Committee Comment**

5.144 The Sub-Committee recognises the value labour mobility programmes, such as the SWP, provide for Pacific and Australian communities. This became particularly apparent to the Sub-Committee in areas including remittance flows and skills development, amongst a range of benefits identified with the SWP.

5.145 However, the Sub-Committee also remains concerned about testimonies pertaining to poor working conditions and exploitative labour arrangements associated with initiatives including the SWP, despite existing requirements

\(^{897}\) HE Mr Samson Vilvil Fare, High Commissioner, Vanuatu, *Committee Hansard*, 4 September 2020, p. 21.

\(^{898}\) HE Mr Samson Vilvil Fare, High Commissioner, Vanuatu, *Committee Hansard*, 4 September 2020, p. 21.
that employers utilising either programme comply with Australian
employment legislation.

5.146 The Sub-Committee is concerned about not only the wellbeing of impacted
workers in these circumstances, but also the risk of knock-on reputational
damage to Australia’s labour mobility programmes in the Pacific. In turn,
the Sub-Committee urges the Australian Government to review existing
labour mobility arrangements, particularly the SWP, and consider
opportunities to strengthen and improve these initiatives, including a more
effective compliance regime utilising relevant agencies such as the Fair Work
Ombudsman.

5.147 The Sub-Committee recognises the growing importance of labour mobility
and remittances to many families and communities in Pacific island
countries, and the devastating impact of the travel restrictions during the
COVID-19 pandemic. This highlights the need following public health
advice of medical authorities for developing a safe travel bubble between
Australia and those Pacific islands countries willing to participate. This will
not only support Australia’s trade and investment ties with the Pacific, but is
critical to supporting Pacific employees and their communities abroad.
6. Barriers and impediments to trade and investment between Australia and the Pacific

Introduction

6.1 While a range of barriers and impediments to Australia activating greater trade and investment with Pacific island countries were highlighted to the Sub-Committee at public hearings and in submissions, none were more damaging to many Pacific economies than the impact of the COVID-19 pandemic during 2020 and 2021. An ongoing challenge for Australia will be helping the region’s communities and smaller economies more dependent on international tourism and their workers sending remittances home from Australia and New Zealand overcome the economic costs from the continued strict travel restrictions. How the pandemic is impacting on Pacific trade and some islands is outlined.

6.2 Beyond the economic ravages of COVID-19, this chapter also details the barriers to trade with Australia for Pacific agricultural exporters such as navigating its biosecurity and quarantine laws and also phytosanitary certification requirements. Other hurdles identified are the remoteness of many islands, supply chain issues, unreliable power, transport and communications infrastructure, and the poor harmonisation of standards. Other risks to doing business and investment in the Pacific included the region’s vulnerability to climate change, poor governance issues and how the customary ownership of land can curtail investment.
The impact of COVID-19 pandemic on Pacific trade

6.3 The longer-term trade and investment implications of the Covid-19 pandemic for the Pacific Islands remains to be seen, according to the Institute for International Trade (IIT).¹

…but the short to medium term negative impacts on traditional revenue sources particularly tourism, healthcare, and labour remittances are already being felt widely across the Pacific. Most Pacific Islands are highly dependent on tourism, for example in Fiji, where tourism comprises 17 per cent of GDP, Samoa (25 per cent), Vanuatu (40 per cent), the Cook Islands (73 per cent) and Tonga (11 per cent).²

6.4 Emeritus Professor Ron Duncan AO was dismayed by how very destructive the COVID-19 pandemic had been in terms of the tourism, airlines and economic development in the Pacific.

You have now tourist numbers at virtually zero since April and as a result airlines virtually not working. Unfortunately you’ve had a number of bad decisions by the Pacific countries with regard to airlines. Samoa cancelled its arrangement with Virgin and instead purchased a Boeing 737 MAX, which is now sitting in the desert somewhere. As well as that, China funded a new international airport in Samoa. We don’t know the arrangements for the funding there. Kiribati purchased two new aeroplanes to start an airline, and of course there’s no revenue being generated there. Air Vanuatu, Nauru Airlines and Solomon Airlines are all in a bad financial situation. These bad decisions are only compounding the growing public debt problem that all of them are facing. Fiji Airways, the most important airline in the Pacific, is mostly grounded. It has laid off 700 staff and secured a government guaranteed loan of 50 million from the Asian Development Bank in an attempt to survive the crisis.³

6.5 The IIT also outlined the World Bank’s list of additional COVID-19 risks beyond public health facing Pacific nations:⁴

- Commercial fishing may be reduced owing to travel restrictions;
- Fish exports may be affected by a global economic slowdown;

¹ Institute for International Trade, Submission 37, p. 4.
² Institute for International Trade, Submission 37, p. 4.
³ Emeritus Professor Ron Duncan AO, Committee Hansard, 27 August 2020, p. 2.
⁴ Institute for International Trade, Submission 37, p. 4.
BARRIERS AND IMPEDIMENTS TO TRADE AND INVESTMENT BETWEEN AUSTRALIA AND THE PACIFIC

- Construction and infrastructure projects may be affected by availability of labour and materials;
- Remittances from Pacific nationals working abroad will slump;
- Slower global growth may impact commodity prices and resources exports; and
- Global equity market declines may hit investment earnings of sovereign wealth funds, which comprise significant sources of government revenue in Kiribati for example.5

6.6 The IIT recalled on April 2020, Tropical Cyclone Harold ripped through Vanuatu, Fiji and Tonga reminding Australia also of the ‘ongoing vulnerability of the Pacific to climate change and natural disasters’.6

These events and the likely long term negative impacts of the coronavirus pandemic, further reinforce the importance of strong, transparent and predictable trade and investment relations with the Pacific and the very important role Australia can play in this equation, both through its trading relations but also through its Aid for Trade program.7

6.7 The Managing Director of a Tasmanian government consulting firm Entura focused on delivering renewable energy, water management and climate-resilient infrastructure, Ms Tammy Chu, also outlined the extra challenges on Pacific island countries and Entura from the COVID-19 pandemic.

...we’ve obviously seen the impacts of COVID-19 on our Pacific neighbours, and that has placed even greater stress on their health and economies. The direct impacts of COVID on our business include travel restrictions, quarantine requirements and delays in projects as attention is placed on the vulnerability of the health systems.8

We know that, in addition to COVID-19, the Pacific is facing urgent challenges, and those challenges include the escalating climate change impacts, the need for sustainable electrification and potable water infrastructure development, and ‘build back better’, which covers resilience to natural disasters, especially since the recent cyclone, Cyclone Harold.9

5 Institute for International Trade, Submission 37, p. 4.
6 Institute for International Trade, Submission 37, p. 4.
7 Institute for International Trade, Submission 37, p. 4.
8 Ms Tammy Chu, Entura, Committee Hansard, 18 June 2020, p. 8.
9 Ms Tammy Chu, Entura, Committee Hansard, 18 June 2020, p. 8.
Samoa

6.8 Her Excellency Ms Hinauri Petana, High Commissioner in Australia for the Independent State of Samoa outlined her country has suffered the economic consequences of the global pandemic despite remaining COVID-19 free by late 2020.

This pandemic has certainly played havoc with every economy on the globe. The fact that 10 countries out of the 12 that are COVID-free, like Samoa, doesn’t make it any easier, but the fact is that we are a price-taker. There are also the constraints at the moment in terms of movement of people, with regard to the impact on tourism, and, as well as that, our exports. It brings to mind how we could go forward in terms of the new norm that we are facing in activating trade and investment.¹⁰

Solomon Islands

6.9 Solomon Islands High Commissioner His Excellency Mr Robert Sisilo welcomed that as of late 2020 the Solomon Islands was one of the few countries that is still COVID-19-free but not without a toll on its economy.

We closed our ports and airports when the WHO declared COVID-19 a pandemic in mid-March. But despite closing our borders, we continue to work very closely with our development partners, who unfailingly continue to support our efforts to remain COVID-19-free. Australia, New Zealand, the People’s Republic of China and Indonesia have committed more than 100 million Solomon Island dollars to fund our fight against COVID-19. On top of that, Australia committed A$8 million to support the health sector. It also provided an additional 25,000 items of personal protection equipment and 1,000 RNA extraction kits.¹¹

6.10 High Commissioner Sisilo compared COVID-19 is like a ‘black cloud that has descended on earth, bringing death and destruction’.¹²

And like every black cloud, it has a silver lining. For us it has brought Solomon Islands closer than ever to our development partners. Australia’s recent assurance and support of COVAX AMC to improve access for Solomon

¹⁰ HE Ms Hinauri Petana, High Commissioner, Samoa, Committee Hansard, 4 September 2020, p. 5.
¹¹ HE Mr Robert Sisilo, High Commissioner, Solomon Islands, Committee Hansard, 4 September 2020, p. 8.
¹² HE Mr Robert Sisilo, High Commissioner, Solomon Islands, Committee Hansard, 4 September 2020, p. 8.
Islands and other Pacific countries to safe, effective and affordable COVID-19 vaccines is testimony of this silver lining.\(^\text{13}\)

But COVID-19 is not just about our health. The measures we impose to keep the country COVID-19-free has a significant economic impact domestically. Logs, our main export, and the revenue generated from them were already declining, even before COVID-19 was declared a pandemic. But with COVID-19 the economic contraction on businesses and households just went from bad to worse.\(^\text{14}\)

**Fiji**

6.11 President of the Australia Fiji Business Council, Ms Allison Haworth West, who is also the owner of Captain Cook Cruises, an Australian Fiji business with a Fijian partner, alerted a parliamentary roundtable to how hard Fiji’s economy had been hit by the COVID-19 pandemic.\(^\text{15}\)

Frankly, the situation in Fiji is dire. I have to be direct and say: if the Australian government doesn’t take a more proactive role now to help Fiji through this COVID period, it will be catastrophic, keeping in mind that if Australia doesn’t act, other governments will fill that void. This is a moment to step up—pardon the use of that term—to make up for the diplomatic losses of the past and make a strong and supportive impact. Fiji needs help, guidance and support, and if it doesn’t come from us it’ll come from somewhere else.\(^\text{16}\)

6.12 Ms Haworth West described the pandemic as an ‘economic and humanitarian crisis’ for Fiji.

Tourism is the main pillar of the economy and it was shut off a week after the first COVID case. Forty percent of the population are now directly out of work—and plus, plus with all the linked jobs and industries. That is

\(^\text{13}\) HE Mr Robert Sisilo, High Commissioner, Solomon Islands, *Committee Hansard*, 4 September 2020, p. 8.

\(^\text{14}\) HE Mr Robert Sisilo, High Commissioner, Solomon Islands, *Committee Hansard*, 4 September 2020, p. 8.

\(^\text{15}\) Ms Allison Haworth West, Australia Fiji Business Council, *Committee Hansard*, 2 November 2020, p. 3.

\(^\text{16}\) Ms Allison Haworth West, Australia Fiji Business Council, *Committee Hansard*, 2 November 2020, p. 3.
6.13 Speaking from Captain Cook Cruises’ own perspective, when Fiji’s borders closed in 2020, it had to lay off all of its workforce, apart from a small caretaker crew.

We’ve been able to start a small business for locals but it barely touches the sides and our employees are out of work. We’ve helped them manage a drip feed of their holiday pay, which for most of them is gone now. They’re accessing superannuation. We just did a fundraiser with a couple of other resorts and issued 1,000 hospitality worker families with food vouchers. It’s desperate times.  

6.14 As background, Ms Haworth West outlined normally 250,000 Australians visit Fiji a year.

Tourists have disappeared, but also business travellers and their economic impact has disappeared. In the latest results for the year, to the month of September, Fiji received 1,005 visitors, versus 81,354 in 2019. Of those only 183 arrived by air. The rest arrived by sea. VAT collections were reduced by 41.2 per cent in the year to September, according to the Reserve Bank of Fiji. All this is in the context of only 32 cases [of COVID-19] and no community transmission in five months.  

6.15 Besides tourism revenues, Mr Satish Chand expected COVID-19 to also impact on Fiji’s remittances.

For 2019 there were half a billion Fijian dollars of remittances. That translates to roughly A$300 million. The remittances come from all over the world. Fijians have been going abroad for a while; therefore, the flow is continuing. Some of this is from peacekeeping, which has been happening for decades now. But then there are rugby players in Australia, who are paid handsomely

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17 Ms Allison Haworth West, Australia Fiji Business Council, Committee Hansard, 2 November 2020, p. 4.

18 Ms Allison Haworth West, Australia Fiji Business Council, Committee Hansard, 2 November 2020, p. 4.

19 Ms Allison Haworth West, Australia Fiji Business Council, Committee Hansard, 2 November 2020, p. 4.
well, fortunately. So I think, in terms of the drop in remittances, the Fijian story is perhaps not as stark as for the others.20

6.16 Ms Haworth West warned how the Australian government responds during the coming months will define the trade relationship for many years to come.21

The Fiji government is already having to seek foreign assistance and will continue to do so. As a business council we want to make sure that comes from Australia, not from our competitive markets.22

New Caledonia

6.17 As a result of the pandemic, New Caledonia’s financial indicators deteriorated sharply in 2020, according to its government. New Caledonia’s GDP in 2020 is expected to fall by 5 per cent, with a 3 per cent decline in employment.

Considering New Caledonia’s status as a French Overseas Territory, France and Europe have granted support of €240 million, which has made it possible for the government to finance crisis management measures such as quarantine, short-time working, and compensation for tax revenue shortfalls.23

The tourism sector is strongly and durably impacted by the health crisis, even if a refocusing of the promotion of products and activities aimed at local tourism has helped to mitigate the shock.24

6.18 In the air transport sector, the operating losses of the international airline company (Aircalin) and the two domestic companies are very challenging.

As a result, the airport platforms and their subcontractors are under activity, not operating at 100 per cent, awaiting the resumption of international flights planned for April 2021.25

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20 Mr Satish Chand, Committee Hansard, 27 August 2020, p. 3.
21 Ms Allison Haworth West, Australia Fiji Business Council, Committee Hansard, 2 November 2020, p. 4.
22 Ms Allison Haworth West, Australia Fiji Business Council, Committee Hansard, 2 November 2020, p. 4.
6.19 The maritime sector has been at a standstill, according to the government, since January 2020.

   The service providers in charge of the reception of the liners of the companies Carnival Australia and Royal Caribean are suffering heavy losses because nearly 350,000 cruise passengers, mainly Australian, visited New Caledonia in 2019, through the 400 calls made in the ports of Noumea, the Isle of Pines, Lifou and Maré.\(^{26}\)

6.20 The New Caledonia Government conceded that the islands communities that have organised themselves to structure their activities to ‘welcome day cruisers are finding it difficult to find new economic opportunities’.\(^{27}\)

6.21 The mining sector in New Caledonia is dominated by the production of high quality nickel and cobalt (301,000 gross tonnes in 2019) for the international market. According to the government the COVID crisis has had an impact on the prices of these two minerals and therefore on mining activities in New Caledonia.\(^{28}\)

**Vanuatu**

6.22 High Commissioner for Vanuatu His Excellency Mr Samson Vilvil Fare outlined during 2020 that inbound tourisms had stopped.

   Obviously, with the COVID-19 pandemic, we have no more tourists coming into the country.\(^ {29}\)

6.23 COVID-19 restrictions has also impacted on the high numbers of seasonal workers from Vanuatu coming to Australia, except for a pilot program, according to High Commissioner Vilvil Fare.

   We really welcome Australia’s move, with a pilot program, to bring in workers from Vanuatu to the Northern Territory, because I think from that we will be able to learn ways that, under COVID-19, we can bring our seasonal workers back into our country. We look forward to Australia sharing the

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\(^{29}\) HE Mr Samson Vilvil Fare, High Commissioner, Vanuatu, *Committee Hansard*, 4 September 2020, p. 14.
learnings out of the Northern Territory on how it goes with the 160 or 170 workers there.\textsuperscript{30}

6.24 There is work going on managing tourism recovery in Vanuatu from COVID-19 according to Dr Tess Newton Cain, the Project Lead at the Pacific Hub, Griffith Asia Institute.

That includes work around ensuring that businesses understand requirements around COVID-safe practices, whether it’s as a tour operator or a hotel or the airline, and that is certainly ongoing. There’s a lot of input from the private sector into that process, through the COVID tourism task force.\textsuperscript{31}

6.25 Dr Newton Cain believed the big issue for the government will be around managing community anxiety about people coming from countries where COVID is still present, and that would still include Australia.

There’s a lot of community anxiety around repatriation of Vanuatu’s own people. There’s community anxiety associated with people moving between Vanuatu and Australia for seasonal work opportunities. All of those things are happening…but there will be an ongoing need to manage the issue of community anxiety. Tourism, particularly the sort of tourism that occurs in Vanuatu, would bring with it a number of high-angst conversations around what does this mean and where will the tourists be? Who will be interacting with them, and what does that mean? Obviously, for Pacific governments, their first priority is to safeguard the health and wellbeing of their communities.\textsuperscript{32}

Navigating Australian biosecurity and quarantine laws

6.26 Dr Wesley Morgan from the Griffith Asia Institute highlighted navigating Australia’s quarantine laws and subsequent delays as one of the biggest challenges faced by Pacific island exporters, especially of tropical fruits.

With regard to agriculture the issues are around quarantine. For example, people have previously talked about Australia having a similar requirement in Queensland to Fiji, but that this has meant partly that there’s been a bit of a go-slow on assessing specific products for entry into Australian markets—for

\textsuperscript{30} HE Mr Samson Vilvil Fare, High Commissioner, Vanuatu, Committee Hansard, 4 September 2020, p. 21.

\textsuperscript{31} Dr Tess Newton Cain, Griffith Asia Institute, Committee Hansard, 2 November 2020, p. 11.

\textsuperscript{32} Dr Tess Newton Cain, Griffith Asia Institute, Committee Hansard, 2 November 2020, p. 11.
tropical fruits, tropical crops. I think it’s about looking at more resources for and expediting the assessment of access to Australia for Pacific products. There are things like ginger from Fiji. It’s a very high quality world-class product that consumers love, including in Australian biscuits.\(^{33}\)

6.27 Dr Morgan believed rather than trying to get Fiji join PACER Plus the Australian Government should focus more attention on helping Fijian food exporters understand and clear Australia’s quarantine laws.\(^{34}\)

6.28 The Whitlam Institute at Western Sydney University called for Australia to encourage greater trade by prioritising products from the Pacific for regulatory and administrative processes, such as biosecurity approval, to get them into Australian markets.\(^{35}\)

6.29 The Solomon Islands Government submitted the challenges its agricultural exports face.

> Despite a high potential for development of agriculture sector produce for exports overseas, particularly to nearby markets such as Australia, the ability meet biosecurity standards continues to be an inhibition. The need for fumigation facilities both for agriculture and agroforestry produce is constant.\(^{36}\)

6.30 Department of Agriculture, Water and the Environment expected the greater trade and investment and subsequent ‘increases in the transit of goods, passengers and mail intensifies biosecurity challenges for both Australia and Pacific island countries’ but can be supported by investment in systems, training, technical capacity building and infrastructure.\(^{37}\)

**Australia’s electronic phytosanitary certification system**

6.31 The Agriculture Department shared it was working directly with Samoa as a pilot country to implement its new ‘electronic phytosanitary certification system’.

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\(^{33}\) Dr Wesley Morgan, Griffith Asia Institute, *Committee Hansard*, 2 November 2020, p. 12.

\(^{34}\) Dr Wesley Morgan, Griffith Asia Institute, *Committee Hansard*, 2 November 2020, p. 13.

\(^{35}\) Whitlam Institute, *Submission 16*, p. 3.


system with plans to soon introduce Fiji, PNG, Cook Islands and the Marshall Islands to this new trade documentation system’.  

Modern agricultural trade is moving towards increased use of electronic certification to provide a streamlined government to government document transfer which is safer, cheaper and more efficient. The technological capacity of Pacific island countries is mixed and is a potential barrier to participation in modern agricultural trading systems.  

Veterinary capacity of Pacific island countries

6.32 The Agriculture Department acknowledge a shortage of veterinary services in Pacific island countries was a significant impediment to trade and investment.

This has resulted in insufficient government oversight or control programs and constrained capacity to implement guidelines for international animal health reporting obligations. For example, a lack of resources and surveillance systems has prevented Pacific island countries from achieving ‘negligible risk status’ for bovine spongiform encephalopathy (BSE - mad cow disease) despite a history of zero BSE detections in the Pacific.

6.33 The Agriculture Department believed helping more Pacific Islanders to become vets would bolster Pacific government veterinary services while also reducing the biosecurity risks to Australia.

Australia could help further strengthen government veterinary services in the Pacific (including laboratory capacity) through additional scholarships to Australian universities, secondments, twinning or other training programs.

The Pacific’s challenging business environment

6.34 Indra noted many Pacific island countries face challenges with regards to ‘corruption, professionalism, and capability and capacity developments that

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38 Department of Agriculture, Water and the Environment, Submission 9, p. 5.
39 Department of Agriculture, Water and the Environment, Submission 9, p. 5.
40 Department of Agriculture, Water and the Environment, Submission 9, p. 4.
41 Department of Agriculture, Water and the Environment, Submission 9, p. 4.
negatively affect their ease of doing business and their ability to attract investment.’

While Indra applauded the Australian Government’s efforts to work with PICs on improving capacity in these areas, it believed this cooperation could be ‘stepped up in an effort to help PICs build their own capacity’.

Indra outlined how the project structures with multilateral financing agencies such as the World Bank and the Asian Development Bank, as well as Australian and foreign aid programs, provide their ‘own challenges to deepening trade and investment across the region’.

These challenges include:

- Complex and lengthy tendering processes;
- Inflexible contractual terms and conditions that are better suited to large civil works projects than systems technology projects;
- A focus on face-value price over the most appropriate and sustainable solutions;
- A lack of preference given to local, experienced suppliers; and
- Long delays in payments, resulting in serious cash-flow issues for businesses.

**Inflexible rules for funding projects can hamper delivery**

Specialist power and water consulting firm, Entura, outlined a case for changing rules for funding projects to be more flexible so as to facilitate more efficient delivery of engineering projects.

Project development involves multiple stages from concept to commissioning. For example, a project for which we provided services in Tonga was conducted in phases. For this project, Entura completed the first phase consisting of concept, ranking, feasibility, tender design and procurement. After this phase, Entura also tendered for implementation support and was nominated as the preferred consultant. This enabled collaboration with the client throughout the whole process allowing focus on the entire project,

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rather than just the end of the phase. The process was flexible and Entura was able to demonstrate its expertise, enabling the country representative to be engaged throughout the process. Working with the same consultant through the stages / life cycles is efficient, reduces procurement time at each stage and eliminates potential delays due to ambiguities.\textsuperscript{46}

We have found that if a contractor is prevented from tendering and winning following phases due to a perceived conflict of interest, new consultants can have differing views and need to spend time coming up to speed. This means time and re-work is done, making the project costs much higher than anticipated.\textsuperscript{47}

**Lowest cost option for projects can lead to problems downstream**

6.38 Entura also warned against the emphasis on seeking the lowest cost for projects that generally applies to the construction or implementation phases where the procurement is through competitive tenders. Appointment of consultants especially by financial institutions is based on ‘combination of technical competence and fee’.\textsuperscript{48}

Focus on lowest cost might result in:

- Lack of competence and demonstrated experience – the hybrid industry is still maturing and assessment of suitability of technology offered for the cheapest price is difficult
- Lower quality of work and capability of the contractor to perform and provide resources
- High cost of operation and maintenance of the project – cheaper cost up-front might be expensive to maintain in the longer term\textsuperscript{49}

6.39 Entura highlighted with the emergence of battery technology and new renewable energy systems, the ‘industry has not yet matured to the point where all the suppliers and vendors and service providers are competent, trustworthy and have demonstrated capability in utility scale hybrid energy systems’.\textsuperscript{50}

\textsuperscript{46} Entura, Submission 5.1 – Supplementary Submission, Questions on Notice, p. 3.

\textsuperscript{47} Entura, Submission 5.1 – Supplementary Submission, Questions on Notice, p. 3.

\textsuperscript{48} Entura, Submission 5.1 – Supplementary Submission, Questions on Notice, p. 3.

\textsuperscript{49} Entura, Submission 5.1 – Supplementary Submission, Questions on Notice, p. 3.

\textsuperscript{50} Entura, Submission 5.1 – Supplementary Submission, Questions on Notice, p. 4.
As such, it takes a lot of effort to assess vendor’s claims and to be able to make recommendations. The cheapest solution often does not meet the specification (although the client may not be aware of this) and often results in stability issues and promised benefits not being realised.\textsuperscript{51}

**Remote Pacific island countries lack competitiveness**

6.40 The ANU Development Policy Centre highlighted the economic challenges faced by Pacific island countries from having such small and widely dispersed populations with Papua New Guinea’s population of nearly nine million the exception. The populations of PICs are faced with higher costs of living, as shown by Figure 6.1, that impacts on wages than many more economically competitive countries in South East Asia and elsewhere.\textsuperscript{52}

One consequence of their remoteness and dispersion is that the PICs lack competitiveness. Most developing countries have the advantage of low wages and prices which pave their way to compete in export markets…this is not true of the Pacific.\textsuperscript{53}

6.41 The Solomon Islands Government stressed remoteness and small holdings were common problems faced by its agricultural producers when seeking markets.

…potentials is the lack of capacity to deal with problems related to consistent supply of produce in quantums required by external market demands. Given that most agriculture producers operations in Solomon Islands are small-hold farmers, a model must be developed that could address the issues of meeting market volume demands and quality. This is a problem further compounded by the dispersed nature of islands regions in the country, where communications and transport connect and related challenges in between islands can vary and be problematic from place to place.\textsuperscript{54}

\textsuperscript{51} Entura, *Submission 5.1 – Supplementary Submission, Questions on Notice*, p. 4.

\textsuperscript{52} ANU Development Policy Centre, Crawford School of Policy, *Submission 52*, p. 4.

\textsuperscript{53} ANU Development Policy Centre, Crawford School of Policy, *Submission 52*, p. 4.

\textsuperscript{54} Solomon Islands Government, *Submission 54*, p. 4.
Figure 6.1  The cost of living in the Pacific, and worldwide

ANU Development Policy Centre, Crawford School of Policy, Submission 52, p. 5 & Devpolicy Blog ‘The expensive Pacific’

6.42 Indra remarked the vastness of the Pacific, and the remoteness of many of its islands, presents its own barriers and impediments to trade and investment.55

   Beyond these challenges lies the vastness of the region, with Pacific nations scattered over an area equivalent to 15 per cent of the globe’s surface.56

**Difficulties Pacific people face to obtain visas**

6.43 The Whitlam Institute highlighted the challenges and need to ‘level the playing field’ when it comes to Pacific islanders gaining access to Australia.57

   Travel to Australia, and doing business here, are perennial headaches for Pacific people. These concerns were raised repeatedly and by participants of all backgrounds. Action in this area would be a potent symbol of Australia’s good faith towards the region. We recommend that Australia - Make it easier

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55 Indra Australia, Submission 25, p. 8.
56 Indra Australia, Submission 25, p. 8.
57 Whitlam Institute, Submission 16, p. 3.
for all Pacific people to travel to and work in Australia through increased access to short-term visas, student and professional exchange programs that reach beyond the scope of the current labour mobility programs.\textsuperscript{58}

6.44 The Australia-PNG, Australia-Fiji and Australia-Pacific business councils criticised the Pacific Australia Card and warned that visa issues faced by visitors to Australia from Pacific island countries often makes it ‘easier for them to seek business in Asia’.

The Pacific Australia Card is of no significant assistance to business. It is seen as elitist, and contrary to the spirit of ‘family’ by which the Australian Government has sought to characterise in relations with the Pacific islands countries. An APEC Business Travel Card like facility would be much more useful. Visa and work permit costs in some Pacific jurisdictions also add costs and complexity for business. In some cases these costs and complexities are directly linked to Australian government policy on visas for citizens of Pacific islands countries.\textsuperscript{60}

6.45 The Executive Director of the Australia Pacific Islands, Australia PNG & Australia Fiji business councils, Mr Frank Yourn, elaborated on the councils’ issues with the Pacific Australia Card, which it believed was only issued by the Australian government on invitation to people.

You don’t apply for it; you’re invited to apply for it. The target groups, I think, for those invitations, are senior politicians, maybe senior officials and selected businesspeople who are known to Australian diplomatic missions in the Pacific. It’s not a visa in the way in which the APEC travel card is like a five-year visa approved by all the participating countries. It just ensures that you get some sort of priority in your visa application process that you still have to lodge.\textsuperscript{62}

6.46 Dr Tess Newton Cain, the Project Lead at the Pacific Hub, Griffith Asia Institute wanted to highlight the ‘untapped market’ of Papua New Guineans

\textsuperscript{58} Whitlam Institute, \textit{Submission 16}, p. 3.

\textsuperscript{59} Australia-PNG, Australia-Fiji & Australia-Pacific business councils, \textit{Submission 28}, p. 3.

\textsuperscript{60} Australia-PNG, Australia-Fiji & Australia-Pacific business councils, \textit{Submission 28}, p. 3.

\textsuperscript{61} Mr Frank Yourn, Australia Pacific Islands, Australia PNG & Australia Fiji business councils, \textit{Committee Hansard}, 2 November 2020, p. 17.

\textsuperscript{62} Mr Frank Yourn, Australia Pacific Islands, Australia PNG & Australia Fiji business councils, \textit{Committee Hansard}, 2 November 2020, p. 17.
and it applies across the board to other Pacific island countries, ‘who want to be able to travel much more freely and much more often to Australia’.  

If we leave aside the whole COVID situation, you have people in Papua New Guinea who want to come. If we were holding this [hearing] in Cairns, the Cairns business industry would tell you that the one thing they cheered about most recently was the resumption of an extra direct flight to Port Moresby, because they see that as a market for them. Papua New Guineans want to travel to Australia for education, for holidays, for shopping, to catch up with family and for business reasons, and they are limited in their ability to do so, as are all Pacific people, because of visa restrictions. It is something that they feel quite strongly about; they feel quite strongly in a negative way about it.

6.47 Dr Newton Cain wanted to stress in terms of facilitating trade is often about ‘facilitating people-to-people links and ease of movement’.

Whilst it is very easy, leaving aside the COVID situation, for Australians to travel to Pacific Island countries for business reasons, the reverse is not true. One of the biggest limitations for Pacific business people is the difficulty they have in coming to this country. I think that’s something that needs to be addressed in the longer term.

6.48 Dr Newton Cain outlined the challenges of the Australian visa system for people in the Pacific wanting to visit Australia is that they have to apply for a visitor’s visa or a business visitor’s visa.

Essentially, there is a financial cost associated with that, which I think people generally accept. What they find much harder to accept is the administrative burden that comes with applying for those visas. It involves supplying an awful lot of information about your family, your financial situation, who’s going to be making sure that you come home. If there is a concern about overstaying, the research shows that it’s not borne out by the reality of Pacific visitors to the region. The additional issue for Pacific visitors who don’t live in Fiji—for example, people from Papua New Guinea—is that their applications all have to be processed through the office in Fiji, which takes extra time, and they feel that there’s a lack of engagement with their issues. Essentially, it just takes too long. It can take up to six weeks. In fact, six weeks is a good run to

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63 Dr Tess Newton Cain, Griffith Asia Institute, Committee Hansard, 2 November 2020, p. 14.
64 Dr Tess Newton Cain, Griffith Asia Institute, Committee Hansard, 2 November 2020, p. 14.
65 Dr Tess Newton Cain, Griffith Asia Institute, Committee Hansard, 2 November 2020, p. 14.
66 Dr Tess Newton Cain, Griffith Asia Institute, Committee Hansard, 2 November 2020, p. 14.
get a visa from application. So basically you have to know two months in advance that you want to go to Brisbane for the weekend to watch your kid play rugby on a Saturday morning.\textsuperscript{67}

6.49 Mr Yourn described the systemic issues with the way in which the Australian visa application system was set up.

The department of immigration says it has a universal, one-size-fits-all model. It does make it difficult. The documentary requirements for people coming from Papua New Guinea are significant. For example, in my office here in Brisbane I employ a Papua New Guinean. If she wants to have a member of her family visit, she has to provide a lot of her bank statements and documents of that kind to demonstrate to the immigration issuing authorities that they can be supported in Australia. She doesn’t wish to provide her family with copies of her bank statements. So I provide her with a letter, on Australia Papua New Guinea Business Council letterhead, that says that she works in my office; she doesn’t want to provide that sort of documentary evidence to people; but I can attest that she the financial means to support these people. Generally that is accepted. But not many people have the capacity to provide that sort of alternative. And why should they have to?\textsuperscript{68}

6.50 Mr Yourn also highlighted the visa challenges faced by PNG business visitors.

But also many of the business council members have personal reasons why they want Papua New Guineans to visit. They are married to Papua New Guineans; they have extended family members; and they all have to through this process to bring down all manner of family or relatives. So it is a significant issue. I think it needs to be resolved in the interests of the bilateral relationship.\textsuperscript{69}

6.51 The Immediate Past President of the Australia Papua New Guinea Business Council, Mr Peter Taylor, believed the visas are required by all Pacific countries (except New Zealand) were ‘costly and complicated to acquire’ and even resulted in business meetings being held in Singapore.\textsuperscript{70}

\textsuperscript{67} Dr Tess Newton Cain, Griffith Asia Institute, \textit{Committee Hansard}, 2 November 2020, p. 14.

\textsuperscript{68} Mr Frank Yourn, Australia Pacific Islands, Australia PNG & Australia Fiji business councils, \textit{Committee Hansard}, 2 November 2020, p. 15.

\textsuperscript{69} Mr Frank Yourn, Australia Pacific Islands, Australia PNG & Australia Fiji business councils, \textit{Committee Hansard}, 2 November 2020, p. 15.

\textsuperscript{70} Mr Peter Taylor, \textit{Answers to Questions on Notice, Submission 56}, p. 2.
In the case of PNG with which I am most familiar the preference is often to hold bilateral business meetings in a third country such as Singapore than come to Australia because of visa issues, particularly if a meeting is called on short notice. Although the APEC card is available to eligible PNG business representatives no other Pacific Island country is a member of APEC so the APEC card is not available to them. A Pacific card with similar privileges to the APEC card would be welcomed by the Pacific private sector.71

6.52 Mr Yourn recalled when Peter O’Neill was the Prime Minister of Papua New Guinea, and he was ‘pushing very hard for visas on arrival in Australia for Papua New Guineans, which Australians could receive going into Papua New Guinea’.72

When Australia wasn’t prepared to accommodate that request, he actually pulled the right for Australians to get a visa on arrival in Papua New Guinea, and they then had to apply for visas before travelling, otherwise they would be denied boarding.73

But the dynamics of the way in which that played into, if you like, the populism of the support for that approach led the PNG prime minister to restrict the way in which Australians access Papua New Guinea. And so that meant time. It meant additional cost. A business visa to enter Papua New Guinea is expensive for a single visit. The best approach for Australian businesspeople is to have an APEC Business Travel Card, which gives long-term access at a reasonable price. It’s like a five-year visa. It’s a significant issue in the bilateral relationship.74

Supply chain issues in the Pacific

6.53 Supply chain issues and developing policies that improve getting mainly agricultural products to market remain a big challenge for most Pacific

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71 Mr Peter Taylor, Answers to Questions on Notice, Submission 56, p. 2.

72 Mr Frank Yourn, Australia Pacific Islands, Australia PNG & Australia Fiji business councils, Committee Hansard, 2 November 2020, p. 15.

73 Mr Frank Yourn, Australia Pacific Islands, Australia PNG & Australia Fiji business councils, Committee Hansard, 2 November 2020, p. 15.

74 Mr Frank Yourn, Australia Pacific Islands, Australia PNG & Australia Fiji business councils, Committee Hansard, 2 November 2020, p. 15.
exporters according to Dr Tess Newton Cain, the Project Lead at the Pacific Hub, Griffith Asia Institute.75

When I talk to people, whether it’s kava farmers in Fiji or cacao farmers in the highlands of Papua New Guinea, what they talk about is: ‘I’ve got the stuff. I just don’t know how I’m going to get it to where I can sell it.’ That means: ‘How am I going to get it on a truck? Can I get it there by road, or do I have to fly it? If I fly it, do I have to go with it? How am I going to keep it from not spoiling? How am I going to keep it dry if it has to sit on a dock for two days till the ship comes past?’ When they talk about infrastructure, that’s very much what they are concerned about…what’s missing for them is the policy infrastructure that allows them to get this stuff into the market.76

6.54 Dr Newton Cain claimed Pacific exporters face many barriers at the borders exporting to Australia.

…some of the major barriers for Pacific products, whether it’s kava or coffee or chocolate or breadfruit or sweet potatoes, are about not being able to get them across this border. Even by the time you’ve done all that other stuff of getting it to a dispatch point, the policy levers have not been switched on to allow your product to enter this market. Having IT and software and all of that sort of thing is great, but what’s really causing the major barrier for Pacific exporters is not being able to get access to the market.77

6.55 These border concerns were shared by High Commissioner of PNG, HE Mr John Ma’o Kali, who highlighted how PNG grew some of the ‘best coffee in the world’ but struggled to find the market in Australia.78

We find our niche markets in Europe, but it’s difficult to bring it into the Australian market. They tell us that there are biosecurity issues. It’s important that we work together with the institutions here to address those barriers because it’s a wonderful opportunity. We can try to address removing those barriers to the markets here so that we can see some PNG coffee or other Pacific island products in Woolworths or Coles. I see here a lot of coffee from

75 Dr Tess Newton Cain, Griffith Asia Institute, Committee Hansard, 2 November 2020, p. 9.
76 Dr Tess Newton Cain, Griffith Asia Institute, Committee Hansard, 2 November 2020, p. 9.
77 Dr Tess Newton Cain, Griffith Asia Institute, Committee Hansard, 2 November 2020, pp. 9-10.
78 HE Mr John Ma’o Kali, High Commissioner, Papua New Guinea, Committee Hansard, 4 September 2020, p. 17.
other countries, but they're not as good as Papua New Guinea coffee, to be quite honest.79

6.56 The President of the Australia PNG Business Council, Mr Mark Baker, was doubtful that PNG would ever be interested in joining PACER Plus but the Australian Government should focus more on solving supply chain issues.80

…the reality of agricultural exports here is people just getting them to market—the supply chain and focussing on what parts of the supply chain we can all smooth out. That is something that would have a very real and tangible impact at the most basic level of farmers who are farming coffee, cocoa, copra and the like. Right now, unless the price is right, they will not even pick their coffee to bring it in to market, because it’s just too expensive for them. Those are the areas of focus: ICT and an enabling infrastructure to help agricultural product get out, rather than PACER Plus itself.81

Logistics delays in getting imports from Australia and New Zealand

6.57 Mr Denis Etournard, the Vice President of the Australia Pacific Islands Business Council stressed an essential problem faced by many businesses on New Caledonia and other Pacific island countries is logistics.82

At the moment there are problems in Sydney ports, there are problems in New Zealand, the domestic market in construction is very strong in Australia and New Zealand and we’re not getting supplies or support. There are problems with building standards. We should be driving the changes and testing the products in our areas to control it.83

6.58 Executive Committee member of the Australia Pacific Islands Business Council, Ms Tessa Price, declared ‘trade in the Pacific is exceptionally difficult at the moment’ due mostly to COVID-19 restrictions.84

79 HE Mr John Ma’o Kali, High Commissioner, Papua New Guinea, Committee Hansard, 4 September 2020, p. 17.
82 Mr Denis Etournard, Australia Pacific Islands Business Council, Committee Hansard, 2 November 2020, p. 5.
83 Mr Denis Etournard, Australia Pacific Islands Business Council, Committee Hansard, 2 November 2020, p. 5.
84 Ms Tessa Price, Australia Pacific Islands Business Council, Committee Hansard, 2 November 2020, p. 6.
We’re not even getting products from Australia into the Pacific. We do have a lot of organisations that are hurting.  

Unreliable power, transport and ICT infrastructure

6.59 The President of the Australia Papua New Guinea Business Council, Mr Mark Baker, highlighted how the lack of infrastructure was up there with governance, corruption, law and order as the general barriers to doing business in PNG.  

…where we can see some real progress from the Australia government is around infrastructure. Infrastructure, or lack of it, in Papua New Guinea is absolutely something which holds back development in the country and, importantly, the development of a broad based economy where they can rely less on traditional resources and more on agriculture, for example. So, when we look at infrastructure—and it’s particularly around power, ports and roads, the previous three major areas—power is a particular one which has huge amounts of potential upside in the country. Transport: what we’re really looking at there is, if you are, for example, a small agricultural business, exporting coffee from the highlands of Papua New Guinea and you cannot get your product to market, that’s simply going to mean that it doesn’t get to where it could be.

6.60 Specialist power and water consulting firm Entura submitted the generation of utility power in the Pacific is ‘traditionally through diesel power, with larger centralised units in the capital cities and smaller decentralised units in the outer islands’ but the importing poor quality diesel and its cost poses a significant drain on the budgets of many Pacific island countries.

Diesel is imported into the Pacific and has had quality issues in the past and can be impacted by supply chain issues, thus effecting the self-reliance of the country.
6.61 Mr Frank Yourn, the Executive Director of the Australia Pacific Islands, Australia PNG & Australia Fiji business councils highlighted the inadequacy of information and communication technology (ICT) infrastructure across the Pacific that will also hamper uptake of e-commerce platforms.

Most of these countries have undersea cable connectivity, but I don’t think that we’re seeing the benefits that could flow from that level of infrastructure flowing into the market in terms of capacity availability for people generally and the pricing of communications products…there’s some work being done in PNG on trying to understand how they can change that.\(^90\)

6.62 The Managing Director of Indra Australia Pty Ltd, Mr Tehmur Khan Galindo, agreed in regards to the poor state of communications infrastructure in much of the Pacific though the bigger countries such as PNG and Fiji were much better off than the smaller island nations.

…it’s probably the bigger nations that invest more money, for obvious reasons, in their infrastructure. We’ve been executing projects in PNG and the dollar value of those programs are considerably higher than in the smaller nations. There you do have a bit more of infrastructure available. I guess the problem is the state of that infrastructure. As we all know, deploying VHF or HF communications, deploying fixed broadband communications—these are pretty big tasks for nations and the investments required are substantial…the bigger nations—they have a better, more reliable infrastructure, although they have deficits compared to Australia…\(^91\)

6.63 Mr Yourn stressed one of the main impediments was there’s ‘not a great deal of competition in the redistribution markets in the Pacific’.\(^92\)

For example, in Fiji, there is almost a monopoly communications market. There’s a second mobile phone company, Digicel. But Amalgamated Telecom Holding, which holds all of the government’s infrastructure in communications, is majority owned by the superannuation fund, and,

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\(^90\) Mr Frank Yourn, Australia Pacific Islands, Australia PNG & Australia Fiji business councils, *Committee Hansard*, 2 November 2020, p. 9.

\(^91\) Mr Tehmur Khan Galindo, Indra Australia Pty Ltd, *Committee Hansard*, 12 November 2020, p. 9.

\(^92\) Mr Frank Yourn, Australia Pacific Islands, Australia PNG & Australia Fiji business councils, *Committee Hansard*, 2 November 2020, p. 9.
although it’s a listed company, competition suppression goes on. I think that impedes the improvement in IT accessibility for people.  

6.64 Mr Youn believed there was not much availability of a wide range of computer products in the different Pacific markets, partly because the poor internet services discourage it.

If the IT infrastructure performed better then there would be greater demand on those businesses that are retailing and providing IT products in the market to lift their game. There’s a web of issues around it, but it’s a very important issue for business. I know that there’s a lot of work being done currently in the Pacific to try and upskill businesses for e-commerce, but it’s a challenge if you haven’t got the right platform to be able to do e-commerce on.

6.65 The Chief Executive Officer of Australian software provider Connect Direct Pty Ltd, Mr John Peters, recalled from recent trips to Fiji that the IT problems extend beyond infrastructure to more specifically a lack of capacity in computer hardware across Fiji.

In our discussions with many medical practices to direct control our product needs a minimum of 16 gigabytes of RAM to run efficiently, preferably 32, and medical practices we spoke to are lucky to have four. So their infrastructure needs improvement, and they have great difficulty in obtaining those extra gigabytes of RAM. It just wasn’t available in Fiji. It’s financially restrictive for them to upgrade their systems, so they need assistance financially to do that throughout Fiji...

Poor harmonisation of standards stifle trade

6.66 Australia’s peak non-government, not-for-profit standards organisation, Standards Australia, declared that standards should be ‘front of mind as

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93 Mr Frank Youn, Australia Pacific Islands, Australia PNG & Australia Fiji business councils, Committee Hansard, 2 November 2020, p. 9.

94 Mr Frank Youn, Australia Pacific Islands, Australia PNG & Australia Fiji business councils, Committee Hansard, 2 November 2020, p. 9.

95 Mr Frank Youn, Australia Pacific Islands, Australia PNG & Australia Fiji business councils, Committee Hansard, 2 November 2020, p. 9.

96 Mr John Peters, Connect Direct Pty Ltd, Committee Hansard, 2 November 2020, p. 19.
part of trade-related government initiatives’ as a ‘tool to reduce barriers to trade in the Pacific’.97

With under developed quality infrastructure and a low utilisation of standards, Pacific island countries face barriers when introducing local products like kava and virgin coconut oil into global trade. Standards would help reduce these barriers by setting benchmarks for local products in the Pacific to be exported to countries like Australia. Beyond niche local products, Pacific islands countries are interested in not only using International Standards but also Australian Standards for many industries, such as construction and electrical safety.98

6.67 Standards Australia believed harmonising standards would also aid Australia exporters trade with the Pacific too.

Harmonising with the standards in use in Australia would equally make it easier for Australia to export its products and services across Pacific borders. Standards would help level the playing field and stimulate trade between all parties.99

6.68 To underpin PACER Plus outcomes, Department of Industry, Science, Energy and Resources believed Australia should consider placing a priority on ‘ensuring Pacific countries have the ability to put in place the standards, testing and measurement infrastructure, which are the rails on which trade agreements and commerce run’.100

In Australia we have major investments in well-respected measurement (National Measurement Institute), standards (Standards Australia) and testing (The Joint Accreditation System of Australia and New Zealand and the National Association of Testing Authorities) infrastructure, which is essential to our economic competitiveness. This capability cannot be matched by small countries, but there are opportunities to assist and extend Australia’s standards and conformance engagement with the Pacific.101

97 Standards Australia, Submission 8, p. 2.
98 Standards Australia, Submission 8, p. 2.
99 Standards Australia, Submission 8, p. 2.
6.69 From his past experience working at Fiji’s Department of National Trade Measurement and Standards (DNTMS), Mr Devitt acknowledged that conformance assessment capabilities were limited in the Pacific region.\textsuperscript{102}

However, if policy and regulatory frameworks are aligned with international requirements, then conformance analysis can be done at the point of origin. Businesses benefit from this model as there is no separate testing that needs to be done before the goods enter the region. Pacific policy makers and regulators benefit as they can be assured that evidence of conformance with standards can be provided efficiently, theoretically supporting the rapid delivery of high quality goods and services.\textsuperscript{103}

Alignment with standards will also benefit trade and investment in the region. If policy and regulations are aligned with international standards, then it should facilitate international businesses investing in the region.\textsuperscript{104}

6.70 DISER saw standards as one of the shapers of markets, and how they are developed lock in technology suppliers and market choices. The department hoped its contributions can also help guide Pacific island countries.

Australia’s approach as a significant ‘taker’ of new technologies, has been to engage in international standard setting and to seek that this continues to give us choice and access to the world’s best technologies. This allows us to minimise trade barriers by utilising those international standards in our domestic rules. This is also important for Pacific countries, and the alignment of approaches will have additional benefit of reducing barriers to trade and investment with Australia.\textsuperscript{105}

6.71 DFAT’s Aid for Trade Adviser Mrs Sabrina Varma at Pacific Economic Growth, Trade and Private Sector Engagement, explained that work on standards needs to be scaled up.

The Pacific Islands Forum Secretariat is coordinating a regional initiative to address standards related issues, because in the Pacific context there are economies of scale in addressing these sorts of issues that relate to meeting standards in a multi-country regional way, rather than from an individual Pacific island country perspective. Australia is a part of that regional agenda,

\textsuperscript{102} Mr Aidan Devitt, Submission 40, p. 7.

\textsuperscript{103} Mr Aidan Devitt, Submission 40, p. 7.

\textsuperscript{104} Mr Aidan Devitt, Submission 40, p. 7.

\textsuperscript{105} Department of Industry, Science, Energy and Resources, Submission 22, p. 10.
and we’ve been supporting the evolution of that agenda. It’s a very ambitious agenda but, nonetheless, it is a priority issue that’s been identified by the region as a regional Aid for Trade priority. We’re hoping that our technical agencies, such as Standards Australia, the National Measurement Institute et cetera, will be involved as a part of that process, but to date the engagement has been fairly limited and ad hoc.106

6.72 DFAT Lead Economist Mr David Osborne gave an example of the IFC, part of the World Bank Group, Australia and New Zealand providing support for a cold storage agriculture project in the Mount Hagen part of the Highlands in Papua New Guinea that meets standards.107

Part of the support that is provided there feeds out into the broader agricultural sector. What we were seeing was that people were raising their standards in what they were trading to the market because they were getting taught about the requirements for cold storage and they also had an actual buyer who was able to provide a regular demand for certain products, so they could start to fit that into the network of growers. That then was opening up a trade route which did not exist prior to that.108

Customary ownership of land tenure across the Pacific

6.73 Specialist power and water consulting firm Entura declared land availability and ownership in the Pacific has an impact on all facets of the projects.109

Land ownership is often complex and the land tenure models and legal frameworks vary significantly across the Pacific and it is often challenging to confirm who owns the land (individuals, families, communities) or has a connection to the land which impacts on our ability to effectively engage with the project affected persons in line with the multi-lateral social safeguard requirements.110

6.74 Ms Maureen Penjueli, Coordinator, Pacific Network on Globalisation, understood the challenges for international investors and aid projects to comprehend land ownership across many parts of the Pacific, and how a

106 Mrs Sabrina Varma, DFAT, Committee Hansard, 27 February 2020, p. 11.
107 Mr David Osborne, DFAT, Committee Hansard, 27 February 2020, p. 11.
108 Mr David Osborne, DFAT, Committee Hansard, 27 February 2020, p. 11.
109 Entura, Submission 5.1 – Supplementary Submission, Questions on Notice, p. 6.
110 Entura, Submission 5.1 – Supplementary Submission, Questions on Notice, p. 6.
lack of awareness may stifle some projects. But Ms Penjueli believed there ‘certainly is increased awareness within Australia on the role and value of customary land tenure systems in the Pacific’.111

I think that there needs to be increased sensitivity and awareness, particularly within the Australian government side, about the very nuanced differences between the Pacific island countries around indigenous and indigeneity. The customary land tenure system is a key feature of Pacific island countries’ economic setup and part of the problem with that is that it is an antithesis to development because it’s collectively owned. One of the key things is that, when you’re looking at it from a foreign investment point of view, the need to assure individual ownership can, and often does, clash with indigenous customary land tenure systems of management.112

6.75 Ms Penjueli explained while land ownership was a source of conflict, it also provided some reassurance and protection to Pacific people.

Historically, we’ve seen DFAT fund projects that seek to understand this customary land tenure system with the view to opening it up for investment. So I think that a lot of emphasis remains on the Australian side to really understand the role that customary land plays in the Pacific context. It’s more protected in constitutions and in law. It is a source of resilience, but it remains a conflict point between the push for assurances for investment—foreign investment in particular—and how land has been managed in the Pacific.113

6.76 Solomon Islands Government submitted that in a country like Solomon Islands where ‘much of the land that could be used to host businesses to trade and invest is customary owned, work must be done to ensure potential foreign investor interests have easy access to land’.114

To this end, the Solomon Islands Government has in recent years worked to develop exclusive tax free zones for business and investment. Under such scheme, investors are encouraged to enter into business and be accorded tax and duty-free incentives. Such model for investment and trade however is one

111 Ms Maureen Penjueli, Pacific Network on Globalisation, Committee Hansard, 3 September 2020, p. 2.
112 Ms Maureen Penjueli, Pacific Network on Globalisation, Committee Hansard, 3 September 2020, p. 2.
113 Ms Maureen Penjueli, Pacific Network on Globalisation, Committee Hansard, 3 September 2020, p. 2.
that needs more research to be done and the appropriate legislative frameworks drawn and adopted through statutory processes.\textsuperscript{115}

6.77 The Solomon Islands Government noted the establishment of business interests and investments on ‘alienated and registered land continues to be the main modality for establishment of business in Solomon Islands - it is a competitive environment’.\textsuperscript{116}

...land ownership and tenure is determined by blood relations and more than 90 percent of land [on Solomon Islands] is customary land owned by tribal groups.\textsuperscript{117}

Targeting investment in customary held lands can be possible through different modalities and one of the most encouraged modalities is through joint ventures with locals. These however are business considerations and require negotiations.\textsuperscript{118}

**Poor governance and risks of doing business in the Pacific**

6.78 The ANU Development Policy Centre believed the development potential of Pacific island countries is also impeded by poor governance, as shown by Figure 6.2.\textsuperscript{119}

Eight PICs are ranked in the lower half of the world’s countries for government effectiveness, using the World Bank ranking. Eight (almost, but not exactly the same eight) are also classified by the World Bank and the Asian Development Bank as ‘fragile states’. Poor governance, which may be linked to small population size and remoteness, compounds Pacific economic disadvantage.\textsuperscript{120}

6.79 DFAT submitted that the World Bank Doing Business publication suggests that investors and people looking to start and develop a business in the Pacific face distinct challenges. However DFAT believe it also shows that

\textsuperscript{115} Solomon Islands Government, *Submission 54*, p. 9.

\textsuperscript{116} Solomon Islands Government, *Submission 54*, p. 9.

\textsuperscript{117} Solomon Islands Government, *Submission 54*, p. 9.

\textsuperscript{118} Solomon Islands Government, *Submission 54*, p. 9.

\textsuperscript{119} ANU Development Policy Centre, Crawford School of Policy, *Submission 52*, p. 5.

\textsuperscript{120} ANU Development Policy Centre, Crawford School of Policy, *Submission 52*, p. 5.
despite the inherent disadvantages faced by Pacific island countries, progress is possible if the policy environment is supportive.¹²¹

The natural barriers to trade, investment and economic growth make a supportive policy and enabling environment even more important for Pacific island countries if the region is to be globally competitive.¹²²

Australia’s development assistance also has a strong focus on broader economic governance, which helps support a macroeconomic environment that is conducive to business and private sector development.¹²³

**Figure 6.2 Governance effectiveness**

6.80 Regionally, DFAT stated Australia co-finances the International Monetary Fund’s (IMF) Pacific Regional Technical Assistance Centre (PFTAC), which provides assistance to Pacific island countries around public financial management (PFM); revenue policy and administration; macroeconomic analysis (including debt sustainability); financial sector supervision; and macroeconomic statistics.¹²⁴

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¹²¹ Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, *Submission 14*, p. 32.

¹²² Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, *Submission 14*, p. 32.

¹²³ Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, *Submission 14*, p. 32.

¹²⁴ Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, *Submission 14*, p. 32.
PFTAC support enables governments to pursue greater macro-economic and fiscal stability, and strengthened governance and accountability, in Pacific Island countries, improving the enabling environment for international and domestic businesses.  

6.81 DFAT claims PFTAC supports government reforms that encourage private sector development and make Pacific island countries more attractive for trade and investment.  

6.82 The Australia-PNG, Australia-Fiji and Australia-Pacific business councils also warned of the pitfalls of diminishing Pacific finance sector when Australian banks such as Westpac exited in 2015 from Cook Islands, Samoa, Solomon Islands, Tonga and Vanuatu, the ANZ exited retail banking in PNG in 2019, and Australian insurance companies changing their underwriting services too due to a spate of cyclones.

It is fair to say that in entering overseas markets one of the indicators for business is the reliability of the banking and financial services sector. If Australian banks and insurance companies are present in a market it helps provide some confidence to Australian business in that market. Changes in that presence or in the services offered can impact on the confidence which business has in the market. It also impacts on the level of advocacy for business to participate in an overseas market.

6.83 In 2019 Austrade commissioned specialist Pacific-focused consultant, Tebbutt Research, to undertake market research into Australian business engaged in the Pacific across PNG, Fiji, the Solomon Islands and Samoa to highlight their experiences, successes, advice and barriers to trade.

6.84 Tebbutt Research’s ‘Commercial opportunities for Australian businesses in Papua New Guinea, Fiji and the Pacific’ report is the result of over 20 detailed client interviews with businesses active in the region. These interviews, according

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125 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 32.

126 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 32.

127 Australia-PNG, Australia-Fiji & Australia-Pacific business councils, Submission 28, p. 2.

128 Australia-PNG, Australia-Fiji & Australia-Pacific business councils, Submission 28, p. 2.

129 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 49.
to Austrade, allowed Tebbutt to gather ‘peer tested’ market intelligence on the challenges facing Australian business in market, identify common themes and trends and provide factual evidence on business practices.\(^{130}\)

6.85 As part of the reporting process, Tebutt Research composed a shortlist of business risks for Australian businesses operating in the Pacific (see Table 6.1). Along with additional information on mitigation strategies businesses have utilised and their observations.\(^{131}\)

In terms of managing these challenges in-market, it is important to acknowledge that there is no ‘one-size fits-all’ solution to the needs of Pacific Island nations, however the imperatives of strong relationships (being present), and economic cooperation through partnerships and working with local businesses and authorities is common to all markets.\(^{132}\)

6.86 In order to succeed according to the Austrade research, Australian companies ‘need to deliver projects in partnership with local businesses; facilitate market entry, provide training for local staff, and encourage technology and business practices transfer’.\(^{133}\)

6.87 The Vice President of the Australia Pacific Islands Business Council, Mr Denis Etournard, warned many tenders on aid projects was being lost to inferior suppliers on price alone.

With international tenders at the moment, even aid money from France, Australia or other nations—we lose them because we have competitors that are not following our standards, that are not following the company rules and that are cheating. The last thing they look at is the cheapest price. I think we have a responsibility to say we have to do quality infrastructure. We have to have quality building standards.\(^{134}\)

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\(^{130}\) Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 49.

\(^{131}\) Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 49.

\(^{132}\) Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 49.

\(^{133}\) Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, pp. 49-50.

\(^{134}\) Mr Denis Etournard, Australia Pacific Islands Business Council, Committee Hansard, 2 November 2020, p. 5.
Table 6.1  Summary of business risks for Australian businesses in the Pacific

<table>
<thead>
<tr>
<th>RISK</th>
<th>COMMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Networks and knowledge</td>
<td>In-country network of contacts viewed as fundamental to a successful presence. Organisations with partners or working as a sub-contractor had significant advantages over businesses establishing a market presence for the first time</td>
</tr>
<tr>
<td>Cultural diversity</td>
<td>The Pacific comprises a diverse range of countries, with different business cultures, beliefs, and faiths. New entrants to the Pacific region shouldn’t underestimate the cultural diversity of countries (approach the market with an open mind) No ‘one size fits all’ approach to the Pacific</td>
</tr>
<tr>
<td>Understand risk</td>
<td>Understanding the risk profile of customers. Understand opportunity/operational challenges and risks regardless of sector. - This factor was heightened for those businesses operating in PNG. Payment risk was viewed as significant risk factor. - Payments are slow with businesses expected to offer standard credit terms of 60-120 days</td>
</tr>
<tr>
<td>Unethical business practices</td>
<td>Potential exposure to corruption was identified as a major challenge for Australian businesses operating in the Pacific.</td>
</tr>
<tr>
<td>Governance and regulation</td>
<td>Government stability across the region was identified as a risk that requires acknowledgement and understanding by business. Larger companies indicated that this factor represented a key component of their engagement planning and risk profiling for projects. Business registration processes, taxation, tariff and duties, and insurances are major imposts for doing business in the Pacific.</td>
</tr>
<tr>
<td>Competition is increasing</td>
<td>Aid money is influencing infrastructure opportunities (works funded by donor countries). New companies (e.g., foreign construction) entering markets based on donor funds.</td>
</tr>
</tbody>
</table>
Competition in the region is growing influenced by donor preference

<table>
<thead>
<tr>
<th>Social license to operate</th>
<th>In order to operate successfully in the Pacific region it is critical to gain a level of acceptance from local communities and government authorities. - Develop a holistic engagement strategy when working within communities (‘make good and do good for local communities’)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resourcing and security</td>
<td>Meeting local labour content policies can be challenging for Australian companies needing technical skills Law and order issues were highlighted as a significant issue facing businesses operating in Papua New Guinea remote areas</td>
</tr>
</tbody>
</table>

Source: Tebutt Research report – Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 50.

Vulnerability of Pacific island countries to climate change

6.88 Climate change and natural disasters were already impacting on Pacific island countries already suffering from the economic hardships of the COVID-19 pandemic, warned Ms Mele Amanaki, the Tonga-based chair of Public Services International Oceania.

Further to the climate crisis, present are sustained economic shocks, starkly demonstrated by the recent devastation of Cyclone Harold, as we are grappling with the pandemic response. At the current rate of global heating, such ongoing shocks will present existential threats to our countries’ survival within decades. We welcome the direct humanitarian assistance Australia provided in response to the pandemic and recent cyclone. This included the provision of key health equipment and other necessities.135

6.89 The High Commissioner for New Zealand in Australia, Her Excellency Hon. Dame Annette Faye King outlined New Zealand was committed to working with the Pacific on climate change.

We will be delivering at least $300 billion on climate change related support by 2022. Around two-thirds of that will go into funding Pacific countries. But

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135 Ms Mele Amanaki, Public Services International Oceania, Committee Hansard, 3 September, pp 6-7.
we also recognise the role the defence forces will need to play well as the impact of climate change worsens, particularly in the Pacific.  

6.90 Access to water is critical to improved investment and trade in the Pacific, according to eWater. It also submitted that climate change is one of the 21st century’s ‘most pervasive global threats to development, peace and security’.  

Climate change impacts primarily through the water cycle and is a threat multiplier for water security. The rising demand for food, energy and water (the water-food-energy nexus) will be compounded by climate change, straining resources and potentially contributing to conflict and displacement.

The Asia-Pacific region bears the brunt of weather-related disasters, with more frequent events and greater numbers of people killed and affected than any other continent.

6.91 eWater noted that the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), in its 2019 Asia-Pacific Disaster Report, stated that since 1970, two million people have been killed in disasters in the region, 59 percent of the global death toll and annual economic losses are estimated at $675 billion.

6.92 eWater highlighted that Pacific island countries face the highest disaster risk, in per capita terms, globally, according to the Asian Development Bank (ADB).

Most Pacific countries are located along the cyclone belt and are either on or near the tectonic boundary between the Australian and Pacific plates, which expose them to catastrophic events such as earthquakes and cyclones.

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136 HE Hon. Dame Annette Faye King, High Commissioner, New Zealand, Committee Hansard, 4 September 2020, p. 5.
137 eWater, Submission 19, p. 2.
138 eWater, Submission 19, p. 2.
139 eWater, Submission 19, p. 2.
140 eWater, Submission 19, p. 2.
141 eWater, Submission 19, p. 2.
142 eWater, Submission 19, p. 2.
Specialist power and water consulting firm, Entura, detailed that climate change is also considered within project design and siting to ‘protect the assets from future impacts such as sea level rise and to minimise cyclonic effects, or to understand future water inflows for hydropower’.  

In cyclonic areas wind may not be practicable with the exception of small scale de-mountable options. Stronger wind resource is most consistent in coastal areas that may be affected in the future. Solar is a common and most applicable technology due to the almost universally available resources across the region.

Entura declared availability of suitable land that has the right access to the energy resource, has low constructability risks and is close to any related network infrastructure was already a problematic issue for infrastructure projects but also driving innovative land use too.

Climate change forecasts for atolls and other low lying areas further limit the availability of suitable land in the future. Further, where suitable land is scarce, there is often less opportunity to avoid environmental or social impacts because there are limited site options.

Scarcity of suitable land for renewable energy projects in Pacific (and in high density nations) is driving innovation for alternatives such as utilising floating solar, combining distributed solar (virtual power plant) across existing infrastructure roofing or off-shore wind to reduce the reliance on land that can be used for agriculture or other economic activity.

The ADB also declared in 2018 that Pacific island countries were ‘vulnerable to tsunamis and storm surges generated offshore’.

Pacific Island countries are disproportionately affected by climate change even though they only account for approximately 0.4 percent of global greenhouse gas emissions.

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143 Entura, Submission 5.1 – Supplementary Submission, Questions on Notice, p. 3.
144 Entura, Submission 5.1 – Supplementary Submission, Questions on Notice, p. 3.
145 Entura, Submission 5.1 – Supplementary Submission, Questions on Notice, p. 6.
146 Entura, Submission 5.1 – Supplementary Submission, Questions on Notice, p. 6.
147 eWater, Submission 19, p. 2.
148 eWater, Submission 19, p. 2.
Inadequate water storage and supply

6.96 Water is critical to life in the Pacific and integral to all social, economic and environmental activities, according to eWater. Water underpins food production, electricity generation, livelihoods, life in cities and human health.\textsuperscript{149}

Most industries depend on water either for growing produce or for processing and manufacturing. A reliable and sustainable water supply is critical to maintaining production.\textsuperscript{150}

6.97 In the Pacific, eWater claimed urbanisation was leading to large informal settlements around the major cities.\textsuperscript{151}

The people living in these informal settlements commonly have little or no access to safe water and sanitation, and the city utilities are often reluctant to supply water and sanitation services as the land may be customary land, meaning the squatters have no rights to live on the land.\textsuperscript{152}

6.98 According to eWater a number of constraints to supplying water have been identified by the Pacific Water and Wastewater Association (PWWA), the regional association for 30 water and sanitation utilities in 21 countries across the Pacific.\textsuperscript{153}

6.99 A key challenge that faces all Pacific water utilities is the challenge of working in isolated situations. This is where the PWWA provides such a valuable network of professional support and encouragement.\textsuperscript{154}

6.100 The PWWA found constraints through various studies and the benchmarking studies such as:

- Insufficient or weak political will and government support.
- Insufficient institutional capacity.

\textsuperscript{149} eWater, \textit{Submission 19}, p. 2.
\textsuperscript{150} eWater, \textit{Submission 19}, p. 1.
\textsuperscript{151} eWater, \textit{Submission 19}, p. 3.
\textsuperscript{152} eWater, \textit{Submission 19}, p. 3.
\textsuperscript{153} eWater, \textit{Submission 19}, p. 5.
\textsuperscript{154} eWater, \textit{Submission 19}, p. 5.
- Environmental constraints, including high vulnerability to natural disasters, climate variability and sea level rise issues.\textsuperscript{155}

6.101 PWWA leaders met with the Australian Infrastructure Financing Facility for the Pacific (AIFFP) team and according to eWater were told that capacity building would only be in conjunction with specific loan projects.\textsuperscript{156}

The barrier that all Pacific utilities face is the lack of capacity to prepare the detailed project documents for a loan request and then to implement the project if a loan is forthcoming. A budget is often not available for operation and maintenance yet is crucial to the sustainability of the project. Strengthened capacity is needed early, not just as a possible add on to a larger loan. The sustainability of urgent investments in the water sector depends on the capacity of the isolated utilities in the Pacific Islands.\textsuperscript{157}

6.102 eWater agreed with PWWA providing a well-established pathway, recognized by all Water Ministers in the Pacific, for capacity building for water and sanitation utilities across the region.\textsuperscript{158}

**Constraints to attracting private investment**

6.103 The challenges for Pacific island countries (PICs) to attract private investment is highlighted by the low rankings of many PICs in the 2019 World Bank Ease of Doing Business publication (Table 6.2), which measures the regulations that enhance or constrain business in 190 countries.\textsuperscript{159}

Constraints to private sector development, like small size, reluctance to share equity or take on debt and remote geography can be exacerbated by weak institutions and governance. Aid investments continue to grow, supporting future opportunities for Australian sourced investment across the Pacific.\textsuperscript{160}

\textsuperscript{155} eWater, *Submission 19*, p. 5.

\textsuperscript{156} eWater, *Submission 19*, p. 5.

\textsuperscript{157} eWater, *Submission 19*, p. 5.

\textsuperscript{158} eWater, *Submission 19*, p. 5.

\textsuperscript{159} Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, *Submission 14*, p. 14.

\textsuperscript{160} Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, *Submission 14*, p. 14.
Table 6.2  World Bank ease of Doing Business rankings 2019

<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>Doing Business Ranking (out of 190 countries)</th>
<th>Net FDI inflows (% GDP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Zealand</td>
<td>1</td>
<td>0.8%</td>
</tr>
<tr>
<td>Australia</td>
<td>14</td>
<td>4.3%</td>
</tr>
<tr>
<td>Samoa</td>
<td>98</td>
<td>1.9%</td>
</tr>
<tr>
<td>Fiji</td>
<td>102</td>
<td>6.2%</td>
</tr>
<tr>
<td>Tonga</td>
<td>102</td>
<td>3.3%</td>
</tr>
<tr>
<td>Vanuatu</td>
<td>107</td>
<td>4.3%</td>
</tr>
<tr>
<td>Papua New Guinea</td>
<td>120</td>
<td>1.4%</td>
</tr>
<tr>
<td>Solomon Islands</td>
<td>136</td>
<td>2.8%</td>
</tr>
<tr>
<td>Palau</td>
<td>145</td>
<td>6.9%</td>
</tr>
<tr>
<td>Marshall Islands</td>
<td>153</td>
<td>2.6%</td>
</tr>
<tr>
<td>Fed. States of Micronesia</td>
<td>158</td>
<td>6.4%</td>
</tr>
<tr>
<td>Kiribati</td>
<td>164</td>
<td>0.3%</td>
</tr>
</tbody>
</table>

Source: Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 14.

6.104 The Department of Industry, Science, Energy and Resources warned without the strong linkages and entrenched trade and investment relationship that Australian investors share in the resources sector with PNG, a ‘different model must be used to develop opportunities for trade and investment growth with the other Pacific island countries.’\(^{161}\)

The department considers that collaborating with the Pacific island countries in industries of mutual importance is key to opening up new linkages and trade opportunities.\(^{162}\)

6.105 The PNG mining sector continues to face significant challenges that have long impacted its ability to grow sustainably, according to DISER.


The regulatory and political environment remain a challenge to investor confidence, while mining practices are often unsophisticated and do not support productivity and efficiency gains. To continue to support the important bilateral economic relationship between Australia and PNG in the resources sector, Australia must engage with PNG to support the development of its resources industries.\footnote{Department of Industry, Science, Energy and Resources, Submission 22, p. 8.}

6.106 Dr Stephen Nash, who has an extensive experience as an institutional fund manager with direct experience in PNG, submitted the primary reason for their lack of interest remains market failures, of various forms.\footnote{Dr Stephen Nash, Submission 18, p. 5.}

6.107 These market failures, according to Dr Nash, can be indicated by considering the following three main risks for investing in a foreign infrastructure project:\footnote{Dr Stephen Nash, Submission 18, p. 5.}

1. Risk one: Currency risk—A lender, in this case the private sector, needs to obtain regular payments in the currency that funded the investment—that is, Australian dollars. In many cases, selling Pacific currencies and buying Australian dollars is impossible in the short term, although medium-term US dollar flows allow some sporadic hedging.\footnote{Dr Stephen Nash, Submission 18, p. 5.}

2. Risk two: Sovereign default risk—Many infrastructure projects in Pacific nations link back to the state...in some cases, establish how much it would cost to hedge this risk through the credit default swap market. Even though hedging may emerge, the market depth is still woefully inadequate,\footnote{Dr Stephen Nash, Submission 18, p. 5.} and

3. Risk three: Project risk—These are the risks associated with the operational aspects of a project, which wouldn’t be borne by the Australian government, but by the institution that funded the project.\footnote{Dr Stephen Nash, Submission 18, p. 5.}

Levelling the infrastructure investment playing field, by introducing risk-sharing arrangements that address areas of market failure, as noted in risk one...
and two above, should significantly increase the private sector’s interest, and involvement, in the Pacific.\textsuperscript{169}

6.108 Dr Nash outlined Australian Government should instead of lending money to Pacific projects, the Commonwealth would ‘subsidize insurance for hedging against the main risks of investing in the Pacific, where evidence of market failure exists’.\textsuperscript{170}

By insuring itself against currency and sovereign default risk, and charging subsidized premiums to institutional investors, the Australian government could possibly provide a new, and much improved, solution to the problem of funding Pacific infrastructure.\textsuperscript{171}

Lack of business information deters Pacific investment

6.109 Dr Stephen Nash claimed ‘institutional investors in Australia remain generally unaware of the investment opportunities in PNG’.\textsuperscript{172}

This lack of knowledge, among other things, then allows other sovereign entities to operate in ways that might not be consistent with the objectives of the Australian government...While Australia does encourage small firms to invest in PNG, through various agencies, the encouragement does generally not extend to institutional investors. Accordingly, it can be argued that this encouragement, specifically to institutional investors, is now needed.\textsuperscript{173}

6.110 However Dr Nash warned this investor encouragement across the Pacific region needs to be executed in a ‘careful manner, with a view to medium term outcomes’.\textsuperscript{174}

In order to alleviate this situation, a regular investor update, and institutional investor tour, should be initiated.\textsuperscript{175}

\textsuperscript{169} Dr Stephen Nash, Submission 18, p. 5.
\textsuperscript{170} Dr Stephen Nash, Submission 18, p. 5.
\textsuperscript{171} Dr Stephen Nash, Submission 18, p. 5.
\textsuperscript{172} Dr Stephen Nash, Submission 18, p. 4.
\textsuperscript{173} Dr Stephen Nash, Submission 18, p. 4.
\textsuperscript{174} Dr Stephen Nash, Submission 18, p. 4.
\textsuperscript{175} Dr Stephen Nash, Submission 18, p. 4.
INQUIRY INTO AUSTRALIA ACTIVATING GREATER TRADE AND INVESTMENT WITH PACIFIC ISLAND COUNTRIES

6.111 Dr Nash claimed such initiatives were consistent with what the semi-government authorities, such as Queensland Treasury Corporation (QTC), who used to do with institutional debt investors, so as to promote investor familiarity and confidence.\footnote{Dr Stephen Nash, Submission 18, p. 4.}

More specifically, the tour would provide insights into the many opportunities, and the challenges, which are involved with PNG/Pacific region investment. As you may also know, while there are a number of new projects coming up for funding in PNG, there is no regular contact with institutional investors, except for individual companies, such as Oil Search. By broadening the familiarity of institutional investors with PNG, it may be possible to build investment knowledge, and appetite for investment, over the medium term.\footnote{Dr Stephen Nash, Submission 18, p. 4.}

6.112 Once the COVID-19 travel restrictions ease, Dr Nash believed an investor tour to PNG could be jointly funded by DFAT and interested superannuation funds. He hope a PNG investor tour could arrange meetings and inspections for the super funds that focus on:

- meeting of super funds with Kumul consolidated holdings, NasFund, and NSL,
- meeting with the major banks in PNG, such as BSP, and Kina,
- meeting with Total, Exxon, and Oil Search,
- meeting with members of the PNG government,
- meeting with Australian High Commissioner,
- renewable energy development in PNG, Markham Valley in Morobe Province,
- resource development sites in PNG, such as the new PNG LNG project, and
- tourism development sites in PNG, such as Kavieng.

6.113 Business Advantage International (BAI) a private media company operating in the Pacific but based in Victoria, Australia, submitted its concerns about the need for reliable information on business and investment news across the Pacific region to encourage more business activity.\footnote{Business Advantage International, Submission 4, p. 2.}

At the moment, business in the Pacific has an information drought. The Pacific region is crying out of a well-resourced business media to provide this

It can’t rely on the Australian mass media to provide this, as this media is only intermittently interested in the region, and then mainly for geo-political reasons.\textsuperscript{180}

6.114 The Australia Asia Pacific Media Initiative (AAPMI), which is a unique group of media industry insiders with many years’ experience in the private and public sectors in the Pacific and Asia, agreed with BAI about the paucity of business media and information across the Pacific region.\textsuperscript{181}

Currently, there is no business information drought in the region. At present there is no media organisation providing business information, programs or stories on a consistent basis on Vanuatu, Solomon Islands, Polynesian or Micronesian countries for audiences in the Pacific, Australia or elsewhere in the world.\textsuperscript{182}

6.115 AAPMI noted that the coverage of the two biggest economies, PNG and Fiji was better but ‘still inadequate’.\textsuperscript{183}

In many Pacific countries there are important business developments that have gone little covered, including the move by Chinese business interests into areas previously dominated by Australian, New Zealand or Pacific Island companies. Every aspect of business trade, investment, aid for trade and employment links requires more public awareness and discussion.\textsuperscript{184}

6.116 Since 2005, BAI have published business and investment publications on Papua New Guinea (PNG), Fiji, Samoa, New Caledonia, Solomon Islands, Vanuatu, Tonga, and annual *Business Advantage South Pacific* magazine, since discontinued. In recent years, BAI stated its focus has been primarily on PNG, where it published the annual business and investment guide to PNG, *Business Advantage Papua New Guinea* since 2006 and from 2014, BAI also

\textsuperscript{179} Business Advantage International, *Submission 4*, p. 3.

\textsuperscript{180} Business Advantage International, *Submission 4*, p. 3.

\textsuperscript{181} Australia Asia Pacific Media Initiative, *Submission 55*, p. 1.

\textsuperscript{182} Australia Asia Pacific Media Initiative, *Submission 55*, p. 2.

\textsuperscript{183} Australia Asia Pacific Media Initiative, *Submission 55*, p. 2.

\textsuperscript{184} Australia Asia Pacific Media Initiative, *Submission 55*, p. 2.
published PNG’s most-read magazine, Air Niugini’s *Paradise* inflight magazine.\(^{185}\)

Our online business portal, businessadvantagepng.com, is PNG’s most visited business media. It has been visited by almost 900,000 readers since its launch in 2013. This portal, which includes an extensive information resource, *Doing Business in PNG*, is maintained by a small team of professional business journalists, who also produce a bi-weekly business e-newsletter, which is sent out to over 6000 subscribers each week, including 95 per cent of the CEOs of PNG’s largest companies.\(^{186}\)

6.117 BAI claimed its online Business Advantage Papua New Guinea despite the success of being accessed by more than 300,000 readers annually needed more support to expand.\(^{187}\)

However, its output and activities are severely constrained by limited funding. At present, our service is entirely funded by on-site advertising and access fees. These are sufficient to fund only a limited service.

Modest Australian government support would enable us to expand and enhance this service, both in Papua New Guinea and the wider Pacific region.\(^{188}\)

6.118 BAI believed for the Pacific islands countries (PICs) to develop economically, they need to ‘develop stronger business communities, better business connections, more robust businesses, and more skilled business owners and managers’.\(^{189}\)

6.119 Outside Papua New Guinea and Fiji, it is ‘not profitable for any media business (Australian, Pacific or other) to provide even a minimal business information or media service’, according to the Australia Asia Pacific Media Initiative.\(^{190}\)


\(^{189}\) Business Advantage International, *Submission 4*, p. 3.

\(^{190}\) Australia Asia Pacific Media Initiative, *Submission 55*, p. 3.
This is due to the small size of Pacific markets and limited availability of revenue from advertising. Over the past decade and earlier, increasing lack of profitability and other issues have seen the closure or withdrawal of many Australian-owned media businesses from the Pacific. Examples include the withdrawal of the Nine Network and AAP from PNG, the closure of Pacific Islands Monthly magazine (owned by News Corp) and the Seven Network’s decision to withdraw from its contract to run the Australian government-funded Australia Television (in the late 1990s) due to an inability to bring in sufficient advertising revenue to achieve viability.\(^\text{191}\)

6.120 The AAPMI lamented the budget cuts to the ABC’s services and the ‘closure of the ABC’s shortwave radio service’ and the impact on services to the Pacific.\(^\text{192}\)

Ten Pacific Forum nations now have no access to ABC Radio Australia’s Pacific current programs and there no media providing a platform on which citizens of all Pacific Islands Forum nations can come together to debate important issues facing the region. Australian media is at its lowest ebb in the Pacific since World War II.\(^\text{193}\)

6.121 BAI outlined there many factors can lead to the development of stronger businesses in the PICs, including:

- Access to timely, accurate and reliable business intelligence
- Access to information about how to do business across the Pacific (e.g., relevant regulations and laws, business conditions, key economic sectors in each country, business travel information, useful contacts)
- Knowledge of the key features and differences between markets
- Case studies of successful businesses so they can see what business strategies work
- Data to help them benchmark their businesses
- Knowledge of business trends and developments
- Knowledge of where and how to source capital
- The opportunity to identify potential business partners and connect with them
- Opportunities for professional development\(^\text{194}\)

\(^{191}\) Australia Asia Pacific Media Initiative, Submission 55, p. 3.

\(^{192}\) Australia Asia Pacific Media Initiative, Submission 55, p. 3.

\(^{193}\) Australia Asia Pacific Media Initiative, Submission 55, p. 3.

\(^{194}\) Business Advantage International, Submission 4, p. 3.
6.122 BAI declared the business information that is available is ‘often out-of-date, poorly researched and presented, incomplete or, in most cases, simply not there at all’.  

The lack of this basic information is not only an impediment to the development of successful businesses of all sizes in the Pacific, and trade between Pacific economies; it is also a barrier for Australian companies and investors looking to do business in and trade with the Pacific.

6.123 BAI detailed three reasons for the lack of a sustainable revenue base as the main reason for the scarcity of viable business media in the Pacific region.

1. There are not enough regional businesses with sufficient large advertising budgets make a non-subsidised trans-Pacific business media viable.

2. There are not enough businesses to pay to receive such a service if it were delivered via a paid subscription.

3. Because intra-Pacific trade is not strong and connections between markets weak, businesses that do advertise tend to be tactical in their approach and advertise in their home markets only, and not see the region as a whole as their target market.

6.124 BAI declared as an Australian media company already well-established in the region, with support to expand, it was actually uniquely-placed to assist with addressing information problem.

Our online business magazine www.businessadvantagepng.com is already PNG’s top-ranked business media, but with greater resources it could provide much deeper coverage of PNG (business news/features, business intelligence and trade/investment promotion), as well as expand to cover other key Pacific Island economies.

6.125 Like media in Australia, AAPMI believed the Pacific media are also struggling to compete for advertising with global social media platforms and Google.

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195 Business Advantage International, Submission 4, p. 3.

196 Business Advantage International, Submission 4, p. 3.

197 Business Advantage International, Submission 4, p. 4.


With the onset of digital disruption and competition from global platforms, Pacific media businesses are struggling financially and their ability to provide public interest reporting on business issues is compromised. The challenge for media businesses to make a profit in Pacific markets has been exacerbated since COVID-19. Even the most cost-efficient, well-run Pacific media businesses face a very real existential threat.  

6.126 AAPMI submitted its research indicated there have been major declines in advertising revenue in all Pacific nations.  

In some cases, loss of advertising revenue is in the order of 60%. As the submission by the joint business councils (Australia-Papua New Guinea, Australia-Fiji and Australia Fiji Business Councils) notes with Australian banks also withdrawing from some places or services in the Pacific, information usually obtained from those sources is also shrinking. Chinese state-run and New Zealand media are expanding in the Pacific but rely on government funding to do so.  

6.127 BAI declared with government support and extra ‘modest funds for additional journalism, editorial and production capacity’ and regular travel outside Port Moresby and Lae, BAI outlined it could:  

4 Double the monthly editorial output of businessadvantagepng.com, adding more coverage on PNG’s regions and the Pacific Islands more widely and more also on SMEs.  

5 Create and maintain stand-alone country profile pages on businessadvantagepng.com for each Pacific Island economy, similar to doingbusinessinpng.com. These pages would include up-to-date and comprehensive data on each economy plus (for the larger ones) the most recent articles published on the site.  

6 Enhance our monthly online business briefings businessadvantagepng.com with extra content and higher production standards.  

201 Australia Asia Pacific Media Initiative, Submission 55, p. 3.  
202 Australia Asia Pacific Media Initiative, Submission 55, p. 3.  
203 Australia Asia Pacific Media Initiative, Submission 55, p. 3.  
204 Business Advantage International, Submission 4 - Supplementary Submission, Questions on Notice, pp. 1-2.
7. Make the Doing Business in PNG (business intelligence) section of businessadvantagepng.com free (it is currently the only section behind a paywall) and produce and distribute an annual print edition of it (4,000 hard copies).


9. Run physical face-to-face trade and investment promotion events, when safe to do so.

6.128 The Australia Asia Pacific Media Initiative is calling for a rebuilt multi-platform Australian media voice in the region would provide a ‘…wide range business information and discussion of relevance to both Australian and Pacific Island audiences’.

A stepped-up Australian multi-platform media voice in the Pacific would inform the wider community about the business landscape, trends in business and discuss issues of immediate relevance including government policies. It would profile companies and provide context and content that is relevant and engaging of people from all walks of life. Many business ideas have been sparked by something heard or seen in the media.

6.129 AAPMI believed programs made specifically for young people and other marginalised groups could also do much to ‘…build financial literacy and an entrepreneurial culture’.

…as well as support Australia’s investments in APTC (Asia Pacific Training Coalition), USP (the University of the South Pacific), UPNG and other institutions. Labour mobility could be a rich source of programs ranging from the sharing of experiences to more specific discussion leveraging money earned to create new MSME’s and other benefits in workers home countries. Media is a crucial institution in any democracy and has a key role to play in holding governments and corporations to account and investigating corruption.

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206 Australia Asia Pacific Media Initiative, Submission 55, p. 2.

207 Australia Asia Pacific Media Initiative, Submission 55, p. 2.

208 Australia Asia Pacific Media Initiative, Submission 55, p. 2.

209 Australia Asia Pacific Media Initiative, Submission 55, p. 2.
6.130 The Coral Sea and other fibre optic cable into Pacific island countries will enable greater and faster access to the internet and allow more opportunity for co-operation between Australian and the Pacific media providers.

AAPMI has proposed a partnership model for the rebuilding of an Australian media voice in the region – one based around collaboration between Australian and Pacific media businesses on content. The Coral Sea and other new fibre optic cables make this more possible than ever before but are currently underutilised by media. Part of the reason for the media’s unique ability to reach large populations is its ability to utilise all platforms (television, radio, and digital and mobile platforms including streaming and social media). The availability of greater connectivity into the Pacific makes this a timely moment for expansion of Australian media.\(^2\)\(^{10}\)

6.131 The AAPMI shared the call from Business Advantage International for greater government support to make any expansion of services viable.

A major step up in government funding to ensure Australia has a fit-for-purpose multi-platform media voice in the Asia Pacific region. This media service would carry a wide range of business and financial literacy programs and discussions that would build public awareness in both the Pacific and Australia about the opportunities to strengthen trade, investment, aid for trade and employment links between Australia and Pacific island countries.\(^2\)\(^{11}\)

6.132 AAPMI also submitted for an increase in Australia’s development assistance to build the capacity of Pacific public interest media to ‘…at least 0.6% of the development assistance budget, in line with global standards’\(^2\)\(^{12}\).

\(^{2}\)\(^{10}\) Australia Asia Pacific Media Initiative, Submission 55, pp. 2-3.

\(^{2}\)\(^{11}\) Australia Asia Pacific Media Initiative, Submission 55, p. 3.

\(^{2}\)\(^{12}\) Australia Asia Pacific Media Initiative, Submission 55, p. 3.
7. The role of support structures and networks in trade opportunities

Introduction

7.1 The importance of various support structures and networks in activating trade opportunities in the Pacific region are highlighted in this chapter, as well as the challenges faced by exporters and investors seeking out opportunities. The Department of Foreign Affairs and Trade accepted the important role of governments alongside business networks such as the Australia Pacific Islands Business Council, civil society and Pacific diaspora communities in to encourage businesses and maximise trade opportunities.

7.2 The benefits of Aid for Trade programs in the Pacific were identified as strong drivers of self-reliance, private sector development, especially amongst women, and increasing the ease of doing business in some Pacific markets. Helping the Pacific island countries develop uniform standards and expanding educational opportunities for their people were seen as important. This chapter highlights the importance of PacificAus Sports in building relationships and outlines the role in the Pacific of Australian government agencies such as Austrade, Export Finance Australia and Australian Centre for International Agricultural Research.
Working with business, civil society and Pacific diaspora

7.3 As part of a comprehensive approach, DFAT outlined it was promoting trade and investment through linkages with business, civil society, diaspora communities and sports initiatives.¹

7.4 Given the private sector’s role as a job creator and the importance of Australian investment in the Pacific, DFAT claimed improving Australian private sector engagement and investment is high on our agenda.²

We are increasing efforts to foster direct linkages between Australian business and Pacific island countries, working more with regional business bodies such as the Australia-Pacific Islands Business Council. We are bolstering and better targeting our trade and investment promotion work, focusing our efforts on particular growth sectors and working more with regional business bodies, such as the three business councils: the Australia Papua New Guinea Business Council, Australia Fiji Business Council and Australia-Pacific Islands Business Council.³

7.5 The Managing Director of Indra Australia Pty Ltd which delivers air connectivity to nations such as Fiji, Samoa, Tonga, the Cook Islands, PNG, Kiribati, Tuvalu and Vanuatu, Mr Tehmur Khan Galindo, outlined there was an important role for the Australian Government to encourage the private sector to explore opportunities in the Pacific.

…the Pacific offers its own set of challenges, such as the tyranny of vastness that separates nations and a challenging business environment. An environment that enables the efficient and fair functioning of business underpins greater trade and investment. At Indra we feel there is a definite role for the Australian government in working with the Pacific and the private sector to improve ease of doing business across the region. We recommend that Australia engages more actively to identify challenges, to problem solve and to utilise private sector knowledge.⁴

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¹ Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 33.
² Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 33.
³ Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 33.
⁴ Mr Tehmur Khan Galindo, Indra Australia Pty Ltd, Committee Hansard, 12 November 2020, p. 8.
7.6 According to DFAT, the Pacific diaspora in Australia offers ‘…strong residual connections and knowledge of local markets in their countries of origin – this is an important element in facilitating increased trade and investment with Pacific island countries’.

In Cairns, a large Papua New Guinean diaspora population has facilitated strong trade and investment links with Papua New Guinea, including in education, property and tourism. In Canberra, the Papua New Guinean-themed Niugini Arabica coffee shop and associated roaster in Duffy was established by ANU-affiliated academics from Papua New Guinea and Fiji, who used their links with the Papua New Guinea Highlands to source coffee for the business. In Brisbane, a successful 24-year-old business woman who grew up in Papua New Guinea and attended school in Australia, has entered into business ventures in Port Moresby, Lae and Kimbe through her company Zambilla Co.

**The benefits of Aid for Trade for the Pacific**

7.7 Institute for International Trade submitted Aid for Trade (AfT) receives strong support from economists and trade experts globally, including those from ‘…developing country governments, as well as from non-government organisations (NGOs) such as World Vison, and from the private sector due to its potential to increase trade capacity to the mutual benefit of trading partners’.

7.8 The IIT’s internal review of DFAT’s multilateral AfT program was able to identify a number of benefits of AfT for the Pacific, including the following:

- AfT tends to strongly reinforce self-reliance as distinct from dependency, and improves the capacity of DCs to trade their way out of poverty through trade and economic growth.

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5 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, *Submission 14*, p. 36.

6 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, *Submission 14*, p. 36.

7 Institute for International Trade, *Submission 37*, p. 11.

8 Institute for International Trade, *Submission 37*, p. 11.

9 Institute for International Trade, *Submission 37*, p. 11.
Overall, it has been shown that one dollar invested in AfT is, on average, associated with an increase of nearly USD$8 in exports from all DCs, and an increase of USD$20 in exports from the poorest countries.

AfT has an ongoing focus on private sector development, which is vital to the Pacific, including linkages between business and commercial operations in Australia and for PIC recipients.

AfT can assist Australian as well as Pacific business to engage in more difficult markets, due to improved trade governance, economic diplomacy, and the development of a robust commercial sector in recipient PICs.

AfT promotes Australian services, agricultural goods, technology and expertise, with multiplier effects for recipient PIC countries in terms of choice, and in some cases lower prices.

When applied to resource-rich developing countries such as PNG, AfT translates as Australian support for the implementation of trade and investment liberalisation measures. This reduces barriers to entry and increases the ease of doing business for Australian mining companies.

AfT often facilitates knowledge transfer in support of more efficient and transparent government institutions, and also in support of a more competitive and job creating SME trading sector.

AfT programs often target social inclusion, and therefore address inequality and poverty reduction through trade.\textsuperscript{10}

7.9 DFAT’s Aid for Trade Adviser Mrs Sabrina Varma at Pacific Economic Growth, Trade and Private Sector Engagement, explained Aid for Trade relates to Official Development Assistance (ODA) that’s dedicated to addressing trade related constraints in developing countries.\textsuperscript{11}

It’s a very broad definition, but it enables developing countries themselves to identify their priorities and put them to partner governments to receive funding and technical assistance.\textsuperscript{12}

7.10 DFAT Lead Economist Mr David Osborne added an important part of Aid for Trade is providing the stability of the macroeconomic and fiscal

\textsuperscript{10} Institute for International Trade, \textit{Submission 37}, p. 11.

\textsuperscript{11} Mrs Sabrina Varma, DFAT, \textit{Committee Hansard}, 27 February 2020, p. 10.

\textsuperscript{12} Mrs Sabrina Varma, DFAT, \textit{Committee Hansard}, 27 February 2020, p. 10.
environment that in turn provides confidence for business to invest and to increase trade.\textsuperscript{13}

We support countries throughout the Pacific directly, and we do that through our partners—importantly, the International Monetary Fund, the World Bank and the Asian Development Bank—directly into the legislative and the regulatory but also in how issues like foreign currency and debt sustainability are managed for each individual country.\textsuperscript{14}

7.11 Mrs Varma outlined the four main categories of Aid for Trade.

…the first one relates to help around trade policy and regulation—and then around economic infrastructure. The third category is around productive capacity, that sector specific assistance—for example, in agriculture or in services. And then the fourth category is around trade related adjustments.\textsuperscript{15}

For example, under PACER Plus, the readiness package, we’re already supporting countries through PFTAC, the Pacific Financial Technical Assistance Centre, which is part of the IMF, helping countries, through tax reform, to deal with their trade liberalisation adjustment commitments into the future.\textsuperscript{16}

**Supporting more Pacific Islander women in business**

7.12 ActionAid reminded the Australian Government it was committed to advancing equality and economic empowerment for women across all aspects of Australia’s foreign policy, trade, and aid programs, as per DFAT’s Gender Equality and Women’s Empowerment Strategy.

Supporting the empowerment of women and girls is a cornerstone of Australia’s engagement with the Pacific, including through our Overseas Development Assistance (ODA) to the region. Australia is also part of several international agreements that promote women’s rights and gender equality, including the UN Convention on the Elimination of all forms of Discrimination Against Women (1979) and the Sustainable Development Goals (2015).\textsuperscript{17}

\textsuperscript{13} Mr David Osborne, DFAT, *Committee Hansard*, 27 February 2020, p. 11.

\textsuperscript{14} Mr David Osborne, DFAT, *Committee Hansard*, 27 February 2020, p. 11.

\textsuperscript{15} Mrs Varma, DFAT, *Committee Hansard*, 27 February 2020, p. 11.

\textsuperscript{16} Mrs Sabrina Varma, DFAT, *Committee Hansard*, 27 February 2020, p. 11.

\textsuperscript{17} ActionAid, *Submission 24*, p. 1.
7.13 ActionAid Australia submitted it would like to see these commitments reflected in efforts to activate greater trade and investment in the region to ensure equitable benefits for women.\(^\text{18}\)

Australia should resource a full gender impact assessment in each of the Pacific Island countries that is party to an agreement, including formal consultation with national women’s organisations to ensure trading arrangements equitably benefit women and manage potential barriers and impediments facing women. This assessment should be supported by the trade budget and not the existing official development assistance budget.\(^\text{19}\)

7.14 ActionAid encouraged the Australian Government to strengthen its formal consultation mechanisms with civil society groups, especially Pacific women’s organisations throughout trade negotiations.

Australia should do this by introducing targeted strategies to ensure Pacific women’s organisations are represented in all regional trade negotiations and decision-making.\(^\text{20}\)

7.15 ActionAid warned the provisions in Trade in Services in the PACER Plus agreement could also have the ‘...potential to undermine public services, which are critical in reducing and redistributing women’s unpaid care, which in turn is essential in enabling women to benefit equitably from trade and investment opportunities’.\(^\text{21}\)

Providing greater access to private companies to provide these services, combined with protections granted under the agreement to foreign investors, could result in services such as health and education being increasingly deregulated and privatised.\(^\text{22}\)

This will not only impact the ability of women living in poverty to access services but could also create challenges if Pacific Island governments attempt to introduce new regulations in these areas. The current clauses have the

\(^{18}\) ActionAid, Submission 24, p. 1.

\(^{19}\) ActionAid, Submission 24, p. 1.

\(^{20}\) ActionAid, Submission 24, p. 2.

\(^{21}\) ActionAid, Submission 24, p. 3.

\(^{22}\) ActionAid, Submission 24, p. 3.
potential to increase disparities between privately and publicly provided services, thus deepening inequalities, including gender inequality.\textsuperscript{23}

7.16 ActionAid was dismayed by the Pacific having the ‘…lowest rates of representation of women in parliament and managerial positions of any region in the world’.\textsuperscript{24}

As of April 2019, there were only three countries in the world with no women in their national legislatures, and all of them are in the Pacific: The Federated States of Micronesia, Papua New Guinea, and Vanuatu.\textsuperscript{25}

7.17 In all countries, gender inequality has clear social and economic implications but in the Pacific, according to the International Women’s Development Agency (IWDA), these implications play out in culturally and contextually specific ways. In the Pacific island countries the IWDA submitted women and men are often integrated very differently into formal and informal economies.\textsuperscript{26}

Men tend to dominate well-paid jobs, management positions and entrepreneurial activities, while many Pacific women face barriers to participation in economic and social life. This includes limited access to and control of economic resources, information, and decision-making rights. Women are disproportionately represented in insecure and part-time work, in the informal economy, and in lower paid industries traditionally considered ‘feminine’, such as the service and care industries.\textsuperscript{27}

7.18 The IWDA outlined women were also largely responsible for vital unpaid subsistence and care-giving activities, such as care of children, elderly people, and people with disabilities, which may impede their ability to engage in paid work.\textsuperscript{28}

For example, research into unpaid work from areas of high poverty prevalence in Fiji found that 82 per cent of women regularly do unpaid household work, which may include cooking, cleaning, washing clothes, looking after children

\textsuperscript{23} ActionAid, \textit{Submission 24}, p. 3.
\textsuperscript{24} ActionAid, \textit{Submission 24}, p. 4.
\textsuperscript{25} ActionAid, \textit{Submission 24}, p. 4.
or other household members, fetching water and cooking fuel, compared to just 11 per cent of men.\textsuperscript{29}

At a community level, men’s and women’s work is often completely segregated, resulting in the development of highly specialised skills and knowledge, particularly in relation to natural resource management, fishing and agricultural work.\textsuperscript{30}

7.19 United Nations Conference on Trade and Development submitted that more support was required to bolster the numbers of female traders and women businesses in the Pacific through the respective women business associations.\textsuperscript{31}

Design targeted policies that address the supply-side constraints that inhibit Pacific Islands women’s participation in trade-related activities. Ensure a gender-responsive implementation and monitoring of Pacer Plus to ensure that women and men equally benefit from it.\textsuperscript{32}

**Involving business with ministerial visits to the Pacific**

7.20 The Australia-PNG, Australia-Fiji and Australia-Pacific business councils jointly submitted their support for more bilateral visits to the Pacific island countries by the Trade Minister.\textsuperscript{33}

By the Councils reckoning the number of bilateral visits by Trade Ministers in the current millennium can be counted on the fingers of one hand. Other portfolio Ministers who do visit the region do not usually focus on promoting business linkages, nor do they engage with business on those visits. Their focus is mainly on strategic and development assistance matters.\textsuperscript{34}


\textsuperscript{33} Australia-PNG, Australia-Fiji & Australia-Pacific business councils, *Submission 28*, p. 4.

\textsuperscript{34} Australia-PNG, Australia-Fiji & Australia-Pacific business councils, *Submission 28*, p. 4.
More bilateral visits to the region by the Australian Trade Minister would send a strong signal of support to Australian business and to both Pacific islands business and governments.\textsuperscript{35}

7.21 The three business councils welcomed the Prime Minister making bilateral visits to Vanuatu, Fiji and Solomon Islands in 2019, which they believed was first time since their independence that an Australian Prime Minister has made bilateral visits to Vanuatu and Fiji.

While the Prime Minister was accompanied on these visits by the security and development assistance apparatus from Canberra, there was no invitation to business to accompany the Prime Minister. Nor was there any opportunity during the visit for engagement with business.\textsuperscript{36}

This stands in stark contrast with the support the New Zealand Government gives to New Zealand business in the Pacific. For many years we have drawn this difference to the attention of the Australian Government, but nothing changes. The day after the Australian Prime Minister’s visit to Honiara in June 2019 the New Zealand Deputy Prime Minister flew into Honiara with a delegation of New Zealand business people amongst the New Zealand officials and others on the aircraft. Even the Papua New Guinea Prime Minister took a delegation of 40 business executives on his visit to Solomon Islands in February 2020.\textsuperscript{37}

7.22 The business councils outlined the exception being in relation to Prime Ministerial bilateral visits to Papua New Guinea when it was usual for there to be a business related function, usually a breakfast, which the Australia Papua New Guinea Business Council have hosted.\textsuperscript{38}

7.23 The President of the Australia Papua New Guinea Business Council and Managing Director of ANZ Bank in PNG, Mr Mark Baker, highlighted the broad experience and expertise of the executives on the various business councils in the Pacific that the Australian Government should consult with.\textsuperscript{39}

We start with resources, energy, infrastructure, food, beverage, agriculture and legal and professional services—and the list goes on. There is a general

\textsuperscript{35} Australia-PNG, Australia-Fiji & Australia-Pacific business councils, Submission 28, p. 4.

\textsuperscript{36} Australia-PNG, Australia-Fiji & Australia-Pacific business councils, Submission 28, p. 4.

\textsuperscript{37} Australia-PNG, Australia-Fiji & Australia-Pacific business councils, Submission 28, p. 4.

\textsuperscript{38} Australia-PNG, Australia-Fiji & Australia-Pacific business councils, Submission 28, p. 4.

\textsuperscript{39} Mr Mark Baker, Australia PNG Business Council, Committee Hansard, 2 November 2020, pp. 2-3.
view that if you look at the depth of experience of people across those executives, you will see there are decades of experience...We have a view that perhaps that is not being tapped into the way it could be. It’s a question of the history that people have here and some of the mistakes that have been made in the past, which you see sometimes being repeated. The general theme there is that the more engagement the Australian Government can have with the business council the better the outcome all around.40

Solomon Island Australia Investment Forum

7.24 The Solomon Islands Government welcomed a bilateral initiative with the Australian Government which is the Solomon Islands (SI)/Australia Investment Forum organised by the Solomon Islands Chamber of Commerce and Industry (SICCI). The Solomon Island believed coordinated policy measures and strategies could be devised to address the challenges raised at the forum.

7.25 This forum enables the private sector to better understand each other but also provides an avenue for them to collaborate in specific issues.41

Domestically, this mechanism offers an opportunity for Government agencies and officials, especially Ministry for Commerce, Industry, Employment and Labour, the Ministry for National Planning and Development Coordination, other productive sector Ministries and Ministry for Foreign Affairs and External Trade to be informed of the unique challenges faced by different stakeholders.42

Helping the Pacific develop uniform standards

7.26 Australia’s peak non-government, not-for-profit standards organisation, Standards Australia, was committed to working through its International Engagement Team with developing countries in the Asia Pacific to ‘...strengthen and harmonise standards, ultimately facilitating increased trade in the region’.43

40 Mr Mark Baker, Australia PNG Business Council, Committee Hansard, 2 November 2020, p. 3.
41 Solomon Islands Government, Submission 54, p. 5.
42 Solomon Islands Government, Submission 54, p. 6.
43 Standards Australia, Submission 8, p. 3.
We are eager to enhance and accelerate this work to support further development of standardisation systems to ultimately stimulate greater trade in the region. We build on our long experience and proficiency in the business to help other National Standards Bodies deliver on obligations to the rules-based system, and operate effectively for their economies, reducing frictions and technical barriers to trade.\(^44\)

7.27 Standards Australia outlined only three Pacific nations, Papua New Guinea, Fiji and Vanuatu, have internationally recognised National Standards Bodies.\(^45\)

Across the majority of Pacific island countries, quality infrastructure in general and standards development in particular are in their infancy.\(^46\)

7.28 The role Standards Australia can play in assisting Pacific island countries, included advice on trade agreements, conducting research and providing recommendations for harmonisation of standards across industry sectors that support trade negotiations. An international example was an early outcomes study for IA-CEPA (Indonesia-Australia Comprehensive Economic Partnership Agreement) highlighting areas of standards harmonisation and regulatory alignment.\(^47\)

We assist counterpart National Standards Bodies to ensure they build and maintain strong and reliable national standardisation systems. This allows Australian businesses to trade with confidence and strengthen our regional economy.\(^48\)

We carry out both bilateral and plurilateral work in the region, including needs assessments using international ‘good standardisation practice’ methodology, and structured, professional institutional strengthening and capacity building, based on skills and competency objectives for standardisers.\(^49\)

7.29 Mr Aidan Devitt, who worked as a volunteer for six months within the Fijian Department of National Trade Measurement and Standards (DNTMS),

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\(^{44}\) Standards Australia, *Submission 8*, p. 3.

\(^{45}\) Standards Australia, *Submission 8*, p. 2.

\(^{46}\) Standards Australia, *Submission 8*, p. 2.

\(^{47}\) Standards Australia, *Submission 8*, p. 3.

\(^{48}\) Standards Australia, *Submission 8*, p. 3.

\(^{49}\) Standards Australia, *Submission 8*, p. 3.
submitted the challenge for Pacific island countries was accessing the technical experts to develop standards. He gain firsthand experience of Fiji working at the DNTMS, which is the National Standards Body (NSB) of Fiji, with responsibility to produce Fijian Standards.\(^{50}\)

Technical expertise is required to develop standards, implement and use standards in policy and regulatory functions and undertake conformity assessments. Fiji being one of the largest economies in the region, does have a number of technical experts available, however this is small in number compared to Australia and New Zealand. This can hinder Fiji’s capacity to adopt, adapt or develop standards.\(^{51}\)

7.30 The process for the development of a Fijian Standard, according to Mr Devitt, involved a technical committee of Fijian experts analysing the content of an International or Australian standard and ‘determining whether it is applicable to the Fijian context’.\(^{52}\)

The technical committee will decide whether the standard is to be adopted directly or with amendments, or whether a new standard should be drafted from scratch. In most circumstances, the technical committee will decide to adopt the standard directly or with some minor amendments.\(^{53}\)

7.31 Mr Devitt outlined that once the standard has been developed it then needs to be adopted in a policy or regulatory framework.

Currently in Fiji, the perception is that standards are laws and/or regulations on their own. This is not the case. Standards are baseline information that has been developed by consensus to support the execution of a product, process, service or system. They are often used to support policy and regulation, but themselves are not policies or regulations.\(^{54}\)

7.32 Mr Devitt detailed there are two different types of National Standards Bodies (NSBs) in the Pacific region.

Major economies with access to suitable technical expertise would be expected to develop and write standards, along with encouraging policy makers and

\(^{50}\) Mr Aidan Devitt, Submission 40, p. 4.

\(^{51}\) Mr Aidan Devitt, Submission 40, p. 4.

\(^{52}\) Mr Aidan Devitt, Submission 40, p. 4.

\(^{53}\) Mr Aidan Devitt, Submission 40, p. 4.

\(^{54}\) Mr Aidan Devitt, Submission 40, p. 4.
regulators within the country to align policy and regulatory frameworks with standards.\textsuperscript{55}

For smaller economies, with no suitable technical expertise, their role would be to encourage alignment of policy and regulatory frameworks with suitable international and regional standards. The NSB should be a government organisation sitting within a suitable ministry/department such as foreign affairs, trade, engineering, economic development or business development.\textsuperscript{56}

7.33 Mr Devitt stressed in order to set up NSBs’ in the region, ‘external technical expertise and support will be required’.\textsuperscript{57}

This support would include drafting appropriate legislation (where required) to create and empower a NSB, as well as development of standard operating procedures for standards development, using standards in policy and regulation and stakeholder consultation and capability development amongst staff. Australia should facilitate this technical support, through the funding both locally and externally.\textsuperscript{58}

7.34 Standards Australia believed market access for trade would improve by better standards too.

Strengthened standards development and implementation would not only improve health, safety and environmental outcomes for our Pacific neighbours but would also have significant benefits in facilitating market access, standards harmonisation, technical alignment and regulatory coherence. Technical barriers to trade can be reduced through a more sustained focus on strengthening standards and conformity assessment cooperation.\textsuperscript{59}

7.35 When NSBs have been set up in each Pacific island country, Mr Devitt believed a key task would be for them to identify suitable stakeholders and ‘educate them on standards and conformance assessments, and how they can be used to support economic development…’\textsuperscript{60}

\textsuperscript{55} Mr Aidan Devitt, Submission 40, p. 4.
\textsuperscript{56} Mr Aidan Devitt, Submission 40, p. 4.
\textsuperscript{57} Mr Aidan Devitt, Submission 40, p. 4.
\textsuperscript{58} Mr Aidan Devitt, Submission 40, p. 4.
\textsuperscript{59} Standards Australia, Submission 8, p. 2.
\textsuperscript{60} Mr Aidan Devitt, Submission 40, p. 5.
Resources need to be developed that can be sent to Pacific countries, but also reinforced by on-going technical support provided on the ground and externally.61

7.36 Mr Devitt believed examples of the adoption of new standards working throughout the region would help with Pacific islanders gain familiarity with why it matters.

Whilst I was working in Fiji, with the taskforce on quality electrical appliances, I encouraged the Fijian adoption of *IEC 60335 – Household and electrical appliance safety*, whose adoption would in effect make it compulsory for electrical appliances sold within Fiji to comply. This International Standard is used throughout the world to stop poor quality electrical items being sold.62

7.37 Mr Devitt hoped if efforts have been successful for the countries within the Pacific region to use standards and conformance assessments more widely, then a possibility to be explored is the ‘development and use of a regional standard, i.e. Pacific Standard’.63

A Pacific Standard could be used across all Pacific Island countries, enabling inter-regional trade as well as trade with the rest of the world. The Standard would be based on an International or Australian equivalent.64

7.38 As noted by Mr Devitt, a shortcoming for the use and development of standards in the Pacific would be the lack of technical experts to consider and develop the standards.65

Each nation would nominate where it has suitable and diverse technical expertise available in key subject areas. This could include tourism, sustainability, building and construction, engineering, manufacturing, health, food safety, agriculture, transportation, and safety.66

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61 Mr Aidan Devitt, *Submission 40*, p. 5.
62 Mr Aidan Devitt, *Submission 40*, p. 5.
63 Mr Aidan Devitt, *Submission 40*, p. 5.
64 Mr Aidan Devitt, *Submission 40*, p. 5.
65 Mr Aidan Devitt, *Submission 40*, p. 5.
66 Mr Aidan Devitt, *Submission 40*, p. 5.
Supporting the Pacific Quality Infrastructure Initiative

7.39 The need for strengthened Pacific quality infrastructure has recently been recognised across the region, according to Standards Australia, marking an important window for action.\textsuperscript{67}

A workshop convened by the Pacific Islands Forum Secretariat as part of their Pacific Quality Infrastructure Initiative resulted in a commitment to improve quality infrastructure and regional cooperation to enhance trade. The initiative aims to address the limited access to quality infrastructure and related services in the region, affecting Pacific island countries’ economic competitiveness, safety of goods and services, and overall quality of life.\textsuperscript{68}

7.40 The forum was attended by representatives from Pacific government ministries, local businesses, chambers of commerce, quality infrastructure bodies, trade associations, and international partner agencies, who committed to a Regional Quality Statement expressing ‘the strong potential of quality infrastructure to underpin the health, safety, wealth and sustainability of the Pacific Island economies and their people’.\textsuperscript{69}

However, this initiative remains in the early stages and no future work has yet been confirmed. There is an opportunity for Australia to support this initiative to help stimulate trade in the region.\textsuperscript{70}

Skills development for Pacific island customs officers

7.41 According to the Centre for Customs and Excise Studies (CCES) the 2017 Oceania Customs Organisation (OCO) Conference, member countries supported the introduction of a framework to develop and strengthen their capacity for national reforms and the professional development of customs officers in the region.\textsuperscript{71}

OCO Professional Standards Framework (OPSF) aims to:\textsuperscript{72}

\textsuperscript{67} Standards Australia, \textit{Submission 8}, p. 3.

\textsuperscript{68} Standards Australia, \textit{Submission 8}, pp. 3-4.

\textsuperscript{69} Standards Australia, \textit{Submission 8}, p. 4.

\textsuperscript{70} Standards Australia, \textit{Submission 8}, p. 4.

\textsuperscript{71} Centre for Customs and Excise Studies, \textit{Submission 7}, p. 2.

\textsuperscript{72} Centre for Customs and Excise Studies, \textit{Submission 7}, p. 2.
ensure that PIC customs officers understand and enforce customs laws and procedures uniformly;

- standardise regional customs training and provide a framework for continuous learning; and

- create a professional cadre of officers in the region who will be able to deliver regional capacity building to members when requested whilst at the same time supporting their respective national training efforts. This aim is in response to the shortage of customs specialists (experts) in critical technical areas of customs.

7.42 The CCES highlighted that the OPSF also addresses the need to quickly build capacity in specific areas such as the Harmonized System nomenclature (tariff classification), customs valuation and rules of origin to encourage members to harness the opportunities provided by preferential trade regimes within the Pacific, including PACER Plus and other international and regional trade agreements.  

Enhanced knowledge of customs responsibilities under these arrangements will strengthen the technical and professional capacity of PIC administrations to uniformly apply and interpret their cross-border provisions and obligations. Moreover, the enhanced capacity will allow Customs administrations to provide necessary outreach activities to the private sector and other institutions involved in the implementation of free trade agreements.  

Pacific power and Pacific water associations

7.43 Hydro Tasmania linked firm Entura that currently provides renewable energy, water and power engineering services in Australia and the Indo-Pacific outlined the merits of being founding member, supporter and sponsor of the Isolated Power Systems (IPS) Connect Forum/Conference since 2015, in association with the Pacific Power Association (PPA) and the International Renewable Energy Agency (IRENA). These associations have facilitated visits from Pacific utilities to Australian remote hybrid power systems for participation in professional development sessions and conferences.  

73 Centre for Customs and Excise Studies, Submission 7, p. 2.

74 Centre for Customs and Excise Studies, Submission 7, p. 2.

75 Entura, Submission 5, p. 4.
Entura recognises the importance of networks in the conduct and success of business in the Pacific. Informal networks are strong, but it can be challenging to establish or become part of them. The Australia Pacific Islands Business Council provides a starting point for new entrants. For Entura, the Pacific Power Association and Pacific Water Association are powerful networking supports. To build business relationships, it is advantageous to leverage existing relationships with well-connected parties to benefit from extended reach into their broader networks.76

7.44 Entura’s International Business Development Manager, Mr James Mason, explained the Pacific Power Association allows all the power utilities in the Pacific to share ideas on common challenges and also training opportunities.

It’s probably the most influential body in the Pacific. It is a bit of a networking body, but it has strong connections. Most of the CEOs of all the power utilities in the Pacific countries get together annually… There are a lot of common challenges in the Pacific. They tend to find that if one country needs something then generally everyone’s looking at a similar sort of opportunity… more recently training opportunities throughout the Pacific. So, rather than just going to one country and doing the training, they’re able to bring all those countries together and do the training.77

Pacific Readiness for Investment in Social Enterprise

7.45 The Pacific Readiness for Investment in Social Enterprise (Pacific RISE) is an example of an Australian Government-supported program connecting investors (including Australian investors) to Pacific social enterprises to create long-term investment relationships. DFAT outlined Pacific RISE seeks to connect investors to Pacific social enterprises and create long-term investment relationships.78

The Pacific Investment Readiness Pilot from 2015-16 demonstrated that investors were interested and ready to invest in the Pacific if they became familiar with the business climate and potential investments. The pilot resulted in two investments: A$80,000 for a Samoan coconut factory and

76 Entura, Submission 5, p. 7.
77 Mr James Mason, Entura, Committee Hansard, 18 June 2020, p. 9.
78 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 33.
A$656,000 for a Vanuatu coffee producer recovering from Tropical Cyclone Pam.79

7.46 Through the Pacific RISE program, DFAT submitted that Australia is supporting the design of an investment fund which would enable Pacific diaspora in Australia to invest in Pacific businesses. Through a partnership with the Pacific Business Sports Entrepreneurs (PBSE) group, Pacific RISE will provide technical support on the initial research and design of the fund, including support for a gender analysis, and funding to conduct investor engagement.80

Expanding educational opportunities in the Pacific

7.47 The Institute for International Trade highlighted Australia’s strong track record in support for the Australian Pacific Training Coalition (APTC) and other vocational education agencies in the Pacific, such as the Kiribati Institute for Technology which has ‘…trained over 9,000 I-Kiribati preparing young people for jobs in the trades, horticulture, business and ICT as well as in hospitality and health care services’.81

There has been a significant increase in demand for skills development across the Pacific in ICT and ecommerce, how to run your own business for both local production and export/import, for basic and advanced skills in tourism, hospitality, finance, management and leadership skills.82

By extending skills training to key areas of future labour market demand in Australia and New Zealand as well as locally, Australian aid and AfT programs can make a serious contribution to the capacity of Pacific Islanders to innovate and develop the required skills for successful businesses and trade enterprises into the future.83

79 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, pp. 33-34.

80 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 36.

81 Institute for International Trade, Submission 37, p. 13.

82 Institute for International Trade, Submission 37, p. 13.

83 Institute for International Trade, Submission 37, p. 13.
IIT believed Australian ODA and AfT should continue to play a prominent role in the building of educational and skills capacity of ‘…Pacific Islanders to embrace and capture business, investment and trade opportunities into the future’.  

Given that trade liberalisation can lead to changing patterns of demand for workforce skills, there is a need for aid funds in general, as well as AfT funds, to be available to support the training/retraining of the Pacific workforce in areas of vocational education, as well as tertiary education.

Academic Mr Malcolm Bosworth declared looking forward these Pacific island economies should probably want to look beyond just focusing on the unskilled seasonal labour and its remittances into providing skilled labour.

Now, to do that obviously requires a lot more home training and education back in these economies, these island economies, to actually create those skills and that training, whether they be nurses or healthcare providers or whatever. But it also means that Australia and New Zealand have to be more open to not limiting foreign labourers coming in to [being] the unskilled workers. They have to be prepared to allow the skilled workers to come in. If they do that then of course that creates more opportunities in the island economies. It means the people who come out here will attract higher wages, and that will enable remittances to increase as well.

Training provider with experience in the Pacific Mr William Bowen agreed with the importance of establishing long term programs training Pacific islanders in specific skills that are in demand in Australia.

…certainly one of the areas we identified in our study was nursing skills and aged care. There’s a considerable demand here, and the issue is how do we set up systems to train people in the Pacific to an Australian standard and sustain it over a long period.

Mr Bowen, who recalled Australia’s illegal logging legislation having an negative impact on the PNG forestry industry, believed Australia should
focused more on producing policies and training structures that would better aid the industry and its workers.\textsuperscript{88}

Where we really failed was in providing the kind of technical training for people to be able to do more work in that industry. Bear in mind that out in the remote gulf and western provinces it’s really the forestry industry that provides the health and education and other services out in those areas. There’s a lot of scope...for us to design policies to train people to be able to move up the economic scale to generate more economic growth. There’s quite an opportunity here. That’s where I would like to see a real focus on training, which we used to do, in the Pacific.\textsuperscript{89}

7.52 Ms Danielle Heinecke, First Assistant Secretary, Pacific Operations and Development, DFAT, highlighted across the Pacific and Timor-Leste in particular the strong links between Australian and Pacific schools.

...and we’re supporting that through a new bridge program that links school students. That’s really important. We’re getting kids talking to kids in classrooms so that we can start to raise that Pacific family idea at all levels of society.\textsuperscript{90}

7.53 Ms Heinecke also recalled the Tuvalu trade minister explaining the hoped for benefits of Tuvaluans acquiring skills from working in Australian aquaculture on the three-year Pacific Labour Scheme.\textsuperscript{91}

...they’re hoping that a lot of them are focused in the aquaculture fishing industry in Australia. What they’re really getting, through those three-year visas, is upskilling but also learning how to run a business. Tuvalu really hopes that they can bring back a lot of the skills that they’re learning in Australia, through those labour mobility opportunities, to start to develop parts of their fishing industry not only in the SME space but also in the commercial space. In a lot of the Pacific island countries, as you know, fishing is a huge part of their future potential and a huge amount of their export earnings.\textsuperscript{92}

\textsuperscript{88} Mr William Bowen, \textit{Committee Hansard}, 27 August 2020, p. 7.

\textsuperscript{89} Mr William Bowen, \textit{Committee Hansard}, 27 August 2020, p. 7.

\textsuperscript{90} Ms Danielle Heinecke, DFAT, \textit{Committee Hansard}, 27 February 2020, p. 4.

\textsuperscript{91} Ms Danielle Heinecke, DFAT, \textit{Committee Hansard}, 27 February 2020, p. 3.

\textsuperscript{92} Ms Danielle Heinecke, DFAT, \textit{Committee Hansard}, 27 February 2020, p. 3.
7.54 Finance Professor Satish Chand outlined that Pacific islanders could help fill a growing skills shortages in Australia.

…assuming the economy continues to grow at the rate it has done over the past decade—per capita, we have grown at roughly 1.8 per cent per year—there has been a yawning gap in the middle skills, so in the technical and vocational skills, and it has been yawning over time. Our projections are, on fairly realistic assumptions, that we would be short of workers within those middle skills by something like two million by 2050, or roughly 70,000 each year.93

7.55 Before COVID-19, Adjunct Professor Chand looked at how those gaps are being filled currently.

…they are from three major sources. One is New Zealand. There are quite a few New Zealanders, and the majority of them are in this middle-skill level. There are about 600,000 Kiwis who work over here. There are about another 600,000 students who do a lot of this work as petrol attendants and so on. We have the backpackers. The Pacific workers are fairly small, but we do have some natives who down skill; there are students and so on who do work below what they’re qualified to do.94

7.56 Adjunct Professor Chand believed if the skill demand is unmet then Australia will pay in lower rates of GDP growth, or, alternatively, have locals who will down skill and do work that they are overqualified for.95

I guess the current crisis and the spike in unemployment will create issues regarding letting foreign workers in, but what we argue in our paper is that there is room for circulation of workers, particularly from the Pacific given the proximity.96

It very much supports the notion of the government of trying to build people-to-people links within the region. It very much works towards the concept of vuvale, or family. We will have the workers, and not necessarily just the unskilled but those with technical and vocational education, where the gaps are the largest, who would come to Australia, but not necessarily just to Australia. We looked at the forum island countries as a whole. Job

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93 Adjunct Professor Satish Chand, Committee Hansard, 27 August 2020, p. 4.
94 Adjunct Professor Satish Chand, Committee Hansard, 27 August 2020, p. 4.
95 Adjunct Professor Satish Chand, Committee Hansard, 27 August 2020, p. 4.
96 Adjunct Professor Satish Chand, Committee Hansard, 27 August 2020, p. 4.
opportunities in Papua New Guinea for technical and vocational skills are fairly high. It’s the same in Fiji. The issue is more in terms of supply.97

7.57 Adjunct Professor Chand highlighted the biggest issue within the Pacific region and in Papua New Guinea particularly was Australia’s ‘...inability to take the very large cohort of youth, employable people, and upskill them such that they could then be employed productively in the region’.98

If we were able to do that, then it would be great for the workers themselves and it would be great for the source nations, but it would be equally great for the destination countries. We’re saying the challenge for policy is in being able to harness this large population of youth for the benefit of everybody...how do we translate this large group of youth, this cohort that is already available to us and is going to be available over the future, upskill them for the jobs that are going to arise, not necessarily just in Australia or New Zealand but in the region as a whole?99

7.58 Oaktree as Australia’s largest youth-led development organisation submitted for Australia to activate trade in the Pacific region, it is also ‘...vital that young people in the Pacific are equipped with the skills and education necessary to deal with the demands of the 21st century’.100

We have the capability to strengthen the undisputed link between education and skills development and therefore, expand the region’s trading capacity.101

7.59 Oaktree believed there was room to capture trade and employment links through the Australian Pacific Training Coalition (APTC) a government initiative to provide Pacific youth with Australian accredited degrees.102

It has seen great success — over 15,000 Pacific Islanders have gained tertiary qualifications through the program. Its effectiveness could be enhanced through a greater focus on accessibility to the program, such as aiding high school students and their movement into post-secondary education at the APTC. By providing scholarships to the APTC, we can ensure that the best

97 Adjunct Professor Satish Chand, *Committee Hansard*, 27 August 2020, p. 4.

98 Adjunct Professor Satish Chand, *Committee Hansard*, 27 August 2020, p. 4.

99 Adjunct Professor Satish Chand, *Committee Hansard*, 27 August 2020, p. 4.

100 Oaktree, *Submission 27*, p. 3.

101 Oaktree, *Submission 27*, p. 3.

102 Oaktree, *Submission 27*, p. 3.
performing students in high school are rewarded with an opportunity to expand their horizons, rather than only those that can afford it.\textsuperscript{103}

7.60 Oaktree expected these opportunities will lead to a ‘...more formally educated generation in the region ready to be a part of the workforce, which ultimately furthers the development of Pacific countries’.\textsuperscript{104}

This initiative could involve providing scholarships to those recommended by the respective governments of the Pacific based on their actions in the community or through the sponsorship of potential students by employers in Australia. The need for such a program is exhibited by the low number of matriculating youths in the region.\textsuperscript{105}

For example, in Papua New Guinea, out of the 23,000 who completed Grade 12 in 2015, only 4,700 continued with higher education in 2016.\textsuperscript{106}

7.61 Oaktree believed the initiative could also be complemented by establishing a youth-focused bridging program that would link qualifications awarded by the APTC with employers in Australia offering employment through the Pacific Labour Scheme.\textsuperscript{107}

By implementing this program it would prioritise young people for selection in the program and would see up to three years of opportunities regarding skill and financial development offered to the emerging generation in our region. This would ensure that employment gaps in industries in rural and regional Australia are filled with the people that need these opportunities the most. Additionally, it will strengthen our relationship with our Pacific family through allowing Pacific Islanders to reside here and to forge a mutually beneficial association...This would consist of having Pacific Islanders work in Australia and then returning to their home country for a specified amount of time and then returning to their employer in Australia. This would ensure that the skills they have gained through the APTC and in Australia are able to aid in strengthening both countries.\textsuperscript{108}

\textsuperscript{103} Oaktree, Submission 27, pp. 3-4.
\textsuperscript{104} Oaktree, Submission 27, p. 4.
\textsuperscript{105} Oaktree, Submission 27, p. 4.
\textsuperscript{106} Oaktree, Submission 27, p. 4.
\textsuperscript{107} Oaktree, Submission 27, p. 4.
\textsuperscript{108} Oaktree, Submission 27, p. 4.
7.62 Oaktree expected accessibility to the program could also be improved by removing the requirement that participants need prior experience in a field of employment to gain a scholarship to the APTC.109

This requirement precludes some of the most disadvantaged people in the region from accessing opportunities to lift themselves and their communities out of poverty.110

7.63 DFAT’s Ms Heinecke explained a goal the Australian government was how does Australia get more affordable education linkages between the Pacific and Australia?111

The Australia-Pacific Technical College...really is focused in the technical space, and that’s about building up skills in their home country but also about giving greater opportunities. There are some of the labour mobility schemes that we’ve got. There are a huge number of domestic Australian meatworks companies that have invested in Pacific islanders...we see that there will be opportunities for more permanent migration...112

7.64 Mrs Kylie Sterling, Austrade’s Trade and Investment Commissioner Pacific, took 12 Australian universities to Fiji and Samoa in March 2020.

...that’s focused on the Australian awards program that’s funded by DFAT. That is encouraging Pacific islanders to come and study at tertiary education services in Australia. The interest that we get from the alumni in the Pacific is very strong. They’re very interested to come and study in Australia. Then what we find with Australian businesses linking with those is that they’re very interested to link with those alumni in the Pacific because they’ve got that link...to Australians and Australian business and the community.113

7.65 Save the Children Australia outlined the proposal of its social venture, Inclusiv Ventures, to leverage Australia’s commitment to installing a high-speed undersea internet cable between Australia, PNG and Solomon Islands. The aim of Inclusiv Ventures is to treble the number of learners in higher education and vocational training in PNG over five years, to help address concerns about students’ access to training and new jobs in a post-COVID-19

109 Oaktree, Submission 27, p. 4.
110 Oaktree, Submission 27, p. 4.
111 Ms Danielle Heinecke, DFAT, Committee Hansard, 27 February 2020, p. 4.
112 Ms Danielle Heinecke, DFAT, Committee Hansard, 27 February 2020, pp. 4-5.
113 Mrs Kylie Sterling, Austrade, Committee Hansard, 27 February 2020, p. 5.
Pacific by expanding inclusion in educational opportunities through eLearning.\(^\text{114}\)

Our proposed five year project would create a national eLearning platform based on Moodle, the world’s largest open source learning system and an Australian company, along with building a national eLearning community of practice, curriculum and course instructional design and development, delivery including infrastructure solutions taking eLearning to provincial areas, and creating a technology services ecosystem. Our partners include the PNG Ministry of Education, universities and vocational training institutions, Kumul Industries (the PNG Government Telco provider and owner of the Department of Foreign Affairs and Trade (DFAT)-funded undersea internet cable), and international education software providers.\(^\text{115}\)

7.66 Save the Children believed this project would support Australia’s aims in building human capital in the PICs, helping to boost jobs, educational outcomes, and employability.\(^\text{116}\)

**Developing sporting relationships with PacificAus Sports**

7.67 The Australian Government is also stimulating business and investment through PacificAus Sports, which supports new Pacific teams to compete in Australian sporting competitions.\(^\text{117}\)

These new sports teams and businesses will create employment opportunities for Pacific athletes, coaches, support staff and administrators. The teams will also attract sponsorship both in Australia and throughout the Pacific, generating interest when they play home fixtures and among Pacific diaspora communities when they play in Australia. Likewise, Australian teams will contribute to Pacific island countries’ economies through regular travel to the region.\(^\text{118}\)

\(^\text{114}\) Save the Children Australia, *Submission 39*, p. 8.

\(^\text{115}\) Save the Children Australia, *Submission 39*, p. 8.

\(^\text{116}\) Save the Children Australia, *Submission 39*, p. 8.

\(^\text{117}\) Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, *Submission 14*, p. 36.

\(^\text{118}\) Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, *Submission 14*, p. 36.
Ms Danielle Heinecke, First Assistant Secretary, Pacific Operations and Development, DFAT, stressed sporting links were an important part of the Pacific step-up with a $52 million program up to 2023.

…it has three components. The first one is developing pathways for Pacific teams to play in high-level sporting competitions in Australia. The ultimate goal there might be about getting a Pacific team in Super Rugby or the NRL competition, but there has to be a pathway towards that. We started off with the Hunters from PNG in Queensland Rugby League. If that goes well, obviously the big issue is about getting commercial sponsorship, and that’s not easy, particularly when Pacific players are a really important part of European comps in many sports, as well as Australian. So a lot of it is commercial constraints as well as linking that back to commercial organisations and the organisation of sport in those countries. So that’s a first objective, because that’s really important to nation building.¹¹⁹

Ms Heinecke outlined the second objective of supporting Australian teams to increase their presence and participation in the Pacific.

An example of that is that the Young Matildas will do a tour of the Pacific islands in 2020, and that will be the first time that we’ve had a national team touring the Pacific. We recently supported a Fijian rugby team, the girls rugby team Fiji Islands, to come out to Australia. They’ve just done a tour, playing Queensland and New South Wales. For the first time ever, they’ve been paid. We did that through the program, recognising that women can be paid at equal rates as well.¹²⁰

The third objective of the Pacific sport program according Ms Heinecke was creating opportunities for emerging Pacific athletes.

We’re really trying to connect grassroots organisations in Australia to support coaching opportunities for Pacific Islanders so they can be more integrated into our programs, which gives them a greater role internationally in sport. Looking across it, it has a really strong women-themed agenda. We’re looking at a number of codes. At the moment we have partnerships with Rugby Australia, the NRL as well as in netball and football. We’re also looking at Cricket Australia as well. They’re the main sports in the Pacific. Those connections are going really well.¹²¹

¹¹⁹ Ms Danielle Heinecke, DFAT, Committee Hansard, 27 February 2020, p. 5.

¹²⁰ Ms Danielle Heinecke, DFAT, Committee Hansard, 27 February 2020, p. 5.

¹²¹ Ms Danielle Heinecke, DFAT, Committee Hansard, 27 February 2020, p. 5.
Case study of the Fiji Kaiviti Silktails Rugby League Club

7.71 DFAT claimed the creation of the Fiji Kaiviti Silktails Rugby League Club as an early PacificAus Sports success.122

The Fiji-based team will play in the NSW Rugby League Ron Massey Cup in 2020. Australia’s support for the team has effectively acted as seed funding for the club, enabling it to attract sponsorship within Fiji and Australia, allowing them to employ coaching and administration staff, sign young Fijians to playing contracts and invest in a training facility in Nadi. PacificAus Sports will seek to replicate their success with other Pacific countries and sports, such as netball, through to 2023.123

Supporting PNG rugby league in North Queensland

7.72 The Cairns Regional Council identified sport, and rugby league in particular, presenting a unique opportunity to strengthen the economic, social, and cultural connection between Australia and PNG, as emphasised by the Australian Government’s Pacific Sports Partnership.124

Perhaps no single act from an Australian government would do more to strengthen the economic, social and cultural connection between Australia and PNG, than bringing a PNG rugby league team into the National Rugby League (NRL) competition. Cairns would be an ideal partner and Australian home ground if this were to eventuate.125

7.73 The Regional Council noted that PNG Hunters and Northern Pride (Cairns) rugby league teams were already part of the Queensland Rugby League (QRL) competition. The Regional Council believed this would also provide added opportunities for the development of the women’s equivalent, the PNG Orchids rugby league team.126

Rugby league is an effective way to build stronger ties between Australia and PNG at a time when other powers are competing for influence. A foreign policy initiative supporting NRL expansion, and provision of additional

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122 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 36.

123 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 36.

124 Cairns Regional Council; Submission 1, p. 9.

125 Cairns Regional Council; Submission 1, p. 9.

126 Cairns Regional Council; Submission 1, p. 9.
support to PNG to operate within the national league, would build immense soft diplomacy power for Australia. The NRL has stated they are currently looking at the structure of the league, and that PNG would be considered as part of any expansion review.127

Using Pacific Games in lead up to Australia hosting 2032 Olympics

7.74 Further to the successful bid by Queensland and Australia to host the 2032 Olympic Games, the Cairns Regional Council believed there is the opportunity to further strengthen Australia’s sporting ties with the Pacific island countries by Cairns hosting of competition and training camps across a range of sporting codes.128

Cairns is an ideal base for elite athlete training camps associated with the Australia-Pacific Sports Linkages Program. Cairns has hosted the Japan swim team for warm weather training over the Japanese winter for the past three years for example.129

7.75 The Regional Council highlighted Cairns as a regional centre for sporting activity suitable for hosting the Pacific Games following its recent experience successfully staging the annual IRONMAN Asia-Pacific event with domestic and international competitors from Pacific nations including those from PNG, Samoa, Tonga and Nauru.130

In this context, if Australia applies to join the Pacific Games Council, Cairns would be an excellent conduit for Australia to increase engagement through the Pacific Games. Bidding to co-host with a Pacific nation partner such as Lae in PNG would be a notable move toward closer integration with Australia’s Pacific neighbours.131

Australian Trade and Investment Commission

7.76 According to the Australian Trade and Investment Commission (Austrade) the current level of Australian business activity in Pacific markets reflects the

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127 Cairns Regional Council; Submission 1, pp. 9-10.
128 Cairns Regional Council; Submission 1, p. 10.
129 Cairns Regional Council; Submission 1, p. 10.
130 Cairns Regional Council; Submission 1, p. 10.
131 Cairns Regional Council; Submission 1, p. 10.
scale of the opportunities on offer as compared to the larger opportunities in other international markets.132

7.77 Austrade foresaw the growing investment in the Pacific region, increasing commercial activity, and emerging technologies will all help ‘drive expansion of business opportunities in the region and present new sectors of growth’.133

The Pacific is currently attracting increased attention from the international business community which will increase competition for Australian firm. This growing number of global firms operating in the region may also create new customers and possibilities for partnerships for Australian businesses in the Pacific.134

7.78 Austrade has identified the Pacific as a priority region for Australia and is encouraging a focus on infrastructure services, new technologies, digital education, training and innovation.135

These enablers will allow Australian firms to explore the possibilities of different technological solutions in areas of service delivery and business activity. When combined with the key strategic drivers contained in the Australian Government’s Step-up agenda, as well as other commercial opportunities, Austrade and is supporting its clients to aspire to new markets, products and commercial dividends across the Pacific.136

**Improving Austrade’s presence in the Pacific**

7.79 DFAT submitted that as part of a 2018 internal International Network Review, Austrade considered various options to enhance agency resources focused on the Pacific, as part of a broader reform agenda. In 2019, Austrade created a dedicated Pacific-focused team based in Auckland, overseen by General Manager Pacific and comprising three A-based staff (Brisbane,

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132 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, *Submission 14*, p. 45.

133 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, *Submission 14*, p. 45.

134 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, *Submission 14*, p. 45.

135 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, *Submission 14*, p. 45.

136 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, *Submission 14*, p. 45.
Australia; Port Moresby, Papua New Guinea (PNG); and Auckland, New Zealand) and 6.5 locally engaged business development managers that service clients across the Pacific.\textsuperscript{137}

In addition to its physical presence in the region, Austrade recognises that success in the Pacific requires strong relationships and networks Business Councils, Pacific Trade Invest, Industry Associations, Chambers of Commerce and government trade and investment institutions. These organisations are all important to enhancing Australia’s commercial presence in the Pacific and our operating and business model. Equally Austrade works closely with numerous Australian-based Pacific business councils to provide opportunities and link businesses.\textsuperscript{138}

7.80 The Australia-PNG, Australia-Fiji and Australia-Pacific business councils recalled back in 2008 when Austrade had three staffed offices in the Pacific: Austrade was in Port Moresby (which at one time had three Trade Commissioners and also covers Solomon Islands), Noumea, and Fiji (which had some regional responsibilities).\textsuperscript{139}

In 2008 Austrade withdrew the Australia-based representation from Noumea. In 2012 Austrade closed the Noumea Office, and withdrew the Australia-based position from Suva while retaining the Office with a lower level of staffing. Responsibilities for the work undertaken by these Offices was then reposed in a new position created in Austrade’s Brisbane Office.\textsuperscript{140}

7.81 Since 2008 the Australia-PNG, Australia-Fiji and Australia-Pacific business councils have made representations to government and to Austrade about this ‘declining support for Australian business in the Pacific but have been met with political and bureaucratic straight bats’.\textsuperscript{141}

The Pacific Trade Commissioner based in Brisbane has done a herculean job in trying to cover the workload, and has been well regarded by the Councils and by business more generally. He has been as effective as it is possible to be while not residing in the market. But there is no substitute for being on the

\textsuperscript{137} Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, \textit{Submission 14}, p. 45.

\textsuperscript{138} Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, \textit{Submission 14}, p. 45.

\textsuperscript{139} Australia-PNG, Australia-Fiji & Australia-Pacific business councils, \textit{Submission 28}, p. 5.

\textsuperscript{140} Australia-PNG, Australia-Fiji & Australia-Pacific business councils, \textit{Submission 28}, p. 5.

\textsuperscript{141} Australia-PNG, Australia-Fiji & Australia-Pacific business councils, \textit{Submission 28}, p. 5.
ground. After six years he is now being moved along by Austrade so the experience and business knowledge and contacts he has developed will be lost.\textsuperscript{142}

7.82 Austrade’s Acting General Manager of Government and Partnerships, Ms Margaret Bowen, highlighted Australia’s geographic location and its deep global supply chains present ‘competitive advantages, which attract relatively large numbers of Australian exporters’.\textsuperscript{143}

There are around 4,400 Australian exporters active in Papua New Guinea and around 3,300 Australian exporters active in Fiji. Austrade doesn’t need to be engaged with exporters where business is already flowing well. We get involved where there’s a supply chain gap, where there’s a market failure or where the badge of government is important in Australian businesses’ commercial activity overseas.\textsuperscript{144}

7.83 Ms Bowen defended its presence in Papua New Guinea and Fiji.

We’ve been in there [PNG] since 1975. We’ve been in Fiji since 1970. In Auckland, we have a Pacific focused team. Kylie’s based in Melbourne but travels all over the Pacific. So we’re thin on the ground but we pack a fair bit of punch, because Australian companies are often looking for advice and assistance in the Pacific, where there are business challenges that we can assist with.\textsuperscript{145}

7.84 As of 2020 Australia-PNG, Australia-Fiji and Australia-Pacific business councils also highly commended the work, support and engagement with business of the Senior Trade Commissioner and Consul-General in Auckland to whom the Brisbane and Port Moresby positions report.\textsuperscript{146}

But the fundamental structural issue remains that there is no Australia-based Austrade representation in the region between Port Moresby and Auckland. The major markets in the Pacific are Papua New Guinea, New Caledonia and Fiji. Despite the efforts of the Austrade individuals identified above, this structural deficiency hinders Australian business interests in the region.\textsuperscript{147}

\textsuperscript{142} Australia-PNG, Australia-Fiji & Australia-Pacific business councils, \textit{Submission 28}, p. 5.
\textsuperscript{143} Ms Margaret Bowen, Austrade, \textit{Committee Hansard}, 27 February 2020, p. 2.
\textsuperscript{144} Ms Margaret Bowen, Austrade, \textit{Committee Hansard}, 27 February 2020, p. 2.
\textsuperscript{145} Ms Margaret Bowen, Austrade, \textit{Committee Hansard}, 27 February 2020, p. 2.
\textsuperscript{146} Australia-PNG, Australia-Fiji & Australia-Pacific business councils, \textit{Submission 28}, p. 5.
\textsuperscript{147} Australia-PNG, Australia-Fiji & Australia-Pacific business councils, \textit{Submission 28}, p. 5.
**Austrade’s role in the Pacific**

7.85 According to Austrade, it recognises that the Pacific has long been an attractive market for a range of Australian businesses, which have ‘…benefitted from the competitive advantage offered by our geographic location, well established supply chains, historical markets and emerging opportunities in the region’.

7.86 Austrade outlined that the most commonly exported Australian goods and services to the Pacific include:

- agribusiness services
- food and beverage products including cereals and grains
- building and construction materials, and
- prefabricated buildings and structures.

7.87 Austrade also assists Australian exporters looking to provide a range of services in tourism, education, infrastructure, architecture and mining sectors.

7.88 Austrade looks to promote Australian capabilities to Pacific nations to help meet their development needs and promote economic growth.

Our services in the region are focused on the sectors and areas where we see the strongest commercial potential. For Fiji and the Pacific Islands, our priority sectors are International Education, Major Infrastructure and Urban Development. In PNG, we are focused on trade opportunities in International Education and Resources and Energy.

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148 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, *Submission 14*, p. 46.

149 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, *Submission 14*, p. 46.

150 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, *Submission 14*, p. 46.

151 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, *Submission 14*, p. 46.

152 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, *Submission 14*, p. 46.
Leveraging the Australian Infrastructure Financing Facility for the Pacific

7.89 Austrade submitted it was also focused on leveraging opportunities created under the Australian Infrastructure Financing Facility for the Pacific (AIFFP) for Australian companies to provide services and products to support delivery of projects in the Pacific by accessing funding under the AIFFP.\(^{153}\)

Investing in and developing human capital in the Pacific is critical to Australia’s aspirations in the Government’s Step-up agenda…there are skills and capability deficits in key sectors such as infrastructure, agribusiness, digital skills and health which provide opportunities for the Australian training and tertiary sectors to meet future industry needs.\(^{154}\)

Education missions to Fiji, Samoa and PNG

7.90 Austrade partners with DFAT in annual education missions to Fiji, Samoa and PNG for potential students to discuss career and course content for studying in Australian universities when COVID-19 travel restrictions ease or accessing online studies. Through these education missions Australia provides Pacific Island students the skills and knowledge to drive change and influence economic and social development.\(^{155}\)

Opportunities in resources, energy, water and infrastructure

7.91 Austrade has identified growing opportunities for Australian businesses in the resources, energy, water, and infrastructure sectors, as well as encouraging digital and innovative businesses in the Pacific.\(^{156}\)

We will continue to prioritise our efforts in PNG and Fiji as the markets that present the greatest commercial opportunities in the region with ongoing engagement in New Caledonia and Samoa.\(^{157}\)

\(^{153}\) Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 46.

\(^{154}\) Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, pp. 46-47.

\(^{155}\) Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 47.

\(^{156}\) Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 47.

\(^{157}\) Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 47.
Opportunities from the digital transformation of the Pacific

7.92 DFAT submitted that Australia is supporting the digital transformation of the Pacific by ‘…financing infrastructure projects and supporting take-up of digital solutions to drive efficiencies in business, government and communications’.\textsuperscript{158}

7.93 Austrade believed access to high-quality digital technologies in the future will enable the geographically dispersed communities in the Pacific to benefit from the improved connectivity through:

- Improved access to regional and international markets, including leveraging digital trade
- Expanded online delivery of education and training services
- Improved access to services – including banking, business transactions, and government
- Improved communications and connectivity, and
- Leveraging critical geospatial and climate data.\textsuperscript{159}

7.94 DFAT outlined that future strategic investments like the Coral Sea Fibre-Optic Cable (PNG and Solomon Islands) will present new digital business opportunities in the region.\textsuperscript{160}

Ongoing amplification of existing cables in Fiji and Samoa provides a technology base to introduce e-commerce and new digital solutions that may assist with traditional development needs (e.g. fintech, regional and remote area internet access, education and training, digital technologies for government and business).\textsuperscript{161}

7.95 In February 2020 DFAT’s Ms Danielle Heinecke, First Assistant Secretary, Pacific Operations and Development, outlined that the actual laying of 4,700km of undersea fibre optic cables for the Coral Sea cable project from Australia to PNG and Solomon Islands was complete.

\textsuperscript{158} Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, \textit{Submission 14}, p. 47.

\textsuperscript{159} Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, \textit{Submission 14}, p. 47.

\textsuperscript{160} Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, \textit{Submission 14}, p. 47.

\textsuperscript{161} Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, \textit{Submission 14}, p. 47.
The ultimate objective is really to reduce costs to consumers but also increase the speed of internet so they can access global opportunities through the internet: education et cetera. There’s still work to be done on the in-country side of it to make sure that that is taken advantage of and that the regulatory regimes around telecoms in those countries ensure that there is competition in the sector as a result.\textsuperscript{162}

7.96 DFAT’s Lead Economist at the Office of the Pacific Mr David Osborne, confirmed at a domestic level in both ‘…Papua New Guinea and Solomon Islands there’s work continuing to support the connection to international cables…’ and to encourage competition from providers.\textsuperscript{163}

That is both at infrastructure investments and at the regulatory level. A big part of our continuing support in that area is around the capacity of the domestic—whether it be a state owned enterprise or the regulator themselves—to be able to deal with the pricing issue and the wholesale, and the connection between the wholesale market and the retail market, which, as you’d understand, is very narrow in those two countries.\textsuperscript{164}

7.97 DFAT’s Mr William Costello, Assistant Secretary, Pacific Labour Mobility and Economic Growth Branch, highlighted reports from Solomon Islands from retailers who are ‘…pleasantly surprised by the demand response by consumers’.\textsuperscript{165}

…so they are looking at purchasing more bandwidth, if you like, than they had expected to, so we think there’ll be sort of a rapid uptake because of consumer demand.\textsuperscript{166}

Export Finance Australia

7.98 Export Finance Australia (EFA) is the Australian government’s export credit agency. DFAT submitted that it plays a critical role in supporting Australian

\begin{footnotes}
\footnotetext[162]{Ms Danielle Heinecke, DFAT, Committee Hansard, 27 February 2020, p. 10.}
\footnotetext[163]{Mr David Osborne, DFAT, Committee Hansard, 27 February 2020, p. 10.}
\footnotetext[164]{Mr David Osborne, DFAT, Committee Hansard, 27 February 2020, p. 10.}
\footnotetext[165]{Mr Costello, DFAT, Committee Hansard, 27 February 2020, p. 10.}
\footnotetext[166]{Mr Costello, DFAT, Committee Hansard, 27 February 2020, p. 10.}
\end{footnotes}
export trade by providing finance to support viable exporters, companies seeking to invest overseas and overseas infrastructure development.\textsuperscript{167}

Most advanced economies have government-mandated export credit agencies. Their purpose is to support and enable export trade. Generally, these agencies provide government-backed finance solutions to businesses to help them grow exports and invest overseas. The type of support each agency provides depends upon the mandate from government and can include the provision of loans, insurance or equity.\textsuperscript{168}

7.99 Export Finance Australia’s assists exporters with a range of finance solutions, including:

- Loans: to support export contracts, or to overseas buyers of Australian goods and services;
- Bonds: to help Australian companies with their obligations under overseas contracts;
- Guarantees: to financiers of overseas buyers of Australian goods and services or to an Australian exporter’s bank; and
- Insurance: to protect Australian exporters against the possibility of non-payment due to certain commercial and political risks.\textsuperscript{169}

Export Finance Australia’s role in the Pacific

7.100 Export Finance Australia submitted it has a long history of supporting Australian businesses to export their goods and services to the Pacific.\textsuperscript{170}

For example, Export Finance Australia’s US$350 million loan to support the PNG LNG Project helped Australian companies secure over $1 billion worth of contracts during the construction phase of the project.\textsuperscript{171}

\textsuperscript{167} Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 51.

\textsuperscript{168} Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 51.

\textsuperscript{169} Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 51.

\textsuperscript{170} Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 51.

\textsuperscript{171} Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 51.
7.101 Export Finance Australia outlined that in April 2019, the Government expanded EFA’s mandate and financing capacity to assist the Australian Infrastructure Financing Facility for the Pacific and boost its ability to support infrastructure development in the Pacific region.\textsuperscript{172} 

The amendments to the EFIC Act have increased Export Finance Australia’s financing capacity with an extra $1 billion in callable capital to enable it to support more and larger projects in our region and allow it to support a broader range of infrastructure projects in the Pacific. The legislative changes also allow Export Finance Australia to assist the operations of the AIFFP by managing AIFFP loans for infrastructure projects that meet development objectives in the Pacific and Timor-Leste.\textsuperscript{173}

7.102 Export Finance Australia submitted it plays a critical role in supporting Australian export trade by ‘...providing finance to support viable exporters, companies seeking to invest overseas and overseas infrastructure development when financing from the banking market is unavailable’.\textsuperscript{174} 

EFA is now supporting a broader range of infrastructure development projects in the Pacific region. EFA can assist the operations of the AIFFP by managing AIFFP loans for infrastructure projects that meet development objectives in Pacific island countries.\textsuperscript{175}

**Australian Centre for International Agricultural Research**

7.103 The mission of the Australian Centre for International Agricultural Research (ACIAR) is to achieve ‘...more productive and sustainable agricultural systems, for the benefit of developing countries and Australia, through international agricultural research partnerships’.\textsuperscript{176}

\textsuperscript{172} Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, *Submission 14*, p. 51.

\textsuperscript{173} Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, *Submission 14*, p. 51.

\textsuperscript{174} Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, *Submission 14*, p. 31.

\textsuperscript{175} Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, *Submission 14*, p. 31.

\textsuperscript{176} Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, *Submission 14*, p. 43.
All countries in the Indo-Pacific region are grappling with the complex, intersecting challenges of how to grow more and healthier food and reduce poverty, using less land, water, energy and fewer nutrients per unit of output, in changing climates. For the past 37 years ACIAR has made (and is continuing to make) significant contributions to meeting these challenges by working with partner countries. Its partnership model ensures that partner countries have input into and ownership of research priorities and the delivery of research programs.177

7.104 DFAT outlined that food security means having reliable access to a sufficient quantity of affordable, nutritious food.178

For some countries (and regions within countries), food security comes substantially from locally-grown or home-grown food. Other countries and regions within countries are highly dependent on national and international food trade.179

Trade is essential for ensuring food security in the Pacific region

7.105 Food security within the Pacific region is threatened according to ACIAR by increasing vulnerability to economic shocks (such as abrupt changes in food and fuel prices) and natural shocks (such as invasive pests and diseases).180

These vulnerabilities have limited the development of commercially-oriented agriculture, fisheries, and forestry sectors and left many Pacific countries heavily dependent on imports of food and other commodities. For instance, the Coconut Rhinoceros Beetle can result in significant yield losses of coconuts, as well as tree mortality. Coconuts are essential for food security and are also a source of cash income.181

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177 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 43.

178 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 41.

179 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 41.

180 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 41.

181 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 41.
7.106 ACIAR submitted all Pacific countries are concerned about the potential impacts of climate change on food security.

…with predicted stronger periods of drought and wet weather (in some cases causing destructive flooding), associated with El Niño cycles. Some models predict that cyclones may become more severe, even though fewer in number.\textsuperscript{182}

7.107 ACIAR highlighted the vulnerability of the Pacific island countries is increased by their narrow resource base which implies the economic dependence of many islands on exports of a single commodity or limited range of commodities.\textsuperscript{183}

For much of the twentieth century, many Pacific island economies were heavily dependent on copra as their principal source of export income; however, with the falling value of coconut oil, this previous source of wealth has become a poverty trap for many communities and countries that lack the resources to diversify into higher value products (which could support the rejuvenation of the industry) or into other higher value crops and commodities.\textsuperscript{184}

7.108 Some Pacific countries are heavily dependent on marine resources, according to the ACIAR, especially tuna, for their export earnings.\textsuperscript{185}

In this case significant vulnerability arises from the limited control that each country has over the management of fish resources. An emerging threat is that rising sea temperatures, especially when accentuated by El Niño cycles, may affect the migration of some tuna species, potentially taking fish populations out of the waters of Pacific island countries that depend heavily on them economically.\textsuperscript{186}

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\textsuperscript{182} Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 41.
\textsuperscript{183} Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 41.
\textsuperscript{184} Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 41.
\textsuperscript{185} Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 41.
\textsuperscript{186} Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 41.
\end{flushright}
7.109 The ACIAR believed local, regional and international trade systems and connectivity can provide a buffer to these food security vulnerabilities of the region but these systems also expose Pacific islanders to more unhealthy food options too.\textsuperscript{187}

While under-nutrition remains a severe problem in some poorer, rural areas of Pacific countries, changes in diets and lifestyles associated with increasing incomes and urbanization have led to Pacific countries having experiencing an epidemic of non-communicable diseases with some of the highest levels of obesity in the world, along with record levels of Type II diabetes and heart disease.\textsuperscript{188}

Supporting Pacific interests in global forums

7.110 DFAT submitted that Australia supports a number of multilateral aid for trade programs, bringing global expertise to address priority issues on trade in the Pacific, including through the World Bank, Enhanced Integrated Framework and the World Trade Organization Standards and Trade and Development Facility (STDF).\textsuperscript{189}

These cover areas of direct interest to the Pacific including support for trade facilitation, trade development and mainstreaming, sanitary and phytosanitary measures.\textsuperscript{190}

7.111 The Department of Agriculture, Water and the Environment submitted it also advocating for Pacific island countries within multilateral forums including agricultural and food standard setting bodies.

Australia’s representation on these forums provides an opportunity for Pacific island countries to have access to evolving international standards and provide feedback on a regional basis.\textsuperscript{191}

\textsuperscript{187} Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, \textit{Submission 14}, p. 41.

\textsuperscript{188} Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, \textit{Submission 14}, p. 41.

\textsuperscript{189} Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, \textit{Submission 14}, p. 29.

\textsuperscript{190} Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, \textit{Submission 14}, p. 29.

\textsuperscript{191} Department of Agriculture, Water and the Environment, \textit{Submission 9}, p. 5.
7.112 Within the International Plant Protection Convention (IPPC), the Agriculture Department engages in the Asia, Pacific Plant Protection Commission (APPPC), and the Pacific Plant Protection Organisation (PPPO).

The PPPO is the coordination point for plant protection issues and development of regional plant health standards.  

7.113 Australia can also contribute to supporting greater trade and investment with Pacific island countries as a member of the Codex Coordinating Committee for North America and the South West Pacific (CCNASWP).  

The role of CCNASWP includes defining problems and needs of the region concerning food standards and food control, developing regional standards for food products and exercising a general coordination role for the region in the context of Codex activities.

Case study of the Enhanced Integrated Framework

7.114 The Enhanced Integrated Framework (EIF) is a global aid for trade partnership comprising 24 donors, 48 Least Developed Countries (LDCs) and 8 global agencies, providing coordinated funding and trade related capacity building support to LDCs across Asia, Africa and the Pacific.

The EIF aims to support LDCs to use trade as a tool for inclusive and sustainable development. In the Pacific, support is being provided to Samoa, Vanuatu, Solomon Islands, Tuvalu and Kiribati.

After Cyclone Pam, additional funds were leveraged to support a tourism project in Vanuatu, which has helped to transform the Port Vila seafront into a functional, safe and attractive area, contributing to an increase in tourism arrivals, job creation and reduced urban poverty. As key players in the tourism sector, women have been the main beneficiaries of the project,

192 Department of Agriculture, Water and the Environment, Submission 9, p. 5.
193 Department of Agriculture, Water and the Environment, Submission 9, p. 5.
194 Department of Agriculture, Water and the Environment, Submission 9, p. 5.
195 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 29.
196 Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 30.
including 11,000 women working in the handicrafts sector, traders and owners of businesses linked to tourism in Vanuatu.  

In Samoa, EIF supported scaled-up collaboration between the largest state-owned agricultural producer, trade associations and women’s cooperatives, in order to add value to cocoa and coconut destined for export. Emphasis was placed on enhancing private sector participation and manufacturing linkages, which resulted in the ‘Buy Samoa Made’ initiative and new high value export markets for coconut oil and cocoa.

**Pacific representation on the World Trade Organization**

7.115 Australia has demonstrated strong support for Pacific engagement at the WTO, according to DFAT.

We have provided funding for the Pacific Islands Forum Secretariat (PIFS) Office in Geneva and Pacific Trade Invest (PTI Europe) to enable Pacific island countries to better participate in and influence WTO negotiations and rulemaking. It also enables direct Pacific insights and reporting back to capitals to inform national policy and investment decisions. Australia’s support assists Pacific island countries, individually and collectively, to access aid for trade resources from multilateral partners.

**Growing the digital economy in the Pacific**

7.116 The Department of Industry, Science, Energy and Resources and its agencies have been assisting the Pacific region with the adoption of digital technologies. The portfolio’s digital engagement with the Pacific is currently centred on technologies in the space and earth observations sectors, led by CSIRO and Geoscience Australia.
The outcome of these digital initiatives enable Pacific islands to better manage natural resources, food security, energy, transport, and urban development and to build economic and community resilience against natural shocks including disasters and climate change impacts.\(^{202}\)

7.117 DISER outlined the ‘...economic implications of greater use of earth observation technologies for the Pacific are significant’.\(^{203}\)

An Australian Government led APEC study found that the 2019 value of earth and marine observing to APEC forum economies is estimated conservatively at US$372 billion, predicted to grow to US$1.35 trillion by 2030. While only PNG (out of the Pacific island countries) was included within the study’s scope, it provides a useful example of the benefits that these technologies can have in applying to scenarios across the Pacific.\(^{204}\)

**Earth and marine observing contributed millions to PNG economy**

7.118 Earth and marine observing (EMO) is estimated to have contributed US$36 million to the PNG economy in 2019, according to DISER, and this is expected to increase to US$108 million by 2030. As shown in Figure 7.1, access to EMO such as weather services has value to PNG worth the equivalent of 0.15 per cent of GDP.\(^{205}\)

PNG derives the greatest value from earth and marine technology from consumer willingness to pay for applications such as those providing access to weather services. The remaining value of earth and marine observing to the PNG economy comes largely from its contribution to the agriculture, fisheries and forestry industries, while also benefiting the mining sector.\(^{206}\)

7.119 The department would welcome the opportunity of further collaboration with the Pacific region to help with the implementation of these technologies.

PNG’s exposure to natural disasters presents an area for greater collaboration and the realisation of future value of these technologies. The study found that PNG is positioned to increase the value realised from earth and marine observing technologies over the coming decade. Natural disaster management


\(^{204}\) Department of Industry, Science, Energy and Resources, *Submission 22*, p. 11.


and other industries (such as transport and agriculture, fisheries and forestry, and mining) present an opportunity for targeted investment.207

Figure 7.1 Economic value of earth and marine observing to Papua New Guinea

Developing linkages between veterans and Timor-Leste

7.120 Veterans Care Association is an ex-service registered charity organisation based in Brisbane that aims to reduce the instance of veteran suicide and improve the wellbeing of veterans and their families. VCA, who provide pastoral care, psychosocial rehabilitation, welfare, education, self-responsibility and social enterprise, have been running their flagship program, Timor Awakening since 2016 that strengthen links with Timor-Leste.208

Timor Awakening (TA) is an immersive, evidence-based, peer to peer wellbeing program for veterans; composing holistic health education, group therapy, mentoring, physical activity, historical commemoration and community development. The program is centred around an 11-day immersion in Timor-Leste. The TA program has a focus to utilise and promote local industry in Timor-Leste, and across three programs per year contribute approximately $200,000 to local economies.209


208 Veterans Care Association, Submission 38, p. 1.

209 Veterans Care Association, Submission 38, p. 1.
7.121 The Veterans Care Association wants the Australian Government to harness the Australian veteran community to engage in more projects in Timor-Leste.

Australia has thousands of veterans with mental health illness who would benefit from programs such as Timor Awakening and have skills to offer that can be put to work in community development projects. Timor-Leste is a proven place of sanctuary and healing for Australian veterans. The Australian veteran community is highly respected in Timor-Leste at all levels, across all sectors. Able bodied veterans can also contribute with many throughout the Australian business community having personal connection with Timor-Leste. Australian veterans have strong association with the Timor-Leste veteran community who are powerful enablers in the country, organised at national, regional and local levels to act in community development.\(^\text{210}\)

7.122 The Australian Government should invest in providing wider access to English language programs and initiatives in Timor-Leste, especially to the rural poor, according to the Veterans Care Association.

The more Timorese that speak English, the better trade and employment opportunities exist, in Timor-Leste and the Australian labour market, especially the seasonal worker program. Breaking the cycle of poverty, through work opportunity is the best way to empower an emerging country, building resilience against conflict and promoting conditions for stability and effective trade.\(^\text{211}\)

7.123 Private donations from the Australian veteran community have generated approximately AU$180,000, according to the VCA, enabling significant infrastructure for building a English language school in Betano and two years salaries for teachers.\(^\text{212}\)

English is recognised in the young population as a key international language, though there is competition in relation to programs being provided in countries with other languages. Very little has been done by the Australian government to support English language training. Australian veterans are currently building an English language school in the rural province of

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\(^\text{210}\) Veterans Care Association, Submission 38, p. 1.

\(^\text{211}\) Veterans Care Association, Submission 38, p. 1.

\(^\text{212}\) Veterans Care Association, Submission 38, p. 3.
Betano…Australian veterans have been requested far and wide from Timorese veterans and the community to support efforts in teaching English.213

7.124 The VCA believed the Australian Government should play a more active role in raising the profile of historical commemoration in Timor-Leste.

Brand ANZAC Day in Timor-Leste a major national event for the Australian public, Australian veterans, Australian media, Australian defence and government officials. Raise the profile of the Timor-Leste story in Australia.214

7.125 Danielle Heinecke, First Assistant Secretary, Pacific Operations and Development, DFAT, reiterated the importance of Timor-Leste to Australia and the Pacific.215

The other thing that’s really important is that with Timor, while it is not part of the Pacific Islands Forum, a lot of our step-up measures do engage with Timor-Leste.216

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213 Veterans Care Association, Submission 38, p. 3.
214 Veterans Care Association, Submission 38, p. 1.
215 Ms Danielle Heinecke, DFAT, Committee Hansard, 27 February 2020, p. 4.
216 Ms Danielle Heinecke, DFAT, Committee Hansard, 27 February 2020, p. 4.
8. The views, norms and cultural practices relating to trade and investment in the Pacific

Introduction

8.1 This chapter outlines the importance of Australian companies acknowledging the cultural differences and different business practices between Pacific island countries, between Polynesians, Melanesians and Micronesians and between tribal groupings.

8.2 The Sub-Committee listened to the diplomatic representatives of most Pacific nations explain the cultural importance of the ceremonial drink kava for many Pacific peoples and heard how much less restrictions on the importation of kava into Australia would open up significant trade opportunities. Members were also informed about the safety net provided to Solomon Islanders by their tribal wantok systems. The Sub-Committee also listened to the importance of churches across the Pacific and the potential and positive influence on leadership and business linkages of the Pacific Churches Partnerships Program.

Business networks and understanding of Pacific culture

8.3 Understanding that the values, norms and ways of doing things matter a great deal to Pacific islanders will be important for Australia’s engagement
with the Pacific region, according to the Whitlam Institute at Western Sydney University.¹

Pacific island people routinely hold in their minds, consciousness and actions a recognition and a celebration of their cultural diversity alongside a sense of commonality of interest, respect, trust, reciprocity and an understanding of culture. Interacting in sympathy with this ‘Pacific Mode’ of working together – in all its complexities and commonalities - is essential.²

Pacific people are looking for reassurance that Australia shares their concerns and is working alongside them, as an equal partner, to address shared challenges.³

8.4 In trade, aid and other engagements, the Whitlam Institute stressed Australia was only one of many potential relationships for Pacific islanders.⁴

The domestic concerns of Pacific islanders are connected more than ever before to global issues, notably but not exclusively through the climate crisis. Many Pacific islanders are also mindful of the region’s geostrategic significance. Pacific islanders are thus acting with more urgency and confidence in working with international partners, chiefly other Pacific states, Australia, New Zealand and China. In this environment Australia’s natural advantages are confounded by our inability to engage with the ‘Pacific Mode’. Pacific island states can and will turn to other partners if their interests and world-view are not acknowledged by Australia.⁵

8.5 Despite Australia’s geographical proximity to many Pacific island countries, Entura that provides renewable energy, water and power engineering services to the region, noted there were cultural differences to be aware of in business with Pacific nations. In Entura’s projects in the Pacific, it would strive to build respectful relationships with governments and communities, and be understanding of Pacific cultural practices and norms.⁶

Some cultural and traditional factors can affect project activity, so it is advantageous to understand these factors and anticipate them in project

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¹ Whitlam Institute, Submission 16, p. 2.
² Whitlam Institute, Submission 16, p. 2.
³ Whitlam Institute, Submission 16, p. 2.
⁴ Whitlam Institute, Submission 16, p. 2.
⁵ Whitlam Institute, Submission 16, p. 2.
⁶ Entura, Submission 5, p. 8.
planning. As one example, the timing of ceremonies or festivals and the expectations regarding involvement in such events need to be considered in setting project or meeting schedules. Another example may be the potential for strong religious views to influence decision making (such as differing perspectives on human versus divine responsibility to mitigate against climate impacts).\(^7\)

8.6 Entura submitted it was also important to recognise that the Pacific nations are ‘...increasingly experiencing cycles of movement, in which people leave their homes to seek training or employment, but then return as their families grow’.\(^8\)

Over time, these generational cycles are radically changing the traditional cultures and the economic activity of the region. The cycle of movement, however, can have implications for skills retention, and this should be factored into project lifecycle planning. Including in-situ upskilling and training, institutional strengthening and capability/capacity building as integral part of projects will benefit communities by reducing reliance on imported expertise, and therefore promoting greater independence. Understanding and respecting cultural differences should be an ongoing goal in Australian relationships with Pacific nations and may uncover untapped potential for increasing trade and investment.\(^9\)

8.7 The Cairns Regional Council outlined Cairns’ ongoing Sister city relationship with Lae and wider engagement with the Pacific has embedded practices that maintain a natural connection with its Pacific neighbours.\(^10\)

8.8 According to the Regional Council these practices are reflected in the presence of organisations in North Queensland such as the Cairns Exchange Innovation and Information Centre (EiiC) and Tradelinked-Cairns-PNG-Pacific. The EiiC and Tradelinked-PNG-Pacific and their Pacific networks are well-placed to provide support in developing trade and community links with our Pacific neighbours.\(^11\)

\(^{11}\) Cairns Regional Council, Submission 1, p. 11.
Differences can be supported and accommodated through their knowledge of cultural practices and nuances developed through extensive experience of working with partners from Pacific nations.\footnote{Cairns Regional Council, \textit{Submission 1}, p. 11.}

**Solomon Islands as a melting pot of Pacific diversity**

8.9 The Solomon Islands Government submitted that while the country is a Melanesian country, it also ‘…manifests a melting pot of diversity of peoples’.\footnote{Solomon Islands Government, \textit{Submission 54}, p. 8.}

The heterogenous Melanesian cultures of the country and society is complimented by minority Polynesian communities who populate parts of Malaita Province, Renbel Province and the Temotu Provinces, and, a Micronesian community who were resettled in the country ante independence by former British Colonial Administration in the late 1950s and 1960s.\footnote{Solomon Islands Government, \textit{Submission 54}, p. 8.}

Solomon Islands is a country with a heterogenous society with cultures differing from island to island and region to region in some of the bigger islands. Some 80 – 85 percent of the population live in the rural areas and engage in subsistence with some participation in the informal sector for sustainance of livelihoods. Youths account for 60 percent of the population.\footnote{Solomon Islands Government, \textit{Submission 54}, p. 8.}

8.10 The Government highlighted that a common but prominent feature of culture in Solomon Islands is close to attachment to family and tribal groups and that land ownership and tenure is determined by blood relations. More than 90 per cent of land on the Solomons is ‘…customary land owned by tribal groups’.\footnote{Solomon Islands Government, \textit{Submission 54}, p. 8.}

**Wantok system is Solomon Islands safety net**

8.11 The Government described the tribal connections are the basis for a common societal domain across Solomon Islands communities called the ‘wantok system’.\footnote{Solomon Islands Government, \textit{Submission 54}, p. 8.}
This literally serves as the safety-net in a society where there exists no social welfare system in place to look after the vulnerable and older segments of society. In the days of old and even today, the younger and active members of family and community are expected to accord respect for and take care of their older folks. Generally, the Wantok system is attached to sense of belonging and identity amongst Solomon Islanders.\footnote{Solomon Islands Government, Submission 54, pp. 8-9.}

8.12 The Government admitted that the Wantok system for all the ‘…positive nuances it holds also creates also causes challenges’.\footnote{Solomon Islands Government, Submission 54, p. 9.}

It can be a source for devisiveness and discord when there are situations that test social cohesion in a society so heterogenous by setting. Such tests were manifested during the periods of ethnic unrest when Solomon Islands almost collapsed as a country, only for it to be given the lifeline by the regional intervention mission funded and led by Australia and New Zealand in between 2003 – 2017. On the same token, the Wantok system and affiliations sustained rural communities in the different islands when the entire government machinery almost came to a stand still with scarce or no resource to fund public social services such as education and health.\footnote{Solomon Islands Government, Submission 54, p. 9.}

### Recognising the cultural importance of kava

8.13 Listening to the concerns on the restrictions of kava importation from across the Pacific by the Pacific diaspora and diplomatic representatives, the Australian Government submitted it has relaxed some limitations on kava imports and begun a pilot program.\footnote{Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 36.}

In recognition of the strong cultural and economic importance of kava both in Pacific island countries and for the diaspora in Australia, we have eased the restriction on kava imports into Australia. We have doubled the amount of kava that can be imported for personal use from two kilograms to four kilograms and will commence a commercial importation of kava pilot program by the end of 2020 to Australia.\footnote{Department of Foreign Affairs and Trade, ACIAR, Austrade & Export Finance Australia, Submission 14, p. 36.}
8.14 The Department of Agriculture, Water and the Environment, declared it works closely with counterparts in the Pacific to ensure that ‘…cultural practices are supported by trade while ensuring that biosecurity is maintained, viable trade is supported and cultural diversity respected’.

As part of the evolving relationship with Pacific island countries, the Australian Government recognises the importance of kava to family and social life in Pacific Islander communities living in Australia. The department is working with other agencies including Health, Home Affairs, and Foreign Affairs and Trade to facilitate the Prime Minister’s initiative to increase the amount of kava that can be imported into Australia. This acknowledges that kava is vital to the livelihood of Pacific farmers and a potentially important export for Pacific island economies.

8.15 DHL Express Oceania that operates extensively throughout all Pacific Islands believed there was much merit relationships-wise in Australia lifting the four kilogram limit further on such a culturally important product as kava in the personal baggage of mostly the Pacific diaspora.

The current import restrictions on kava into Australia may, at one level, seem trivial however kava represents an important part of the Pacific Island cultural fabric. The ability to import more than the 4kg personal baggage allowance would be a good opportunity for producers throughout the region to open up markets in Australia, which contains a significant Pacific Islander population.

8.16 Deputy Head of Mission in Australia for the Kingdom of Tonga Mr Curtis Leonard Tuihalangingie agreed the Australian Government was conscious of the need to be fair and to promote trade under the current Pacific Step-up but queried why the importation of kava into Australia is currently restricted.

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23 Department of Agriculture, Water and the Environment, Submission 9, p. 6.

24 Department of Agriculture, Water and the Environment, Submission 9, p. 6.


26 DHL Express Oceania, Submission 29, pp. 1-2.

27 Mr Curtis Leonard Tuihalangingie, Deputy Head of Mission, Kingdom of Tonga, Committee Hansard, 4 September 2020, p. 3.
Take kava, for example. Kava is often perceived in a very negative light—when consumed, it’s a dangerous drug. However, these negative perceptions have simply been debunked.  

8.17 Mr Tuihalangingie called on Australia to strongly consider the scientific studies that he claimed have proven the pharmaceutical benefits of kava. These studies have helped to facilitate and maintain market access across the United States and New Zealand, to me to name a few, after years of research and hundreds of millions of lost revenue to the Pacific Islands. Kava not only requires scientific based research to be understood but also requires human-to-human interactions, understanding and discussion...Here you will find that kava is the cornerstone of our cultures, our traditions and our daily life. It binds our communities and it keeps our youngsters from committing crime.

Last year, when we participated in the multicultural festival, 80 per cent of the people that came and asked if we sell kava were Australians with no Pacific island background—80 per cent. Most of them were young fellows in their 20s, 30s or 40s, but kava helps so many things, like stress and anxiety. So we have to look into the other aspect of kava and not only the negative impact of kava.

8.18 Mr Tuihalangingie told the diplomatic roundtable that such a culturally important product as kava should even become a cornerstone of Australia’s Pacific Step-up policy.

Allow me to humbly suggest that, should you wish to ensure the success of the Pacific Step-up policy, please include the cornerstone of this region in the Pacific Step-up...I am confident that Australia will recognise the social and economic benefits of kava if it is incorporated in the Pacific Step-up.

8.19 Solomon Islands High Commissioner HE Robert Sisilo added that kava was also a booming new crop in the Solomon Islands.

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28 Mr Curtis Leonard Tuihalangingie, Deputy Head of Mission, Kingdom of Tonga, Committee Hansard, 4 September 2020, p. 3.

29 Mr Curtis Leonard Tuihalangingie, Deputy Head of Mission, Kingdom of Tonga, Committee Hansard, 4 September 2020, p. 3.

30 Mr Curtis Leonard Tuihalangingie, Deputy Head of Mission, Kingdom of Tonga, Committee Hansard, 4 September 2020, p. 13.

31 Mr Curtis Leonard Tuihalangingie, Deputy Head of Mission, Kingdom of Tonga, Committee Hansard, 4 September 2020, p. 3.
...whenever we talk about kava in the Pacific, it was usually about Vanuatu, Samoa, Tonga and Fiji, but not anymore. Solomon Islands, thanks to COVID-19, has now gone into kava planting big time, especially in the rural areas, where they own about 80 per cent of the land.\footnote{32 HE Robert Sisilo, High Commissioner, Solomon Islands, \textit{Committee Hansard}, 4 September 2020, p. 15.}

8.20 Mr Tuihalangingie supported the trial, and it being postponed until late 2021 because of COVID-19 but it has led to shortages of supply for the diaspora in Australia and he would welcome kava being allowed come into Australia by post.\footnote{33 Mr Curtis Leonard Tuihalangingie, Deputy Head of Mission, Kingdom of Tonga, \textit{Committee Hansard}, 4 September 2020, p. 14.}

We submitted lots of submissions regarding this trial, but, at the moment, the current policy or regulation towards kava only permits an individual coming on a plane to hand carry or check-in four kilos of kava. However, there’s no-one travelling now...Department of Foreign Affairs and Trade and the Department of Health to see what we can do to loosen the restriction, at least to allow the posting of just one kilo or two kilos of kava for the time being until normal travel is permitted and we can go back.\footnote{34 Mr Curtis Leonard Tuihalangingie, Deputy Head of Mission, Kingdom of Tonga, \textit{Committee Hansard}, 4 September 2020, p. 13.}

Now it’s $300 for one kilo of kava, and the prices keep on going and going up because there is less and less kava coming in...\footnote{35 Mr Curtis Leonard Tuihalangingie, Deputy Head of Mission, Kingdom of Tonga, \textit{Committee Hansard}, 4 September 2020, p. 14.}

8.21 The High Commissioner of the Republic of Vanuatu HE Samson Vilvil Fare cautioned against ignoring other international studies of kava when evaluating Australia’s kava pilot.\footnote{36 HE Samson Vilvil Fare, High Commissioner, Republic of Vanuatu, \textit{Committee Hansard}, 4 September 2020, p. 14.}

We should not neglect the good work that has been done in different international bodies that Australia and Vanuatu, but also other Pacific Island countries, are members of. I’m thinking mainly here about the Codex Alimentarius, which is the body that regulates international food standards...
and which both of our countries are a member of, where kava has been discussed intensively...37

8.22 High Commissioner Vilvil Fare urged Australia’s Department of Health and other departments that are looking into kava in Australia to take into account ‘all the proceedings and the good work that have been done on kava, not only by the Codex Alimentarius but also within the European Union’.38

8.23 High Commissioner Vilvil Fare also highlighted the importance of kava to Vanuatu’s economy, exceeding that of tourism, as kava is being exported to different countries, other than Australia.

....in terms of Vanuatu’s GDP, in 2018 kava surpassed tourism to contribute to 64 per cent of our GDP. Obviously, with the COVID-19 pandemic, we have no more tourists coming into the country, but kava is still moving forward. Vanuatu has a huge interest in kava. I think we have the highest number of varieties of kava in the world in the country itself.39

8.24 When considering standards, High Commissioner Vilvil Fare stressed the importance that Australian Government acknowledges the work of Codex Alimentarius that branded kava as a food and not as a narcotic or as a drug.40

This is also something that is important to consider when we’re doing this pilot project with Australia: kava should be labelled not as a drug or narcotic but more so as a food, as a consumable food, that can be consumed by the population.41

37 HE Samson Vilvil Fare, High Commissioner, Republic of Vanuatu, Committee Hansard, 4 September 2020, p. 14.
38 HE Samson Vilvil Fare, High Commissioner, Republic of Vanuatu, Committee Hansard, 4 September 2020, p. 14.
39 HE Samson Vilvil Fare, High Commissioner, Republic of Vanuatu, Committee Hansard, 4 September 2020, p. 14.
40 HE Samson Vilvil Fare, High Commissioner, Republic of Vanuatu, Committee Hansard, 4 September 2020, p. 14.
41 HE Samson Vilvil Fare, High Commissioner, Republic of Vanuatu, Committee Hansard, 4 September 2020, p. 14.
In the future, we would like to see it moved to an office that is looking after food standards so that we can give kava a positive image by making sure that kava is not classified as a drug or a narcotic—obviously, there are abuses.\(^{42}\)

8.25 Kava was regarded as a food in New Zealand according to the New Zealand High Commissioner Hon. Dame Annette Faye King.\(^{43}\)

My understanding is that you can import kava into New Zealand…It is treated as a food in New Zealand, but the setting of food standards is done in a joint way by Australia and New Zealand, the states and territories. It is the Food Standards Australia New Zealand agency that actually sets those food standards. I used to sit on that committee, so I have some knowledge of it. You would need to have a proposal for it to become a product that has a joint food standard and then an agreement. It’s not just an agreement with the federal government; it would need to be an agreement with the states and the territories because of the Federation, and New Zealand.\(^{44}\)

8.26 High Commissioner Dame King was unaware if whether kava had ever been proposed by Pacific nations that it be put as a food standard to FSANZ and believed it should be something to consider after the pilot project.\(^{45}\)

8.27 High Commissioner Vilvil Fare believed a lot of negative publicity around kava was due how it is processed.

…that’s mainly because we do not understand the whole process of kava itself and how it’s being processed, from farm to table and the whole value chain of kava…It’s really important that we understand the whole value chain of kava in order have it on the market when it comes to the very end of that. That value chain should also permit the countries who are suppliers but also the receiving countries to be able to have a traceability mechanism in place…so


\(^{43}\) HE Hon. Dame Annette Faye King, High Commissioner, New Zealand, *Committee Hansard*, 4 September 2020, p. 15.

\(^{44}\) HE Hon. Dame Annette Faye King, High Commissioner, New Zealand, *Committee Hansard*, 4 September 2020, p. 15.

\(^{45}\) HE Hon. Dame Annette Faye King, High Commissioner, New Zealand, *Committee Hansard*, 4 September 2020, p. 15.
that, if there is a problem within the distribution pattern or its implementation, we can trace it very quickly and look into that.\textsuperscript{46}

8.28 The founder and director of Fiji Kava Ltd, Mr Zane Yoshida, told the inquiry that his company processes a farm-to-shelf range of supplements and complementary medicines made from kava, which they import and sell in Australia, and in various other markets.\textsuperscript{47}

8.29 Mr Yoshida welcomed the concept of allowing a ‘kava bubble’ due to COVID-19 travel restrictions and the announcement in Fiji by the visiting Australian Prime Minister Scott Morrison of a two-phased approach to the re-entry of kava into the Australian market.

Phase 1 is now complete in that we’ve increased the personal importation of kava from two kilos to four kilos. The second phase of the initiative was the commercial import trials of kava, which were scheduled for 2020. However, due to COVID that’s now been pushed back to December 2021. Given that access to kava by Pacific islander communities in the short term is now restricted, I’d like to request that an interim measure or a kava bubble per se be allowed ahead of the commercial import trials taking place in 2021.\textsuperscript{48}

8.30 Mr Yoshida stressed the recent breakthrough for the kava industry that Codex Alimentarius, and as a result the United Nation’s Food and Agriculture Organization (FAO) and World Health Organization now adopting kava as a regional standard.\textsuperscript{49}

…which means that, as a minimum, kava will be processed to food safety standards. There are a number of exporters in the Pacific, not just Fiji, that already have HACCP Australia food safety accreditation, which would allow kava a pathway for export into Australia for traditional use, as well as for commercial use, meeting, at the very minimum, food safety standards.\textsuperscript{50}

8.31 The project lead of the Pacific Hub at the Griffith Asia Institute Dr Tess Newton Cain believed there is a particular discussion needed to be had by the Australian Government around establishing a ‘kava bubble’.

\textsuperscript{46} HE Samson Vilvil Fare, High Commissioner, Republic of Vanuatu, \textit{Committee Hansard}, 4 September 2020, p. 14.

\textsuperscript{47} Mr Zane Yoshida, Founder/Director, Fiji Kava Ltd, \textit{Committee Hansard}, 2 November 2020, p. 2.

\textsuperscript{48} Mr Zane Yoshida, Founder/Director, Fiji Kava Ltd, \textit{Committee Hansard}, 2 November 2020, p. 10.

\textsuperscript{49} Mr Zane Yoshida, Founder/Director, Fiji Kava Ltd, \textit{Committee Hansard}, 2 November 2020, p. 10.

\textsuperscript{50} Mr Zane Yoshida, Founder/Director, Fiji Kava Ltd, \textit{Committee Hansard}, 2 November 2020, p. 10.
...there is a lot to be done and can be done in the short term about opening up the Australian market for kava, which is a key agri-export for a number of Pacific island countries.\footnote{Dr Tess Newton Cain, Griffith Asia Institute, \textit{Committee Hansard}, 2 November 2020, p. 7.}

8.32 Dr Newton Cain warned the impact of COVID in relation to ‘...opening up the Australian market for kava has been very poorly received in the region’.\footnote{Dr Tess Newton Cain, Griffith Asia Institute, \textit{Committee Hansard}, 2 November 2020, pp. 18-19.}

I think the opening up a kava bubble, which would allow people to receive their legally allowed personal allowance by having it posted to them, would be a very strong signal on the part of the Australian government as to the importance that they accord and recognise Pacific people being able to express their culture here in Australia, including by use of kava.\footnote{Dr Tess Newton Cain, Griffith Asia Institute, \textit{Committee Hansard}, 2 November 2020, pp. 18-19.}

8.33 Mr Tuihalangingie from the Kingdom of Tonga High Commission stressed that kava presented a potentially ‘...really good trade opportunity for Tonga, for the Pacific and Australia’.\footnote{Mr Curtis Leonard Tuihalangingie, Deputy Head of Mission, Kingdom of Tonga, \textit{Committee Hansard}, 4 September 2020, p. 14.}

We see that some of our colleagues in the Pacific have turned to other countries beyond our own region. I don’t want to name countries, but Australia could avail the opportunity to have this pharmaceutical here, rather than in Asia or other regions in the world.\footnote{Mr Curtis Leonard Tuihalangingie, Deputy Head of Mission, Kingdom of Tonga, \textit{Committee Hansard}, 4 September 2020, p. 14.}

**Supporting the Pacific Churches Partnerships Program**

8.34 The Australian Government is contributing $2 million until 2023 on the Pacific Churches Partnerships Program, which aims to build up the leadership capabilities of Pacific Island church leaders to contribute to development outcomes in the Pacific, according to DFAT.

The PCPP provides bilateral and regional capacity building opportunities for Pacific island church leaders, including female and young church leaders, and strengthened partnerships between Pacific island and Australian church leaders. The program is being adapted to assist Pacific churches to manage the
ongoing socio-economic impacts of COVID-19 on the communities while fostering links and cooperation with Australian churches and church organisations.56

8.35 The Cairns Regional Council highlighted the importance of the Pacific Churches Partnerships Program too, and also provision of Australian media content to the Pacific.57

National endeavours such as the Church Partnerships Program and the provision of Australian media content to Pacific nations helps foster a welcoming and familiar connection which supports local initiatives such as those delivered through groups such as EiiC and Tradelinked Cairns-PNG-Pacific.58

Churches have a role to play in anti-corruption measures

8.36 Like any civil society organization, faith-based organisations such as church can play a key role in preventing and fighting corruption, according to the United Nations Pacific Regional Anti-Corruption (UN-PRAC).59

In our experience, civil society organizations can and have influenced legislative, policy and political change. Civil society organizations can act as watchdogs and call out corruption in the public and private sectors, act as key agents in corruption prevention (e.g. promotion of values, education and awareness-raising), lobby governments for change, and offer a voice, also to vulnerable groups such as women’s groups, youth organisations and organizations for persons with disabilities, so that their experiences of corruption are acknowledged and addressed.60

8.37 The UN-PRAC noted many Pacific Islanders practice a religion or belief with Christianity very influential in most Pacific countries.


57 Cairns Regional Council; Submission 1, p. 11.

58 Cairns Regional Council; Submission 1, p. 11-12.

59 United Nations Pacific Regional Anti-Corruption (UN-PRAC), Submission 33.1 – Supplementary Submission, Questions on Notice, p. 1.

60 United Nations Pacific Regional Anti-Corruption (UN-PRAC), Submission 33.1 – Supplementary Submission, Questions on Notice, p. 1.
In most Pacific island countries, the dominant religion is Christianity (e.g. in Papua New Guinea, Samoa and Vanuatu, it is estimated that respectively 99.2 per cent, 97.5 per cent and 93 per cent of the population is Christian). However, there are also other faiths, such as in Fiji, where approximately 27.9 per cent of the population are Hindu and 6.3 per cent are Muslims.61

8.38 Therefore due to the large amount Pacific Islanders adhering to a religion or belief, UN-PRAC believed faith-based organisations are influential to a large part of the population.62

They have the ability to raise awareness of what corruption is and its risks, to take action to mitigate them, to promote measures to prevent and fight corruption (e.g. how to make a corruption complaint, make a Freedom of Information request), and to undertake values-based advocacy.63

8.39 UN-PRAC expected faith-based organisations, like other civil society organisations, can play a role in changing social norms and ‘cultures of corruption’. Referring to ‘Ringing the Church Bell: The Role of Churches in Governance and Public Performance’ discussion paper, UN-PRAC noted that churches in Papua New Guinea ‘...advocate for social justice and the rule of law through their involvement in organisations, such as the Community Coalition against Corruption’ or through consultations between church leaders and PNG Government officials.64

Faith-based organizations can draw on values from their respective faiths to urge their constituents not to engage in corrupt behaviour and therefore work to change existing ‘cultures of corruption’.65

61 United Nations Pacific Regional Anti-Corruption (UN-PRAC), Submission 33.1 – Supplementary Submission, Questions on Notice, p. 1.

62 United Nations Pacific Regional Anti-Corruption (UN-PRAC), Submission 33.1 – Supplementary Submission, Questions on Notice, p. 1.

63 United Nations Pacific Regional Anti-Corruption (UN-PRAC), Submission 33.1 – Supplementary Submission, Questions on Notice, p. 1.


65 United Nations Pacific Regional Anti-Corruption (UN-PRAC), Submission 33.1 – Supplementary Submission, Questions on Notice, p. 1.
8.40 However, UN-PRAC warned that it is important to note that, like ‘any other hierarchical institution, faith-based organisations are also susceptible to corruption’.66

It is therefore key not to ignore corruption risks within faith-based organizations themselves. It is paramount that religious leaders are not allowed to act with impunity. Given the ‘many-hats’ situation, where prominent Pacific people can often serve simultaneous roles in government, media, churches, parliament and the private sector, there has been a growing trend observed of such leaders advocating for similar accountability for their church roles as in their government roles.67

8.41 UN-PRAC noted in PNG for example, churches provide about half of the country’s health services and – in partnership with PNG Government – co-manage some 40 per cent of the primary and secondary education facilities along with two universities.68

Given the prominence of churches in the Pacific, their role in sectors such as health and education, and the economic importance of tithing, many Pacific communities have advocated for countries reviewing their national Leadership Codes (i.e. codes of conduct for ‘leaders’) to include faith leaders within the gamut of those ‘leaders’ required to comply with accountability and transparency provisions.69

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66 United Nations Pacific Regional Anti-Corruption (UN-PRAC), Submission 33.1 – Supplementary Submission, Questions on Notice, p. 1.

67 United Nations Pacific Regional Anti-Corruption (UN-PRAC), Submission 33.1 – Supplementary Submission, Questions on Notice, p. 1.

68 United Nations Pacific Regional Anti-Corruption (UN-PRAC), Submission 33.1 – Supplementary Submission, Questions on Notice, p. 1.

69 United Nations Pacific Regional Anti-Corruption (UN-PRAC), Submission 33.1 – Supplementary Submission, Questions on Notice, p. 1.
9. Recommendations and references

Supporting the Pacific recover from the impacts of COVID

9.1 The Trade Sub-Committee listened to the concerns of the diplomatic representatives of Pacific island countries and other submitters from business, community and academic circles about the dire economic impact the COVID-19 pandemic and its related travel restrictions has had upon Pacific people and their communities through 2020 and 2021. The Trade Sub-Committee supported increasing development assistance due to impacts of the pandemic in key sectors such as tourism and on labour mobility, and the decline in overseas workers’ remittances. The Sub-Committee welcomes support the Government is already providing and encourages building further on this support for improved COVID-19 vaccine coverage across the Pacific, especially of health workforces and other vulnerable people. Implementation of such health measures could help restore confidence in travel to and from Pacific island countries, when safe to do so.

Recommendation 1 – COVID-19 Recovery

9.2 The Committee recommends that the Australian Government prioritises its support for the Pacific region to recover from COVID-19 by:

- increasing its development assistance contributions to countries in the region to help them mitigate economic and health crises resulting from the pandemic (refer paragraphs 6.3, 6.5, 6.8 - 6.11, 6.17 & 6.22);

- providing vaccine coverage for countries in the region including health workforce training and education campaigns (refer paragraphs 6.9 - 6.10 & 6.25);
• providing urgent assistance in the event of outbreaks to protect health workers and vulnerable people in affected countries in the region (refer paragraphs 6.9 & 6.25); and

• assessing opportunities to restore international trade and travel when it is safe to do so (refer paragraphs 3.30, 6.8, 6.11, 6.23 & 6.24 - 6.25).

Trade and investment with the Pacific

9.3 The Trade Sub-Committee supports the implementation of the Pacific Agreement on Closer Economic Relations (PACER Plus) with Pacific island countries and for the Australian Government to also forge closer economic ties with two key nations outside of PACER Plus - Papua New Guinea and Fiji. The Trade Sub-Committee agrees with pursuing measures to develop, with Australian expertise and support, a regional Pacific standard to assist both Australian and Pacific exporters or service providers to activate their trade and gain access to larger markets. Much can be gained by Australia and Pacific nations by embracing the Pacific Quality Infrastructure Initiative to support the delivery of quality infrastructure and assist with economic development. Submitters to the inquiry highlighted the paucity of information about business investment opportunities in the region. The Sub-Committee agreed with the Australian Government supporting and promoting an organised investor tour of the Pacific by Australian superannuation funds to places of interest in Papua New Guinea for example. The Sub-Committee was pleased to learn more about the deep cultural and economic significance of kava to many Pacific island countries and their diaspora living in Australia and welcomes moves to expand the market and open trade opportunities for kava.

Recommendation 2 – Trade and Investment

9.4 The Committee recommends that, given the evidence received, the Australian Government prioritises the activation of greater trade and investment with countries of the Pacific region by:

• considering measures and reforms to the Pacific Agreement on Closer Economic Relations (PACER Plus) to address any gaps in key areas such as in rules of origin, customs, biosecurity measures, standards, trade in services and investment during the Agreement’s
implementation by Australia, New Zealand and Pacific island countries (refer paragraphs 4.5, 4.8, 4.10, 4.37, 4.40, 4.82, 4.91);

- providing training, seed funding, and targeted support to allow Pacific islanders, including Pacific islander small business owners and Pacific exporters, to gain access to Australian markets and also meet the standards required (refer paragraphs 3.102 - 3.104, 4.88 - 4.89, 7.45 & 8.4);

- supporting further research and evaluation of Australia-Pacific island trade and investment (refer paragraphs 3.49, 5.127 & 5.129);

- focusing its Aid for Trade program in the Pacific on building human resource, educational and institutional capacity in the Pacific island countries to reform national economic and trade policies, improve trade facilitation processes and build trade-enhancing institutions (refer paragraphs 3.90, 3.91, 3.93 & 3.95 – 3.104);

- supporting with technical assistance and expertise the establishment of National Standards Bodies (NSB) in Pacific island countries with the ambition of developing a regional Pacific standard (refer paragraphs 7.26 – 7.38);

- supporting the Pacific Quality Infrastructure Initiative and other bilateral, regional and multilateral projects involving Australia in the Pacific region aimed at delivering quality infrastructure (refer paragraph 7.39);

- coordinating with interested super funds to support and promote pilot investor tours of Pacific island countries (refer paragraph 6.112); and

- assisting interested governments of the Pacific island countries to join Australia’s kava commercial importation pilot and for the pilot to consider the feasibility of classifying kava as a food under a joint food standard of Food Standards Australia New Zealand (refer paragraphs 8.13 – 8.33).
Pacific travel and labour mobility

9.5 Noting the economic impact of the COVID-19 pandemic and widespread travel restrictions on Pacific island people and their communities, the Trade Sub-Committee supports measures for the safe implementation of a managed Pacific travel bubble. The Sub-Committee acknowledges the benefits of extending this so-called travel bubble beyond New Zealand to include interested Pacific island countries: it would help bolster struggling economies by reopening tourism and employment opportunities for Pacific islanders seeking seasonal work on Australian farms and in other sectors.

Recommendation 3 – Travel and Mobility

9.6 The Committee recommends that the Australian Government improves travel and mobility between Australia and the countries of the Pacific region by:

- establishing a Pacific travel bubble between Australia and New Zealand that includes interested countries of the Pacific region, subject to health advice and the implementation of COVID-safe travel and quarantine arrangements (refer paragraphs 3.30 – 3.46);

- investigating the potential for improving infrastructure and its maintenance to encourage and enable increased air and sea links between Australia and the Pacific (refer paragraphs 3.142, 3.145 - 3.146, 3.148, 3.157 - 3.158 & 3.160);

- introducing a Pacific Business Travel Card, similar to the visa APEC Business Travel Card (refer paragraphs 6.44, 6.48 - 6.49 & 6.51 - 6.52);

- reviewing existing labour mobility arrangements, including the Seasonal Worker Programme and the Pacific Labour Scheme, for workers from countries of the Pacific region with consideration for:

  - improving regulatory and administrative processes (refer paragraphs 5.33, 5.70 - 5.71 & 5.105);
  - improving working conditions including improved monitoring and enforcement activity in compliance with relevant provisions.
on workers’ entitlements (refer paragraphs 5.72 - 5.75 & 5.108 – 5.114);

- improving workers’ access to superannuation by making the transfer of funds into workers’ superannuation accounts in the Pacific easier and faster (refer paragraphs 5.76 - 5.79);

- improving workers’ access to health care and insurance while on assignment in Australia (refer paragraphs 5.81 & 5.108);

- improving communication and access to information on workers’ rights (refer paragraphs 5.80 & 5.108 - 5.110);

- incorporating industry-led third-party audited certifications, such as Fair Farms which is used in the horticultural industry, to help oversee ethical treatment of Pacific island workers (refer paragraphs 5.92 & 5.111 - 5.114);

- introducing induction training on labour mobility schemes to new diplomats from countries of the Pacific region (refer paragraph 5.103); and

- identifying youth and women employment opportunities (refer paragraphs 5.115 – 5.117, 5.125 & 5.126).

People to people ties

9.7 The Trade Sub-Committee supports: direct assistance from the Australian Government and national sporting bodies for Pacific islander sports people, including those with physical and intellectual disabilities, to encourage greater participation in the 2032 Olympics and Paralympics in Australia; expanding the cultural bridging programs such as for church leaders in the Pacific Church Partnerships to also highlight the socio-economic opportunities that may come from increased trade and investment with Australia; improving the scope and quality of business news in the Pacific to encourage further interest from Australian business and investors; and bolstering the standards of education available to Pacific islanders by offering a capped number of Commonwealth Supported Places to suitable students from Pacific island countries to attend Australian secondary schools, technical and further education institutes and universities.
Recommendation 4 – People to People Ties

9.8 The Committee recommends that the Australian Government works towards deepening people to people ties between Australia and countries of the Pacific region through:

- sport – by expanding its Sports Diplomacy 2030 and Australia’s Pacific Step-up initiatives through a new program called ‘Team AusPac’. Team AusPac would be spearheaded by the Australian Government and, in partnership with relevant sporting organisations, the program would aim to (refer paragraphs 7.67 – 7.70):
  - maximise opportunities for Pacific island countries to be closely associated with, and actively participate in, the 2032 Olympic and Paralympic Games in Australia (refer paragraph 7.74);
  - create a special Pacific islands program as part of the Australian Institute of Sport (AIS) in support of elite athletes from the Pacific (refer paragraph 7.70);
  - support efforts by the Pacific to have a team from a Pacific island country enter the National Rugby League (NRL) competition (refer paragraph 7.68);
  - expand the number of sports to receive special focus under the PacificAus Sports program beyond netball, rugby union, football and rugby league (refer paragraph 7.70);
  - expand the scope of the PacificAus Sports program to include a capacity building program for sporting coaches and trainers from the Pacific (refer paragraphs 7.67 & 7.70).

- churches – by continuing and building upon investment in cultural bridging programs such as the Pacific Church Partnerships program (refer paragraphs 8.34 – 8.39);

- media – by supporting the provision of more Pacific-related Australian media content on issues such as seasonal work opportunities or aid projects to Pacific nations while also assisting with the expansion and the quality of Pacific-focused business media services to the Pacific (refer paragraphs 6.113 – 6.115, 6.121 – 6.123, 6.127 – 6.130 & 8.35);
education – by offering a capped number of Commonwealth Supported Places, or equivalent, to prospective students from countries of the Pacific region, to attend Australian secondary schools, technical and further education institutes, and universities (refer paragraphs 2.92 – 2.93, 2.101, 3.88 & 7.59 – 7.61).

The State of Queensland as a Pacific gateway

9.9 As Queensland is already a natural geographic gateway into much of the Pacific region, the Trade Sub-Committee believe more could be done by federal and state governments to investigate how to best help Queensland further develop this advantage to the benefit of both Australia and its Pacific neighbours. The Sub-Committee welcomes the submission from the Cairns Regional Council highlighting the synergies between North Queensland and neighbouring Papua New Guinea, and other nearby Pacific island countries. It also sees merit in the Department of Foreign Affairs and Trade (DFAT) examining the feasibility of expanding the resources for a full-time Pacific-focused office in Queensland with senior DFAT and Austrade staff.

Recommendation 5 – Queensland as a Pacific gateway

9.10 The Committee recommends that the Australian Government recognise the role played by Australian states and territories, in particular by Queensland, in Australia’s relationship with countries of the Pacific by:

- analysing the recommendations in this report within a Queensland context;

- undertaking a feasibility study on expanding the services of a Pacific-focused office for the Department of Foreign Affairs and Trade in Queensland, resourced by senior departmental staff (refer paragraphs 3.151 – 3.152 & 3.162); and

- engaging with the Queensland State Government and relevant local government authorities in Queensland on opportunities to work collaboratively on the recommendations in this report and other initiatives to further strengthen Australia’s relationship with countries of the Pacific region.
Mr Ted O’Brien MP
Chair
Trade Sub-Committee
1 September 2021

Senator the Hon David Fawcett
Chair
JSCFADT
1 September 2021
A. Submissions

List of Submissions

1. Cairns Regional Council
   - Attachment 1

2. Federation of Ethnic Communities’ Councils of Australia

3. Trade and Investment Queensland (TIQ)
   - Attachment 1
   - Attachment 2
   - Attachment 3

4. Business Advantage International

5. Entura
   - 5.1 Supplementary to submission 5

6. United Nations Conference on Trade and Development (UNCTAD)

7. Centre for Customs and Excise Studies, Charles Sturt University

8. Standards Australia

9. Department of Agriculture, Water and the Environment


11. New Zealand Government, Minister for Trade and Export Growth
   - Attachment 1

12. World Bank & International Finance Corp

13. Dr Victoria Stead
<p>| 14 | Department of Foreign Affairs and Trade |
| 15 | Direct Control Medical |
| 16 | Whitlam Institute within Western Sydney University |
|     | • Attachment 1 |
| 17 | New Caledonia Government |
|     | • Attachment 1 |
| 18 | Dr Stephen Nash |
| 19 | eWater |
| 20 | Emeritus Professor Ron Duncan AO |
| 21 | Sutherland Shire Environment Centre |
| 22 | Department of Industry, Science, Energy and Resources |
| 23 | Australian Fair Trade and Investment Network |
| 24 | ActionAid Australia |
| 25 | Indra Australia |
| 26 | International Women’s Development Agency (IWDA) |
| 27 | Oaktree |
| 28 | Australia-PNG, Australia-Fiji &amp; Australia-Pacific Islands business councils |
| 29 | DHL Express (Australia) Pty Ltd |
| 30 | Pacific Network on Globalisation |
| 31 | Department of Education, Skills and Employment |
| 32 | Government of Kiribati |
| 33 | United Nations Pacific Regional Anti-Corruption (UN-PRAC) Project |
|     | • 33.1 Supplementary to submission 33 |
| 34 | Griffith Asia Institute |
| 35 | Asian Development Bank |
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B. Exhibits

List Exhibits

1. Mr Satish Chand, Pacific Skills Partnership: Improving the APTC to meet skills needs within the region

2. Indra Pty Ltd, International Civil Aviation Organization, Pacific Small Island Developing States Aviation Needs Analysis (PSIDS Study)


4. ANZ Pacific Insight - Australia's Infrastructure Funding for the Pacific, 26 October 2020

5. ANZ Pacific Insight - Pacific travel corridors delayed, but not all is bad, 21 September 2020

C. Witnesses

List of Hearings

Thursday, 13 February 2020 - Canberra

*Federation of Ethnic Communities’ Councils of Australia*

- Mr Mohammad Al-Khafaji, Chief Executive Officer
- Ms Mellisa Silaga, Social Cohesion Officer/Pacific Islands Community Leader, Ethnic Council Shepparton & District

Thursday, 27 February 2020 - Canberra

*Department of Foreign Affairs and Trade (DFAT)*

- Ms Danielle Heinecke, First Assistant Secretary, Pacific Operations and Development
- Mr William Costello, Assistant Secretary, Pacific Labour Mobility and Economic Growth Branch
- Ms Nadia Krivetz, Acting Assistant Secretary, FTA Services Branch, Regional Trade Agreements Division
- Mr David Osborne, Lead Economist, Office of the Pacific
- Mr Cameron Reid, Director, Pacific Economic Trade and Private Sector Engagement Section
- Ms Rachel Harris, Assistant Director, Economics, Trade and Private Sector Engagement Section, Office of the Pacific
- Mrs Sabrina Varma, Aid for Trade Adviser, Pacific Economic Growth, Trade and Private Sector Engagement
**Australian Trade and Investment Commission (Austrade)**

- Ms Margaret Bowen, Acting General Manager, Government and Partnerships
- Mrs Kylie Sterling, Trade and Investment Commissioner Pacific
- Mr Dan, Acting Assistant General Manager, Ministerial and International Branch

**Thursday, 14 May 2020 – Canberra - Teleconference**

**The Institute of International Trade, University of Adelaide**

- Professor Peter Draper, Executive Director, Institute of International Trade
- Mr James Redden, Visiting Fellow, Institute of International Trade
- Ms Lisa Hunt, Business Manager, Institute of International Trade

**The United Nations Pacific Regional Anti-Corruption (UN-PRAC)**

- Ms Annika Wythes, Regional Anti-Corruption Adviser—Pacific, United Nations Office on Drugs and Crime
- Ms Sarah Power, Anti-Corruption Officer—Pacific, United Nations Office on Drugs and Crime

**Thursday, 18 June 2020 – Canberra - Videoconference**

**Development Policy Centre, Crawford School, ANU College of Asia & the Pacific**

- Professor Stephen Howes, Director, Development Policy Centre
- Ms Beth Orton, Research Officer, Development Policy Centre

**Entura - Appearing by video-conference**

- Ms Tammy Chu, Managing Director
- Mr Ajay Sharma, Director, International Business
- Mr James Mason, International Business Development Manager
- Ms Amanda Ashworth, Director, Customer Strategy and Marketing Development
Thursday, 27 August 2020 – Canberra - Videoconference

Crawford School of Public Policy, ANU College of Asia & the Pacific
- Emeritus Professor Ron Duncan AO

Australian Defence Force Academy, University of NSW
- Mr Satish Chand

Bill Bowen Training, Canberra
- Mr William Bowen

Australian Institute of Business via videoconference
- Dr Uwe Kaufmann

University of the South Pacific, Fiji via videoconference
- Dr Haruo Nakagawa

Thursday, 3 September 2020 – Canberra - Videoconference

Pacific Network on Globalisation (PANG)
- Ms Maureen Penjueli, Coordinator
- Mr Adam, Wolfenden, Campaigner

Public Service International (PSI)
- Ms Mele T. Amanaki, Chair of PSI Oceania & Secretary General, Public Service Association - Tonga
- Mr Rajeshwar Singh, General Secretary, Public Service Association - Fiji
- Mr Abilash Chand, Public Service Association - Fiji
- Mr Tom Reddington, Sub-Regional Secretary for PSI Oceania

Friday, 4 September 2020 – Canberra – Teleconference

Diplomatic representatives of Pacific island countries:

Independent State of Samoa
- Her Excellency Ms Hinauri Petana, High Commissioner
- Ms Rona Meleisea-Chewlit, Deputy High Commissioner
INQUIRY INTO AUSTRALIA ACTIVATING GREATER TRADE AND INVESTMENT WITH PACIFIC ISLAND COUNTRIES

- Mr Henry Tunupopo, Vice Consul, Trade

Solomon Islands
- His Excellency Mr Robert Sisilo, High Commissioner
- Mr Walter Diamana, Deputy High Commissioner

Kingdom of Tonga
- Mr Curtis Leonard Tuihalangingie, Deputy Head of Mission
- Mr Tasimani Duifken Telefoni, Third Secretary, High Commission

New Caledonia
- Dr Yves Lafoy, Counsellor and Official Representative of New Caledonia to Australia

New Zealand
- Her Excellency Hon. Dame Annette Faye King, High Commissioner
- Ms Abigail Poole, Second Secretary, Political
- Captain Shaun Fogarty, New Zealand Defence Adviser

Republic of Vanuatu
- His Excellency Mr Samson Vilvil Fare, High Commissioner
- Mr Evaristo Chalet, Second Secretary

Kiribati via TELECONFERENCE
- Mr Teata Terubea, Director, Asia Pacific Division, Ministry of Foreign Affairs and Immigration
- Mr Reetaake Takabwere, Deputy Commissioner of Police, Kiribati Police Service
- Mr John Mote, Officer Commanding Police Maritime, Kiribati Police Service
- Mr Ierevita Biriti, Acting Director for Business Promotion Centre, Ministry of Commerce, Industry and Cooperatives
- Mrs Donna Tekanene Reiher, Senior Trade Officer, Ministry of Commerce, Industry and Cooperatives
- Ms Angoango Fakaua, Trade Officer, Ministry of Commerce, Industry and Cooperatives
- Ms Nanoua Tiroi, Desk Officer, Asia Pacific Division, Ministry of Foreign Affairs and Immigration
Papua New Guinea

- His Excellency Mr John Ma’o Kali, High Commissioner
- Colonel Mark Goina, Defence Attache

Monday, 2 November 2020 – Brisbane - Queensland Parliament

Pacific business roundtable:


- Mr Frank Yourn, Executive Director, Australia Fiji Business Council, Australia Pacific Islands Business Council and Australia Papua New Guinea Business Council
- Ms Allison Haworth West, President, Australia Fiji Business Council via teleconference
- Mr Zane Yoshida, Founder/Director, Fiji Kava Limited
- Mr Denis Etournaud, Vice President, Australia Pacific Islands Business Council via teleconference
- Ms Tessa Price, Executive Committee, Australia Pacific Islands Business Council via teleconference
- Mr Mark Baker, President, Australia Papua New Guinea Business Council via teleconference
- Mr Peter Taylor, Immediate Past President, Australia Papua New Guinea Business Council via teleconference

Pacific-linked businesses and Austrade government representatives

- Mr John Peters, Chief Executive Officer, Connect Direct Pty Ltd
- Mrs Robyn Peters, Director, Connect Direct Pty Ltd
- Mr Richard Shannon, Manager, Policy and Advocacy, Growcom via teleconference
- Mr Adrian Weeks, Senior Trade Commissioner, Australian Trade and Investment Commission

Griffith Asia Institute

- Dr Tess Newton Cain, Project Lead, Pacific Hub
- Dr Wesley Morgan, Adjunct Research Fellow via teleconference
Thursday, 12 November 2020 – Canberra - Teleconference

Department of Education, Skills & Employment

- Ms Margaret Kidd, First Assistant Secretary, Delivery and Employer Engagement Division
- Ms Helen McCormack, Assistant Secretary, Seasonal Work Programs Branch
- Mr Stephen Trengove-Jones, Director, Partnership Development Branch

Indra Australia Pty Ltd

- Mr Tehmur Khan Galindo, Managing Director via teleconference