

# Chapter 8

## Australia's assistance—expanding markets

8.1 As chapter 7 makes clear, Pacific island countries have great potential to develop their economies especially through securing and expanding export markets for their products and services. It noted, however, a number of factors that close off these commercial opportunities. As a major donor to the region, Australia is ideally placed to assist Pacific island countries open up these opportunities. In this chapter, the committee describes some of the steps Australia is taking to help countries in the region grow their economies through trade.

### Research and development

8.2 ACIAR is aware of the importance of bridging the 'disconnection between the farmers and the markets'.<sup>1</sup> In its research and development programs, ACIAR takes account of food production as an export commodity. Indeed, part of ACIAR's research is focused on identifying and evaluating market constraints with a view to improving profitability as well as sustainability. It uses a multidisciplinary approach to its research, including social and economic research, to motivate small farmers to link into markets.<sup>2</sup> In its proposed 2009–10 Annual Operation Plan, ACIAR stated that its aim was to provide additional opportunities to increase farm income and to maximise returns from market development. It would give attention to value-adding to agricultural, fisheries and forestry products.<sup>3</sup> For example, in its Fiji program, ACIAR has placed a high priority on economic and technical research aimed at developing crop and agricultural industry alternatives to sugar.<sup>4</sup> Dr Hearn believed that scientifically ACIAR, which is working with Fiji researchers, was 'making headway there...and certainly getting the marketability of those crops and hopefully the export'.<sup>5</sup>

8.3 With regard to fishing, ACIAR noted that its research aimed 'to underpin the scientific data for good decision making and, secondly, to try to get a bit more value adding'. It acknowledged that Pacific island countries confront major challenges in becoming more involved in the processing of fish products for export. Dr Hearn stated:

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1 *Committee Hansard*, 20 November 2008, p. 41.

2 *Committee Hansard*, 20 November 2008, p. 41.

3 *Submission 67*, p. 24.

4 *Submission 67*, p. 15.

5 *Committee Hansard*, 20 November 2008, p. 46.

...one of the ambitions is to research into how early stage value adding can be undertaken so it is not just becoming a case of sending raw fish all the time.<sup>6</sup>

## **Non-tariff barriers**

8.4 The committee noted the difficulties that Pacific island countries have in meeting the import requirements of overseas countries. As major markets for produce from Pacific island countries, Australia and New Zealand are particularly important. A recent analysis noted that Forum island countries (FICs) have raised concerns about the implementation of sanitary and phytosanitary measures in Australia and New Zealand. It found that most FICs have limited resources to overcome Australian/New Zealand quarantine requirements. It stated:

Many do not have adequate treatment facilities to eliminate pests in the pre-shipment phase and treatment options at the border can diminish the value of goods as, for example, would fumigation of organic produce. Both Australia and New Zealand require import permits for quarantine materials to be obtained in advance, which can be a difficult administrative barrier. Permits are emphasized in particular for fresh fruit or vegetables or any food item containing dairy, egg, meat, or animal products.<sup>7</sup>

8.5 Some witnesses supported the view that Pacific island countries find Australia and New Zealand's regulations governing agricultural importation 'hard to understand and comply with'.<sup>8</sup> For example, Mr Jim Redden, Institute for International Trade, informed the committee that quarantine—high sanitary and phytosanitary standards—is one of the main impediments Pacific island countries face in gaining access to Australia's market.<sup>9</sup> The Australia Pacific Islands Business Council cited particular examples of the non-tariff barriers that exist in the region. It understood that limitations exist on the import of meat products into Australia from some Pacific island countries because 'abattoir facilities do not meet Australian quarantine standards'. It suggested:

Australia could assist the development of viable primary industries in these countries by providing support through the aid program for bringing up to standard facilities in Pacific Island countries which restrict their ability to meet Australian quarantine and health standards.<sup>10</sup>

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6 *Committee Hansard*, 20 November 2008, p. 51.

7 Nathan Associates Inc., *Pacific Regional Trade and Economic Cooperation Joint Baseline and Gap Analysis*, submitted to Pacific Islands Forum Secretariat, December 2007, p. 10.

8 *Committee Hansard*, 25 March 2009, p. 31. The Asian Development Bank also made this observation, in *Transforming Tonga*, 2008, p. 37. It suggested that 'Quarantine regulations in Australia and New Zealand present a major barrier to Tongan exporters'.

9 *Committee Hansard*, 25 March 2009, p. 31.

10 *Submission 60*, p. 7.

8.6 The Council also referred to the difficulties encountered importing tuna or any other fish species into Australia, and then the requirement to obtain a re-export permit to export the same product to other Pacific island countries. In its view, the regulations of the Australian Quarantine and Inspection Service (AQIS) are 'unnecessarily restrictive, and it is proving very difficult to obtain export permits, not to mention the time involved in inspections plus the cost of inspections to have the re-export permit granted'.<sup>11</sup>

8.7 The Department of Agriculture, Fisheries and Forestry (DAFF) is engaged in activities designed to assist Pacific island countries understand and meet international standard processes and to build capacity to develop national food regulatory frameworks. In conjunction with other government agencies, it is 'involved to the extent resources permit in a range of mutually beneficial capacity building activities aimed at addressing some of these challenges' in biosecurity in quarantine systems, and participation in international standard setting processes.

8.8 Mr Paul Ross, DAFF, explained that their assistance had 'primarily been in terms of providing training and increasing awareness of the requirements for international trading'.<sup>12</sup> DAFF gave the example of funding Pacific island participants to attend seminars and forums on food import and export inspection and certification systems, establishing standards for plants and food that are traded internationally and on animal standard setting.<sup>13</sup>

8.9 The department described its budget as 'modest' with the vast majority of its aid money coming from external sources. Mr Ross informed the committee that it uses AusAID funding and is 'involved in programs that they undertake'. From time to time it has also used funds from the Food and Agricultural Organization of the UN.<sup>14</sup>

8.10 Mr Redden cited the beef industry in Vanuatu as an example of the benefits to be gained from Australian assistance in quarantine matters. He noted that although Vanuatu has a good beef industry, it was 'having great problems getting access to the markets of Australia and New Zealand'. Together, the Vanuatu, Australian and New Zealand Governments worked successfully to enable Vanuatu's beef industry to meet Australia and New Zealand's quarantine standards. According to Mr Redden, beef from Vanuatu is now exported across the Pacific to Australia, New Zealand and even Japan.<sup>15</sup>

8.11 He was strongly of the view that despite the current global financial crisis, Australia needs 'to stick to building the fundamentals of reform, the fundamentals of

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11 *Submission 60*, p. 6.

12 *Committee Hansard*, 20 November 2008, p. 54.

13 *Submission 42*, p. 8 and *Committee Hansard*, 20 November 2008, p. 54.

14 *Committee Hansard*, 20 November 2008, pp. 54–55.

15 *Committee Hansard*, 25 March 2009, p. 27.

competitive productivity, of increasing the education and training and the capacity building commitments to the Pacific islands'. To his mind, based on past successes, this approach was 'the way forward'.<sup>16</sup> In this regard, the committee notes that the Minister in his 2009 Budget Statement cited the Pacific Regional Agricultural Marketing Access Program which is intended to increase agricultural exports to Australia and other destinations by helping Pacific island countries meet trading partners' quarantine requirements.<sup>17</sup> This program provides an ideal opportunity for Australia to review its own requirements to ensure that its importing regime is not unnecessarily onerous for Pacific island countries.

8.12 The Pacific Islands Forum has also established a regional Trade Facilitation Programme which is managed and coordinated by the Secretariat and funded by Australia and New Zealand. Its main concern is with the harmonisation of procedures, process and policies affecting the movement of goods across the region, including sanitary and phytosanitary measures. The Pacific Islands Forum Secretariat is also exploring the potential of using aid for trade funding to help remove the trade supply-side constraints.<sup>18</sup>

### *Committee view*

8.13 The committee supports the work that Australian agencies are doing in assisting Pacific island countries overcome some of the barriers that impede the development of export markets for their products.

### **Trade negotiation skills**

8.14 The chronic lack of trade and negotiation skills in Pacific island countries constrains their capacity to bargain and market themselves effectively in the global economy. Australia's efforts to assist Pacific island countries build trade negotiating skills is closely associated with the proposed PACER Plus agreement, an initiative still in its early stages.

### *PACER Plus*

8.15 In 2007, the Australian Government indicated it would commence preparations for the negotiation of a comprehensive trade and economic agreement between Australia–New Zealand and Pacific Islands Forum countries ('PACER Plus'). The agreement was to establish a framework for the gradual trade and

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16 *Committee Hansard*, 25 March 2009, p. 27.

17 The Hon Stephen Smith MP, Minister for Foreign Affairs, and the Hon Bob McMullan MP, Parliamentary Secretary for International Development Assistance, Budget Statement 2009–10: Australia's International Development Assistance Program, 12 May 2009, p. 20.

18 Pacific Island Countries Secretariat website, 'Aid-for-trade and project proposal formulation', <http://www.forumsec.org.fj/pages.cfm/speeches-2006/sg-foc-speech-.html>

economic integration of all 16 Forum members and was to have a strong capacity building component.<sup>19</sup> The then Minister for Foreign Affairs noted:

Under the agreements, we could provide more aid targeted at economic growth or, in some cases, the establishment of trust funds. We could offer assistance with attracting investment and promoting trade; help Pacific countries meet Australian import requirements for their export products; and provide assistance with infrastructure projects that help build the capacity to trade.<sup>20</sup>

8.16 Elected in 2007, the new Australian Government supported the emphasis placed on capacity building in PACER Plus. In August 2008, the Prime Minister, Mr Kevin Rudd, stated that the government's intention was to have an integrated trade and development assistance approach 'looking at incorporating capacity building into the agreement'.<sup>21</sup> The current Minister for Trade similarly indicated that PACER Plus would be a 'truly trade-plus agreement' and have capacity-building assistance as a central tenet of the agreement.<sup>22</sup>

8.17 Progress toward this agreement has been slow and the recent Forum Leaders' meeting held in August 2009 indicated that a lot of preparatory work still remained. At this meeting, Leaders 'directed that Trade Ministers should discuss a framework for PACER Plus negotiations including timelines and identification of issues'.<sup>23</sup>

8.18 The Institute for International Trade envisages that PACER Plus could, among other things, seek to address barriers to economic integration and assist with the trade-related capacity-building needs of PNG and the southwest Pacific. At the moment, the institute offers a Pacific Islanders Trade Training Program. Under this program, it conducts trade training modules of one week's duration for Pacific Islanders. The aim in general is to strengthen trade policy knowledge and develop participants' capacity to negotiate trade agreements. The program is also intended to 'deal extensively with the benefits and challenges of a PACER Plus trade agreement for the region'. The first module held in September 2008:

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19 Department of Foreign Affairs and Trade, *Trade Statement 2007*, pp. 87–88.

20 The Hon Alexander Downer, MP, Minister for Foreign Affairs, 'Australia's Commitment to the Pacific', Speech for the Biennial Sir Arthur Tange Lecture on Australian Diplomacy, 8 August 2007.

21 The Hon Kevin Rudd MP, Prime Minister of Australia, 'Even Closer Economic Relations', Speech to Australian and New Zealand CEOs at a lunch hosted by the Auckland Chamber of Commerce, 19 August 2008, [http://www.pm.gov.au/media/speech/2008/speech\\_0433.cfm](http://www.pm.gov.au/media/speech/2008/speech_0433.cfm) (accessed 26 September 2008).

22 The Hon Simon Crean MP, Minister for Trade, 'Enhancing prosperity in the Pacific', Third Informal Meeting of Officials on PACER Plus, Adelaide, 16 February 2009, [http://www.trademinister.gov.au/speeches/2009/090216\\_pacer.html](http://www.trademinister.gov.au/speeches/2009/090216_pacer.html) (accessed 30 April 2009). See also *Submission 42*, p. 5.

23 Pacific Islands Forum Secretariat, *Forum Communiqué*, Fortieth Pacific Islands Forum, Cairns, Australia, 5–6 August 2009, paragraph 22.

...produced a very practical, down to earth discussion of the realities facing Pacific island nations, their trade related development priorities and initial discussion of some key negotiating priorities.<sup>24</sup>

8.19 In March 2009, Mr Redden explained the involvement of Pacific Islanders in module three of the program:

...we have 20 officials arriving next week...Originally we catered for 14 representatives, one from each of the 14 Pacific island forum countries. Since then the demands have been so great they want extra officials to come along to attend the training so we are stretching the AusAID budget, but we are now up to 20 officials coming and they are still asking for more representation. It shows the thirst for knowledge and the desire of Pacific island officials to receive this sort of training. They are extremely bright and enthusiastic and pick up the fundamentals of negotiation and are very keen to look after the interests of their people.<sup>25</sup>

8.20 The fourth module in May 2009 'dealt with the complex issues of labour mobility and agriculture'. It discussed, *inter alia*, 'the history and current dilemmas facing agricultural trade negotiators in the WTO and in preferential trade agreements' and the future for Pacific Islands 'to increase food production while increasing food security options'.<sup>26</sup>

### *Committee view*

8.21 The committee sees great value in the trade negotiating training programs conducted by the Institute for International Trade. Although linked closely with the proposed PACER Plus agreement, the committee sees a broader benefit in the program dealing with trade issues of relevance to Pacific Islanders that may not tie directly to this particular agreement. It would like to see the program continue, regardless of progress toward PACER Plus, and even expand to include more of the technical issues associated with the non-tariff barriers to trade in the region. DAFF and AQIS would be ideal partners to assist develop, and participate in, this aspect of the training modules.

### **Recommendation 4**

**8.22 The committee recommends that the government continue to support the work of the Institute for International Trade in conducting training modules for Pacific islanders. It also recommends that the government consider expanding these courses to include more of the technical issues associated with the non-tariff barriers to trade in the region. Further, that the Department of Agriculture,**

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24 The University of Adelaide, Institute for International Trade, 'Capacity Building in Developing Countries', <http://www.iit.adelaide.edu.au/educ/develop> (accessed 13 July 2009).

25 *Committee Hansard*, 25 March 2009, p. 28.

26 The University of Adelaide, Institute for International Trade, 'Capacity Building in Developing Countries', <http://www.iit.adelaide.edu.au/hot/> (accessed 13 July 2009).

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**Fisheries and Forestry and the Australian Quarantine and Inspection Service assist as partners in the development and delivery of such training modules.**

*Concerns about PACER Plus*

8.23 As noted above, PACER Plus is still in an early stage of development. During the inquiry, some witnesses raised a number of specific issues about the proposed agreement, including the consultation process and social impact assessments. In this regard, at the Recent Forum Leaders' meeting, Leaders noted 'the need for Forum Island Countries to undertake national consultations with all stakeholders and capacity building for negotiations'.<sup>27</sup> The committee underlines the importance of undertaking broad consultations that would take account of the social implications of a PACER Plus agreement.

**Mining**

8.24 According to a number of witnesses, the PNG LNG project is one particular commercial enterprise that has enormous potential to lift PNG's economic productivity and consequently assist directly in alleviating poverty in the country. They identified a clear role for Australia to be a partner with PNG in supporting this enterprise. Esso was of the view that, in this regard, Australia could make a significant contribution for example, through capacity building, partnerships and embedded consultants in various departments—Department of Petroleum and Energy; Department of Lands and Physical Planning; Department of Environment and Conservation.<sup>28</sup> Mr Peter Graham, Esso Highlands Ltd, singled out two particular areas in which the Australian Government could assist the PNG Government to involve its people and business in the project. They were through:

- workplace development, creating local jobs and training people in technical and professional skills needed during the construction phase; and
- supplier development, purchasing local goods and services, transferring knowledge and skills and increasing targeted local suppliers' capabilities to help meet global standards.<sup>29</sup>

8.25 Mr Graham informed the committee that Esso was pleased with the Australian Government's response to the request from the Government of PNG for assistance. In a joint communiqué, Australia indicated that it would begin:

...to work with Exxon Mobil to assist Port Moresby Technical College to develop in PNG the skills required for the LNG project. Over time, this

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27 Pacific Islands Forum Secretariat, *Forum Communiqué*, Fortieth Pacific Islands Forum, Cairns, Australia, 5–6 August 2009, paragraph 22.

28 *Committee Hansard*, 26 March 2009, p. 39.

29 *Committee Hansard*, 26 March 2009, p. 39.

focus will be broadened to include other technical colleges and areas of tertiary education.<sup>30</sup>

8.26 Recently, AusAID informed the committee that Australia was ready to move forward to support the Port Moresby Technical College which would form a key part of the Higher Education Schedule in the PNG–Australia PPD.<sup>31</sup>

8.27 Clearly, there is much scope for the Australian Government to assist the Government of PNG to support and facilitate this project and any other large scale mining operation in Pacific island countries, thereby increasing local capacity and economic activity. Assistance could be of benefit in a number of important areas, including special skills training, managing revenue earned from such enterprises and the government's administrative capacity to analyse impact statements and process numerous licence applications. For example, the Maritime Union of Australia noted the potential for the Queensland and the Federal governments to work with unions in the development of a sustainable skill base to ensure that labour from both countries would be available for projects as required.<sup>32</sup> It referred to a capacity-building model developed by the ACTU and affiliated unions when the PNG gas and pipeline project was under active consideration. It suggested:

In relation to projects such as the PNG Gas project, Australia is well positioned to provide regional leadership in building the maritime skills base in the region. Australia has a world class maritime training and education system, represented by colleges like the Australian Maritime College in Launceston, Challenger TAFE in Fremantle, the Hunter Institute at Newcastle, the Maritime Skills Centre in Port Adelaide and the maritime studies centres in a number of our Universities such as Wollongong.<sup>33</sup>

8.28 It noted the unions' model has application to the PNG LNG project:

The idea behind the PNG LNG Project was to build capacity by training PNG nationals in Australia and ensuring that they gained relevant work experience in key industry sectors. This example centres on building the economy through skills and education.<sup>34</sup>

8.29 The Maritime Union of Australia recommended that AusAID become involved in such joint projects to work alongside the stakeholders to assist with advice

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30 Australian High Commission Papua New Guinea, 'Joint Communiqué on the PNG–Australia Partnership for Development', Media release, 3 November 2008, <http://www.png.embassy.gov.au/pmsb/MR081104.html> (accessed 7 April 2009).

31 AusAID, answer to written question on notice no. 9 following public hearing on 19 June 2009.

32 *Submission 52*, p. 5.

33 *Submission 52*, p. 6.

34 *Submission 52*, p. 5.



and resources and to monitor the effectiveness of the model.<sup>35</sup> The matter of developing skills is discussed in a later chapter.

## **Tourism**

8.30 The committee has noted that tourism is likely to provide great opportunities for economic growth and that a number of donor countries have been active in assisting this sector as a means of alleviating poverty. Mr Noakes, Pacific Asia Tourism Pty Ltd, cited the work of the New Zealand Government which, in his view, had been 'very proactive' for many decades in supporting the development of sustainable tourism in the region.<sup>36</sup> According to Mr Noakes, for over 20 years Europe has also been a major contributor to the region in developing tourism in areas including infrastructure—seaports and airports, training institutions—and support for marketing or small business development. He also referred to the success of the US global development alliance concept, which includes a tourism component.

8.31 Pacific Asia Tourism informed the committee, however, that Australia had not shown the same level of engagement of many other OECD economies in using tourism as one of its tools to achieve its international development agenda:

Compared to most OECD countries, Australia has been a slow mover in developing an understanding and applying practical applications which include developing Pacific island tourism within programs offered via agencies such as AusAID.<sup>37</sup>

8.32 Mr Noakes suggested:

There is a growing understanding out of Australia—catching up with our colleagues in the Northern Hemisphere—of how sustainable tourism can be a tool to assist in the reduction of poverty in the developing world... We have an enormous collective capacity to assist and do more in the Pacific islands than we have done here in Australia.<sup>38</sup>

8.33 In his view, different Australian governments have taken some action in this sector, but it has been 'relatively fragmented and ad hoc and certainly not part of the strategic agenda for Australia's engagement'. He contended:

If you look at the AusAID website or if you knock on the door of AusAID in Canberra and you talk tourism, there is just nobody at home. It does not fit.<sup>39</sup>

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35 *Submission 52*, p. 5.

36 *Committee Hansard*, 26 March 2009, p. 52.

37 *Submission 31*, p. 2.

38 *Committee Hansard*, 26 March 2009, p. 53.

39 *Committee Hansard*, 26 March 2009, pp. 52 and 54.

8.34 He pointed out that the tourism sector in the Pacific needs skills that the islanders could learn in places like Australia, while the Australian industry may require skills that South Pacific islands can fill. He argued that the expansion of unskilled, temporary migration opportunities for Pacific islanders to work in the tourist and hospitality sector in Australia would be desirable and support both the Australian and Pacific tourist industries.<sup>40</sup> Again this matter of skills development is taken up in a later chapter.

8.35 Mr Noakes was also of the view that the Australian Government could develop something similar to a Pacific island sustainable tourism growth and opportunity strategy that would identify and address key barriers to tourism and trade in the region.<sup>41</sup> Furthermore, he saw an opportunity for partnerships between AusAID and USAID in terms of sustainable tourism.<sup>42</sup> Pacific Asia Tourism noted a number of initiatives and made suggestions associated with the tourism industry that Australia could implement to benefit the economies of Pacific island countries. They included that the Australian Government:

- adopt pro-poor tourism strategies and agreements in the Pacific Islands that have 'imagination and political will';
- through AusAID, place sustainable tourism amongst its key priorities for infrastructure and entrepreneurial support for the Pacific Islands;
- expand unskilled temporary migration opportunities for Pacific Islanders to work in the tourism and hospitality sector in Australia;
- develop a strategy that would identify and address key barriers to the tourism trade in the Pacific Islands; and
- support micro-financing instruments for community-based tourism projects.<sup>43</sup>

8.36 Pacific Asia Tourism also recognised the important role of the South Pacific Tourism Organisation (SPTO) as the peak agency for the region but noted that it suffers from lack of resources to undertake its vital work for the Pacific destinations.<sup>44</sup> It suggested that SPTO needs a 5-year rolling commitment from the Australian

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40 *Committee Hansard*, 26 March 2009, p. 54.

41 *Committee Hansard*, 26 March 2009, p. 55.

42 *Committee Hansard*, 26 March 2009, p. 57.

43 *Submission 31*, pp. 5–7.

44 According to its website, the South Pacific Tourism Organisation (SPTO) is the mandated inter-governmental organisation for the tourism sector in the South Pacific. In the early 1980s an informal association of South Pacific national tourism organisations was formed, which subsequently became the SPTO. SPTO is an organisation with a membership that substantially represents both the public and private sectors.  
<http://www.spto.org/spto/export/sites/spto/about/index.html> (accessed 29 April 2009).

Government to underpin some of its key functions. AusAID informed the committee that it does not provide funding to the SPTO.<sup>45</sup>

8.37 It should be noted that at their recent meeting in August, Leaders agreed that providing greater support to tourism, described as the region's largest economic driver, was a priority area.<sup>46</sup>

### *Committee view*

8.38 The committee notes the criticism levelled at Australia's approach to using tourism as a way to alleviate poverty through economic development, particularly the observation that Australia's actions have been 'relatively fragmented and ad hoc and certainly not part of the strategic agenda for Australia's engagement'.<sup>47</sup>

### **Recommendation 5**

**8.39 In light of the growing awareness among major donors (EU, US and New Zealand) of the value of using sustainable tourism to assist developing countries alleviate poverty and promote broad-based economic growth, the committee recommends that the Australian Government incorporate this sector as an identifiable program in its ODA policy framework for the region.**

### **Pacific Investment Commissioner**

8.40 The committee has noted the difficulties that Pacific island countries have in promoting their products in the global economy. There is no doubt that Pacific island countries are perceived by the outside world, including Australia, as offering limited commercial opportunities. Austrade informed the committee that:

...in a highly competitive world where attractive business destinations offer opportunities through expanding infrastructure, increasing consumer affluence and prosperous and growing markets, the image of the Pacific lags.<sup>48</sup>

8.41 According to Mr Pat Stortz, Austrade, when people are considering investing, they think of growth markets such as Asia, China, India, the Middle East and not normally of investment opportunities in the Pacific unless it is in the resort or hotel business.<sup>49</sup> The appointment of an Australian Pacific Investment Commissioner was an Australian initiative designed to help Pacific island countries attract overseas

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45 AusAID, answer to written question on notice no. 1 following public hearing on 19 June 2009.

46 Pacific Islands Forum Secretariat, *Forum Communiqué*, Fortieth Pacific Islands Forum, Cairns, Australia, 5–6 August 2009, Annex C, 'Recommendations for Progressing the Pacific Plan', paragraph v.

47 Steven Noakes, *Committee Hansard*, 26 March 2009, p. 52.

48 *Submission 61*, p. 8.

49 *Committee Hansard*, 20 November 2008, pp. 22–23.

interest. The Australian Government's first Pacific Investment Commissioner was appointed in August 2006 for a two-year trial. A joint initiative of AusAID and Austrade, this position was intended to facilitate 'new sustainable Australian private sector investment projects throughout the South Pacific'.<sup>50</sup> The commissioner was to help Australian companies to identify and progress joint ventures and commercial partnerships in PNG, Fiji, Solomon Islands, Vanuatu, Samoa, Tonga, Kiribati, Cook Islands, Tuvalu, Nauru and New Caledonia. His role consisted of 'both educating Australian companies about the opportunities and finding credible opportunities in the Pacific' that he could bring back to Australia.<sup>51</sup>

8.42 The commissioner's work included some institutional strengthening in the form of bringing senior people from investment promotion agencies (IPAs) from across the Pacific to Brisbane to run an intensive course on strategies to attract foreign investment. According to Austrade:

That was done to build the skills of those IPAs in the region, as well as to build a network for the then new Pacific Investment Commissioner to know who is out there and to begin to develop relationships so that they could work together in facilitating that investment.<sup>52</sup>

8.43 Mr Stortz said that the work of the commissioner 'got a lot of profile and a lot of interest and we have got a very good portfolio of Australian companies now who are genuinely interested in investing if the right opportunity comes up'.<sup>53</sup> He stated that raising the 'importance of investment to a lot of senior people in the island states, including politicians' was also a positive outcome. According to Mr Stortz, the commissioner sent a very positive message and quite often he received 'front-page local newspaper coverage when he arrived in the smaller island states, even places like Samoa and Tonga'.<sup>54</sup> DFAT's 2007 trade statement also noted that companies in Australia and the Pacific were benefiting from the work of the commissioner.<sup>55</sup>

8.44 Based on positive responses to the initiative, Mr Stortz contended that there was 'scope out there and it is just a matter of raising awareness of the interest on the part of Australian companies to engage and invest'.<sup>56</sup> Austrade informed the committee that the trial had finished in August 2008 and it was keen to pursue the initiative.<sup>57</sup> Mr Stortz concluded:

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50 Department of Foreign Affairs and Trade, *Trade Statement 2007*, pp. 87–88.

51 *Committee Hansard*, 20 November 2008, p. 24.

52 *Committee Hansard*, 20 November 2008, p. 21.

53 *Committee Hansard*, 20 November 2008, p. 25.

54 *Committee Hansard*, 20 November 2008, p. 25.

55 Department of Foreign Affairs and Trade, *Trade Statement 2007*, pp. 87–88.

56 *Committee Hansard*, 20 November 2008, p. 23.

57 *Committee Hansard*, 20 November 2008, pp. 21 and 23.

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...we have done the homework, we have done the spadework, and now we want to do the engagement between the potential investors from Australia and the opportunities that we have identified overseas.<sup>58</sup>

8.45 He explained, however, that the organisation was not resourced for outwards investment and therefore would be totally reliant upon AusAID to fund the position of a Pacific Investment Commissioner.<sup>59</sup> In June 2009, AusAID informed the committee that the commissioner program was still being 'reviewed'.<sup>60</sup>

## **Recommendation 6**

**8.46 The committee notes the positive results from the two-year trial of an Australian Pacific Investment Commissioner and recommends that the Australian Government give serious consideration to the re-appointment of, and funding for, a Pacific Investment Commissioner.**

## **Conclusion**

8.47 In examining the economic challenges facing Pacific island countries, the committee so far has concentrated on food security and sustainable development. Following this consideration, the committee described Australia's research and capacity-building programs designed to assist Pacific island countries in these areas. It also looked at the potential for Pacific island countries to increase economic activity through expanding markets for their goods and services. In this regard, the committee described Australian research and capacity building programs directed at helping Pacific island countries overcome some of the barriers to trade.

8.48 In the following chapters, the committee continues its examination of the challenges and impediments to economic growth in Pacific island countries, including economic infrastructure, skills, government effectiveness and the business environment.

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58 *Submission 61*, p. 4 and *Committee Hansard*, 20 November 2008, p. 25.

59 *Committee Hansard*, 20 November 2008, p. 24.

60 *Committee Hansard*, 9 June 2009, p. 61.

