



**Asia-Pacific  
Economic Cooperation**

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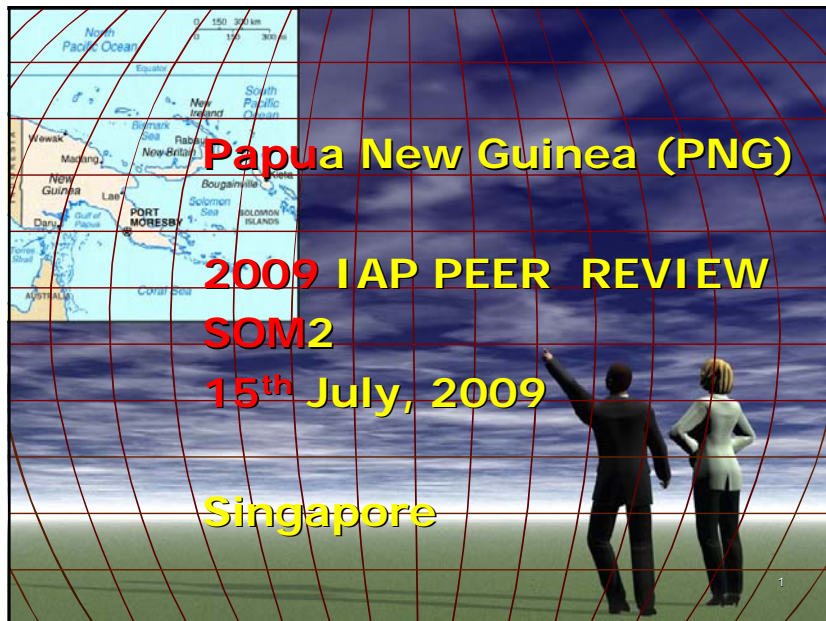
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Agenda Item: V

## **Presentation by Economy Under Review - Papua New Guinea**

Purpose: Consideration  
Submitted by: APEC Secretariat



**Second Senior Officials' Meeting – Plenary  
Session  
Singapore  
19 July 2009**



## **CONTENT OF PRESENTATION**

1. Basic economy data
  2. Key economic indicators
  3. Trade Performance
  4. Investment
  5. Improvements made since 2005 IAP Peer Review
  6. Development Strategies (MTDS and NSP)
  7. Challenges
  8. Conclusion
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## 1. PNG Basic Data (2007)

|  |   |       |
|--|---|-------|
| ■ Population – total (millions)              | - | 6.32  |
| ■ Population growth rate (annual %)          | - | 1.95  |
| ■ Urban Population (% of total)              | - | 12.6  |
| ■ Rural Population (% of total)              | - | 87.4  |
| ■ Percentage of population aged:             |   |       |
| - 0 – 14                                     | - | 40    |
| - 15-64                                      | - | 57.6  |
| - 65 and above                               | - | 2.4   |
| Life expectancy at birth total (years)       | - | 57.4  |
| Literacy Rate, adult (total % of population) | - | 57.8  |
| Primary School enrolment (% gross)           | - | 55.2  |
| GDP per capital (current US\$)               | - | \$989 |

Source: World Bank Development Indicators

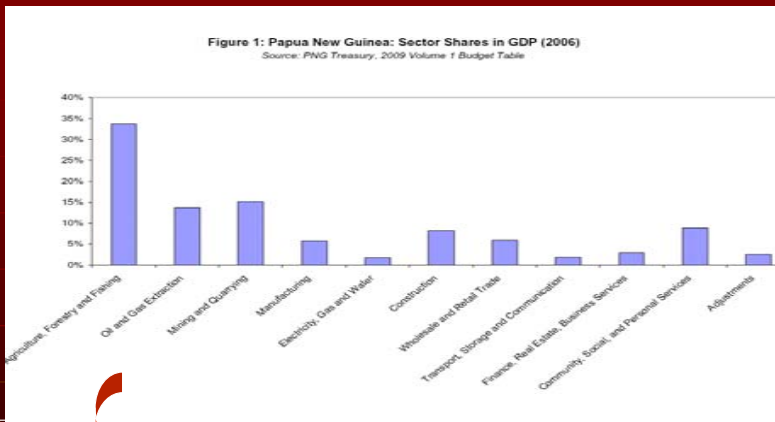
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## 2. Key Economic Indicators

- Real GDP 4-5% 2009 (Est)
- Inflation was 11.2% (YOY) 2008. By March 2009 was 10.2%.
- External debt was reduced by 27% in 2008
- Foreign reserves was US\$2 billion to March 2009
  - 10.7 months of total Import cover
  - 14.7 months of non-mineral import cover

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## 2(a) GDP Contribution by Sector



|                        |       |      |
|------------------------|-------|------|
| Mineral, Oil and Gas   | -     | 30%  |
| Agriculture            | 32.5% | -    |
| Services and Utilities | -     | 30%  |
| Manufacturing          | -     | 6%   |
| Others                 | -     | 1.5% |

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## 3. Trade Performance

### Major Trading Partners

Table 3a: Main Import Sources 2003-8

|               | % of total Imports |      |      |      |      |      |
|---------------|--------------------|------|------|------|------|------|
|               | 2003               | 2004 | 2005 | 2006 | 2007 | 2008 |
| Australia     | 54.8               | 55.3 | 44.8 | 34.2 | 42.3 | 42.0 |
| United States | 9.6                | 8.1  | 13.8 | 21.0 | 19.5 | 22.7 |
| Singapore     | 6.6                | 6.0  | 6.4  | 19.2 | 14.6 | 11.3 |
| Japan         | 4.8                | 4.4  | 3.9  | 5.0  | 4.2  | 4.7  |
| New Zealand   | 5.2                | 3.3  | 5.0  | 2.8  | 2.8  | 2.8  |
| China         | 4.6                | 3.2  | 2.0  | 2.2  | 3.0  | 3.5  |
| Malaysia      | 2.3                | 1.7  | 1.7  | 2.1  | 2.0  | 2.1  |
| Indonesia     | 2.0                | 1.5  | 1.5  | 1.2  | 1.3  | 1.3  |

Table 3b: Main Export Destinations 2003-8

|                | % of total Exports |      |      |      |      |      |
|----------------|--------------------|------|------|------|------|------|
|                | 2003               | 2004 | 2005 | 2006 | 2007 | 2008 |
| Australia      | 45.7               | 45.6 | 43.2 | 40.7 | 40.4 | 44.4 |
| Japan          | 12.8               | 10.8 | 11.3 | 14.3 | 16.9 | 13.2 |
| Germany        | 6.6                | 7.1  | 7.3  | 4.5  | 8.3  | 4.8  |
| Korea          | 5.4                | 6.1  | 7.4  | 4.4  | 2.5  | 4.7  |
| China          | 6.7                | 4.9  | 3.7  | 3.7  | 3.4  | 3.8  |
| Philippines    | 3.5                | 4.0  | 5.3  | 9.7  | 7.7  | 7.0  |
| United Kingdom | 2.5                | 3.5  | 1.9  | 1.4  | 1.7  | 2.8  |
| United States  | 2.7                | 2.2  | 1.4  | 1.1  | 1.5  | 1.6  |
| Singapore      | 2.1                | 2.2  | 1.1  | 0.6  | 1.6  | 1.3  |
| Netherlands    | 1.1                | 1.5  | 0.9  | 0.2  | 1.3  | 1.9  |
| Indonesia      | 1.7                | 1.2  | 0.4  | 1.2  | 0.2  | 0.2  |
| Italy          | 1.6                | 1.1  | 0.7  | 0.9  | 1.2  | 0.3  |

Source: Bank of PNG

### 3(a) Exports by regions (2003-2007)

| Direction of Export  | Unit (K.million) | 2003    | 2004    | 2005    | 2006     | 2007 |
|----------------------|------------------|---------|---------|---------|----------|------|
| APEC                 | K.m              | 6,526.1 | 6,695.9 | 8,053.9 | 10,601.2 | na   |
| ASEAN                | K.m              | 647.3   | 765.3   | 922.4   | 2,122.0  |      |
| EU (27)              | K.m              | 1,153.9 | 1,362.3 | 1,389.1 | 1,181.8  | na   |
| Pacific Island Forum | K.m              | 46.6    | 39.9    | 25.3    | 39.8     | na   |
| MSG                  | K.m              | 39.6    | 34.3    | 24.8    | 38.4     |      |

Average Exchange Rate (over the period covered): K1 = USD 0.3158

Sources: Statistical Digest 2008, Bank of PNG and IRC

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### 3(b) Imports by Regions (2003-2007)

| Source of Importers  | Unit (K.million) | 2003    | 2004    | 2005    | 2006    | 2007 |
|----------------------|------------------|---------|---------|---------|---------|------|
| APEC                 | K.m              | 4,019.8 | 4,305.6 | 4,433.9 | 4,468.4 | na   |
| ASEAN                | K.m              | 594.5   | 616.4   | 909.5   | 994.1   |      |
| EU (27)              | K.m              | 98.1    | 83.7    | 73.3    | 212.4   | na   |
| Pacific Island Forum | K.m              | 13.4    | 17.0    | 14.9    | 10.9    | na   |
| MSG                  | K.m              | 13.3    | 16.6    | 12.9    | 9.8     | na   |

Average Exchange Rate (over the period covered): K1 = USD 0.3158

Sources: Statistical Digest 2008, Bank of PNG and IRC

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## 4. Investment

- PNG has open investment regimes, guided by policy, legislation, regulation and institutional framework
- IPA – agency responsible for promoting and facilitating FDI and domestic investment
- IPA has embarked on addressing the administrative delays by relevant agencies in improving issuance of foreign certificates to foreign investors.

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### Investment cont...

- All sectors are open to foreign participation, except Cottage Business activities
- Government encourages joint venture between locals and foreigners
- To attract investment, government provides fiscal incentives such as tax concessions

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## 5. Improvements made since last IAP Review in 2005

- Telecommunication – deregulation and competition introduced to the sector
- Customs – introduced various changes, including ASYCUDA++ (Automated Systems for Customs Data)
- Standards and Conformance – 900 PNG standards introduced

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- IPR –Improvements to the IPR legislative framework; regional office for trade marks; installed IP Automated System (IPAS) in 2006; website;
- Business Mobility – Employment of Non-citizen Act 2007 came into force in 2009; APEC Business Travel Card (ABTC) – 13 issued; 8 pending approval; and 20 new applications; APEC lane at Port Moresby International Airport.

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- Further liberalization of Exchange Controls
- Trade Facilitation Action Plan II:  
Submitted fully completed Action Plan to  
APEC Secretariat in 2008
- Government Procurements: CSTB  
developing standardized bidding document
- Improvements in e-Commerce: banking  
and finance; online business  
documentation and transactions; increase  
in number of government websites to  
date.

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## 6. Development Strategies (MTDS and NSP)

### ■ MTDS (2005-2010) - 10 Guiding Principles:

1. Private Sector-led economic growth
2. Resource mobilization and alignment
3. Improvements in the quality of life;
4. Natural endowments;
5. Competitive Advantage and global market;
6. Integrating the three tiers of government;
7. Partnership through strategic alliances;
8. Least developed areas intervention;
9. Empowering Papua New Guineans and improving skills;
10. Sweat equity and PNG character

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■ National Strategic Plan (2010-2050)  
– 6 Pillars

1. Strategic Planning;
2. Institutions, Systems Strengthening and Alignment;
3. Human Development and People Empowerment;
4. Wealth Creation;
5. Security and International Relations; and
6. Climate change and environmental sustainability

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## 7. Challenges

- Deregulation/Regulatory reforms (enforcements)
- Widespread perception of lack of transparency and good governance;
- Capacity constraints
- Infrastructure (physical, institutional)
- Timely Tariff Reduction Program
- Mitigating the impacts of the Global financial crisis
- Further reduction in high cost of doing business

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## Global Financial Crisis

- Impacts:
  - Fall in commodity export revenue
  - A decline in the growth of GDP
  - A reduction in tax revenue
  - Fall in borrower's capacity to service debts
  - Reduction of FDIs in the resource sector
  - Decline in PNG's international competitiveness for exports

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## Global Financial Crisis

- Measures:
  - Phase 1 - Supplementary budget late 2008
  - Phase 2 - Partnership Development Program with the Australian Government and other development partners (2010-2015)

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## 8. CONCLUSION

- PNG experienced sustained economic growth between 2002 and 2008. This has pulled back in sympathy with the impact of the global downturn.
- PNG is not insulated to the global financial crisis, and will still be subjected to its effects.
- PNG has made significant strides in the IAP Chapters since 2005. However, each of these sectors continue to experience challenges in terms of policy, legislations, regulations and implementations as a result of capacity constraints.
- PNG remains committed to achieving the Bogor Goals!

THANK YOU