

Papua New Guinea independence day

Opportunities abound for all in many sectors

Dennis Taylor Bebege
CHARGE D'AFFAIRES A.I. OF PAPUA NEW GUINEA

Sept. 16 marks the 35th year of Papua New Guinea's independence. The formal diplomatic relations with Japan were established at independence with the opening up of a resident diplomatic presence. This gesture signaled the intention and the importance with which we saw our relations with Japan from the beginning.

Over the years, this relationship has continued to be cultivated and strengthened and today, Japan ranks as one of most important development partners for PNG.

High-level visits have taken place between leaders of the two countries. In 1980, then Prime Minister of Japan Masayoshi Ohira visited Papua New

Guinea, which was followed by his successor, Yasuhiro Nakasone, in 1985.

From Papua New Guinea, Prime Minister Sir Michael Somare has been a regular visitor to Japan. He made official visits in 1985, 1997, 2003, 2005, 2006, 2009 and as recently as in March this year when he had a summit with then Prime Minister Yukio Hatoyama.

In addition, other political leaders have had the opportunity to visit Japan. The former Prime Ministers Sir Julius Chan and Sir Mekere Morauta made official visits in 1995 and 2000 respectively.

Government ministers, senior bureaucrats, businessmen, tourists and ordinary citizens also continue to visit in both directions promoting better appreciation and understanding of each other's values and cultures.

All of these have made for a relationship that is close, extremely important, robust and expanding.

Japanese aid

Japan continues to play a major role in PNG's development. It is the second-biggest bilateral aid donor and much of its Official Development Assistance (ODA) programs are channeled toward infrastructure projects such as roads, bridges and sanitation, as well as schools and hospitals, where they are needed most. The Japanese ODAs therefore continue to make a real difference in the lives of the people.

Natural resources

PNG is blessed with an abundance of natural resources ranging from fisheries and forestry in the renewable sector to minerals as well as oil and gas deposits both on land and on the seabed. Vast arable land with year-round tropical weather presents opportunities for agricultural development. Tropical rain forests teeming with flora and fauna, steep mountains and gorges with rapids and water-

falls, pristine waters, sandy beaches and tropical reefs all hold potential for eco-tourists, divers and adventure-oriented visitors.

But developing these resources in a sustainable manner for generations to come with minimal impact on the environment and the people, as well as ensuring that investors receive fair returns on their investments, present challenges for the government. In dealing with these development challenges, Papua New Guinea welcomes partners and genuine foreign investors who can make a contribution in these development efforts in a mutually beneficial way.

Good for investment

In order to create an environment conducive to business and the stimulation of domestic and foreign direct investment, the government established various measures that include tax incentives, tariff reforms and wage subsidies for companies manufacturing new products.

In the agriculture and fisheries sector, these incentives include accelerated depreciation of up to 100 percent in the first year on new plants or equipment used in production.

In the tourism sector, incentives offered include exemptions from the goods and services tax for hotel accommodations of tourists provided these are secured prior to arrival in Papua New Guinea. In addition, a concessional tax rate of 20 percent over 10 years would apply for new investment in tourist accommodation facilities costing over \$10 million. Furthermore, accelerated depreciation up to 55 percent on the cost of capital equipments would be granted to those involved in this industry whether they are hoteliers, restaurant owners, tour, dive or sport fishing operators.

In the manufacturing sector,

industrial plants not previously used in Papua New Guinea are eligible for accelerated depreciation up to 100 percent of the costs, provided the plant has a life exceeding five years.

In the mining and petroleum sectors, the tax incentives include the phase out of mining levies, reduction of income tax from 35 percent to 30 percent, royalties at 2 percent and reductions in the dividend withholding tax from 17 percent to 10 percent.

Bilateral agreements

Complimenting these fiscal policies are the bilateral framework agreements that have been concluded to promote economic development. This includes Double Tax Avoidance Treaties (DTTs) and Investment Promotion and Protection Agreements (IPPAs). They give investors the added assurance that their investments are protected and that Papua New Guinea will not double dip as it were, on their earnings.

Recently, officials from both Papua New Guinea and Japan concluded the first round of negotiations on an Investment Promotion and Protection Agreement between the two countries here in Tokyo. We look forward to hosting the second round in PNG and to the eventual conclusion of this agreement.

Bounty of the land

There are vast deposits of minerals, petroleum and gas; some known while others remain largely unknown and untapped. Exploration activities have increased in the mining sector with three exploration licenses currently at the prefeasibility to feasibility study stages.

In 2008, Papua New Guinea exported a total of 61 tons of gold, 54 tons silver and 166,000 tons of copper. When the four large mines currently under construction begin production in the next five years, the total gold output is expected to reach 100 tons. Other products such as nickel, cobalt and molybdenum are expected to en-



National decision: Prime Minister Sir Michael Somare signs the authorization for the PNG LNG Project in the capital city of Port Moresby in December 2009. EMBASSY OF PAPUA NEW GUINEA

ter the market.

Current operating mines in Papua New Guinea include Ok Tedi (gold and copper), Pongera (gold), Lihir (gold), Kainantu (gold), Tolokuma (gold), Sinivit (gold) and Simberi (gold).

Mines that are currently under construction are the Ramu Nickel Mine (nickel and cobalt), Hidden Valley (gold and silver), Solwara 1 (gold, silver and copper) and Yandera (copper and molybdenum).

But gold and copper are not the only minerals. There are known deposits of iron oxide and the other metals — magnesium, chromium, titanium and vanadium that coexist with iron oxide. Large quantities of limestones are also found throughout the country.

Opportunities therefore abound in these areas for Japanese investors to be involved, from exploration and feasibility studies to the construction, development and marketing of end products.

The PNG LNG Project

In the natural gas sector, the PNG LNG Project is the single largest investment ever made in the country, estimated at \$15.6 billion. Over a 30-year period, the project is expected to produce 270 million cu. meters of gas with an estimated return

of \$32 billion in direct revenue to the government and the landowners.

The construction phase of this project started early this year after lengthy negotiations with all relevant stakeholders, ranging from financiers, project partners, the clients and the government right down to the local landowners, were successfully completed by the end of last year.

Operated by ExxonMobil, the project entails piping of gas over land for about 1,000 km from the interior of the country to a processing facility near Port Moresby and final shipment to overseas markets by 2014.

Chiyoda Corp. of Japan in a joint venture with the Japan Gasoline Co. (JGC) is the major Engineering Procurement and Construction (EPC) contractor.

Nippon Oil Exploration is among the partners of this ExxonMobil-operated project and Japan's biggest power utility company, TEPCO, along with Osaka Gas will take up to 50 percent of the total production.

Liquid Niugini Gas

The Liquid Niugini Gas Project is the second LNG project led by InterOil Corp., with its gas discovery making the

Guinness World Records for producing gas at 11.5 million cu. meters per day.

Late last year, the government approved the construction of an LNG plant by InterOil that will be situated near InterOil's existing oil refinery at Napa Napa near Port Moresby and will cost around \$6 billion.

This project also entails bringing natural gas from InterOil's gas field in the interior of the country for processing at Napa Napa before exporting.

Already some leading Japanese corporations have shown interest in participating in this project.

All these present tangible opportunities for Japanese companies, investors and funding agencies to engage with Papua New Guinea in a relationship that can only be mutually beneficial.

Improving trade

Japan is PNG's second-largest trading partner. Since 2005, there has been a marked increase in trade. The total volume of trade in 2007 reached \$827 million compared to \$660 million in 2004 — the balance of trade being in Papua New Guinea's favor.

Papua New Guinea's major exports to Japan are metal

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Tradition: The Goroka Show is one of PNG's best-known cultural events, in which around 100 tribes gather to show their music and dance. EMBASSY OF PAPUA NEW GUINEA

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Mutual understanding remains key to fostering stronger ties

Katsuo Yamashita
CHAIRMAN, JAPAN-PAPUA NEW GUINEA ASSOCIATION

On behalf of the Japan-Papua New Guinea Association, I would like to express my sincere congratulations to the government and people of Papua New Guinea who celebrate their 35th Independence Day on Sept. 16.



I'm happy to note that bilateral relations between our two countries are getting closer and closer year by year.

In March, we witnessed the memorable 11th visit to Japan by Prime Minister Sir Michael Somare following last year's official visit. The main purpose of this latest visit was to officiate the official opening of the chancellery building of the Embassy of Papua New Guinea in Tokyo.

At the end of March, Air Niugini started its two weekly operations between Narita and Port Moresby. It was the long-awaited desire of the government of Papua New

Guinea to increase one more flight to Narita. But due to the congestion of air traffic at Narita, it was not an easy task for the Papua New Guinea government to negotiate with its Japanese counterpart. But fortunately, with the help of many people concerned, both governments agreed to enable Papua New Guinea to fly the second flight of its national flag carrier to Narita.

It is anticipated that, being supported by the above-mentioned facilities, the flow of investment and trade and exchange of people between the two countries will continue to increase in a big way in the near future. But we must not forget that closer relationships and more people-to-people contact sometimes tends to spur conflict between two countries. It is my earnest hope that these conflicts can be solved in a mature way for future stable relations between our two countries, through the mutual understanding of both sides.

I feel more than happy if my organization, as a nongovernmental organization, can continue to play its part to promote the people-to-people, mutual understanding in the future.



Scuba adventure: Tawali Resort has one of PNG's finest diving spots. EMBASSY OF PAPUA NEW GUINEA

Diverse heritage sets nation apart

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ores, crude oil, coffee, fish and timber products while importing from Japan motor vehicles, machinery and spare parts.

There is still more room for improvement.

Economic growth

Papua New Guinea's economy recovered in 2003 after suffering contractions the previous three years. This recovery and the growth in the gross domestic product (GDP) came on the back of high commodity prices for its major agricultural products of cocoa, palm oil, coffee and copra as well as high mineral and petroleum prices, particularly that of gold, copper and oil.

This positive growth continues to be sustained by strong performances in the communications and manufacturing sectors as well as robust growth in the retail, wholesale, agriculture, forestry and fisheries sectors.

Political stability brought on by the legislative reform of 2002, which gave effect to the law on the Integrity of Political Parties, has also contributed to investor confidence and the stable economic growth thus far.

Attractions

What sets Papua New Guinea apart is that it is a country peopled by over 1,000 different ethnic tribes who speak well over 800 distinctly different languages (not including dialects). Some expert linguists and sociologists estimate that up to one third of the world's indigenous languages are spoken in Papua New Guinea alone.

With these distinctly different languages come our cultural heritage. We have some of the most authentic and original cultures untouched by modernization that are expressed in various art forms, such as songs and dances. A rich variety of traditional costumes are seen from tribe to tribe and from province to province and is as distinct as the languages we speak.

Visitors can have a glimpse of this and experience the uniquely colorful and diverse cultures at various cultural

shows around the country, including at the Mount Hagen and Goroka cultural shows that take place around August and September each year.

For diving enthusiasts, there is no shortage of options to choose from. Dive resorts and facilities in Port Moresby, Alotau, Tufi, Madang, Kimbe, Rabaul and Kavieng offer among the best dive locations in the world.

Tropical rain forests with teeming flora and fauna, steep mountains and gorges with rapids and pristine waterfalls await those adventure-oriented eco-tourists.

The wartime Kokoda Trail that crosses the Owen Stanley Range from Popondetta to Port Moresby has in recent times become extremely popular for tracking. This is a trail that holds great significance for the Japanese and the Australians, as lots of lives were lost and blood was shed on this track during the war. An increasing number of visitors and locals alike walk the track as an endurance feat but also for its rugged beauty and its breathtaking natural environment. Others do so as a tribute to relatives who fought on this track.

Let me end by saying that Papua New Guineans are traditionally very spiritual people — much like the Japanese. We honor and revere our dead and the spirit of the departed. Sadly, during World War II, a lot of Japanese blood was spilled and young Japanese lives lost on PNG soil, particularly along the Kokoda Trail and the beachheads at Buna, Gona and Sananada in Popondetta. We recognize and hold in reverence and respect these beachheads, tracks, mountains and valleys as they are indeed hallowed and sacred ground for the Japanese.

So in addition to the attractions we have to offer, these experiences of the war link our two countries and people closer together and beckon you to come.

Finally, let me extend a warm invitation to you all to visit Papua New Guinea and experience the rich diversity of our cultures, savor the natural beauty and explore business opportunities.