



TRADE POLICY FOR THE REPUBLIC OF NAURU

BY

DEPARTMENT OF FOREIGN AFFAIRS AND TRADE

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Vision

The purpose of this trade policy is to enable Nauru to use trade to support its National Sustainable Development Strategy (NSDS) for securing economic growth and sustainable development, by creating employment, improving services, alleviating poverty with the ultimate objective of maintaining and enhancing living standards on Nauru.

1. Nauru is one of the smallest and most isolated countries in the world. It consists of a single island of 21 square kilometers, located around 300km from the nearest neighbouring islands, over 2000kms from the larger Pacific island states of Fiji and Papua New Guinea, and over 3000kms from major centres of population in Australia and New Zealand. It has an exclusive economic zone (EEZ) of 300,000 square kilometers. The population is estimated to be about 10,000. The population is young (39% below 15 years of age in 2007), with the potential to grow rapidly, so that provision of increased employment opportunities is an important priority for policy. The principal resources of Nauru are its people, its rich deposits of high grade phosphate, and the rich fisheries resources of its EEZ.
2. The Nauru economy is based on the export of phosphate, which finances the import of virtually all material needs. Exports consist almost entirely of phosphate, with some aggregate material derived from the phosphate operations also having been exported in the past. Imports are estimated to consist of construction materials (70%), food (20%) and other goods (10%).
3. Nauru has been recovering from the near total collapse of its economy in early years of this century. Reform-minded governments have been implementing a programme of public sector reform, governance reform and reform of economic management. The share of public administration in GDP has fallen sharply, from 31% in 2004 to 7% in 2009. Primary industries, principally mining and quarrying with very small contributions from fishing and agriculture, accounted for 19% of GDP in 2009. Nauru's very limited agricultural production is focused on import substitution and food security. Secondary industries, principally phosphate processing for export, with smaller contributions from electricity and water and construction, accounted for 36% of GDP. Services accounted for 45% of GDP.
4. Economic growth is heavily influenced by changes in phosphate production and exports, and more recently by changes in world prices for phosphate. Following the period of near collapse, the economy grew rapidly from a low base. The fall in phosphate prices following the global economic crisis of 2008/9 caused economic growth to fall sharply in 2009.
5. Historically, trade for Nauru has involved exporting phosphate in exchange for imports of virtually all the goods and services that have underpinned Nauru's standard of living. Phosphate revenues have been supplemented by fishing license fees and overseas aid receipts, which have accounted for a larger share of foreign exchange receipts in recent years. With phosphate exports now clearly recognized as having a finite life, Nauru faces the challenge of developing additional sources of foreign exchange earnings. A key function of trade policy is to support these new developments.
6. Nauru has identified potential new sources of foreign exchange earnings including fisheries processing, production of high quality dimensional stone, tourism, provision of

port services and for central Pacific fishing fleets, storage and regional distribution of petroleum products, and participation in temporary labour mobility schemes. Nauru's trade policy will support these developments by addressing market access issues and by working with partner countries to enhance Nauru's capacity to meet the requirements of overseas markets.

7. In order to encourage new developments, as well as improve the efficiency of the Nauru economy, Nauru will take steps to enhance the business environment on Nauru, with particular emphasis on foreign investment policy and law, other business laws, land issues, restoration of banking services, and private sector development. Nauru gives high priority to upgrading of international transport connections, and is also moving to build on recent improvements in telecommunications services by establishing a modern regulatory framework for the telecommunications sector. Technical and financial assistance will be essential in effecting these improvements.
8. Nauru's trade policy will guide the nation in trade negotiations and in implementing trade agreements. In order to prepare for future participation in trade agreements Nauru will restructure its border tax regime to ensure that participation in these agreements does not give rise to government revenue losses. Nauru will also be taking steps to modernise its customs and statistics functions.
9. Liberalisation of services trade has the potential to improve the efficiency of Nauru's economy. Nauru will undertake a major overhaul of the laws and regulations governing its service sectors, to enable it to participate extensively in agreements on services trade. Substantial technical and financial assistance will be needed for this purpose. In the meantime Nauru will negotiate cautiously on services trade on the basis of its existing laws and regulations.
10. Nauru is a party to the Pacific Island Countries Trade Agreement (PICTA) and will be moving forward to implement its PICTA obligations. Currently, PICTA is being extended to include trade in services and temporary movement of natural persons and Nauru will continue to participate in those negotiations.
11. Nauru has access into the Australian and New Zealand market via the South Pacific Regional Trade and Economic Cooperation Agreement (SPARTECA), which is a non-reciprocal Agreement. Nauru is currently participating together with the other Forum Island Countries (FICs) in negotiations with Australia and New Zealand for a "PACER-Plus" agreement that will establish a new framework for trade and economic cooperation with those two countries. Securing favourable provisions on temporary labour mobility is a high priority for Nauru in the PACER-Plus negotiations. Australia may also be a significant market in future for Nauru's high quality dimensional stone and also for fish if fish processing becomes established on Nauru.

12. Nauru together with the other 13 Pacific ACP States has been negotiating an Economic Partnership Agreement (EPA) with the European Commission (EC). Although Nauru's trade with Europe is negligible, Nauru should nevertheless support a regional stance to secure a multilateral free trade agreement and to support issues concerning "global sourcing" for fisheries products, which has the potential to open up trade opportunities for exports of fish to the European Union. Nauru will be concerned to ensure that a successful outcome in relation to "global sourcing" is accompanied by commitments from the European Union to provide assistance in establishing the Competent Authority required by the European Union to certify compliance with its rules relating to fish imports.
13. Nauru will be an interested party in the negotiations for renewal or replacement of the multilateral fisheries agreement with the United States. Opportunities to include market access arrangements in these negotiations will be explored, and pursued if they are assessed to be of interest to Nauru.
14. In order to achieve the abovementioned objectives, multi-year project proposals, which include measurable indicators, will be prepared based on trade policies detailed in Annex 2. The Trade Policy will be reviewed and monitored annually and necessary changes made to ensure that the objectives are met.
15. This abridged version of the Trade Policy should be read together with Annex 1 which details the key trade policy issues, challenges and opportunities and Annex 2 which identifies the main stakeholders and entities responsible for the implementation, the time frame, and the sources of funding.
16. The key policies outlined in the table below will be pursued in order to promote trade and investment in the identified priority sectors.

Sectors	Trade Policy
Mining	Ensuring maximum returns from phosphate exports
Manufacturing	Develop "dimensional stone" products utilising pinnacle material
Fisheries	Explore harvesting and processing opportunities using revenue from access fees as benchmark
Agriculture	Focus on food security and import substitution
Services	
<i>Labour Mobility</i>	Seek appropriate arrangements with economic partners with the aim of providing enhanced employment and income-earning opportunities for Nauruans
<i>Transport</i>	Pursue improvements in Nauru's external sea and air connections, by cooperating with neighbouring Central Pacific states.
<i>Port and Airport Services</i>	Pursue modernisation of Nauru's port and airport facilities, to generate income-earning opportunities and provide for Nauru's future trade needs

<i>Petroleum Products Distribution</i>	Establish Nauru as a distribution centre for petroleum products in the Central Pacific
<i>Telecommunications</i>	Establish a regulatory framework that will promote efficiency in the telecommunications sector
<i>Tourism</i>	Establish a national tourism plan, focusing developing viable tourist "packages" and introducing facilities needed to support tourism
Imports and Exports	
<i>Border Taxes</i>	Restructure border tax revenue to ensure participation in trade agreements does not result in government revenue losses
<i>Customs and Statistics</i>	Modernise the customs and statistics functions to improve efficiency and facilitate production of usable trade data
Business Environment	
<i>Foreign Investment</i>	Establish a modern policy and legal framework to encourage foreign investment in Nauru
<i>Financial Services</i>	Take all possible steps to secure re-establishment of banking and insurance services on Nauru
<i>Land Issues</i>	Pursue measures to increase the stock of land available for lease on commercially satisfactory terms
<i>Business Law</i>	Modernise Nauru's business-related laws
<i>Private Sector</i>	Encourage growth of the private sector through programmes to build business and entrepreneurial skills and increase microfinance facilities
International Trade	
<i>European Union</i>	Explore potential export opportunities by negotiating "global sourcing" for fish exports, supported commitments to assistance in establishing a Competent Authority
<i>Australia and New Zealand</i>	Support proposals to ensure that "PACER-Plus" will be a "development friendly" agreement, incorporating enhanced labour mobility provisions.
<i>Forum Island Countries</i>	Increase integration with other Forum Island Countries by participating in PICTA and PICTA Trade in Services
<i>United States</i>	Explore possibility of linking market access arrangements to renegotiation of the multilateral fisheries treaty.
<i>External Assistance</i>	Mobilise assistance for implementation of Nauru's Trade Policy from Aid for Trade, regional facilities, and bilateral assistance programmes