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KINGDOM OF TONGA

Memorandum on the Foreign Trade Regime

The Memorandum on the Foreign Trade Regime submitted by the Ministry of Labour, Commerce and Industry of the Kingdom of Tonga is reproduced hereunder.

In accordance with the procedures in document WT/ACC/1, Members are requested to communicate to the Secretariat by 10 July 1998, any questions they may wish to put concerning the matters dealt with in the Memorandum, for transmission to the authorities of the Kingdom of Tonga.

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I. INTRODUCTION

The Government of Tonga submits this Memorandum on its foreign trade regime to the World Trade Organization in support of its application to accede to the WTO under Article XII of the Marrakesh Agreement Establishing the World Trade Organization.

The policies of the Government of the Tonga are aimed at developing and sustaining rapid economic growth and increasing investment, employment and incomes, through a number of measures which accord with the principles and objectives of the WTO:

- support for the development of the private sector in Tonga, by providing the necessary physical, financial and institutional infrastructure facilities;
- the maintenance of an open and competitive economy, broadening and diversifying Tonga's export base;
- facilitating the export of products to existing new markets;
- encouraging tourism;
- promoting competition in business through the deregulation of financial and business activities;
- maintaining stable exchange rates and interest rates.

The liberalisation of international trade in goods and services, which the WTO Agreements underpin, accords with the policies and objectives of the Government of Tonga. The Government of Tonga believes that it is in the interests of Tonga to belong to the WTO to achieve these objectives. The Government of Tonga places special importance on the ways in which the WTO can assist small island States such as Tonga, through providing a forum in which their particular concerns and interest in trade can be protected and enhanced. To this end, Tonga intends, if admitted to the WTO, to play an active role in the WTO's workings and deliberations and to contribute where possible to meeting the WTO's long term objectives.

II. ECONOMY, ECONOMIC POLICIES AND FOREIGN TRADE

1. Economy

The Kingdom of Tonga is a small island State located in the South Pacific, between 15 and 23.5 degrees South and 173 and 177 degrees West of Greenwich and immediately to the West of the International Date Line. Its nearest neighbours are Fiji and Western Samoa. Tonga has a land area of 699 square kilometres spread over 700,000 square kilometres of ocean. It comprises of 171 islands, of which 36 are inhabited.

The population is estimated at around 100,000 and the current population growth remains low at less than 1 per cent per annum, of which the majority lives in the four islands of Tongatapu, Vava'u, Ha'apai and the two Niuas. Around two-thirds live in Tongatapu. The last census was held in 1997.

Tonga is not a full member of the United Nations but it is an active member of several of its specialised agencies, including the Economic Commission for Asian and the Pacific (ESCAP), the World Health Organization (WHO), and the Food and Agriculture Organization (FAO). Tonga

belongs to both the World Bank and the International Monetary Fund (IMF). It is a member of the Commonwealth and the Asian Development Bank, and a signatory to the Lomé Convention between the European Communities and the 70 African, Caribbean and Pacific States. At a regional level, Tonga was a founding member of the South Pacific Forum in 1973 and also belongs to the South Pacific Commission. Tonga has established diplomatic relations with 33 other countries, and maintains a High Commission in London and a Consulate General in San Francisco, United States of America.

In 1994/95, the structure of the economy was dominated by the services sector (53 per cent of GDP), followed by the share of agriculture, forestry and fisheries (38.9 per cent) and the manufacturing sector contributed 8 per cent.

Tonga is predominantly an agricultural country with a subsistence economy. Crops are grown mainly for domestic consumption and local sale, although production of commercial crops for export is well established and growing in importance. Traditional crops include taro, kumara, cassava, watermelon and yams, which are exported as well as consumed locally. Export crops include vanilla, coconut oil and squash pumpkin, of which the latter has in recent years become Tonga's most valuable single export commodity.

According to the 1990 Labour Force Survey, the agriculture, forestry and fisheries sector accounted for more than half of the total employment. The survey revealed that about 70 per cent of total employment is in Tongatapu.

Given Tonga's small land area compared to its 700,000 - square kilometre maritime Exclusive Economic Zone, it is not surprising that the sea and fisheries play an important role in Tonga's economy. In recognition of this, in 1991 the Government established a separate Ministry of Fisheries to take responsibility for the development of Tonga's fisheries resources.

Tonga has a small manufacturing and industrial sector, contributing some 8 per cent to GDP. Industrial Development has always been limited by the size of the domestic market, the limited resource base, and Tonga's remoteness from major markets. The principle industries established are food processing and wood products.

Tourism is a major contributor to the economy, through employment and foreign exchange earnings. It is estimated to account for around five per cent of GDP.

A schedule of the main economic indicators of Tonga is at Annex 1.

Tonga's economy depends heavily on external transfers to meet the substantial visible trade imbalance. Private remittances from the substantial Tongan community living overseas, from churches and charitable organisations, and from official bilateral and multilateral grants and loans, fund nearly all of Tonga's development budget. Export have contributed only around 18 per cent of GDP, and depend on a narrow range of products and commodities. The economy of Tonga is singularly vulnerable to external effects, and with a small population and domestic market, Tonga depends heavily on imports to meet most of its non-primary requirements.

The Tongan economy has been growing at an annual rate of between 3 and 4 per cent over the past five years. Economic growth has been closely linked to the performance of the primary sector, in particular agriculture. As evidence of this, overall economic activity in 1995/96 is expected to slow to a negative rate of 1.7 per cent, due mainly to the poor performance of Tonga's main export commodity, squash pumpkin.

In 1994/95 inflation in Tonga was less than 0.4 per cent, compared to 2.4 per cent in 1993/94 and 27 per cent in 1992/93. Since 60 per cent of Tonga's basket of consumption is based on imports, it will be evident that most of the increases or decreases in inflation are due to exogenous effects beyond Tonga's control. Inflation rates in 1996 appears to be taking an upward turn.

Agriculture and Fisheries, are expected to remain, the main contributor to the national economy, (National accounts do not separate agriculture from fisheries). In recent years the agricultural sector has become more export-oriented, with around 30 per cent by value of all produce destined for export. Up to the 1980's Tonga depended heavily on exports of bananas and copra: these declined under the twin effects of preference erosion and lack of competitiveness in the main markets of New Zealand and Australia. In their place, squash pumpkins, vanilla and kava have emerged as the major export crops. Fisheries occupy around 16 per cent of households and there are 2,300 registered fishermen. Export figures for fish, though small in comparison with agricultural produce, have increased steadily in recent years.

Manufacturing is estimated to contribute only some 3.9 per cent to GDP. Around 250 enterprises are in operation, with another 100 providing supporting services such as repairs and servicing. A number of export-oriented manufacturing enterprises, most notably in the leather and woollen garments sectors, which were set up to export to New Zealand and Australia under the South Pacific Regional Trade and Economic Co-operation Agreement (SPARTECA), closed as trade preferences in those markets were eroded.

The tourism sector in Tonga has been affected by the recent world economic recession, with a slight downturn in the number of tourist arrivals; these total just under annum. As many as 80 per cent visitors are in fact Tongan residents overseas. Over 70 per cent of tourists arriving by air are from New Zealand, the United States and Australia. Hotel occupancy rates remain low, at around 50 per cent.

2. Economic Policies

(a) Main orientation of policy

The Government of Tonga follows a liberal, non-interventionist policy toward the economy, whilst providing a range of incentives, investments and facilities to support and encourage the efforts of the private sector. The Government of Tonga continues to pursue the policies of economic and social infrastructure and services for the overall growth of the economy.

The economic goals and objectives of Tonga is captured in a series of three-year rolling programmes of sectoral goals and objectives.

The objectives for the three year plan are:

- efficient and well-structured government sector, with the qualities of good governance and accountability;
- efficient, well structured State-owned enterprises;
- well-maintained physical infrastructure;
- sound and encouraging environment for the development and increased involvement of the private sector in the economic activity;
- development benefits being distributed equitably;
- well-educated and skilled labour force, and healthy population;
- low crime and guaranteed national security;
- stable macro-economic environment with reduced reliance on official foreign assistance.

For 1996/97, the main thrust of economic policy, as set out in the Budget Statement, are to increase employment and generate foreign exchange by increasing export earnings from goods and services and to encourage investment, both domestic and foreign, in agriculture, fisheries and manufacturing. In support of this the Government of Tonga will provide the necessary infrastructure and facilities for export-oriented activities, for example roads, electricity suppliers, telecommunications, fumigation and cold storage facilities.

The Budget Statement includes details of policy towards the primary and economic sector.

In the case of agricultural development, this strategy has four main components.

- (i) Increasing agricultural production. This will be achieved by:
 - increasing the area under cultivation;
 - enforcing pest and disease control and introducing new technologies;
 - promoting research related to commercial crops;
 - deregulating quotas on the export of pumpkins (this has already been done);
 - revitalising copra exports;
 - developing organic farming and improving quality standards.
- (ii) Diversifying the agricultural sector through:
 - the introduction of new crop varieties;
 - market development for yam beans in Japan, New Zealand, the United States and Europe;
 - the development of markets for organic crops including mushrooms.
- (iii) Improving market opportunities:
 - developing quarantine protocols to assure the quality of exports on arrival;
 - evaluating and experimenting with new methods of treating produce to preserve it;
 - examining new marketing methods and niches for agricultural produce;
 - continuing to provide technical assistance to farmers.
- (iv) Commercialising the activities of the Ministry of Agriculture and Forestry.

Relevant strategies for forestry include:

- increase reforestation;
- development of planting of indigenous woods for handicraft purposes;
- reviewing options for the development of coconut plantations.

In the case of fisheries, development will include:

- the promotion of off-shore tuna fishing;
- exploring potential export markets for fish products;
- promoting the participation of the private sector in export-oriented fisheries;
- the establishment of a quality control system for exported fish;
- encouraging increased investment in fishing vessels;
- investigations into commercial farming of shellfish and molluscs.

Government strategies for the tourism sector include:

- the provision of improved public infrastructure, e.g. airports, wharves and roads;
 - the provision of a suitable investment environment;
 - effective promotion and marketing of Tonga through the Tonga Visitors Bureau.
- Strategies and policies for the manufacturing sector include:
- encouraging the development of the private sector to enable the government to withdraw from direct involvement in manufacturing and marketing;
 - improving efficiency through skills training;
 - the promotion of export-oriented manufacturing activities;
 - assisting the development of traditional and non-traditional agricultural products which have potential for added value through processing, notably cassava, kava, vanilla and pumpkins;
 - the establishment of TongaTrade as a centralised agricultural and commodity export promotion wing of the Ministry of Labour, Commerce and Industries.

Tonga Trade was officially inaugurated in January 1997 with the objectives of increasing Tonga's export earnings by fostering and promoting export trade.

The functions of TongaTrade includes the following:

(i) Trade policy:

advising and acting on international policy issues. In conjunction with other divisions of MLCI, TongaTrade will be responsible for informing growers, traders and importers about regulatory aspects such as licences and quantity and presentation standards. These regulations will be established by other divisions of MCLI.

(ii) Trade information:

the establishment, maintenance, analysis and dissemination of commodity information of interest to Tonga. This information will include pricing as well as trade issues such as labelling, quarantine and phytosanitary requirements.

(iii) Market development:

market identification through research and gap analysis, assisting in the development of exporters marketing skills and facilitating the development of exporters marketing skills and facilitating the development and implementation of market management plans for product groups.

(iv) Trade promotion:

in conjunction with appropriate public and private sector organisations, being responsible for the development of profiles for inward and outward trade missions, organising inward and business visit programmes and developing investments portfolios.

The office of TongaTrade is a new office and is funded by the Asian Development Bank and the Government of Tonga. It is intended that the private sector support of TongaTrade will be gradually increased. It is envisaged that at least 51 per cent of TongaTrade's funding will come from the private sector by the third year of operations.

Finally, Government supports the further development of commerce and other services such as banking, insurance and business services, recognising that these contribute around 12 per cent of GDP.

Privatisation of public enterprises has formed a component of previous development plans and is expected to remain so under the Seventh Development Plan.

Government policy on infrastructure and utilities is aimed at improving living standards and providing the foundations on which private sector development can take place. Funding for major infrastructure projects has depended heavily on loans and grants from the international community, and this picture is expected to continue.

Increases in demands for electricity will be met by the commissioning of new power generating plants on several islands. Water supply by the Tonga Water Board will include the construction of new centralised water supply systems and replacement of outdated water mains. Roads will be upgraded throughout Tonga to cope with the increasing volumes of traffic. Upgrading of wharves and port facilities will take place, with Asian Development Bank and Australian funding. The national airline, Royal Tonga Airlines, which is 100 per cent government-owned, will be encouraged to improve its efficiency and services to a point where the government can dis-invest. Domestic telecommunications, which are operated by the government-owned Tonga Telecommunications Commission, will be expanded (including cellular mobile telephones).

Major development projects for 1996/97 relevant to the development of foreign trade include the following:

- improvements to financial and economic management systems within government;
- education and training programmes in overseas institutions;
- agricultural diversification trial programmes;
- the purchase of a multi-purpose fisheries vessel;
- small business assistance programmes;
- upgrading of airport facilities.

Regulatory price control

Under the Price and Wage Control Act, Cap 113, a Competent Authority Committee was established to control prices for essential items. The secretariat for the Competent Authority Committee is the Ministry of Labour, Commerce and Industries. The Chairperson is the Minister for Labour, Commerce and Industries and members are Minister for Finance, Secretary for Labour, Commerce and Industries, Deputy Secretary for Commerce, and three appointed members representing the private sector. The Competent Authority meet on a monthly basis.

The functions of this committee are as follows:

- monitor and control prices of goods and services or minimum wage rates where it consider expedient in order to secure their availability at fair prices;
- has authority to order or fix minimum or maximum prices of any goods, services or prices incurred;
- require the trader to supply orally or written information regarding to goods and services in his possession as well as the wages and hours worked;
- at any reasonable time require the trader to provide or furnish copies of documents of any kind relating to the sale of goods and services in his business;

- enter the trader's place of business or premises during business hours for the purpose of searching or inspecting documents or goods.

The regulations stipulate minimum and maximum prices for the following products:

- flour;
- sugar;
- butter and Margarine;
- baby milk and milk powder;
- tea;
- rice;
- coffee, milo and cocoa;
- edible oils of all types;
- ghee and dripping;
- salt;
- infant food preparations;
- motor vehicles and motor cycles;
- white benzene;
- all lubricant oils;
- insecticides, pesticides, herbicides and fungicides;
- all chemicals and fertilisers for agricultural use;
- motor vehicle spare parts;
- liquid petroleum products (motor spirit, kerosene, diesel);
- bread of standard size.

The prices for services in Tonga are determined freely by market forces.

(b) Monetary and fiscal policies

The responsibility for designing and implementing monetary policies rests with the central bank, The National Reserve Bank of Tonga. The bank co-ordinates its activities with the Ministry of Finance to monitor policy. The main objects of Tonga's monetary policy are to sustain the growth in foreign exchange reserves; to ensure foreign exchange is sufficient to meet the import requirements, and to maintain the value of the Tongan currency, the pa'anga (abbreviated T\$). Recent specific policy measures have included raising the statutory required reserve ratio for commercial banks from five to 15 per cent, and adjusting interest rates to stabilise private sector liquidity. These policies are aimed at reducing the rate of growth of private sector lending by the bank sector and arresting the decline in foreign exchange reserves.

Fiscal policy is based on the following policy issues:

- balancing the recurrent budget;
- improving efficiency in government services;
- promoting private sector development;
- improving public debt management;
- improving the monitoring and management of public enterprises.

The first of these issues is achieved by ensuring that estimated recurrent cash expenditure does not exceed projected cash revenue. Recent budgets have achieved this (see budget details at Tables 1 and 2). The government intends to keep recurrent expenditure below 30 per cent of GDP.

Efficiency in government will be achieved, *inter alia*, through reducing and transferring government activities to the private sector and by improving administrative procedures. It is intended to identify government services which can be privatised.

Private sector development is to be promoted by applying stricter economic, financial and environmental criteria to overseas and local government borrowing and by improving debt recording and reporting systems.

Public enterprises will be assisted to improve their performance so that they either return a dividend or become attractive candidates for corporatization or privatisation.

(c) Foreign exchange and payments systems

Tonga has been a member of IMF since 1985. It belongs to the South East Asia regional group of members. Tonga's representative on the IMF Board of Governors is the Minister for Finance, his alternate is the Governor of the National Reserve Bank of Tonga.

Tonga accepted Articles VIII of the IMF Agreement on 22 March 1991. The convertibility of the Tongan pa'anga is free. The future plan is to liberate the capital flow and provide for a freer convertibility of the Tongan pa'anga.

The value of the pa'anga is tied to a basket of currency consisting of the United States, Australia and New Zealand dollars. On 7 August 1997 the value of the pa'anga was as follows:

T\$ 1	=	0.7705 United States dollars
	=	1.0442 Australian dollars
	=	1.0218 New Zealand dollars
	=	91.11 Japanese yen
	=	0.4773 Pounds sterling

The Foreign Exchange Control Act (CAP 103), provides for exchange controls to be imposed. In practice, however, no exchange control mechanisms currently exist, other than a requirement for commercial banks to report to the National Reserve Bank of Tonga on any transaction over T\$ 50,000 in value. The bank sees little likelihood that exchange control measures will need to be imposed in the immediate future. Tonga's total foreign exchange reserves in 1995 were equivalent to T\$ 32.82 million (see Table 3).

(d) Foreign and domestic investment policies

The policies of the Government of Tonga on foreign and domestic investment are reflected in the Industrial Development Incentives Act. Cap. 114. The IDI Act is aimed at encouraging entrepreneurship for the establishment and growth of the industry and tourism in Tonga through a system of reliefs from certain taxes and duties through other specific measures. The Government of Tonga makes no important distinction between domestic and foreign investment, and there are no legal restrictions on foreign investment in any specific type of activity.

The IDI Act 1978 covers enterprises deemed to be "industrial enterprises". In practice, this classification covers industrial processing, manufacturing, assembly including packaging, and the provision of "prime facilities" to the tourism industry. Prime facilities are defined as those which are "visitor-producing" in their own right, and include accommodation, vessels, sporting facilities and tourist sites. Agricultural projects are also eligible where processing is involved.

Any person intending to establish an industrial enterprise is required to apply to the Minister of Labour, Commerce and Industries. A Standing Advisory Committee is established to scrutinise applications for Development Licences under the Act and to make recommendations to the Minister.

Membership of this committee comprises:

- the Minister for Labour, Commerce and Industries;
- the Secretary for Labour, Commerce and Industries;
- the Secretary for Finance;
- the Managing Director of the Tonga Development Bank;
- the General Manager of the Bank of Tonga;
- the Director of the Central Planning Department;
- other ad hoc members as required.

The secretariat of the Standing Advisory Committee on Industrial Licensing is based at the Ministry of Labour, Commerce and Industries.

An application for a Development Licence must be made on a prescribed form, the actual version depending on the nature of the enterprise (manufacturing, export-oriented, agriculture, fisheries and tourism). The forms are designed to seek information on such matters as:

- the nature and cost of the project;
- the means of financing it;
- manpower and employment requirements, including the employment of non-Tongans;
- the markets for the product, output and service;
- the incentives and benefits sought;
- the experience and financial background of the applicant;
- the project's electricity and water requirements.

All applicants must submit a business plan, a financial statement and bank references. In the case of tourism project, any construction plans must be approved by the Ministry of Health and Ministry of Works. An application fee of T\$ 5.00 is charged.

Both domestic and foreign investment are subject to the same approval procedure. Where the application for a licence involves foreign investment, the committee needs to be satisfied that the project will bring positive, substantial and continuing benefits to the people and economy of Tonga. A separate recommendation to this end is made to the Minister before a licence is granted. The committee looks at each application on its own merits, but is required to consider the extent to which the project will fulfil some or all of the following objectives:

- involve the processing of local resources;
- contribute substantial local added value;
- be labour intensive, i.e., have a medium to high labour ratio;
- have export potential;
- contribute to import substitution;
- have a reasonable level of local participation;
- have a multiplier effect leading to the creation of ancillary industries;
- be likely to complement other domestic manufactures of producers;
- satisfy any other criteria that the committee may think relevant.

The benefits granted from a Development Licence include the following:

- exemption from income tax relating to the enterprise for up to five years;
- in the case of a non-resident company or shareholder, exemption from withholding tax for the same period;
- accelerated depreciation of assets;
- exemptions from customs duties for up to two years on imported capital goods;
- duty drawbacks on imported raw materials and components;
- a 50 per cent exemption from Port and Services Tax;
- in the case of non-resident company or shareholder, the right to repatriate profits and capital gains.

The benefits actually granted are set out in detail in the licence and will depend on the nature and requirements of each project.

The Act provides some protection for approved enterprises by requiring any enterprise already engaged in similar activities to apply for consent to establish or expand that enterprise. In practice this is a discretionary power which is only rarely exercised. Enterprises that are already established in a sector does not have a say in the decision to approve a new industry.

Applicants are informed in writing of the committee's decision by the Secretary for Labour, Commerce and Industries. If successful they are advised as to when the licence will be issued and on what terms. The licensee can use the licence as the basis of an application to the immigration authorities for a work permit (termed Temporary Residence Visa).

It is a condition of all Development Licences that the applicant company should be registered in Tonga under the Companies Act , CAP 27. The procedure for registration of new companies requires twenty copies of the company's Memorandum and Articles of Association to be submitted to the Registrar of Companies (in practice the Minister of Labour, Commerce and Industries), for these to be vetted by the Registrar and the Crown Law Office, and for these then to be submitted to the Privy Council for final approval.

The numbers and purposes of Development Licences issued in recent years (between 1 January 1994 and 1 July 1996) have been as follows:

Nature of Ownership	Number
100% local	133
Joint venture	26
100% foreign	17
TOTAL	176

Purpose of Licence	Number
Tourism	51
Manufacturing	50
Services	30
Agriculture	30

Purpose of Licence	Number
Fisheries	15
TOTAL	176

(e) Competition policies

The Government of Tonga has not formulated a policy on competition.

3. Foreign Trade in Goods and Services

Tables showing statistics of import and export trade in recent years are at Tables 4-8 inclusive.

Tonga has traditionally shown a strong trade imbalance, with visible imports outweighing exports by a factor of around 4:1. The island character, limited range of natural resources and small size of Tonga has a critical effect on the nature and structure of trade, making Tonga highly dependent on imports for the bulk of its requirements of manufactured and processed products to the small domestic manufacturing base.

Between 1993 and 1995 imports into Tonga grew by 15.0 per cent, from T\$ 85.23 million to T\$ 98.05 million. The most important component of imports 22.8 per cent in 1995, was represented by food and live animal products, in particular meat and dairy products, flour, cereal products, sugar and animal fodder. Next in importance was machinery and equipment comprising of 20.7 per cent by value. Here the principle categories of imports in 1995 were generating equipment, electric cables and wires, telecommunications equipment and motor vehicles. Other manufactured goods, at 19.4 per cent of visible exports by value made up the third category. It is noteworthy that over 46 per cent of government revenue is expected to be derived from customs duties and Port and Service Tax in 1996/97.

Tonga's principal trading partners, as regards to imports, are New Zealand (38.1 per cent by value in 1995) and Australia (27.8 per cent), followed by the United States, Fiji and Japan. These countries contributed no less than 89.7 per cent of Tonga's imports.

Exports (excluding re-exports) over the same period fell by around 12.2 per cent, from T\$ 21.97 million to T\$ 18.02 million. Over 90 per cent of exports are accounted for by food and live animal products, notably fish, crustaceans and molluscs, vanilla, and root crops such as yams. However, the most important single contribution to export comes from pumpkins, exports of which were worth T\$ 8.4 million in 1995. This is a relatively recent export commodity (exports began only in the late 1980's), almost all of which is exported to Japan to take advantage of a seasonal market niche in that country. Fluctuations in total export earnings are largely counted for by variations in the quantities and price of pumpkin exports.

Tonga's principal markets for its exports are Japan (49.1 per cent by value in 1995, accounted for almost entirely by pumpkins), the United States (23.3 per cent) and New Zealand (8.4 per cent). Tonga's high degree of dependence on a narrow range of export markets is illustrated by the fact that these three countries in 1995 took 80.8 per cent of Tonga's exports. In the past, Tonga's traditional exports were principally copra and bananas, with markets in Australia and New Zealand. Tonga's balance of payments is illustrated in Table 9.

4. Domestic Trade in Services

The structure of the economy is dominated by the services sector at 53 per cent of GDP. There is no services policy in place.

5. Financial Movements Related to Nationals Working Abroad

It is estimated that some 40,000 Tongan nationals reside outside the country. The majority of which live in New Zealand, Australia and the United States of America.

Private remittances from Tongan residents abroad represent the single most important source of foreign exchange. It is estimated that between 40 to 45 per cent of foreign exchange earnings come from this source. Actual values of remittances in recent years have been as follows:

Year	Receipts (T\$ million)
1991/93	43.4
1993/94	57.8
1994/95	56.2
1995/96	60.2

III. FRAMEWORK FOR MAKING AND ENFORCING POLICIES AFFECTING FOREIGN TRADE IN GOODS AND TRADE IN SERVICES

1. Powers of Executive, Legislative and Judicial Branches of Government

In 1970, Tonga became a sovereign and independent State, within the Commonwealth. The present system of government in Tonga is based on the Constitution of 1875. Between 1900 and 1970 Tonga was a British protectorate, whereby the United Kingdom took responsibility for Tonga's defence and external affairs while preserving the traditional powers of the Tongan monarchy. Tonga is a constitutional monarchy under His Majesty King Taufa'ahau Tupou IV, who acceded to the throne in 1965.

The Legislative Assembly is made up on nine noble representatives and nine representatives of the people. His Majesty appoints Cabinet Ministers who hold office until retirement age. The Governors of Ha'apai and Vava'u are appointed to their offices and serve as ex officio members of the Cabinet.

His Majesty appoints members of the Privy Council to advise and assist him in the discharge of his functions as Head of State. The Privy Council is composed of members of the Cabinet, the Governors of Ha'apai and Vava'u. The Governors are appointed by his Majesty in Council.

The Legislative Assembly is composed of Privy Councillors and Cabinet Ministers, who sit as nobles; nine representatives of the nobles, elected by the nobles; and nine other representatives elected by the people on the basis of universal adult suffrage. Elections are held every three years, the last being held in 1996.

The Judiciary comprises the Court of Appeal, the Supreme Court, the Magistrates' Court and the Land Court. Judges are appointed by His Majesty in Council.

The power to enact laws lies with His Majesty and the Legislative Assembly, with the representatives of the nobles and the people sitting as a single Chamber. Bills which have been read and voted on three times by a majority of members are presented to His Majesty for his Royal Assent and become law on publication.

There are fourteen departments charged with various responsibilities. The Government Departments are as follows:

- Prime Minister's Office;
- Ministry of Agriculture and Forestry;
- Ministry of Civil Aviation;
- Ministry of Education;
- Ministry of Finance (responsible for: Customs, Inland Revenue, Sales Tax, Post Office);
- Ministry of Fisheries;
- Ministry of Foreign Affairs and Defence;
- Ministry of Health;
- Ministry of Justice and Attorney General's Office;
- Ministry of Labour, Commerce and Industries (responsible for Co-operatives and Tourism);
- Ministry of Lands, Survey and Natural Resources;
- Ministry of Marine and Ports;
- Ministry of Police, Fire Services and Prisons;
- Ministry of Works.

2. Government Entities Responsible for Making and Implementing Policies Affecting Foreign Trade

The Ministry in charge of issues relating to international trade is the Ministry of Labour, Commerce and Industries. The authority for certain trade-related matters extends to the Ministries of Finance, Police, Health, Agriculture, Forestry and Fisheries.

The responsibilities for trade in services extends to the Tonga Visitors Bureau, Tonga Telecommunications Commission, Tonga Electric Power Board, the Ministries of Finance, Civil Aviation, Education, Justice and the Ports and Marines.

The Minister of Finance is the Controller of Customs and as such responsible for customs duties, port and services tax, wharf tax and excise duty. The Minister also has the responsibility for the issue of licences for the import of certain restricted items.

The Minister for Police, Fire Service and Prisons has responsibility for Immigration and the granting of entry and residence permits. The Minister also has responsibility for the issue of licences for the import of certain restricted items.

The Minister of Agriculture and Forestry, the Minister for Fisheries and the Minister for Health have responsibility for such matters as public health, quarantine and phytosanitary procedures related to imports and exports.

The private sector may influence the legislative process, and trade and related policies, through consultation with Ministries by various associations, such as the Tonga Chamber of

Commerce, the Small Business Association, Tonga Tourist Association, Society of Accountants, Tonga Business and Professional Women's Federation Inc. and the Law Society.

4. Legislative Programmes

The current legislative programme of the Government of Tonga includes revisions to legislations concerning the following relevant to trade:

- industrial (intellectual) property; see Section V of this Memorandum;
- Copyright: see Section V;
- Customs and Excise: see Section IV;
- Ports Authority Bill;
- Labour Management Bill.

5. Laws and Legal Acts Relating to Trade

A list of principal laws and legal instruments relating to trade and business is at Annex II.

6. Judicial, Arbitral or Administrative Tribunals

There is no system of tribunals in Tonga relating to Trade. Disputes which cannot be settled privately are dealt with through the judicial system.

IV. POLICIES AFFECTING TRADE IN GOODS

1. Import Regulation

(a) Registration

The regulations governing the import of goods in Tonga are generally liberal, and with a few exceptions imports are permitted without restrictions. The Licences Act, Cap. 47, requires any person carrying on any business or calling specified in a schedule to the Act to take out a licence and pay an annual fee. The schedule covers a wide range of commercial activities, not necessarily concerned with external trade. A copy of the Act and the current schedule are at Annex II to this Memorandum.

(b) Customs tariff

Tonga still applies the Standard International Trade Classification (SITC), although active steps are being taken to change to the Harmonised System and legislation to this effect is expected to be introduced in the 1997/98 Parliamentary sessions. Currently being considered for adoption by the government of Tonga in discussion with representatives of the private sector. In the meantime the SITC tariff (reproduced in Annex II) will continue to apply. The legal authority for the levying of customs and excise duties is the Customs and Excise Act, Cap. 67.

Details of the current levels of customs duties are as follows (following the sections is the current tariff):

Section	Category	Range of duties	Comment/examples
I	Animal and products	0-25%	Meat products 15-20% Fish products 25% Daily produce 15%
II	Vegetable products	0-25%	Edible fruits/vegetables 15-25% Coffee and tea 15%
III	Animal and vegetable fats	15%	
IV	Prepared foodstuffs, beverages and tobacco	0-330	Corned beef free Most foodstuffs 15-25% Beer 200% or T\$ 1.10/litre Spirit 300% or T\$ 35/litre Cigarettes 330% or T\$ 60/1000 Tobacco 150% or T\$ 25/kilos
V	Mineral products	0-35	Petroleum 35% Kerosene free
VI	Chemical products	0-30	Fertilizers free Paints 15-30% Cosmetics 25%
VII	Artificial resins and plastics	0-20	Motor tyres 20%
VIII	Hides, skins and articles thereof	0-20	Leather articles 20%
IX	Wood, cork and articles thereof	0-15	Fuel wood 15% Sawn wood 15%
X	Paper and articles thereof	0-30	Paper 15% Books free Toilet paper 30%
XI	Textile and clothing	0-20	Fishing nets free Textile 15-20% Clothing 15-20%
XII	Footwear and headgear	20	
XII	Stone, cement, glass articles	0-15	Mostly 15%
XIV	Precious stones and metals	0-25	Jewellery 25%
XV	Base metals and articles thereof	0-20	Mostly 15%
XVI	Machinery and electrical equipment	0-20	Agricultural machinery free Timber milling machinery free Water pumps free Refrigerator free Domestic electrical equipment 15%
XVII	Vehicles and aircraft	0-45	Agricultural tractors free Cars, vans and trucks 45% Motor cycles 30% Bicycles 15% Ships and boats 15%

Section	Category	Range of duties	Comment/examples
XVIII	Optical, photographic and medical equipment	0-25	Medical equipment free Cameras 25% Watches 25%
XIX	Arms and ammunition	25	
XX	Miscellaneous manufactures	0-25	Furniture 25% Fishing hooks, lines, etc. free
XXI	Other Goods	20	

Many goods imported into Tonga also attract a Port and Service Tax of 20 per cent. This follows the same SITC coding as the Customs tariff, and has an equivalent effect. The legal authority is the Port and Services Tax Act, Cap.71.

The Ministry of Finance endeavours to implement a reform programme which includes trade taxes. This reform programme will be closely aligned with the Government's National development objectives and the pace of which is to be set within the broad framework for the implementation of the macro economic reform that is currently under way.

Finally, wharfage dues are levied on goods landed at (and exported from) the principal harbours and airports in Tonga. The Wharves Act, Cap. 138 gives authority. Examples of current rates include:

Boats	T\$ 5.00/meter
Machinery	T\$ 3.50/cubic meter
Motor vehicles	T\$ 3.50/cubic meter
Petroleum products	T\$ 22.00/1,000 litres
Timber	T\$ 3.50/cubic meter
Containers	T\$ 18.00/meter length

The weighted average rates of duties on each of the main customs tariff headings are detailed at Table 10. They vary from less than 1 per cent in the case of crude materials, to over 100 per cent in the case of beverages (notably alcoholic liquor) and tobacco. Customs duties and Port and Service Tax contribute almost one half to total government revenues.

Tonga applies a single set of tariff rates on all imports, regardless of their country of origin and does not apply any tariff preferences. Tonga is afforded preferential market access in other countries but on non-reciprocal basis.

Excise Duties

Tonga charges excise duty of 50 per cent or T\$ 0.75 seniti per litre on beer produced in Tonga. This is at present the only product on which excise duty is levied.

(c) Tariff quotas and exemptions

No tariff quotas apply for Tonga. Exemptions from customs duty are granted in the case of certain imports. These are as follows:

- goods for the use of H.M. the King or the Government of Tonga;
- goods for diplomatic representatives;
- goods required under official technical assistance agreements;
- passenger's personal effects (subject to limits);
- airport ground equipment;
- fuel and lubricants for international air services;
- educational, scientific or cultural articles;
- charitable gifts;
- marine life-saving equipment;
- patterns and samples;
- religious goods;
- trophies, medals and photographs.

Exemptions from Port and Service Tax are likewise granted for certain imports, as follows:

- goods for the use of the Monarch;
- goods for objects of public character or national economic importance;
- educational, scientific and cultural books, documents and materials;
- containers for export of local produce;
- church bells and gravestones;
- coins and government notes;
- fertilisers;
- goods for charitable purposes or as Red Cross donations;
- cinematographic films for hire;
- goods for diplomatic representatives;
- goods for the use of the Government of Tonga;
- goods required under official technical assistance agreements;
- goods being transhipped through Tonga;
- household effects;
- motor vehicles (for persons taking up official technical assistance appointments);
- insecticides, pesticides and fungicides for agricultural use;
- agricultural machinery, implements and tools;
- timber milling machinery;
- stock feed and seeds.

(e) Quantitative restrictions

There are no specific quantitative restrictions on imports into Tonga.

Certain imports are prohibited. These include:

- counterfeit coin or bank notes;
- indecent articles;
- goods bearing the Royal Arms without authority;
- goods bearing a trade mark which do not indicate the country of origin;
- goods which infringe the copyright laws;
- fireworks;
- seditious matter;
- toxic waste.

Certain other imports are restricted and require separate licences in addition to import licences. These are as follows:

- firearms and ammunition (Police);
- explosives (Police);
- noxious or stupefying gases (Police);
- brandy, whisky and rum (minimum age to be certified to the Ministry of Police);
- motor vehicles (right-hand drive) (Police and Ministry of Labour, Commerce and Industries);
- motor vehicles (left-hand drive) (Police and Ministry of Labour, Commerce and Industries);
- eggs (Finance);
- cabin and ships biscuits (Finance).

The Ministry of Finance was initially responsible for granting of licences. In 1991 Cabinet approved for the Ministry of Labour, Commerce and Industries to carry on this task. Two items remained with the Ministry of Finance namely; eggs and cabin and ships biscuit. The rationale behind the restriction imposed on these items is to protect the local industries producing these goods.

The restriction through licensing imposed on imported eggs and cabin and ships biscuits are currently being revised.

Licences for the above have seldom been refused and the restrictions are in practice something of a formality.

(f) Import licensing procedures

Any person or firm wishing to import goods into Tonga must first apply for an import licence from the Ministry of Labour, Commerce and Industries. Licences to import are granted under the Licences Act, Cap. 47.

Import licensing in Tonga is basically liberal. There are no specific quantitative restrictions as to the quantity or value of goods that may be imported in a given period from a particular country.

The procedure for the issuance of import licence is generally simple and straightforward. Applicants are required to complete an application form (submitted in Annex II). The application is then submitted for the consideration of the Competent Authority Committee.

The applications for an import licence for a non-Tongan is subjected to consideration of a Trading Licence Screening Committee (details of which is outlined in Annex III).

The fees for issue of an import licence are on a consignment basis based on the nature of the goods to be imported. No licence is required for consignment under 200 kilograms (by ship) or 60 kilograms (by air).

There is no provision for import licences covering a range of imports, nor for periodic import of the same category of good over a period of time.

It generally takes less than one week to issue an import licence given that the relevant forms are duly completed.

Details of the import licensing procedures are set out in Annex III.

(g) Other border measures

No other border measures are in effect.

(h) Customs valuation procedures

The procedures for customs valuation is set out in the Customs and Excise Act.

The simple definition of value for duty purposes for imported goods is cost, insurance and freight (c.i.f), the act states as “the price which in the opinion of the Controller they would fetch at the time when they entered (if they are not entered at the time of the importation), or a sale in the open market between a buyer and seller independent of each other”.

The normal price of imported goods are determined by the following assumptions:

- that the goods are treated as having been delivered to the buyer at the port or place of importation;
- that the seller will bear all costs including freight, insurance and commission, charges and expenses incidental to the sale and the delivery of the goods sat that port or place; but;
- that the buyer will bear any duty or tax chargeable in Tonga.

With regards to the treatment of sales between parties. Price is the sole consideration for a sale on the open market between a buyer and seller independently of each. Therefore the price is not influenced by any commercial, financial or other relationship whatsoever. No part of the proceeds of any subsequent re-sale, other disposal of use of the good accrue, whether directly or indirectly to the seller or any person associated in business with him.

If upon examination of any imported goods which are chargeable with duty it appears to the Collector that the value of which as declared by the importer is not the true value thereof. The Collector of Customs can such goods. But he shall give notice in writing to the importer of the such detention and state the value thereof as estimated by him. Within 15 days after the detention of such goods, the Controller shall determine whether or not the goods are correctly entered accordingly to the value declared by the importer and allow delivery, or retain the goods for public use of the Kingdom. In the later case the Controller of Customs may cause the value at which the goods were declared by the importer, plus 5 per cent and the duties already paid to be paid to the importer in full.

(j) Pre-shipment inspection

There is no provision for pre-shipment inspection.

(k) Internal taxes on imports

No specific internal taxes apply to goods imported in Tonga, other than the Port and Services Tax and the wharfage dues referred to above. Sales Tax of 5 per cent is levied on most goods and services within Tonga, but this is without distinction as to whether the goods or services are imported or of domestic origin.

Exemptions from Sales Tax on imports are as follows:

- sales of goods and services to His Majesty the King;
- sales of goods and services to or by government;

- sales of goods from one vendor or business to another vendor or business for the purpose of further retailing or manufacturing and processing for sales to customers (excluding small retail stores and fuel bowsers that purchases goods for resale from vendor or import such goods for resale form vendors or imports such goods for resale unless registered by the Inland Revenue Department);
- sales of local agriculture, livestock and fisheries products in government markets by individual sellers around the market s or at farm gates throughout the Kingdom;
- sales of goods by street vendors e.g. selling handicrafts, woodcarving, clothing and peanuts;
- sales of tickets to patients approved by the Minister of Health for international travel on production of a certificate of exemption from the Minister;
- sales of materials to be used for the building of residential homes on production of a certificate from the Minister;
- sales of export goods to foreign markets;
- sales of bread and flour throughout the Kingdom.

(l) Rules of origin

Under customs regulations, an importer of goods must deliver a combined certificate and invoice covering the goods, and this must include details of their country of origin. Other than this requirement Tonga does not have specific rules of origins in place. Tonga applies non-preferential rules of origin only in the context of preferential trade.

(m) Anti-dumping

Tonga has neither policies nor legislation regarding anti-dumping.

(n) Countervailing duties

Tonga has neither policies nor legislation regarding the imposition of countervailing duties..

(o) Safeguard regime

Tonga has no specific legislation providing for safeguard measures.

2. Export Regulation

(a) Registration

The requirement to register as an exporter is similar to that for importers. They must first hold a trading licence under the Licences Act, Cap. 47 and then apply for an export licence on a consignment basis.

(b) Customs tariff nomenclature

The same Customs tariff nomenclature is used for imports, namely the SITC. As noted, Tonga intends to introduce the HS nomenclature. There are no duties on exports.

(c) Quantitative export restrictions

No quantitative restrictions apply to exports from Tonga.

Certain exports are prohibited. These include:

- specified Tongan cultural articles;
- raw coral.

Certain other exports are restricted and need special authority. The Director of Health must give authority for the export of:

- medical biological and organic products;
- chemicals;
- drugs including narcotic and barbiturates;
- poisons;
- second-hand clothing.

The Director of Agriculture must give authority for the export of:

- veterinary biological and organic products;
- animals, birds, fish and reptiles, Insects and gastropods;
- plants and fungi;
- seeds;
- trees and timber.

(d) Export licensing procedures

Export licensing procedures are broadly similar to those for imports described in Annex III. An exporter applies to the Ministry of Labour, Commerce and Industries on the prescribed form, paying a fee.

The categories which involve exporting, and the fees for licences, are as follows:

Category of exporter	Fee per consignment (T\$)
Exporter of frozen fish	20.00
Exporter of shellfish	10.00
Exporter of live fish and molluscs	30.00
Exporter of marine products for medical purposes	20.00
Exporter of corals, shells, etc.	20.00
Exporter of beche-de-mer	20.00
Exporter of other marine products	20.00
Exporter of meat and poultry	10.00
Exporter of live birds	50.00
Exporter of vanilla	10.00
Exporter of bananas	10.00
Exporter of coconuts products	10.00
Exporter of drinking coconut	10.00
Exporter of squash	20.00
Exporter of swamp taro	10.00
Exporter of watermelon	10.00

Category of exporter	Fee per consignment (T\$)
Exporter of vegetable produce	10.00
Exporter of giant taro	10.00
Exporter of ginger	10.00
Exporter of coffee or cocoa	10.00
Exporter of coffee or cocoa beans or cultivars	10.00
Exporter of other agricultural produce	10.00
Exporter of manufactured goods	10.00
Exporter of processed goods	10.00
Exporter of other produce and commodities	10.00
Exporter of handicrafts	10.00
Exporter of other goods	10.00

*Licences are required only for consignments exceeding 200 kilograms by ship and 60 kilograms by air.

(f) Export financing

Exporters requiring export finance can use normal commercial banking facilities.

The Tonga Development Bank also offers facilities to exporters as follows:

- Venture Capital Fund: to provide equity capital support for the development of viable private sector projects, priority is given to projects which promote exports or import substitution;
- export guarantee scheme: provides bridging finance for the export of agricultural produce;
- export diversification fund: provided by TDB but administered jointly with the Ministry of Agriculture and Forestry. The fund is used to provide loans to companies or registered societies for all matters pertaining to the export of produce.

The Government of Tonga provides guarantees to growers of pumpkins against losses arising from drought or other climatic conditions, against crop loans that farmers have taken out through the Tonga Development Bank. This scheme does not provide any export price or similar guarantee.

Tonga benefits from a number of export market development programmes and schemes:

- the Forum Secretariat's export market development programme is offered through the South Pacific Trade Commission offices in Sydney, Australia; Auckland, New Zealand; Tokyo, Japan. Companies in Tonga with export potential are financed to undertake marketing missions to Australia, New Zealand and Japan. These offices are also finance trade fairs and exhibitions to promote products from the Pacific Islands. The Forum Secretariat's office in Suva, Fiji has a trade and investment division, which supports private sector development in Pacific Island Countries. It operates a marketing support fund which is directed towards export-oriented industries;
- the Commonwealth Secretariat's export and industrial development division has funded participation by Tongan companies in trade fairs and exhibitions, in addition to providing technical assistance to export-oriented industries in Tonga;

- the ACP-EU Centre for Development of Industry finances marketing studies and seed capital for joint ventures between European Communities' and Tongan enterprises, especially those with an export orientation;
- the European Commission, through the European Development Fund, has funded market studies for export-oriented industries in Tonga and has also assisted with the production of promotional and marketing materials.

(g) Export performance requirements

Holders of a Development Licence under the Industrial Incentives Act, 1978 which are classified as export industries are required to export at least 90 per cent of their production by value. According to the said Act the Minister has the authority to impose a sanction on industries that do not fulfil this requirement which may result in the industry's licence being revoked. But this discretionary power has rarely been exercised.

(i) Import duty drawback requirements

Duty drawback can be claimed by a holder of a Development Licence in respect of imported semi-finished products and/or raw materials including packing materials used in the processing, manufacturing or assembly of products are determined to be primarily for export, no customs duty is payable on the imported products or materials.

3. Internal Policies Affecting Foreign Trade in Goods

(a) Industrial policy

The policies of the Government of Tonga on industrial development are reflected in the Industrial Development Incentives Act, 1978. The overall policy of the government is to encourage orderly and environmentally sound industrial development, through the incentives and benefits available under the Act.

(b) Technical regulations and standards

The Public Health Act 1992 states that the Minister of Health may by regulations provide for standards in relation to any class of food. In particular to put in place standards in relation to food or any class of food adulterated if any prescribed substance or class of substance is present or has been added, extracted or omitted therefrom. The Act also requires food premises and newly or altered premises to be registered with the Minister of Health. Under this Act imported goods are subject to the same measures as locally produced goods. If the imported articles does not comply with standards prescribed by this Act they may be re-exported or disposed of as directed by the Minister of Health. Detailed descriptions of these measures are outlined in the Act at Annex II.

Other than this Tonga does not have specific Standardization Act or technical regulations in place.

(c) Sanitary and phytosanitary measures

Sanitary and phytosanitary measures regarding foreign trade are the responsibility of the Quarantine Division of the Ministry of Agriculture and Forestry and the Ministry of Health. Tonga's Quarantine Sanitary and Phytosanitary measures provides for Imports and Exports of Agricultural

Products, which includes animal, plant and their products. Imports regulations requires a code of conduct for imports and the release of imported goods and to initiate a Pest Risk Analysis or Pest Risk assessment. The documentation requirements for exports include a Phytosanitary Certificate for both export and re-exported items. The Customs and Excise requires special authority of the relevant department for certain imports as noted on page 20. The Quarantine Act Cap. 77, gives the Director of Health powers to impose quarantine restrictions to ensure that the health of the public is protected.

(d) Trade-related investment measures

Other than the measures set out in the Industrial Development Incentives Act, 1978, Tonga has not specific measures related to investment in trade-related businesses.

(e) Privatization

Tonga has traditionally relied on the Government to finance not only government services but a wide range of other commercial and infrastructure activities. Currently the Government has an interest, through equity or loans, in 26 public enterprises, including public utilities. It is the policy of the Government to encourage increased private sector participation in economic activity, and to rationalise or privatise many of the activities it currently controls. Around 60 out of every 1,000 of the population are in government employment, and government recurrent revenue is around 30 per cent of GDP. However, foreign trade is substantially in private hands.

Although the Government of Tonga has a stake in 26 enterprises, including public utilities, it is believed that none of these has a significant influence, through its purchases or sales, on the level or direction of Tonga's imports or exports. There are no special privileges or rights accorded to state-owned enterprises which are unavailable to other producers or traders in the same or like products.

The principle enterprises and utilities in which the Government of Tonga has a stake are as follows:

Enterprise	Activity	Government stake (%)
Bank of Tonga	Commercial Bank	40.0
Tonga Development Bank	Development Bank	97.8
Tonga Investment Ltd	Holding company	100.0
Royal Tonga Airlines Ltd	Airline	100.0
Royal Beer Co. Ltd	Brewery	41.7
Shipping Corporation of Polynesia	Shipping line	99.0
International Dateline Hotel Ltd	Hotel	99.9
Leiola Duty Free Shops Tonga Ltd	Duty free shops	100.0
Sea Star Fishing Co. Ltd	Commercial Fishing	99.0
Tonga Timber Ltd	Timber processing	100.0

Utility	Activity
Tonga Water Board	Water supply
Tonga Electric Power Board	Electricity generation and supply

Utility	Activity
Tonga Broadcasting Commission	Radio broadcasting
Tonga Telecommunication Commission	Domestic telecommunications

The Tonga Water Board was established under the Water Board Act, 1978, Cap. 92. It is responsible for the supply of water in the main populated areas. Its Board of Directors includes government and private sector representatives.

The Tonga Electric Power Board was established under the Tonga Electric Power Boards Act, Cap. 93. It generates and supplies electric power throughout Tonga. Its Board of Directors includes government and private sector representatives. Under the law it is responsible for certifying electricians and stand-by generating plant for public places.

The Tonga Broadcasting Commission was established under the Broadcasting Commission Act, Cap. 100. It operates public radio services. Its Boards of Directors includes the Government and private sector representatives.

The Tonga Telecommunications Commission was established under the Telecommunications Act, Cap 96. It operates domestic telecommunications services in Tonga (international telecommunications are operated by the private Cable and Wireless company). It also has a regulatory function being responsible for approving the establishment of private radio and television services.

The Government Suppliers Department operates four stores (three in Nuku'alofa and one in Vava'u) supplying a range of hardware and other products to the Government and the private sector. The department has no monopoly of supplies, and in practice the majority of government procurement does not involve the department. Tendering takes place in Tonga and overseas, with enquiries sent to a list of known suppliers. Government departments are able to purchase suppliers through the Suppliers Department net of customs duty and Port and Services Tax, but otherwise this is not price advantage. When private sector purchases are made, duty and tax are added to the price.

Proposals have been made by the Government to deregulate or privatise the Government Supplies Department.

Privatisation of public enterprises has formed a component of previous development plans and is expected to remain so under the Seventh Development Plan.

(f) Free zones

There are no designated free zones or free economic zones in Tonga

(h) Trade-related environmental policies

General responsibilities for environmental matters rests with the environmental planning section of the Ministry of Lands, Survey and Natural Resources. Tonga has an overall policy that encourages the protection of the environment and trade in environmentally-harmful substances such as nuclear and toxic waste.

Tonga intends to become a signatory to the Convention on International Trade in Endangered Species.

(j) Government-mandated counter-trade and barter

The Government of Tonga does not participate in any counter-trade or barter arrangements.

(k) Trade agreements

Tonga is a member of a number of international trade agreements, detailed in Annex IV.

The only international trade agreement which has the effect of giving Tonga country-specific quotas is the Regional Long-Term Sugar Agreement, under which countries in the Pacific including Tonga has the right to apply for quota of sugar from Fiji. The Agreement runs from 1995 to 1998. Tonga's quota for 1995 was 3,000 tons, based on requests received from 12 private firms in Tonga wishing to import. No price subsidy is involved.

(l) Government procurement practices

For goods and service purchased within Tonga, no specific procurement procedures apply. In the case of goods and services which have to be obtained from outside Tonga, the government has appointed agents in Australia and New Zealand to handle procurement on its behalf.

4. Policies Affecting Foreign Trade in Agricultural and Other Products

The policies of the Government of Tonga on trade in agricultural products are not significantly different from those on trade in general. Government's policies aim to increase employment and generate foreign exchange earnings by increasing export earnings from not only goods and services but also agriculture, fisheries and manufacture. Government's policies are geared towards diversifying the agricultural sector through strengthening and developing infrastructural and support mechanisms such as the introduction of new crop variety, market development, new quarantine and new methods of treatment for produce and to provide continuous assistance to farmers.

The establishment of TongaTrade and the facilities offered by the Tonga Development Bank are aimed at encouraging the development and diversification of agricultural and commodity exports. However there are currently no measures in place to support domestic agricultural prices to subsidise exports of agricultural produce.

Non-trade measures

More specific information on agricultural programmes will be provided to the Working Party in the format of document WT/ACC/4 at a later stage.

V. TRADE-RELATED INTELLECTUAL PROPERTY REGIME

1. General

The law regulating intellectual property in Tonga is the Industrial Property Act, 1994. It provides for the registration and protection of patents, utility model certificates, industrial designs and trade marks. Draft Regulations under the Act have been submitted to the World Intellectual Property Organisation for review and will be put before the Law Reform committee. It is intended that they should accord with the provisions and principles of the WTO Agreement on Trade-related Aspects of Intellectual Property Rights.

A revised law on copyright, to replace the current Copyright Act, Cap. 121, is also in the course of being drafted.

Responsibility for all matters related to intellectual property lies with the Ministry of Labour, Commerce and Industries.

Tonga is not at present a member of or signatory to any international conventions or agreements related to intellectual property. However, Tonga is an active non-member of the World Intellectual Property Organisation.

2. Substantive Standards of Protection

Copyright Act No. 20 of 1985

This Act was enacted in 1985 and has since been revised twice in 1987 and 1988. It does provide some literary and dramatic protection but it does not comply with the TRIPS Agreement in its totality.

The said Act contains the following sections:

1. Short title
2. Objectives
3. Field of application
4. Definitions
5. Works in which copyright may subsist
6. Derivative works
7. Subject matter not protected
8. Substance of copyright
9. Economic rights
10. Moral rights
11. Free use
12. Limitation of the right of recording musical works
13. Duration of authors' rights
14. Ownership of copyright
15. Assignment of authors' rights
16. Licence contracts for the use of author's work
17. Special rules concerning contracts for Commissioned works
18. Civil remedies
19. Offenses and penal sanctions
20. Acquired rights

Tonga's Copyright Act needs to be amended to include the following provisions:

- protection of computer programs as literary works under the Berne Convention 1971;
- protection of databases by copyright;
- protection of the rental right for the owners of rights in films, sound recordings, phonograms and computer programs;
- protection of performers from unauthorized recording and broadcasting of live performances; and
- to give protection to broadcasting organization control over the use of the broadcast signals for a minimum of 20 years.

The Industrial Property Act 1994

The Industrial Property Act has not yet come into operation but it does comply with the general obligations and basic principles of the TRIPS Agreement. The Act provides for:

- for the protection of patents, trademarks, industrial designs, utility models; all kinds of inventions;
- for the principle of national treatment;
- for a term of 20 years for patents; and
- for a provision of Judicial Review of the decisions of the Registrar, which are appealable to the Supreme Court of Tonga. These appeals can be lodged within two months from the date of the decision.

The Industrial Property Act has the following sections:

1. Short title and Commencement
2. Interpretation
3. Inventions
4. Matters Excluded from Patent Protection
5. Patentable Inventions
6. Rights to Patent; Naming of Inventor
7. Application
8. Unity of Invention; Amendment and Division of Application
9. Right of Priority
10. Information Concerning Corresponding Foreign Application for Patents or other Titles of Protection
11. Filing Date; Examination
12. Grant of Patent
13. Rights Conferred by Patent and Exhibition by Government or other Person Thereby authorized
14. Duration; Annual Fees
15. Non-voluntary Licences
16. Invalidation
17. Applicability of Provisions Relating to Patents
18. Special Provisions Relating to Utility Model Certificates
19. Conversion of Patent Applications or Applications for Utility Model Certificates
20. Registrable Industrial Designs
21. Right to Registration of Industrial Designs; Naming of Creator
22. Application for Registration
23. Examination; Registration of Industrial Designs
24. Rights conferred by Registration; Duration and Renewal
25. Invalidation
26. Acquisition of the Exclusive Right to a Mark; Registrability
27. Application for Registration
28. Examination; Opposition; Registration of a Mark
29. Rights Conferred by Registration; Duration; Renewal
30. Invalidation; Removal on Grounds of Non-Use
31. Collective Marks
32. Licensing of Marks and Collective Marks
33. Trade Names
34. Acts of Unfair Competition
35. Representation by Agent

36. Changes in Ownership; Licence Contracts
 37. Registrar
 38. Functions of the Registrar
 39. Registers; Gazette
 40. Correction of Errors; Extension of Time
 41. Exercise of Discretionary Powers
 42. Competence of Court; Appeals
 43. Infringement, Unlawful Acts; Offenses
 44. Regulations
 45. Administrative Instructions
 46. Repeals; Savings and Transitional Provisions
3. Measures to Control Abuse of Intellectual Property Rights
 4. Enforcement
 5. Laws, Decrees and Other Legal Measures
 6. Statistical Data

The current changes to the laws relating to intellectual property in Tonga means that answers cannot be given to the above questions.

VI. TRADE-RELATED SERVICES REGIME

1. General

The small size of the Tongan economy, coupled with the generally liberal policies of the Government towards foreign investment and participation in the economy of the country, means that the regulatory structures for most services are simple. The Ministry of Labour, Commerce and Industries has overall responsibility for policy formulation relating to services. Specific services are overseen by other ministries; details relating to these appear below. With certain limitations, no restrictions are placed on non-Tongan participation in services. The restrictions are limited to the type of services which Tongans can undertake efficiently, such as retailing services.

2. Policies Affecting Trade in Services

There are no laws which specifically regulate services. The law governing most services is the Licensing Act, Cap. 47. This requires any person who carries on a business or calling specified in a schedule to the Act to take out a licence and pay a fee.

Examples of the categories of business and calling, and the current annual licence fees, for the principal services and professions, are as follows:

Category of Business	Current Annual Licence Fees
Entertainment	T\$ 100.00
Entertainer	T\$ 100.00
Entertainer from outside Tonga	T\$ 120.00

Category of Business	Current Annual Licence Fees
Hire Facilities	
Launch and boat operator	T\$ 200.00
Bulldozer hire operator	T\$ 200.00
Tractor hire operator	T\$ 120.00
Stone crusher hire operator	T\$ 240.00
Taxi or car hire operator (first vehicle)	T\$ 80.00
Taxi or car hire operator (each additional vehicle)	T\$ 40.00
Hire facilities not elsewhere specified	T\$ 200.00
Professional services	
Auctioneer	T\$ 80.00
Commission agents	T\$ 200.00
Professional service other than banking	T\$ 300.00
Semi-professional services	T\$ 200.00
Tourist Facilities	
Accommodation facilities; scale running from less than ten beds	T\$ 100.00
to 201 or more beds	T\$ 1,250.00
Restaurant service liquor	T\$ 800.00
Airline or shipping agent	T\$ 500.00
Tour operator	
Rental cars (first vehicle)	T\$ 80.00
Rental cars (each additional vehicle)	T\$ 60.00
Cruise boat operator (first vessel) T\$ 10.00/passenger	T\$ +400.00
Cruise boat operator (each additional vessel) T\$ 15.00/passenger	T\$ +320.00
Game-fishing boat	T\$ 400.00
Handicraft or souvenir shop (wholesale)	T\$ 200.00
Handicraft or souvenir shop (retail)	T\$ 300.00
Trade or commerce	
Retail department store	T\$ 120.00
Retail liquor store	T\$ 120.00
Wholesale storekeeper	T\$ 160.00
Delivery service (first vehicle)	T\$ 160.00
Retail motor vehicle sale	T\$ 320.00
Retail and wholesale petroleum sale	T\$ 200.00
Retail petroleum sale	T\$ 80.00
Financial Services (excluding banking)	T\$ 200.00
Insurance and real estate broking	T\$ 160.00

Category of Business	Current Annual Licence Fees
Other trades or commercial activities	T\$ 140.00
Tradesmen operating from fixed premises	T\$ 120.00
Tradesmen - self-employed	T\$ 60.00
Transport and communication	
Bus operator (first vehicle)	T\$ 160.00
Bus operator (each additional vehicle)	T\$ 32.00
Passenger ferry operator (each vessel over 50 g.r.t.)	T\$ 320.00
Cargo vessel operator (each vessel over 50 g.r.t.)	T\$ 320.00
International airline operator	T\$ 320.00
Domestic airline operators	T\$ 120.00
Charter flying service	T\$ 240.00
Public radio and communication service	T\$ 240.00
Other transport and communication facilities	T\$ 240.00

No specific regulations apply to the provision of these services other than those laid down in the Licences Act, Cap 47.

There are a small number of professional and business associations in Tonga:

- Tonga Chamber of Commerce;
- Tonga Small Business Association;
- Tonga Society of Accountants;
- Tonga Law Society;
- Tonga Business and Professional Women's Federation;
- Tonga Tourist Association.

Membership of these bodies is voluntary and they do not have any statutory or regulatory function, although as a matter of practice they are consulted by the Government on current trade issues.

No particular provision apply in Tonga as regards to monopolies, safeguard measures, international payments for transactions or government procurement of services. Tonga does not have any national professional qualifications standards, and where appropriate relies on qualifications issued by competent authorities and professional bodies in other countries, example of these are as follows:

- medical practitioners (doctors, surgeons and dentists are regulated by the Medical Registration Act. Cap 75). The Director of Health determines practitioners' eligibility to practise. Qualifications deemed acceptable are those from the United Kingdom, the United States, Australia, New Zealand and Canada, and others on a case-by-case basis;
- legal practitioners are regulated by the Law Practitioners Act, 1989. This requires any legal practitioners to be enrolled on a Roll of Law Practitioners held by the Supreme Court, and to

hold a practising certificate. All holders of certificates are required to be members of the Tonga Law Society.

Specific regulations apply to the provisions of certain services:

- shipping services; the licence issued under the Licences Act must be endorsed by the Ministry of Marine and Ports;
- telecommunications: applicants for a licence under the Licences Act are also subjected to the approval of the Tonga Telecommunications Authority as regards to technical aspects of their proposed operations, and are subject to the provisions of the Broadcasting Act, Cap. 180. Furthermore, the approval of the Cabinet is required before a licence can be issued;
- electrical services: approval must be obtained from the Tonga Electric Power Boards as to the qualifications and services to be provided;
- banking: A licence must be obtained from the Ministry of Finance under the Financial Institutions Act, 1991. Applications are referred to the National Reserve Bank of Tonga for investigation and consideration. Licences are granted only with the approval of the H.M. in Council. The annual licence fee is T\$ 3,000.00. Supervision of banks is the responsibility of the National Reserve Bank of Tonga. Three commercial banks currently operate in the Kingdom in addition to the Tonga Development Bank.

3. Market Access and National Treatment

The only conditions applying to national treatment apply to certain specified services, where a condition of the issue of the licence is a minimum of 25 per cent local participation. This applies to the following services:

- retailing;
- tourism (in areas where local participation is deemed proper, for example the provision of services not requiring special equipment or skills);
- construction;

4. Most-Favoured-Nation Treatment

Tonga has no measures inconsistent with most-favoured-nation treatment. As regards the recognition of foreign professional qualifications, applications are treated on their own merits if they involve countries whose qualification are not specifically sited in the relevant Acts.

VII. INSTITUTIONAL BASE FOR TRADE AND ECONOMIC RELATIONS WITH THIRD COUNTRIES

Details of the international agreements relating to trade to which Tonga is a party are at Annex IV.

ANNEX I

Main Economic Indicators

1. Foreign trade statistics

See Tables 4-8 and 10. The responsible agencies for compiling foreign trade statistics is the Statistics Department. This is stated in the Statistics Act 1978 (Cap 57). The Statistics Department is responsible for collecting, analysing and reporting on statistics collected on Tonga.

2. Other statistical data

GNP:	US\$158 million
GNP per capita:	US\$1,610 (World Bank, 1995)
Budgets:	See Tables 1 and 2
Production and price statistics:	See Schedule 1
Employment:	See Schedule 2
Balance of payments:	See Table 9
Foreign exchange:	See Table 3

SCHEDULE 1

Selected Production and Price Statistics

1993/94 - 1994/95

Real GDP	+2.2%
Real agricultural GDP	+4.2%
Electricity production	+3.0%
Manufacturing activity	- 1.9%
Construction	+9.0%
Tourist arrivals	+8.0%
Finance and business services	- 1.5%
Consumer expenditure	+0.4%
Domestic inflation	+3.3%
Imported inflation	- 2.8%

Source: National Reserve Bank of Tonga

SCHEDULE 2

Selected Employment Statistics

Total population	98,161
Potential labour force	70,347
Persons in employment	34,574
Distribution of employment:	
Agriculture	39.5%
Manufacturing	22.2%
Trade	6.4%
Other including public services	31.9%

Source: Budget statement for the year 1996-97

ANNEX II

Laws and Legal Acts Relating to Trade

1. Customs authorities

Custom and Excise Act Cap. 67 (with copy of current tariff).

2. Non-tariff regulation of imports

Licences Act, Cap. 47 (with copy of import licence application form);
Port and Service Tax Act, Cap. 71.

3. Foreign investment

Industrial Development Incentives Act, 1978, Cap. 114 (with copies of Development Licence application forms).

4. Other

Price Control Act;
Tourist Act, 1976;
Sales Tax Act, Cap. 69;
Medical Registration Act, Cap. 75;
Quarantine Act, Cap. 77;
Water Board Act, Cap. 92;
Tonga Electric Power Board Act, Cap. 93;
Tonga Telecommunications Corporation Act, Cap. 96;
Price and Wage Control Act, Cap. 113;
Copyright Act, Cap. 121;
Broadcasting Act, Cap. 180;
Law Practitioners Act, 1989;
Financial Institutions Act, 1991;
Industrial Property Act, 1994;
Public Health Act, Cap 29, 1992.

Enquiry point

Ministry of Labour, Commerce and Industries
P.O. Box 110
Nuku'alofa
Kingdom of Tonga
Telephone: +676 23 688
Facsimile: +676 23 887

ANNEX III

Import Licensing Procedures

I. Outline of System

Import licensing in Tonga is generally liberal. Its legal basis is the Licences Act, Cap. 47. Licences to import are issued by the Ministry of Labour, Commerce and Industries on application by importers, according to a schedule of charges.

II. Purposes and Coverage of Licensing

The principal purpose of the licensing system is to raise revenue for the Government of Tonga. In 1995 the issue of business licences of all kinds (including import and export licences) generated a fee revenue of T\$ 157,385. A secondary purpose of import licensing is to provide statistics and advance information on the likely level and value of imports into Tonga.

A single import licensing system is applied, regardless of the country from which goods originate. A similar system is used regardless of which product groups are being imported. The present licensing system has been in operation for over 20 years.

3. Procedures

There are no specific quantitative restrictions in Tonga as to the quantity or value of goods which may be imported in a given period from a particular country. Procedures for the issue of import licences are generally simple and straightforward, in line with the relatively small size and simplicity of the Tongan market and economy and the limited manpower to administer the licensing scheme.

Import licences can be applied for at any time, (generally takes less than one week to issue following submission of the relevant application form). There are no limitations regarding the period of the year during which the licence application or actual import of goods may be made.

The fees for issue of import licences are on a consignment basis, the fee level depending on the nature of the goods to be imported (technically, according to the business of the importer)

Current fee rates are as follows:

Nature of import	Fee
Importer of meat, fish or poultry	10.00
Importer of eggs	10.00
Importer of salted meat	10.00
Importer of canned meat	10.00
Importer of butter	10.00
Importer of sugar, flour, salt, milk powder or rice	10.00
Importer of tea, coffee, milo, etc.	10.00
Importer of other grocery goods	10.00
Importer of motor vehicles (right-drive) (per vehicle)	15.00
Importer of motor cycle (per cycle)	5.00

Nature of import	Fee
Importer of motor vehicles (left-drive) (per vehicle)	15.00
Importer of beer or ale	10.00
Importer of spirituous liquor	30.00
Importer of cigarettes and tobacco	30.00
Importer of soap, soap powder, detergents, etc.	30.00
Importer of timber as building material	10.00
Importer of other building materials	10.00
Importer of light machinery and equipment (per unit/set)	20.00
Importer of heavy machinery and equipment (per unit/set)	50.00
Importer of chemicals, compounds and mixtures	10.00
Importer of other dry products or items	10.00
Importer of other products in liquid form	10.00
Importer of fertilisers	10.00
Importer of fungicides, insecticides or pesticides	10.00
Importer of petroleum products including lubricants	20.00
Importer of liquid paraffin gas	20.00
Importer of hardware goods	10.00
Importer of computers, radios, televisions, electrical goods	10.00
Importer of other electrical or electronic components	10.00
Importer of vehicle and machinery parts	10.00
Importer of goods for private sale	20.00
Importer of other goods *	5.00

*No licence is required for consignments under 200 kilograms (by ship) or 60 kilograms (by air).

The effect of this schedule is that imports of mixed consignments for example salted and canned meat, will require separate licences. There is no provision for import licences covering a range of imports, nor for periodic import of the same category of goods over a period.

In cases where applications for import licences are lodged by non-Tongans, the issued of import licences is not automatic. Each application is considered by a trading licences screening committee comprising the following:

- the Secretary for Labour, Commerce and Industries;
- the Deputy Secretary for Industries;
- the Deputy Secretary for Commerce;
- the Director for Tourism;
- the President of the Tonga Chamber of Commerce;
- the Deputy Commissioner for Inland Revenue;
- the Chief Inspector (Immigration).

The Secretariat of the committee is situated in the Ministry of Labour, Commerce and Industries.

There are no strict procedures regarding applications for import licences. However, applications must already be in possession of a licence under the Licences Act. Licences may be refused, but this seldom occurs. If a licence is refused, the applicant is informed in writing. If the refusal is due to the application's failure to follow the correct procedures or to provide the necessary information to support the application, the applicant may resubmit. Alternatively the applicant has the right to appeal to the Minister for Labour, Commerce and Industries or to pursue his case through the court system.

IV. Eligibility to Apply for Licences

No distinction is made between Tongans and non-Tongans in the issue of import licences.

V. Documentation

A copy of the importer licence application form is submitted at Annex II. There are no strict rules as to the documentation which has to be submitted along with the application. The fee for issue of an import licence is payable on application.

VI. Conditions of Licensing

Licences are issued to cover individual consignments, and are valid indefinitely. Licences, once issued, cannot be extended or renewed. If a licence, once issued, is not used no penalty applies. Licences can not be transferred between importers.

ANNEX IV

International Trade Agreements

Tonga is a party to the following international trade agreements:

1. South Pacific Regional Trade and Economic Co-operation Agreement (SPARTECA)

The Spartecca Agreement was signed in July 1980.

The signatories to the SPARTECA Agreement are: Australia, Cook Islands, the Federated States of Micronesia, Fiji, Kiribati, Marshall Islands, Nauru, New Zealand, Niue, Papua New Guinea, Solomon Islands, Tonga, Tuvalu, Vanuatu and Western Samoa.

The SPARTECA Agreement is a preferential non-reciprocal trade agreement covering the Forum Island countries with Australia and New Zealand. The agreement offer duty free and unrestricted or concessional access for virtually all products originating from the Island member countries.

The Agreement includes provisions for general economic, commercial and technical co-operation and safeguard provisions against product dumping.

2. Bilateral Trade Agreement between the Government of the Kingdom of Tonga and the Government of the Sovereign Democratic Republic of Fiji

The Bilateral Trade Agreement between Tonga and Fiji was signed in 1995. Among the objectives of the Agreement is to promote and facilitate the free flow of agricultural produce. The Agreement is non-reciprocal, formulated after both countries had negotiated a bilateral quarantine protocol on 20 agricultural items from Tonga.

The Bilateral Trade Agreement review committee meets biannually to discuss matters of mutual trade interest.

3. The South Pacific Forum

Tonga is a member of the South Pacific Forum, a political grouping of independent and self-governing States in the South Pacific, established in 1971 to develop a collective response to regional issues. The Secretariat is located in Fiji.

4. Regional Long-Term Sugar Agreement

The Regional Sugar Agreement whereby Fiji agrees to supply sugar to all member countries for a period of 3 years at an agreed price for an agreed amount. Member countries are: Kiribati, Solomon Island, Tonga, Tuvalu and Western Samoa.

The Forum Secretariat based in Suva, Fiji is the secretariat to the Agreement.

A sugar agent is appointed by member countries to facilitate the movement of sugar.

The procedure is such that sugar importers apply to the Forum Secretariat to uplift a certain amount of sugar for an agreed price. This is registered and agreed upon.

There are 13 Tongan companies uplifting sugar from Fiji under the Regional Sugar Agreement. A total of 3,000 metric tons of sugar has been granted by the Government of Fiji as the sugar allocation for Tonga for the sugar year 1996/97. Allocation is determined at the beginning of every year.

5. Tonga is a party to the Fourth Convention of Lomé between the European Communities' member States and the African, Caribbean and Pacific States

Tonga is a signatory to the Lomé Convention between the European Communities (EC) and 70 countries in Africa (all sub-Saharan African countries except South Africa), the Caribbean and the Pacific (ACP). The current, fourth Lomé Convention running to the end of February 2000, extends non-reciprocal trade preferences to the ACP States.

TABLES

Table 1: Budget

(T\$ thousand)

	Actual 1994/95	Estimated 1995/96	Estimate 1996/97	%
Revenue				
Income taxes	6,686	7,110	8,177	13.27
Trade taxes	26,939	29,372	28,681	46.56
Taxes on goods and services	6,517	6,970	7,230	11.74
Entrepreneurial and property income	5,801	6,154	6,879	11.16
Administrative fees and charges	9,595	9,389	9,802	15.91
Miscellaneous	2,681	4,224	835	1.36
Total revenue	58,219	63,219	61,604	100.00
Expenditure				
Established staff	24,240	27,707	30,632	49.76
Un-established staff	1,426	1,363	597	0.97
Travel and communications	3,358	3,685	3,372	5.48
Maintenance and operations	4,101	3,979	3,053	4.96
Purchase of goods and services	6,979	6,838	6,062	9.85
Operational grants and transfers	3,003	3,336	4,262	6.92
Specialised expenditure	2,572	1,958	2,151	3.49
Public debt	3,547	6,857	5,743	9.33
Capital transfers	3,109	2,910	2,486	4.04
Defence	3,169	3,389	3,200	5.20
Total expenditure	55,504	62,022	61,558	100.00
Net surplus	2,715	1,197	45	-

Source: Budget statement for the year 1996-997

Table 2: Estimated Recurrent Expenditure by Vote (1996/97)

(T\$ thousand)

Ministry/vote	Estimates	%
H.M. The King	1,034	1.68
Legislative Assembly	1,500	2.44
Prime Minister's Office	3,055	4.96
Foreign Affairs	1,744	2.83
Governor, Ha'apai	70	0.11
Governor, Vava'u	97	0.16
Lands, Survey and Natural Resources	1,336	2.17
Printing Department	796	1.25
Justice	750	1.22
Police	2,832	4.60
Crown Law Department	294	0.48
Defence	3,200	5.20
Finance	3,404	5.53
Audit Department	369	0.60
Education	11,553	18.78
Health	7,594	12.35
Civil Pensions and Gratuities	2,143	3.48
Prisons Department	496	0.81
Agriculture and Forestry	2,642	4.29
Fisheries	760	1.24
Central Planning Department	377	0.61
Labour, Commerce and Industries	1,021	1.66
Tonga Visitors Bureau	735	1.20
Works	2,827	4.60
Civil Aviation	1,610	2.62
Marine and Ports	1,016	1.65
Public Dept.	5,743	9.34
Financial Appropriation	2,587	4.20
Total	61,558	100.00

Source: Budget Statement for the year 1996-1997

N.B. Percentages are rounded.

Table 3: Gross International Reserves

(T\$ million)

End of Period	Reserve Holding in IMF	Holding of SDRs	NRBT Foreign Reserves	Commercial Bank Foreign Assets	Total Reserves
1992/93	2.31	0.80	46.07	0.62	49.80
1993/94	2.36	0.92	37.64	2.17	43.09
1994/95	2.39	0.04	27.63	2.76	32.82

Source: NRBT
SDRs: Special Drawing Rights
NRBT: National Reserve Bank of Tonga

Table 4: Trade Balance

(T\$ million)

Year	Exports	Imports	Re-exports	Trade Balance
1993	21.97	85.23	1.50	(61.76)
1994	17.75	90.96	0.50	(72.71)
1995	18.02	98.05	0.60	(79.43)

Source: Statistics Department

Table 5: Imports by Country of Origin (c.i.f)

(T\$ thousands)

Origin	1993	1994	1995
New Zealand	33,536	40,711	37,368
Australia	19,265	22,310	27,298
United States including Hawaii	7,611	7,471	10,242
Fiji	10,080	7,022	7,406
Japan	5,923	6,074	5,657
United Kingdom	1,582	384	2,970
Singapore	803	1,075	1,735
Others	6,435	5,918	5,371
Total	85,235	90,965	98,047

Source: Statistics Department

Table 6: Exports by Country of Destination (f.o.b)

(T\$ thousand)

Destination	1993	1994	1995
Japan	13,124	9,276	8,860
United States including Hawaii	3,366	4,314	4,195
New Zealand	2,307	936	1,509
Hong Kong	503	733	798
Australia	1,530	730	718
American Samoa	859	622	619
Singapore	-	357	487
Others	284	780	836
Total	21,973	17,748	18,022

Source: Statistics Department

Table 7: Imports by Main Product Group (c.i.f)

(T\$ thousands)

Product Group	1993	1994	1995
Food and live animals	19,640	22,422	22,323
Beverages and tobacco	3,813	4,039	4,521
Crude materials, inedible	3,801	4,975	4,760
Fuels and lubricants	11,590	10,972	12,135
Oils and fats	263	358	359
Chemicals	5,993	7,574	6,833
Manufactured goods	16,649	18,027	19,026
Machinery and equipment	16,039	15,424	20,311
Miscellaneous manufactures	7,171	6,779	7,442
Goods not elsewhere specified	276	375	337
Total	85,235	90,965	98,047

Source: Statistics Department

Table 8: Exports by Main Product Group (f.o.b.)

(T\$ thousand)

Product Group	1993	1994	1995
Food and live animals	20,237	16,281	16,677
Beverages and tobacco	-	-	-
Crude materials, inedible	122	744	486
Fuels and lubricants	-	-	-
Oils and fats	126	-	-
Chemicals	33	64	68
Manufactured goods	718	389	277
Machinery and equipment	6	101	70
Miscellaneous manufactures	693	142	322
Goods not elsewhere specified	30	26	122
Total	21,973	17,748	18,022

Source: Statistics Department

Table 9: Balance of Payments

(T\$ million)

	1991/92	1992/93	1993/94	1994/95
Merchandise Trade				
Export, f.o.b.	21.9	16.3	27.3	18.2
Imports, f.o.b.	63.7	67.7	76.9	78.9
Balance of Trade	- 41.8	- 51.4	- 49.7	- 60.7
Services				
Services receipts	24.0	23.3	23.3	32.5
Services payments	30.1	13.5	19.2	29.0
Balance on services	- 6.2	9.7	4.1	3.5
Investment Income				
Income receipts	4.3	6.3	5.0	3.4
Income payments	1.3	2.9	1.3	2.1
Balance on income	- 6.2	3.4	3.7	1.3
Transfers				
Private transfer receipts	43.4	57.1	58.1	60.2
Official transfer receipts	-	-	-	-
Private transfer payments	15.0	8.7	6.5	1.5
Official transfer payments	6.6	9.3	16.2	19.0
Balance on transfer	2.3	6.0	3.8	1.1
Current Account Balance	49.6	50.5	44.6	41.5
Direct Investment	1.6	0.9	3.8	2.7
Portfolio investment	- 0.4	- 0.9	0.0	0.0
Long-term capital	- 0.3	4.2	1.9	1.6
Other short-term	5.6	- 0.1	- 2.6	0.0
Capital Account Balance	6.6	4.8	3.1	4.3
Net errors and omissions	- 2.1	- 11.2	- 13.3	- 4.4
Overall Balance	9.1	5.9	- 7.5	- 14.5

Source: National Reserve Bank of Tonga

Table 10: Weighted Average Level of Customs Duties of Main Customs Tariff Groupings (1995)

Product Group	Total Imports (T\$ thous.)	Of which private imports (T\$ thous.)	Duty on private imports (T\$ thous.)	Average duty (%)
Food and live animals	22,323	22,190	2,472	11.1
Beverages and tobacco	4,521	4,491	4,607	102.6
Crude materials, inedible	4,760	3,095	12	0.4
Fuels and lubricants	12,135	10,440	2,895	27.7
Oils and fats	359	348	51	14.7
Chemicals	6,833	5,143	469	9.1
Manufactured goods	19,026	12,241	1,136	9.3
Machinery and equipment	20,311	7,578	1,350	17.8
Miscellaneous manufactures	7,442	5,482	721	13.2
Goods not elsewhere specified	337	220	-	0.0
Total / Average	98,047	71,223	13,713	18.5

Source: Statistics Department