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ECONOMIC ANALYSIS ON PAPUA NEW GUINEA'S KEY NON-EXTRACTIVE SECTORS

PNG - Japan Trade

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This document was developed through online research and may contain statistics that are not up to date. Thus, it serves primarily as an initial insight and overview of Papua New Guinea's non-extractive sectors. Its aim is to make basic market knowledge of PNG's targeted sectors accessible to entrepreneurs, SMEs, and investors, providing them with foundational information for further exploration and consideration. Due to the nature of this document, the information presented herein can be easily accessed online for further reading or research.

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1. BACKGROUND

Papua New Guinea (PNG) is rich in diverse sectors, including agriculture, fisheries, forestry, tourism, manufacturing, and others, all of which play significant roles in the nation's economy. Despite facing challenges such as limited technology, infrastructure deficiencies, and climate-related issues, these sectors hold immense potential for growth and development. The National Trade Policy (NTP) 2017-2032[1] recognizes the invaluable contribution of PNG's non-extractive industries and emphasizes efforts to build and develop them further, aiming to reduce reliance on non-renewable sectors and mitigate past vulnerabilities.

The NTP 2017-2032 is in accord with Vision 2050, highlighting international trade as a pivotal driver for economic transformation and growth. In alignment with this vision, the following document has been drafted to highlight specific renewable sectors. It delves into their socio-economic impacts and contributions to PNG's economy, while also exploring their significance in the Japanese market. Through a generic analysis of Japan's trade patterns and sectoral interests, this document aims to pinpoint key commodities or products suitable for promotion, leveraging their strengths and meeting Japan's demands effectively.

1. Interested individuals can download a copy of Papua New Guinea's National Trade Policy (2017-2032) at https://nto.gov.pg/download/png-national-trade-policy-2017-2032/ .

2. TARGET SECTOR OVERVIEW

Agriculture

The agricultural sector is a pivotal force in Papua New Guinea (PNG), contributing significantly to the nation's economic landscape. It comprised 19% of total exports and constituted a significant share of 25% in PNG's GDP in 2019[2]. Beyond these economic metrics, agriculture serves as a cornerstone for employment, income generation, and subsistence consumption, particularly in rural areas (FAO, 2023)[3]. Key commodities driving this sector include cocoa, coffee, copra, palm oil, rubber and tea, most of which are exported and form an important source of foreign exchange (forex) revenues[2].

The combined impact of agriculture, forestry, and fisheries is profound, engaging about 80% of PNG's working population and contributing almost one-third (1/3) to the country's GDP[4]. The non-extractive sector, dominated by smallholder farming systems, sees coffee and cocoa employment accounting for half of the total labor force. The extensive economic advantages derived from agriculture play a crucial role in shaping the lives of 85% of the population involved in subsistence-level food production. Remarkably, only 4% of arable land is presently utilized for commercial purposes, signaling substantial potential for expansion and development in this sector.

The livestock industry, as an important allied sector, significantly contributes, accounting for 15% of total domestic food production. According to the National Agriculture Research Institute (NARI), the country's livestock industry represents 13% of the annual output from agriculture, generating approximately US$60 million (K180 million) annually[5]. Importation of livestock products surpasses US$50 million (K150 million) in value. Pig and poultry production, meeting domestic demand, underscore the thriving local livestock market with considerable potential for dairy, meat, eggs, and other animal products.

In the context of Japan, characterized by its industrious nature and rugged mountainous terrain limiting agricultural activities, the country heavily depends on imports of agricultural products to meet dietary needs and supply sectors such as tourism and hospitality. The United States emerges as the primary exporter, commanding a significant market share of 24 percent, equivalent to a substantial value of US$15.6 billion, as highlighted in the International Trade Administration's (ITA) country commercial guide for Japan[6].

The ITA also highlights opportunities for diverse agricultural products, processed goods, and consumer-ready foods. By capitalizing on insights into Japan's agricultural needs and strategically harnessing PNG's abundant resources, there is a prime opportunity to meet Japan's requirements effectively.

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2 How Papua New Guinea's agriculture sector is adapting (Oxford Business Group)
3 Family Farming Knowledge Platform (FAO, 2023)
4 Papua New Guinea – Country Strategy Note (IFAD)
5 LIVESTOCK production and marketing concerns (NARI)
6 Japan – Country Commercial Guide (ITA, 2022)

This is particularly crucial given Japan's food self-sufficiency ratio of 37 percent in 2020, as per Japan's Ministry of Agriculture, Forestry, and Fisheries' annual report, emphasizing a considerable reliance on imports to enhance food availability[7]. PNG stands well-positioned to contribute significantly to Japan's food supply chain, given its capacity and potential in the agricultural sector.

In spite of PNG's competitive advantages, like abundant seasonal rainfall, fertile soil, and sustainable farming practices, the agricultural sector falls short of its anticipated potential, as highlighted in the World Bank's report on PNG's 2022 Economic Update[8]. This underperformance can be attributed to challenges such as the high cost and limited availability of modern inputs and technologies, insufficient irrigation, and inadequate access to support services. Moreover, agricultural development faces additional hurdles due to weather extremes and climate change-related hazards. These factors collectively contribute to the sector's ongoing difficulties.

Farmers and the agriculture industry wield a significant influence on carbon emissions, given their substantial role in global land use and associated climate impacts[9]. Although the food-producing sector brings about positive externalities, it incurs substantial environmental, social, and health costs that outweigh its profits. Emissions emanate from diverse human activities such as burning fossil fuels, deforestation, industrial processes, and agricultural practices. Addressing climate change and fostering environmental sustainability necessitate a focus on mitigating these emissions[10].

To effectively tackle global challenges like climate change and food security, a transformative shift in how we produce, distribute, and consume food is imperative[10]. Embracing sustainable practices empowers farmers to play a crucial role in reducing emissions, enhancing air and water quality, promoting soil health, and preserving biodiversity[11]. Additionally, research by Trucost indicates that organic farmers tend to achieve notably higher margins (ranging from US$1750 to 4536 per hectare) compared to conventional farmers (US$1585 to 2560 per hectare)[10], showcasing the economic benefits of adopting environmentally friendly farming methods.

Agriculture remains a fundamental sector in PNG, especially for over half of the rural population, with each commodity/cash crop providing socio-economic benefits relied upon by 85% of PNG's population. The global demand for agricultural products, projected to increase by about 70% by 2050[12], underscores the need for sustained growth and development within PNG's agricultural sector.

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7 Japan's Reopening Signals Export Opportunities (USDA, 2023)
8 Navigating a fragile recovery – Papua New Guinea Economic Update 2022 (The World Bank, 2022)
9 USDA says High Farm Production Costs Not Easing In 2024 (United States Committee on Agriculture, Nutrition Forestry, 2023)
10 The Costs and Benefits of Agriculture (Nierenberg & Nink, 2015)
11 Fertile Ground: How Soil Carbon can be a cash crop for climate age (Boston Consulting Group; RBC; Arrell Food Institute, University of Guelph, 2023)
12 Creating a Sustainable Food Future: Interim Findings (Searchinger, et al., 2013)

Fisheries

Papua New Guinea's fisheries zone spans an impressive 2.4 million square km, making it the largest in the South Pacific. Annually, the country harvests approximately 25,000- 50,000 tonnes of marine produce. PNG's tuna, a significant contributor, represents 20- 30% of the South Pacific tuna catch, constituting 10% of the global catch and showing a steady upward trend[13]. Notably, 70% of the tuna catch undergoes processing within PNG for export, while the remainder is consumed domestically.

The sector has attracted crucial Foreign Direct Investment (FDI) with government support, resulting in the establishment of six tuna processing plants with a combined investment estimated at around US$250 million (K831 million) and growing[14].

The total market value of PNG's catch averages between PGK350 million (US$99 million) to PGK400 million (US$114 million)[13]. Over the five years from 2014 to 2019, the fisheries sector exhibited annual growth, nearly doubling the catch from 103,000 tons to 196,000 tons, with a total export value reaching PGK1.3 billion by 2019[13].

The fishery sector in PNG is not only a billion-kina industry that supports the national economy but also sustains livelihoods across the nation. Even now, the exploration of commercial fishery in the Highlands region of PNG will contribute to diversifying the sector's commodities and increasing its socio-economic impact.

The National Fisheries Authority (NFA) reports that revenue from tuna fishery remains the highest income stream. Since 2010, PNG has quadrupled the value of its tuna resource, reaching a perceived equilibrium point. NFA emphasizes the need for innovative approaches to maximize tuna fishery value or explore alternative investment avenues to capitalize on realized gains.

The fisheries sector encompasses various components, including the Prawn & Lobster Fishery, Beche-de-mer (sea cucumber), Aquaculture, Saratoga, Crab fishery, and other minor fisheries. These emerging fisheries, predominantly start-ups, play a vital role in diversifying exports and mitigating overreliance on a single fishery type like Tuna. The NFA is actively collaborating with communities to establish effective management regimes and harness the potential of these fisheries[14].

Japan has consistently upheld a longstanding and positive partnership with PNG in the fisheries sector, solidifying their fishing bilateral relationship through the Japan International Cooperation Agency (JICA). This comprehensive commitment, as outlined by Donald Nangoi in PNG's Post-Courier on May 6, 2022, encompasses key areas such as bilateral fishing access, the development of fisheries infrastructure, the implementation of community-based projects, capacity building for fisheries institutions, and targeted training initiatives[15].

The collaboration reflects a shared commitment to sustainable fisheries management and signifies promising prospects for ongoing and future cooperation between the two nations. Within this collaborative framework, the bilateral fishery agreement allows Japan to operate fishing vessels within PNG's Exclusive Economic Zone (EEZ), fostering an amicable relationship that enhances mutual understanding and ensures the responsible utilization of marine resources in the region[16].

13 Tuna Fishery (NFA)
14 Fisheries Industry (NFA)
15 Japan Renew Fishing Commitment to PNG (Nangoi, 2022)
16 Japan's ODA Policy for the Independent State of Papua New Guinea (Embassy of Japan in PNG, 2012)

Forestry

In comparison to Japan, PNG boasts a land size 1.2 times larger and is home to the world's third-largest rainforest[16], following the Amazon and Congo. PNG's diverse flora and fauna include approximately 30–50 species of commercial timber, with 15% utilized domestically and the remainder exported[3].

Timber is a cornerstone of the forest industry, ranking as the third-largest foreign exchange earner after minerals and agriculture, and contribute 5% to the nation's economy[17]. This industry significantly supports employment, engaging around 100,000 individuals, and contributes to government revenues through the log export tax, averaging around 30% of the export value, along with a reforestation levy[17].

The vast majority of timber is produced as raw logs for export - this accounts for 97% of the value of all exports of forest products, with woodchips covering almost all of the remainder[18]. PNG's traditional export markets include Japan, China, Vietnam, Australia, the Republic of Korea, Malaysia, the Philippines, and Taiwan. Notably, China holds the most significant market share, accounting for about 93.7% of PNG's exported tropical round wood in 2009[17]. Although there's a commitment to downstream processing for value addition, the high cost structure of the PNG economy presents a challenge.

Forests hold immense economic and cultural significance for local communities, with approximately 97% of the land and 99% of the forests being customarily owned[17]. This unique ownership structure, contrary to many other developing nations, reflects PNG's large rural population living in closely-knit communities across the coastal and highlands regions.

PNG's natural forests are a vital resource, serving not only as a key component of the forestry industry but also as a natural habitat for the abundant, biodiverse organisms endemic to this land. Furthermore, these forests play a crucial role in global carbon sequestration.

However, PNG's natural forests encounter various challenges. The development of natural resources poses environmental impacts and leads to the degradation of the country's extensive tropical forests. Unsustainable logging practices, persisting for over two decades, have been the primary cause of forest loss and degradation.

One of the significant issues facing the forestry sector is the lack of compliance with environmental standards by logging companies, coupled with inadequate monitoring and control by government regulating agencies[18]. The toll on forests is substantial, and unless addressed promptly and effectively, the consequences will be detrimental to all.

Essentially, PNG's forestry sector is a complex interplay of economic, environmental, and cultural factors, facing both challenges and opportunities for sustainable development.

17 Managing forests as a renewable asset for present and future generations - Verifying legal compliance in forestry in Papua New Guinea pdf (Scheyvens & Federico, 2013)
18 Taking Down the Giants (WWF, 2005)

Tourism

Papua New Guinea's tourism industry presents a promising avenue for diversifying its economy beyond a dependence on extractive industries. According to Knoema, a prominent online data platform, travel and tourism accounted for 1.6% of PNG's GDP in 2019[19]. Projections from the World Travel & Tourism Council indicate that the tourism sector's contribution to GDP, encompassing indirect employment, is anticipated to grow from 1.8% in 2017 to 2.2% by 2028[20].

In 2018, PNG witnessed close to 95,000 air arrivals, injecting over PGK690 million (USD$205 million) into the nation's economy[21]. These air arrivals were part of the broader group of 195,000 international visitors to PNG that year, including arrivals by cruise ships and individuals visiting for short or long-term employment. The hosting of a significant international event, such as the November 2018 APEC summit is attributed to this success. The APEC summit, attended by 9,000 international visitors, played a crucial role in showcasing PNG as a stable environment for business and tourism globally, leading to increased international investment interests.

According to PNG Tourism Promotions Authority (TPA), the 95,000 visitors demonstrated significant spending, particularly in accommodation, airfares, and food and beverages.

Notably, holiday visitors, constituting 33% of the total, emerged as the highest spenders. They stayed an average of 10 nights and spent over USD$2,500 per person per trip, reflecting an increase from 26% in 2017. Conversely, business travelers, representing 50% of air arrivals, typically stayed around nine nights, with an expenditure of approximately USD$2,170 per person per trip[21].

Undoubtedly, tourism—be it adventure, cultural, or historical—plays a crucial role in drawing foreign exchange into the country, thereby contributing significantly to the economy. Furthermore, a flourishing tourism industry has the power to positively influence the country's image and perception on the global stage. This favorable image becomes an attractive factor for foreign investors, who may view the country as stable and economically viable.

The tourism sector, above all others, directly targets and attracts FDI's into the country. PNG is thought to hold more than 5% of the world's biodiversity[17], coupled with its geographic placement, natural topography and rich cultural traditions, offer a range of outdoor tourism opportunities that stand to be unlocked by improved infrastructure, enhanced safety measures and effective marketing strategies.

The Oxford Business Group suggests that by improving air access to the country, reducing the cost of travel, improving the quality of service provision in the industry and expanding the overall tourism offering, visitor flows may increase and these improvements stand to be leveraged through effective promotion by the PNGTPA[20].

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19 Papua New Guinea - Contribution of travel and tourism to GDP as a share of GDP (Knoema)
20 Papua New Guinea | Tourism | Changing Visitor Profile (Oxford Business Group, 2023)
21 TOURISM ON THE RISE IN PAPUA NEW GUINEA (PNG Tourism Promotion Authority, 2019)

The impact of sustainable tourism extends beyond mere economic gains. It becomes a catalyst for inclusive growth, offering a diverse array of job opportunities for both genders and creating avenues for income generation in rural communities—examples include the production of handicrafts, as highlighted by the World Bank[22].

Tourism, akin to other non-mineral sectors, emerges as a reservoir of opportunities for job creation, skill enhancement, and infrastructure development. Simultaneously, initiatives related to tourism can serve as catalysts for actively safeguarding the indigenous environment and cultural heritage of Papua New Guinea.

Manufacturing

The manufacturing sector is recognized as a pivotal force for both social and economic advancement, fostering modernization in agriculture, addressing unemployment and poverty, and contributing to trade expansion through the export of manufactured goods. PNG stands out not only as a producer of mineral and agricultural commodities but has witnessed substantial growth in its manufacturing sector as its economy expands[23].

In 2012, Papua New Guinea's manufacturing sector made a substantial contribution to the GDP, estimated at 6 to 11.5%. Notably, it employs approximately a quarter (1/4) of the formal workforce, with a significant presence in downstream processing industries such as fishing, timber, coffee, petroleum, and gold[24].

Prominent manufacturers in PNG, such as Mainland Holdings (poultry products), South Pacific Brewery (part of the Heineken Group, beer), Coco-Cola Amatil (beverages), Paradise Foods (snacks), K K Kingston (diversified), R D Tuna (canned fish), Nestlé (noodles), and others, have traditionally focused on meeting domestic consumption needs. However, PNG's manufacturing sector, while relatively modest in its contribution to the economy, has made significant strides in global markets. Products ranging from food and beverages to building materials, handicrafts, household items, furniture, packaging, and paints have found a place in the international arena. Notably, Paradise Foods Limited, the country's oldest food manufacturing company, stands out for producing items like biscuits, corn chips, and potato chips for both international and regional markets[24].

The robust growth of PNG's domestic market fuels demand for locally manufactured products, spanning paint and printed goods to refined petroleum[24]. Despite its progress, the manufacturing sector faces challenges, including high start-up costs, elevated rents, access to reliable and cost-effective power and water, technological development, quality of human resources, and access to finance.

22 The World Bank (2017)
23 Manufacturing: Made in PNG (Business Advantage PNG, 2012)
24 Find Industry and Manufacturing Expertise in Papua New Guinea (Nexus)

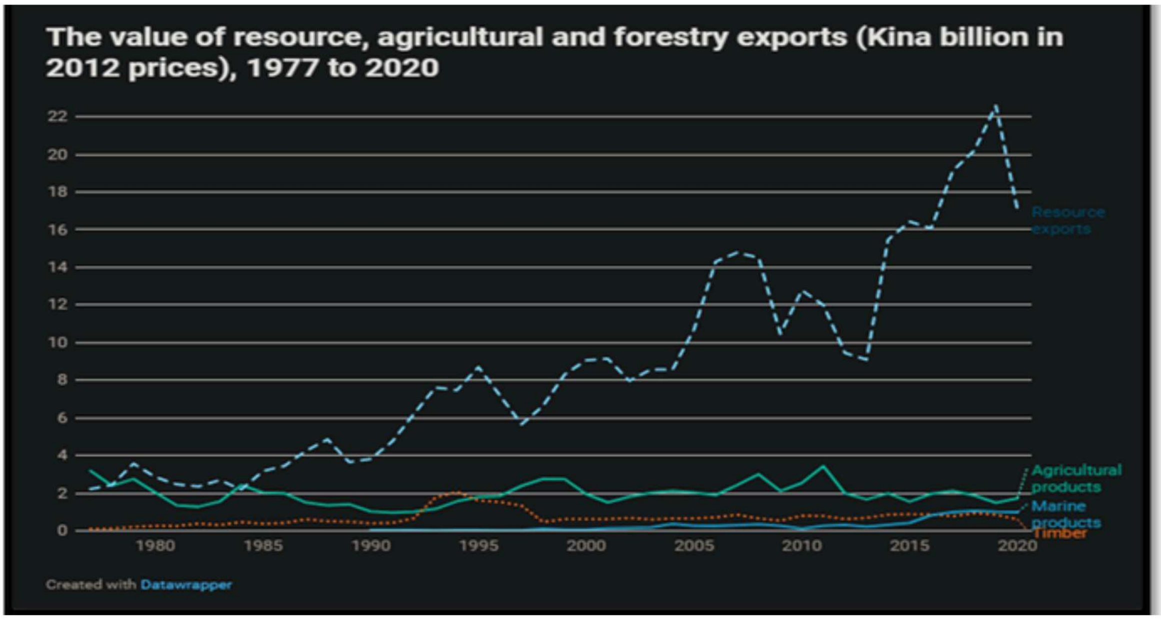
3. PERFORMANCE OVERVIEW OF KEY COMMODITIES

In 2022, PNG saw a substantial increase in its exported products, reaching US$15.9 billion, reflecting a remarkable 55.7% surge from the $10.2 billion recorded in 2018[25].

However, analysis from the PNG Economic Database reveals that most agricultural exports, including copra, copra oil, rubber, tea, cocoa, and coffee, have either declined or shown minimal growth in volumes since the country gained independence[26]. Notably, palm oil is the exception, experiencing a twentyfold increase in production levels since independence, averaging an annual growth rate of 7.5% as of 2020[3]. This remarkable growth contrasts with the stagnation observed in other cash crops.

Moreover, marine products and log exports have emerged as robust contributors to PNG's export profile. Log exports, with an overall annual growth rate of 4.5%, have played a significant role, while marine products have outpaced palm oil, though starting from a lower baseline. The marine products sector has exhibited a remarkable annual average growth rate of 18.9%[3]. This diversification in export products signifies a dynamic evolution in PNG's economic landscape.

Figure 1: Overall composition of PNG's major commodity sectors[26]



From Independence in 1975 to 2020, the prices of extractive resources (resource exports) commodities have seen a more substantial increase compared to non-extractive resources such as agricultural products, marine, and timber.

25 Papua New Guinea's Top 10 Exports (Worldometer, 2023)
26 PNG Economic Database | Commodities (ANU-UPNG Partnership, 2021)

According to the PNG Economic Database, primary agricultural commodities like cocoa, coffee, and palm oil have experienced moderate price growth, while log prices have surged four times higher than their 1976 levels[26]. This price growth reflects shifts in global supply and demand dynamics, since independence.

Referring to Figure 1, the extractive sector has demonstrated notable success. For non-mineral commodities, the demand for tropical woods has increased, and given PNG's status as one of its limited suppliers, it has become a valuable player in the market.

Conversely, global supplies of agricultural goods have expanded, resulting in reduced prices for critical commodities like cocoa, coffee, and palm oil. On a positive note, marine products have exhibited exceptional performance during the post-independence period, boasting an annual average growth of 5.1 percent.

(*For a comprehensive review of PNG's commodities from 1975 to 2021, refer to The* PNG Economic Database*)*

Table 1: Top Export Groups: Constituting 99% of PNG's Global Shipments in 2022.

Export Groups	Value (US Dollar)	Share in total exports
Mineral fuels including oil	$9.8 billion	61.8%
Gems, precious metals	$1.8 billion	11.4%
Ores, slag, ash	$993.6 million	6.3%
Animal/vegetable fats, oils, waxes	$873.2 million	5.5%
Nickle	$768.1 million	4.8%
Wood	$647.8 million	4.1%
Meat/seafood preparations	$275.9 million	1.7%
Coffee, tea, spices	$269.8 million	1.7%
Fish	$165.7 million	1%
Cocoa	$91.1 million	0.6%

Data source: (Workman, Papua New Guinea's Top 10 Exports, 2023)

Exports to Japan

Japan stands out as a significant trading partner for PNG, accounting for approximately 22.6% of the country's global exports[2]. The trade relationship between Japan and PNG is primarily centered on the extractive sector, while contributions from the non-extractive sector remain relatively insignificant.

In the sections that follow, we delve into industries within the non-extractive sectors of PNG, emphasizing their specific impacts on the economy and the people of PNG. This will underscore the sector's paramount importance and the urgent need for investment and development to enhance export diversity across every industry within the sector.

Particularly, in the last quarter of 2022, the total value of merchandise exports surged to K13, 038.2 million, a significant increase from K10, 373.2 million in the corresponding quarter of 2021. This growth was attributed to higher values for PNG's export commodities, including LNG, copper, crude oil, nickel, cobalt, palm oil, copra, rubber, and logs.

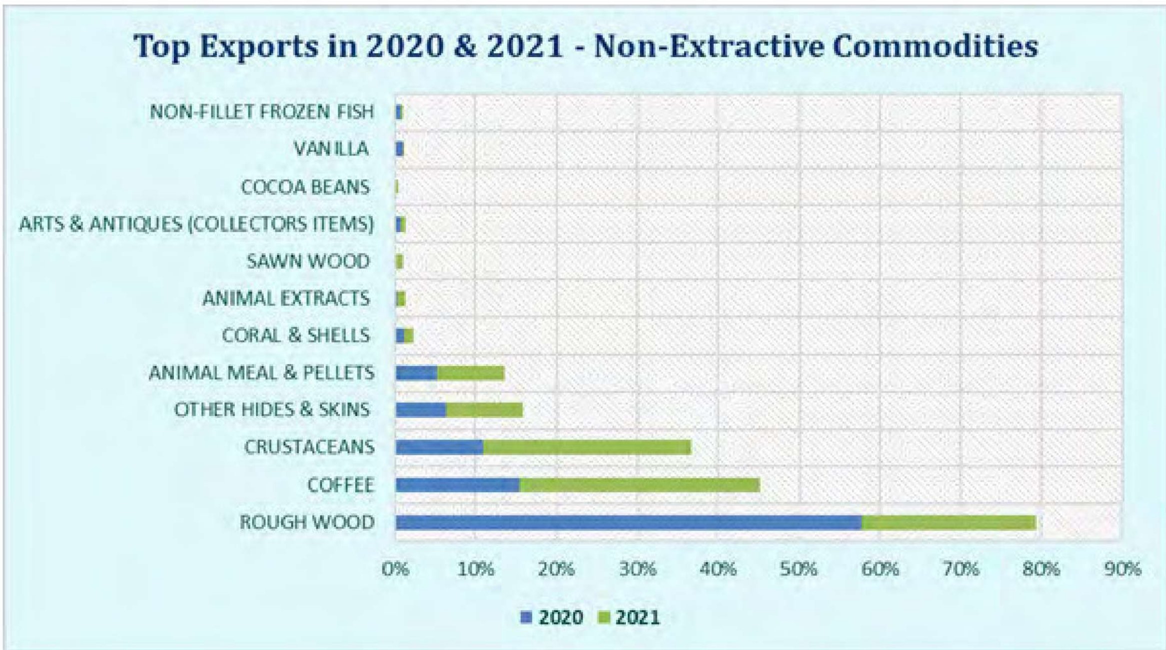
Table 2a: Main exports from PNG to Japan for 2021 & 2023

Top Exports of PNG to Japan (*Data Source:* OEC)	
2021	**2023**
- Petroleum Gas ($1.78B) - Copper Ore ($582M) - Refined Petroleum ($319M)	- Petroleum Gas ($104.42M) - Copper Ore ($83.94M) - Refined Petroleum ($12.55M)

Table 2b: PNG's total non-extractive exports (renewable resources) to Japan, for 2020 & 2021

	2020		2021	
COMMODITY	**Share within non-extractives (%)**	**VALUE (USD)**	**Share within non-extractives (%)**	**VALUE (USD)**
ROUGH WOOD	57.70%	12.58M	21.60%	2.79M
COFFEE	15.50%	3.38M	30%	3.82M
CRUSTACEANS	11.00%	2.40M	26%	3.32M
OTHER HIDES & SKINS	6.34%	1.38M	9.55%	1.23M
ANIMAL MEAL & PELLETS	5.25%	1.14M	8.32%	1.07M
ANIMAL EXTRACTS	0.26%	56.68k	0.98%	126.42k
COCOA BEANS	0.02%	5.01k	0.45%	58.05k
BASKET WORK	0.01%	2.12k		
SAWN WOOD	0.20%	43.60k	0.82%	105.78k
VANILLA	0.95%	207.10k	0.25%	32.25k
CORAL & SHELLS	1.12%	244.16k	1.18%	152.22k
NON-FILLET FROZEN FISH	0.74%	161.32k	0.25%	32.25k
TEA	0.06%	13.08k	-	-
ARTS & ANTIQUES (COLLECTORS ITEMS)	0.70%	152.60k	0.53%	68.37k
TEXTILES (TWINE & ROPE; KNIT T-shirts & KNIT Men's Suits)	0.14%	30.96k	0.02%	3.10k
MISCELLANEOUS (BUTTONS)	-	-	0.54%	69.66k
TRANSPORTATION (RECREATIONAL BOATS)	-	-	0.07%	8.51k
CHEMICAL PRODUCTS (SOAP)	-	-	0.03%	3.87k
COCONUT OIL	-	-	0.05%	6.84k
PROCESSED CRUSTACEANS	0.02%	4.79k	-	-

Graph 2b: Comparison of the top 12 common exported commodities, from PNG to Japan, between 2020 & 2021



The information in Table 2b and Graph 2b was derived from data obtained from the Observatory of Economic Complexity (OEC), revealing the range of products imported by Japan from PNG between 2020 and 2021. In 2020, the top exported commodity was rough wood, with coffee, crustaceans (seafood), animal hides & skin, and animal meal & pellets following. In 2021, coffee emerged as the highest-exported commodity to Japan, followed by crustaceans, rough wood, animal hides & skins, and animal meal & pellets.

Some of PNG's vital commodities, such as cocoa beans, vanilla, tea, and coconut oil, saw lower imports from Japan. Japan's preferences or specific product requirements for each imported item may differ from other international markets, or PNG might not be fully meeting its demands, as reflected in the import sizes. The imported commodities in Table 2b also unveil potential new market opportunities for PNG to explore and pursue in other markets or niche sectors.

Among the minor or lesser commodities exported to Japan during 2020-2021 are basket work, coral & shells, arts & antiques (collectors' items), textiles (twine & rope, knit shirts, knitted men's suit), miscellaneous items (buttons), and chemical products (soap). Despite being minor commodities, these products are abundant within PNG, as they are locally produced and sold. Notably, goods like PNG artifacts and textile products, including woven items like Bilums, are gaining international commercialization and promotion.

4. KEY COMMODITIES TO PROMOTE

In the realm of PNG's non-extractive sector, abundant market opportunities exist for local exporters. These opportunities are particularly evident in key commodities that align with both PNG's sustainable exploitation potential and the preferences of the Japanese market, offering avenues for strategic promotion and trade development.

1. Palm Oil: Palm oil is a significant agricultural commodity in PNG, contributing $344 million to the country's total export earnings in 2017 and employing over 200,000 people[27]. PNG became one of the top 5 global palm oil exporters in 2021 and 2022, with exports exceeding 800,000 metric tons annually[28]. The palm oil industry is the second-largest formal employer in PNG, trailing the public service and surpassing the forest industry.

Japan is a major importer of palm oil in East Asia, driven by its needs in food processing and biomass power plants. In 2018 and 2019, Japan imported 781,758 metric tons of palm oil, with 62 percent sourced from Malaysia and 38 percent from Indonesia[29]. However, Japan's rising domestic corporate mandates and shifting trade initiatives from traditionally importing refined oils and liquid fractions to pursuing strict green sourcing targets provide an attractive window of opportunity for PNG's unique agricultural profile. PNG Palm Oil is Certified Sustainable Palm Oil (CSPO), with the largest palm oil company having more than 95% of its operations Roundtable on Sustainable Palm Oil (RSPO) certified.[30].

Despite sustainability and environmental concerns associated with palm oil production, there is potential for a market in Japan's food and cosmetic industries if PNG can ensure sustainable and environmentally responsible practices. This aligns with the growing global emphasis on sustainability and ethical sourcing in various industries.

GSP Rate (Link) – Palm oil & its fractions, whether or not refined, but not chemically modified, are all free under Japan's GSP treatment.

2. Coffee: PNG is a producer of high-quality Arabica coffee beans, with a value of K450.3 million in 2015 and K545.45 million in 2021. Despite currently contributing only a fraction to the global coffee market, PNG has the potential to become a significant specialty coffee origin due to its rich soils and favorable climatic conditions[31]. PNG cultivates various coffee varieties, including Typica, Blue Mountain, Catimor, Caturra, Mundo Nova (Mondonovo), Arusha, and Robusta (constituting around 5% of total production).

In 2021, Japan imported $1.35 billion worth of coffee, ranking as the 6th largest coffee importer globally. The main source countries for Japan's coffee imports in 2021 were Brazil, Colombia, Vietnam, Guatemala, and Ethiopia.

27 Papua New Guinea: Sustainable Palm Oil (UNDP)
28 Palm Oil Exporter (USDA, 2023)
29 Japan: Major Financier and Buyer of Leakage Palm Oil and Plywood (Chain Reaction Research, 2021)
30 Japan's Agricultural Imports (Index Mundi)
31 The Production of Coffee in PNG (Goldstein, 2019)

In 2022, Japan's coffee imports increased to $1.79 billion, maintaining its position as the 7th largest coffee importer[32]. Japanese consumers have a preference for premium and specialty coffees, creating an opportunity for marketing PNG coffee in Japan.

Despite coffee being a popular hot drink in Japan, the domestic market heavily relies on imports to meet demand[33]. This suggests a potential avenue for PNG to tap into the Japanese market and capitalize on the growing interest in unique and high-quality coffee experiences.

GSP Rate (Link): Coffee, not roasted: Not decaffeinated & decaffeinated generally have duty free treatment. Coffee, roasted: Both Decaffeinated and Not decaffeinated have a 12% WTO/MFN tariff rate and a 10% rate under GSP treatment.

3. Cocoa: With a presence in 14 out of the 22 provinces, cocoa farming serves as a vital source of livelihood for at least 150 thousand families in Papua New Guinea (PNG). In 2015, export-generated revenue from cocoa accounted for 13%, totaling K243 million, with major buyers including Japan and Singapore[34]. The cocoa industry's estimated economic contribution stands at K300 million, equivalent to about 88 million U.S. dollars.

While PNG's cocoa production may not be substantial on a global scale, the country is renowned for producing some of the highest quality cocoa globally. Expanding beyond cocoa beans to offer processed chocolate products could tap into the growing demand for high-quality chocolate in Japan. This strategic move aligns with PNG's reputation for producing superior cocoa, presenting an opportunity to capitalize on the discerning preferences of the Japanese market.

Overall, the cocoa industry in PNG holds economic significance, not only for the livelihoods it supports but also for the potential to leverage the country's reputation for high-quality cocoa in international markets, particularly in meeting the demand for premium chocolate products in Japan.

GSP Rate (Link): Cocoa beans, whole or broken, raw or roasted, and Cocoa shells, husks, skins and other cocoa waste are all generally free.

4. Copra & Coconut: The coconut industry plays a pivotal role in PNG, impacting 464,328 households, which represents 35% of the total households in the country, involving approximately 2.6 million people. These households engage in coconut activities for both income generation and as a means to supplement their livelihoods. Out of this population, 29% (about 134,655) are involved in cash-generating activities, while 71% (329,673) participate in self-consumption and use[35].

Revenue is generated through exports of copra, crude coconut oil (CNO), copra meat, and virgin coconut oil (VCO) to international markets, contributing K150 million annually to the country's GDP, with an additional estimated value of K380 million generated domestically through local market consumption (The National, 2024).

32 (Workman, Coffee Imports by Country, 2023)
33 Total import volume of coffee to Japan from 2013 to 2022 (C. Diep, 2023)
34 Agriculture & Fisheries (Oxford Business Group, 2020)
35 Coconut Industry in PNG Economy (KIK, 2017)

In 2024, Japan imported $6.05k worth of copra, with a global share of 0.0064%, making it one of the less prominent importers of copra. However, Japan shows a keen interest in Coconut Oil, importing a total of $232757884.80 in 2025. The main sources of Coconut Oil imports for Japan include Malaysia ($104.10M), Philippines ($89.30M), Indonesia ($36.60M), Thailand ($1.01M), and Singapore ($658.90k)[36].

This highlights the significance of the coconut industry in PNG, both in terms of local livelihoods and its contribution to the global market, particularly Japan's growing demand for organic Coconut Oil.

GSP Rate (Link): Copra has no tariff rate, it's duty free.

5. Rubber: The natural rubber industry employs approximately 60,000 farmers across nine provinces—Central, Gulf, New Ireland, Manus, Milne Bay, Northern, Western, East Sepik, and West Sepik—which together account for approximately 95% of the country's total natural rubber production. The Abau District in Central Province remains the industry's primary production hub, with Cape Rodney being the largest contributor to natural rubber production[37].

An estimated 25,000ha of land nationwide are under rubber cultivation, involving both commercial estates and smallholder farmers. The industry primarily exports Technically Specified Rubber (TSR), particularly the CR10 grade, generating approximately K70 million in export value annually.

Although Papua New Guinea's natural rubber production has fluctuated in recent years, the industry has exhibited an overall upward trend between 1972 and 2021, reaching 5,500 tonnes of production in 2021[38]. In 2024, according to OEC, PNG was the 48th largest exporter of rubber (out of 129) globally, with its top destinations being Malaysia and China.

Despite the challenges facing the industry, smallholder organisations such as the Cape Rodney Farmers & Settlers Association (CRFSA) remain committed to its development. Through its recently launched 10-year strategic plan, the CRFSA aims to cultivate 100 million rubber trees across the country. Achieving this target will require substantial improvements in key areas, including land expansion, technological upgrades, workforce training, and other supporting initiatives[37].

Japan, as one of the world's leading manufacturers of rubber products, is also among the largest consumers of natural rubber. Over the past decade, the sales value of Japan's rubber products industry has consistently remained at around two trillion Japanese yen (approximately US$13.33 billion)[39]. This sustained demand for rubber products reflects a continued need for natural rubber inputs, highlighting the potential importance of Papua New Guinea's natural rubber industry in supplying a major global market such as Japan.

GSP Rate (Link): Natural rubber and similar natural gums, in primary forms or in plates, sheets or strip are all free with no tariff rate.

36 Coconut Oil in Japan (OEC, 2021)
37 Cape Rodney Rubber Aims For 100M Trees To Revive National Economy (PNG Business News, 2025)
38 The natural rubber production in Papua New Guinea (Knoema)
39 Major companies in the rubber industry Japan 2022, by total assets (Klein C. , 2023)

6. Tea: Tea is an important commodity for PNG, with an average produce of 7000 tonnes/ year, with 10% of the tea used for local consumption and the rest exported to Russia, Germany, the United Kingdom, the US and other markets. PNG produces anything from Black and Green to Oolong and White tea varieties, all originating from the Camellia Sinensis plant. Presently, the only exporter is WR Carpenter and Co, owning 5 estates, grows tea without any chemical pesticides and packs at least 10% in value-added form for exports.

Tea has its significance in the Japanese culture, especially green tea. In 2021, Japan imported over 28 thousand tons of tea, which was a decrease from around 31 thousand tons in 2015[40], with black tea dominating. Due to Japan's limited agricultural land and high demand for manufactured tea products, such as ready-to-drink (RTD) bottled tea[41], the country has become the second-largest importer of green tea, with China being its largest exporter.

GSP Rate (Link): Green tea (not fermented) in immediate packings of a content not exceeding 3kg has a WTO/MFN tariff rate of 17%, Black tea (fermented) and partly fermented tea, in immediate packings of a content not exceeding 3kg has a WTO/MFN tariff rate of 12%, other black tea (fermented) has a GSP tariff rate of 2.5% and other partly fermented tea has a WTO tariff rate of 17%.

7. Spices: Vanilla is PNG's most lucrative spice export; other spice crops include black pepper, cinnamon, nutmeg, mace, patchouli and turmeric, plus a range of essential oils.

Japan imports a variety of spices including fresh ginger, pepper and spice blends, from different countries. According to Statista, Japan's spice imports were valued at 52 billion Japanese yen (US$348.45 million) in 2022[42]. In the same year, Japan's total vanilla import was valued at $12.5 million, which was a 30% increase from 2021 imports.

PNG was among Japan's top 10 exporters, coming in at 8th place, while Madagascar was its most important partner with the highest share of $10.8 million[43]. As a high-value spice with a natural flavoring, that is generally delectable, PNG's vanilla has potential to expand its presence in the Japanese market.

GSP Rate (Link): Vanilla is free under the WTO/MFN tariff rate.

8. Fresh vegetables & Fruits: PNG produces a variety of vegetables and tropical fruits, including papaya, pineapple, banana, sweet potato and highly nutritious greens. Japan is largely dependent on importation of fresh fruits and vegetable, especially imports of bananas, avocados, kiwis, almonds and pineapples. In 2021, Japan's import of fresh produce was valued at $3.4 billion, with a 2% compound annual growth rate[44].

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40 Japan: Tea import volume 2021(C.Diep, 2022)
41 Trends and Opportunities in Japan's Tea Sector 2021 (Tvorun-Dunn, 2021)
42 (C.Diep, Import value of spices to Japan from 2015 to 2022_Food & Nutrition, 2023)
43 Annual International Trade Statistics by Country (HS) (Trend Economy, 2023)
44 Exporting to Japan - Everything you need to know (IFPA, 2023)

Since Japanese consumers generally regard fresh fruits and vegetables as premium products, the country's import market is dominated by high value produce from developed countries or markets. With almost 90% of local consumption being dependent on imports, Japan is very strict with imports due to food safety and hygiene concerns. In the same manner, PNG's abundant array of fresh produce can find a market in Japan, if producers can comply with specific requirements for specific foods.

GSP Rate (Link): Most edible vegetables (web link) have WTO/MFN tariff rates which are no more than 10%, and most nuts & edible fruits (web link) have preferential treatment under both the WTO and Japan's GSP scheme.

9. Fish & Seafood products: Japan is known for its high consumption of seafood, including fish, shellfish, and seaweed. Products like tuna, salmon, squid, and various types of sushi are highly sought after. Just like in the Japanese market, seafood is highly valued in PNG. With fresh and sustainably sourced seafood, such as tuna, prawns, and lobsters, PNG's seafood products, especially fisheries other than tuna, can be promoted and become a hit in Japan.

GSP Rate (Link): Almost all fish & crustaceans, molluscs, and other invertebrates are not covered by the GSP scheme.

10. Timber or wood products: PNG has vast forest resources, offering a diverse range of tropical timber species that have been primarily exported as round logs, with China being a key market. However, there is significant potential for PNG to gain greater economic and environmental benefits by processing its timber locally. By producing value-added timber and forest products onshore, PNG can increase its economic returns, create more domestic jobs, and promote sustainable forest management practices.

Japan, one of the largest global importers of wood and wood products, including tropical hardwood and softwood plywood, presents an important market for these processed products. In 2015, according to the International Tropical Timber Organization (ITTO), PNG's timber industry produced 4.1 million m^3 of logs, with 89% exported as round wood[45].

Shifting towards local processing would allow PNG to better meet Japan's demand for sustainably harvested, high-quality timber products, positioning the country as a key supplier in the region while ensuring long-term environmental sustainability and economic growth.

GSP Rate (Link): Almost all wood products are generally free or have tariff rates less 10% under the GSP scheme.

45 Papua New Guinea – Timber Sector (Timber Trade Portal, 2023)

11. Manufactured goods: PNG has a diverse range of manufactured products that are supplied to both domestic and international markets. Most goods were traditionally produced for domestic consumption but some have begun to enter global market places, such as food & beverages, building materials, handicrafts, household items and furniture, packaging, paints and coatings[46].

Japan has certain restrictions on selected goods which intend to encourage and support national industries or manufactures. Its government has strict control over agricultural goods such as wheat, rice, dairy, and sugar products, among others, encouraging the processing of foods made from those commodities within Japan. Nonetheless, Japan's imports of processed foods and beverages exceed $7 billion[47], indicating a high demand still present for non-restricted goods.

12. PNG Arts & Crafts: PNG's rich and diverse culture is partly reflected through its unique arts and crafts, as seen in carvings, art works (paintings, embroidery), masks, woven items (Bilum products), and adornments, which could cater to Japan's interest in traditional and cultural products. A report on Nikkei Asia suggests that Japan is eyeing to become an Asian hub for art trading, having eased tax rules to encourage fairs and galleries at free port areas[48].

Statistics from the Observatory of Economic Complexity indicates that Japan imported $424.04 million worth of works of art, collectors' pieces, and antiques in 2022 (OEC, 2021). Older generations in Japan often have a strong connection to their cultural heritage and, since traditional crafts, arts, and clothing hold significance for them, it may influence their consumer choices.

GSP Rate (Link): All works of art, collectors' pieces and antiques are all generally free.

13. Cultural & Eco-Tourism: PNG offers unique cultural and ecological diversity, appealing to global travellers, especially from Japan. Its rich biodiversity covers 5-7% of the world's species, despite its small land area, making it a prime destination for nature lovers. Diving and snorkelling at locations like Tufi Dive Resort and Kimbe Bay, with thriving coral reefs and WWII wrecks, attract Japanese tourists, aligning with their strong diving culture.

Culturally, PNG is one of the most diverse nations, with over 860 languages and traditional practices showcased in festivals like the Goroka Show. The Sepik River region provides deep cultural immersion, which appeals to Japanese tourists seeking authentic experiences. Adventure tourism thrives with the Kokoda Track, a popular historical and physical challenge, especially for Japanese visitors interested in WWII history. Other highlights include birdwatching in the Highlands, Tari basin, and exploring active volcanoes in Rabaul.

Tourism is a key contributor to PNG's economy, though infrastructure and safety challenges remain. Ongoing efforts aim to enhance tourism, positioning PNG as a top destination for culture, nature, and adventure.

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46 Industry and Manufacturing Overview (Commonwealth Network, 2020)
47 Japan's Agriculture Imports - Exports (Griner, 2016)
48 Japan sculpts new tax rules in push to become Asian art hub (Sugirura, 2021)

CLOSING SUMMARY

In conclusion, Papua New Guinea has significant opportunities to expand trade with Japan, particularly in non-extractive industries. With a variety of products like palm oil, coffee, cocoa, copra, rubber, seafood, timber, and eco-tourism, PNG is well-positioned to meet Japan's market demands. By capitalizing on these sectors and reducing its reliance on the extractive sector, PNG can mitigate the risks associated with fluctuating commodity prices and promote steady, sustainable growth.

Developing niche markets, producing value-added goods, and exploring emerging industries will further enhance PNG's trade resilience and competitiveness on the global stage. While challenges like limited technology, infrastructure gaps, and climate issues exist, they can be seen as opportunities for innovation. By investing in modern farming techniques, sustainable forestry, advanced aquaculture, eco-tourism initiatives, and improved manufacturing processes, PNG can unlock the full potential of these industries.

International collaboration, particularly with Japan, through trade agreements and incentives, will help strengthen relationships and open new markets. Supporting local stakeholders—such as farmers, fishers, small businesses, and entrepreneurs—by providing financial aid, technical assistance, and market information will empower them to actively participate in global trade.

By focusing on innovation, partnerships, and inclusive growth, PNG can not only boost its economic resilience but also contribute to environmental sustainability and social progress, ensuring a prosperous and sustainable future in the global marketplace.

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