Policy Context

• TSDFII 2015 - 2025, national outcome of a more inclusive, sustainable and dynamic knowledge-based economy, supported by the organisational outcome of ‘better access to economic opportunities overseas including, trade, employment and foreign investment.

• Gov. Budget Statement

• Tonga Trade Policy Framework 2017 - 2025, an action-oriented approach for a whole-of-government collaboration in the mainstreaming of trade into the TSDF

• Tonga Investment Promotion and Facilitation Strategy 2021

• Tonga Ecommerce Strategy and Roadmap 2021

• Tonga Labour Mobility Supply Management Strategy 2023
Trade and Investment Scene


- Under WTO: Trade Facilitation Agreement and Fisheries Facilitation Agreement not yet ratified but intend.

- Concluded technical negotiations with EU to be a member of the interim Economic Partnership Agreement

- New Post Potonou Agreement to be signed in Samoa. EU and the ACP Countries.

- Advisory bodies - Tonga National Trade Committee, National Trade Facilitation and Policy Committee and relevant sub-committees - established 2021
Trade and Investment Scene - cont

- Tonga is open to foreign trade
- Customs duties remain relatively low - average applied tariff rate is 15% and there are no major trade barriers
- Approximately 22% duties are set at 0%
- Exports continue to be dominated by commodities
- Export performance very competitive, niche market still an option
- Exploring trade in services
- Stronger interest in development assistances, trade facilitation, promotion activities and labour mobility then free trade agreements
Main trade products (2022)

- Tonga imports more than it exports - trade deficit 198 million USD (WTO/WB, 2023)
- GDP growth rate -2.7% (2021), 3.21 decline from 2020
- Agricultural and food products, including fish, make up more than two-thirds of total exports

<table>
<thead>
<tr>
<th>Main imports</th>
<th>Main exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Refined Petroleum</td>
<td>1. Kava (31%)</td>
</tr>
<tr>
<td>2. Meat (8%)</td>
<td>2. Fish (18%)</td>
</tr>
<tr>
<td>3. Vehicles (6%)</td>
<td>3. Root crops (18%)</td>
</tr>
<tr>
<td>4. Preparation of meat and fish (2%)</td>
<td>4. Squash Pumpkins (7%)</td>
</tr>
<tr>
<td>5. Wood (2%)</td>
<td>5. Tongan Mats and Tapa Cloth (4%)</td>
</tr>
<tr>
<td></td>
<td>6. Tonga Handicraft (3%)</td>
</tr>
</tbody>
</table>
Trade Values By Quarter 2016 - 2022
The major export partners were:

1. New Zealand (12.2%)
2. United States (31.5%)
3. Australia (16.1%)
4. Taiwan (5%)
5. Korea (5%)
6. Japan (4%)
7. Fiji (1%)

The major import partners were:

1. New Zealand (24%)
2. Singapore (23%)
3. China (13%)
4. United States (11%)
5. Fiji (8%)
6. Australia (7%)
7. Japan (5%)

Tonga Statistics Department
Trade and Investment Scene - cont

- Foreign Direct Investment - Foreign Investment Act - revised regulation on reserved and restricted list for a more open investment
  - Reserved - 13 to 8
  - Restricted - 4 to 3
  - Registration fee - $100 to $500
- 42 total number of countries investing in Tonga $3,582m
- Despite having a strategy in place, implementation workplan not yet developed
- New regulation not yet implemented
- Online registration to be incorporated to business registry website
- Possibility of establishing an entity for investment
Top Four Countries Investing in Tonga

<table>
<thead>
<tr>
<th>Country</th>
<th>No of Investor</th>
<th>Estimated Total Amount (Mil)</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>200</td>
<td>2255</td>
</tr>
<tr>
<td>New Zealand</td>
<td>110 143</td>
<td></td>
</tr>
<tr>
<td>Australia</td>
<td>104 270</td>
<td></td>
</tr>
<tr>
<td>United States</td>
<td>98 64</td>
<td></td>
</tr>
</tbody>
</table>
Investment by Activities FY21/22 & FY22/23

ACTIVITIES

- Import
- Retail Non-Food Products
- Services
- Tourism
- Export
- Manufacturing & Processing
- Other
- Construction
- Fisheries
- Professional Services

NUMBER OF REGISTRATION

- FY21/22
- FY22/23
Investment Priority Areas

• Tourism
• Fisheries
• Agri-processing
Questions & Thank you

For further information please contact
Ministry of Trade and Economic Development
Lorraine Kauhenga
lorrainek@mted.gov.to or trade@mted.gov.to