



Port Vila...signs of a fresh burst of development in the capital. But Vanuatu could do much better if worsening poverty is to be turned into growing prosperity for all.

VANUATU

What 25 years of independence has brought

Cover report by Samisoni Pareti



IN OCEANIA, THE ONLY COUNTRY THAT HAS REALLY had to fight for independence is Vanuatu, formerly the Anglo-French condominium of the New Hebrides. Until independence came for it, somewhat painfully in 1980, the condominium was known also as the pandemonium. That was because of squabbles between the rival British and French administrations over not infrequently trivial and even ridiculous administrative matters. By 1980, the British wanted to get out as part of their general evacuation of unwanted Pacific possessions they regarded as liabilities. France

wanted to stay. It tried to frustrate the independence movement, led by Anglophone (British-educated) ni-Vanuatu. It tried to sabotage the move to independence to the extent of covertly backing attempts by French planters, supported by some Francophone (French educated) ni-Vanuatu on the country's largest island, Espirtu Santo, to secede.

The rebellion was broken by the new government led by Father Walter Lini, an Anglican priest, with the help of troops from Britain and Papua New Guinea. Twenty-five years later, what has since happened to this Y-shaped Melanesian archipelago of about 80 islands and 220,000 people?

Apart from signs of a fresh burst of development in the capital,



Cover Report

The important financial services industry...settling down after being forced by the Europeans, Americans and Australians to accept legislation that it is not the free and easy haven for international businessmen.

Port Vila, and the beginnings of growth at the second town, Luganville, on Espiritu Santo, not a great deal, compared with say Fiji or Papua New Guinea, or New Caledonia.

The country's economy remains locked to the production of coconuts, small amounts of cocoa and coffee, small amounts of export beef, kava as a comparatively new export, copra, tourism, and its financial services centre in Port Vila, which doesn't like to be called a tax haven.

Eighty percent of the population is still part of the rural subsistence economy, which is fortunate since economic growth in recent years has been almost nil, during 2001-2002 negative, but in the last two years has improved. The forecast for 2004 was 3.2 percent.

The trouble is, as with most Pacific Islands countries, that economic growth is outstripped by population growth of more than three percent. Port Vila is beginning to feel the pressure of migration to it from rural areas. Unemployment in the town is

causing stress that wasn't there before.

Nevertheless, Vanuatu is one of the safest countries in the Pacific Islands. Crime is still very low. The ni-Vanuatu are pleasant people. But what is holding the country back is the perpetual squabbles of its politicians.

Vanuatu has a fabulous agricultural potential. It has fewer plant and animal diseases than almost anywhere else in the world. Beef and other forms of agriculture have enormous promise. Tourism is building up nicely, with a burst of new investment after a period of sluggish growth.

The important financial services industry is

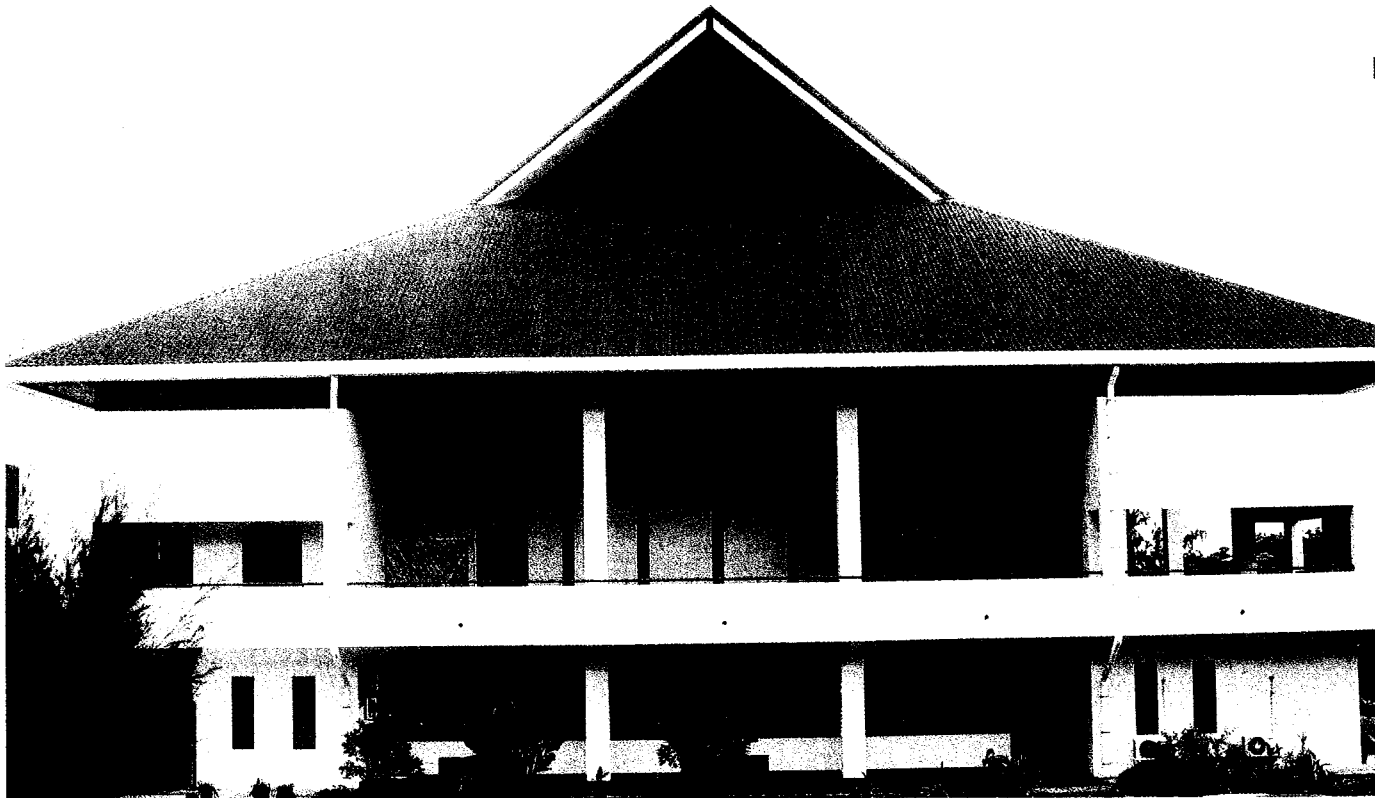
settling down after, like other Pacific tax havens, being forced by the Europeans, Americans and Australians to accept legislation that means that it is not the free and easy haven for international businessmen that it was.

Vanuatu could do much better than it is doing. It has to if worsening poverty is to be turned into growing prosperity for all. ☐

Annual Domestic Data

	2000	2001	2002	2003	2004
Real GDP Growth	2.7	-2.7	-4.9	2.4	3.2
Annual inflation rate	2.5	2.3	2.3	2.9	0.8
Production					
Copra(t)	27,294	20,234	25,605	28,925	34,446
Cocoa(t)	1,557	797	867	1,418	803
Beef(t)	3,753	3,028	2,531	3,099	*
Coconut oil	8,733	8,733	9,856	7,725	17,111
Kava	555	935	601	491	825
Air arrivals(no.)	57,591	53,300	49,462	50,400	60,611
Cruise arrivals (no.)	47,648	52,778	48,866	51,995	37,870
Hotel Occ. Rate	52.0%	49.8%	44.2%	46.5%	
Energy Consumption	42,281	41,874	41,341	43,530	


Source: Reserve Bank of Vanuatu



Vanuatu parliament... Since independence in June 1980, Vanuatu has been ruled by at least 10 different governments.

A LINI STILL IN LEADERSHIP

Confidence motion puts country back

 TWENTY-FIVE YEARS AFTER THE late Father Walter Lini took his country out of colonial rule into a fully-fledged independent nation, the Lini family is still at the helm of national leadership.

Ham Lini, the younger brother of the founding prime minister, leads a 11-party coalition government. He took office on December 11, 2004, the sixth prime minister after his late

brother. The younger Lini took over the mantle when as deputy PM, he and other members of the country's council of ministers joined the opposition to vote out his predecessor, Serge Vohor, for unilaterally opting to switch alliance from China to Taiwan.

Now opposition leader, Vohor has actually been prime minister of Vanuatu three times since independence.

He first took the high office on December

21, 1995, after he led a dissension against Maxime Carlot Korman, who as the Union of Moderate Parties' leader was prime minister at that time. Korman himself has been PM twice, an honour he shared with one time Vanua'aku Pati leader, now retired from active politics, Donald Kalpokas.

When parliament opened for its 2005 session in May, it was obvious it was not going to be just another session.

Government members including ministers were told not to miss a sitting as rumours began circulating that Vohor was planning another confidence motion.

This magazine became a casualty of this 100 percent attendance directive. Whilst Lini, his deputy Sato Kilman and Finance Minister Moana Carcasses all agreed to be interviewed for this silver jubilee special, all couldn't find time out of parliament.



Iririki island Resorts & Spa Vanuatu

www.iririki.com



Be part of Vanuatu's newest and most exciting Development
Contact: Rick Burns on info@iririki.net

Even Vohor himself cancelled twice the interview he promised. Victim too was the Fiji Government in its attempts to get Vanuatu to lift the trade ban on Fiji's Punjas biscuits.

Suva was hoping Vanuatu's Trade Minister James Bule would be in Nadi in May for the annual Pacific Islands Forum Trade Ministers meeting. Because of the confidence motion threat, Bule opted out of the Fiji meeting. He instead sent one of his junior officers to the chagrin of Fiji's trade officials.

When ISLANDS BUSINESS was in Port Vila, Vohor was on one occasion banking on securing 36 votes out of the 52 members of parliament. But all that support fizzled out by crunch time.

After filing his no-confidence motion, Vohor had to withdraw it on June 14, citing "insufficient support". Interestingly, when Prime Minister Lini demanded a written support from his coalition members, at least two parties, Vanua'aku Pati and the Green confederations, did not submit theirs until an hour or two before the debate on the motion was to start.

Vanuatu Daily Post newspaper also reported that two un-named ministers questioned the decision of Kilman, Lini's deputy, to leave for an overseas trip whilst the "government was under threat."

Since independence on June 30, 1980, Vanuatu has been ruled by at least 10 different governments, of which seven or eight



In agreement... President Kalkot Mataskelele, Sela Molisa and Barak Sope all agree that political instability is costing the nation a lot of money.

came into power through confidence motions. Thankfully, leaders of Vanuatu agree on the way forward.

In an interview with this magazine, Vanuatu's new President Kalkot Mataskelele said experiences over the last 25 years have shown

coalition governments has also been a period of our economic downturn and instability."

Long-time finance minister and now a

Cover Report

government backbencher Sela Molisa agrees, saying the way forward would be for politicians to see the bigger picture and understand the negative ramifications of confidence motions.

Barak Sope, currently Minister for Agriculture, actually counted the number of times Vohor had moved confidence motions against the government of the day.

It has been five times since independence, Sope told parliament on June 14.

"These confidence motions have caused a lot of political instability and cost the government a lot of money," the newspaper quoted Sope as saying.

"It seems some leaders are not serious about the welfare of the country because they do not understand the vision of independence." □



The Lini leaders... current PM Ham Lini and founding PM, the late Walter Lini.

a clear link between government's instability and economic downturn.

"Between 1980 to 1991, it was a very stable

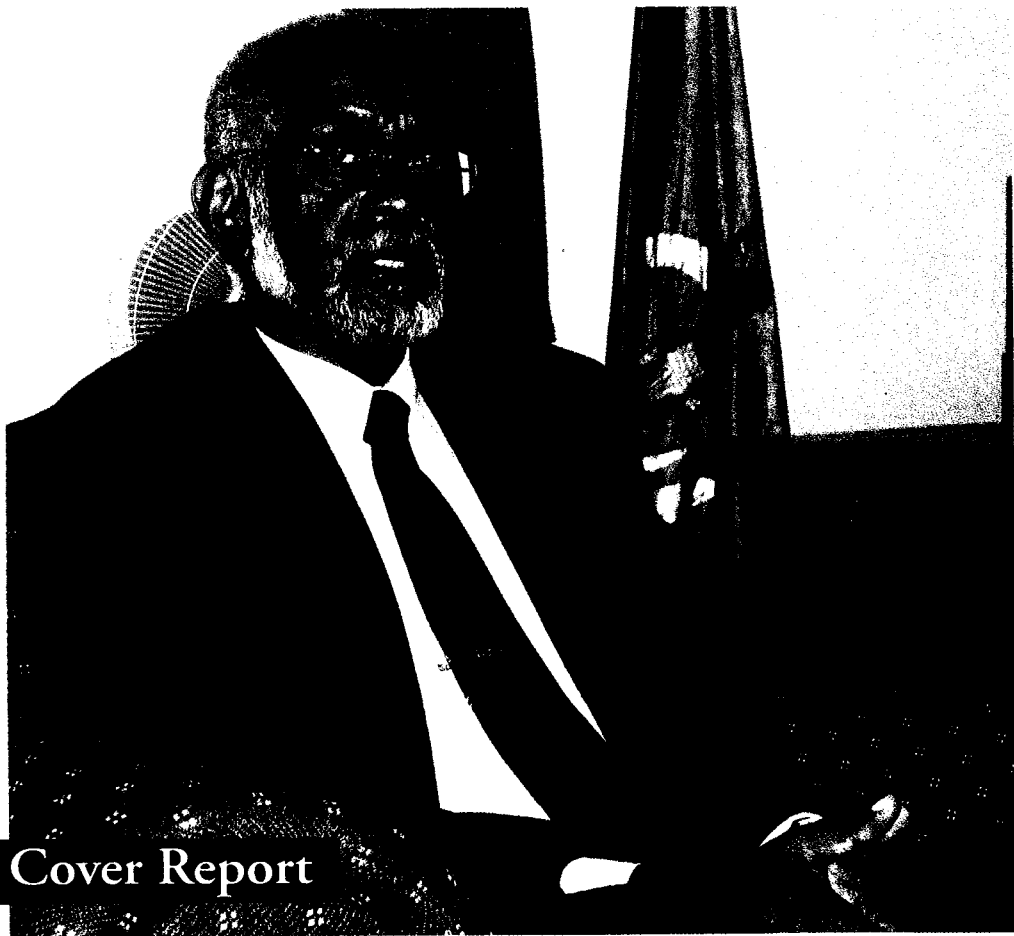
VANUATU ABATTOIRS LIMITED

Exporters of

BEST BEEF IN THE WORLD



Phone (678) 22961 • Fax (678) 26184 • valpac@vanuatu.com.vu



Cover Report

President Kalkot Matskelekele...time for politicians to stop bickering and unite for the common good of the country.

STOP BICKERING AND UNITE: PRESIDENT

'It's time to come together'



ATHEISTS WILL HAVE DIFFICULTY relating to Kalkot Matskelekele, the first citizen of Vanuatu.

Not only is his conversation interlaced with references to God and things spiritual, the 56-year old University of Papua New Guinea trained lawyer believes the "good spirit" had a hand in his appointment as the country's sixth President.

That is if you count his predecessor Alfred Maseng Nano's short-lived term of 25 days. It was revoked after it was discovered that a previous criminal record disqualified him from the high office.

"How do I say this to a journalist?," President Matskelekele thought as he settles into a comfortable dark green couch inside his

modest office in Port Vila.

He had a dark suit on and with his nicely trimmed white beard, he looks the part, that of a statesman of one of the Pacific's independent islands nations.

Twelve months before the country's presidential college, which comprises members of parliament and presidents of the country's six provinces, voted him in, he got a vision of what's in store for him. He was at the time running his own law firm, but seriously pondering a career change: a stint at Bible College.

"In my law practice, I was helping a lot of people, mainly ni-Vanuatu in their legal problems and towards the end of 2003, I decided that because of the various experiences I should go to Bible College."

What sort of experiences? "I was successful as a lawyer, as a lawyer working may be, not financially because many of my clients were ni-Vanuatu who were not able to pay me, and I felt that after practising law for 20 years, I've done my part in helping people.

Dream: "I believe there are now a lot more graduates because of the USP School of Law is here, so Vanuatu has a lot of lawyers and also because I felt that may be I could contribute as a lawyer to the church.

"Even during my law studies, I was interested in Bible history and I thought I had something to contribute, that is why I decided to make the change."

But as fate would have it, or as the "good spirit" would like it, Mataskel-kele never got to Bible College. He ended up at the office of the President of Vanuatu instead. The vision he saw in September 2003 was so real that the former Vanuatu Supreme Court judge put in an application of interest for the high office.

"In the dream I saw myself traditionally dressed and going inside parliament. It was a strange thing that I saw. I was in fact standing on top of parliament ground, but didn't realise it because there was no parliament on top of the land.

"Then I saw a big opening in the ground and as I looked down, I saw parliament underneath. Wearing the Vanuatu customary white mat from chest to ankle, I sort of floated down into parliament. I saw leaders speaking and didn't want to disturb them, so I went and sat behind the parliamentarians."

President Matskelekele said he forgot about his "dream". It was only after a friend told him in early 2004 that the term of the fourth president (John Banu) was finishing that he recalled the strange dream.

"Suddenly it dawn on me that may be this thing that I saw, this dream, had to do with this. I never had any intention of coming to this office. But because of the dream I applied."

Actually, the president is modest. An Internet-based encyclopaedia noted he is the first university graduate to be President of Vanuatu.

He was also among those who wrote the Vanuatu constitution. He was Supreme Court judge between 1996 and 1998. He has also served as a member of parliament from 1988 to 1991, and became the first political adviser at the Ministry of Justice, Culture and Women Affairs in 1996 to 1998. He also served as a legal officer in the Attorney General Chambers



Accommodation: The centrally located hotel is close to all major activities and corporate offices. Select from well appointed Hibiscus Rooms with kitchens, self contained 1 & 2-bedroom Bougainvillea Apartments and fully air-conditioned Orchid Rooms which overlook the Oasis Pool & Gardens. Presidential Suite available.

Room Features: Cable TV & In-House Movies, Direct Dial Phones, refrigerators, mini-bars, in-room safes, irons & ironing boards, hair dryer, tea & coffee making facilities and furnished balconies.

Hotel Services & Facilities: Porterage, 24-hour room service & reception, tour desk, daily maid service, baby sitting, lobby gift shop, conference room & facilities, bureau de change, laundry & valet services.

Restaurants & Bars:

- Gino's - 24-hour pizzeria with Italian and Mediterranean cuisine. (Take-away service available).
- Sunset Bar - Daily Happy Hour 5pm to 7pm.
- Oasis Bar & Grill - Poolside snacks & meals, open daily 11 am to 9pm, regular cultural entertainment.
- Club 21: Gaming Lounge and Bar.

Recreation: Day/Night tennis courts, Club 21 Gaming Lounge, Swimming Pool with kids pool. Cultural performances at poolside.



and opened his own law firm in 1990.

Deeply religious, the president is a practising Presbyterian, like many in Vanuatu. His wife though is Anglican and the dual faiths required some compromises on their wedding day in 1976.

"We got married in an Anglican Church by an Anglican minister and a Presbyterian minister, and we have seven children," he said.

Of the seven, three are still at school; a son at the Fiji Institute of Technology in Suva, a daughter and another son at the University of the South Pacific's Port Vila campus.

Unlike other heads of state whose speeches to open parliament are written by the government of the day, Vanuatu's constitution stipulates that the President writes his own.

Which is why at his first address at the legislature last May, his excellency's remarks were entwined with spiritual reflections.

"I believe one of the things I must say in my five-year term is to impress the need for spiritual values, for Vanuatu to uphold spiritual values especially since our leaders put our motto 'In God we Stand.'

"If a nation makes something like that as its motto, then it must follow it."

This is not to say that economic development and progress are unimportant. Vanuatu's first citizen is acutely aware of efforts by foreign donors like the Asian Development Bank and the World Bank to strengthen the country's business and public sectors.

"Between 1980 and from our independence to 1987, we enjoyed an economic boom to such an extent that our reserves was one billion Vatu.

"That was the position up to 1991. In 1991, the independence movement started arguing with itself and half of it joined other parties and they toppled Father Lini; and from 1991 to the present, we've seen various coalition governments and for the same period, the reserves were depleted.

"It was depleted to zero and below zero. And this is where the position is now, although in the last two years, we have been recovering

slowly. So our period of coalition governments has also been a period of our economic downturn and instability."

President Mataskelekele believes the key to Vanuatu's progress is political or more specifically government stability. More progress, he thinks, would be made if only politicians avoid bickering and unite for the common good.

Room for improvement: During the hour-long interview, Vanuatu's president also spoke about the country's 25 years of independence and the way forward for his island nation. Here are extracts:

Could you single out one or two things as achievements for Vanuatu on its 25th independence anniversary?

"I think one of the greatest ones is the unity of the people mainly because before independence we had two of everything — legal system, hospitals, education systems. Some of that still remain and one of the legacies of that time is we still have two languages.

"There's a lot of room for improvement and that is one of the things I brought up in my speech in parliament in that each stream, what we call the Anglophone stream and Francophone stream, should be encouraged to learn the other. Not only that, I think it's almost time for Vanuatu to start thinking of bringing in a local language as the mother language."

Bislama is not doing that?

"Bislama is all right, but I think it will be good if Vanuatu can also encourage a third language and that's why I mentioned the word tri-lingual in parliament."

In your recent speech in parliament you spoke of support for West Papua and you raised the issue also in your recent meeting with the Indonesian President, was it noted by Indonesia?

"It was a fruitful discussion. It was noted. I think again because I didn't raise it as a political issue. Interestingly enough I didn't know how to raise the issue. I raised it as a religious issue because I mentioned to the President that in my prayers I do pray also for the people of West Papua as I pray for the people of New

Caledonia, French Polynesia and the people of Palestine."

What do you see are the challenges for the next 25 years?

"I think the challenge for the next 25 years will be to move on from that and really make it work in those three main areas of economic, social and political.

"I think to involve people, to seek new ways of trying to make those things become a reality. Not to look for big things. I mean if people can cooperate together and put their land together to make a common agricultural project, that's good."

One of the big positives for Vanuatu is that it's still a safe place to live or visit. Crime is not as big here compared to your neighbouring Melanesian nations?

"Yes, we are very fortunate because of our chiefly system. We are fortunate that this system has been kept alive by our chiefs and our people. They saw that all communities have their chiefs but they also saw that a lot of the communities are living in towns, therefore the towns also must have their chiefs. So they made it a point of electing town councils of chiefs.

"So we have a town council of chiefs in Luganville and one in Port Vila. And I think one of our advantages also is that, although there are many tribes, 100 languages, 100 tribes, we are a manageable size."

What is your message for the 25th independence anniversary?

"A preview of the message I have was in the speech I gave in parliament, that the 25-year jubilee is a good time to reflect on our achievements and to look at our weaknesses and on that basis progress onto the next 25 years."

And unity?

"In the political field, for example, I have actually spoken to some political leaders to encourage them to unite in their parties. I know the Vanua'aku Pati is divided. I've spoken quietly to one or two of their leaders and told them that they should come together, it's time to come together." □

"If paradise exists, then this must be the front door."

WHITE GRASS OCEAN RESORT is an ideal starting point from which to explore Tanna. Situated only minutes from the airport, with 12 Melanesian style Bures overlooking the Pacific ocean. Set amongst 6 acres of beautifully landscaped gardens, the resort has many activities on site and offers Virgin Reef snorkeling, Sea Kayak safaris, Mountain bikes and many 4wd safari tours including Mt Yasur Volcano, Custom Villages and Underwater caves. The restaurant serves the freshest lobster and seafood and is designed to take full advantage of the amazing ocean views and sunsets.

Exciting Update!

White Grass Ocean Resort is now a member of PACIFIC BEDBANK.

Receive instant availability **NOW!**

Phone: (678) 68688 • Email: whitegrassanna@vanuatu.com.vu



White Grass Ocean Resort
Tanna • Vanuatu
PO Box 5, Lenakel, Tanna, Vanuatu.



A world of local expertise



Because we have been in the Asia Pacific region for over a century, we now have a network of offices across the region and a wealth of local knowledge and expertise. At the same time, QBE is active in more than 38 markets so QBE Asia Pacific is backed by the strength and security of a truly world wide organisation. Yet we pride ourselves on challenging expectations with fresh ideas. It means we can provide specialist insurance solutions – innovatively tailored to suit your needs. To find out more, contact your insurance adviser or visit our website at www.qbe-pacificislands.com



QBE

ASIA PACIFIC
SPECIALIST INSURANCE SOLUTIONS

PACIFIC ISLANDS

FIJI • FRENCH POLYNESIA • NEW CALEDONIA • PAPUA NEW GUINEA • SOLOMON ISLANDS • VANUATU

CUSTOMISED INSURANCE SOLUTIONS • PACKAGED COMMERCIAL INSURANCE • TRAVEL • PROFESSIONAL INDEMNITY • WORKERS' COMPENSATION • DIRECTORS & OFFICERS' LIABILITY • CARGO • COMMERCIAL & RECREATIONAL HULL • MOTOR • ACCIDENT & HEALTH • DOMESTIC PROPERTY • COMMERCIAL PROPERTY • CONTRACT WORKS & ENGINEERING • BUSINESS LIABILITY • (Not all products available in all markets)

NARROW TRADE GAP AND PROMOTE NEW INDUSTRIES

Domestic savings
too small to finance
investment needs: RBV



Unloading kava...it's a comparatively new export.



A STABILISING FORCE IN THE affairs of Vanuatu is its central bank. This is what central banks are for. Its function is to keep the

financial management of the country on the straight and level. This entails stoutly resisting political pressure from the government of the day to allow the pursuit of policies that will

break a country financially

Yes, we have felt such pressure and have resisted it, says Peter Tari, deputy governor of the Reserve Bank of Vanuatu (RBV).



Vanuatu's leading resort for families and couples

Le Lagon Resort is situated on 75 acres of tropical gardens alongside the turquoise waters of Erakor lagoon, with views of the magnificent Pacific Ocean.



PO Box 86, Port Vila, Vanuatu • Ph: (+678) 22313 • Fax: (+678) 22665 • Email: sales@lelagonvanuatu.com.vu • Website: www.lelagonvanuatu.vu

The RBV was established in independence year, 1980, after protracted negotiations with the exiting colonial masters and the people who became the first government.

Before then, Vanuatu's currency was a mixture of this and that plus such traditional forms of exchange as shells, stones, feathers, mats and pigs. Pigs remain a core ingredient of customary exchanges. "Actually," remarks a history of the RBV, "the pig was the standard by which all other forms of money were valued." Everything was "loose change."

Pigs aren't part of the RBV portfolio. Its first concern is about hard cash facts and the preservation of the value of the national currency, the vatu, and Vanuatu's financial reputation.

If you want an up-to-date of how Vanuatu is doing, then sign up for the RBV's quarterly reports. They can be delivered by mail for easy read or downloaded on your computer.

In the past, the bank has worried about the level of government borrowings, a matter ultimately dependent on accommodation by the RBV.

In the last 12 months, given the improvement of the government position, the pressure from that source has eased.

One of RBV's concerns is propping up foreign reserves—quite comfortable in 2004 from a low of 4.4 months cover to 5.4 months cover in December 2004.

Since the beginning of 2004, Vanuatu's economy has begun to strengthen, mainly thanks to better prices for key agricultural products, although a cyclone in February 2004 hit copra and cocoa output.

For any country in the tropical cyclone belt, that is the way it is from time to time—sometimes annually and sometimes with a few years' grace.

The RBV report for the last quarter of 2004 is bullish about copra and tourism, and optimistic about the recovery of cocoa.

Exports of organic beef to Australia and Japan are a bright spot except, it remarks, for a shortage of cattle in the national herd.

Inflation is low, under two percent. The last couple of years have incurred a need to respond and to a point resist international pressure for curbs on the operations of the Pacific's offshore financial centre, of which Vanuatu's is the oldest and best known.

The Port Vila financial community employs around 400 locals and directly and indirectly brings tens of millions of vatu into the economy.

It became a target for the Financial Action Task Force in Europe and the Asia-Pacific Money Laundering office in Australia. All the usual allegations were made—organised crime conduits, money laundering, tax evasion and terrorism accounts.

"We have had a lot of discussions with the industry, sometimes difficult ones," Tari says. "We've had to comply with the current rules of international business."

Vanuatu has bowed to the inevitable; threats from big powers that are applying double standards for the protection of their own national standards. Vanuatu is a small country.

It has been given a clean bill of health. The financial service centre will continue to be a vital part of the national economy.

"The country should strive to certain growth rate targets set above the rising population growth rate of 2.7%," the RBV says in its latest report.

"We need to narrow the huge trade gap in the trade balance. We should be more aggressive in promoting new industries.

"We should be more aggressive in promoting new export markets for organic beef, root crops and others where Vanuatu has a competitive advantage."

"Finally, we should make all efforts to attract foreign direct investment and close the gap between savings and investment in Vanuatu. The domestic savings in Vanuatu are too small to finance all the investment needs of the country." [B]

Cover Report

INVESTMENT OPPORTUNITIES IN PARADISE

The Vanuatu Islands are well known for their very peaceful and rich cultural environment. The Islands have some of the most beautiful landscapes and unique tourist attractions in the South Pacific.

Investment in these Islands is welcome and there are numerous opportunities, especially in tourism, agriculture and fisheries.

INVESTMENT INCENTIVES.

Vanuatu is a tax haven country. There are no income taxes on company income or employees income, no capital gains taxes, freedom to repatriate capital. With this and other incentives offered by the country to foreign investors, excellent international air and shipping links to Australia, New Zealand and the world, excellent telecommunications services, a growing tourist industry and strong recognition of the importance of foreign and local investment in the country by all political parties and the Government, this is an opportune time to invest in Vanuatu.

For local investors, we encourage expansion and diversification of commercial activities, locally and internationally.

For more information please contact Joe W. Ligo, Chief Executive Officer,
Vanuatu Investment Promotion Authority
PMB 9011, Level 1, Pilioko House, Port Vila.
Telephone +678 24 096 or 24 441. Fax + 678 25 216
Email ceovipa@vanuatu.com.vu www.investinvanuatu.com





Iririki...issuing strata lease titles for apartments and villas.

SLICES OF IRIRIKI ON SALE

Australian owner sinks A\$20m in development



THERE IS NO FREEHOLD LAND IN Vanuatu. But that has not prevented the owners of one of the country's premier resorts from selling strata titles.

Cover Report

Owners of Iririki Island Resorts & Spa have issued strata lease titles for apartments and villas they had developed on the west end of the island.

The resort sits on a six-hectare site on the east end, facing the commercial business district of Port Vila.

With little marketing, up to ten lots have already been snapped up by property buyers.

"Majority are from Australia as we've only just entered the marketing phase of the development," explains Rick Burns, Iririki's project development manager.

"Most of it has been by word of mouth—from young couples through to retirees, looking for both investment properties and also the ability to relocate because Vanuatu does have a unique community and lifestyle, being a peaceful laid-back environ-

ment for people who wish to either retire or reside."

Prices for Iririki apartments range from A\$28,000 to A\$47,600 (US\$21,651—\$36,806) with owners given the option to lease these back to Iririki Resort. Under a formula worked out by Burns and his team, the resort will offer a guaranteed return from the lease each year, as well as bonuses when the return amount is exceeded.



Andrew Spinks...Vanuatu people special.

Owners can choose from some 44 titles from the five categories of the anchorage, the beach, sunset bay, snorkellers' cove and consular row. With the exception of the consular row, all the other categories are by the sea. Consular row is so named as it sits near what used to be the site of the British High Commissioner's official residence in the pre-independence days of Vanuatu.

Perched some 30 metres above Port Vila harbour, consular row commands a 360

degrees view and this will be available to only 12 villa sites, each with a land size of about 1860 square metres. Plots for the other categories down near the waterfront range from 845 square metres to 1500 square metres.

Prices are between AU\$36,000 to \$800,000 (US\$27,839—\$618,665). The development also has provisions for a conference centre and a six-star resort.

"Given that there are 70 units at Iririki already on less than 20% of the land, you begin to realise that this development is low density and allows total seclusion," explains a resort pamphlet on the land sale.

Burns says the resort is sinking A\$20 million (US\$15.4m) into land development on the island. Part of the investment goes to provision of utilities, including state-of-the-art IT technology.

"With our IT and telecommunications, it is certainly state-of-the-art and there are some services we are offering that aren't even available in Australia, it's fibre-optic to the homes and there's very few places that have that.

"But then again, it's making sure the infrastructure of Vanuatu can supply the bandwidth for internet and things like that, which is still in its early stages."

Iririki Resort owner Andrew Spinks says such an investment is a vote of confidence for the Vanuatu economy. But he does admit that a development of such magnitudes does place considerable strain on local skills and manpower.

"The lack of skilled tradespeople is an issue that we hope we can rectify," says Spinks.

"Part of our programme while we are here is actually to provide training with our experienced tradespeople coming out of Australia and training ni-Vanuatu people to make them more experienced."

Logistics and timely delivery of supplies are also issues developers have to contend with.

Explains Ricks: "From a logistics point of view, if a supplier misses the cut-off date by one day, it can delay your project by up to six to eight weeks, and from that aspect, there's a lot of planning. Certainly the frequency of



TURNING THE TIDE AGAINST FREE TRADE

Protectionism leads to ban on Fiji biscuits



CONTROVERSIAL DECISIONS AND being different from its Pacific islands neighbours is nothing new to Vanuatu. Indeed, the template was Father Walter Lini's, the country's founding prime minister.

Being the new kid on the block when his country gained independence from Britain and France in June 1980, Lini quickly struck up a reputation for someone who speaks up when needed, who's not afraid to be different.

It was during his time that his country joined the non-aligned movement, and it was him who vocally and some even suspected financially supported the independence movements of New Caledonia and West Papua.

So when Trade Minister, former school teacher, James Bule whipped up a storm for slapping a trade ban against Fiji's Punjas biscuits, Vanuatu was back on familiar grounds. But that is where the similarity ends.

In deciding to ban Fiji-made biscuits, Bule has not only angered one of the Pacific's multi-national companies, his action has even bewildered his own people. For one thing, the biscuit company he is trying to protect is not even ni-Vanuatu owned.

A Chinese grocery store owner operates it in Santo's only town, Luganville. No one in Luganville seemed to know the factory's address.

When located after almost one-hour of searching and only after it was pointed out by a friendly Chinese store owner, the biscuit factory is unmarked and securely fenced under lock and key.

Parliament in Port Vila has heard other unsavoury allegations against the Luganville-based company. A Santo MP accused the biscuit company of operating under poor hygienic standards and of the eight ni-Vanuatu workers it employs, none is paid the legally ascribed minimum wage rate.

Cover Report

In fact Bule's stubborn defence of the factory raised accusations of bribery, a claim strongly refuted by the biscuit factory owners.

Figures released by trade officials in Port Vila suggest that Vanuatu, not Fiji, will lose out in the event the biscuit ban triggered a retaliatory kava ban from Fiji.

Acting director of trade Ronald Sandy said Vanuatu exports 350 million Vatu (US\$3.1 million) worth of kava to Fiji, whilst it imports 25 million Vatu (US\$224,000) worth of products from Fiji. In addition, his government nets 888 million Vatu (US\$8 million) from aviation related activities with its eastern neighbour.

Furthermore, Luganville biscuits are only sold in that town, with Punjas biscuits and other overseas brands out on retail in Port Vila

supply is one of the issues."

With massive investments like these, coupled with the belief that Vanuatu has already secured its niche in the traditional tourism source markets of Australia and New Zealand, Spinks believes that what now remains for Vanuatu is visible and aggressive marketing.

"Because we have planes in the air, beds on the ground, we now have to provide the marketing plan to let people know about this," says Spinks.

"The next stage is to develop other businesses, other treasures if you like, other tours and operations within the country, develop them further and give people the unique experience that they can only get in Vanuatu."

To him, the country's greatest asset is not the landscape or the infrastructure, but the people.

"The people of Vanuatu are special, you can't find them anywhere else in the world.

"We have the best resource here, all we have to do is promote it.

"We have the best weather, the best terrain, we've got so many things going for us, we just have to promote it properly."

Authorities in Vanuatu seem to agree with Spinks which is why for two consecutive years now, the marketing budget of the Vanuatu Tourism Office has been increased. It is about A\$1 million (US\$773,502) this year.

Linda Kalpoi, long-time general manager of the tourism office, says their best year in terms of tourist numbers was 2004. They had about 60,000 visitors, which was a 20 percent increase over the previous year.

For 2005, Kalpoi is projecting a modest five percent growth. Indications are that they are going to achieve if not surpass it, especially now that through AusAID funding, the tourism office has secured a marketing manager from Australia, who has come up with a marketing plan for Vanuatu tourism.



The Santo biscuit factory...in Luganville, operated by a Chinese grocery store owner.

and other urban centres of Vanuatu.

Pick up a Luganville biscuit packet and you cannot help but notice the similarity in packaging with the more popular Punjas biscuits.

It is this and the general reasoning behind the ban that has prompted the Fiji-based manufacturer to instigate legal actions against the Ministry of Trade in Vanuatu. The litigation comes amidst frustrating attempts by the Ministry of Foreign Affairs officials in Fiji to use diplomatic channels to resolve the trade impasse. It worked initially. Two weeks after slapping the ban in November last year, Bule was forced to lift it because of fears of retaliatory action by Fiji. Not for long though, as the ban came down again in April this year.

According to local media reports, Bule seemed to believe that Fiji couldn't afford to ban Vanuatu kava imports. Even concessions offered by the Fijian authorities could not appease the Pentecost Island politician.

Chief executive at Fiji's foreign ministry Isikeli Mataitoga said Fiji was even willing to consider an additional injury tariff to be imposed by Vanuatu on top of the 25% duty already absorbed by Punjas biscuits there.

In offering the extra duty, Fiji had proposed that while the matter was being explored by both countries, Vanuatu would in the meantime lift the ban. An agreement was reached to this effect when Mataitoga met his counterparts in

Port Vila early May.

Vanuatu however reneged on this deal, prompting Mataitoga and his ministry to seriously explore other options, trade retaliation included.

His minister Kaliopate Tavola told the Fijian parliament in early June that he might even call Prime Minister Laisenia Qarase to raise the matter with his Vanuatu counterpart Ham Lini. This is the first time a major trade dispute has erupted since the Melanesian countries of Papua New Guinea, Solomons, Vanuatu and Fiji signed the Melanesian Spearhead Group (MSG) trade agreement in 1994.

Fiji believes it has a strong case against Vanuatu in that Bule and his government had breached the terms of the MSG trade agreement. Pacific trade experts agree the Vanuatu/Fiji clash only goes to show the unlevelled playing field of free trade and globalisation.

Critics against the World Trade Organisation say free trade only benefits the bigger, richer and more developed nations who can afford economies of scales and sophisticated yet expensive technologies.

Even Fiji's Qarase had frequently complained about the unfair advantage bigger nations have against smaller economies of the Pacific. Who knows, may be Bule wants Qarase and Fiji to have a taste of their own medicine.



Prime property...newly-built Casino Hotel in Port Vila.



PACIFIC
SUPPLIERS LTD
Chemical Manufacturers
to Vanuatu

We offer the "products of progress" from six main divisions, supplying the cleaning and sanitation, chemical and equipment needs of virtually the entire business community

- Wipes & Clothes
- Commercial Machinery
- Swimming Pool Supplies
- Laundry & Kitchen Care
- Domestic Cleaning
- Water Softeners

PO Box 541, Port Vila, Vanuatu
Tel: (678) 25082
Fax: (678) 25256

E-mail: pacsupp@vanuatu.com.vu

Islands Business Magazine

Classified advertisement rates
effective from January 1, 2005
(VAT exclusive)

Full page	-	\$1850
Half page	-	\$1200
Third page	-	\$800
Quarter page	-	\$600

Dimensions (*width x depth*) :

Full page	180mm	x	240mm
Half page horizontal	180mm	x	120mm
Half page vertical	89mm	x	240mm
Third page horizontal	180mm	x	80mm
Third page vertical	58mm	x	240mm
Quarter page horizontal	180mm	x	60mm
Quarter page vertical	89mm	x	120mm

If you have any queries, contact:
Losimani Surendra

E-mail: lsurendra@ibi.com.fj OR advert@ibi.com.fj

Ph: (679) 330 3108

Fax: (679) 330 1423



MORE BUSINESSES RESERVED FOR LOCALS?

Plan shelved due to opposition

By Samisoni Pareti



QUARTER OF A CENTURY AFTER independence and Vanuatu leaders are realising that political autonomy and economic clout don't necessarily go hand in hand. Which is why on the eve of the country's silver jubilee celebrations the government of Prime Minister Ham Lini introduced amendments critics dubbed as draconian to Vanuatu's foreign investment act. The proposed changes have since been shelved due to overwhelming opposition especially from the small but vocal expatriate members of the country's private sector.

But given the determination of Trade Minister James Bule and ni-Vanuatu Business Minister Joshua Kalsakau, observers believe the government is bidding for time and will most likely re-introduce the amendment bill

in parliament later.

Bulk of the proposed revisions targeted Vanuatu's thriving tourism industry. Among other things, the amendment bill proposed the widening and strengthening of the country's reserve list, which are businesses left to the exclusive domain of ni-Vanuatu.

Writing in the Vanuatu Daily Post newspaper of which he is the publisher, Marc Neil-Jones said the bill proposes that only indigenous people should:

- Operate all guesthouses and bungalows of any type regardless of the number of rooms they have or annual turnover they make;
- Own and control hotels and motels with an annual turnover of less than 100 million Vatu (US\$896,000);
- Run shops and wholesaler shops including

Cover Report

THE RESERVE BANK OF VANUATU

*Silver Jubilee
of Central Banking
in Vanuatu*

general merchandise trading shops that have an annual turnover of 100 million Vatu;

- Own coastal shipping vessels of less than 300 tonnes;
- Operate private security companies including the supply of security equipment; and
- Possess metal business including export of scrap metal.

The response from the private sector was swift and blunt. Patricia Govotto, president of Vanuatu Hotel and Resort Association, told Radio Australia that raising the turnover ceiling to 100 million Vatu affected 37 out of the 41 association members and would put 1000 jobs on the line. John Arahuri, of the Vanuatu Chamber of Commerce, understands the need to enlarge the participation of ni-Vanuatu in business. But he does agree with Govotto that the turnover ceiling for hotel operators has been set "too high."

Andrew Spinks, owner of Vanuatu's most exclusive resort, Iririki on the harbour of Port Vila, has just embarked on a US\$15.4 million apartment and residential development on the island.

"(The bill) will send every investor out of the country," Spinks told **ISLANDS BUSINESS**. "It's something they have to re-consider. It certainly worries all of us, and if that was the case, we would stop the development. You've got to take the point of view that the country you come into, your investment money increases the value of everyone in the country. If they don't want us here, tell us before we start doing these developments, not later."

But the proposed changes did generate support from some quarters especially among ni-Vanuatu themselves.

Said President Kalkot Mataskelekele: "It operated very well in the beginning so that only ni-Vanuatu can be involved in shipping, taxis and buses, and in other areas.

"Now they are trying to bring in other areas like hotels, small hotel businesses, but I know it won't be popular amongst some sections."

Chief executive of the Vanuatu Investment Promotions Authority Joe Ligo agrees that the suggested changes to the foreign investment act could send out confusing signals on the work the authority is mandated to do. But he concedes the proposed changes are the prerogative of the government, and the move shows that investors especially expatriates should not continue to stay out of government's annual consultation forums.

"Some of the stakeholders have not given enough respect to the forum by not attending it. It's unfortunate for them because most of the decisions and resolutions are made at the forum," said Ligo.


Both Ligo and Arahuri agree that what triggered the massive changes to the act stemmed from concerns about competition from Chinese investors. □



Packaged nuts...not enough to supply local demand.

GOING NUTS OVER NANGAI

Businessman believes it holds great promise

 IT IS OF LITTLE EXAGGERATION that leading Port Vila spice exporter, Charles Long Wah, is going nuts over nangai nuts. Indeed, the businessman believes the nuts, otherwise known as canarium indicum, is the most lucrative crop in Vanuatu.

As it is, Wah says suppliers like him can't even meet local demand and supplies have to be boosted dramatically if they have to satisfy overseas markets as well.

"At the moment, we supply hotels, restaurants, shops and we cannot satisfy them all. The local market outstrips what we can supply," says Wah.

Spending over a quarter of his life on studying the nuts, figures fall off Wah's mouth easily. Fully exploited, the man believes the nuts can employ up to 100,000 people, that's just about half of Vanuatu's population!

Locals currently supply 160 tonnes of nangai nuts each year, which is a mere five percent of all nangai nuts available in the country.

Since nangai trees grow wild in Vanuatu (as well as in the Solomon Islands and Papua New Guinea) and due to poor harvesting techniques, Wah says half-a-million tonnes go to waste

every year. With prices hovering at around A\$5000 a tonne, that's a whopping AUS\$2.5 billion litter!

"The main problem we've got at the moment is with the price of around A\$5000 a tonne, the farmers harvest, they crack the nuts, they load them in the plane, and when they get the money, they don't want to work again because it's one of the highest incomes they ever had. It's very difficult."

Things are about to change though. With the help of AusAID, Wah has been contracted to hold training on harvesting and processing of the nuts in Vanuatu, and very soon the Solomon Islands and most probably Papua New Guinea. By his estimate, more nangai trees grow wild in the other two Melanesian countries: some two million in the Solomons and 10 million in PNG, compared to half a million only in Vanuatu.

AusAID too is assisting in the processing of the nuts and this will enable Wah to move from a home-based processor to a factory-based one.

"AusAID experts were here (recently) to finalise all the equipment, the packaging and marketing.



Built by the Chinese...Vanuatu's new agricultural school.

"Australia is going to buy all our produce in the next few months.

"At the moment everything is home-made, but we are going to a factory soon because AusAID is going to fund every equipment and train people in the island on how to do it."

Like everything else Wah does, developing the nangai nuts market in Vanuatu has been largely a one-man effort, with hardly any contribution from the Vanuatu Government. This is nothing new for Wah, whose self-driven work on kava and nangai nuts won him a gold exporters award in Europe in 2004.

He still remembers his days as a radio announcer in the early 1970s with then Radio Vanuatu, where he used to promote kava cultivation.

"On many occasions during news time, I would tell listeners to go and plant kava because we were not allowed to drink in pubs in those days, only whites were allowed to.

"Go and plant your traditional drink, I would tell them, and it picked up because at that time majority of the kava was destroyed by the missionaries. When missionaries arrived here, they said kava was a devil's drink.

"So kava was destroyed and many islands had no more kava plants. Only a few islands had them, islands like Pentecost, Tanna, and a few areas on Santo.

"I was promoting every woman to plant 500 bush kava, every man, a thousand and the next



Charles Long Wah...nangai's the most lucrative crop in Vanuatu.

year, I kept telling them, keep on planting. And since the last 35 years, we have become the largest exporter of kava in the Pacific."

Wah is now telling ni-Vanuatu to plant 365 nangai trees a year, a tree a day.

"If you have 365 trees, it can contribute \$50 per tree, and that's nearly \$20,000 a year.

"This is not value added. If it's value added, it will be much more. Besides, nangai trees growing in Melanesia are very deep-rooted and if you have a cyclone this year, it destroys the nuts and we won't have any

nuts. But next year it will provide you with two harvests."

Years of experimenting led the Port Vila businessman to extend the shelf life of the nuts sold in bottles to two years.

He's still working on plastic packaging whose shelf life span is currently limited to six months.

He agrees that value-added is the way to go. To illustrate this, Wah says that value-adding which at the moment primarily consists of roasting the nuts and coating them with sugar or honey, or even chocolate, boosts prices from \$5000 a tonne to more than \$17,000 per tonne!

Because of this, Wah believes the central government ought to promote and help develop the local nangai nuts market.

According to him, promoting low value crops like taro and manioc (cassava) will only

OTHER CROPS

Copra

Higher world prices are keeping the local industry buoyant. The current prices are still higher than the 2003 price at US\$344.1 per ton, says the Reserve Bank of Vanuatu in its quarterly economic review of December 2004. World market prices coupled with imports from Kiribati and the Solomon Islands took copra production last year to around 30,000 tons, although the Coconut Oil Product Limited mill in Santo can take up to 50,000 tons.

Beef

Minister for Agriculture Barak Sope is now considering banning the export of live cattle to Indonesia due to its impact on beef export. The Santo abattoir says it's finding it difficult to meet its export targets due to the mass export of live animals by another Santo-based company. The Reserve Bank says over 3000 heads were exported in 2004.

Kava

By the last quarter of 2004, the Reserve Bank noted a 2280 tons increase in kava exports than the previous quarter, mainly bound for Fiji and New Caledonia. The country's leading exporter Charles Long Wah estimates Vanuatu consumes 6000 tons of green kava a year, half of that in

exacerbate poverty in rural Vanuatu.

"A typical example is if you take North Efate where a man plants tapioca (manioc), it will take him six months, and when it's ready, he hires a Hilux (pick-up) to come and take the manioc to the factory.

"The driver says the road is no good, and he can only take a tonne although the Hilux can take one tonne. He will load a tonne, or 500 kilos to the factory.

"It costs him 8000 Vatu to go down to the factory with his load, and cost him 2000 Vatu to go back to the village. And he gets 20 cents per kilo.

"He hasn't made a single profit on it. Automatically he creates poverty.

"The problem is we are so isolated in the Pacific, we should value add the products.

"Many developments in Vanuatu at this moment are not profitable. It just creates poverty and accelerates urban drift."

Meanwhile, Vanuatu took delivery of its new agricultural college built in Luganville on Santo Island by the Chinese Government.

The school block and adjoining accommodation complex were handed over to local government officials last March. The complex cost the Chinese US\$3 million.

The Ministry of Agriculture hopes the college will be able to host students from other Pacific islands too. IB

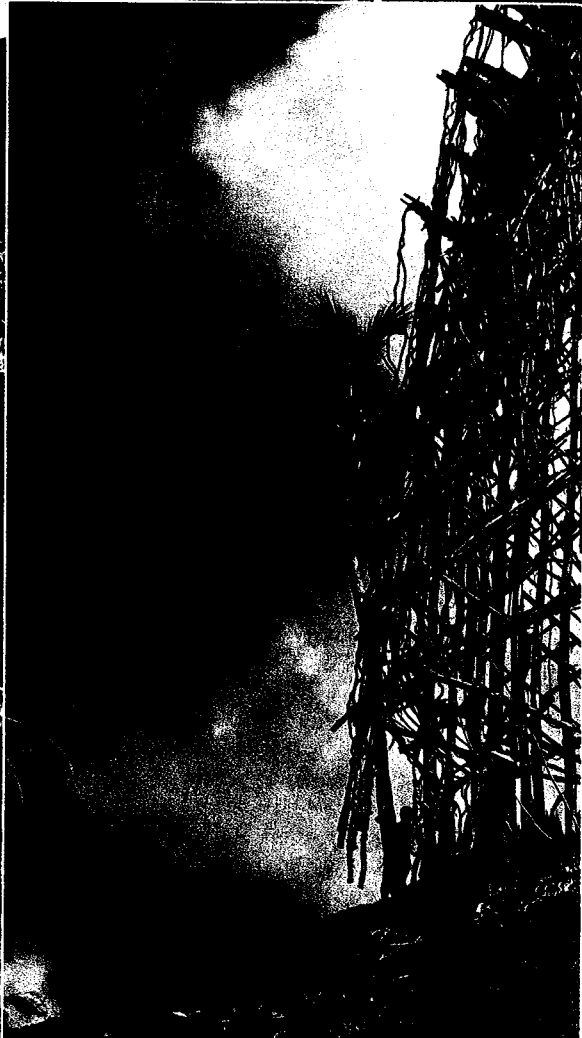
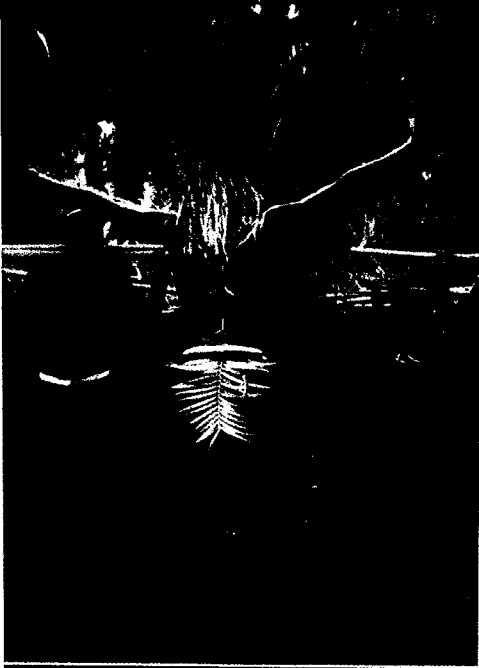
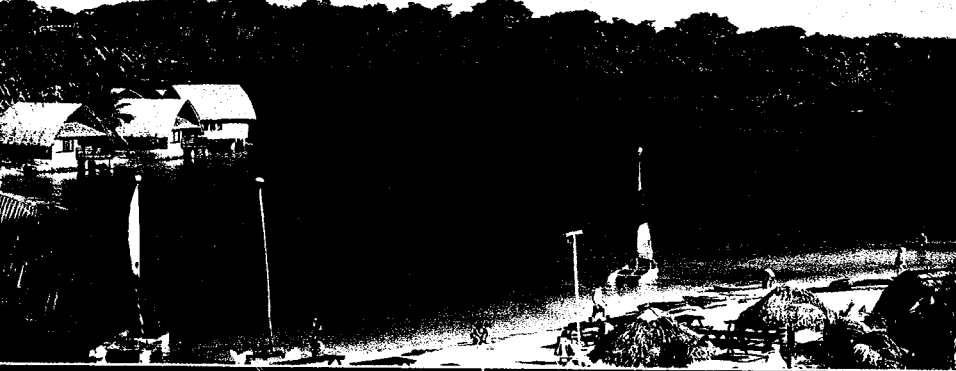
Cover Report

Think South Pacific

think

Vanuatu

ISLANDS
so much to see, so much to do



Air Vanuatu Reservations and Sales Offices:

Air Vanuatu (Operations) Limited,
P.O. Box 148 Port Vila, Vanuatu.
Port Vila (678) 23848/23878.

Noumea (687) 286677

Brisbane (07) 3221 2566

Sydney (02) 9299 9737

Suva (679) 3315 055

Auckland (649) 373 3435

www.airvanuatu.com

Air Vanuatu

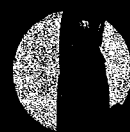
Vanuatu Tourism Office

First Floor, Pilioko House, Lini Highway Port Vila
Ph: (678) 22 685 Fax: (678) 23 889

New Zealand (649) 277 6060
Email: vtonewzealand@tourism.vu

Australia (612) 9558 8011
Email: vtoaustralia@tourism.vu

www.vanuatutourism.com



Vanuatu
ISLANDS
Another time, another pace