

10. The Independent State of Samoa

Population: 170,700 (2000)

Land Area: 2,800 square kilometres

Exclusive Economic Zone: 120,000 square kilometres

Political Status: independent democratic government since 1962

GNP: US\$181 million (1999)

Major Industries: agriculture, tourism, light industry

Merchandise Exports (FOB): US\$14 million (2000)

Major Exports: copra, taro, banana, timber

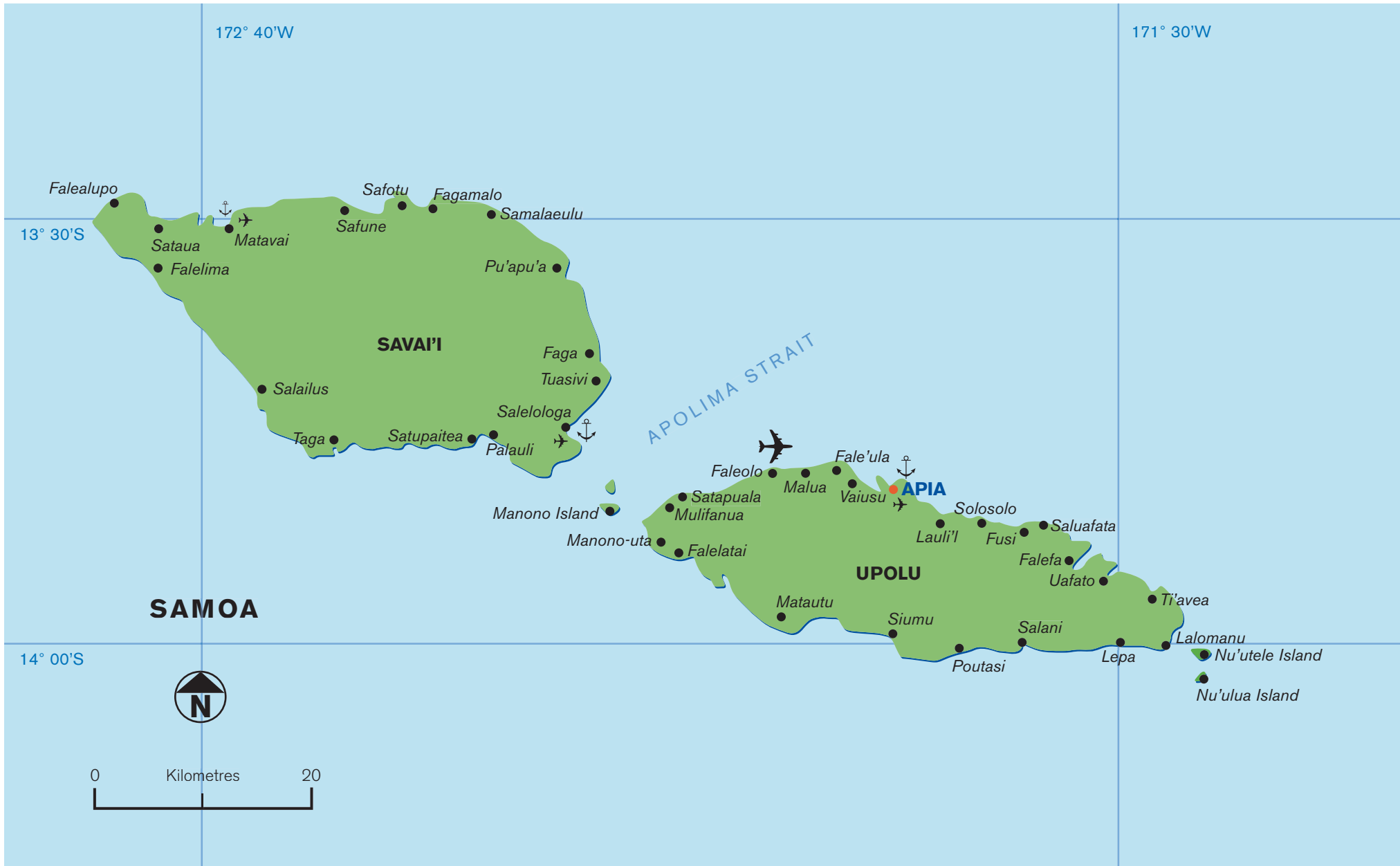
Merchandise Imports (CIF): US\$77 million (2000)

Major Imports: food and live animals; machines, transport and equipment; manufactured goods; and mineral fuels etc.

Currency: Tala

Average Foreign Exchange: US\$1 = T3.2864 (2000)





Location

Samoa (formerly known as Western Samoa) is located in the central South Pacific Ocean, 2,900 kilometres northeast of New Zealand and a little over 4,000 kilometres southwest of Hawaii.

Samoa comprises two main islands, Upolu and Savaii and seven smaller islands. The country is physically similar to the Hawaiian islands. The capital is Apia on the main island of Upolu.

A large number of Samoans live in New Zealand on a permanent basis and Samoa has close cultural and political ties with this country. Most people can speak English, as well as Samoan.

Government

Samoa was the first Pacific Island country to achieve independence. This was accomplished in 1962. It is a unique form of parliamentary democracy, which allows for traditional Samoan cultural practices. The Constitution provides for a Samoan head of state and a single-chamber legislature elected by universal suffrage. All but two positions in the 49-member Parliament must be 'matai', or chiefly titleholders under customary law.

Executive authority is vested in the head of state, a position elected by the legislature every five years. The government is administered by the Cabinet, consisting of the Prime Minister and 12 ministers selected by the Prime Minister. All laws passed by the legislature require the approval of the head of state.

A Council of Deputies is provided for in the 1962 Constitution and must consist of not more than three very senior traditional title holders. A Council member cannot be elected to the Legislative Assembly. The Council's role is to act in place of the head of state if required.

While legal power is vested in the Parliament, traditional authority rests with the head of the extended family, the matai (who is also the chief titleholder). Ownership of the customary land is legally held by the matai, who directs the social, political and economic affairs of the extended family.

Since independence, Samoa has had stable governments and elections every five years. An election was held in March 2001 and the ruling party, the Human Rights Protection Party, was returned to power. At the conclusion of its five-year term the government will have been in power for around 23 years, the longest-serving elected government in the Pacific Islands.

Samoa has an independent judiciary, including a specific court to resolve disputes over land and traditional titles. The effectiveness of this court, which has operated for over a century, helps to explain Samoa's stability.

The formal legal system is based on the British and New Zealand systems and legal recourse is available to both citizens and companies.

Economic Profile and Performance

The economy of Samoa is currently one of the best performing in the whole Pacific region. The government's economic reforms and tight public expenditure have contributed to strong economic growth and low inflation.

The economy expanded by 7% in 2000, largely reflecting the government's reforms and prudent macroeconomic management. Growth is likely to continue in the medium term, but inflationary pressures and any pause in the momentum of reforms present risks to the strong growth impetus.

Construction, commerce, and hotels and restaurants were the largest contributors to the buoyant growth in 2000. Key projects include the renovation of the Faleolo International Airport, a road-sealing project, and the renovation and construction of several buildings in Apia.

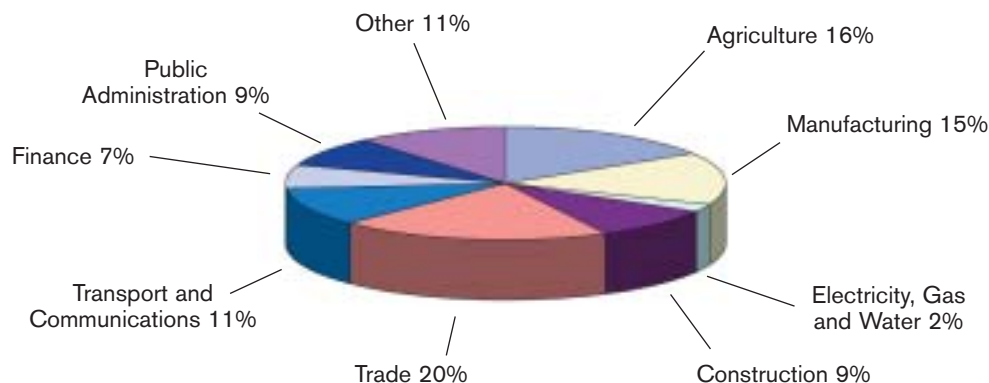
The commerce sector has grown at an average of 9% for the past three years, with the tariff, tax, and financial liberalisation reforms implemented over that period constituting a major contributing factor. The overall level of local food supplies and inflows of remittances increased in 2000. Substantial growth of monetary fishing, as opposed to subsistence fishing, in recent years is a major new development.

Merchandise exports and tourism receipts were slightly lower in 2000 than in the previous year. The main causes of the weakness in the former were fewer coconut products and fresh fish exports, the latter now constituting about 60% of commodity exports. Annual remittances have been increasing steadily in recent years and are the single most important source of income to the economy. Estimates for 2000 suggest some improvement to the current account. The overall balance of payments remained healthy in 2000, partly reflecting strong capital inflows, while foreign reserves were around seven months of import cover.

The budget outcome for the financial year ending 30 June 2000 budget is estimated to be a deficit of 0.7% of GDP, after a budgeted surplus of 3%. This will be the first deficit since fiscal year 1994. Total revenues were lower than budgeted, mainly due to a fall in non-tax revenue, particularly receipts from the corporatisation of Samoa Communications Ltd.

In mid-2000, external government debt fell to around 65% of GDP, maintaining the declining trend of recent years. Debt-service costs in fiscal year 2000 were around 7% of exports of goods and services, or 6.5% of net foreign assets, reflecting the concessionary terms of external loans.

**Figure 10.1: GDP by Industrial Origin (%) Calendar Year 2000
(At Current Market Value)**



Source: Asian Development Bank: *Growth and Change in Asia and the Pacific Key Indicators 2001*.

Table 10.1: Total GNP (US\$ Million) and GNP per Capita (US\$)

	1997	1998	1999
Total GNP (US\$ million)*	199	181	181
GNP per Capita (US\$)	1,140	1,070	1,070

Source: Asian Development Bank: *Growth and Change in Asia and the Pacific Key Indicators 2001*.

*Data are in terms of GDP converted from national currency to US\$ using the average exchange rate for the year.

Table 10.2: Growth Rates of GDP and Major Sectors (%)

	1995	1996	1997	1998	1999	2000*
GDP	6.4	11.6	0.8	2.5	3.1	7.3
Agriculture	15.0	22.8	-6.6	3.4	-3.5	1.5
Industry	0.6	4.6	-2.1	-8.9	4.3	17.0
Services	6.5	10.9	5.8	7.8	5.2	5.4

Source: Asian Development Bank: *Growth and Change in Asia and the Pacific Key Indicators 2001*.

*Provisional/Preliminary/Estimate/Budget figure.

By December 2000, annual inflation amounted to 0.5%. The money supply was 11.4% higher in 2000 than a year earlier, reflecting a booming economy. Monetary policy was unchanged through 1999 and 2000. Substantial government deposits placed in the banking system over the last few years, despite a small reduction in 1999, have provided ample funds for the commercial banks to lend and have been reflected in relatively strong private-sector credit growth since 1996.

Table 10.3: Annual Average Consumer Price Index (1990 = 100)

	1998	1999	2000
Consumer Price Index	136.4	136.8	138.0
Annual Change (%)	2.2	0.3	0.9

Source: Asian Development Bank: *Growth and Change in Asia and the Pacific Key Indicators 2001*.

The recent strong GDP growth performance is expected to continue, but at a slower pace through 2001 and 2002. Expansion in this period will be driven mainly by continuing major infrastructure construction projects. Strong growth is also expected to resume in the fisheries sector, after the weakness in 2000, with the purchase of six new large fishing vessels by the private sector. A recovery in taro production – following a long period when disease had virtually destroyed production – and continuing growth in coconut cream output are expected to boost exports.

Tourism is likely to show stronger performance due to better marketing overseas, new hotel development, and some displacement of tourists from the Fiji Islands and Solomon Islands. These factors, and the continuing long-term upward trend of remittances, are expected to support reasonably strong growth in 2001 and 2002 of around 4%. Inflation of around 3% is forecast, though the outcome may be slightly higher.

The fiscal year 2001 budget has provided for a deficit of over 3% of GDP, which is to be financed largely by concessionary borrowing. Total government expenditure is budgeted at around 37% of GDP for fiscal year 2001. Current expenditure as a share of GDP is forecast at around 22%.

Table 10.4: Government Finance Indicators (% of GDP)

	1999*	2000*
Taxes	20.9	21.1
Total Expenditure	35.4	24.2
Fiscal Balance	-10.6	-1.4
Health	3.9	3.9
Education	5.2	4.8
Housing and Community Amenities	-	-

Source: Asian Development Bank: *Growth and Change in Asia and the Pacific Key Indicators 2001*.

*Provisional/Preliminary/Estimate/Budget figure.

In 1996, the government stopped preparing five-year development plans and began issuing a series of biennial statements of economic strategy. The current strategy continues the emphasis on macroeconomic stability, public-sector efficiency, improved education and health standards, and measures to support a strong private sector. It also emphasises agriculture and fisheries, sustainable tourism development, and the importance of a revitalised village economy.

Industry Sectors

Samoa's key industry sectors are as follows:

Commerce: There are a large number of wholesale and retail operations in Samoa and most of these companies handle imported products.

Tourism: There was an increase in tourist arrivals in 2000 as a result of the political disturbances in the Fiji Islands and the Solomon Islands. Samoa has a limited number of tourist hotels and there is scope for expansion of this industry.

Manufacturing: Relative to its size, Samoa has a buoyant manufacturing sector. A large, export-orientated automotive wire harness assembly operation, Yazaki Samoa, employs 2,000 people. Other manufacturing operations produce coconut oil, desiccated coconut, corned beef, beer and other beverages, coconut cream, furniture and a wide range of construction materials.

Fisheries: This sector of the economy has demonstrated dramatic growth over the last few years. The small-scale operators servicing the local market in the past have been supplemented with larger commercial operations sourcing tuna for export to both Japan

and to the nearby large tuna canning plants in American Samoa. A number of new fishing vessels were purchased in 2000 but there is scope for further expansion of this industry.

Agriculture: The agriculture sector in Samoa is dominated by small-scale farmers who grow a range of root crops – taro, cassava, kava, etc. The taro industry was a significant exporter prior to the blight that struck the crop in the early 1990s. Samoa has extensive coconut plantations and these provide the raw materials for the coconut mill, the recently established desiccated-coconut factory and for the companies exporting canned coconut cream. Only limited quantities of fruit and vegetables are grown in Samoa and most of these products are imported from New Zealand and Australia. The beef industry remains underdeveloped and there is no abattoir in the country.

Construction: Several local companies undertake most of the construction projects in Samoa but for large-scale projects overseas companies are often utilised. This sector of the economy has grown considerably over recent years.

Finance and Business Services: There are a large number of accountants, lawyers and other business service providers in Samoa and these companies have enjoyed good growth over recent years. Several commercial banks provide a full range of services and they are also expanding their portfolios.

The Samoa Offshore Finance Centre: Established in 1988, the Centre is home to several thousand offshore entities and has earned the distinction of being the fastest-growing offshore centre in the South Pacific. Its legal framework consists of six pieces of offshore legislation governing the registration of international and foreign companies, trusts and international and limited partnerships and the licensing of offshore banks, trustee companies and international insurance companies.

Forestry: Samoa has only limited forest reserves and there are no substantial plantations of introduced species. Five companies are involved in the harvesting and milling of local timber – primarily Taun (a tropical semi-hardwood) – but sales to date have been restricted to the local market. A world-class, kiln-drying operation has been established by a private company in Samoa and plans are underway to export both processed Taun and coconut timber products.

Samoa has no known **mineral** or **petroleum** resources.

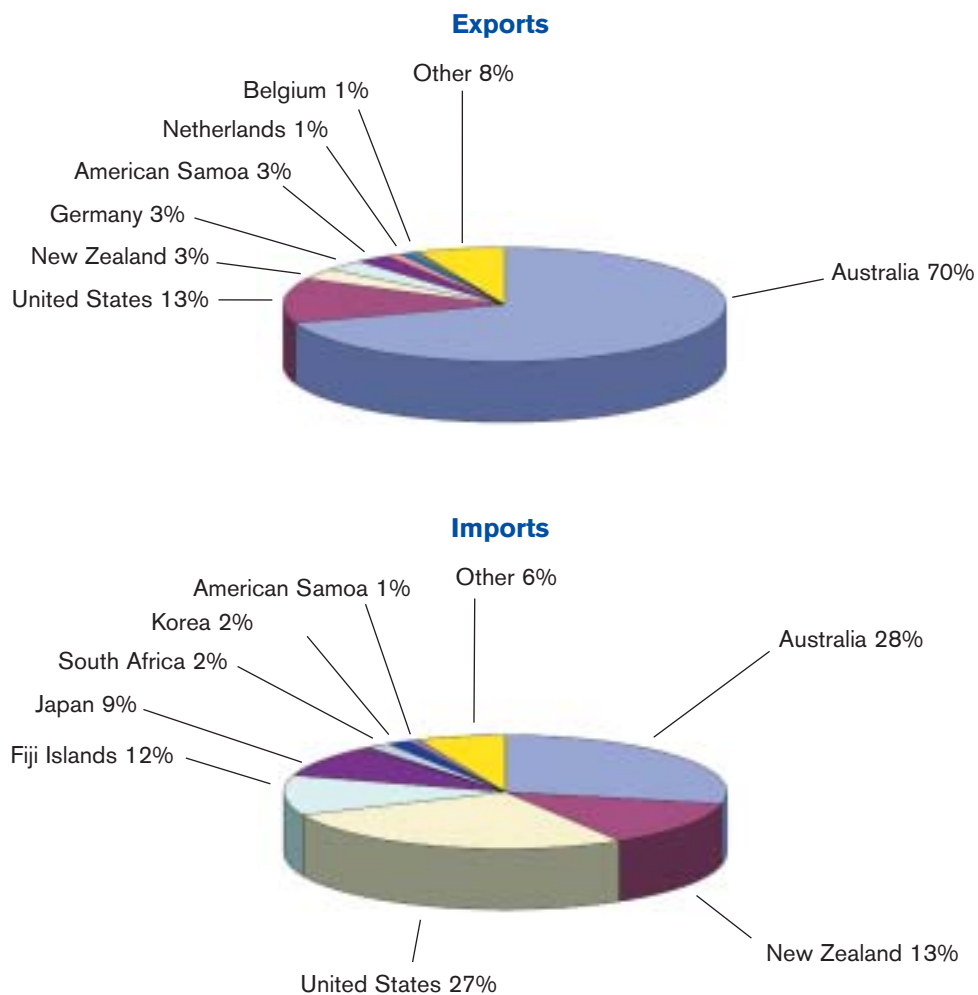
Imports/Exports

Total exports in 2000 were valued at US\$14 million. The major exports were copra, taro, banana and timber. The key export markets are Australia and the United States.

Imports in 2000 were valued at US\$77 million. The main imports were food and live

animals; machines, transport, and equipment; manufactured goods; and mineral fuels. The key overseas suppliers were Australia, the United States, New Zealand and the Fiji Islands (Figure 10.2).

Figure 10.2: Direction of Trade, Calendar Year 2000



Source: Asian Development Bank: *Growth and Change in Asia and the Pacific Key Indicators 2001*.

Labour and Human Resources

Approximately 90,000 persons of Samoa's total population are in the age range of 15 to 64 years. It is estimated that approximately 20% of these are formally employed with the remainder being involved in a range of traditional subsistence-orientated activities.

Most Samoans speak English and a relatively high proportion of Samoa's population has university degrees from overseas. There are, in fact, a large number of technically trained and experienced Samoans working in New Zealand.

The education system in Samoa comprises primary, secondary and tertiary facilities. The curriculum is based on the New Zealand system and both English and the local Samoan language are taught.

A local polytechnic offers a range of technical training courses and works with local companies to ensure that their particular needs are met. The local university offers degree courses in a range of disciplines and is establishing links with universities in Australia and New Zealand. A campus of the University of the South Pacific, specialising in agriculture, also operates in the capital, Apia.

Several new manufacturing operations in Samoa have recruited supervisors from this source. Overseas investors establishing a manufacturing operation in Samoa may find that there will be a shortage of qualified local workers and it may be worthwhile to seek appropriate staff from Samoans living in New Zealand. Work permits for expatriates are readily available where there are no local people qualified to fill a position.

In terms of labour market regulations, employers and employees are required to contribute 5% each to the National Provident Fund, and employers must pay a small levy to the Samoa Accident Compensation Board. Conditions of employment are regulated by the Labour and Employment Act, which includes provision for conciliation and arbitration.

The statutory minimum wage for the private sector is US\$0.45 an hour.

Infrastructure

Samoa has a well-developed infrastructure and there is an ongoing programme to further strengthen the infrastructure for the future growth of the economy.

Electricity is available on both islands and is very reliable. **Water** is also available in most areas of the country and there are plans to upgrade this service. Good sealed **roads** connect most centres on the two islands.

Samoa is also well serviced by **international airlines** and the national carrier, Polynesian Airlines. There are regular flights to the United States, New Zealand, Australia and nearby countries by Air New Zealand and Air Pacific. The outward

airfreight capacity on flights to Australia and New Zealand is reasonably good. There are also daily flights by light aircraft between Apia and Savaii.

Between Samoa and **American Samoa** there are also daily flights (these have limited freight capacity) and a ferry that can carry non-containerised freight at a low price.

There are four deep-water **ports** but the port at Apia is the main port of entry. The already good facilities at this port will be expanded in 2001 to improve handling and distribution. As from April 2001, additional equipment at the port in Apia allows for the efficient handling of 40-foot containers.

Samoa is well serviced by international **shipping lines** and most services by these companies are on a fortnightly basis. For example, various companies provide service from Samoa to New Zealand and Australia via the Fiji Islands, Tonga and the Cook Islands: Polynesia Line provides a fortnightly service to and from Los Angeles and San Francisco; and the Greater Bali Hai service operates on a fortnightly basis between Apia and Hong Kong, the Republic of Korea and Japan. There are other shipping services that offer connecting services to Europe and other Pacific Island destinations, including some specialised lumber services.

Because there are only two islands in Samoa, the **domestic freight services** are handled by a regular vehicle and passenger ferry service. This vehicle and passenger vessel travels between Upolu and Savaii several times a day and the costs are low.

Well-developed **telecommunications** are available in almost all areas of the country and most companies and government departments now rely on Internet communications. A separate telecommunications company provides a cellular service on the main island of Upolu.

A number of **commercial banks** in Samoa offer the full range of financial services and there are also a number of competent accountants and other business service providers. The Development Bank of Samoa provides a variety of financial packages for local companies and a small-scale venture-capital fund will soon be established in Samoa by the Asian Development Bank in conjunction with other development assistance agencies.

There is also a public and a private hospital in Samoa offering facilities for most medicinal requirements.

Investment Policy and Regulations

The government actively encourages foreign investment. It is committed to industrial development and recognises that foreign capital, technology and management can substantially contribute to Samoa's economic development. The government's view is that those that provide these resources should be welcomed and encouraged.

The *Foreign Investment Act 2000* regulates foreign investment. It requires that all foreigners intending to establish a business in Samoa must submit an application for a Foreign Investment Certificate with the Department of Trade, Commerce and Industry.

Any business entity wishing to do business in Samoa must be registered prior to its operation. A business licence is also required, which must be renewed annually. A separate licence must be obtained for each activity the business is running.

Manufacturing, tourism and services are regarded as the three most important sectors. The government has undergone major reforms and provided infrastructure to encourage local and foreign investment in these sectors.

The Foreign Investment Act also has provisions for the types of economic activities that are either 'Restricted', 'Prohibited' or "Reserved" (for local operators only). The Department of Trade, Commerce and Industry can provide information on these.

There are a limited number of reserved activities and only one type of foreign investment is restricted in terms of foreign equity: fishing boat operations must have at least a 60% local equity.

Those activities reserved for citizens of Samoa are:

- general transport buses;
- taxis;
- hire vehicles;
- retailing; and
- sawmilling.

Land

Only Samoan citizens are permitted to own land. Land holdings in Samoa fall into three categories:

- customary land that can be leased;
- freehold land (mainly in the residential areas in the capital, Apia); and
- public land.

Customary land is not for sale but can be leased out to foreigners as well as locals. This is usually the option taken by foreigners, particularly in the tourism industry. All land leases in this category are registered with the Department of Lands, Survey and Environment. This land is available for lease on liberal terms and conditions and is often subleased to local and overseas investors by the government.

Freehold land is mostly used for residential purposes and is located around the Apia urban area.

A 100-acre industrial estate is located five kilometres from the capital, Apia. Long-term leases are generally available at attractive rentals. Industrial building space is generally readily available for rent from the private sector. The Trade and Investment Promotion Unit can provide advice on acquiring land and/or factory space that is available within the public sector.

Taxation and Other Regulations

The **company tax rate** in Samoa is 29% for resident and non-resident companies.

A **dividend tax** of 10% and 15% applies to resident and non-resident companies, respectively. Royalties and management/director fees are taxed at a rate of 10% and 35% respectively. Bank interest earned by both resident and non-resident companies is taxed at 15%.

Individual income tax is on a sliding scale from a minimum rate of zero to a maximum of 29%. The same rates apply for both resident and non-resident individuals and are as follows:

Income per annum	Tax rate
First US\$3,500	Nil
US\$3,501 – US\$5,000	10%
US\$5,001 – US\$7,000	20%
Over US\$7,000	29%

Samoa has no formal double tax agreements with other countries.

Foreign exchange transactions come under the control of the central bank, which directs the currency policy on matters related to the stability and supply of money within the country and international transactions, including overseas transfer of funds and funding imports.

Repatriation of capital and profit remittances on foreign capital is permitted, although it must be approved by the central bank. Expatriate workers with local contracts of one year or longer will be considered residents and therefore need central bank approval if they wish to repatriate funds in excess of 80% of their net earnings on a fortnightly basis. Earnings not repatriated during the contract period may be repatriated at the end of the contract.

Import duties apply to most goods coming into the country and are based on a single column tariff system. Excise taxes apply to certain goods of local manufacture (mainly tobacco products and liquor) and also 'luxury' items.

Investment Opportunities

There are numerous opportunities for foreign investors in the growing Samoan economy and these are summarised below.

Agriculture: Most Samoan families have access to land, and subsistence agriculture, where two-thirds of households are engaged, is the primary economic activity. The main food crops are coconuts, taro, breadfruit, bananas and cocoa. Increasingly Samoa is developing its agriculture-based products for sale. There are opportunities to expand export opportunities in:

- cocoa-growing to supply local and overseas customers;
- banana production for export to markets such as New Zealand;
- cut flower production for local and export sales;
- kava-growing, particularly in conjunction with the introduction of new species;
- edible ginger-growing for export markets; and
- cattle production for the good local market.

Garment and Textiles: One Asian-owned garment factory has developed substantial exports from Samoa and numerous investors are considering relocating to Samoa from other countries. The garment categories with the best potential include:

- men's business shirt manufacture;
- men's suit manufacture;
- denim jeans manufacture;
- trousers manufacture; and
- beachwear manufacture.

Food Processing: While this industry sector is already well developed in Samoa, there are opportunities for new ventures in the following areas:

- abattoir to replace the imported processed meat;
- feed mill to supply the local chicken and similar industries; and
- taro/banana chips for both the local and export markets.

Tourism: There is immediate scope to expand the tourism industry in Samoa as a result of the political uncertainty in the Fiji Islands and the Solomon Islands. There are insufficient tourist accommodation facilities in Samoa and there are good prospects for:

- a marina development in Apia;
- an international beach resort;
- a boutique resort;
- aquatic sports operations; and
- re-development of existing properties in Apia and outlying areas.

The supporting services for the tourism industry – inbound tour operators, hire car companies, etc. – are already supplied by various businesses.

Timber and Timber Products: Despite Samoa's limited tropical hardwood resources, there are prospects for efficient downstream-processing operations in the timber sector. The large and underutilised coconut tree resource also offers opportunities. Those areas of greatest potential include:

- production of sawn timber for the local market and export;
- timber furniture production for the local and nearby export markets;
- production of coconut timber products for export; and
- production of mouldings/builders' joinery for the local market.

Business and Financial Services: There are a number of opportunities for ventures to provide professional services to the growing economy. Those with assessed potential include:

- financial lease and rental facility to provide facilities for local companies;
- computer data-entry facility for both the local and overseas markets; and
- quick printing facility.

Fisheries: The expansion of the tuna industry in Samoa has opened up a number of opportunities for new ventures in the harvesting and processing of this resource. This includes a **tuna-loining operation** to supply products to the Japanese market. There is no commercial aquaculture industry in Samoa and research has shown that there is scope for the following types of projects:

- farming of Philippine green mussels for export;
- farming of milk fish for bait in the tuna industry; and
- farming prawns for local and export markets.

Engineering: A number of companies are already involved in the engineering sector in Samoa but there is scope for the following types of ventures:

- paper recycling;
- motor vehicle exhaust systems for the local and American Samoa markets;
- reconditioning of electric motors; and
- aluminium fishing boat construction for the large number of fishing operators.

Details on these and other investment opportunities are available on the Department of Trade, Commerce and Industry's website: www.tradeinvestmentssamoa.ws

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