



## Exporter Guide

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# TONGA

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Country Brief  
July 2010

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## RUGBY IN TONGA

The Rugby World Cup (RWC) is a major international event that is expected to bring eighty-five thousand visitors to New Zealand, creating demand for products and services – and raising our profile internationally. New Zealand businesses will have access to opportunities generated by the event, and it will provide a platform to build relationships with international clients. The NZ2011 office is coordinating a festival of activity that will provide an opportunity for visitors to experience the best of New Zealand's culture and industries, from food and wine to superyachts, film and fashion. New Zealand Trade and Enterprise (NZTE) is working with NZ2011 to showcase our innovative industries, businesses and business people, and to maximise opportunities to bring them together with international partners and investors.

This section outlines information on Tongan Rugby, its followers and the Tongan team's visit for New Zealand companies in host regions. To find out more about how NZTE is working with businesses to leverage opportunities around RWC 2011, visit the NZTE website: [www.nzte.govt.nz/rugbyworldcup](http://www.nzte.govt.nz/rugbyworldcup).

The RWC event will gain widespread press coverage in Tonga regardless of the progress of the national team. Rugby gains considerable media coverage in Tonga, at times dominating over all other news. There will be live TV coverage and local Tonga community support will be substantial. New Zealand's main exports to Tonga are food and beverage products, material supplies and services. It is expected that many prominent Tonga business people and Government officials will visit during the tournament, providing a good opportunity for New Zealand businesses in these sectors who wish to develop or expand their exports.

Rugby Union is the national sport of Tonga and, as in the rest of Polynesia, is a way of life. Rugby Union was brought to the region in the early 20th Century by sailors and missionaries. The main impetus for the establishment of Rugby in Tonga came from the Irish missionaries in the 1920s. However, from then on, the main influence has been from New Zealand, as well as Samoa and Fiji.

Tonga has strong tendency towards Rugby sevens, which suits its population and geography, and has it performed well at the Hong Kong sevens tournament. The Tonga national Rugby Union team is nicknamed "Ikale Tahi" (the Sea Eagles) and starts its matches with a war dance called the "Kailao" (or "Sipi Tau").

The International Rugby Board (IRB) estimates that Tonga has over 10,000 registered players and 80 clubs. Rugby is popular in schools and students from schools such as Tonga College and Tupou College are regularly offered scholarships from New Zealand, Australia and Japan. The national team is sponsored by the mobile phone firm Digicel.

The Ministry of Tourism expects 350 visitors from Tonga over the World Cup period. Tonga is in Pool A and will play New Zealand, France, Canada and Japan in stadiums across the North Island. Visiting teams for the RWC will travel from region to region rather than staying in one host city for the duration of the Cup (see table below). To view events happening in your region, visit the regional host websites listed at the end of this section.

HOSTING SCHEDULE			
TEAM BASE	NIGHTS	DATES	TRAINING VENUE
Auckland	5	Sep 7 – Sep 11	Western Springs
Whangarei	10	Sep 12 – Sep 21	Kensington Sports Complex
Bay of Islands	4	Sep 22 – Sep 25	Kerikeri Sports Complex
Wellington	6	Sep 26 – Oct 1	Hutt Recreation Park



GAME SCHEDULE			
TEAM BASE	MATCH DETAILS	LOCATION	STADIUM
Fri Sept 9	New Zealand v Tonga	Auckland	Eden Park
Wed Sept 14	Tonga v Canada	Whangarei	Northland Events Centre
Wed Sept 21	Tonga v Asia 1	Whangarei	Northland Events Centre
Sat Oct 1	France v Tonga	Wellington	Wellington Regional Stadium

PHRASES TO GREET TONGAN SUPPORTERS	
hello / good day	malo e lelei
good-bye	nofo a or 'Alu a
thank you	malo
excuse me	tulou
yes/no	'io / 'ikai
what's your name?	ko hai ho hingoa

USEFUL WEBSITES	
ORGANISATION	WEBSITE
Rugby World Cup 2011	<a href="http://www.rugbyworldcup.com">www.rugbyworldcup.com</a>
NZ 2011 Business Club	<a href="http://www.nz2011.govt.nz">www.nz2011.govt.nz</a>
Ministry of Pacific Island Affairs	<a href="http://www.mpia.govt.nz">www.mpia.govt.nz</a>
Pacific Economic Development Agency	<a href="http://www.pacificeda.org">www.pacificeda.org</a>
Pacific Islands Trade & Investment Commission	<a href="http://www.pitic.org.nz">www.pitic.org.nz</a>
REGIONAL HOST	WEBSITE
Auckland	<a href="http://www.bayofplenty2011.com">www.bayofplenty2011.com</a>
Whangarei	<a href="http://northland2011.com">northland2011.com</a>
Bay of Islands	<a href="http://www.bayofplenty2011.com">www.bayofplenty2011.com</a>
Wellington	<a href="http://www.wellingtonnz2011.com">www.wellingtonnz2011.com</a>



## KEY INDICATORS: TONGA

ECONOMIC INDICATOR	TONGA
Population	103,000 (2009 est.)
GDP	US\$313 million (2009 est.)
GDP Growth Rate	-0.5% (2009 est.)
GDP Per Capita	US\$ 3,032.081 (2009 est.)
Inflation	3.5% (2009 est.)
Total Imports	US\$89.02 million (2008)
Total Exports	US\$16.98 million (2008)
Currency	Tonga Po'anga (TOP)
Exchange Rate	NZ \$1 = 1.40 TOP (June, 2010) US \$1 = 1.97 TOP (June, 2010) (see <a href="http://www.oanda.com">www.oanda.com</a> for the latest exchange rate)

Source: International Monetary Fund Statistical Database, International Trade Centre Database, Oanda Currency Converter.

## OVERVIEW

### Tonga and New Zealand

New Zealand is a key regional partner for Tonga, with total two-way trade for the year ending December 2009 valued at NZ\$55.5 million. Relations are underpinned by a shared Polynesian heritage and extensive people-to-people linkages, with longstanding migration links with New Zealand resulting in a significant Tongan population in New Zealand. A Tonga-New Zealand Business Association was set up in Nuku'alofa in 1993 to assist in promoting bilateral trade and economic linkages. Regional and international developments, such as the negotiation of regional trade agreements (PICTA and PACER) and Tonga's WTO membership, have created a forward-looking framework for the further development of trade relations.<sup>1</sup>

### Economy and Industry

Tonga has a small, open economy, with a narrow export base in agricultural goods. Squash, vanilla beans, and yams are the main crops. Agricultural exports, including fish, make up two-thirds of total exports. The country remains dependent on external aid and remittances from Tongan communities overseas to offset its trade deficit. Tourism is the second-largest source of hard currency earnings following remittances. The government is emphasising the development of the private sector, especially the encouragement of investment, and is committing increased funds for health and education. Tonga has a reasonably sound basic infrastructure and well-developed social services. High unemployment among the young, a continuing upturn in inflation, pressures for democratic reform, and rising civil service expenditures are the primary issues faced by the government.

Tonga's already vulnerable economy was affected by the global economic downturn, although the full extent of adverse impacts is not yet clear. Recent reports indicate that remittances fell between 10 to 15 per cent last

<sup>1</sup> Source: Ministry of Foreign Affairs & Trade, Country Information Paper: Tonga. ([www.mfat.govt.nz](http://www.mfat.govt.nz)); UN Comtrade Database (via International Trade Centre).



year. These developments come hard on the heels of internal shocks to Tonga's economy in recent years, including public service salary increases of between 60 and 80 percent in 2005–06, as well as the economically-damaging riots in 2006, where shops were looted and/or burnt to the ground. Tonga's economy has shown some resilience in the face of these adversities. Some businesses have now been re-established, and limited reconstruction in areas worst hit by the riots is underway. New Zealand and Australia have both contributed funding to assist private sector reconstruction, which is being administered through commercial banks.<sup>2</sup>

### Investment and Foreign Trade

After reaching US\$23 million in 2006, Tongan exports dropped to US\$18 million in 2007 and US\$17 million in 2008. There has been a particularly noticeable drop in squash exports, with previously strong trade to Japan and Korea diminishing. Key exports destinations for Tongan are Hong Kong, the United States, Japan and New Zealand, which combined account for over 86 percent of total export value. With favourable shipping links, New Zealand is the main source of Tonga's imports and supplies (of food in particular), at around 40 percent of total imports. The United States, Australia and China are also significant importers.

Foreign direct investment (FDI) was very low in the 1990s, but began to gain momentum in the 2000s, reaching US\$27.4 million in 2007. Limiting factors to FDI have previously been weak political and macroeconomic stability, as well as an environment unfriendly to private sector investment due to regulatory, utility and infrastructural issues. FDI inflows dropped in 2008 Tonga to US\$5.7 million.<sup>3</sup>

## POLITICAL

Tonga is an executive monarchy and the King commands considerable status and power. His extensive powers are derived from the 1875 Constitution and, with the exception of some voluntarily relinquished authority, have remained essentially unchanged to the present day. As Head of State, the King presides over a Privy Council of Cabinet Ministers, as well as the Governors of the Ha'apai and Vava'u island groups. The Prime Minister chairs the Cabinet. In 2006, the King agreed to abide by a convention that the Prime Minister, rather than the monarch, is the Head of Government. This convention is expected to be entrenched in law through the constitutional reform process.

There has been consensus in Tonga on the need for democratic reform, with a continued role for the royal family in a constitutional, rather than executive role. However, there has been less consensus on the pace and process for change, with major pro-democracy riots occurring in 2006. In April 2010, the Legislative Assembly enacted a package of political reforms, including the increase of people's representatives from nine to seventeen, with ten seats for Tongatapu, three for Vava'u, two for Ha'apai and one each for Niua and 'Eua. These changes mean that now 17 of 26 representatives (65.4%) will be directly elected, up from 9 of 30 (30.0%).<sup>4</sup>

<sup>2</sup> Source: CIA World Factbook: Tonga ([www.cia.gov](http://www.cia.gov)); Ministry of Foreign Affairs and Trade, Country Information Paper: Tonga ([www.mfat.govt.nz](http://www.mfat.govt.nz)).

<sup>3</sup> Source: UN Comtrade Database (via International Trade Centre); Asia Development Bank Country Partnership Strategy, Tonga 2007-2012, ([www.adb.org](http://www.adb.org)); The World Bank, World Development Indicators (<http://data.worldbank.org>).

<sup>4</sup> Source: "Tonga's pro-democracy movement hails assembly reform". Radio New Zealand International. 2010-04-21. ([www.rnzi.com](http://www.rnzi.com)).



## IMPORTS AND EXPORTS

TONGA'S TOP TEN IMPORTS 2009	US\$ million
Meat and offal	10.46
Electrical and electronic equipment	7.49
Machinery	6.94
Motor vehicles	5.18
Commodities not elsewhere specified	4.93
Meat, fish, and seafood preparations	3.94
Prepared foods	3.49
Iron and steel	3.26
Wood, articles of wood and wood charcoal	2.91
Tobacco	2.63
<b>Total imports</b>	<b>89.02</b>

Source: UN Comtrade Database

TONGA'S TOP TEN EXPORTS 2009	US\$ million
Vegetables	4.16
Fish and seafood	3.39
Iron and steel	2.12
Unspecified items	1.89
Products of animal origin	1.42
Copper and articles thereof	0.66
Electrical and electronic equipment	0.65
Fruit and nuts	0.49
Tanning, dyeing extracts, tannins, derives and pigments	0.33
Plastics and articles thereof	0.24
<b>Total exports</b>	<b>16.98</b>

Source: UN Comtrade Database



NEW ZEALAND'S TOP TEN EXPORTS TO TONGA 2009	NZ\$ million
Meat	9.60
Machinery	5.52
Dairy, eggs, and honey	3.68
Wood	3.19
Electrical machinery	3.00
Prepared meat and fish	2.88
Ships and boats	2.29
Motor vehicles	2.08
Furniture and bedding	1.98
Meat	9.60
<b>Total exports</b>	<b>53.59</b>

Source: Statistics New Zealand (via World Trade Atlas)

NEW ZEALAND'S TOP TEN IMPORTS FROM TONGA 2009	NZ\$ thousand
Vegetables	924.42
Fruit and nuts	407.13
Electrical machinery	120.71
Fish and seafood	106.13
Iron and steel	101.20
Plastic	57.00
Spices, coffee, and tea	54.77
Grain, seeds, and fruit	42.16
Fertilizers	26.93
Tanning, dye, paint, and putty	12.05
<b>Total imports</b>	<b>1,908.85</b>

Source: Statistics New Zealand (via World Trade Atlas)

### Trade Trends

Tonga is New Zealand's 79th most significant partner in terms of two-way trade. New Zealand holds a significant trade surplus with Tonga. Two-way trade has increased by around 20 percent over the past decade. However, exports have not returned to their 2003 peak of NZ\$68 million, and imports have fluctuated to a large degree. New Zealand's two largest exports to Tonga – meat and machinery – experienced large increases between 2000 and 2009. The large fluctuations observed within Tongan exports to New Zealand are primarily due to movements within the vegetable, iron and steel, grains, seed and fruit, and fish and seafood categories.



## SECTOR OPPORTUNITIES

### Building and Construction Products

New Zealand exporters supply a reasonable proportion of products to Tonga's building and hardware merchants. Tonga has long-standing relationships with many New Zealand companies and are always looking for new and innovative products to add to their product range.

### Infrastructure Projects

This sector is very broad and covers projects from construction of buildings through to major infrastructure projects like road construction, power generation, airport and port upgrading and water supply projects. Opportunities exist through government and aid funded projects. The European Union has an office in Tonga and representatives from the Asian Development Bank visiting periodically.

### Food and Beverage

Food and beverages is one sector which continues to grow in Tonga. There is a constant demand for particular New Zealand foodstuffs, including meat and dairy products.

*For comprehensive information on the opportunities for these New Zealand export sectors, please contact New Zealand Trade & Enterprise on 0800 555 888.*

## SUSTAINABILITY

Sustainability concerns have been raised in Tonga due around unsustainable natural resource management practices. With increasing population, changing socio-economic aspirations and activities, the quality and quantity of the biophysical environment are declining. Unsustainable practices in agriculture and fishing, along population related pressures such as waste generated and increasing demand for natural resources have been identified as the major causes of environmental degradation.<sup>5</sup>

## MARKET ENTRY

Tonga is a small but significant export market for New Zealand, which should be approached with care and perseverance. New or small exporters should consider using the services of a reputable trading house to become established in the market.

It is a relatively easy market for New Zealand exporters to service due to its proximity, size and the main business language spoken being English. It is also a market where New Zealand exporters can generally meet all requests in terms of volume.

<sup>5</sup> Source: Thesis Document *Sustainable resource and environmental management in Tonga: Current Situation, Community Perceptions and a Proposed New Policy Framework*, by Netatua Pelesikoti.  
(<http://www.islandvulnerability.org/phd/pelesikotiphd.pdf>).



Like other Pacific nations, the role of importers / distributors / agents is very common and useful in Tonga. Time and effort channelled into finding the right distributor initially can save exporters time and minimise financial losses in the long term.

It is recommended that potential exporters visit their local bank in New Zealand to seek referral to a bank in Tonga (ANZ and Westpac operate services in Tonga). Local Tongan banks can then be extremely useful in establishing business links and easing entry into the Tongan market.

The Tongan New Zealand Business Council is a very helpful first point of contact for New Zealand businesses looking to enter the market.

## REGULATORY ISSUES

An outline of some of the regulatory issues New Zealand exporters to Tonga need to be aware of follow:

### Tariffs and Duties

Tonga's trade regime has undergone changes as a result of its recent accession to the WTO. In 2007, custom tariffs were reformed with ceiling duty rates of 15 or 20 percent. Average import tax in the form of customs duties in 2009 was levied as follows: an average of 8 percent on all products, 10 percent on agricultural products, and 7 percent on industrial products. In March 2008, the government removed excise tariffs on all imports of aircraft and aircraft parts in order to assist its domestic airline industry. Sales tax, customs duty and port and services taxes are levied on most imported goods and commodities sold in Tonga.

Tonga has ratified the Pacific Island Countries Trade Agreements (PICTA), together with 10 other countries out of 14 members of the Pacific Islands Forum (the Forum Island Countries) that signed in 2001. PICTA is an agreement for free trade in goods (and services in future), and falls under the broader Pacific Agreement on Closer Economic Relations (PACER). In August 2009, leaders of the Pacific Island Forum agreed to start negotiating PACER plus, a free trade agreement that would include Australia and New Zealand, as well as the Forum Island Countries, and that would cover goods, services, and investment.<sup>6</sup>

*NZTE can provide free basic information on tariffs at an indicative level to assist companies to assess viability of market entry.*

### Trade Barriers, Quotas and Licences

In terms of the conduciveness of its institutional environment to business, Tonga is in the top 30 percent of international business environments and is ranked 52nd out of 183 countries in the World Bank 2010 Doing Business Index. With relatively low cost per container imported and exported, the country ranks 51st in the Trading Across Borders subcategory of the index. The number of required documents and days to export and import into and out of the country are comparable to the regional averages.<sup>7</sup>

<sup>6</sup> Source: World Bank, *World Trade Indicators 2009-2010: Tonga* ([www.worldbank.org](http://www.worldbank.org)). The International Trade Centre Database; Pacific Islands Trade and Investment Commission, Sydney: *Doing Business in Tonga*, (<http://www.pitic.org.au/pdfs/bigs/tonga.pdf>).

<sup>7</sup> Source: World Bank, *World Trade Indicators 2009-2010: Tonga* ([http://info.worldbank.org/etools/wti/docs/Samoa\\_brief.pdf](http://info.worldbank.org/etools/wti/docs/Samoa_brief.pdf)); The International Trade Centre Database.



## TAXATION

TYPES	RATES
Corporate tax rates	15% / 30%
Resident individual income tax	A progressive system is used. There is a tax-free threshold of T\$7,400; T\$7,401 – T\$30,000, 10 seniti for each T\$1; T\$30,000+ T\$2,260 plus 20 seniti for each T\$1 over T\$30,000
Non-resident individual income tax	Non-residents are liable for Tongan tax on income for personal services performed in Tonga and other payments from Tongan sources. Tax at a rate of 10% is paid on gross income.
Sales and service tax	15% (Consumption Tax – CT).
Withholding tax	5% of the gross amount of the insurance premium; 15% of the gross amount of the interest, royalty, dividend, or technical services fee, rent, natural resource payment, and management fees
Double taxation	New Zealand and Tonga do not have a double taxation agreement.

Source: The World Bank Doing Business: Tonga 2010; Tonga Inland Revenue.

## FREIGHT

### Air Freight

Air Pacific, Air New Zealand and Pacific Blue provide regular services from Auckland to Tonga. There are three flights a week from Auckland.

### Sea Freight

The Pacific Forum Lines provides a regular service from New Zealand to Tonga. There is no direct service from New Zealand to Tonga. The vessels stop at Fiji, Samoa and American Samoa before arriving in Tonga, with the service taking approximately 14 days.

*New Zealand Trade & Enterprise has basic information on air and shipping freight options to this market, but for details on rates and schedules, exporters will be referred to a range of appropriate service providers.*

## DOING BUSINESS WITH TONGA

- Tongan and English are both spoken. Most Tongans in business speak and understand English.
- Tips are not expected, though no offence will be caused if special services are rewarded in this way.
- Business clothing is generally 'smart casual'. Men should wear short-sleeved shirts, long trousers and leather shoes. A jacket and tie should be packed for more formal occasions, such as meetings with tribal elders. Women are expected to dress conservatively – a long dresses or skirts should be worn to business meetings and tops without sleeves avoided.



## VISA REQUIREMENTS

New Zealand businesspeople will be granted a visa for no fee on arrival at the airport in Tonga. The visa will be valid for one month. New Zealanders wishing to stay for longer than one month should contact the Immigration Department in Tonga before departure to arrange a visa.

## TIME DIFFERENCE

Tonga is one hour ahead of New Zealand. To check the current time, visit the time converter website [www.timezoneconverter.com](http://www.timezoneconverter.com).

## CONTACTS

### New Zealand Trade and Enterprise

Export Hotline	Phone 0800 555 888
Website	<a href="http://www.nzte.govt.nz">www.nzte.govt.nz</a>

### New Zealand High Commission Tonga

Contact	HE Ms Christine Bogle
Address	Corner Taufa'ahau and Salote Roads P O Box 830 Nuku'alofa TONGA
Phone	(+676) 23 122
Email	<a href="mailto:nzhcnuk@kalianet.to">nzhcnuk@kalianet.to</a>

## USEFUL WEBSITES

ORGANISATIONS	WEB ADDRESSES
Government of Tonga	<a href="http://www.pmo.gov.to">www.pmo.gov.to</a>
Tonga Department of Statistics	<a href="http://www.spc.int">www.spc.int</a>
Invest in Tonga (unofficial website)	<a href="http://www.investintonga.com/blog">www.investintonga.com/blog</a>
Tonga on the Net	<a href="http://www.tongatapu.net.to">www.tongatapu.net.to</a>
Tonga Chamber of Commerce	<a href="http://tongachamber.typepad.com">tongachamber.typepad.com</a>

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