



# Doing Business in Niue



## Location

Niue has the distinction of being the smallest country in the world. It is a small, raised coral atoll with a total population of only 1,625 people. It is the fourth largest Pacific ethnic group living in New Zealand and comprised of about 22,000 (in 2006) of New Zealand's Pacific population.

Niue's nearest neighbours are Tonga to the east, Cook Islands to the West and Samoa to the north east. It is located 2,400 kilometres northeast of New Zealand, just east of the International Date Line.

## Government

Niue has been self-governing in free association with New Zealand since October 1974. Niueans are New Zealand citizens with right of free access to New Zealand.

As head of state, Queen Elizabeth II is represented by a Governor-General, who is also the Governor-General for New Zealand.

Niue's system of government is based on the West minister system and its Constitution Act of 1974 allowed for a 20 member legislative assembly. This consists of 14 village seats and six on an island-wide basis.

The Speaker is selected from outside the ranks of the legislative assembly. Elections are held every three years and all residents over 18 years are eligible to vote.

The government comprises of four ministers, led by the Honorable Mititaiagaimene Young Vivian. The next elections are scheduled for April, 2008.

## At a Glance

**Population:** 1,625 (2006)

**Land Area:** 259 square kilometres

**EEZ:** 390,000 square kilometres

**GNP:** \$US0.2 billion (2005)

**Major Industries:** Fisheries, Tourism, Agriculture

**Merchandise Exports (FOB):** US\$196,716 (2004)

**Major Exports:** fish, noni, honey and vanilla

**Merchandise Imports (CIF):** US\$8,828,369 (2004)

**Major Imports:** food stuffs; manufactured goods; building materials

**Currency:** New Zealand Dollar

## Economic Profile and Performance

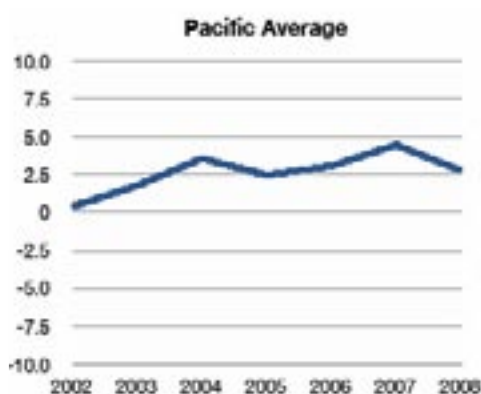
The Niue economy is traditionally dominated by employment in the public sector, however the private sector is being promoted and supported, and so employment opportunities are increasing. The basic productive activity on Niue of subsistence agriculture is slowly becoming a thing of the past. There is an export trade of primary products, such as fish, taro, honey, vanilla and noni juice. The commercial fishing industry now plays a major role in the economy and the tourism industry is also on the same trend. There is also strong potential in the ICT sector, and currently efforts are focused on developing opportunities in this sector. This includes connecting Niue to a fiber optic submersible cable, where opportunities are available for potential investors to be co-partners in this development.

Under the terms of the constitutional agreement between New Zealand and Niue, New Zealand provides substantial economic and administrative assistance to Niue. Economic assistance is provided in the form of direct budget support and project-related aid. Total funding revenue in 2006/2007 was estimated at NZ\$23.4million (fishing rights, interest on investments, NZ recurrent funding, Trading operations, Special projects and Corporations).

Niue's declining population has been a concern to successive governments. Despite attempts to persuade Niueans to return home, fourteen times as many Niueans currently live in New Zealand as in Niue. Niueans abroad are also recognized as a resource base for Niue's developments. Strategies have been developed and implemented to tap into this resource. This includes offering incentives for retirees to continue to receive their New Zealand pension and superannuation in Niue, encourage Niueans to holiday in their homeland and allowing potential investors or those with skills and experience to do short and long term work in the country. Currently, Niue is already relying on importing foreign labour to fill the manpower need in the fisheries sector while the expansion of the vanilla industry will also be following the same direction.

Source: ADB Asian Development Outlook, 2007

GDP Growth (%) 2002-2008



Source: ADB Asian Development Outlook, 2007. 2007 and 2008 are estimates.

## Industry Sectors

**Agriculture:** Subsistence farming was once the major focus of agriculture with minimal and infrequent amounts of taro exported to New Zealand because of marketing factors. There are now large plantations of vanilla and noni as part of the expansion which started in 2003. In 2007 Germany granted Niue an import permit for its approved certified organic noni juice.

**Education:** Niue's education system follows the framework of the New Zealand Qualification Authority (NZQA) in the primary and secondary level. Students can continue to study at the University of the South Pacific (USP) Niue Extension Centre before pursuing further studies at the main campus in Suva or other overseas tertiary institutions.

**Fisheries:** In October 2004, a state of the art fish processing facility operated by the Niue Fish Processors Ltd (NFP) was opened in Niue. This facility is self sufficient in terms of producing its own power and water (desalination) with ice production towers, large freezers and large blast freezers to process fish to meet strict requirements of overseas markets. In September 2007 a major development transpired with the Boeing 727 cargo plane air freighting fish to Honolulu and Los Angeles weekly. There are currently 6 fishing vessels operating under license in the Niue waters supplying mostly tuna species to the NFP. In the past much of the fishing in Niue was undertaken by small boats outside the reefs and supplied to the local markets. Access fees to Niue's EEZ are largely from foreign fishing vessels.

**Filming:** The Niue Film Commission has now been set up to control and manage overseas film/video production companies coming in to shoot film/video on locations in Niue. There is currently an effort to help develop the local filming industry.

**Forestry:** There is minimal commercial cutting or milling of timber in Niue. There is potential for Niue hardwood to be used for furniture manufacturing.

**Information Communication Technologies (ICT):** Telecom Niue is leasing some of its surplus phone lines to overseas companies. The dot NU domain name of Niue is currently in the process for re-delegation, where Niue will have direct control in its management and operation. The e-Learning Centre of the Niue Computer Society (Inc.) currently offers ICT trainings.

**Tourism:** Tourists arrivals in 2006 were around 3,008 and currently there is great potential for growth in this sector given its uniqueness in comparison to other Pacific Islands. Air New Zealand also provides services to Niue with attractive fares for travelers; however, there is a shortage of tourism accommodation. Efforts are being made to address this shortage through foreign investment whilst the Government and some agencies are currently committing additional resources for development of accommodations.

**Wholesale and Retail:** There are importers/wholesalers and a small number of retail outlets.

## Imports and Exports

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The country imports most of its goods and services with total imports in the past years (1996 – 2004) ranging from NZ\$3.7million to NZ\$11.9million. In 2004 imports increased by 224% due to materials imported to rebuild Niue after the Cyclone that devastated the nation that year. Despite significant financial outflows for its imports, these play a major role in sustaining its economic and social well-being.

Niue's principal export destination is New Zealand however fish exports to the USA is becoming dominant, whilst its main imports are sourced from New Zealand and Japan and include mineral fuel; manufactured goods; machinery and food.

## Imports and Exports

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The workforce is bilingual in Niuean and English however given the high out migration there is limited skilled workforce and importing labour is now explored. The government is the main employer, employing over 421 employees.

Niue boasts an almost 100% literacy rate due to its compulsory education for all and proximity to schools. Its education infrastructure is well developed and based on the New Zealand curriculum. The University of the South Pacific caters for post secondary and adult students pursuing pre-degree and degree qualifications. Alternatively Niueans seek further education in New Zealand.

A foreign enterprise license and a permit to enter, work and reside in Niue is required by all foreign investors, including New Zealand citizens. Residence and work permits may be granted for up to three years for key personnel or employees of an approved enterprise. There are current legislations been drawn up allowing for all New Zealand citizens to be able to enter, live and work in Niue.

There is no minimum wage for the private sector in Niue; however, public-sector wages can be adopted as a guideline. Private employers can negotiate a rate with their workers

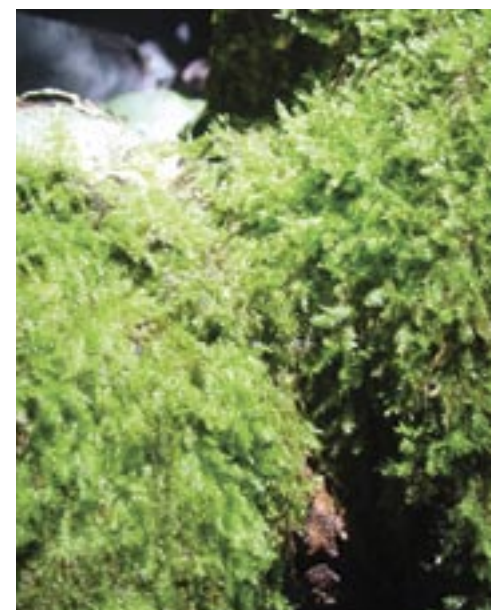
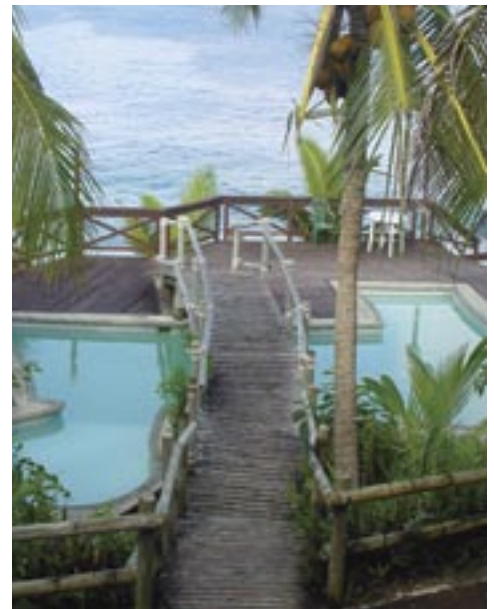
## Infrastructure

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Ninety percent of Niue's ring road is sealed, linking the 14 villages. The main centre is the capital Alofi where most businesses and government services are located. The new rebuilt hospital and industrial park are located near the international airport.

End of 2005 saw the end of Polynesian Airline services from Auckland to Niue, however, services to and from Samoa still operate under a Dash-8 aircraft. Air New Zealand is now servicing the Auckland-Niue route.

The Niue Power Corporation responsible for generating and distributing electricity.



Telecommunications is provided by Telecom Niue and is available throughout the villages. Niue offers free internet service, using funds provided by its domain registrations.

Water is available throughout the island from storage tanks and is reticulated by pressure pumps.

The Niue Hanan International airport can handle Boeing 757, 737 and 727 where international services are provided for by Air New Zealand.

Niue's sea port is the Sir Robert's Wharf in Alofi which can only accommodate flat bottom boats and some cargo ships if the sea is calm. However, most offloading of cargo from ships is done through barges and on to the wharf. There is only offshore anchorage as there are no harbours. Reef Shipping provides services to Niue on a fortnightly basis with connections to Tonga, the Fiji Islands, Samoa, American Samoa, New Zealand and New Caledonia.

There is only one commercial bank, the Bank of the South Pacific, Niue, while the Development Bank of Niue provides a range of financial services to local companies and for business development. A local hospital provides a range of medical services of the country.

## Investment Policy and Regulations

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The Government of Niue encourages investment and has set up the Niue Investment Promotion Agency (NIPA) to oversee the promotion and development of investments in the country.

The Development and Investment Act of 1992 regulates investments in Niue and foreign investors need to register and apply to Cabinet through NIPA before carrying out a business. The Act also provides for the development of an investment schedule which allows for tariff protection, import duty concessions, tax incentives, residence permits, and salary subsidies.

Under the Income Tax Act, exemptions may be applied to industries contributing to the economic development of Niue.

All applicants for foreign investment and for incentives and concessions must be accompanied by comments from the relevant government stakeholders overseeing the sectors for which the particular investment shall be carried out.

Any other information regarding investments can be directed to the Niue Investment Promotion Authority.

## Trade Relations

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Niue is now a party to the Pacific Island Countries Trade Agreement (PICTA), which involves the progressive reduction of tariff and plans for most items to become duty-free in 2019. The Economic Partnership Agreement (EPA) with the EU is currently in the final stages of negotiations.

## Land

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Land can not be sold but can be leased for a maximum of 60 years and renegotiated for renewal if required.



## Taxation and Other Regulations

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The company tax rate for resident and non-resident companies is 30%.

Income tax is based on a sliding scale, with the same rates applying to residents and non-residents. These rates are as follows:

- |                          |     |
|--------------------------|-----|
| • First US\$2,850        | 10% |
| • US\$2,850 - US\$8,550  | 15% |
| • US\$8,850 - US\$19,950 | 40% |
| • US\$19,950 and over    | 50% |

A 10% withholding tax on businesses applies on payments made by government. There are no regulations or institutional measures that limit capital exports or the outflow of foreign investment.

## Investment Opportunities

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Investment opportunities in Niue are restricted by the country's small size. There are, however, opportunities in the following areas:

**Fishing:** A state-of –the-art purpose built fish processing facility has been established in Niue between Reef Group.

**IT and Related Telecommunications:** Given the advanced state of this sector and the availability of free internet access in Niue at broadband level there is a vast opportunity in this sector both in terms of ease of services delivery and e-commerce.

**Specialised Agricultural Projects:** Commercial quantities of agricultural products in particular niche market opportunities exist in this sector such as noni juice.

**Tourism:** Niue offers a unique tourism experience as the 'rock' of the Pacific and there is potential for growth in this sector in particular given its extremely clean environment, natural beauty and excellent diving.

## Business Development Assistance

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### Niue Investment Promotion Authority (NIPA)

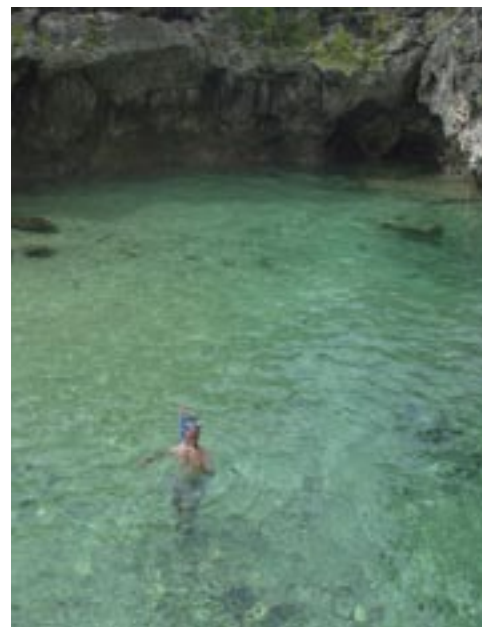
NIPA is set up to assist with attracting and promoting investment opportunities in Niue. It provides all the relevant information on investing in Niue and is currently under the office of the Economics Planning Development and statistics.

Procedures for investment approval consist of:

- Initial discussion by investor and NIPA on requirements for preparation of application;
- NIPA arranges and coordinates comments from other departments for a Cabinet submission; Matters commented upon will include administrative and technical requirements, e.g land, business, licensing requirements, EIAs, physical infrastructure requirements, audit statement;
- NIPA submits final application to Cabinet for approval; and NIPA informs applicant of results;

Other specific information needed from the investor for local planning purposes include:

- Nature of business;
- Financial requirements;
- Building requirements;
- Power requirements;
- Water requirements;
- Land type and area;



- Operating capacity; and
- Labor force requirements;

Investment priorities will be considered for incentives and concessions which may include the following:

- Tariff protection;
- Capital equipment concession;
- Raw materials concession;
- Tax concessions;
- Allowable expenditure and cost on recruitment – deduction against taxable income;
- Training of local persons – up to 200% of direct cost of training may be claimed against taxable income;
- Depreciation allowances; and
- Residence permits – up to 3 year period for key personnel or employees;

## Financial Services

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### DEVELOPMENT BANK OF NIUE

The Development Bank of Niue is owned by the Government of Niue and commenced operations in 1994 with the objectives of promoting the participation of Niuean citizens and residents in economic and social development.

A credit line facility has been recently made available in February 2007 with the European Investment Bank. Finance under this facility is available to all Niue businesses specifically in the areas of;

- Commerce;
- Agriculture;
- Fisheries;
- Industry;
- Agro-industry;
- Mining;
- Tourism;
- Energy;
- Revenue generating infrastructure and related services;

To be eligible for funding under this credit line, projects should be between NZ\$91,000 and NZ\$911,000. Further information should be made through the Niue Development Bank.

### BANK OF SOUTH PACIFIC

The Bank of South Pacific whose headquarters are in Papua New Guinea is the only commercial bank in Niue. It provides banking and financial services through out Niue.

## Useful Contacts

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### NIUE INVESTMENT PROMOTION AGENCY

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# The Pacific Islands Trade & Investment Commission, Sydney

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## Who We Are and What We Do

We are one of four overseas agencies of the Suva-based Pacific Islands Forum Secretariat (PIFS). PIFS has other overseas offices located in Japan, New Zealand, and the People's Republic of China.

We work closely with a network of government and private sector agencies in the 14 Pacific Islands who are members of Pacific Islands Forum.

Our aim is to improve the capabilities of their private sector; in particular in enterprise, export and tourism development.

## Our Functions

1. To assist Pacific Island enterprises develop sustainable business and trade activities.
2. To assist Pacific Island governments and private sector service providers develop their tourism potential.
3. To support private sector growth in the Pacific Islands, including promoting intra-regional investment.
4. To support business linkages between government and enterprises in the Pacific Islands and Australia through efficient and effective dissemination of market information.

## Out Special Projects Unit

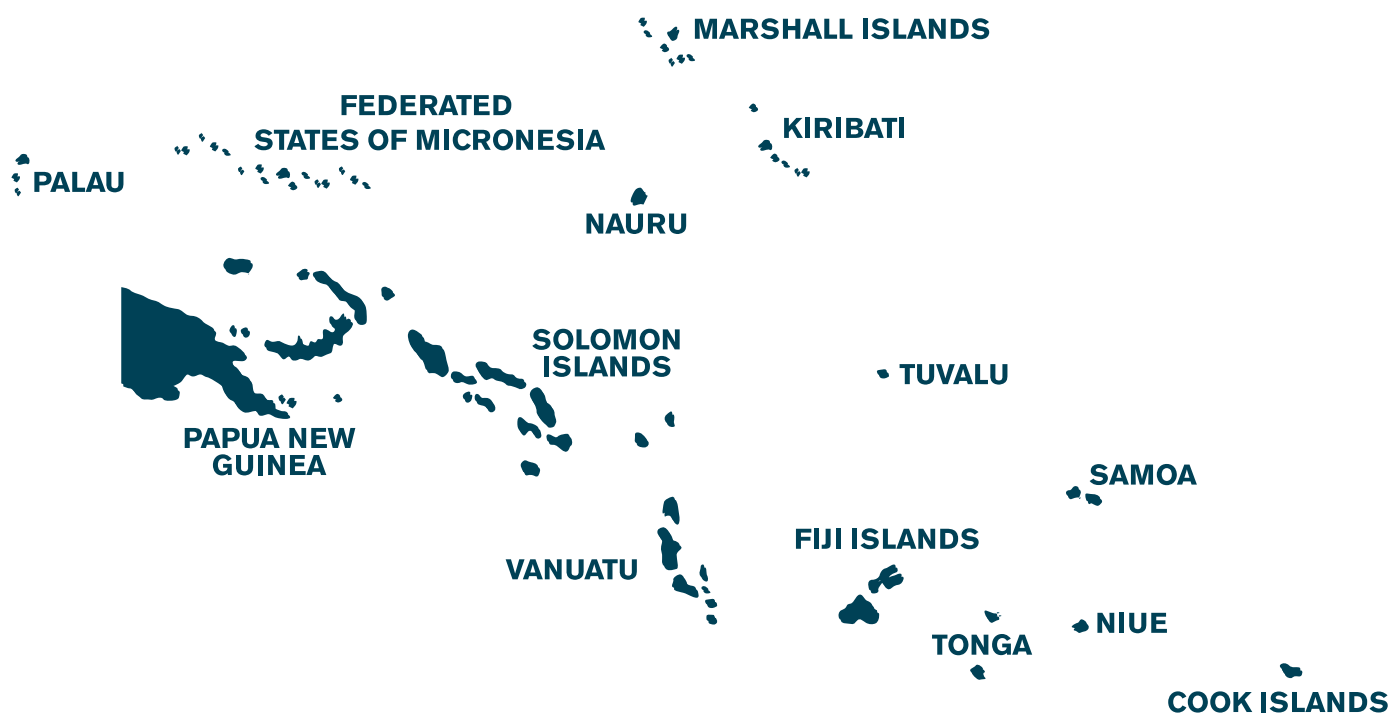
- Supports private sector development in 14 Pacific Islands Countries.
- Promotes intra-regional investment development.
- Supports the business development programs of Small Island States (SIS).
- Supports skills development, including through capacity building initiatives.

## Our Newsletters

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Our newsletter provides practical information about trade, tourism and investment trends in the Pacific Islands and Australia. Pacific Outlook also contains up-to-date information on developments on regulatory changes and requirements for trade and industry in the region.

Our newsletters are published on a bi-monthly basis. Register online at [www.pitic.org.au](http://www.pitic.org.au) for your free subscription.





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