



Doing Business in Tonga: 2013 Country Commercial Guide for U.S. Companies

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Chapter 1: Doing Business In Tonga

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Market Overview

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Tonga is composed of a number of geographically isolated small islands and has a population of 103,306 (2011 Census). Weak economic growth of 0.5% is expected in FY2013, mainly due to tourism and donor-financed construction.

The economy is largely dependent on remittances from Tongans living abroad, with remittances totaling \$67 million in FY2012, about 15 percent of GDP. Remittances are not expected to return to FY2008 levels of \$107 million (about 30 percent of GDP).

With minimal manufacturing, almost all consumer and durable goods are imported. Leading imports include food, manufactured goods, machinery, fuel, and chemicals. IMF reported that inflation plummeted to 1.2 percent in February 2013. The National Reserve Bank of Tonga is required by law to maintain foreign reserves at a level equivalent to at least 3 - 4 months of imports. Foreign reserves increased by \$7.3 million, from \$143.7 million to \$136.4 million the equivalent of 8.5 months of imports. In 2012, trade between the US and Tonga increased. According to U.S Department of Commerce Statistics, U.S exports to Tonga in 2012 totaled \$20.5 million, up from \$19.3 million. U.S. imports from Tonga increased to \$2.2 million from \$1.7 million.

Principal Growth Sectors

According to Tonga's Reserve Bank Governor, the tourism sector may boost Tonga's economic growth and recovery. The completion of the Vuna Wharf has boosted the arrival of cruise ships in the Kingdom, with five vessels visiting since the beginning of 2013. The Ministry of Commerce, Tourism, and Labour is currently working together with other stakeholders to develop a sector framework for tourism – the Tonga Tourism Roadmap. This Roadmap could help develop a way forward for the future and prioritizes key initiatives for implementation in the next five years.

Tonga relies heavily on imported fuel. The government of Tonga has adopted the Energy Roadmap to provide alternative sources of energy. The Energy Roadmap reduces the use of fossil fuel and paves the way for a cleaner environment.

Road construction on the two main islands, Tongatapu and Vava'u is underway. The Pacific Aviation Investment Program is in the final stages of preparation together with the Nuku'alofa Urban Sector Development Project aimed at improving drainage and sanitation system in the urban areas. Work on the Tonga-Fiji Submarine Cable is expected to be completed in 2013 and its completion will enhance connectivity of Tonga with the outside world, further strengthening the communication and trade environment for the private sector.

Government Role in the Economy

The government's overall fiscal balance for 2012-2013 is estimated at a surplus of \$3.1 million (T\$5.5 million) representing an improvement from a deficit of \$11.9 million (T\$21.3 million). The government's reform program to improve government service and encourage private sector development is ongoing. The National Reserve Bank of Tonga monitors commercial bank lending to maintain macroeconomic stability and ensure the financial system remains sound.

Market Challenges

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Businesses operating in Tonga face the following market challenges:

- Lengthy processing of necessary permits and approvals by government departments
- Limited and sometimes irregular international flights
- Irregular domestic air transport schedules
- High costs for water and power utilities
- Relatively small consumer and labor markets (2011 pop. 103,036)

Market Opportunities

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- Construction materials and equipment
- Heavy machinery
- Retail infrastructure - business information technology
- Tourism and related activities
- Food and beverage

Market Entry Strategy

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Foreign investors interested in setting up businesses should gauge the market by visiting the country and meeting potential business partners. More than half of the country's large businesses are owned or partially owned by foreign investors. The official language is Tongan, but English is widely spoken as the language of commerce and government business, and is also the second language of most Tongans. Investors should conduct due diligence on prospective partners before committing resources.

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COUNTRY FACT SHEET: TONGA

PROFILE

Population in 2012 (Millions): 0

Capital: Nuku'alofa

ECONOMY

	2010	2011	2012
Nominal GDP (Current Billions \$U.S.)	0.39	0.44	0.48
Nominal GDP Per Capita (Current \$US)	3,721	4,221	4,561
Real GDP Growth Rate (% change)	1.6	1.5	1.4
Real GDP Growth Rate Per Capita (% change)	1.2	1.1	0.97
Consumer Prices (% change)	3.9	5.3	4.5
Unemployment (% of labor force)			

Economic Mix in 2010: 17.8% All Industries; 7.5% Manufactures; 61.9% Services; 20.3% Agriculture

FOREIGN MERCHANDISE TRADE (\$US Millions)

	2010	2011	2012
Tonga Exports to World	8.3	14.4	0
Tonga Imports from World	159	193	0
U.S. Exports to Tonga	20.7	19.3	20.5
U.S. Imports from Tonga	1.8	1.7	2.2
U.S. Trade Balance with Tonga	18.8	17.6	18.2
Position in U.S. Trade:			
Rank of Tonga in U.S. Exports	183	190	188
Rank of Tonga in U.S. Imports	193	196	193
Tonga Share (%) of U.S. Exports	0	0	0
Tonga Share (%) of U.S. Imports	0	0	0

Principal U.S. Exports to Tonga in 2012:

1. Food & Kindred Products (55%)
2. Special Classification Provisions, Nesoi (18.9%)
3. Computer & Electronic Products (10.9%)
4. Wood Products (4%)
5. Fabricated Metal Products, Nesoi (2.9%)

Principal U.S. Imports from Tonga in 2012:

1. Fish, Fresh/Chilled/Frozen & Other Marine Products (37.3%)
2. Goods Returned (Exports For Canada Only) (26.1%)
3. Agricultural Products (15.5%)
4. Special Classification Provisions, Nesoi (9%)
5. Waste And Scrap (5.8%)

FOREIGN DIRECT INVESTMENT

	2009	2010	2011
U.S. FDI in Tonga (US \$Millions)			
FDI in U.S. by Tonga (US \$Millions)			

DOING BUSINESS/ECONOMIC FREEDOM RANKINGS

World Bank Doing Business in 2012 Rank: 62 of 185

Heritage/WSJ 2012 Index of Freedom Rank: 110 of 179

Source: Created by USDOC/ITA/OTII-TPIS from many sources: FDI from USDOC, Bureau of Economic Analysis. US Trade from USDOC, Census Bureau, Foreign Trade Division. Tonga Trade with World from United Nations where available. National Macroeconomic data from IMF/World Bank databases including World Economic Outlook and World Development Indicators. .WORLD and other country aggregates are summaries of available UN COMTRADE, IMF and other data, and coverage varies over time and by source, but typically represents greater than 85 percent of world trade and production. Note: Principal U.S. Exports and Imports Are 3-digit NAICS Categories

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Chapter 2: Political and Economic Environment

For background information on the political and economic environment of the country, please click on the link below to the U.S. Department of State Background Notes.

<http://www.state.gov/r/pa/ei/bgn/index.htm>

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Using an Agent or Distributor

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Foreign companies often enter the Tonga market by contracting with local businesses to act as agents/distributors for their products. Investors interested in seeking local agents or distributors should enquire with the Tonga Chamber of Commerce and Industries (TCCI) or the Commercial Section of the U.S. Embassy in Suva, Fiji.

Establishing an Office

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Tongan law permits the formation of partnerships, joint ventures, limited liability companies and public companies. Foreign investors must obtain and hold a valid foreign investment certificate from the Secretary of the Ministry Commerce, Tourism, and Labour (MCTL). All companies/businesses must also obtain a business license from the Business Licensing Officer, MCTL.

Franchising

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Opportunities for franchising in Tonga are limited as the market is very small (2011 pop.103,036)

Direct Marketing

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Direct marketing is rarely utilized in Tonga. Instead, traditional advertising channels such as the local newspapers, radio and television are utilized. Very few small businesses have onsite access to the Internet.

Joint Ventures/Licensing

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The Foreign Investment Act prohibits foreign investors from conducting business in certain sectors, including commercial fishing, agricultural supply store distribution, educational facilities, and medical or health activities. In the future, other sectors may be added. Entering into a joint venture with a Tongan business partner is permissible. At present there are a number of joint venture businesses in operation in the construction sector, but not with American companies.

The Commercial Section of the U.S. Embassy in Suva and the Tonga Chamber of Commerce and Industries can assist in locating potential joint venture partners.

Selling to the Government

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Government-funded projects are usually put to public tender and are advertised in the local media. For large, donor funded projects, bids are usually open to local companies and international bidders.

Distribution and Sales Channels

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It is common for large companies/distributors to specialize in a broad range of products, with well established clientele and distribution networks.

Selling Factors/Techniques

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Companies should note that the Consumer Protection Act sets out requirements on the listing of contents, ingredients and expiration date for consumables. Translations must be in either English or Tongan.

Electronic Commerce

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Most medium-large businesses have on-site access to the internet and internet use in commerce is increasingly common. Internet charges in Tonga are relatively low.

Trade Promotion and Advertising

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The majority of Tongans get their information from radio, television and newspapers, and advertising is done through these media. Television coverage is limited to the main islands of Tongatapu and Vava'u. Newspapers are published weekly. The "Tonga Weekly" is published weekly in both Tongan and English. "Taimi „o Tonga" is published

twice a week in Tongan; the online version is published in Tongan and English. “Talaki” and “Kele’ a” are both published weekly in Tongan. Matangi Tonga and Kaniva ‘o Tonga are popular online news sites, mostly in English and Tongan.

The Pasifika Trade Fair held annually in October is the biggest import-export event in the Kingdom. Participants are local and international businesses who are looking for export and import contacts. The event is jointly-organized by the Ministry of Commerce, Tourism, and Labour and the Tonga Chamber of Commerce and Industries.

Tonga Chamber of Commerce and Industry, P.O. Box 1704, Nuku’ alofa, Tonga. Tel: (676) 25 168 , Fax: (676) 26039, Email: admin@tongachamber.org;
Website: <http://www.tongachamber.org>

Ministry of, Commerce, Tourism, and Labour, P.O. Box 110, Nuku’ alofa, Tonga. Tel: (676) 23 688, Fax: (676) 23887, Email: info@mctl.gov.to;
Website: <http://www.mctl.gov.to>

Tonga Legislation website: <http://legislation.to/cms/home.html>
Tonga Weekly, Editor: Faka’osi Maama; Tel: 23302/24 960;
Email: tongaweekly@gmail.com

“Taimi, o Tonga,” P.O. Box 880, Nuku’ alofa Tonga; Tel: 27 477/25 133/; Email: times@kalianet.to; Website: <http://www.taimionline.com>

“Talaki,” Filokalafi ‘Akau’ ola, P.O. Box 998, Nuku’ alofa; Tel. 28 186/28196; Emails: filokalafi@kalianet/jtaukapo@gmail.to;

“Matangi Tonga online,” Pesi Fonua, publisher/editor, P.O. Box 958, Nuku’ alofa, Tonga; Tel: 25779/770 4212; Fax: 24749; Email: editor@matangitonga.to;
Website: www.matangitonga.to

Tonga Broadcasting Commission (Radio Tonga/ TVTonga), Tonga Broadcasting Commission, P.O. Box 36, Nuku,, alofa, Tonga; Tel: 23555; Fax. 24417;
Email: news@tonga-broadcasting.net/ tbc_love_stream@tonga-broadcasting.net;
Website: <http://www.tonga-broadcasting.net/>

“Kakalu ‘o Tonga”; ‘Ulu’alo Po’uhila, publisher/editor; Tel: +676 8775155/ +649 2572268/02102635196; Emails: ulualop@hotmail.com/ kakaluotong@gmail.com

“Ko e ITA Newspaper; Ramanlal Vallabh, Publisher. Tel: 8705481;
Email: Ramanlal.vallabh13@gmail.com.

Pricing

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Prices of certain basic foods and fuel are set by Ministry of Commerce, Tourism, and Labour.

Although the Consumer Protection Act requires businesses to provide post-sale services, its provisions are not strictly enforced and in practice only a few large businesses provide such services.

Protecting Your Intellectual Property

Tonga has intellectual property laws in place. The Industrial Property Act provides protection for patents, trademarks, utility models and designs. The term of protection for patents and utility models is 20 years from date of filing; for trademarks, protection is 10 years from the date of filing, renewable every ten years; and for industrial designs protection is five years, renewable for two consecutive five-year terms. Tonga's Copyright Act came into effect on 1 July 2007 and provides for protection of literary and artistic works and neighboring rights. Applications should be filed with the Registrar, Intellectual Property & Company Registration Unit, Ministry of Commerce, Tourism, and Labour.

Protecting Your Intellectual Property in Tonga:

Several general principles are important for effective management of intellectual property ("IP") rights in Tonga. First, it is important to have an overall strategy to protect your IP. Second, IP is protected differently in Tonga than in the U.S. Third, rights must be registered and enforced in Tonga, under local laws. Your U.S. trademark and patent registrations will not protect you in Tonga. There is no such thing as an "international copyright" that will automatically protect an author's writings throughout the entire world. Protection against unauthorized use in a particular country depends, basically, on the national laws of that country. However, most countries do offer copyright protection to foreign works under certain conditions, and these conditions have been greatly simplified by international copyright treaties and conventions.

Registration of patents and trademarks is on a first-in-time, first-in-right basis, so you should consider applying for trademark and patent protection even before selling your products or services in the Tonga market. It is vital that companies understand that intellectual property is primarily a private right and that the US government generally cannot enforce rights for private individuals in Tonga. It is the responsibility of the rights' holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. Companies may wish to seek advice from local attorneys. The U.S. Commercial Service can provide a list of local lawyers upon request <http://suva.usembassy.gov/attorneys.html>.

While the U.S. Government stands ready to assist, there is little we can do if the rights holders have not taken these fundamental steps necessary to securing and enforcing their IP in a timely fashion. Moreover, in many countries, rights holders who delay enforcing their rights on a mistaken belief that the USG can provide a political resolution to a legal problem may find that their rights have been eroded or abrogated due to legal doctrines such as statutes of limitations, laches, estoppel, or unreasonable delay in

prosecuting a law suit. In no instance should U.S. Government advice be seen as a substitute for the obligation of a rights holder to promptly pursue its case.

It is always advisable to conduct due diligence on potential partners. Negotiate from the position of your partner and give your partner clear incentives to honor the contract. A good partner is an important ally in protecting IP rights. Consider carefully, however, whether to permit your partner to register your IP rights on your behalf. Doing so may create a risk that your partner will list itself as the IP owner and fail to transfer the rights should the partnership end. Keep an eye on your cost structure and reduce the margins (and the incentive) of would-be bad actors. Projects and sales in Tonga require constant attention. Work with legal counsel familiar with Tonga laws to create a solid contract that includes non-compete clauses, and confidentiality/non-disclosure provisions.

It is also recommended that small and medium-size companies understand the importance of working together with trade associations and organizations to support efforts to protect IP and stop counterfeiting. There are a number of these organizations, both Tongan-based and U.S.-based. These include:

- The U.S. Chamber and local American Chambers of Commerce
- National Association of Manufacturers (NAM)
- International Intellectual Property Alliance (IIPA)
- International Trademark Association (INTA)
- The Coalition Against Counterfeiting and Piracy
- International Anti-Counterfeiting Coalition (IACC)
- Pharmaceutical Research and Manufacturers of America (PhRMA)
- Biotechnology Industry Organization (BIO)

IP Resources

A wealth of information on protecting IP is freely available to U.S. rights holders. Some excellent resources for companies regarding intellectual property include the following:

- For information about patent, trademark, or copyright issues -- including enforcement issues in the US and other countries -- call the STOP! Hotline: **1-866-999-HALT** or register at www.StopFakes.gov.
- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the US Patent and Trademark Office (USPTO) at: **1-800-786-9199**.
- For more information about registering for copyright protection in the US, contact the US Copyright Office at: **1-202-707-5959**.
- For more information about how to evaluate, protect, and enforce intellectual property rights and how these rights may be important for businesses, a free online training program is available at www.stopfakes.gov.
- For US small and medium-size companies, the Department of Commerce offers a "SME IP Advisory Program" available through the American Bar Association

that provides one hour of free IP legal advice for companies with concerns in Brazil, China, Egypt, India, Russia, and . For details and to register, visit: http://www.abanet.org/intlaw/intlproj/iprprogram_consultation.html

- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: www.StopFakes.gov This site is linked to the USPTO website for registering trademarks and patents (both in the U.S. as well as in foreign countries), the U.S. Customs & Border Protection website to record registered trademarks and copyrighted works (to assist customs in blocking imports of IP-infringing products) and allows you to register for Webinars on protecting IP.
- The U.S. Commerce Department has positioned IP attachés in key markets around the world. You can get contact information for the IP attaché who covers Tonga at: <http://suva.usembassy.gov/business>

Due Diligence

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Tonga has a small number of accountancy and management consultancy firms that can assist with conducting due diligence checks. Enquiries can be made with the Tonga Chamber of Commerce or the Commercial Section of the U.S Embassy in Suva

Local Professional Services

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Foreign investors based overseas must engage an attorney or accountant in Tonga to act as their agent. There are reputable and experienced legal and accountancy firms that can handle company incorporation and all related business issues. The Company Act and the Industrial Property Act both require a law practitioner or accountant in Tonga to act as agents for overseas applicants. The Intellectual Property Unit of the Ministry of Commerce, Tourism, and Labour and the Tonga Chamber of Commerce can provide a list of attorneys and accountants in Tonga. The U.S. Embassy in Suva, Fiji, lists some attorneys operating in Tonga, but assumes no responsibility for the professional ability or integrity of the persons or firms on the list: <http://suva.usembassy.gov/attomeys.html>

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Tonga Chamber of Commerce: <http://www.tongachamber.org>

Ministry of Commerce, Tourism, and Labour
(MCTL): <http://www.mctl.gov.to/ministrydepartment/govt-ministries/labour-commerce-a-indus>

Company Registration Office (MCTL): <http://www.companies.gov.to>

Tonga Legislation: <http://legislation.to/cms/home.html>

Matangi Tonga: <http://www.matangitonga.to>

Tonga Broadcasting Commission (Radio Tonga/TV Tonga): <http://www.tonga-broadcasting.net/>

National Reserve Bank of Tonga: <http://www.reservebank.to>

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Chapter 4: Leading Sectors for U.S. Export and Investment

Commercial Sectors

- [Tourism](#)
- Agriculture & Fisheries
- Power Generation (Energy)

Commercial Sector- Tourism

Overview

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Unit: USD thousands

	2009/2010	2010/2011	2011/2012
Total Number of Visitors	45,969	48,223	47,967
Total Number of Arrivals from the U.S. (by air)	5,562	5,726	4,838
Total Tourist Receipts (T\$'000)	50,144	60,899	74,491
Exchange Rate: 1 USD = 0.5570 TOP www.xe.com			

(source: National Reserve Bank of Tonga)

The tourism sector is a growing contributor to Tonga's GDP. Tourist receipts (OET basis) rose by 23.7 percent to \$39.4 million (T\$70.8 million) in March 2013 from \$31.9 million (T\$57.2 million) a year earlier.

Sub-Sector Best Prospects

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Ecotourism

With Tonga's still largely unspoilt small islands and marine environment, ecotourism is an area that promises to continue to attract visitors to Tonga. The northern islands of the Vava'u group, and to a lesser extent the Ha'apai Group and 'Eua island, are famed for whale-watching during the July to October calving season.

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Ministry of Commerce, Tourism, and Labour: <http://www.mctl.gov.to>

Tonga Chamber of Commerce and Industries: <http://www.tongachamber.org>

Tonga Visitors Bureau: <http://www.thekingdomoftonga.com>

South Pacific Tourism Organization; <http://www.spto.org>

Government of Tonga <http://www.mic.gov.to>

Agricultural & Fisheries Sector

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Unit: USD thousands

	2010/2011	2011/2012
Total value of agricultural exports (T\$)	\$8.1m	\$10.0m
Total value of agricultural products marketed in Tonga(T\$)	\$3.01m	\$5.03m

(National Reserve Bank of Tonga)

The agricultural sector is a major contributor to the Tongan economy and a significant source of employment. Although overall production of primary products continues to fluctuate, agricultural and fisheries products account for Tonga's major exports and are an important source for foreign exchange. Squash exports, which previously dominated agricultural exports, are slowly picking up after no recorded exports in 2007-2009. Commercial bank loans for agriculture were not as high as other sectors, such as industrial and housing. According to the Tonga Statistics Department, the total agricultural loans for 2011 were \$3.04 million (T\$6.4million).

Sub-Sector Best Prospects

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Agro-Processing

The agricultural sector accounted for 18.9 percent of GDP in 2011 and, together with fisheries, comprises the vast majority of Tonga's exports. Agro-processing is a potential growth area in this sector. Most agricultural products are exported frozen. Products that cannot be exported frozen or fresh are usually sold in local markets. There is untapped potential for processing of fruits, vegetables, and other root crops. Major agricultural exports are vanilla, squash (pumpkins), kava and root crops such as yams, taro and cassava. Fruits cannot be exported due to the lack of quarantine facilities in Tonga that can comply with importing countries' standards.

Agricultural Machinery & Supplies

Since agriculture is the major economic activity, there is a demand for machinery for clearing and preparing farmland. Often the queue for services will take weeks. There are very few businesses that deal in heavy agricultural machinery, maintenance, and spare parts.

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Secretariat of the Pacific Community, <http://www.spc.int>

Ministry of Labour, Commerce and Industries, <http://www.mic.gov.to/ministrydepartment/govt-ministries/labour-commerce-and-indus>

Tonga Trade, Ministry of Labour, Commerce and Industries: <http://www.mic.gov.to/ministrydepartment/govt-ministries/labour-commerce-and-indus>

Legislation of Tonga: <http://legislation.to/cms/home.html>

Ministry of Finance and National Planning, <http://www.finance.gov.to>

Ministry of Agriculture Fisheries and Food: <http://www.tongafish.gov.to>

Commercial Sector – Power Generation (Solar)

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	2008	2009	2010	2011
Electricity – Production (million kilowatt-hours)	55	51	51	51
Electricity – Consumption	47	43	43	45
Import – Mineral Fuels (T\$'000)			72,532	85,212
Total Imports (T\$'000)	324,445	291,926	301,755	333,210
Exchange Rate: 1 USD = 0.5570 TOP www.xe.com				

Tonga, like most of its Pacific island neighbors is heavily dependent on imported fuel to meet its national energy needs. However in recent years, the high price of fuel has raised fuel imports to \$47.5 million, accounting for about 26 percent of total imports and close to 10 percent of the country's GDP.

In 2012, the World Bank and the Government of Tonga signed a \$2.9 million grant agreement to implement the Tonga Energy Road Map (TERM) through the Pacific Region Infrastructure Facility. The TERM is a ten year plan to improve access and efficient delivery of affordable energy to Tonga's population and is implemented by the Tonga Roadmap Implementation Unit and Tonga Power Limited.

Sub-Sector Best Prospects

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Renewable energy sources available locally in Tonga are limited. The most viable alternative energy source for Tonga is solar and wind. With small isolated and scattered communities, there is potential for tailored solar generation and management of electrification systems for homes, water supply, schools, and clinics.

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World Bank in the Pacific: <http://www.worldbank.org/pi>.

Asian Development Bank: <http://www.adb.org>[Return to table of contents](#)

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Chapter 5: Trade Regulations, Customs, and Standards

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Import Tariffs

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In 2005, Tonga introduced a 15 percent consumption tax on all goods, a form of value added tax. The tax is calculated on the duty inclusive value of imports.

In 2007, Tonga became a member of the WTO. The simple average tariff binding coverage percentages for MFN tariffs applied in 2009 are:

- All goods 17.6 percent
- Agricultural goods 19.2 percent
- Non-agricultural goods 17.3 percent

Trade Barriers

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Most goods are imported under Open General License.

Contacts:

Secretary, Ministry of, Commerce, Tourism, and Labour, P.O. Box 110, Nuku'alofa, Telephone (676) 23 688, Fax: (676) 23 887 Email: secretary@mctl.gov.to; Website <http://www.mctl.gov.to>

Commissioner of Customs, Port and Authority Building, Ma'ufanga, Nuku'alofa, Telephone (676) 23 651, Fax: (676) 24 124, Website: <http://www.revenue.gov.to>

Commissioner of Revenue, Revenue Services Department, Queen Salote Ex-student Building; P.O. Box 5670, Nuku'alofa, Telephones (676) 23 444/21 030; Fax: (676) 26 638, Website: <http://www.revenue.gov.to>

World Trade Organization: <http://www.wto.org>

Import Requirements and Documentation

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To meet public health requirements, a certificate of origin is required. Only original documents are accepted. Faxed signatures are not permitted. The importer usually stipulates the number of copies. The following details must be included in the certificate:

- freight costs
- individual weights and measures from packages
- freight rebates or discounts (shown as deductions from gross freight)
- amount and rate of each type of insurance
- exact date of any discount

To assist the importer, the correct Harmonized System (HS) classification of the products should be indicated. Bills of lading and a packing list are required for goods to enter the country. Bills of lading must specify the quality of the goods, its nature, and description. Special certificates are required for the following:

- Plants and plant materials: phytosanitary certificates
- Meat and poultry: sanitary certificates
- Spirits: certificates of age certifying they are not less than three years old

Imports of motor vehicles, including motorcycles and scooters, require an import license from the MCL. The Traffic Department of the Ministry of Police must also issue written permission for importation of any left-hand drive vehicles.

According to the World Bank's Doing in Business 2013 surveys, Tonga stands at 77 in the ranking of 185 economies in trading across borders.

U.S. Export Controls

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Please see <http://www.bis.doc.gov> for information on U.S. export and technology controls in place to protect U.S. national security.

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Imported goods have duty imposed upon entry, however the excise paid on these goods may be refunded within 12 months of the re-export of these imported goods.

Labeling and Marking Requirements

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There are no special packing requirements, but goods must be securely packed to withstand rough handling and humid conditions. Tonga uses the metric system for weights and measures. The outer package should bear the consignee's mark and port mark, and should be numbered (to packing list) unless contents can be otherwise readily identified.

Prohibited and Restricted Imports

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Plants and animal products that are likely to contain pests or diseases may not be imported. Foodstuffs, drugs, and pharmaceutical products are strictly controlled. For pharmaceutical goods, a written confirmation is required from the Ministry of Health before any appropriate authorization is granted. Fertilizers and other agricultural chemicals must be accompanied by an import permit issued by the Ministry of Agriculture and Forestry.

The following imports are restricted:

- Brandy and whisky, unless certified to the satisfaction of the collector that the product has been matured in wood for three years.
- Eggs, except with a license issued by the Ministry of Agriculture and Forestry.
- Fertilizers and other agricultural chemicals, unless accompanied by an import permit by the Ministry of Agriculture and Forestry.

Customs Regulations and Contact Information

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Customs and excise tax regulations, since February 2008, provide for tax refunds on imported raw materials and re-exports of certain goods. The government also removed the customs duty on approximately 800 items, primarily capital goods.

The Tongan government, assisted by its developing partners, continues its reforms and is considered one of the regional leaders in terms of implementing modern administrative practices. Customs duty on bulk products for which the authorities experience difficulty in establishing an accurate value for duty will be converted to specific rates.

For customs requirements contact:

The Deputy Commissioner of Revenue, Customs Department, PO Box 146, Nuku' alofa, Tonga. Tel.: (676) 23 651; Fax: (676) 24 124.

Standards

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Overview

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The Consumer Protection Act of 2000 provides protection for consumers against unsafe products or products of poor quality. It also includes measures to promote competition, such as the prohibition on exclusive dealing and collusive price-fixing. The Protection Against Unfair Competition Act of 2002 protects trademarks and prohibits misrepresentation of products and services.

Standards Organizations

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There is currently no standard organization in Tonga.

NIST Notify U.S. Service

Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries.

Notify U.S. is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online at Internet URL: <http://www.nist.gov/notifyus/>

Conformity Assessment

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There is currently no conformity assessment in Tonga.

Product Certification

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At present there is no product certification in Tonga.

Accreditation

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There is no accreditation of products produced in Tonga at present.

Publication of Technical Regulations

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Any technical regulations are published by the government on its website. Press releases are also distributed on the government owned radio station.

Labeling and Marking

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There is no accreditation of products produced in Tonga at present.

Contacts

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For more information contact: Secretary, Commerce Tourism, and Labour, P.O. Box 110, Nuku' alofa, Telephone: (676) 23688, Fax: (676) 23887

Trade Agreements

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Tonga is party to the South Pacific Regional Trade and Economic Agreement and the ACP-EU Cotonou Agreement.

Web Resources

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Ministry of Commerce, Tourism, & Labour: <http://www.mctl.gov.to>

Government of Tonga: <http://mic.gov.to>/Customs Department: <http://www.revenue.gov.to>

Revenue Services Department: <http://www.revenue.gov.to>

Ministry of Finance: <http://www.finance.gov.to>

Pacific Islands Forum Economic and Trade offices:
<http://www.forumsec.org/pages.cfm/economic-governance/forum-trade-offices/>

National Reserve Bank of Tonga: <http://www.reservebank.gov.to/>

Tonga Development Bank: <http://www.tdb.to/>

MBF Bank: <http://www.mbfbank.to/>

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Chapter 6: Investment Climate

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Openness to Foreign Investment

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The Government of Tonga welcomes business and investors, and the country's economy relies heavily on overseas remittances. Many Tongans have lived in or visited the United States, and American products are readily recognized. Tonga's fertile soil, English-speaking, educated workforce, and tropical island climate offer advantages to focused investors, though the country's distance from major markets affect the cost of imports and exports. The main productive sectors of the economy are agriculture and tourism. Tonga became the 151st member of the WTO in June 2007.

The last constitutional monarchy among the Pacific Island countries, Tonga held peaceful parliamentary elections in 2010. The elections were observed by officials from the Australian and New Zealand governments, and were deemed to be free and fair. The 2010 elections for the first time allowed a majority of the parliamentary seats to be elected by the public. A secret ballot produced a noble representative, Lord Siale'ataongo Tu'ivakano, as Tonga's 15th prime minister. He is the first Tongan to become prime minister as a result of being elected by the parliament and not appointed by the monarch. Tonga is a coalition partner in Afghanistan.

Reconstruction of the Nuku'alofa Central Business District, damaged by riots in 2006, is complete. In 2012 the government opened the newly reconstructed Vuna wharf, which is expected to facilitate growth and drive tourism. The government also negotiated a number of grant-funded projects to improve infrastructure and sustainable livelihoods.

However, the economy remains sluggish and the government has forecast a growth of -0.2 percent in 2011/2012 and 0.4 percent in 2012/2013. This follows the end of loan funded construction and quarrying driven growth. Grants from development partners provided support for the government's budget, but high public debt, mainly from Chinese loans, and debt servicing commitments limits government's fiscal options. Growth is expected from the tourism sector and the export of agricultural and fisheries products. Remittances, which contribute about 30 percent of the GDP, continue to be adversely affected by economic conditions in remitting countries, mainly the United States.

The Ministry of Commerce, Tourism, and Labor (MCTL) administers Tonga's foreign investment policy and regulations. Foreign invested businesses must obtain and hold valid foreign investment registration certificates. The application fee is about 50 USD and can be obtained by applying to the Secretary of the MCTL. Certificates are valid until the business terminates activity. If a business does not commence activity within a year after a certificate is issued, the certificate becomes invalid.

After obtaining a foreign investment certificate, an investor must apply for a business license. The application, which must be accompanied by a valid foreign investment registration certificate, can be made to the Business Licensing Officer at the MCTL. The government is currently reviewing the license costs for businesses.

The MCTL also processes company registrations. A foreign company that wishes to do business in Tonga must apply for incorporation under the Companies Act of 1995. The applicant must first reserve the company name at a cost of about 46 USD. The fee to register is about 460 USD. For a company to qualify as a "Tongan company," the majority of share-holders must be Tongan. Partnerships and sole proprietors need not register but must have a valid business license.

Most of the medium-large businesses have internet access, however connectivity is slow. According to the International Telecommunications Union, 25 percent of residents used the internet in 2011. Tonga secured funding for a \$34 million grant project to enable the Tongan people to gain high-speed internet access. The underwater fiber optic cable will connect Tonga to the Southern Cross Cable, the main trans-Pacific link between Australia and the United States. The establishment and operation of the submarine cable system, which will run from Tonga to the Republic of Fiji, will provide Tonga's population with affordable, accessible, information and communication technology services. The project is already in progress and is expected to be completed by the end of June 2013. In addition to boosting Tonga's international connectivity, the project is expected to bring significant economic and social benefits to the people of Tonga.

Land cannot be bought or sold in Tonga, but may be leased through formal lease arrangements. Leases are usually 50 years in duration, although the law permits terms up to 99 years. The government has designated areas for small industry development, known as Small Industry Centers, on the two island areas of Tongatapu and Vava'u. Foreign investors are prohibited from doing business in certain sectors. An updated list of these sectors can be obtained from the MCTL.

Measure	Year	Index/Ranking
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TI Corruption Index	2011	3.1/95 out of 183
Heritage Economic Freedom	2012	57/109
World Bank Doing Business	2013	62
MCC Gov't Effectiveness	FY2013	0.07 (56 percent)
MCC Rule of Law	FY2013	0.54 (81 percent)
MCC Control of Corruption	FY2013	0.23 (66 percent)
MCC Fiscal Policy	FY2013	-2.7 (60 percent)
MCC Trade Policy	FY2013	75.6 (55 percent)
MCC Regulatory Quality	FY2013	-0.27 (38 percent)
MCC Business Start Up	FY2013	0.975 (78 percent)
MCC Land Rights Access	FY2013	0.36 (7 percent)
MCC Natural Resource Mgmt.	FY2013	97.2 (91 percent)

Conversion and Transfer Policies

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The National Reserve Bank of Tonga exercises control on foreign receipts and payments. Repatriation of funds, including dividends, profits, capital gains, interest on capital and loan repayment and salaries, is permitted, with the following exceptions: when an industrial enterprise is partly financed by locally raised capital (including working capital), in which case the repatriation of funds will be related to the extent of foreign financing (that is, repatriation will be regulated on a pro-rata basis); in respect of capital gains, the amount eligible for repatriation will be restricted to the amount transferred inward through the banking system or by other approved methods; and expatriate employees will be allowed to remit overseas wages and salaries received in Tonga up to the amount on which income tax has been paid.

Obtaining foreign exchange is not difficult.

Expropriation and Compensation

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Expropriation has not been an issue in Tonga.

Dispute Settlement

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Tonga has a robust judicial system, often staffed at the highest level by expatriate judges. The country's legal system is generally capable of enforcing contractual rights. Tonga has no formal bankruptcy law. There have been no high-profile investment disputes over the last five years. Legislation states that the provisions of the United Kingdom's Arbitration Act of 1996 govern arbitration under Tonga's Foreign Investment Act. Tonga ratified the Convention on the Settlement of Investment Disputes in 1990.

The World Bank Doing Business 2013 survey, ranked Tonga 54 out of 185 economies on the efficiency of the judicial system to resolve a commercial dispute. According to the survey, Tonga required 37 procedures to enforce a contract, took 350 calendar days to complete procedures at a cost of 30.5 percent of the value of the claim.

Performance Requirements and Incentives

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Investment incentives include: guaranteed long-term space and land leasing in the Small Industries Center, a 12-acre industrial estate, located about one kilometer from the center of Nuku'alofa; residential and work visas for foreign investors and their families for as long as the enterprise is in operation; and priority for electricity, telephone, and water connections.

Technical and promotional assistance from the MCTL is available to help prospective investors identify, evaluate and set up industries. Once a business license is obtained, the business can operate.

Although the Foreign Investment Act specifies activities reserved for local businesses and included a list of these activities, the government allows full ownership by a foreign investor in cases where manufacturing activities use imported raw materials for export, or where the investments are too large for local investors. Projects are considered on an individual basis. The government generally encourages joint ventures.

Right to Private Ownership and Establishment

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Both foreigners and domestic investors have equal rights for incorporating and establishing entities. Foreign investment legislation contains a list of 13 business activities reserved solely for Tongans and a separate list of business activities open to foreign investors under restricted conditions. Activities not identified on either list are open without restriction to foreign investors. Foreign investment in the restricted business areas may be permitted provided that investors satisfy the conditions prescribed in the regulations. The Business License Act also prohibits activities such as the storage, disposal or transport of nuclear or toxic waste, pornography, prostitution, processing or export of endangered species, production of weapons of warfare.

Tonga's Business Licenses Act's separate list of activities reserved for Tongans includes: taxis, passenger vehicles for hire, used motor vehicle dealers, retailing activities which consist of the distribution of grocery products (food & household provisions) for final consumption, wholesaling activities, the baking of white loaf bread, the raising of chickens for the production of eggs, security related business, export of green and mature coconuts, wiring and installation of residential and commercial buildings with capital investment of less than \$500,000, production and farming of root crops (yams, taro, sweet potato, cassava), squash, paper mulberry, pandanus, and kava, fishing activities comprising: reef fishing; inshore fishing within 12 nm (Zone C) in water less than 1000 meters; bottom fishing in water depth less than 500m, and Tongan cultural activities, including: folktales, folk poetry, and folk riddles; folk songs and instrumental folk music; folk dances, and folk plays; production of folk arts in particular, drawings, paintings, carvings, sculptures, woodwork, jewelry, handicrafts, costumes, and indigenous textile.

Restricted List – Open to foreign investors upon satisfaction of required conditions:

No.	Business activity	Condition
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1.	Commercial fishing comprising:	Subject to their respective Resource Management Plan (administered by the Ministry of Fisheries)
	Tuna fishing	
	Bottom fishing in water deeper than 500m	
	Other deep water fishing not less than 100m Aquaculture	
2.	Agricultural supply store distributing seeds, fertilizers, chemicals	Subject to the requirements of the Pesticide Act 2002
3.	Education facility	Subject to requirements of the Education Act (Cap.86)
4.	Medical or Health activity	Subject to the requirements of the Public Health Act 1992; Therapeutic Goods Act 2001; Nursing Act 2001; Medical and Dental Practices Act 2001; Pharmacy Act 2001; Health Practitioners Review Act 2001.

Protection of Property Rights

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Tonga has legislation protecting patents, utility models, designs and trademarks. However enforcement is weak. Counterfeit products are available on the local market. Counterfeit home entertainment items are common as there is no theater in Tonga to show legitimately distributed movies.

Transparency of Regulatory System

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While it remains somewhat challenging to establish a business, the government has instituted reforms to make the procedures and processes easier and quicker for investors. Tonga is placed 62 (out of 185 economies) in the "Ease of Doing Business 2012" ranking, falling 1 place from 2011.

It is not a practice in Tonga for parliament or government agencies to publish draft bills or regulations for public comment.

Efficient Capital Markets and Portfolio Investment

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Foreign investors are generally able to obtain credit on the local market. There are three international commercial banks, which together had approximately US\$114.1 million (TOP 198.7 million) in domestic private sector loans outstanding and assets totaling

US\$251.3 million (TOP 437.8 million) in September 2012 according to the National Reserve Bank of Tonga.

Competition from State Owned Enterprises

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Private enterprises are allowed to compete with public enterprises under the same terms and conditions. Laws and rules do not offer preferential treatment to SOEs. State-owned enterprises are subject to budget constraints and these are enforced.

SOEs are active in the Energy, Water, Timber, Tourism, Communications, Banking, Printing, and Ports/Airports sectors. Laws do not provide for a leading role for SOEs or limit private enterprise activity in sectors in which SOEs operate. SOEs have independent boards of directors and are not obligated to consult with government, though directors would coordinate with appropriate cabinet agencies on major policy issues.

Tonga has no Sovereign Wealth Fund (SWF) or Asset Management Bureau (AMB). State-owned enterprises are required to publish annual reports and submit their books to independent audit.

Corporate Social Responsibility

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There is a general awareness of corporate social responsibility among both producers and consumers, and foreign and local enterprises to follow generally accepted CSR principles such as the OECD Guidelines for Multinational Enterprises. Firms that pursue CSR are viewed favorably but consumers generally prioritize value for money ahead of CSR claims.

Political Violence

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The parliamentary government and constitutional monarchy function without signs of political violence. The elected government, in January 2011, lifted a state of emergency imposed since the 2006 riots. The risk of civil disorder is low. Reconstruction of damaged buildings in the Nuku'alofa Central Business District is complete. There is no civil strife or insurrection. There are no significant border disputes at risk of military escalation. The November 2010 Parliamentary elections were free and peaceful.

Corruption

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Corruption, including bribery, raises the costs and risks of doing business. Corruption has a corrosive impact on both market opportunities overseas for U.S. companies and the broader business climate. It also deters international investment, stifles economic growth and development, distorts prices, and undermines the rule of law.

It is important for U.S. companies, irrespective of their size, to assess the business climate in the relevant market in which they will be operating or investing, and to have an

effective compliance program or measures to prevent and detect corruption, including foreign bribery. U.S. individuals and firms operating or investing in foreign markets should take the time to become familiar with the relevant anticorruption laws of both the foreign country and the United States in order to properly comply with them, and where appropriate, they should seek the advice of legal counsel.

The U.S. Government seeks to level the global playing field for U.S. businesses by encouraging other countries to take steps to criminalize their own companies' acts of corruption, including bribery of foreign public officials, by requiring them to uphold their obligations under relevant international conventions. A U. S. firm that believes a competitor is seeking to use bribery of a foreign public official to secure a contract should bring this to the attention of appropriate U.S. agencies, as noted below.

U.S. Foreign Corrupt Practices Act: In 1977, the United States enacted the Foreign Corrupt Practices Act (FCPA), which makes it unlawful for a U.S. person, and certain foreign issuers of securities, to make a corrupt payment to foreign public officials for the purpose of obtaining or retaining business for or with, or directing business to, any person. The FCPA also applies to foreign firms and persons who take any act in furtherance of such a corrupt payment while in the United States. For more detailed information on the FCPA, see the FCPA Lay-Person's Guide at: <http://www.justice.gov/criminal/fraud/>

Other Instruments: It is U.S. Government policy to promote good governance, including host country implementation and enforcement of anti-corruption laws and policies pursuant to their obligations under international agreements. Since enactment of the FCPA, the United States has been instrumental to the expansion of the international framework to fight corruption. Several significant components of this framework are the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (OECD Antibribery Convention), the United Nations Convention against Corruption (UN Convention), the Inter-American Convention against Corruption (OAS Convention), the Council of Europe Criminal and Civil Law Conventions, and a growing list of U.S. free trade agreements. Generally all countries prohibit the bribery and solicitation of their public officials.

OECD Antibribery Convention: The OECD Antibribery Convention entered into force in February 1999. As of March 2009, there are 38 parties to the Convention including the United States (see <http://www.oecd.org/dataoecd/59/13/40272933.pdf>). Major exporters China, India, and Russia are not parties, although the U.S. Government strongly endorses their eventual accession to the Convention. The Convention obligates the Parties to criminalize bribery of foreign public officials in the conduct of international business. The United States meets its international obligations under the OECD Antibribery Convention through the U.S. FCPA. Tonga is not a party to the OECD Convention.

UN Convention: The UN Anticorruption Convention entered into force on December 14, 2005, and there are 158 parties to it as of November 2011 (see <http://www.unodc.org/unodc/en/treaties/CAC/signatories.html>). The UN Convention is the first global comprehensive international anticorruption agreement. The UN Convention requires countries to establish criminal and other offences to cover a wide range of acts of corruption. The UN Convention goes beyond previous anticorruption instruments, covering a broad range of issues ranging from basic forms of corruption

such as bribery and solicitation, embezzlement, trading in influence to the concealment and laundering of the proceeds of corruption. The Convention contains transnational business bribery provisions that are functionally similar to those in the OECD Antibribery Convention and contains provisions on private sector auditing and books and records requirements. Other provisions address matters such as prevention, international cooperation, and asset recovery. Tonga is not a party to the UN Convention.

OAS Convention: In 1996, the Member States of the Organization of American States (OAS) adopted the first international anticorruption legal instrument, the Inter-American Convention against Corruption (OAS Convention), which entered into force in March 1997. The OAS Convention, among other things, establishes a set of preventive measures against corruption, provides for the criminalization of certain acts of corruption, including transnational bribery and illicit enrichment, and contains a series of provisions to strengthen the cooperation between its States Parties in areas such as mutual legal assistance and technical cooperation. As of December 2009, the OAS Convention has 34 parties (see <http://www.oas.org/juridico/english/Sigs/b-58.html>) Tonga is not a party to the OAS Convention.

Council of Europe Criminal Law and Civil Law Conventions: Many European countries are parties to either the Council of Europe (CoE) Criminal Law Convention on Corruption, the Civil Law Convention, or both. The Criminal Law Convention requires criminalization of a wide range of national and transnational conduct, including bribery, money-laundering, and account offenses. It also incorporates provisions on liability of legal persons and witness protection. The Civil Law Convention includes provisions on compensation for damage relating to corrupt acts, whistleblower protection, and validity of contracts, inter alia. The Group of States against Corruption (GRECO) was established in 1999 by the CoE to monitor compliance with these and related anti-corruption standards. Currently, GRECO comprises 49 member States (48 European countries and the United States). As of December 2011, the Criminal Law Convention has 43 parties and the Civil Law Convention has 34 (see www.coe.int/greco.) Tonga is not a party to the Council of Europe Conventions.

Free Trade Agreements: While it is U.S. Government policy to include anticorruption provisions in free trade agreements (FTAs) that it negotiates with its trading partners, the anticorruption provisions have evolved over time. The most recent FTAs negotiated now require trading partners to criminalize “active bribery” of public officials (offering bribes to any public official must be made a criminal offense, both domestically and trans-nationally) as well as domestic “passive bribery” (solicitation of a bribe by a domestic official). All U.S. FTAs may be found at the U.S. Trade Representative Website: <http://www.ustr.gov/trade-agreements/free-trade-agreements>. Tonga does not have a free trade agreement (FTA) in place with the United States.

Local Laws: U.S. firms should familiarize themselves with local anticorruption laws, and, where appropriate, seek legal counsel. While the U.S. Department of Commerce cannot provide legal advice on local laws, the Department’s U.S. and Foreign Commercial Service can provide assistance with navigating the host country’s legal system and obtaining a list of local legal counsel.

Assistance for U.S. Businesses: The U.S. Department of Commerce offers several services to aid U.S. businesses seeking to address business-related corruption issues. For example, the U.S. and Foreign Commercial Service can provide services that may

assist U.S. companies in conducting their due diligence as part of the company's overarching compliance program when choosing business partners or agents overseas. The U.S. Foreign and Commercial Service can be reached directly through its offices in every major U.S. and foreign city, or through its Website at www.trade.gov/cs.

The Departments of Commerce and State provide worldwide support for qualified U.S. companies bidding on foreign government contracts through the Commerce Department's Advocacy Center and State's Office of Commercial and Business Affairs. Problems, including alleged corruption by foreign governments or competitors, encountered by U.S. companies in seeking such foreign business opportunities can be brought to the attention of appropriate U.S. government officials, including local embassy personnel and through the Department of Commerce Trade Compliance Center "Report A Trade Barrier" Website at tcc.export.gov/Report_a_Barrier/index.asp.

Guidance on the U.S. FCPA: The Department of Justice's (DOJ) FCPA Opinion Procedure enables U.S. firms and individuals to request a statement of the Justice Department's present enforcement intentions under the anti-bribery provisions of the FCPA regarding any proposed business conduct. The details of the opinion procedure are available on DOJ's Fraud Section Website at www.justice.gov/criminal/fraud/fcpa. Although the Department of Commerce has no enforcement role with respect to the FCPA, it supplies general guidance to U.S. exporters who have questions about the FCPA and about international developments concerning the FCPA. For further information, see the Office of the Chief Counsel for International Counsel, U.S. Department of Commerce, Website, at http://www.ogc.doc.gov/trans_anti_bribery.html. More general information on the FCPA is available at the Websites listed below.

Exporters and investors should be aware that generally all countries prohibit the bribery of their public officials, and prohibit their officials from soliciting bribes under domestic laws. Most countries are required to criminalize such bribery and other acts of corruption by virtue of being parties to various international conventions discussed above.

Tonga ranked 95 out of 183 countries with an index of 3.1 out of 10 in the 2011 Transparency International Corruption index.

The Office of the Anti-Corruption Commissioner is charged with investigating official corruption. There are no international non-governmental "watchdog" organizations represented locally.

Anti-Corruption Resources

Some useful resources for individuals and companies regarding combating corruption in global markets include the following:

- Information about the U.S. Foreign Corrupt Practices Act (FCPA), including a "Lay-Person's Guide to the FCPA" is available at the U.S. Department of Justice's Website at: <http://www.justice.gov/criminal/fraud/fcpa>.
- Information about the OECD Antibribery Convention including links to national implementing legislation and country monitoring reports is available at: <http://www.oecd.org/daf/anti-bribery/anti-briberyconvention/>

- See also new Antibribery Recommendation and Good Practice Guidance Annex for companies: <http://www.oecd.org/dataoecd/11/40/44176910.pdf>.
- General information about anticorruption initiatives, such as the OECD Convention and the FCPA, including translations of the statute into several languages, is available at the Department of Commerce Office of the Chief Counsel for International Commerce Website: http://www.ogc.doc.gov/trans_anti_bribery.html.
- Transparency International (TI) publishes an annual Corruption Perceptions Index (CPI). The CPI measures the perceived level of public-sector corruption in 180 countries and territories around the world. The CPI is available at: <http://www.transparency.org/research/cpi/overview>
- TI also publishes an annual *Global Corruption Report* which provides a systematic evaluation of the state of corruption around the world. It includes an in-depth analysis of a focal theme, a series of country reports that document major corruption related events and developments from all continents and an overview of the latest research findings on anti-corruption diagnostics and tools. See <http://www.transparency.org/publications/gcr>
- The World Bank Institute publishes Worldwide Governance Indicators (WGI). These indicators assess six dimensions of governance in 213 countries, including Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption. See <http://info.worldbank.org/governance/wgi/index.asp>. The World Bank Business Environment and Enterprise Performance Surveys may also be of interest and are available at: <http://data.worldbank.org/data-catalog/BEEPS>.
- The World Economic Forum publishes the *Global Enabling Trade Report*, which presents the rankings of the Enabling Trade Index, and includes an assessment of the transparency of border administration (focused on bribe payments and corruption) and a separate segment on corruption and the regulatory environment. See <http://www.weforum.org/s?s=global+enabling+trade+report>.
- Additional country information related to corruption can be found in the U.S. State Department's annual *Human Rights Report* available at <http://www.state.gov/g/drl/rls/hrrpt/>.
- Global Integrity, a nonprofit organization, publishes its annual *Global Integrity Report*, which provides indicators for 106 countries with respect to governance and anti-corruption. The report highlights the strengths and weaknesses of national level anti-corruption systems. The report is available at: <http://report.globalintegrity.org/>.

Bilateral Investment Agreements

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Tonga is party to a bilateral investment treaty with the United Kingdom. It is not party to any other bilateral investment treaties.

OPIC and Other Investment Insurance Programs

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Overseas Private Investment Corporation (OPIC) insurance is available to investors in Tonga, and OPIC can provide political risk insurance, finance, direct loans, and loan guarantees.

Labor

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The 2006 Census placed the unemployment rate at 4.9 percent. This rate does not reflect the significant number of people who are underemployed. Labor market statistics are weak. Just over 60 percent of people in paid employment are male. Over two-thirds of all employed people held paying jobs in the rural areas while the rest are in urban areas. About half of those employed in the rural areas work in the agriculture industry.

Wages and salaries are comparatively low. Wages, salaries and other conditions of work in the private sector are a matter of direct negotiation between employers and workers.

There are currently no trade unions in Tonga, although there is legislation permitting unions to form. The Public Servants Association operates as a de facto trade union for civil servants.

Local skilled labor is available in sufficient quantities to undertake most types of building work, except for some specialized skills and supervisory-level manpower, which is generally recruited from abroad.

The Ministry of Commerce, Tourism, and Labour has introduced the Employment Relations Bill (ERB) 2013. If adopted, the ERB 2013 would provide the legal framework for promotion of workplace, employment relations, protecting the rights and welfare of employees while ensuring employer's rights and investments are protected. Public consultation is underway for all interested parties and relevant stakeholders to submit comments in regards to the ERB.

Foreign-Trade Zones/Free Ports

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Tonga does not operate any foreign trade zones or free port facilities.

Foreign Direct Investment Statistics

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The U.S. Commerce Department's Bureau of Economic Analysis records no U.S.-sourced FDI stocks for Tonga. According to the MCTL, there are 32 foreign companies currently registered in Tonga. Foreign businesses are largely in the retail sector, and

many are owned by ethnic Chinese and Indians. The Tonga Chamber of Commerce and Industry is the country's peak private sector organization and its membership covers businesses in all sectors.

Web Resources

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Tonga:

Ministry of Commerce, Tourism and Labor - <http://www.mic.gov.to/ministrydepartment/14-govt-ministries/mct>

Ministry of Information & Communications - <http://www.mic.gov.to>

Ministry of Finance and Economic Development - <http://www.finance.gov.to>

Ministry of Revenue - <http://www.revenue.gov.to>

National Reserve Bank of Tonga - <http://www.reservebank.to>

Tonga Chamber of Commerce and Industry - <http://www.tongachamber.org>

ANZ Tonga <http://www.anz.com/tonga/en/about-us/anz-tonga>

Tonga Development Bank - <http://www.tdb.to>

MBF Bank, Taufa'ahau Road - <http://www.mbfbank.to/products.html>

Westpac Bank <http://www.westpac.to>

U.S. Government:

U.S. Embassy Suva, Fiji - <http://suva.usembassy.gov/business.html>

U.S. Foreign Commercial Service, Sydney, Australia - <http://export.gov/australia>

U.S. Department of Commerce, International Trade Administration - <http://trade.gov>

OPIC - <http://www.opic.gov>

U.S. Trade & Development Agency - <http://ustda.gov>

U.S. Food & Drug Administration - <http://www.fda.gov>

U.S. Foreign Agricultural Service - <http://www.fas.usda.gov>

USAID Pacific Islands Office, Port Moresby, Papua New Guinea
<http://pacificislands.usaid.gov>

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Chapter 7: Trade and Project Financing

- [How Do I Get Paid \(Methods of Payment\)](#)
- [How Does the Banking System Operate](#)
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- [U.S. Banks and Local Correspondent Banks](#)
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How Do I Get Paid (Methods of Payment)

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Most commercial banks in Tonga offer payment by:

- letter of credit
- cash in advance (overdraft)
- open account

How Does the Banking System Operate

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The banking system consists of the National Reserve Bank of Tonga, the Tonga Development Bank and three commercial banks:

- Westpac Bank of Tonga
- ANZ Banking Group
- MBf

The Reserve Bank is responsible for administering the financial sector, including regulating the issuance of currency, licensing and supervising banking institutions and monetary policy.

Businesses controlled by foreign investors may obtain financing from commercial banks or the Tonga Development Bank (TDB). There are no set requirements or restrictions on foreign investors obtaining local financing. The TDB's lending emphasis has recently trended away from traditional agriculture towards industry, tourism, and investment. TDB operates in all the three main island groups and offers medium to long-term lending with some business advisory services.

There are several financial institutions involved in lending, money transfers, insurance, and other financial functions. A large part of industrial lending goes to retail operators for both working capital and buildings. Commercial banks are small lenders for agricultural purposes.

Foreign-Exchange Controls

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The value of the Pa'anga (the Tongan currency, abbreviated as TOP) has been set against a basket of trading partner currencies since 1991. The National Reserve Bank of Tonga administers exchange control. To control tax evasion and money laundering, international currency transfers of TOP \$10,000 or more must be reported to the Transaction Reporting Authority housed within the Reserve Bank. For more information on exchange control guidelines for authorized dealers and banks visit the Reserve Bank of Tonga website:

http://www.reservebank.to/docs/econtrol/EC_POLICY_GUIDELINES_Jun11_final.pdf

U.S. Banks and Local Correspondent Banks

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There were no U.S. banks, but Westpac and ANZ had correspondent bank services.

Project Financing

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To promote broad-based economic growth, the International Bank for Reconstruction and Development (IBRD), a member of the World Bank group, makes long-term loans at market-related prices. The IBRD usually focuses on structural adjustment, sector reform, and individual project lending. Instead of financing a whole project, the IBRD normally finances parts of project purchases requiring foreign exchange, typically up to 40 percent of total project cost. Projects may cover a variety of sectors and can involve many separate contracts. In turn, these often provide export business opportunities for suppliers worldwide.

The Asian Development Bank (ADB) is an international financial development bank headquartered in the Philippines. There are 63 member countries in the ADB, with the United States and Japan being the largest shareholders. The largest portions of funds lent to Tonga go to poverty reduction, agriculture and public sector enterprise reform. The ADB's medium-term strategy aims are to reduce poverty, improve the status of women, aid in population planning, and environmental protection. The bank assumes the role of a catalyst for development and uses its financial resources, along with co-financing and other techniques, to attract private capital in funding the development needs of member countries.

There is a Commercial Liaison Office (CLO) at the U.S. Embassy in Manila that reports directly to the Office of Multilateral Development Banks at the U.S. Department of Commerce. It assists American suppliers and consultants in winning contracts for projects and activities funded by the Bank. The CLO includes a Senior Commercial Officer and two Commercial Specialists, one of which represents the U.S. Agency for International Development.

Further information is available from the U.S. Department of Commerce.

Web Resources

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Export-Import Bank of the United States: <http://www.exim.gov>

Country Limitation Schedule: http://www.exim.gov/tools/country/country_limits.html

OPIC: <http://www.opic.gov>

SBA's Office of International Trade: <http://www.sba.gov/oit/>

U.S. Agency for International Development: <http://www.usaid.gov>

National Reserve Bank of Tonga: <http://www.reservebank.gov.to/>

ANZ Tonga: <http://www.anz.com/tonga/en/about-us/anz-tonga/>

Tonga Development Bank: <http://www.tdb.to/>

MBF Bank: <http://www.mbfbank.to/>

Westpac Bank: <http://www.westpac.to/pacific/>

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Chapter 8: Business Travel

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- [Travel Advisory](#)
- [Visa Requirements](#)
- [Telecommunications](#)
- [Transportation](#)
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- [Local Time, Business Hours and Holidays](#)
- [Temporary Entry of Materials and Personal Belongings](#)
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Business Customs

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Business dress in Tonga is a combination of “western” and local. Tonga’s aristocratic society tends toward more formality in business situations than some other Pacific states. Men usually wear collared shirts and ties during work hours, with a knee-length ‘tupenu’ or ‘sulu’ wrap with a traditional woven mat attached. Women usually wear skirts or dresses. Sandals are usually worn by both men and women. Tongans in mourning are often seen wearing black. Aloha-style colorful collared shirts without ties are often worn on Fridays, except for formal occasions.

Travel Advisory

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Tonga Consular Information Sheet

http://travel.state.gov/travel/cis_pa_tw/cis/cis_1042.html

Visa Requirements

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A visa is not required for short-term visitors, but a return ticket must be shown to immigration officials upon arrival. Immigration generally issues permits for a month’s stay.

U.S. Companies that require travel of foreign businesspersons to the United States should be advised that security evaluations are handled via an interagency process. Visa applicants should go to the following links:

State Department Visa Website: <http://travel.state.gov/visa/>

United States Visas.gov: <http://www.unitedstatesvisas.gov/>

United States Embassy, Suva, Fiji: <http://suva.usembassy.gov>

Telecommunications

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Telephone IDD is available in Tonga. There are two telecommunications providers, Tonga Communications Corporation (TCC) and Digicel. Both offer Internet, telex, fax and cable messages. Cellular telecommunications are available throughout Tonga and the charges are relatively cheaper than most other Pacific island countries.

Telecommunications facilities are offered at most hotels and there are Internet cafes around the main towns of Tongatapu, Vava'u and Ha'apai.

The Government of the Kingdom of Tonga, the Asian Development Bank (ADB), and the World Bank will be completing in mid 2013 (June/July) a \$34 million project which will allow Tonga to gain high-speed internet access by financing the development of a submarine cable system. The project is being co-financed by ADB, the World Bank Group, and TCL.

The underwater fiber optic cable will connect Tonga to the Southern Cross Cable, the main trans-Pacific link between Australia and the United States. The establishment and operation of the submarine cable system, which will run from Tonga to Fiji, will provide Tonga's population of over 103,306 with affordable, accessible, information and communication technology services. The project is expected to bring significant economic and social benefits once the cable is in place in 2013. In addition to greater connectivity, it will help businesses to expand and create more jobs, and make it easier for Tongans living abroad to remit money home.

Transportation

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Air

There are two international airports in Tonga. Fua'amotu International Airport is located 21km from the capital city of Nuku'alofa on Tongatapu and Lupepau'u International Airport is located on Vava'u. Air Pacific, Air New Zealand, and Pacific Blue have scheduled flights to and from Tonga. Domestic flights run between the island groups daily. Real Tonga is the only domestic air service provider. Chatham Pacific which previously provided links between Tongatapu, Vava'u, Ha'apai, 'Eua and Niuatoputapu has ceased operations.

Sea

Tonga's two main ports are located in Nuku'alofa, Tongatapu; and Neiafu, Vava'u. Another port in Pangai, Ha'apai runs a containerized service to Auckland, New Zealand and to Suva, Fiji. A containerized freight service runs between Tonga and Australia. There is cargo service to Europe.

The Friendly Islands Shipping Agency (FISA), under the Ministry of Finance and National Planning, is tasked with the operation of the government's only inter-island ferry (MV 'Otuanga'ofa). In addition, there are another two privately-owned shipping

companies, the Uata Shipping Line and Tofa Ramsay Shipping, providing inter-island services. Ferries service the outer Tongan islands once a week.

Roads

There are about 120 miles of main roads, 32.3 miles of which are sealed and the remainder covered with compacted coral. There are about 93.2 miles of secondary roads. While horse traffic is still seen outside Tongatapu, the main forms of transportation in Tonga are bus, car, or passenger ferries. To rent a car, an international driver's license and passport must be presented to the rental agency. The legal driving age is 18 years and a learner's license, costing \$33.42 (TOP\$60) must be obtained from the Land Transport Division of the Ministry of Transport, Nuku'alofa. Traffic flows on the left, as in the United Kingdom.

Language

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The business language in Tonga is English. Nonprofessionals, especially older ones, may only speak Tongan. Communication is rarely a problem; if an individual does not speak English, they usually have a relative, friend, or neighbor who does.

Health

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The main hospital, which is located on the main island of Tongatapu, is government owned, and the range of services it provides is limited. Consultation and treatment at the hospital is for a minimal fee. There are hospitals on the main islands of Vava'u and Ha'apai and they are open for consultation and treatment free. There are a number of private clinics and dental surgeries on the main island of Tongatapu.

Local Time, Business Hours, and Holidays

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Tonga is west of, and adjacent to, the International Dateline, thirteen hours ahead of Greenwich Mean Time.

Business hours are as follows:

Businesses: Monday to Friday, 8:30am to 5:00pm

Government: Monday to Friday, 8:30am to 4:30pm

Shops: Monday to Friday, 8:30am to 1:00pm and 2:00pm to 5:00pm

Saturday, 8:00am to 12:00pm

Post Offices: Monday Friday, 8:30am to 4:30pm

2013 Public Holidays in Tonga

New Year's Day

January 1

Good Friday

March 29

Easter Sunday

March 31

Easter Monday

April

Anzac Day

April 25

Emancipation Day	June 4
Birthday of His Majesty King Tupou VI	July 4
Birthday of HRH Crown Prince Tupouto'a 'Ulukalala	September 17
Tonga (National) Day/ Constitutional Day	November 4
King George Tupou I Day	December 4
Christmas Day	December 25
Boxing Day	December 26

Temporary Entry of Materials and Personal Belongings

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The entry of materials and personal belongings are treated as “private imports” and applicable duty is charged.

Web Resources

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Tonga Consular Information

Sheet: http://travel.state.gov/travel/cis_pa_tw/cis/cis_1042.html

State Department Visa Website: <http://travel.state.gov/visa/index.html>

United States Visas: <http://www.unitedstatesvisas.gov/>

US Embassy Suva, Fiji: <http://suva.usembassy.gov/>

Government of Tonga: <http://www.tonganow.to>

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Chapter 9: Contacts, Market Research and Trade Events

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- [Market Research](#)
- [Trade Events](#)

Contacts

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U.S. Government Organizations

The United States Embassy in Suva, Fiji, is also responsible for Tonga. There is no Embassy in Tonga, but there is a Peace Corps office responsible for local U.S. Peace Corps volunteers.

Embassy of the United States of America

158 Princes Road
Suva, Fiji
Tel: 679 3314 466
Fax: 679 3308 685

Political & Economic Section Chief: Michael A. Via
Commercial Officer: Cyndee J Crook
Commercial Assistant: Repeka Ufiamorat
Political-Consular Assistant specializing in Tonga: Sulieti Havea

Tongan Government Agencies

Ministry of Commerce, Tourism, and Labour, PO Box 110, Nukualofa, Tonga Tel: 23 688; Fax: 23 887 , Email: infor@kalianet.to, website: [Website: http://www.mctl.gov.to](http://www.mctl.gov.to)

Ministry of Finance and National Planning, P.O. Box 87, Nuku' alofa, Tonga, Tel: 23 066; Fax: 24 040; Website: <http://www.finance.gov.to>

Ministry of Agriculture & Forests, Food & Fisheries, PO Box 14, Nukualofa, Tonga. Tel: 23 038; Fax: 24 271, Website: <http://www.tongafish.gov.to>

Ministry of Foreign Affairs, PO Box 821, Nukualofa, Tonga. Tel: 23 600; Fax: 23 360

Ministry of Justice, PO Box 11/ P O Box 130, Nukualofa, Tonga. Tel: 25 618; Fax: 22 434;

Crown Law Department, P O Box 85, Nuku'alofa, Tonga. Tel: 24 055, Fax: 24 007, Website: <http://www.crownlaw.gov.to>

Ministry of Education & Training, PO Box 61, Nukualofa, Tonga. Tel: 23 511; Fax: 23 596, Website: <http://www.tongaeducation.gov.to>

Ministry of Revenue. P O Box 146, Nuku'alofa, Tonga. Tel: 23 444, Fax: 26 638,
Email: inforev@revenue.gov.to, Website: <http://www.revenue.gov.to>

Customs Department, PO Box 146, Nukualofa, Tonga. Tel: 23 651; Fax: 24 124,
Website: www.revenue.gov.to

Tonga Statistics Department, PO Box 146, Nukualofa, Tonga. Tel: 23 300; Fax: 24 303/23913, website: <http://www.spc.int/prism/tonga/> National Reserve Bank of Tonga, Private Bag 25, Nuku'alofa, Tonga, Tel: 24 057 Fax 24 201,
Email: nrbt@reservebank.to; Website: <http://www.reservebank.to>

Tonga Development Bank, PO Box 126, Nuku'alofa, Tonga. Tel: 23 333; Fax: 23 775,
Website: <http://www.tdb.to>

Non-Government Agencies

Tonga Chamber of Commerce, PO Box 1704, Nuku'alofa Tonga. Tel: 25 168. Fax: 26 039; Email: admin@tongachamber.org; Website: <http://www.tongachamber.org>

Tonga Law Society, PO Box 2815, Nuku'alofa, Tonga. Tel: 27 671; Fax: 2 675.

Tonga Medical Association, PO Box 205, Nuku'alofa, Tonga. Tel: 23 200; Fax: 24291.

Tonga Society of Accountants, PO Box 103, Nuku'alofa, Tonga. Tel: 26334; Fax: 23 749.

Tonga Tourist Association, PO Box 74, Nuku'alofa, Tonga. Tel: 23 810

Commercial Banks

ANZ Bank, P.O. Box 910, Nuku' alofa, Tonga, Tel: 20 500; Fax: 23 870,
Email: ANZTonga@anz.com; Website: <http://www.anz.com/tonga>

Westpac Bank of Tonga, PO Box 924, Nukualofa, Tonga. Tel: 23 933; Fax: 25 066;
Email: wepactonga@westpac.com.au; Website: <http://www.westpac.to>

MBf Bank, PO Box 3118, Nukualofa, Tonga. Tel: 24 600; Fax: 24 662; Email:
infor@mbfbank.to

Market Research

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To view market research reports produced by the U.S. Commercial Service please go to the following website: <http://www.export.gov/mrktresearch/index.asp> and click on Country and Industry Market Reports.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required and is free.

Please click on the link below for information on upcoming trade events.

<http://www.export.gov/tradeevents/index.asp>

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Chapter 10: Guide to Our Services

The President's National Export Initiative aims to double exports over five years by marshaling Federal agencies to **prepare U.S. companies to export successfully, connect them with trade opportunities and support them once they do have exporting opportunities.**

The U.S. Commercial Service offers customized solutions to help U.S. exporters, particularly small and medium sized businesses, successfully expand exports to new markets. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers
- Gain access to the full range of U.S. government trade promotion agencies and their services, including export training and potential trade financing sources

To learn more about the Federal Government's trade promotion resources for new and experienced exporters, please click on the following link: www.export.gov

For more information on the services the U.S. Commercial Service offers to U.S. exporters, please click on the following link: <http://suva.usembassy.gov/business.html>
U.S. exporters seeking general export information/assistance or country-specific commercial information can also contact the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRAD(E)**.

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.

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