

KIRIBATI

Business Conditions Snapshot

- Kiribati is one of the most remote and geographically dispersed countries in the world, comprising 33 atolls and islands spread over 3.5 million square kilometres. Half the population lives on South Tarawa, and another 40 per cent lives in the Gilbert Islands group.
- Kiribati has not reported any COVID-19 infections to date. Kiribati closed its international borders in March 2020, which has impacted the tourism and hospitality sectors.
- The government has announced a COVID-19 business support package in response.
 - COVID-19 also impacted the number of I-Kiribati working overseas and their remittances.
 - The Government of Kiribati fast-tracked new social protection payments in response to these disruptions.
- Before COVID, economic growth had been strong as a result of rapid population growth, growing fisheries licence revenue and development partner support.
 - South Tarawa – Kiribati's commercial, education and government centre – primarily benefited from this growth. Kiritimati Island was the main tourism destination, and formal economic activity on other islands is limited.
- The Government of Kiribati dominates the national economy. It is the recipient of fisheries licence revenue and is the largest employer in the country. Moreover, state-owned enterprises operate most key infrastructure in Kiribati including water, electricity, sanitation, sea and airports, and airlines.
- Some sectors are open to commercial access, including telecommunications, tourism, retail, transport, housing, and service providers to state owned enterprises.
 - The biggest existing industry is fish processing. Other than marine resources, Kiribati has limited natural capital. Other sectors are relatively underdeveloped.
- The telecommunications sector could expand, with submarine cables landing on South Tarawa and Kiritimati Island expected to reduce the cost of data, and greatly increase the volume of data consumed. There are currently two providers

Key facts and figures

- Population: 115,000 (2018)
- GDP growth: 2.3 per cent (2018)
- GDP per capita: US\$1,640
- Political system: Republic with unicameral Parliament
- Two-way trade: A\$20.5m (2018)
- Two-way investment: A\$11 million (2018)
- Aid relationship: A\$27.2 million



- Vodafone and OceanLinks – and the Government is keen to increase competition in the sector.
- COVID-19 travel restrictions may push back the landing date for these cables to 2022 or 2023.
- Tourism is probably the most prospective sector for commercial engagement. The Government of Kiribati has ambitious plans to develop its tourism sector once COVID-19 related travel restrictions are lifted.
 - Kiritimati has the best-established tourism activities (fishing, surfing, bird watching) while the Phoenix Islands are earmarked for niche environmental tourism.
 - South Tarawa has World War II relics and is the stepping-off point for travel through the Gilbert Islands.
 - The accommodation, hospitality and transport sectors are underdeveloped compared to other tourism destinations in the Pacific.
- There are around six ‘major’ importers and retailers in Kiribati, typically offering a limited range of food items, cookware and clothing.
 - Food items sourced from Australia and New Zealand are regarded as premium, with significant quantities of products sourced from China and South East Asia.
 - There do not appear to be any formal supply arrangements between major Australian suppliers and Kiribati importers.
- Doing business in Kiribati is considered difficult, with power failures common, limited access to land and skilled staff, and onerous business licencing arrangements (among others). The relatively small population and geographic dispersal of that population create issues of scale.

Trade and Investment Opportunities

- Australian interests tend to dominate the trade, investment and commercial partnerships with Kiribati. Kiribati uses the Australian dollar as its official currency, which provides Australian firms with an advantage compared to companies from other countries.
- ANZ Kiribati Limited, a subsidiary of the ANZ Bank, is the only provider of formal financial services and is the largest and highest profile Australian commercial presence in Kiribati. The Government of Kiribati has discussed offering further banking licences, but no concrete steps have been taken to date.
- A number of Australian firms provide other services in Kiribati, including building design and construction (Alexander and Lloyd Group, CCB) and aviation (Pionair Aviation). There are also a number of individual Australians providing services in



Kiribati. Many of these firms and individuals are linked to past or ongoing development projects, including infrastructure projects.

- Kiribati exports labour services to Australia under the Seasonal Worker Program and Pacific Labour Scheme. Workers on these schemes have been a significant source of remittances in recent years. Restarting labour mobilisations from Kiribati once regional air travel arrangements normalise should be a focus for Australia.
- Kiribati investment in Australia is possibly understated in official figures, as Kiribati's A\$1 billion Revenue Equalisation Reserve Fund and A\$150 million Kiribati Provident Fund are partially invested in Australian stocks and bonds. Kiribati has no formal financial or stock markets. There could be private investment opportunities, particularly in the tourism sector. Finding a suitable local business partner could be difficult.
- At this stage, our development program is not commercially focused, due to the country's deep development needs.
- Several significant infrastructure projects were scheduled to commence in 2020. COVID-19 will delay the start of projects funded by the Government of Kiribati (outer island roads and airstrips) and multilateral development banks (the South Tarawa Water Supply Project, among others). These projects, once commenced, may offer opportunities for construction companies and individual service providers.
- Kiribati will host the 2022 Pacific Islands Forum Leaders Meeting, and will need significant investment to bring accommodation, catering and transport services to a suitable standard. Donor partners can be expected to assist with some of these needs, but there may also be scope for private investment.

Trade policy focus

- Kiribati has ratified PACER Plus, which may provide new opportunities for Australian exporters. Australia is now working with the Government of Kiribati to promote and implement PACER Plus.

Disclaimer

The Department of Foreign Affairs and Trade (DFAT) has taken great care to ensure the information contained in this publication is correct and accurate.

DFAT does not guarantee, and accepts no legal liability arising from or connected to the accuracy, reliability, currency or completeness of any material contained in this publication.

Readers should exercise their own skill and care in using the material contained in this publication and carefully evaluate the accuracy, currency, completeness and relevance of the material for their purposes.

Insight current as at December 2020.

