SUMMARY

1. Solomon Islands is a least developed country and shares many of the challenges of other small island developing countries. The economy relies strongly on a few natural resources (including logging), and is heavily exposed to natural disasters and external shocks. Growth has ranged between 2% and 10% since 2010. Since its last TPR, Solomon Islands has recorded some positive strides in economic development, including a decline in the incidence of poverty and a strong increase in per capita income. However, unemployment is prevalent and the economy is dominated by informal and subsistence activities. Merchandise exports continue to be heavily concentrated in logs and fish. Imports are dominated by machinery and transport equipment, food and live animals, and mineral fuels. Australia, China, and the EU are among Solomon Islands' main trading partners.

2. During the review period, Solomon Islands moved from a US dollar peg to a peg against a basket of currencies. New legislation was passed in 2012, setting domestic price stability as the primary objective of monetary policy and strengthening the independence of the Central Bank of Solomon Islands. Major reforms in public finances include the adoption of a new debt management strategy and a new public financial management law, and the strengthening of the revenue collection system. A large part of the budget is financed by external donors, most notably Australia. Solomon Islands' foreign reserves position remained at a comfortable level during the review period. FDI inflows have been relatively low, with the main investment sectors being services, forestry, mining, and tourism.

3. The National Development Strategy 2016-2035 is Solomon Islands' new long-term economic policy document. Its main policy objectives are inclusive development and poverty alleviation. These are to be achieved through macroeconomic stability, containment of population growth, and targeted social spending. The sources of growth are to be diversified away from logging towards other sectors such as mining, fishing, and tourism. Improving the environment for business, trade and private sector-led growth is also a priority.

4. Solomon Islands adopted its first formal trade policy framework in 2015, with a view to mainstreaming trade into the National Development Strategy and improving the medium- to long-term performance of the economy in the areas of trade and foreign direct investment. This is to be achieved by, *inter alia,* addressing supply-side constraints and taking advantage of opportunities in existing international agreements.

5. Solomon Islands has yet to ratify the Trade Facilitation Agreement, but has already notified its category A commitments under the Agreement. Between 2009 and July 2016, Solomon Islands did not submit any other notifications to the WTO. While Solomon Islands' current interest in the multilateral trading system is limited, the authorities indicate that the importance of WTO issues could increase with the country's graduation from LDC status.

6. Solomon Islands is party to several overlapping regional trade and economic cooperation arrangements: the Pacific Islands Forum, the Pacific Agreement on Closer Economic Relations, the South Pacific Regional Trade and Economic Cooperation Agreement, the Melanesian Spearhead Group Trade Agreement, and the Pacific Island Countries Trade Agreement. As a least developed country, Solomon Islands is also eligible for the Generalized System of Preferences schemes of most developed Members of the WTO.

7. All foreign investment must be registered. The important contribution of FDI to economic development is recognized by the Government, and Solomon Islands' investment regime is relatively open. Fourteen activities, including retail trading and domestic transport services, are reserved for Solomon Islands nationals. Exemption from customs duties on imported capital goods is the most important investment incentive; it is available to foreign and domestic investors alike. While no restrictions are placed on remittances of dividends, profits, and other earnings, approval from the Central Bank is required. In practice, investors may also be confronted with the difficulty of identifying land owners and, once a land transaction has been sealed, security of the land title.

8. In January 2015, customs migrated to ASYCUDA World. All customs declarations must be submitted electronically. Imports must be reported to customs by lodging a cargo manifest, the bill of lading or airway bill, the commercial invoice, and a customs declaration. Additional information

is required when imported goods are subject to licensing. Since Solomon Islands' last TPR, new legislation has been adopted to give effect to the WTO Customs Valuation Agreement. Customs clearance of imports usually takes between two and three days.

9. Solomon Islands' tariff schedule comprises 5,512 tariff lines at the HS eight-digit level; non-*ad valorem* tariff rates are applied on 1.7% of all tariff lines. The simple average applied MFN rate increased slightly during the review period, from 9.1% in 2009 to 9.3% in 2016. The average applied tariff for agriculture (WTO definition) is 10.1%, slightly higher than the average for non-agriculture (9.1%). More than 82% of all *ad valorem* tariff lines carry an MFN rate of 10%, and another 15% have a rate of 5%. Less than 1% of the total tariff lines are duty-free. Solomon Islands has bound all of its tariff lines, mostly at 80%. However, for 58 tariff lines (mainly various seeds, sugar, and alcoholic beverages), applied rates still exceed their bindings. Solomon Islands grants preferential tariffs to other members of the Pacific Islands Trade Agreement and the Melanesian Spearhead Group. The importance of import duties as a source of government revenue has declined significantly in recent years.

10. Other charges levied by Solomon Islands include goods tax, sales tax, and excise duties. The application of internal taxes seems to be both discriminatory and inconsistent: for example, the goods tax rate is higher for imports than for equivalent domestic goods. On the other hand, excise duties are applied only on domestically produced goods.

11. Solomon Islands maintains import prohibitions to protect public health, safety and morals, and the environment. Certain goods, including food products, are subject to import licensing. Solomon Islands does not have safeguard, anti-dumping or countervailing duty legislation, nor has it applied any safeguard, anti-dumping or countervailing duties.

12. Solomon Islands has limited institutional capacity to adopt and enforce technical regulations and conformity assessment procedures. There is no centralized standardizing body, nor is there an inventory of technical regulations or conformity assessment procedures in force; standards are adopted and administered by various government agencies and ministries. Certain technical regulations applicable on imports are laid down in the Customs and Excise Act.

13. New legislation on biosecurity was adopted in 2013. Under the Biosecurity Act 2013, the Government may regulate imports of plants, animals and products thereof to prevent the introduction of diseases and pests. The Act also establishes the procedure for the development of SPS measures to be applied on imports. A licence issued by Biosecurity Solomon Islands is generally required to import plants, animals, and their products. The capacity to undertake risk assessments in the area of SPS measures improved during the review period.

14. There are no registration requirements for exporters who have a tax identification number. Customs clearance for exports usually takes between one and two days. Exports of various goods (including logs, fish, and timber) are subject to duties, with rates between 2.5% and 30% of the f.o.b. value. Specific duties are applied on logs. Fiscal income from export taxes remains important for Solomon Islands, contributing around 16% to total public revenue. Public export support and promotion activities are limited.

15. There is no generic competition law in Solomon Islands. Price controls are in place on various staples as a means to address competition perceived as being too low. Maximum prices are based on a mark-up system which allows traders to add a certain percentage on landed costs plus goods tax. State-owned enterprises are active in a number of key sectors of the economy, including air transport, broadcasting, electricity, ports, and water.

16. During the review period, new legislation on public procurement was adopted. A Central Tender Board is responsible for managing the tender process of goods or services for all procurement above SI$500,000 (equivalent to US$63,000). Competitive tendering is required for all procurement exceeding SI$100,000. There are no provisions that grant foreign products or suppliers less than national treatment.

17. Intellectual property laws in Solomon Islands are mostly outdated, except for the Copyright Act 1987. However, since 2014, the Government has been developing a national IP strategy, and all IP legislation is currently being reviewed. Enforcement activities mainly consist of public

campaigns to raise awareness of IP issues and dissemination of information regarding intellectual property protection for creators.

18. Agriculture (including fisheries and forestry) remains of major importance to the economy of Solomon Islands. Forest area covers about 80% of the land area, although it has been on a declining trend. The forest sector suffers from poor enforcement of the legislation; there are indications that under-invoicing and illegal logging is prevalent. Fisheries accounted for 11.5% of total exports in 2015. Solomon Islands is a member of the Parties to the Nauru Agreement, under which a Vessel Day Scheme (VDS) has been used collectively by members to manage their tuna stock since 2010.

19. The mining industry is predominantly focused on the extraction of gold and nickel. The output of the industry declined substantially following the closure of the only gold mine in the country in 2014. During the review period, the main legislation governing mining activities was amended, *inter alia,* to introduce a new tax regime and make provisions for the Government to require licence holders to build infrastructure as part of the licence agreement.

20. The manufacturing sector is marginal in terms of contribution to GDP, and is largely geared towards the local market.

21. Services continue to be the largest sector of the economy of Solomon Islands, accounting for about 57% of GDP in 2014. Financial system assets grew strongly during the review period. Access to financial services has been expanded through the Pacific Financial Inclusion Programme (PFIP).

22. In telecommunications, there has been significant growth in the mobile segment. The adoption of the Telecommunications Act in 2009 marked the liberalization of the sector. In 2009, the Government reached an agreement with the historic operator to surrender its exclusive licence, thereby allowing the entry of another operator into the mobile market in 2010. The Telecommunications Commission of Solomon Islands was established in 2010 as the regulator of the sector. Since March 2015, it has been mainly funded by licence fees and a 2% levy on operators' revenues.

23. Maritime transport is of vital importance to Solomon Islands owing to its geography of dispersed islands. Key reforms during the review period include: the establishment of the Solomon Islands Maritime Safety Administration in 2010 as the regulatory authority in the sector, and the introduction of a franchise shipping scheme in 2010 to provide shipping services to remote areas; subsidies accorded under the scheme are to be eliminated over a period of five to ten years.