



To: The Government of Australia

From: The Government of the Republic of Vanuatu

Subject: Pilot program to ease restrictions on the importation of kava for commercial purpose

Background

1. The Vanuatu Government acknowledges the Australian Government for communicating on 29 April 2020 its consultation paper on allowing the commercial importation of kava. The proposed phase of the pilot would allow for the commercial importation of unlimited amounts of kava into Australia for non-medicinal purposes, in addition to the medicinal and therapeutic purposes currently allowed under permit. Vanuatu again recognises the efforts from Australia to increase the importation from 2kg – 4 kg, which was implemented in December 2019.
2. The Ministry of Foreign Affairs, International Cooperation, and External Trade on behalf of the Government and its people is presenting this response drawn from a collective effort provided by kava industry stakeholders on the choices and decisions for a win-win approach for both countries.
3. Kava is known as the ‘green gold’ commodity within Vanuatu. It has long been and continues to be a significant primary product contributing to the domestic economy and the livelihood of the people in the rural areas who depend on kava as the major source of income, and for its traditional purposes. In 2019, kava amounted to roughly 57% of Vanuatu’s merchandise exports¹, thus showcasing its national importance. Indeed, the recently published Trade Policy Framework Update states that ‘kava is now definitively Vanuatu’s most important commodity, offering an unparalleled road to development.’

¹ Source: Vanuatu National Statistics office

4. Kava is particularly important as the income generated flows back to the rural islands, which are often left out of from other aspects of the formal economy – such as services. With the benefits strongly visible, many more farmers and people throughout Vanuatu and the Pacific have increased their planting of the kava plant. The kava plant takes around five years before it is ready for export, and so it had been expected that supply will increase sharply in the coming years – especially noting the last four-year post Tropical Cyclone Pam. TC Pam destroyed much of Vanuatu’s kava crops, and so there was substantial replanting in the period following TC Pam. It was therefore expected that this year there would be a large increase in kava supply – this oversupply would have likely led to a fall in prices, which in turn would significantly impact the potential of the rural communities of Vanuatu to further develop. The best way to reverse this potential trend would be to increase demand in line with supply – kava is one of the very few products for which the Pacific represents a very high proportion of production, and for which the Pacific Island nations themselves have control over. It is this fact which makes kava so unique, and which means it has such huge development potentials for the Pacific. An increase in demand for kava, leading to higher prices and volumes, is the clearest and simplest way for Vanuatu to develop.
5. At the Forum Trade Ministers Meeting held in Fiji, in February 2020, Ministers supported Vanuatu to maintain discussions on kava at regional and international fora, and to determine how to enhance market access and market diversification for kava and kava products; and encouraged the finalisation and adoption of regional kava standards in line with *Codex Alimentarius* provisions that would enable the development of kava value chain into a global commodity.
6. Vanuatu was hit by another category 5 cyclone TC Harold, in early April. The impact of this natural disaster on kava supply is unclear, although reports are coming in of widespread damage to crops in many of the worst impacted areas. Whilst this may go some way to offsetting the situation of oversupply that was forecast, it is still very important to continue to grow markets for kava – especially as the Government of Vanuatu is supporting its farmers to replant as much as possible. The impact of COVID-19 on the global kava market is also unclear, but it is possible that it will particularly impact demand from the US, a nation where the impact of COVID-19 has been particularly severe, with nearly 100,000 dead and 36m unemployed at the time of drafting. Given kava is more of a luxury good in the US, it is possible

that demand will fall as a result of the COVID-19 situation. On the other hand, before COVID-19 the US market was growing very rapidly, and so it is uncertain at this stage which of these factors will dominate.

7. Vanuatu's commitment on the PACER Plus trade agreement focused on increasing market access of products such as kava into Australia during the course of the negotiations process. Despite being Vanuatu's closest large neighbour, Australia was responsible for only 4% of Vanuatu's entire merchandise exports in 2018 – representing about VUV 171m, whilst 22% of Vanuatu's imports came from Australia, with an estimated value of VUV 10 billion. Australian exports to Vanuatu were therefore 60 times larger than Vanuatu's exports to Australia, representing a huge imbalance in merchandise trade – albeit one which is offset to some degree by trade in services. Kava offers by far the best route for this imbalance to be addressed, and for Vanuatu to actually begin to export in a reasonable quantity.
8. Following consultations with several members of the kava industry, government, individuals, the private sector and community leaders/ chiefs from Vanuatu on this phase 2 consultation, the Vanuatu Government therefore submits the following comments:
9. The kava plant has long played a crucial role in South Pacific societies, with it being a critical part of many important occasions and ceremonies – such as weddings, funerals, or chiefly ceremonies. These ceremonies have long relied on kava to 'seal the deal', and the Government of Vanuatu believes it is of great importance that the South Pacific diaspora is able to fully commit to these cultural values.
10. The role of kava within these communities extends far beyond just these important ceremonies, however. Kava is the most popular drink within Vanuatu, and is a key social activity within the country. This is evident by the 250-300 kava bars based within Port Vila, a city of around 60,000 people (includes daily commuters).
11. The Government of Vanuatu believes that kava has a strong positive impact on the community and society of Vanuatu, especially when compared to alcohol. The Government acknowledges that there can be isolated incidents of social disorder caused by kava – however, the vast majority of people consume kava in a safe and sensible manner, and very often as an alternative to alcohol, a substance which has huge social and health issues associated with it. Anecdotal evidence from the US shows kava is very effective at helping people to transition away from alcohol.

12. The Government of Vanuatu acknowledges the Government of Australia's determination to continue to prioritize the development of commercial importation of kava in the Pacific. Vanuatu is very interested and looks forward to the commercial exports of kava and kava products to Australia soon.
13. The Australia and New Zealand support on the Kava Value Chain analysis through the PHAMA Plus program is acknowledged.

Phase 2: Allowing the commercial importation of kava into Australia

Question 1: Are you supportive of the use of import permits (option 2) to allow kava importation to be controlled and monitored?

14. The Vanuatu Government believes the following;
 - Kava does not offer a health risk;
 - Kava is beneficial overall on a social level;
 - Despite the above two points, the Vanuatu Government does not support the sale of kava to children. Therefore, the Vanuatu Government supports some regulation on kava – however, it questions whether this needs to be through the prohibited import legislation. Its preferred option is to introduce separate legislation to manage this;
 - The Vanuatu Government does acknowledge that data would be useful;
 - Therefore, the Government of Vanuatu is willing to support the second option as part of the pilot. Once the regional kava standard through CODEX Alimentarius Commission has been agreed, the Government Vanuatu believes that kava should be removed immediately from the list of Prohibited Imports, and separate legislation should be utilised regarding who can purchase kava;
15. ***Question 2: Under option 2 what requirements or conditions do you think are responsible and necessary to be placed on commercial entities in order to allow them to import commercial qualities of kava?***
16. As little as possible – this should only relate to the sale of kava to minors.

Question 3: In addition to state and territory government restrictions on the supply and consumption of kava within their jurisdictions, what other restrictions should be imposed on holders of permits for importing kava into Australia?

17. None

Question 4: Should kava be sold with further warnings about potential harm, such as those in the food standards? What are your views on what these warnings should be?

18. All credible research points to kava being safe to consume for the general adult population, and therefore there should be general warnings. The one possible exception is that there is a lack of research into the impact of kava on pregnant women – there is nothing to suggest it is unsafe, but there is a lack of evidence saying it is safe for this subgroup. Therefore, there should be warnings saying that pregnant women should either avoid kava altogether, or that they should drink limited quantities with caution.

Health and Social impact of Kava

Question 5: What are your views on the potential health, social and cultural impacts of kava, and do you have any evidence to share?

19. The Government of Vanuatu and its people acknowledge the complexity of the issues affecting the Indigenous Australians in Arnhem Land (Northern Australia). However, Vanuatu feels that kava is being treated unfairly as a result and this has had a flow-on negative impact on the image of kava. For example, alcohol abuse and excessive consumption of alcohol were also reported as key contributing factors to the issues affecting the Indigenous communities in Arnhem land. However, there are no restrictions being placed on the import or production of alcohol.

20. Kava consumed in the traditional form as a beverage is known for its benefits to reduce stress, promote relaxation, and meet our social and ceremonial obligations. Additionally, there have been several clinical studies that confirmed that kava performed favourably in relation to the other synthetic drugs and alcohol as a remedy of Generalised Anxiety Disorder.

21. Clinical studies conducted on Kava when consumed in its traditional form (kava extracted with water) confirmed that kava was safe as a drink. A traditional drink that does not do any harm compared to the use of alcohol and other drugs for social purposes. For example, Kava water extract is recognized as safe² and is classified as a food export to markets like New Zealand,

² Source: WHO report (2008), https://apps.who.int/iris/bitstream/handle/10665/43630/9789241595261_eng.pdf;jsessionid=ACD7CE180D69D81024ABCE88BD6F215E?sequence=1

the USA, and New Caledonia, where kava drinking places are developing rapidly without health-related issues. Its positive impact on people to avoid hefty consumption of alcohol is compared to people consuming tea in Britain or coffee in Italy.

22. The Government of Vanuatu disputes the assertions in the consultation paper about the negative impacts of kava on health, especially with regards to liver toxicity. The Government of Vanuatu requests a dialogue between the Office of the Drug Control, the Vanuatu Government, and the Vanuatu Kava Industry Association to further study the scientific evidence for the health impacts of kava.

Question 6: Are you concerned about any particular risks that may be caused by allowing the commercial importation of kava?

No

Question 7: Do you have any suggestions for how to limit any potential negative impacts or risks of using kava and / or commercially importing kava into Australia?

Kava consumption should be encouraged in moderation – however, given the very low risks associated with kava consumption, there are no specific programs which are suggested.

Business Impacts of Kava

Question 8: What benefits may be achieved from commercially importing kava into Australia?

Question 9: What businesses may be involved in the commercial importation and supply of kava and how will kava potentially be priced, marketed and retailed?

23. Kava had been consumed for over thousands of years by the Pacific Islands Communities in its cultural functions and ceremonies. Kava drinking is generally very responsible, especially when compared to alcohol;

24. Opening the market access of Kava exports from Vanuatu will be a sign of manifestation towards the development of PACER Plus commitments and further assisting Vanuatu trade its

main commodity. This paper has already examined the trade imbalance between the two nations, and this would be an excellent way to address that.

25. Kava is incredibly important to Vanuatu as it plays a huge role in society; there are 30,000+ households in Vanuatu who continue to depend on Kava for their livelihood.

26. The Government of Vanuatu looks forward to a win-win approach for the two countries.

What methods of evaluation should apply to this pilot?

Question 10: What methods should be used to monitor and evaluate the success and impacts of the pilot?

Question 11: What methods should be used to monitor and evaluate the health, social, economic and regulatory impacts of kava consumption during the pilot?

Question 12: Who may be able to contribute to the monitoring and evaluation of the pilot?

27. The Vanuatu Government does not have any strong belief about the best methods of evaluation, but would request that good and reliable data is gathered, where possible.

28. The Vanuatu Government is willing to provide data to Australia to support the evaluation. The recently launched Single Window platform – partly financed by DFAT – improves the data collection ability of Vanuatu.

Conclusion

29. The Vanuatu government wishes to emphasize on these points towards this proposal for consideration;

- i. Kava is an incredibly important social and economic crop for Vanuatu;
- ii. The Government of Vanuatu believes that kava is safe, and that the scientific evidence supports this assertion;
- iii. There is a very strong demand for kava within Australia from the South Pacific diaspora, both for ceremonial use, and for social use. Kava has had strong positive benefits on the ni-Vanuatu society;
- iv. The Government of Vanuatu welcomes the proposal and strongly states its support for the opening up of the commercial market for Australia.

30. The Government of Vanuatu would like to stress its commitment to working with the Australian Government and its stakeholders in order to ensure that kava is enjoyed safely and responsibly overseas, in the same manner as it is in Vanuatu.