Pacific island countries need to clear many hurdles to get into export markets

As the economies of these countries have diversified, their exports have increased to almost three times what they were 2 decades ago. But the gains have been intermittent—and countries need to do more to access Asian markets to boost export revenues further.

Businesses need to be able to ship more to export markets. Instead of maintaining trade barriers, governments should support them and help link them to buyers and distributors.

It's a challenge just to get goods from factories to markets. High transport costs stunt industry growth—inefficient airports and seaports across the Pacific make moving merchandise so expensive that businesses can't keep prices competitive.

Such transport woes have stifled exports of commodities like pearls, vanilla, and cocoa.

Can foreign investment help drive the export sector? Foreign direct investment has surged to around 3.5% of the combined GDP of the island countries. Many Asian companies have invested in fisheries, mining, and agriculture. Foreign investment, combined with economic stability and open trade regimes, has benefited the islands.

But barriers to trade—including customs, quarantine, and registration procedures—raise the cost of doing business.

So far, only six Pacific island countries have joined the World Trade Organization,the WTO. Smaller countries find the cost of WTO membership prohibitive. At the same time, gaps in development and demographics hinder market integration. Papua New Guinea, for example, has 7.9 million people. Six of the island countries have fewer than 20,000.

Pacific island countries have regional and multilateral agreements with several trading partners including the European Union, the world's largest market. The South Pacific Regional Trade and Economic Co-operation Agreement with Australia and New Zealand helped Fiji and Samoa develop garment and automotive harness industries. That created almost 27,000 jobs. But benefits have faded as Australia and New Zealand have cut tariffs on imports from other countries.

The recent Pacific Island Countries Trade Agreement aims to reduce tariffs on selected goods and services. Another accord known as the Melanesian Spearhead Group Trade Agreement—between Fiji, Vanuatu, Papua New Guinea, the Solomon Islands, and the Kanak and Socialist National Liberation Front of New Caledonia—includes 180 duty-free products. But conflicts of interest between member countries have marred its success.

Unilateral liberalization might be easier to pursue than multilateral agreements. But without reciprocal deals with other countries, it would be difficult to get concessions.

It could be politically disastrous as well—opening markets can hurt the environment, local communities, and economies overall. The region's export industries are mainly based on natural resources. Left unregulated, these industries could pose risks to tourism, a top dollar-earner.

This has been a summary of part of an ADBI policy brief by Wawan Juswanto, special advisor to the dean of the Asian Development Bank Institute (ADBI), and Zulfiqar Ali, research associate at ADBI at the time this policy brief was written.

Listen to podcast

- https://soundcloud.com/adbinstitute/pacific-island-countries-need-clear-hurdles-to-get-into-export-markets/

Read the policy brief

- https://www.adb.org/publications/economic-growth-and-sustainable-development-pacific-island-countries

Know more about ADBI's work

- https://bit.ly/2JpxtjP
- https://bit.ly/2zfIPlO