

**Pacific High-level Policy Dialogue on
“The Role of Macroeconomic Policy and Energy Security in supporting
Sustainable Development in the Pacific”**

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Session 4 – Opportunities in Asia for the Pacific

Presentation

Opportunities for PICs from Enhanced Economic Cooperation with Asia

by

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Opportunities for PICs from Enhanced Economic Cooperation with Asia.

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Introduction

- Ø **Pacific Regionalism and Integration**
- Ø **Pacific Plan was designed to support and promote regionalism and economic integration**
- Ø **Regional integration as a group has not made much progress except progress in PICTA and in trade in services**
- Ø **Sub-regional groupings such as MSG are making progress**

Areas of Interest



- Ø Natural resources management?
- Ø Importance of Aid and investment
- Ø Labour mobility and remittances
- Ø Economic integration- to deal with reducing the cost of doing business and the cost of the delivery of public goods
- Ø Managing our environment- Creating a 'green economy'

Existence of Anti-Growth and Integration Coalition



- Ø Deeply embedded in the social, economic and political Institutions
- Ø Extractive economic and political institutions (Acemoglu and Robinson, 2012)
- Ø Political economy constraint for economic integration

‘Luxury’ of limited Choice for small states

- Ø Professional services export- why broad band connection could be come the most critical factor in the export of Professional services**
- Ø Local /domestic industries- how can they expand to bigger markets**
- Ø ANZ still very important for PICs as a market and channel for foreign investment- combined ANZ GDP of more 1.6 trillion GDP**

‘Reforms to Continue’

- Ø Further breakdown of monopolistic barriers- especially in ICT related activities. We could have more competition**
- Ø Continued regional cooperation in the management of resources, energy management and ICT infrastructure**
- Ø Soft rather than hard sovereignty to support more regional cooperation**

Links with Asia- Asian Century



Ø ADB forecast Asia-Pacific would account for 50% of world's GDP

Ø Australia still biggest donor but China, Korea, India, and Indonesia are also playing a role now

Ø ANZ are also trying to integrate with ASEAN in a significant way

Links with Asia



Ø Role of China integration in the Pacific

Ø Export to China is growing

Ø PICs now import more from China than NZ

Ø 2001-2010 total trade grew on average by 30%: From \$180m in 2001 to 1.5b in 2010

Ø Import grew on average by 34% reaching a peak of \$726m in 2009

Ø Export grew on average by 30% reaching a peak of \$1.1b in 2010: Mostly from PNG and Solomon Islands

FIJI'S TRADE FLOWS (FJD \$m)

| Flows | Exports | | | | | | Imports | | | | | |
|-------------|---------|-------|-------|-------|-------|-------|---------|--------|-------|--------|-------|--------|
| Years | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
| Australia | 242.2 | 203.9 | 160.4 | 181.6 | 195.3 | 276.5 | 668.4 | 698.5 | 660.4 | 708.5 | 619.9 | 700.2 |
| New Zealand | 60.3 | 68.7 | 83.8 | 82.6 | 81.9 | 93.0 | 490.4 | 496.3 | 511.2 | 477.4 | 445.0 | 548.7 |
| China | 3.8 | 3.3 | 5.9 | 3.9 | 14.1 | 13.7 | 82.2 | 112.8 | 95.4 | 153.1 | 155.0 | 210.3 |
| India | 1.0 | 0.4 | 0.5 | 1.5 | 1.4 | 1.5 | 45.6 | 58.8 | 60.0 | 123.0 | 54.7 | 66.8 |
| Singapore | 241.6 | 9.1 | 21.5 | 13.5 | 12.9 | 12.5 | 812.9 | 1074.6 | 989.3 | 1253.5 | 775.6 | 1146.8 |
| PIC | 64.8 | 64.9 | 88.0 | 166.7 | 99.6 | 134.1 | 6.0 | 9.2 | 6.4 | 239.9 | 288.4 | 562.6 |

Source : RBF Quarterly
Review

ASEAN Trade With Major PIC's in 2010 (US\$ thousand)

| PIC Countries | Exports | Imports |
|-----------------|-----------|-----------|
| Fiji | 40,781.1 | 108,702.3 |
| Solomon Islands | 66,396.7 | 34,560.5 |
| PNG | 638,148.8 | 526,352.9 |
| Vanuatu | 12,779.7 | 13,442.2 |

Source : ASEAN Statistics
Database

Fijis Top Trade Flows in 2011 (US\$ m)

| Top 10 Imports | | Top 10 Exports | |
|----------------|-------|-----------------|-------|
| Singapore | 719.2 | Australia | 189.8 |
| Australia | 343.4 | United States | 145.6 |
| New Zealand | 297.0 | Japan | 82.9 |
| China | 188.4 | United Kingdom | 78.8 |
| Thailand | 64.4 | Samoa | 76.7 |
| Germany | 53.7 | Tonga | 67.4 |
| Malaysia | 50.6 | New Zealand | 48.0 |
| United States | 46.8 | Vanuatu | 33.4 |
| India | 33.6 | Korea | 18.6 |
| Japan | 32.3 | Solomon Islands | 17.4 |

Source : DOTS, IMF

Vanuatu's Top Trade Flows in 2011 (US\$ m)

| Top 10 Imports | | Top 10 Exports | |
|------------------|-------|------------------|-------|
| China | 147.2 | Thailand | 130.6 |
| Singapore | 116.9 | Japan | 49.3 |
| Australia | 74.7 | Philippines | 8.9 |
| New Zealand | 39.9 | Korea | 5.2 |
| Fiji | 36.7 | Netherlands | 4.3 |
| Japan | 29.8 | New Zealand | 4.1 |
| France | 12.4 | Papua New Guinea | 3.3 |
| Papua New Guinea | 8.2 | Malaysia | 2.6 |
| Thailand | 7.1 | United States | 2.2 |
| United States | 5.5 | China | 2.2 |

Source : DOTS, IMF

PNG's Top Trade Flows in 2011 (US\$ m)

| Top 10 Imports | | Top 10 Exports | |
|----------------|--------|----------------|--------|
| Australia | 2628.9 | Australia | 3784.0 |
| Singapore | 1003.8 | Japan | 857.5 |
| China | 498.1 | China | 742.4 |
| Malaysia | 375.2 | Germany | 390.8 |
| Japan | 358.1 | Philippines | 318.4 |
| Indonesia | 336.4 | Korea | 301.4 |
| United States | 334.4 | United Kingdom | 186.7 |
| Thailand | 222.7 | Netherlands | 185.0 |
| New Zealand | 183.5 | India | 175.6 |
| Italy | 130.9 | Malaysia | 166.3 |

Source : DOTS, IMF

Tonga's Top Trade Flows in 2011 (US\$ m)

| Top 10 Imports | | Top 10 Exports | |
|----------------|------|----------------|-----|
| Fiji | 74.2 | China | 3.4 |
| New Zealand | 50.3 | Japan | 2.5 |
| United States | 21.2 | United States | 1.8 |
| China | 14.6 | Korea | 1.7 |
| South Africa | 7.5 | Fiji | 1.5 |
| Australia | 7.3 | New Zealand | 1.5 |
| Singapore | 7.0 | Samoa | 1.3 |
| Japan | 5.4 | Brazil | 0.9 |
| Samoa | 4.1 | Australia | 0.5 |
| Indonesia | 3.8 | Turkey | 0.3 |

Source : DOTS, IMF

Solomon Island's Top Trade Flows in 2011 (US\$ m)

| Top 10 Imports | | Top 10 Exports | |
|------------------|-------|----------------|-------|
| Australia | 141.4 | China | 316.7 |
| Singapore | 136.6 | Australia | 73.2 |
| China | 33.7 | Thailand | 27.1 |
| Malaysia | 26.5 | Italy | 21.6 |
| New Zealand | 26.2 | Spain | 20.7 |
| Fiji | 19.2 | Philippines | 15.6 |
| Papua New Guinea | 18.6 | Korea | 11.4 |
| Japan | 16.3 | Indonesia | 9.7 |
| Indonesia | 14.2 | Netherlands | 7.8 |
| Thailand | 11.3 | Germany | 6.9 |

Source : DOTS, IMF

Samoa's Top Trade Flows in 2011 (US\$ m)

| Top 10 Imports | | Top 10 Exports | |
|----------------|-------|----------------|------|
| New Zealand | 118.2 | Australia | 32.7 |
| Fiji | 84.4 | Tonga | 3.7 |
| Singapore | 75.9 | United States | 3.1 |
| China | 41.6 | Brazil | 2.7 |
| Japan | 40.1 | New Zealand | 2.4 |
| Australia | 32.8 | Fiji | 1.4 |
| United States | 26.2 | Korea | 0.8 |
| Thailand | 8.2 | United Kingdom | 0.8 |
| Indonesia | 8.2 | Germany | 0.6 |
| Korea | 5.9 | Tunisia | 0.4 |

Source : DOTS, IMF

Concluding Comments



Ø Pacific Islands can take advantage of the Asian Century

Ø PICs can ride on the backs of growing Asia as ANZ continue to integrate with them

Ø Asserting the Pacific in the Asia-Pacific may not help given the trend in trade with Asia. Our regional structures may also not allow us to do that efficiently

Ø PICs should push regional integration