



# Pacific Island Countries: In Search of a Trade Strategy

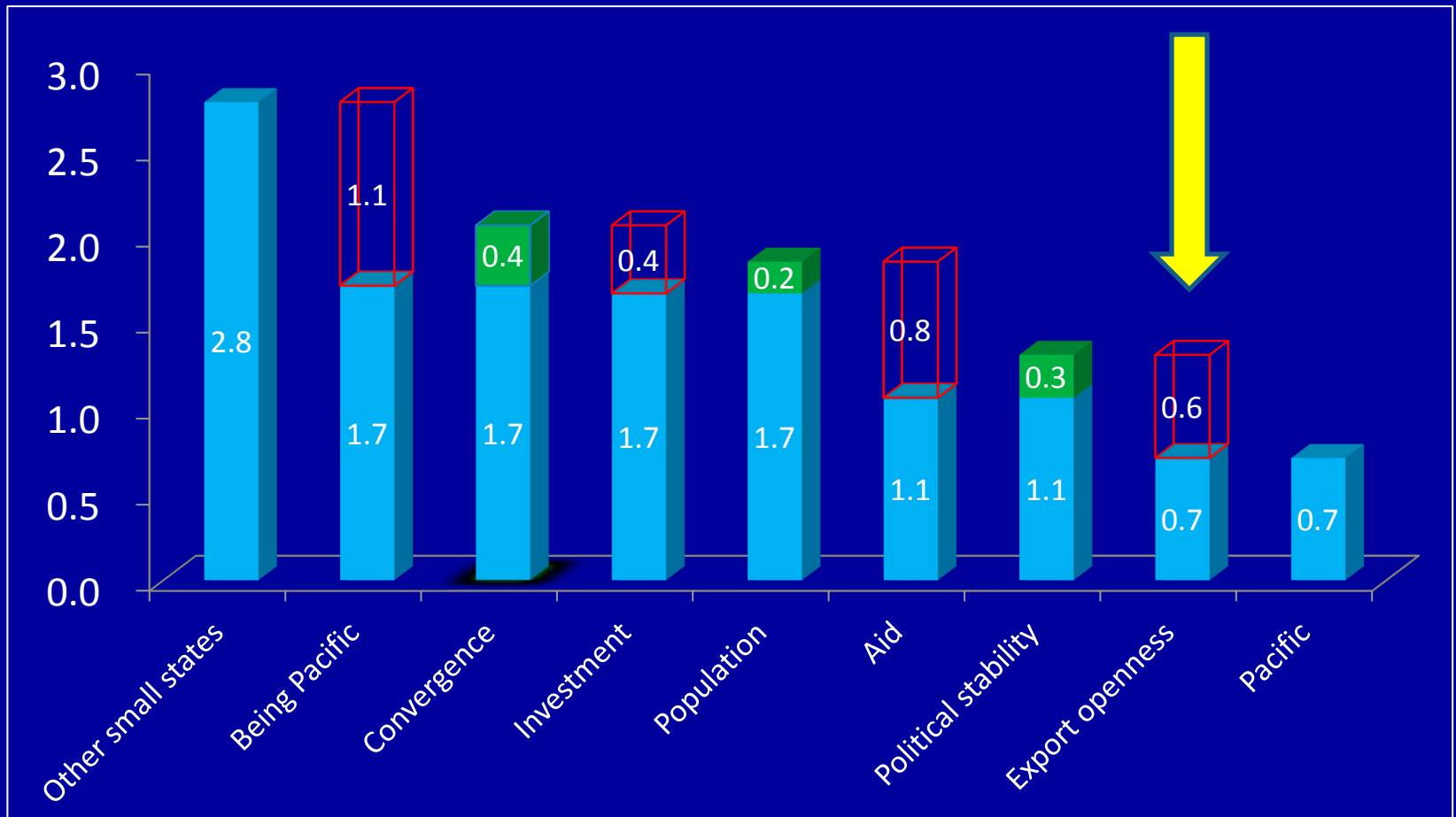
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Port Vila, Vanuatu

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# The Pacific Speed of Growth: Openness is good for growth but PICs lag behind

(Average annual p.c. GDP growth, in percent)



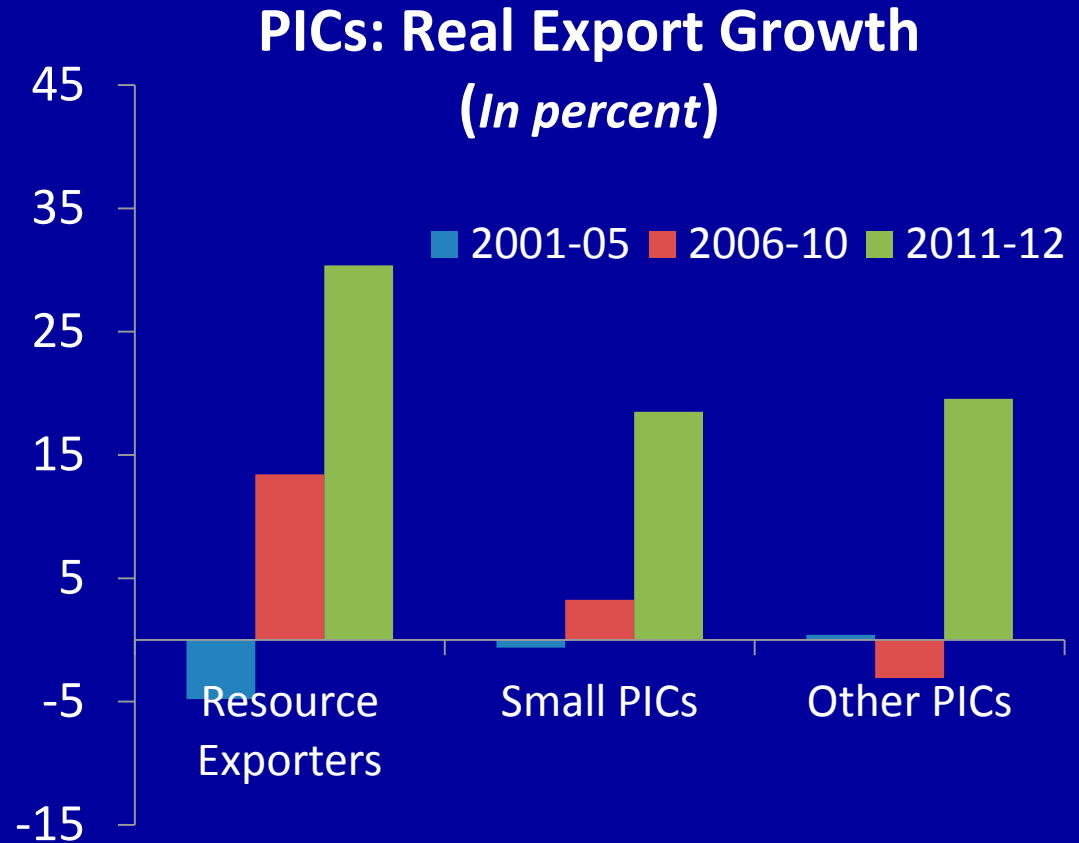
# Questions

- How well have exports (including tourism) performed in PICs?
- What drives the growth of goods exports and tourism in the Pacific?
- How can PICs exports benefit from a changing global economy, especially the emergence of Asia?

How Well has Trade Performed in  
PICs?

# Export Growth – Goods

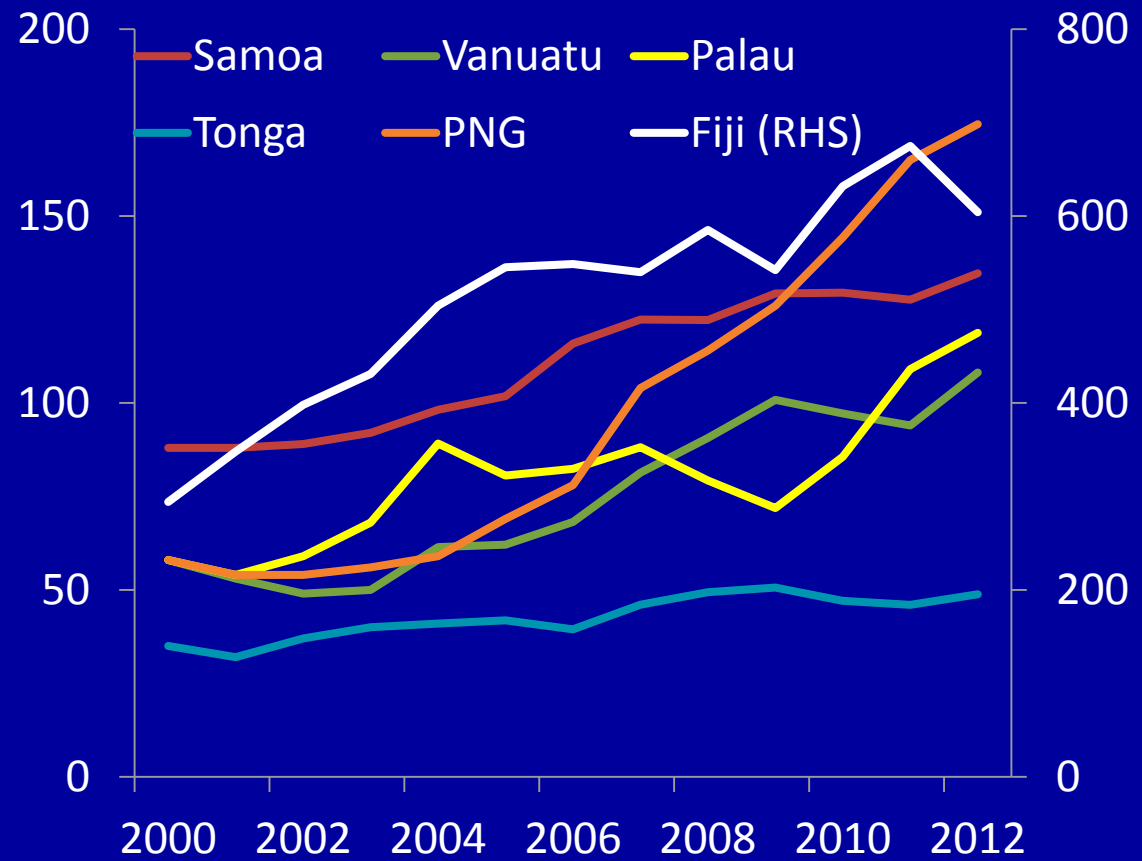
- Resource-rich PICs have improved export growth and performed strongly.
- Other PICs had slow growth until recently.
- The uptick in 2011-12 may reflect short-term recovery.



# Export Growth – Tourism

- Visitor arrivals growing robustly at 6 percent since 2000.
- Australia, New Zealand & US major source markets.
- Palau's visitors are mainly from Asia (Japan, Taiwan POC, Korea).

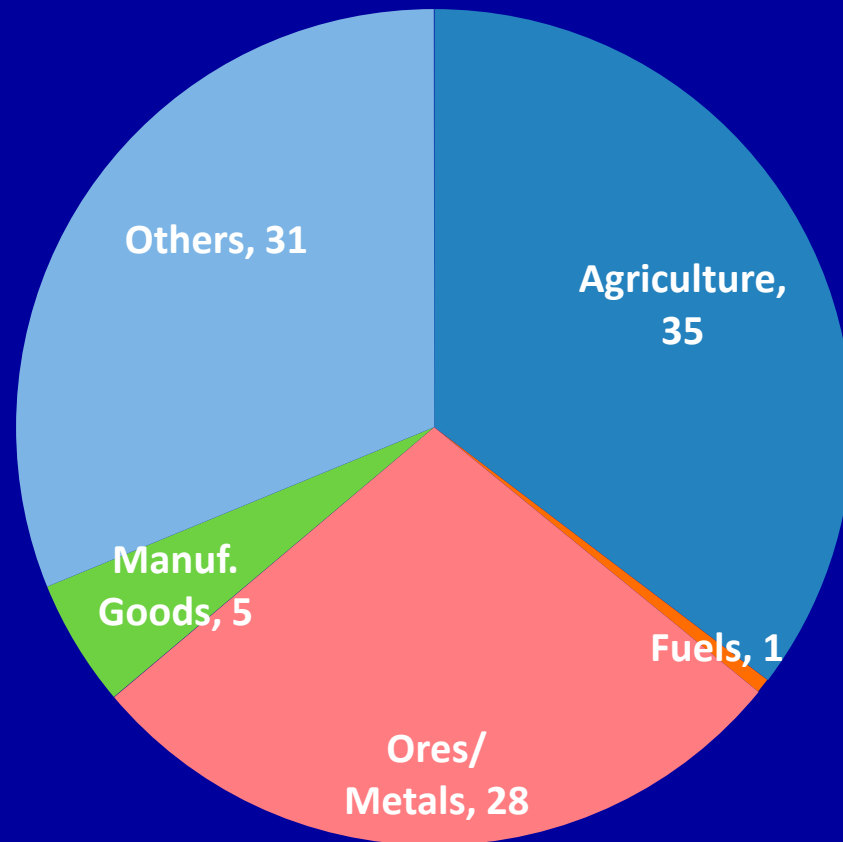
## PICs Annual Visitor Arrivals



# Export Composition – Goods

## Resource-Rich PICs

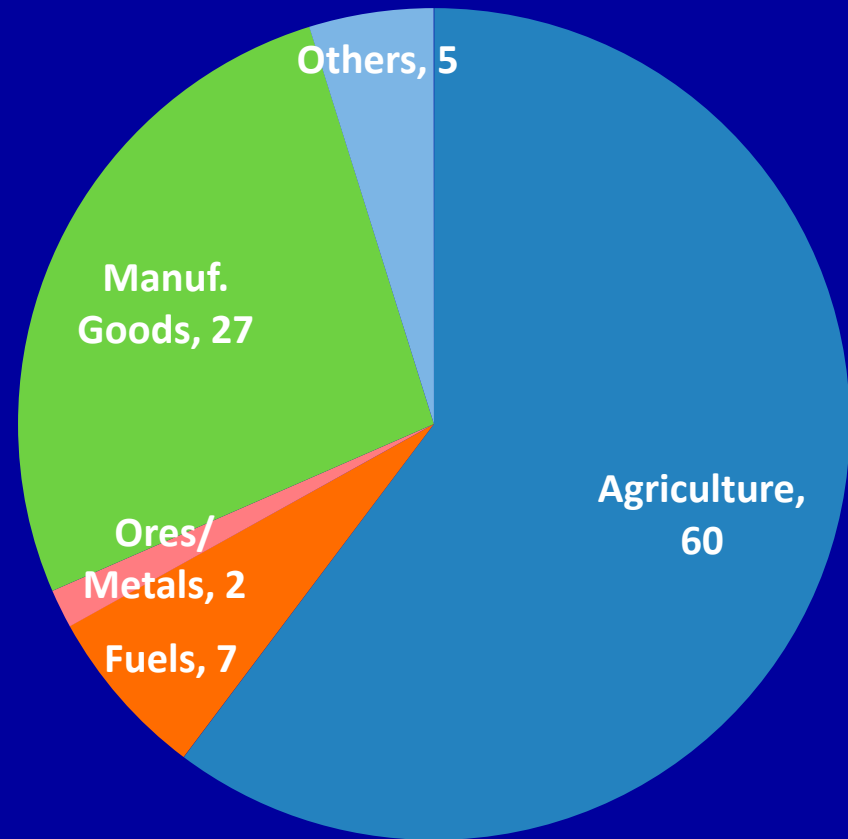
- PNG & SLB export largely Agricultural products and Metals/Ores



# Export Composition – Goods

## Non Resource-Rich PICs

- Other PICs export largely Agricultural products and light manufactures



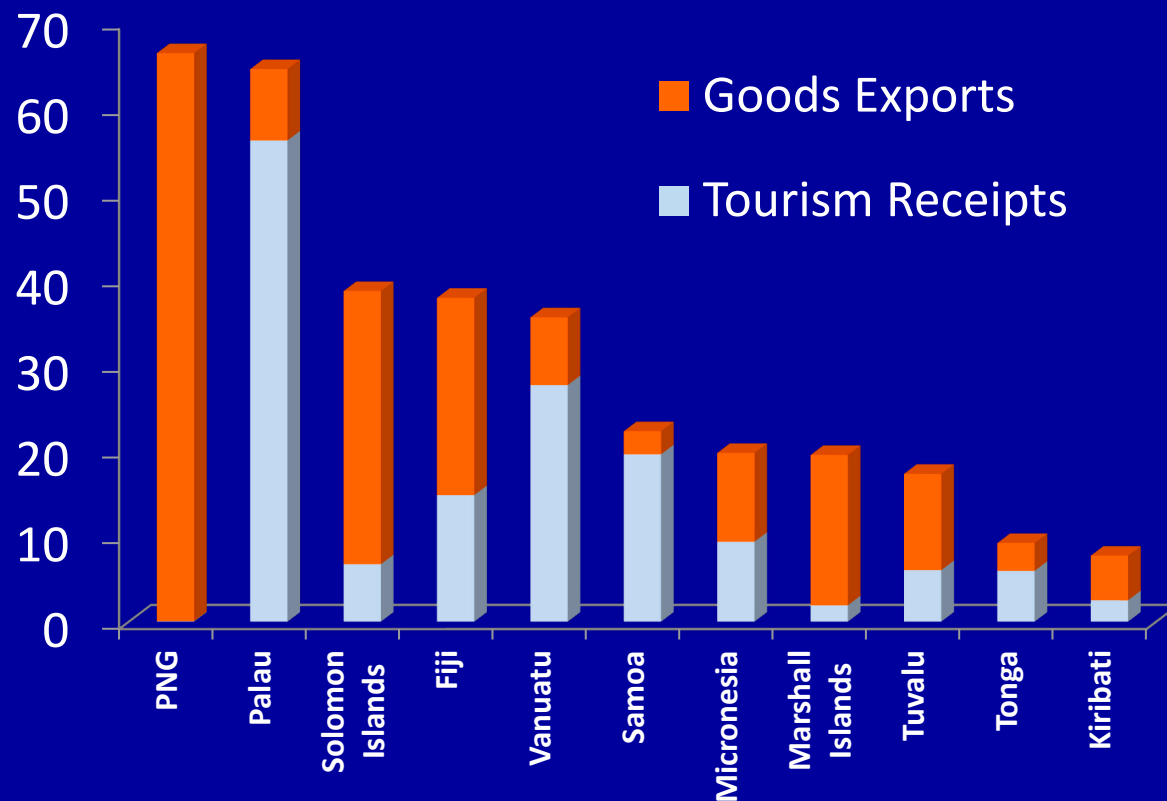


# Export Composition – Goods and Services

- Tourism is the largest exports in several PICs.
- Tourism is becoming more important in most PICs.
- In several PICs, exports relative to GDP are low.

## Pacific Islands Export Receipts

(In percent of GDP, 2005-11 average)

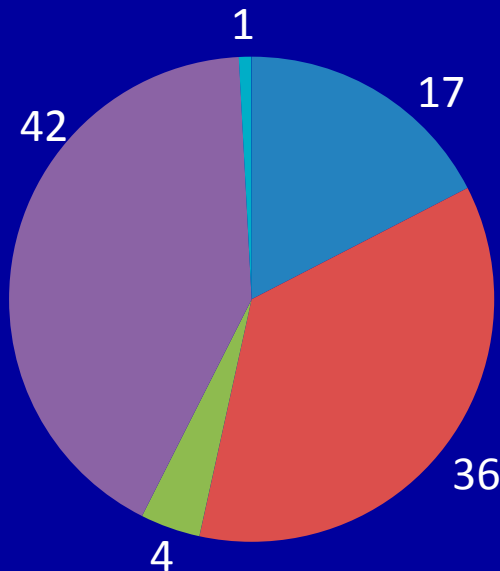


# Export Destinations – Resource-Rich PICs

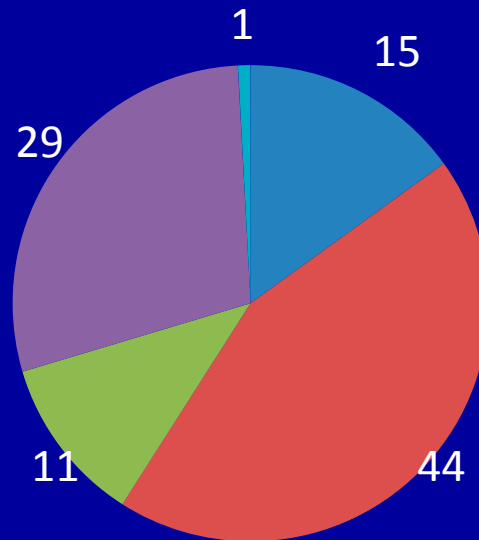
Traditional markets (Aust. and NZ) growing in importance because of resource exports

Asian markets declining but Chinese market expanding

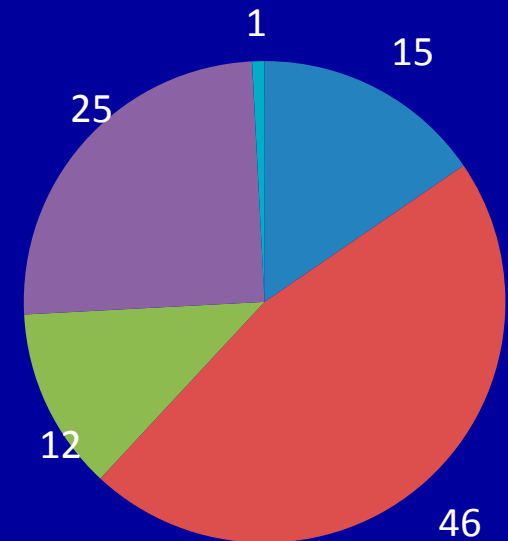
1991-2000



2001-10



2011-12



■ N America + EU ■ Aus & NZ ■ China ■ Rest of Asia ■ Rest of the World

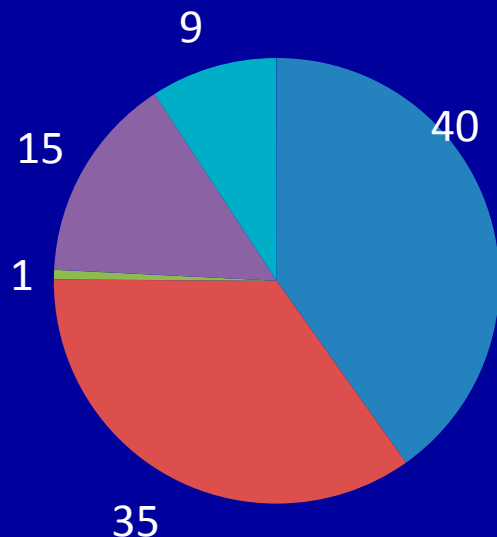
Source: IMF Direction of Trade Statistics

# Export Destinations – Non-Resource PICs

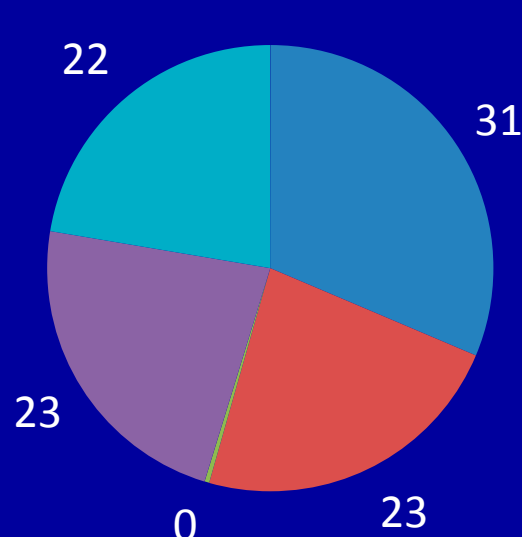
Traditional markets shrinking in importance

Asian markets expanding but Chinese market insignificant

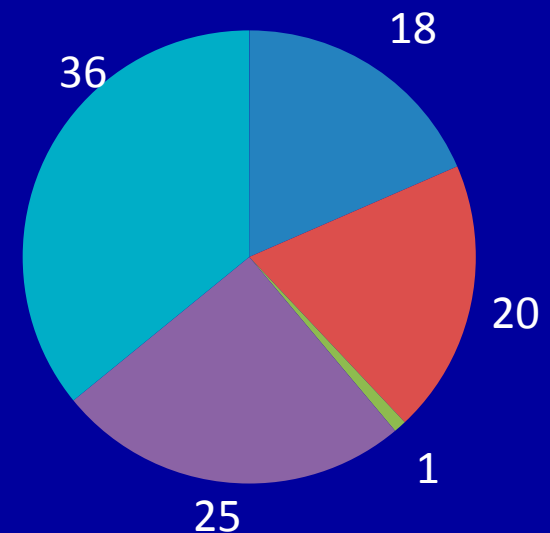
1991-2000



2001-10



2011-12



■ N America + EU ■ Aus & NZ ■ China ■ Rest of Asia ■ Rest of the World

Source: IMF Direction of Trade Statistics

# Gravity for Pacific Goods and Services

# Gravity for PIC Goods

A gravity model: what drives PICs export of goods?  
(*dependent variable = real exports in logs*)

Explanatory Variable	Estimated Coefficient
Export country real GDP (in logs)	0.27
Import country real GDP (in logs)	0.44
Distance (in logs)	-2.32
Preferential trade agreement (dummy = 1 if yes)	0.39
Colonial ties (dummy = 1 if yes)	1.31

# Gravity for PIC Tourism

A gravity model: what drives PICs tourism arrivals?  
(*dependent variable = visitors in logs*)

Explanatory Variable	Estimated Coefficient
Source country population (in logs)	0.20
Source country real GDP (in logs)	0.95
Distance (in logs)	-1.43
Common language (dummy = 1 if yes)	1.48
Land surface of destination (in logs)	0.17
Degree of urbanization destination (%)	0.08

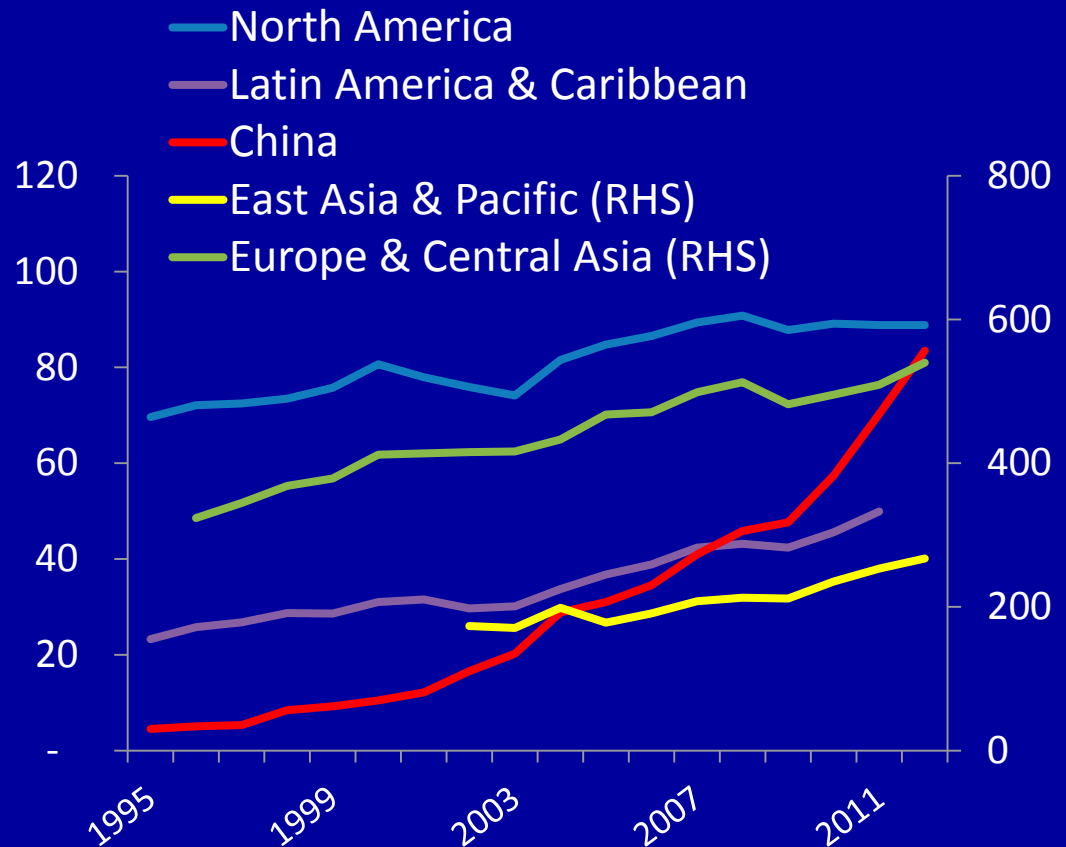
# Taking Advantage of the Shifting Gravity

# Shifting Tourism Gravity

- Europe and Americas traditionally dominated arrivals & departures
- Asia & Pacific is now the second largest source market
- China is now the largest source country

## International Departures

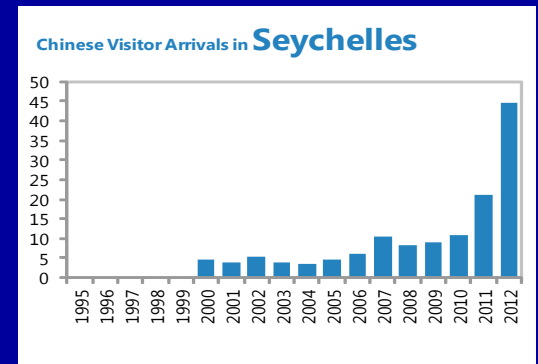
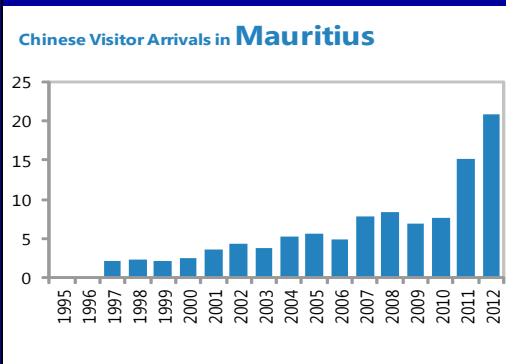
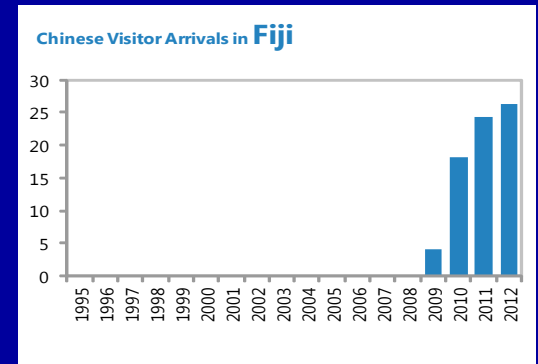
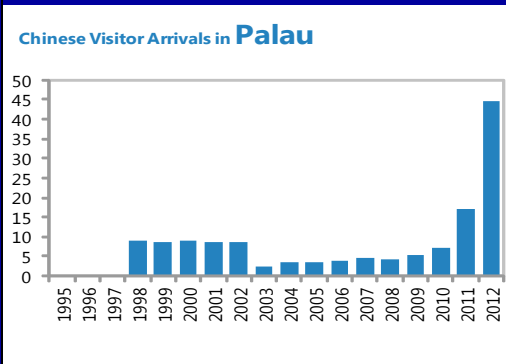
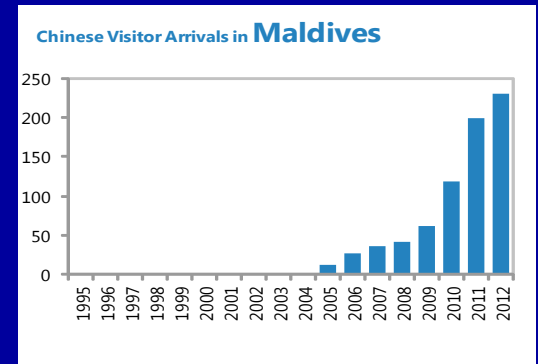
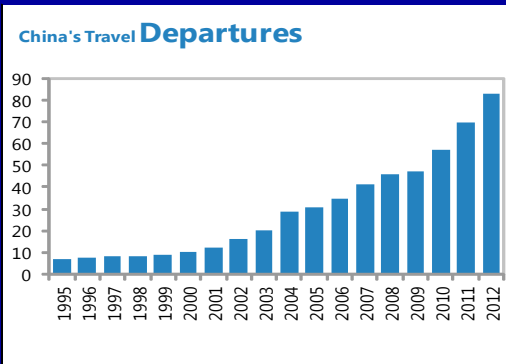
(In millions)





# Visitors from China

- The waves of Chinese tourists have begun to arrive in small island states.

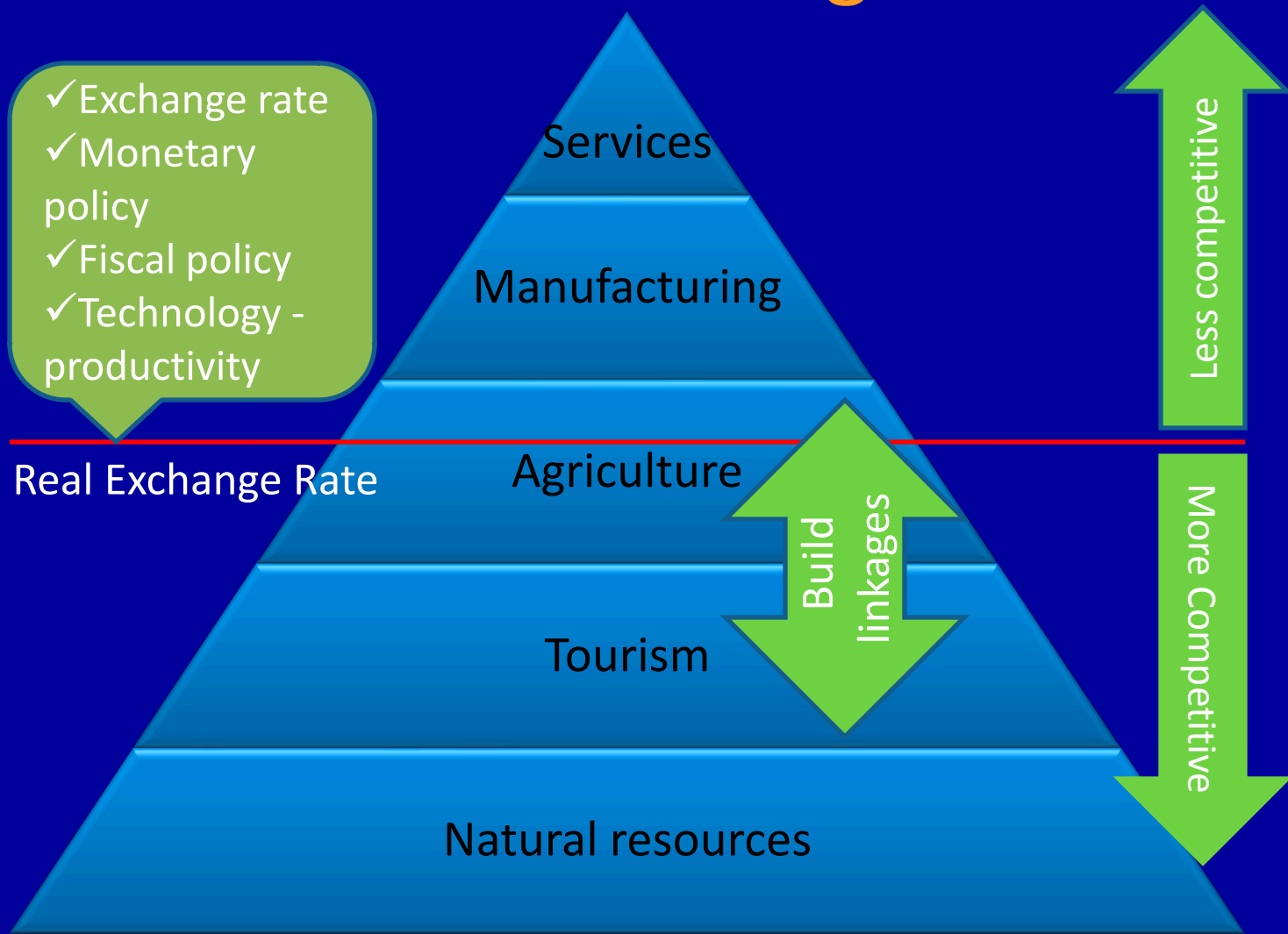


# Impact of Chinese Visitors on Tourism Prospects for Fiji



Source: Reserve Bank of Fiji and IMF staff estimates

# PICs Comparative Advantages and Sectoral Linkages



# Key Messages

- Continue to develop traditional markets, esp. for agricultural and labor service exports.
- Seize tourism opportunities in emerging Asia – build capacity and increase tourist awareness.
- Enhance regional cooperation, e.g., transportation and marketing.
- Strengthen agriculture-tourism linkages to support inclusive growth.
- Improve competitiveness – macroeconomic policy consistency and structural reform.



Thank You