



PACIFIC ISLANDS EXPORT SURVEY 2020

EXPORT DYNAMICS IN THE PACIFIC ISLANDS



INTRODUCTION

BACKGROUND

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INSIGHTS INTO PACIFIC EXPORTERS

The Pacific Islands Export Survey is an important window into the activities and the opinions of exporters in the Pacific Islands. This is the fourth biennial survey, conducted by ACA Research with the support of the Australian Government and Pacific Islands Forum Secretariat.

With a lack of private sector data from the Pacific, Pacific Trade Invest (PTI) Australia's Pacific Islands Export Survey provides a valuable snapshot of export dynamics in the Pacific, as well as insight into changes and trends in Pacific exports over the past eight years. This year we expanded the survey questions to understand the impact of extreme weather conditions on exporters in the Pacific.

COVID-19 has had a dramatic effect on global exports and economies. Our survey was conducted between February and April 2020 and provides a unique lens to understand the effect of COVID-19 on Pacific exports.

I'm very pleased to share with you the *Pacific Islands Exports Survey 2020*.



CALEB JARVIS

Trade & Investment Commissioner
Pacific Trade Invest Australia

The *Pacific Islands Exports Survey 2020* is a biennial research survey conducted by PTI Australia with the key objective of understanding and tracking export dynamics in the Pacific Islands.

The specific objectives of this study are to:

- determine business confidence
- understand how extreme weather patterns have impacted businesses
- understand the use of online channels in generating export revenue
- identify key export target markets within the Pacific Islands and in other geographic areas
- ascertain considerations of business sales and direct foreign investments
- understand opportunities and pain points regarding exporting from the Pacific
- determine the use and awareness of free trade and economic partnership agreements

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FOREWORD

COVID-19 TESTS RESILIENCE OF PACIFIC EXPORTERS

Heading into 2020, Pacific exporters had good cause for optimism. Persistent constraints of natural disasters alongside high fuel, finance and logistics costs did not stop nearly half of exporters surveyed in the *Pacific Islands Export Survey 2020* reporting a growth in export revenue in the previous year. More exporters were innovating with digital platforms to promote further growth, and three quarters of businesses were planning to expand into new markets in the coming years.

The pace and ferocity of COVID-19 has up-ended this optimism.

Pacific governments have acted swiftly to prevent a health crisis in the region by locking down their communities and businesses. With a little luck and a lot of foresight the Pacific is well positioned to dodge the worst of the health crisis. It will not, however, be able to dodge the economic crisis that is trailing in the pandemic's wake.

The rapidly changing economic context is reflected in exporter sentiment. While 61% of businesses expected to see export growth

in 2020, these numbers are anchored by Manufacturing and Agriculture. Tourism operators, close to half of the survey sample, are less optimistic, with 49% expecting to see revenues decline.

Exporters were surveyed between February and April 2020. Results from the latter half of the survey window reflect the rapid decline in exporter confidence as lockdown measures took full effect. Of those surveyed in March 2020, 40% expected a decline in revenue, with the number jumping to 60% in the final two weeks of the survey.

Fortunately, the declining confidence does not flow on to expectations for major employee attrition. While 7% of businesses surveyed in February expected employee numbers to decrease, this number only rose to 13% for those surveyed in April. While this is some comfort, the sentiment hinges upon how long economies remain locked down and it should not deter governments around the region from taking action to support local industry and employment.

The survey reinforces the importance of the Australian and New Zealand markets for Pacific exporters, with the majority of exporters viewing them as primary markets as well as conduits to markets further abroad. The resumption of air travel through a Trans-Pacific Bubble as quickly as possible will be a critical lifeline for the tourism industry, but also to help drive down costs for agricultural exporters who rely on air freight to get their goods to market.

If there is any silver lining to 2020, it's that Pacific exporters are accustomed to doing it tough. Close to half of exporters find high costs are constraining future growth. Almost 40% of exporters are constrained by challenging logistics and access to finance. Compounding these constraints, 65% of businesses were negatively impacted by extreme weather in 2019, with 41% noting this had affected their business in a major way and over a prolonged period. Despite these significant headwinds, many exporters not only prevailed but prospered. Let's hope that resilience continues in 2020.

JONATHAN PRYKE

Director, Pacific Islands Program
Lowy Institute

KEY INSIGHTS

EXPORT CONFIDENCE HAS DROPPED AS BUSINESSES NAVIGATE THROUGH UNCERTAINTY DUE TO EXTREME WEATHER PATTERNS AND COVID-19 TRAVEL RESTRICTIONS

Nearly half of all businesses report a growth in export orders over the past 12 months, which is on par with 2018. However, a quarter of exporters now report a decline in revenue as extreme weather and COVID-19 disrupt businesses in the Pacific.

Businesses are even less confident about the next 12 months, with 27% expecting a decline in revenue.

Tourism, in particular, will be the hardest hit industry as global travel is expected to be restricted over the next 12 months due to COVID-19. Revenue generated from international tourists is expected to decline from all geographic areas, but especially tourists from China, Japan and North America.

Production industries, including Manufacturing and Agriculture, remain confident despite the crisis, indicating a strong, ongoing demand for their products.

JUST UNDER TWO THIRDS OF EXPORTERS HAVE BEEN IMPACTED BY EXTREME WEATHER PATTERNS OVER THE PAST YEAR

41% of businesses reported that extreme weather patterns have had a major impact on their business.

These weather patterns have disrupted operations for most exporters, causing declined productivity and a decrease in customers. Many also experienced damage to products and property.

Agriculture was the hardest hit industry in terms of impact, loss of productivity and damage to crops, but this is more likely to be on a short-term and seasonal basis.

TO COUNTERACT THESE CHALLENGING ECONOMIC AND ENVIRONMENTAL DIFFICULTIES, EXPORTERS ARE INSTIGATING INITIATIVES TO INCREASE GROWTH

Similar to 2018, exporters are driving growth through a range of initiatives, including improving process efficiency, new products and services, and enhancing online marketing.

Manufacturing exporters are in a strong and confident position as they have instigated the most initiatives, notably improving business efficiency, developing new products and repositioning their business to align with export markets.

EXPORTERS ARE ALSO USING ONLINE CHANNELS MORE THAN EVER AND THIS IS KEY TO REVENUE GROWTH

Positively, three quarters of exporters are now using online channels to generate export revenue and the proportion of total revenue generated online is increasing.

Increased online export revenue is driven by businesses in the Manufacturing industry – not surprising as they report higher confidence and expect an increase in orders over the next 12 months. Manufacturing businesses are also more likely to recognise a wider range of positive factors impacting e-commerce activities, especially improved shipping methods, which has allowed them to successfully increase revenue generated through online channels.

Exporters in Tourism are more likely to adopt multiple channels when generating revenue online, although this strategy hasn't improved their revenue as these businesses reported the biggest decline in revenue generated from online channels over the past year.

Exporters acknowledge that there are a range of factors enabling them to increase their e-commerce activities, with the increased use of online channels among customers, better ICT infrastructure and increased capacity becoming increasingly important factors since 2018.

KEY INSIGHTS CONT...

EXPORTERS ARE INCREASING TRADE TO A BROADER RANGE OF REGIONS GLOBALLY AND WITHIN THE PACIFIC ISLANDS

Export to regions outside of the Pacific Islands continues to be high (94%), while Australia and New Zealand remain the two key export destinations. It is also positive that export is ticking up for most key destinations around the globe as well as to different islands within the Pacific Islands.

Looking to the next three years, it's very positive that three quarters of exporters in the Pacific are planning to broaden their reach into new markets. Asia continues to hold the most appeal, while export to Europe and Australia will also become increasingly popular export destinations.

Given their high confidence, Manufacturing exporters are looking to expand the most, with increased orders predicted for the Pacific, New Zealand and North America. Tourism businesses are predicting more visitors from Europe, although this is now unlikely given the COVID-19 travel restrictions.

HIGH FUEL/ENERGY/TRANSPORT COSTS REMAIN A KEY CHALLENGE FOR EXPORTERS

46% of exporters stated that high fuel/energy & transport costs are a main barrier to selling products/services to overseas customers, an issue becoming increasingly challenging for Manufacturing and Agriculture sectors.

Setting competitive pricing, international competition and international e-commerce capability are also becoming increasingly challenging for exporters. PTI has an opportunity to provide assistance in these areas, especially for Manufacturing and Tourism businesses.

To counteract these barriers, more competitive transport costs and improved shipping routes are needed. One quarter of exporters need access to more specific and direct routes. Specific routes mainly include direct options to destinations within the Pacific Islands, Australia, New Zealand and the USA. This will reduce costs and shipping times, therefore making exporters from the Pacific Islands more competitive internationally.

Positively, access to finance is becoming less of an issue, but it's the new exporters who are more likely to be held back by the lack of access to finance.

FINANCE IS BECOMING MORE ACCESSIBLE, BUT IT IS STILL DIFFICULT

Although access to finance has become less of a barrier, half of exporters still find it difficult to obtain financing. Positively, the proportion of exporters that are finding it less difficult is on the rise.

Access to finance is consistently difficult across most sectors, but particularly among new exporters and those in Tourism. This is concerning as Tourism businesses are likely to face financial hardship over the next year due to COVID-19 travel restrictions and will need financial assistance.

Lack of flexibility from banks with difficult guarantee requirements and high interest rates are making it increasingly difficult for exporters to obtain finance.

HALF OF EXPORTERS ARE AWARE OF FTAS & ECONOMIC PARTNERSHIPS, BUT THEIR PERCEIVED BENEFIT CONTINUES TO DECLINE

Level of awareness of FTAs remains consistent with previous waves, although only around half of exporters are aware of each agreement/partnership. Awareness of FTAs and closer economic partnerships needs to be better promoted among all exporters, but especially among new exporters.

Although awareness levels are steady, it is concerning that the perceived benefit of these agreements/partnerships continues to decline. Perceived benefit of FTAs and closer economic partnerships need to be better communicated to exporters, especially among exporters in Services and Tourism.

SAMPLE PROFILE



LOCATION

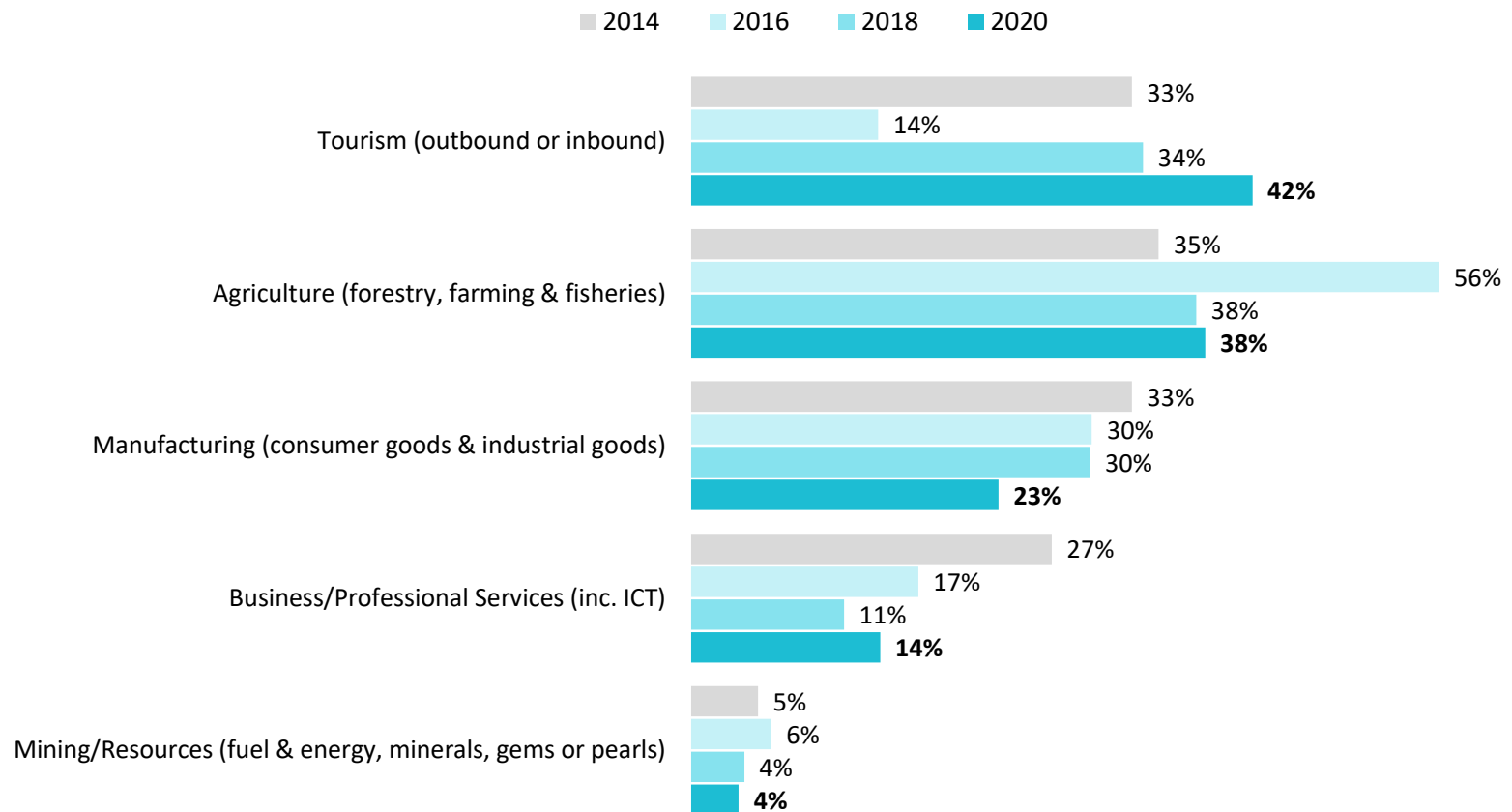
Our 2020 sample includes exporter businesses across the Pacific Islands, with the distribution of respondents generally in line with previous waves.

COUNTRY	2020	2018	2016	2014
Fiji Islands	24%	23%	22%	27%
Papua New Guinea	13%	14%	17%	7%
Samoa	11%	9%	9%	13%
Vanuatu	11%	14%	9%	9%
Tonga	9%	5%	11%	9%
Niue	▲ 8%	2%	2%	2%
Solomon Islands	8%	9%	10%	9%
Cook Islands	5%	5%	5%	9%
Kiribati	4%	4%	1%	3%
Palau	3%	3%	3%	4%
Federated States of Micronesia	2%	3%	13%	3%
New Caledonia	1%	1%	n/a*	n/a
French Polynesia	0%	2%	n/a*	n/a
Marshall Islands	0%	2%	2%	3%
Nauru	0%	0%	0%	1%
Tuvalu	0%	0%	0%	1%

▲ ▼ New Sig. higher/lower than Mature (95% CI)

MAIN EXPORT ACTIVITY

Participation in the survey across the various export activities has shifted, with an increase in Tourism but a decline in Manufacturing.

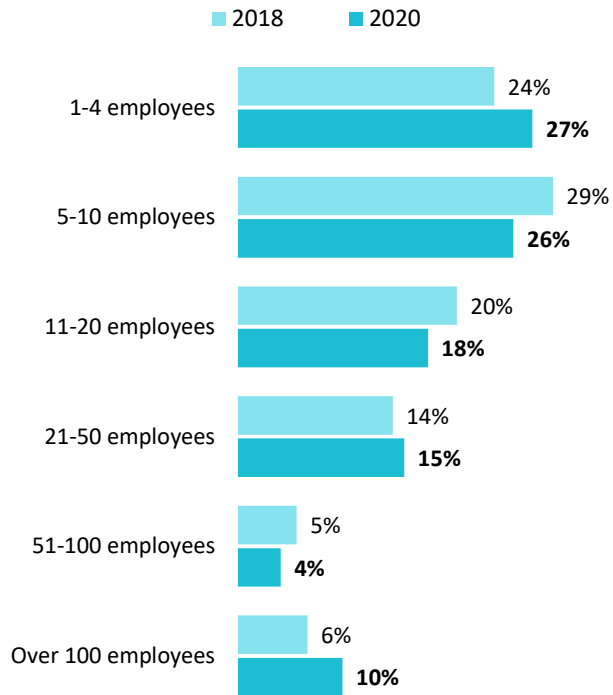


WHAT IS THE MAIN EXPORT ACTIVITY OF YOUR ORGANISATION?

BUSINESS PROFILE

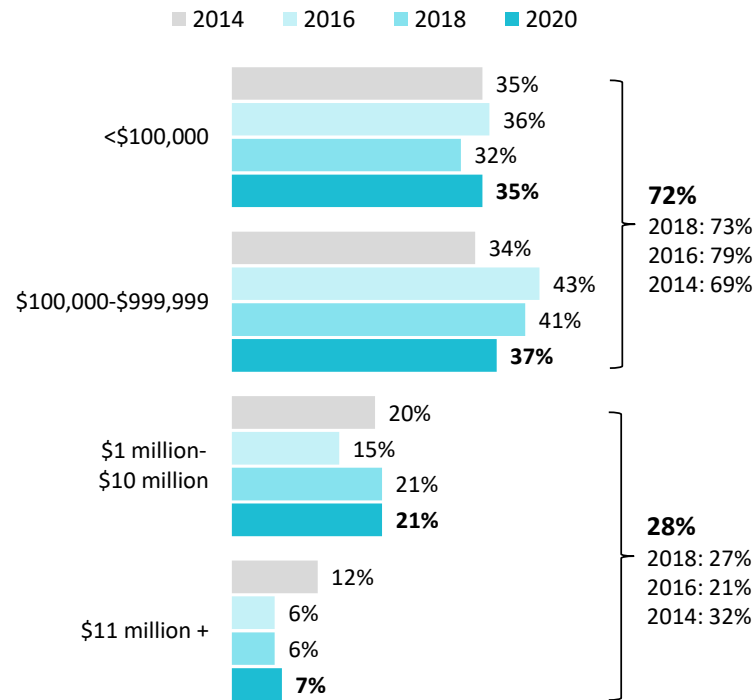
The proportion of private companies has slightly decreased in this survey, with the inclusion of more public and state-owned companies.

Q NUMBER OF EMPLOYEES

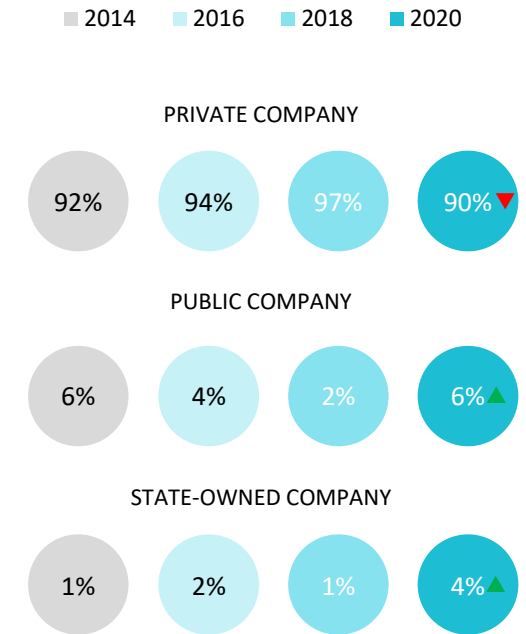


Note: Due to changes in the questionnaire, code frame is not directly comparable to 2016 & 2014

Q ANNUAL REVENUE



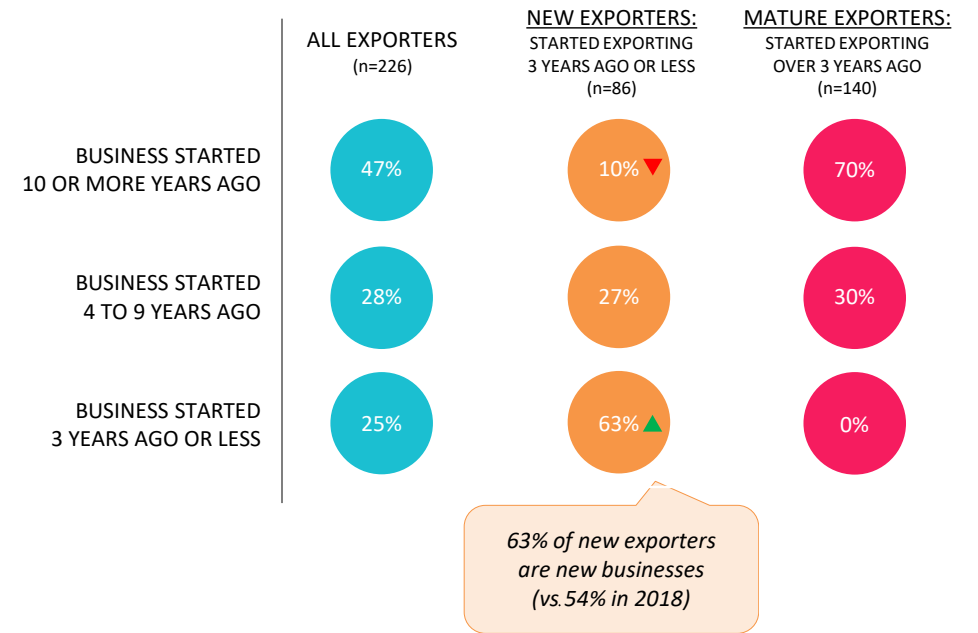
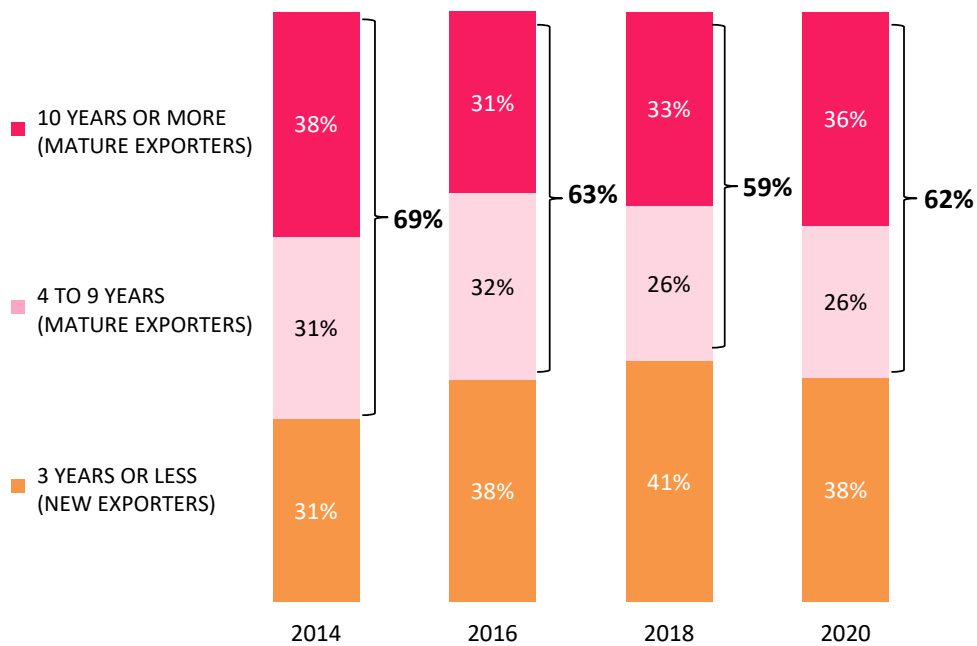
Q OWNERSHIP STRUCTURE



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NUMBER OF YEARS IN OPERATION

The proportion of new exporters has declined slightly.



HOW LONG HAVE YOU BEEN EXPORTING?

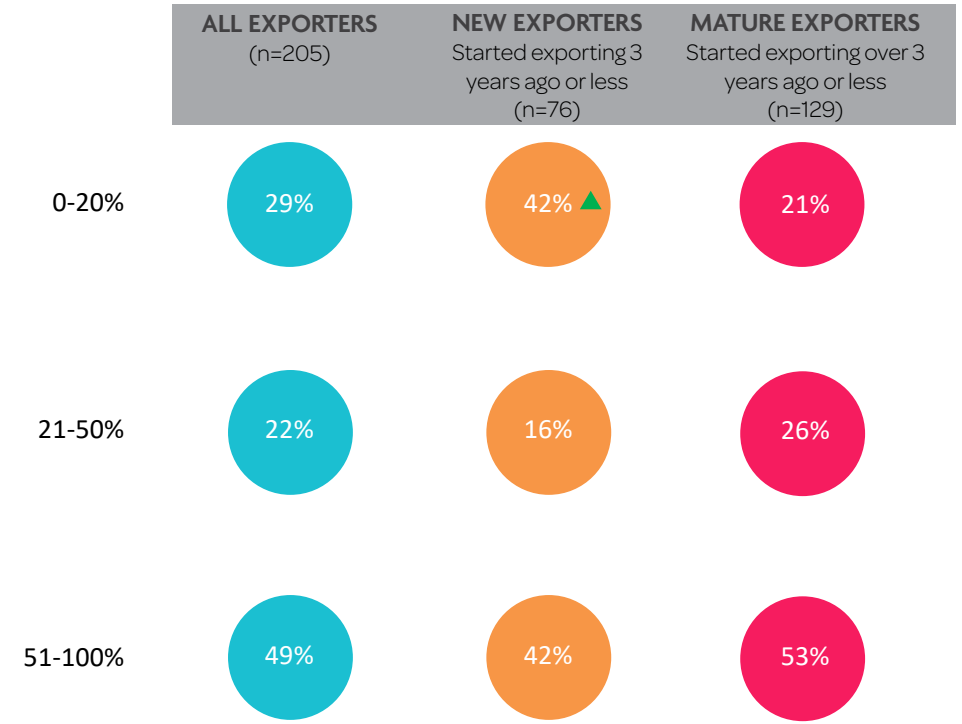
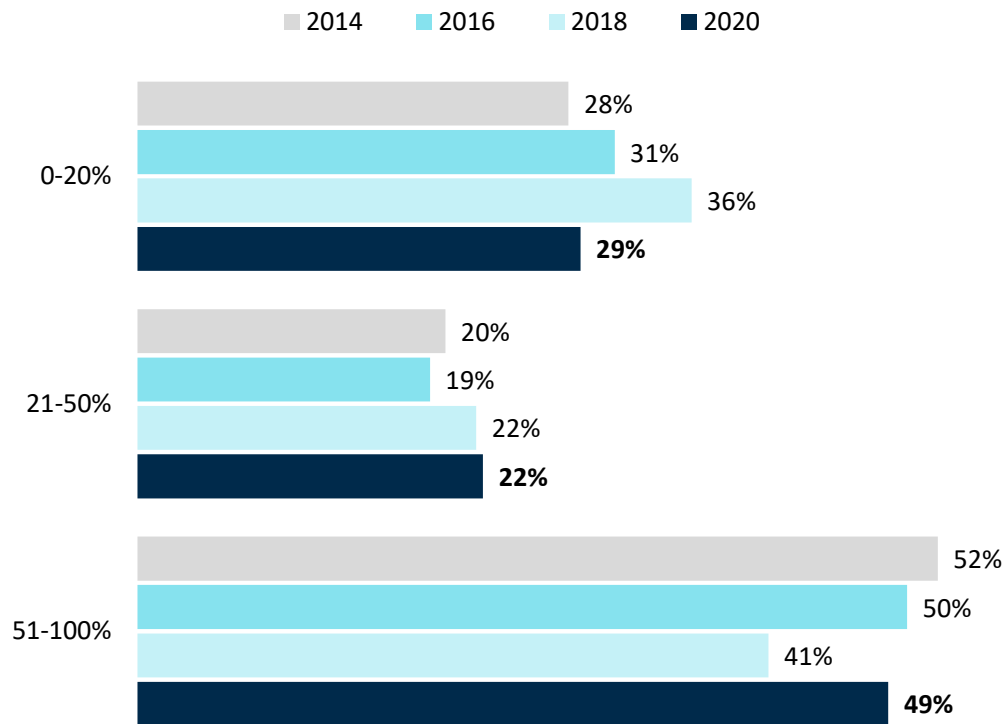


WHEN DID YOUR BUSINESS START OPERATIONS?

▲ ▼ New Sig. higher/lower than Mature (95% CI)

PERCENTAGE OF REVENUE GENERATED FROM EXPORTING

With the higher number of mature exporters in the sample, it is expected that the proportion of revenue generated from exporting is higher.



Q WHAT % OF YOUR REVENUE IS FROM EXPORT ORDERS OR SELLING YOUR PRODUCTS AND/OR SERVICES TO OVERSEAS CUSTOMERS?

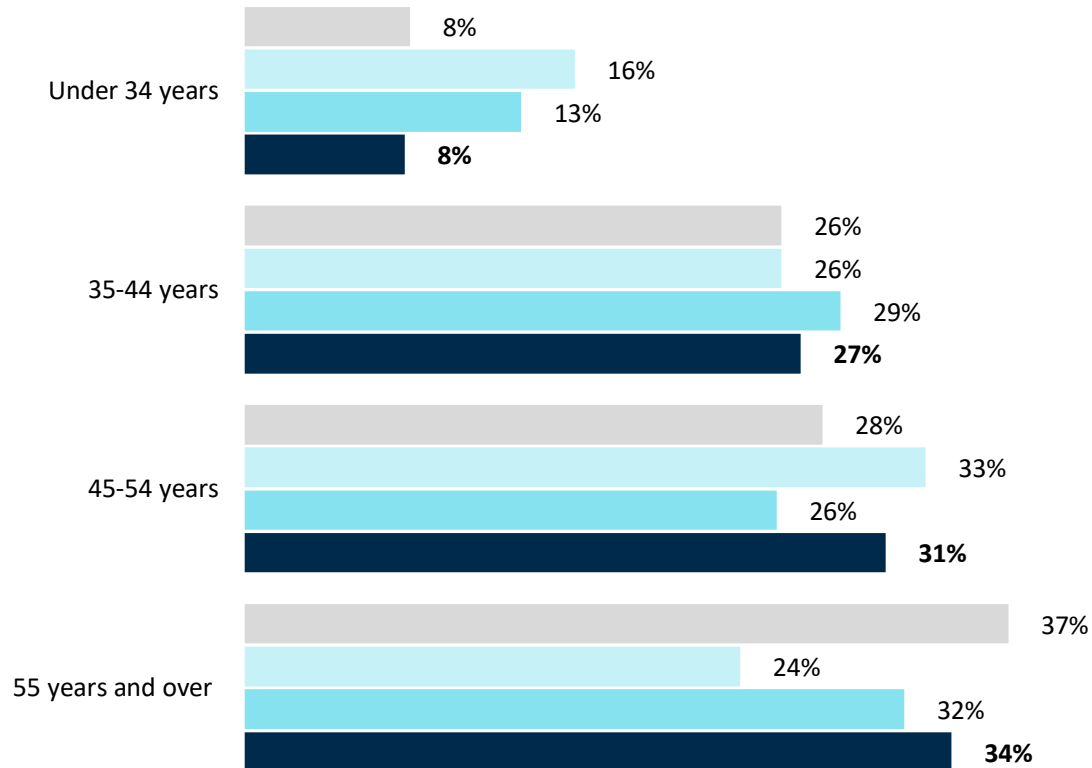
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RESPONDENT & EMPLOYEE PROFILE

Males and females are now equally represented among total employees in exporting businesses. Proprietors and executives are still mostly males; however, there has been a gradual increase in the proportion of females across these roles.

Q

AGE OF PROPRIETOR/CEO/MD



Q

GENDER OF STAFF

	FEMALE	MALE
CEO/PROPRIETOR/MD	39% (2018: 32%) ↑ (2016: 27%) ↑ (2014: 27%)	61% (2018: 68%) ↓ (2016: 73%) ↓ (2014: 59%) ↓
EXECUTIVES	43% (2018: 41%) ↑ (2016: 37%) ↑ *Added in 2016	57% (2018: 59%) ↓ (2016: 63%) ↓ *Added in 2016
EMPLOYEES	50% (2018: 49%) ↑ (2016: 43%) ↑ *Added in 2016	50% (2018: 51%) ↓ (2016: 57%) ↓ *Added in 2016

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EXPORT CONFIDENCE

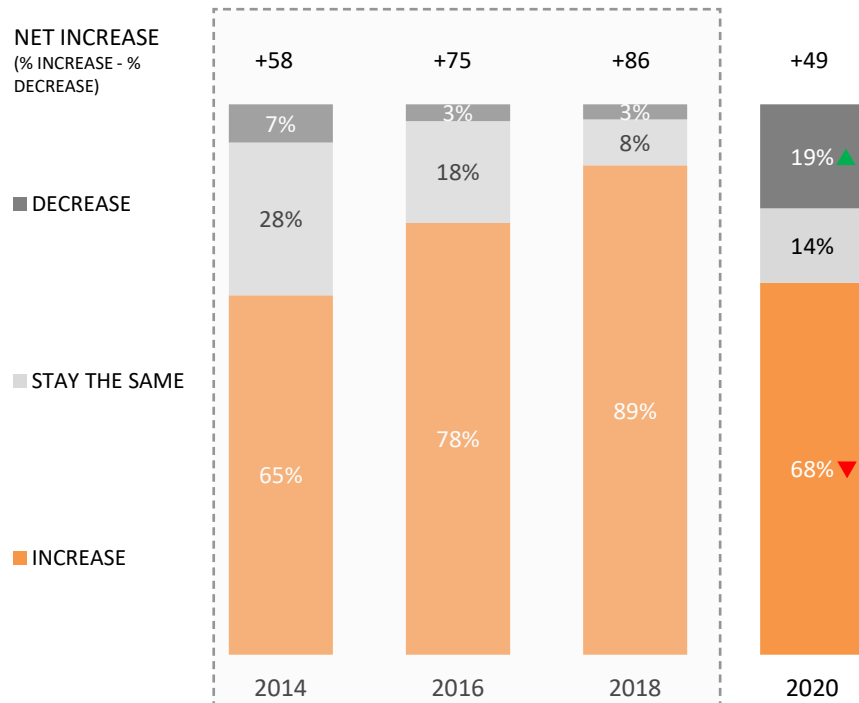


EXPECTED CHANGE IN EXPORT ORDERS OVER THE NEXT 12 MONTHS

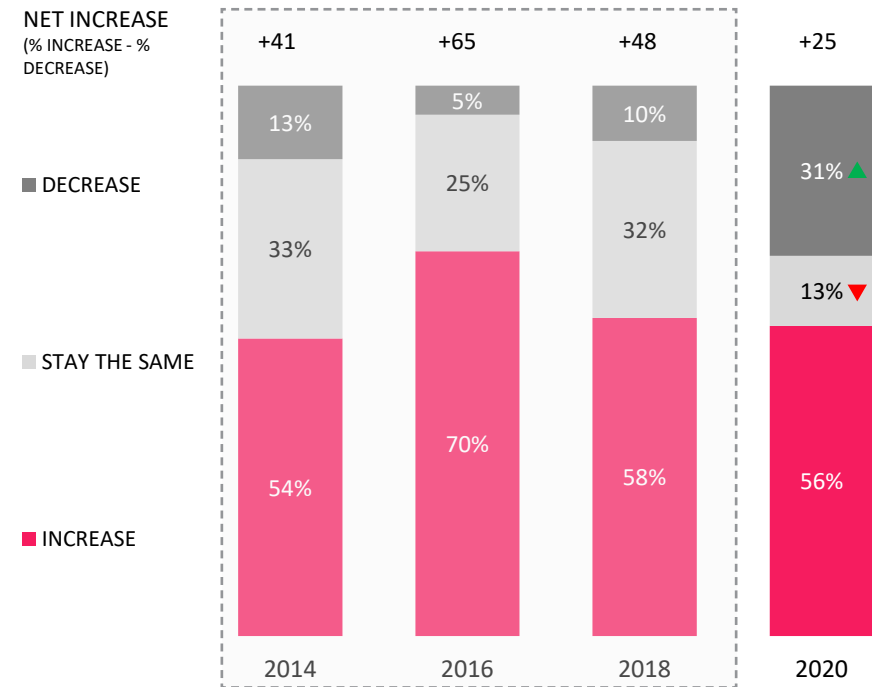
Confidence is dropping regardless of exporting maturity.

Q OVER THE NEXT 12 MONTHS, DO YOU EXPECT EXPORT REVENUE TO INCREASE, DECREASE, OR STAY THE SAME?

NEW EXPORTERS
Started exporting 3 years ago or less



MATURE EXPORTERS
Started exporting 3 years ago or less



▲ ▼ New Sig. higher/lower than Mature (95% CI)

CHANGE IN EXPORT ORDERS

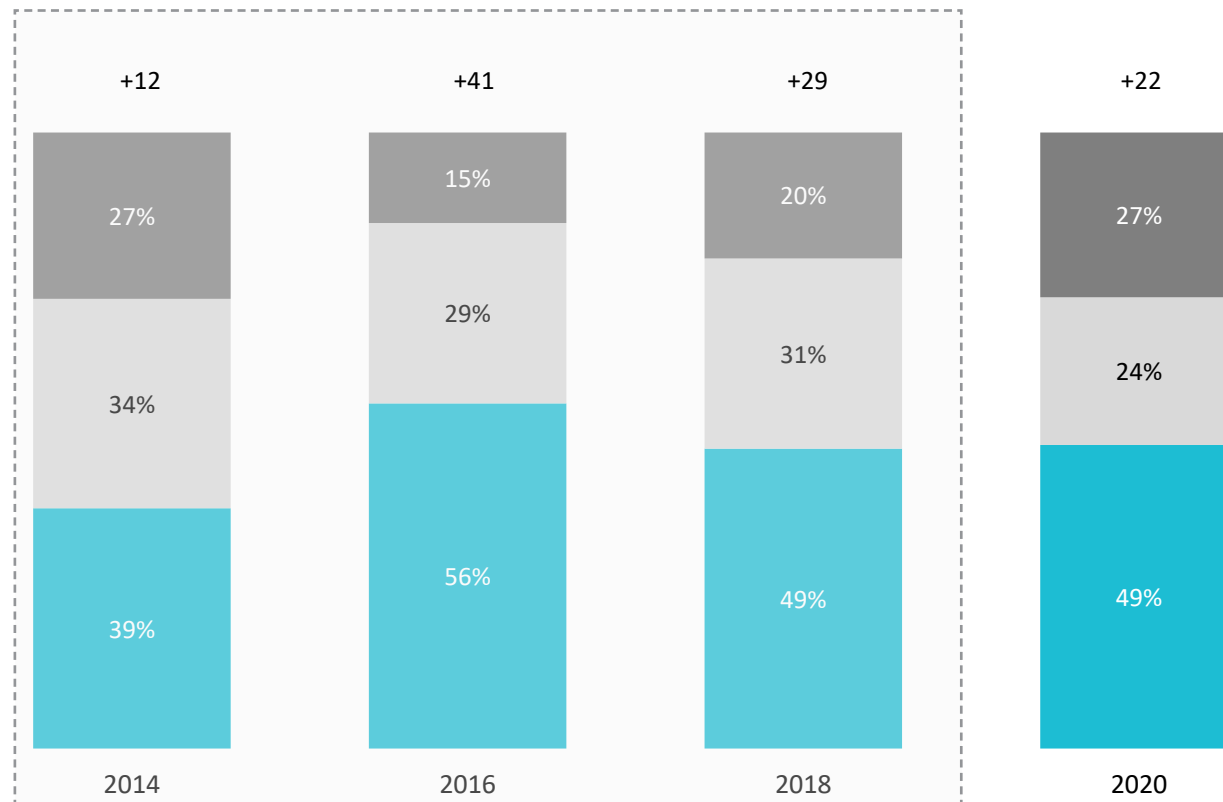
Nearly half of all businesses report a growth in export orders over the past 12 months, which is on par with 2018. However, a quarter of exporters now report a decline in revenue as extreme weather and COVID-19 disrupt businesses in the Pacific.

NET INCREASE
(% INCREASE - % DECREASE)

■ DECREASED

■ STAYED THE SAME

■ INCREASED

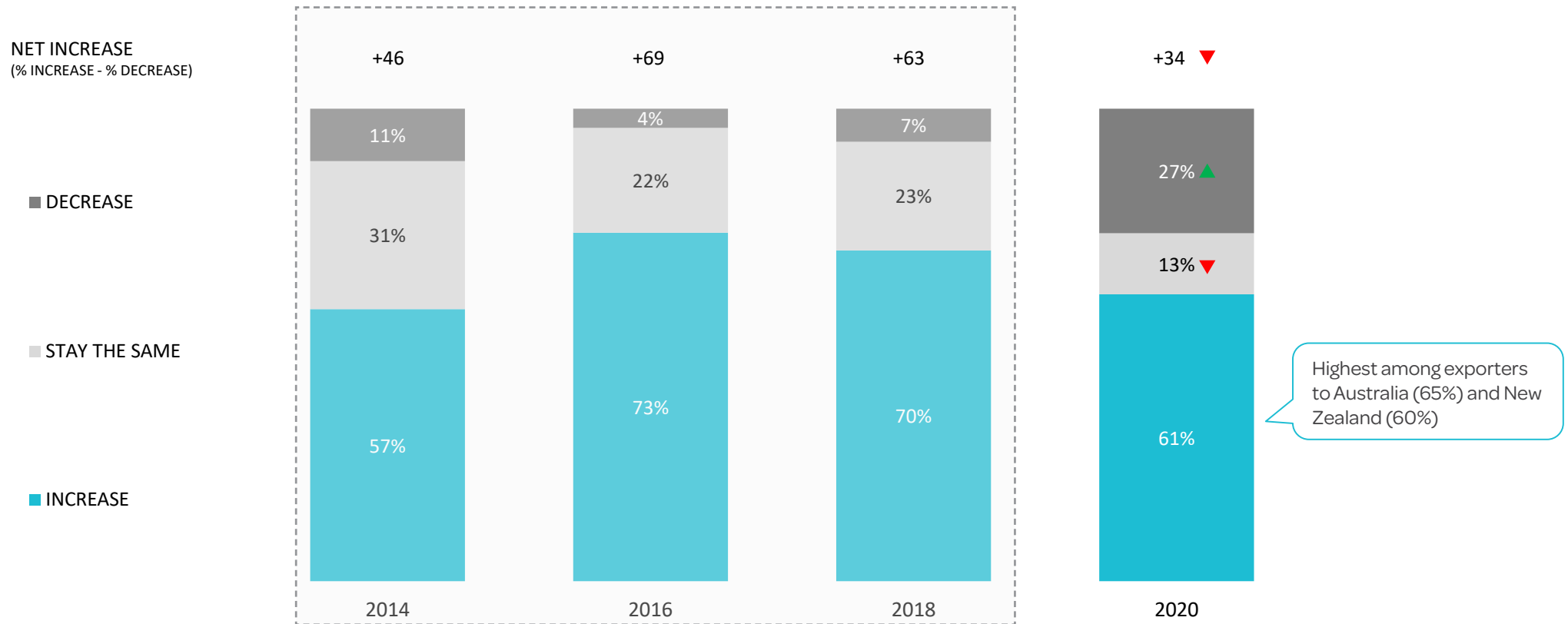


Q

OVER THE LAST 12 MONTHS, HAS YOUR EXPORT REVENUE INCREASED, DECREASED, OR STAYED THE SAME?

EXPECTED CHANGE IN EXPORT ORDERS DURING NEXT 12 MONTHS

Export confidence for the next 12 months has significantly dropped as businesses expect to endure the long-term impacts of COVID-19 and extreme weather conditions.



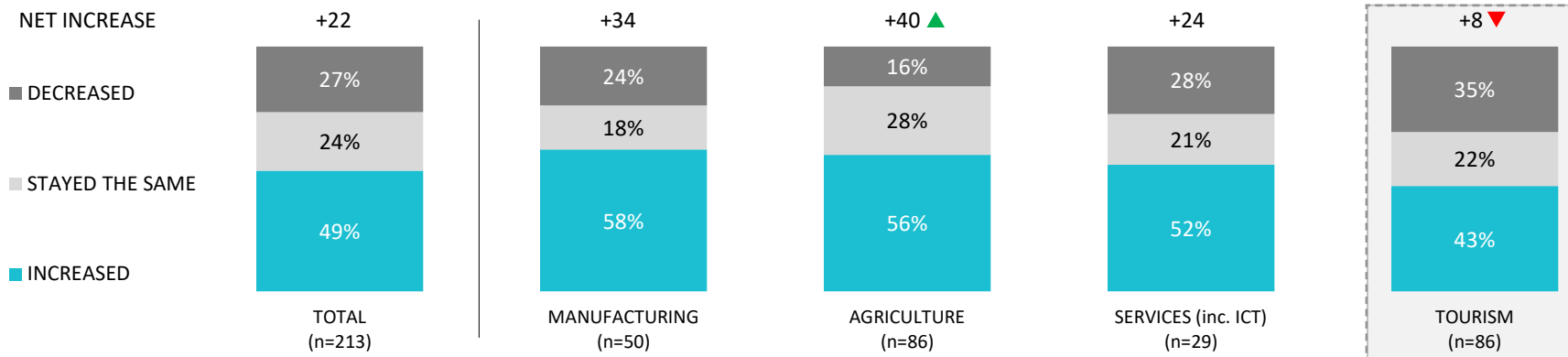
OVER THE NEXT 12 MONTHS, DO YOU EXPECT EXPORT REVENUE TO INCREASE, DECREASE, OR STAY THE SAME?

▲ ▼ New Sig. higher/lower than Mature (95% CI)

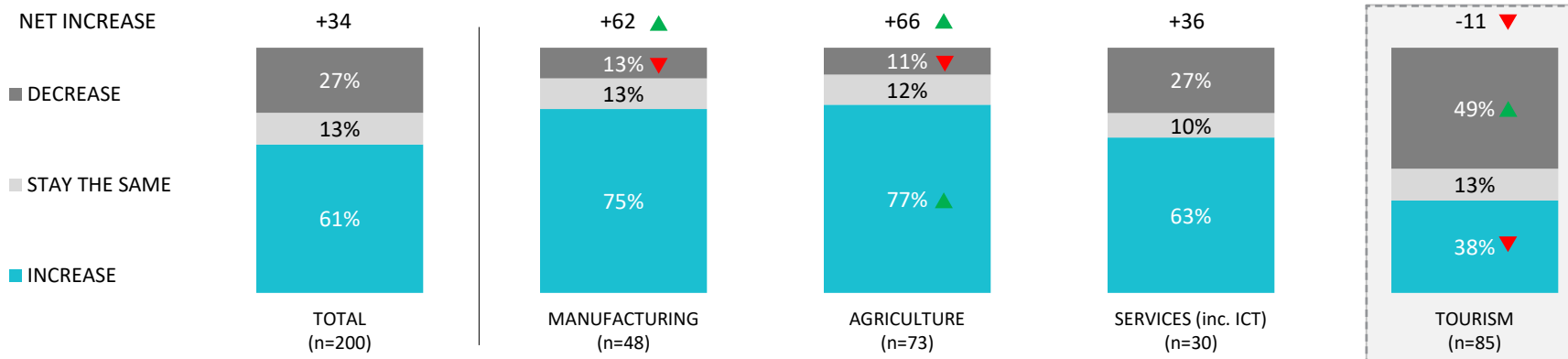
CHANGE IN EXPORT ORDERS BY INDUSTRY

Tourism, in particular, will be the hardest hit industry as global travel is expected to be restricted over the next 12 months due to COVID-19. Manufacturing and Agriculture remain more confident despite the crisis.

LAST 12 MONTHS



NEXT 12 MONTHS



▲ ▼ New Sig. higher/lower than Mature (95% CI)

EXPECTED CHANGE IN EXPORT REVENUE

Revenue is likely to decline significantly among exporters generating revenue from in-country spend and overseas visitors as international travel is restricted.

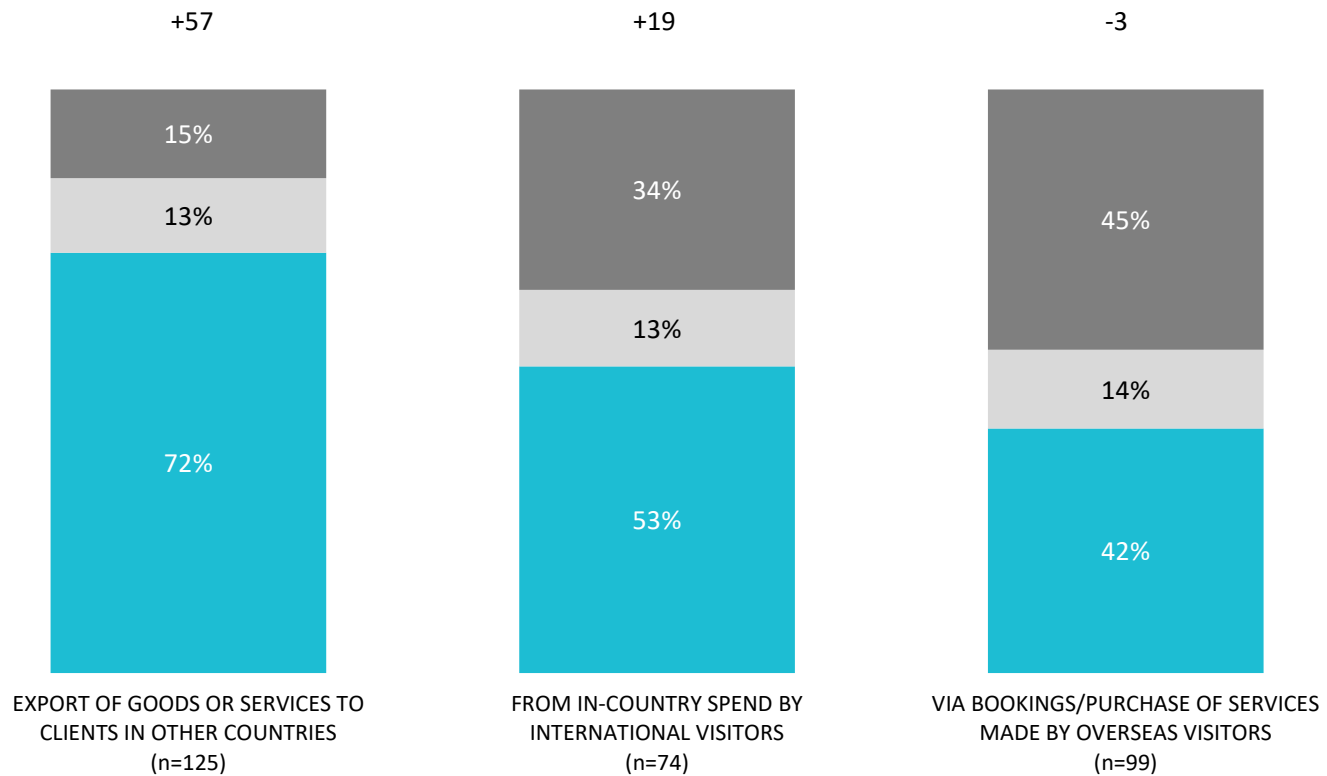
Q OVER THE NEXT 12 MONTHS, DO YOU EXPECT EXPORT REVENUE TO INCREASE, DECREASE, OR STAY THE SAME?

NET INCREASE
(% INCREASE - % DECREASE)

■ DECREASE

■ STAY THE SAME

■ INCREASE

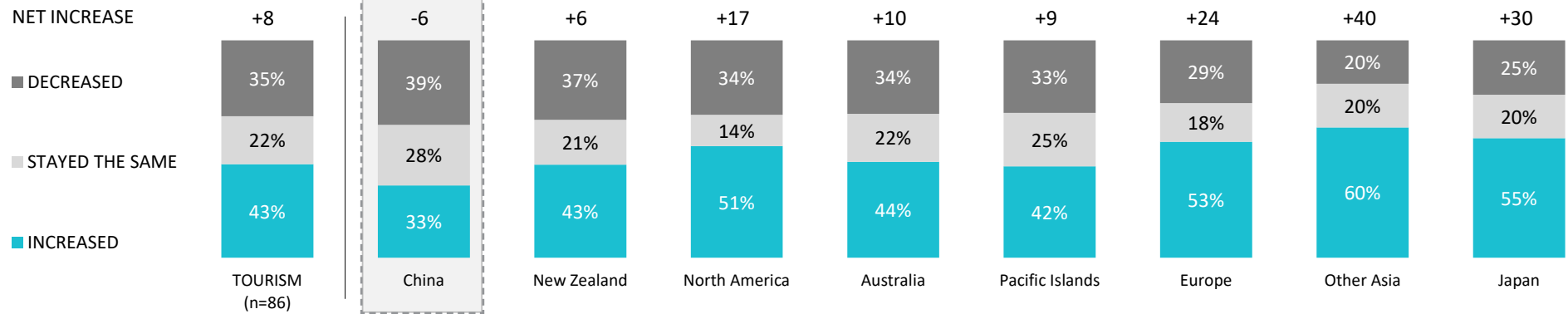


CHANGE IN EXPORTS – TOURISM

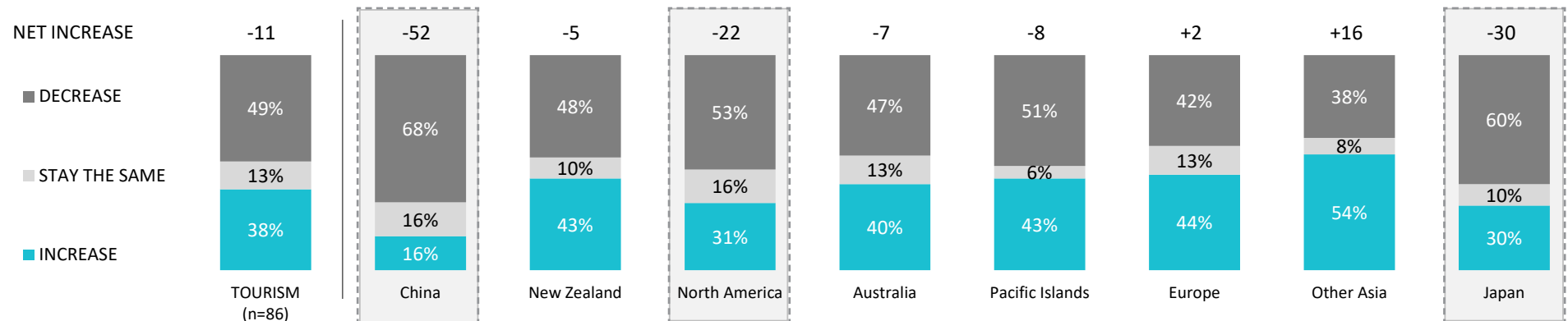
Revenue generated from international tourists is expected to decline from all geographic areas, especially China, Japan and North America.

Q GEOGRAPHIC AREAS TOURISM IS GENERATING REVENUE FROM OVERSEAS VISITORS

LAST 12 MONTHS



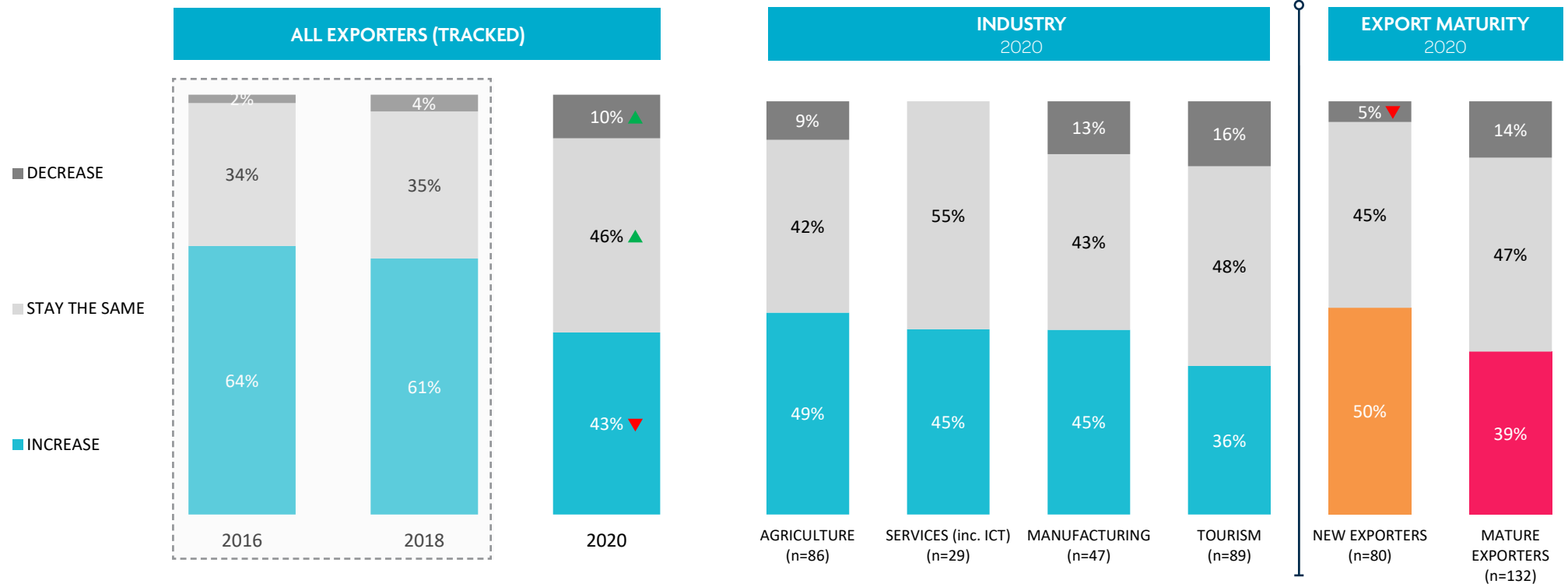
NEXT 12 MONTHS



12-MONTH EMPLOYMENT PROJECTIONS

In line with falling confidence and economic uncertainty, there has been a significant decline in exporters looking to hire new employees over the next 12 months.

Q DURING THE NEXT 12 MONTHS, DO YOU THINK YOUR NUMBER OF EMPLOYEES WILL INCREASE, DECREASE OR REMAIN THE SAME?

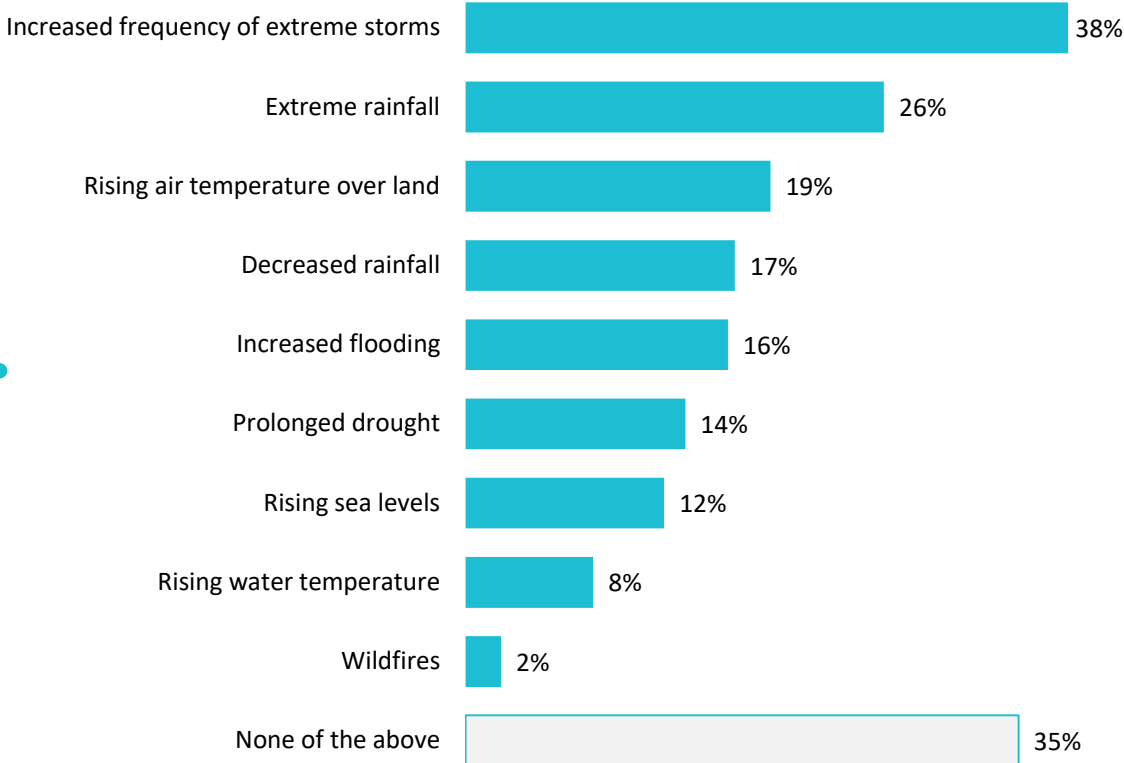
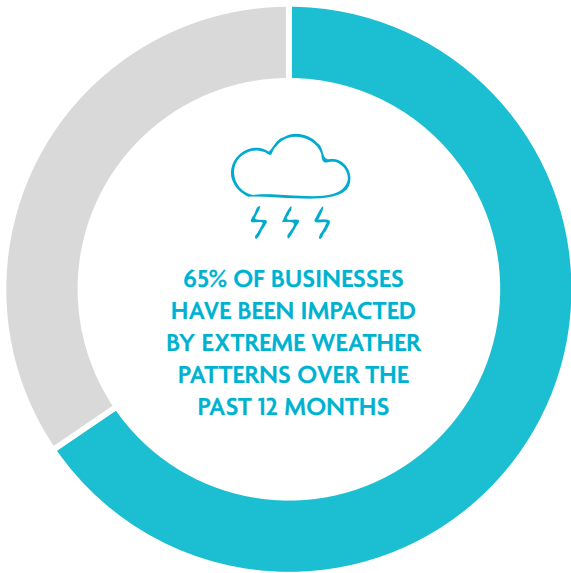




IMPACT OF
EXTREME
WEATHER CONDITIONS

IMPACT OF EXTREME WEATHER PATTERNS

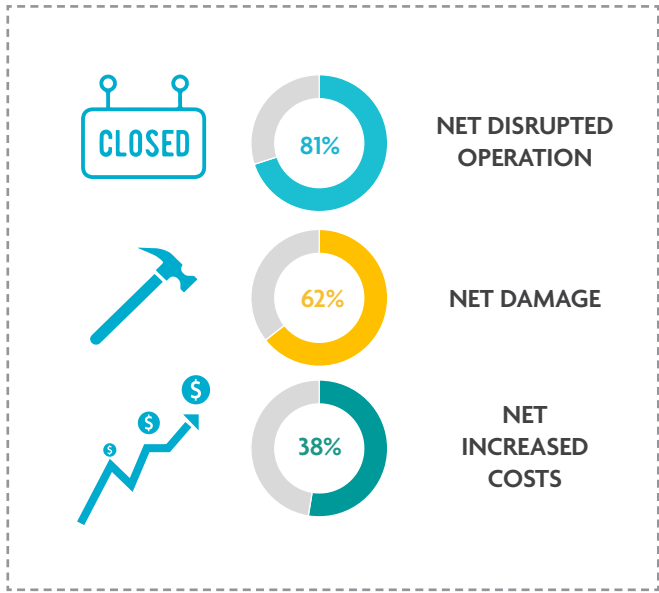
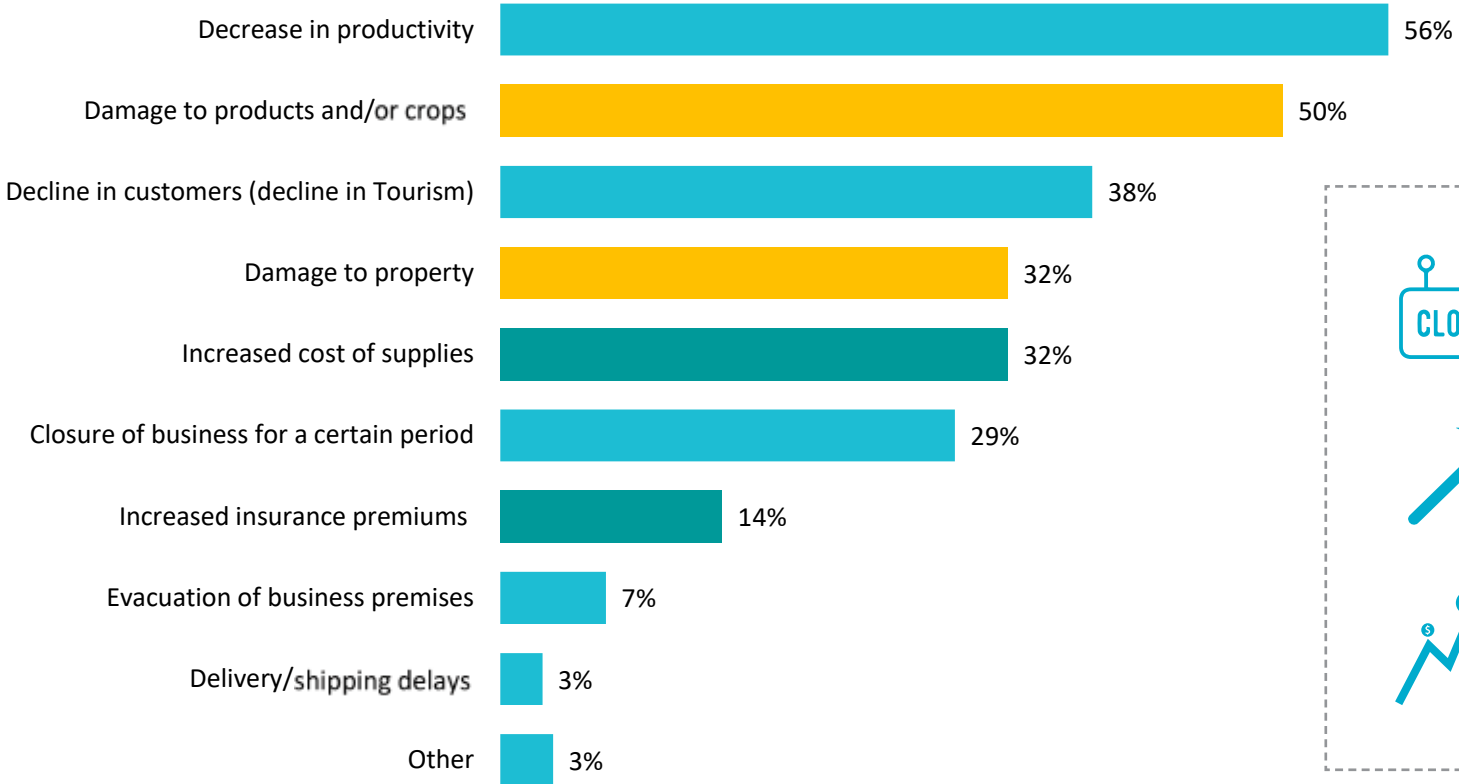
Just under two thirds of exporters have been impacted by extreme weather patterns over the past year.



Q HAVE ANY OF THE FOLLOWING EXTREME WEATHER PATTERNS IMPACTED YOUR BUSINESS OVER THE PAST 12 MONTHS?

IMPACT OF EXTREME WEATHER PATTERNS

Extreme weather patterns have disrupted operations for most, causing a decline in productivity and in customers. Many also experienced damage to products and property.



Q HOW HAVE THESE EXTREME WEATHER PATTERNS IMPACTED YOUR BUSINESS?

IMPACT OF EXTREME WEATHER PATTERNS

Agriculture was the hardest hit industry in terms of loss of productivity and damage to crops, while Tourism businesses are suffering a decline in customers.

Q

HOW HAVE THESE EXTREME WEATHER PATTERNS IMPACTED YOUR BUSINESS?

INITIATIVE	OVERALL	EXPORT AREA				EXPORT MATURITY	
		MANUFACTURING	AGRICULTURE	SERVICES (inc. ICT)	TOURISM	NEW (≤3 YEARS)	MATURE (> 3 YEARS)
Base n=	n=149	n=34	n=64	n=17*	n=62	n=45	n=104
Decrease in productivity	56%	68%	73% ▲	35%	45%	64%	53%
Damage to products and/or crops	50%	47%	66% ▲	35%	45%	44%	52%
Decline in customers (decline in Tourism)	38%	24%	14% ▼	53%	60% ▲	29%	41%
Damage to property	32%	24%	23%	53%	37%	36%	31%
Increased cost of supplies	32%	32%	28%	24%	32%	29%	34%
Closure of business for a certain period	29%	29%	16% ▼	41%	34%	27%	30%
Increased insurance premiums	14%	15%	5% ▼	29%	15%	4% ▼	18%
Evacuation of business premises	7%	9%	3%	6%	8%	13% ▲	4%
Delivery/Shipping delays	3%	9%	2%	6%	0%	2%	3%
NET DISRUPTED BUSINESS OPERATIONS	81%	82%	78%	71%	85%	84%	79%
NET DAMAGE	62%	56%	69%	59%	65%	62%	63%
NET INCREASED COSTS	38%	38%	33%	35%	37%	33%	40%

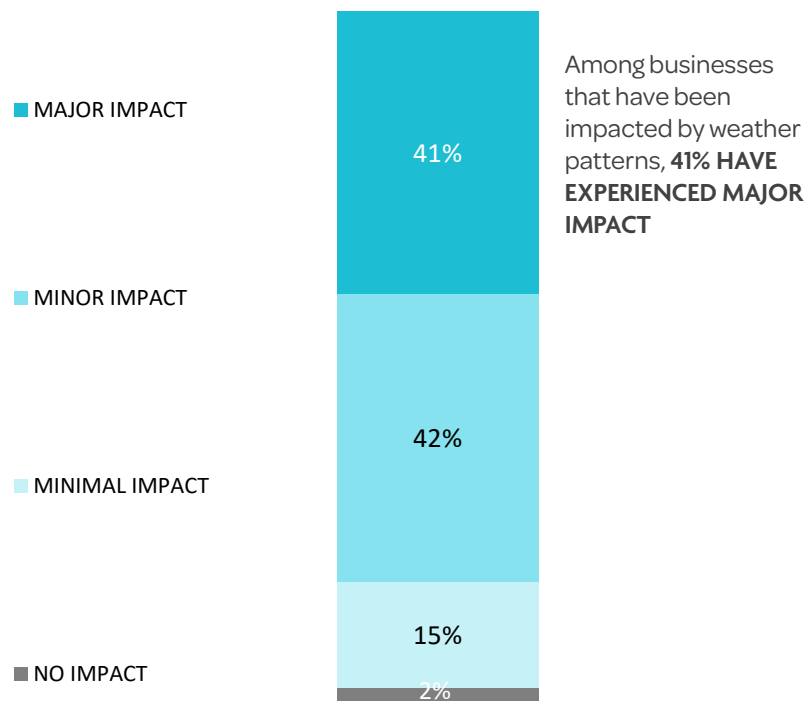
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IMPACT OF EXTREME WEATHER PATTERNS

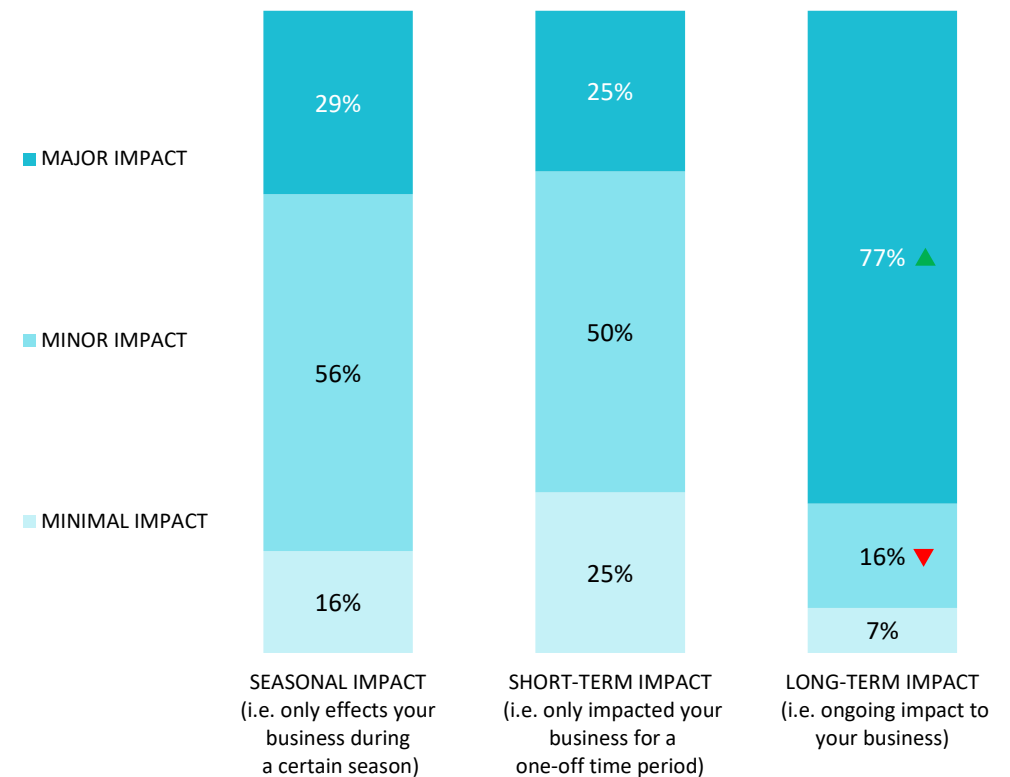
A large proportion of businesses have been majorly impacted by extreme weather, especially among businesses that reported a long-term impact.

Q

TO WHAT EXTENT HAS YOUR BUSINESS BEEN IMPACTED BY THESE WEATHER PATTERNS?



(AMONG BUSINESSES THAT HAVE BEEN IMPACTED IN PAST 12 MONTHS)



(AMONG BUSINESSES THAT HAVE HAD MINIMAL, MINOR OR MAJOR IMPACT)

IMPACT OF EXTREME WEATHER PATTERNS

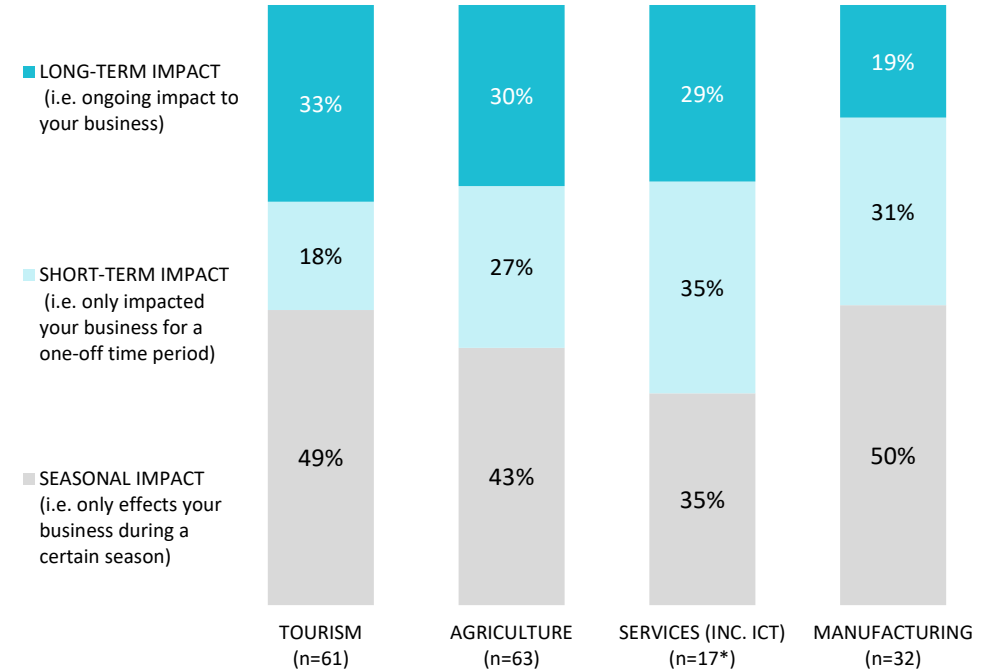
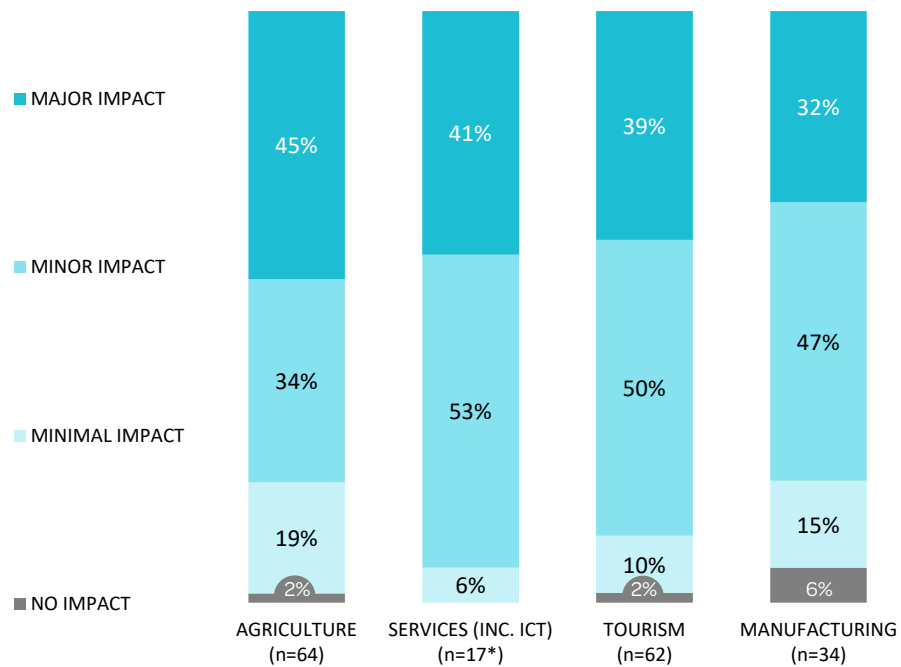
Many businesses across all industry sectors report the extreme weather has caused major, long-term impacts to their organisation.

Q

TO WHAT EXTENT HAS YOUR BUSINESS BEEN IMPACTED BY THESE WEATHER PATTERNS?

Q

...AND THE TIMEFRAME OF THIS IMPACT?



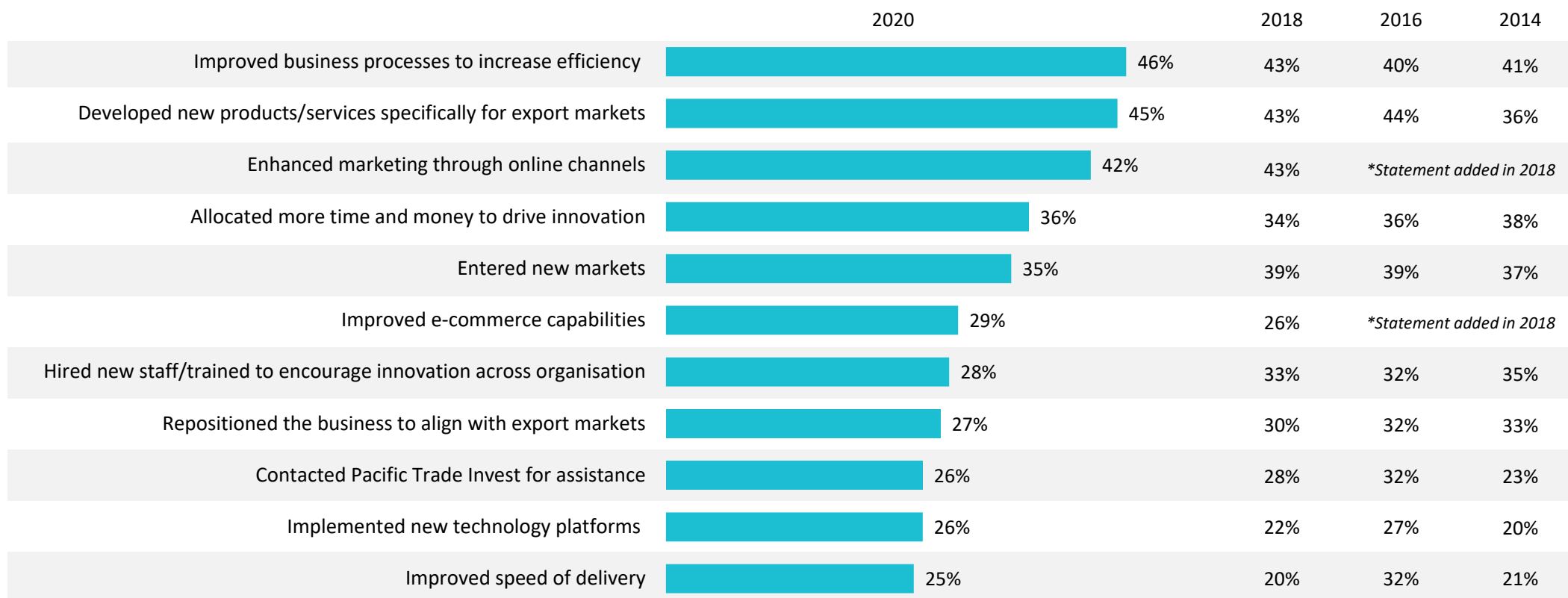
(AMONG BUSINESSES THAT HAVE BEEN IMPACTED IN THE PAST 12 MONTHS)

INITIATIVES TO INCREASE EXPORT



INITIATIVES ACTIVATED TO INCREASE EXPORT ORDERS

Similar to 2018, exporters are driving growth through a range of initiatives including improving process efficiency, new products and services, and enhancing online marketing.



WHAT INITIATIVES HAS YOUR ORGANISATION INSTIGATED TO INCREASE EXPORT ORDERS IN THE LAST 12 MONTHS?

E-COMMERCE

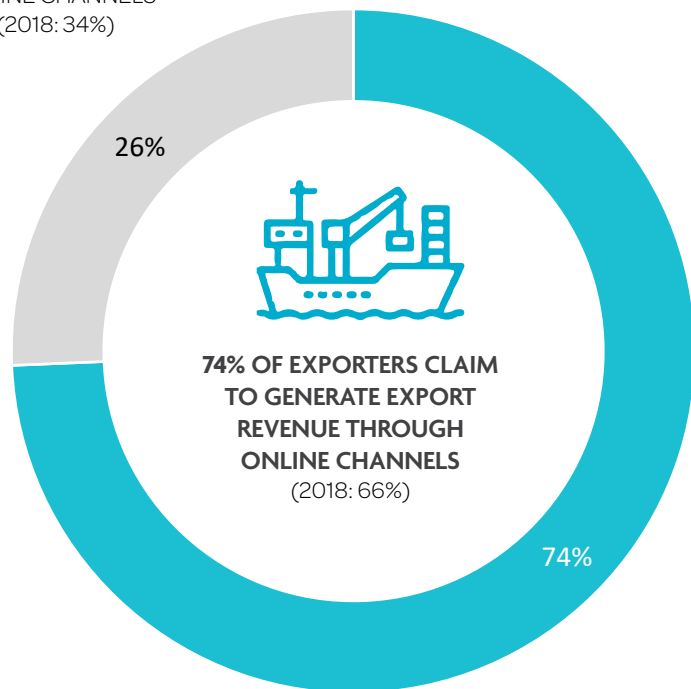
EXPORT REVENUE GENERATED THROUGH ONLINE CHANNELS

Just under three quarters of exporters are using online channels to generate export revenue, up from 66% in 2018. The proportion of online sales has also increased slightly.

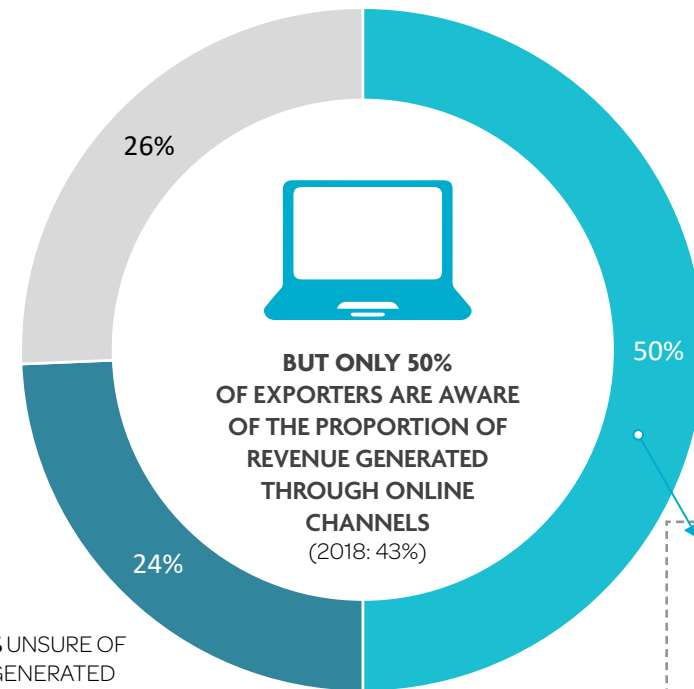
Q

APPROXIMATELY WHAT PERCENTAGE OF YOUR EXPORT REVENUE IS GENERATED THROUGH ONLINE CHANNELS?

26% NO EXPORT REVENUE GENERATED THROUGH ONLINE CHANNELS (2018: 34%)

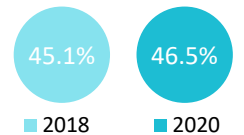


24% UNSURE OF % GENERATED ONLINE



50% GENERATE EXPORT REVENUE ONLINE AND KNOW % GENERATED ONLINE

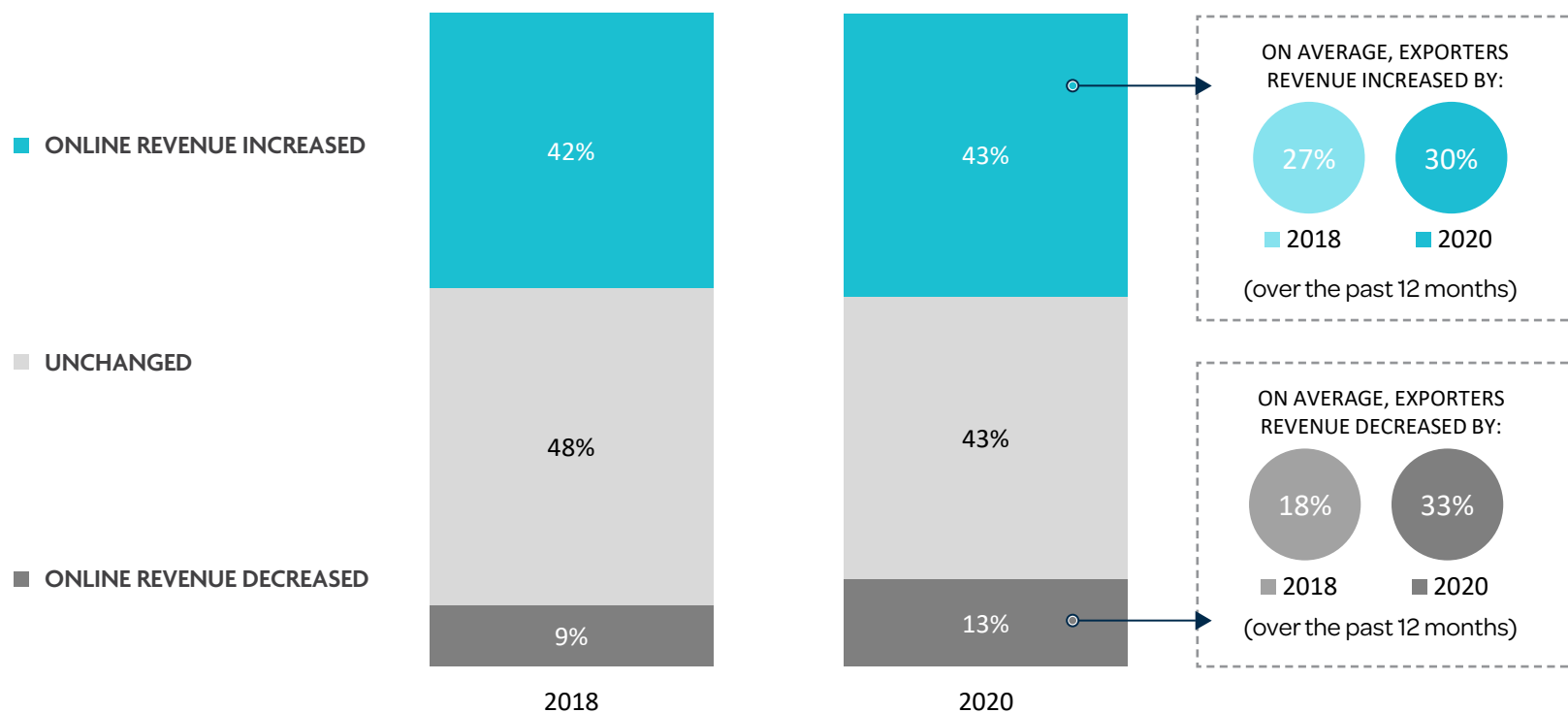
Among these businesses, online channels generate:



of their total export revenue, on average

EXPORT REVENUE GENERATED ONLINE—CHANGE OVER PAST 12 MONTHS

Among exporters who generate revenue online, only a small proportion reported a decline in online revenue, although revenue is declining by a higher proportion for these businesses.



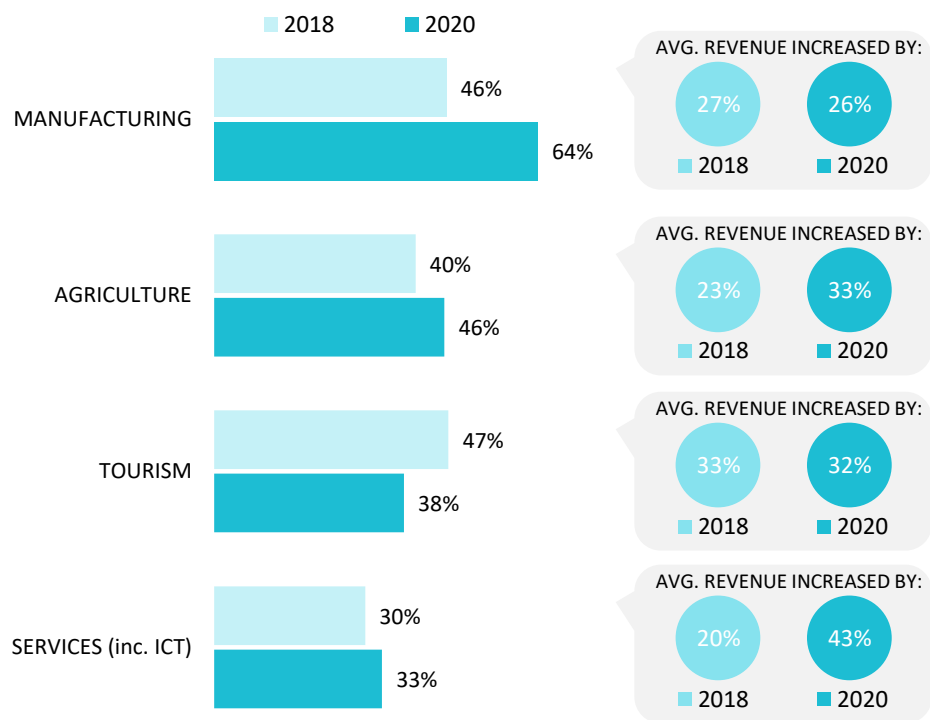
HOW HAS YOUR EXPORT REVENUE GENERATED THROUGH ONLINE CHANNELS CHANGED OVER THE PAST 12 MONTHS?

New Sig. higher/lower than Mature (95% CI)

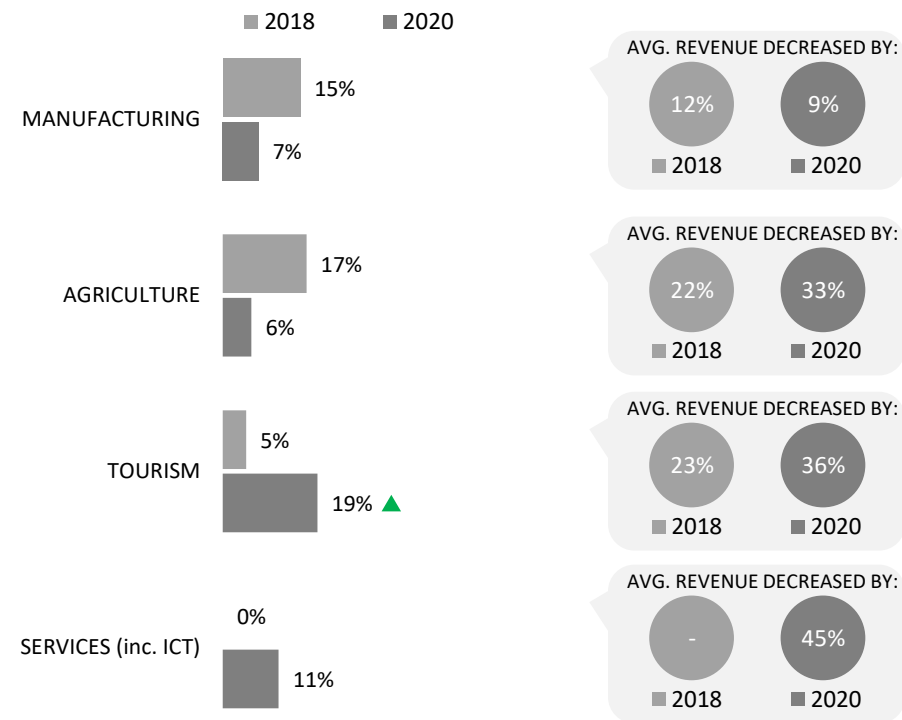
EXPORT REVENUE GENERATED ONLINE—CHANGE OVER PAST 12 MONTHS

Increased online export revenue is driven by businesses in Manufacturing – not surprising as they report higher confidence and expect an increase in orders over the next 12 months.

ONLINE EXPORT REVENUE INCREASED OVER PAST 12 MONTHS



ONLINE EXPORT REVENUE DECREASED OVER PAST 12 MONTHS

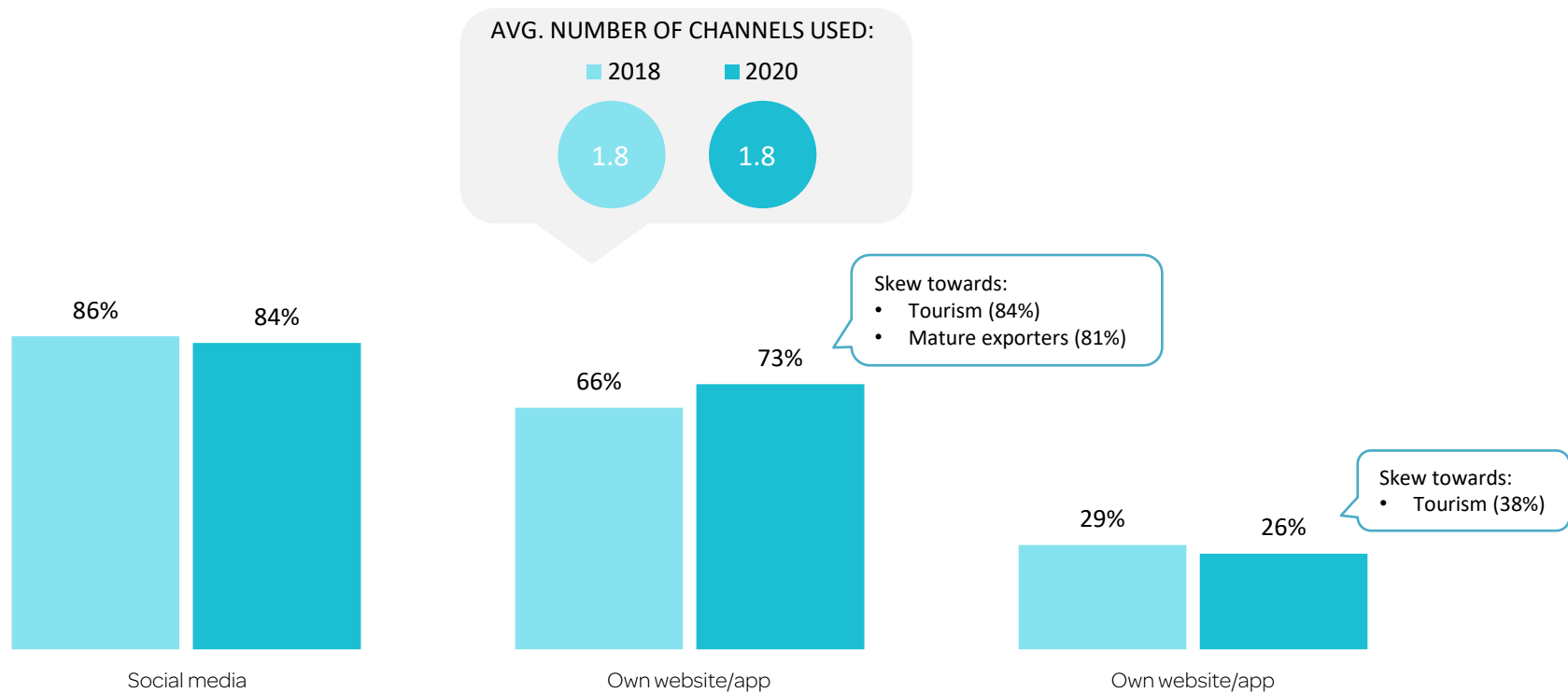


HOW HAS YOUR EXPORT REVENUE GENERATED THROUGH ONLINE CHANNELS CHANGED OVER THE PAST 12 MONTHS?

▲ ▼ New Sig. higher/lower than Mature (95% CI)

ONLINE CHANNEL USAGE

Tourism exporters are more likely to adopt multiple channels to generate revenue online.



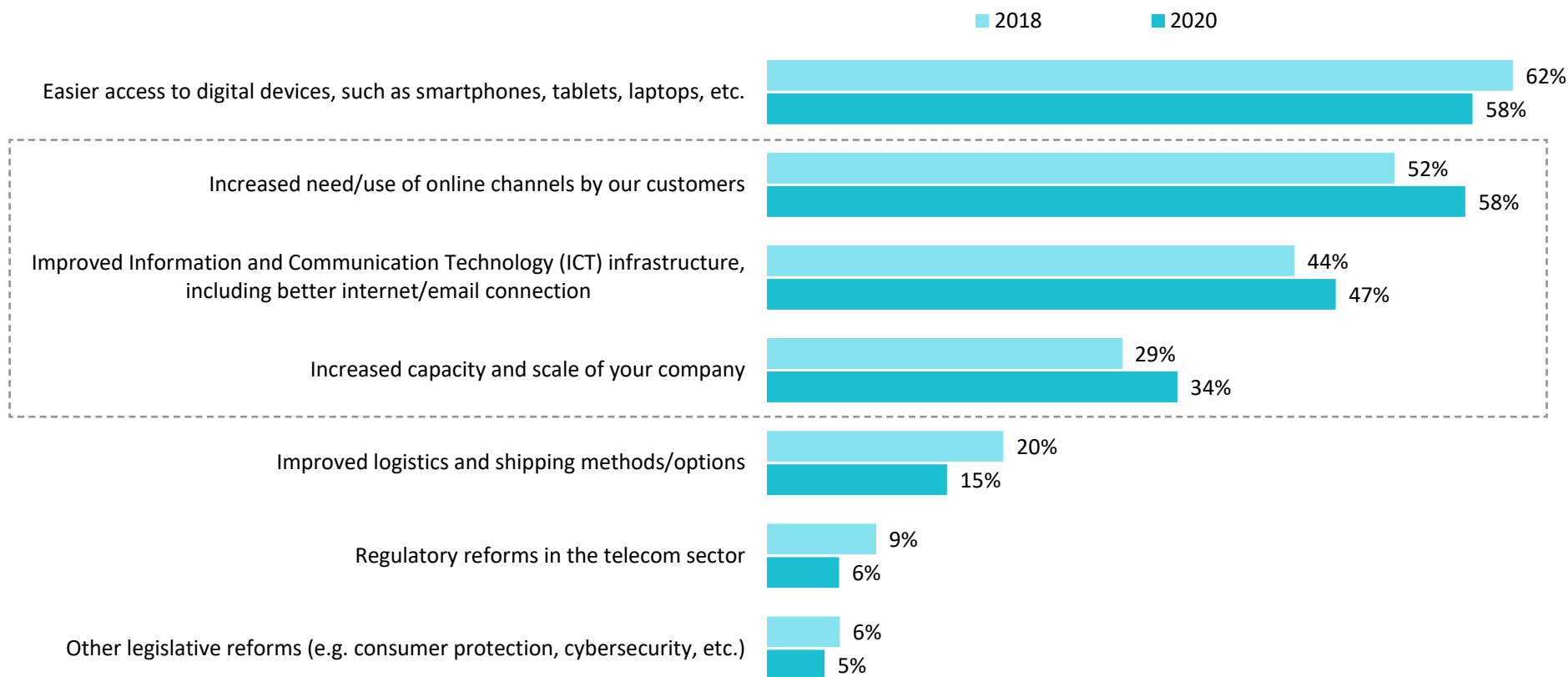
AMONG EXPORTERS WHO GENERATE EXPORT REVENUE THROUGH ONLINE CHANNELS

Q

WHICH OF THE FOLLOWING ONLINE CHANNELS DOES YOUR BUSINESS USE TO GENERATE EXPORT REVENUE?

POSITIVE FACTORS IMPACTING E-COMMERCE

Exporters acknowledge that there are a range of factors enabling them to further their e-commerce activities, with the increased use of online channels among customers, better ICT infrastructure and greater capacity becoming increasingly important factors.



AMONG EXPORTERS WHO GENERATE EXPORT REVENUE THROUGH ONLINE CHANNELS



FACTORS THAT HAVE POSITIVELY IMPACTED YOUR E-COMMERCE ACTIVITIES?

POSITIVE FACTORS IMPACTING E-COMMERCE

Manufacturing businesses are more likely to recognise a wider range of positive factors impacting e-commerce activities, especially improved shipping methods, which have allowed them to successfully increase revenue generated through online channels.

POSITIVE FACTORS	OVERALL	EXPORT AREA			
		MANUFACTURING	AGRICULTURE	SERVICES (inc. ICT)	TOURISM
<i>Base n=</i>	168	37	50	24*	87
Easier access to digital devices, such as smartphones, tablets, laptops, etc.	58%	73%	48%	46%	61%
Increased need/use of online channels by our customers	58%	57%	34% ▼	71%	68%
Improved Information and Communication Technology (ICT) infrastructure, including better internet/email connection	47%	57%	44%	33%	48%
Increased capacity and scale of your company	34%	46%	40%	17%	34%
Improved logistics and shipping methods/options	15%	32% ▲	14%	8%	9%
Regulatory reforms in the telecom sector	6%	3%	4%	8%	7%
Other legislative reforms (e.g. consumer protection, cybersecurity, etc.)	5%	0%	4%	0%	7%
Avg. number of positive factors mentioned	2.2	2.7	1.9	1.8	2.3

AMONG EXPORTERS WHO GENERATE EXPORT REVENUE THROUGH ONLINE CHANNELS

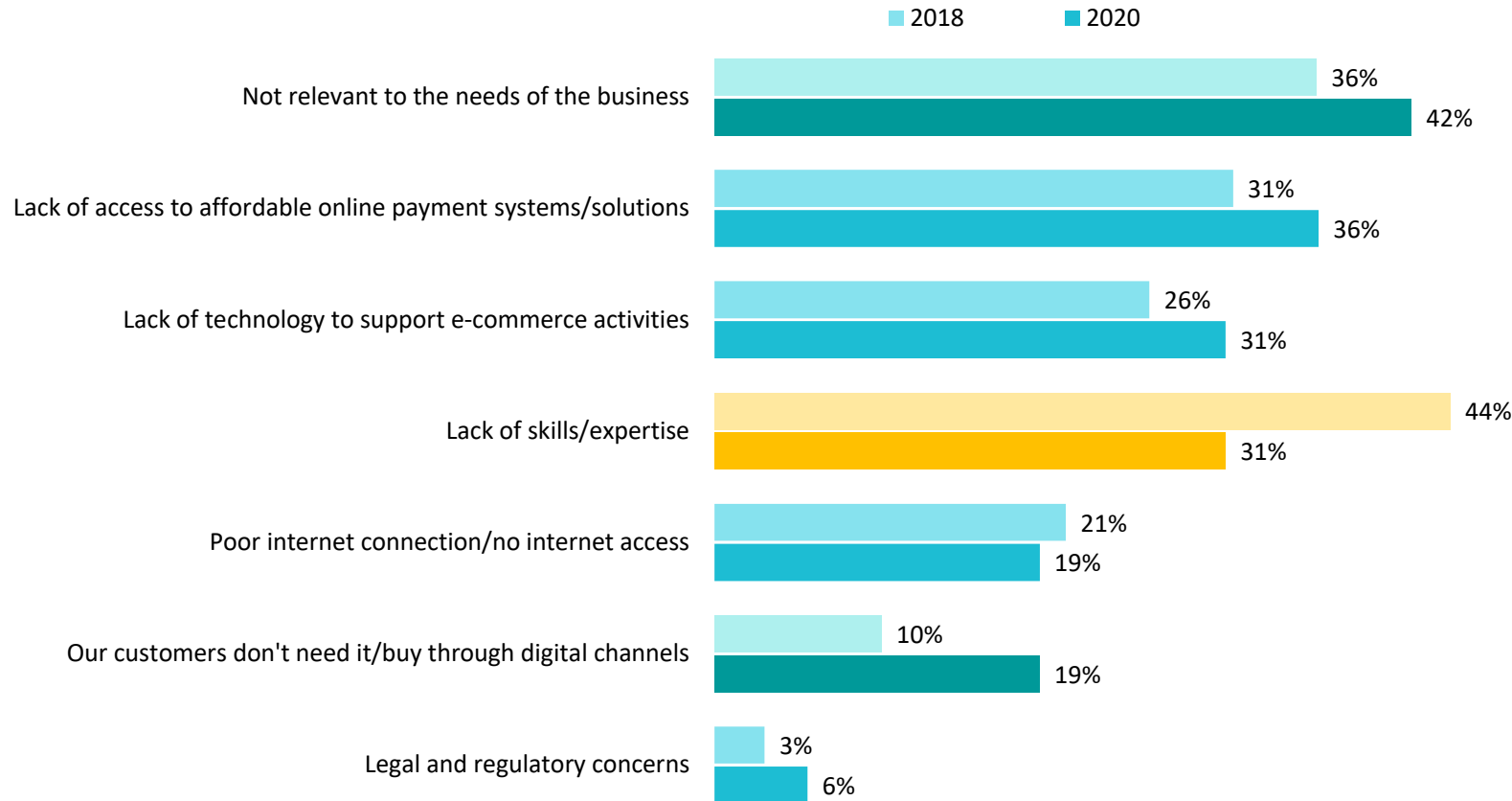


FACTORS THAT HAVE POSITIVELY IMPACTED YOUR E-COMMERCE ACTIVITIES?

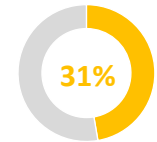
▲ ▼ New Sig. higher/lower than Mature (95% CI)

REASONS WHY ONLINE CHANNELS ARE NOT USED

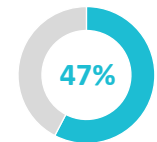
Those who don't use online channels to generate export revenue generally think it is not relevant to the needs of the business and/or don't have access to affordable online payment solutions or technology.



NET RELEVANCE
(2018: 41%)



NET TECHNOLOGY CONCERNS
(2018: 49%)



NET SKILLS & EXPERTISE CONCERNS
(2018: 44%)



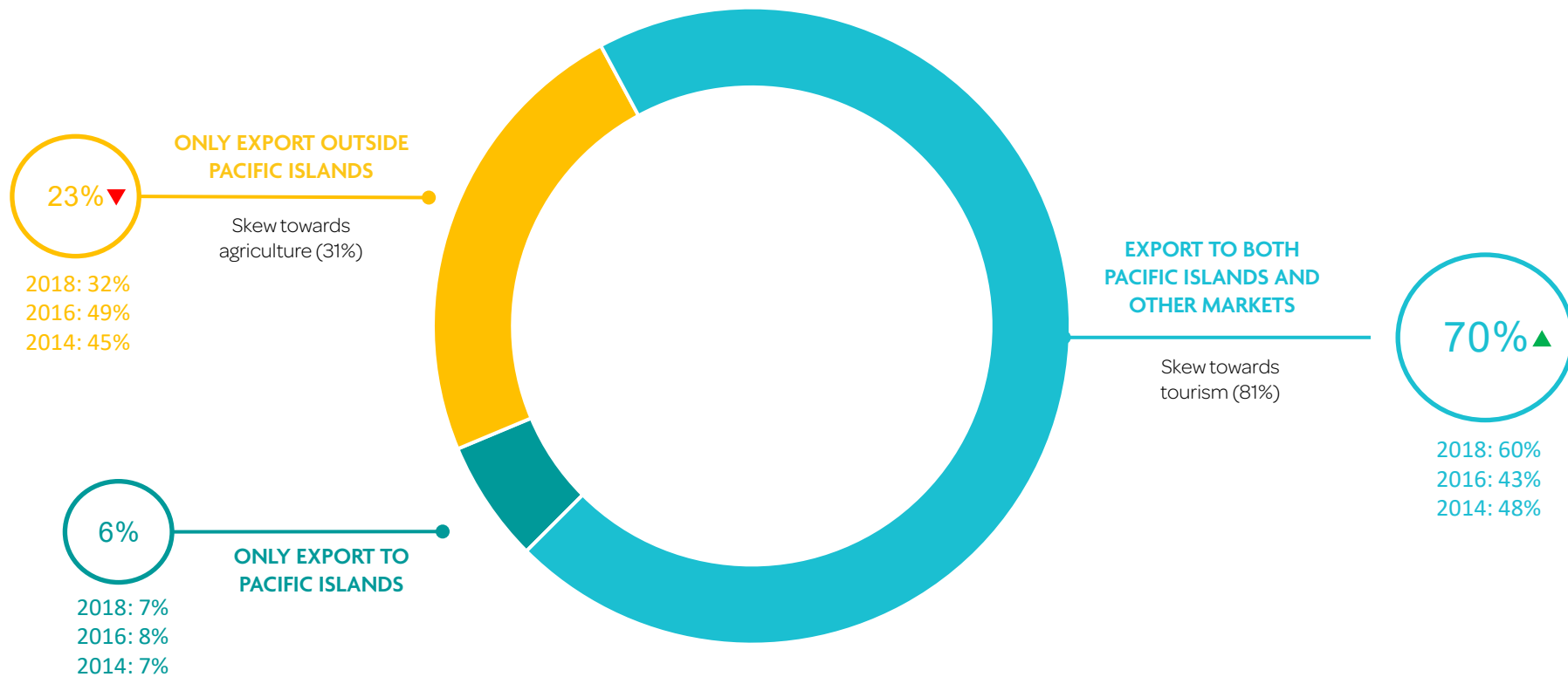
WHY DOES YOUR ORGANISATION NOT USE ANY ONLINE/DIGITAL CHANNELS TO GENERATE EXPORT REVENUE?

EXPORT DESTINATIONS



MARKETS EXPORTED TO OVER THE PAST 12 MONTHS

The majority of exporters trade within the Pacific Islands and to other international markets. There is an increase in the number of exporters trading inter-regionally as well as to other markets compared to 2018.

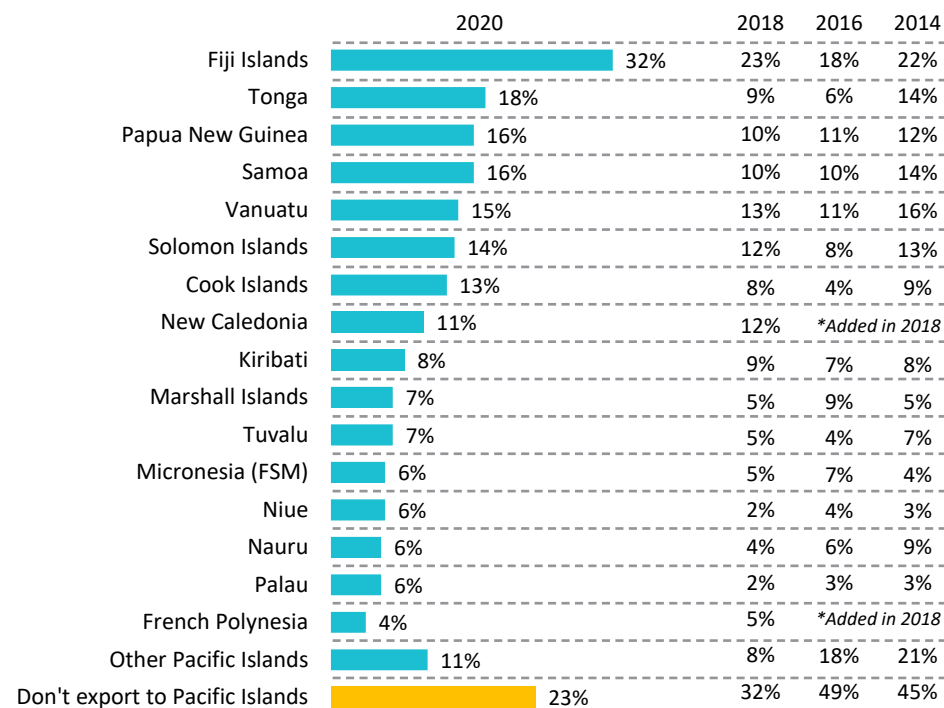
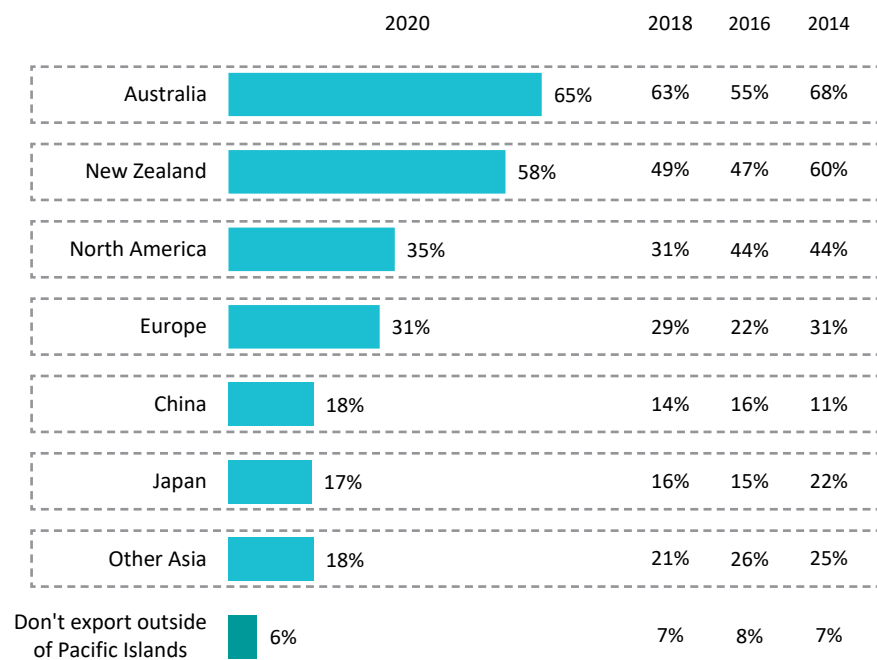


IN WHICH GEOGRAPHIC AREAS DID YOUR COMPANY GENERATE EXPORT REVENUE OVER THE PAST 12 MONTHS?

▲ ▼ New Sig. higher/lower than Mature (95% CI)

MARKETS EXPORTED TO DURING THE PAST 12 MONTHS

While Australia and New Zealand remain the two key export destinations, intra-regional trade remains important with just over three quarters of respondents exporting within the Pacific Islands.



EXPORTING OUTSIDE OF PACIFIC ISLANDS



EXPORTING WITHIN PACIFIC ISLANDS

▲ ▼ New Sig. higher/lower than Mature (95% CI)

COUNTRIES EXPORTED TO OUTSIDE OF PACIFIC ISLANDS

New exporters continue to focus more on the Australian and New Zealand markets, whereas mature exporters and those in Tourism have expanded into other markets.

COUNTRIES EXPORTED TO	OVERALL	EXPORT AREA				EXPORT MATURITY	
		MANUFACTURING	AGRICULTURE	SERVICES (inc. ICT)	TOURISM	NEW (≤3 YEARS)	MATURE (> 3 YEARS)
Base n=	n=226	n=52	n=87	n=32	n=95	n=86	n=140
Australia	65%	60%	52%	56%	87%	60%	68%
New Zealand	58%	73%	41%	59%	72%	53%	60%
North America	35%	38%	29%	25%	38%	22%	42%
Europe	31%	13%	17%	22%	53%	26%	35%
China	18%	13%	10%	22%	21%	13%	21%
Japan	17%	17%	13%	13%	23%	10%	21%
Other Asia	18%	15%	20%	28%	16%	8%	24%
NETT Pacific Islands	77%	88%	69%	81%	81%	72%	79%
Number of regions	3.2	3.2	2.5	3.1	3.9	2.6	3.5

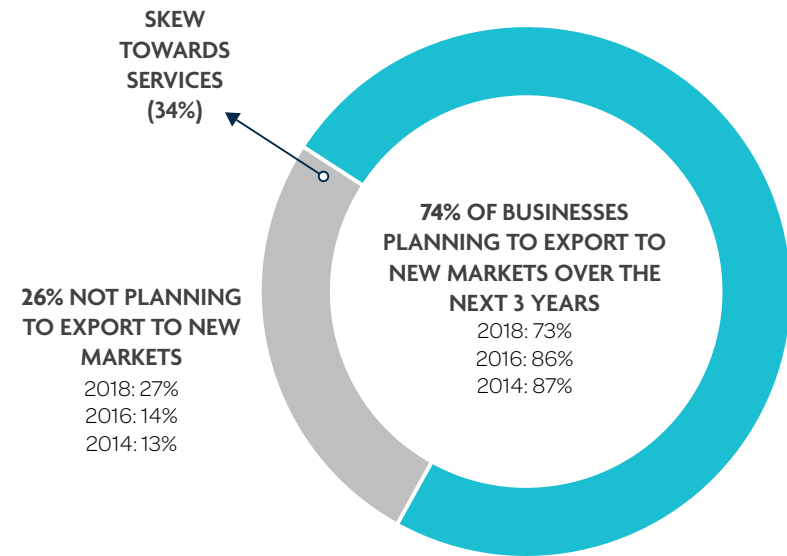
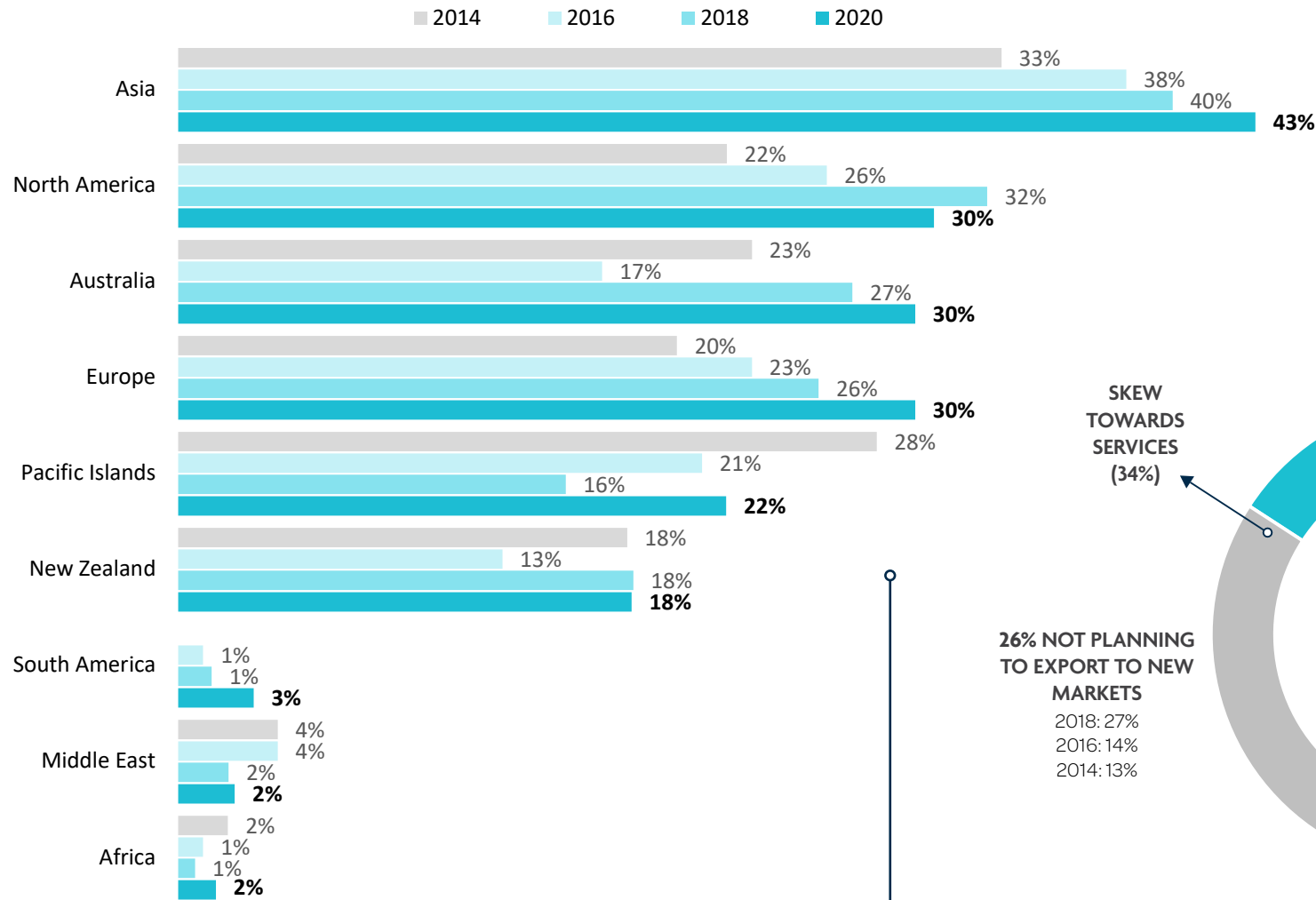
Q

IN WHICH GEOGRAPHIC AREAS DID YOUR COMPANY GENERATE EXPORT REVENUE OVER THE PAST 12 MONTHS?

  New Sig. higher/lower than Mature (95% CI)

ENTERING NEW MARKETS OVER THE NEXT 3 YEARS

Three quarters of exporters in the Pacific are looking to broaden their reach into new markets. Asia continues to hold the most appeal, while exports to Europe and Australia are becoming increasingly popular.



Q WHAT NEW MARKETS WILL YOU TARGET OVER THE NEXT 3 YEARS?

Q AMONG BUSINESSES WHO ARE TARGETING NEW MARKETS OVER THE NEXT 3 YEARS

CHANGE IN EXPORT MARKETS OVER THE NEXT 12 MONTHS

Manufacturing exporters are looking to expand the most, with increased orders predicted for the Pacific Islands, New Zealand and North America. Tourism businesses are predicting more visitors from Europe.

	% INCREASE			MANUFACTURING	AGRICULTURE	SERVICES (inc. ICT)	TOURISM
	DECREASE	SAME	INCREASE				
PACIFIC ISLANDS	15%	34%	50%	66%	49%	59%	43%
AUSTRALIA	10%	52%	38%	42%	37%	42%	41%
NEW ZEALAND	9%	59%	32%	50%	28%	33%	34%
NORTH AMERICA	6%	76%	18%	27%	13%	16%	18%
EUROPE	8%	77%	15%	12%	12%	6%	21%
JAPAN	4%	89%	7%	12%	9%	3%	7%
OTHER ASIA	3%	91%	6%	6%	7%	10%	5%
CHINA	7%	87%	6%	8%	6%	9%	2%



HOW WILL EXPORT ORDERS OR REVENUE FROM OVERSEAS VISITORS CHANGE OVER THE NEXT 12 MONTHS FOR THE FOLLOWING...?

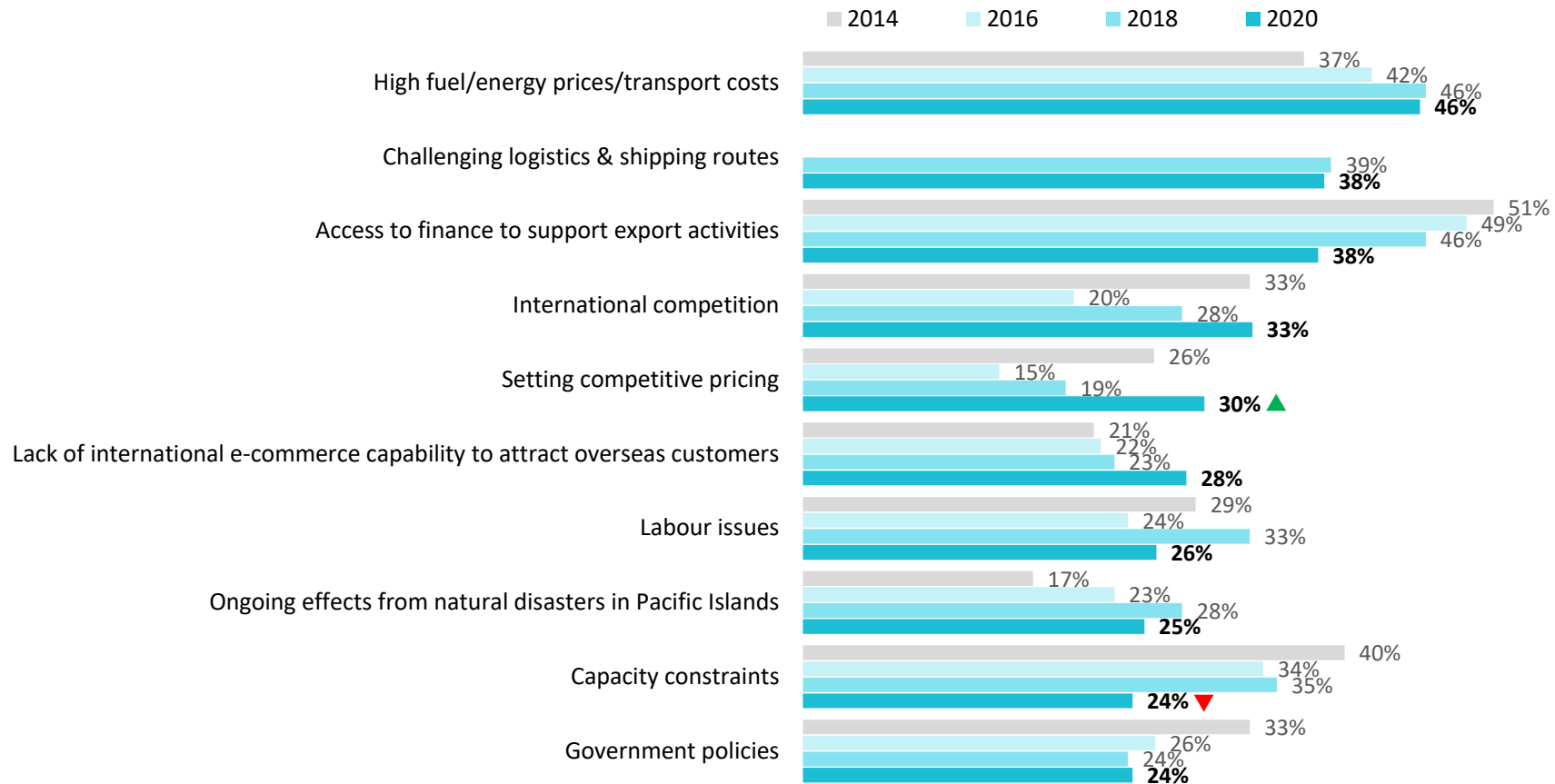
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BARRIERS TO EXPORTING



TOP TEN BARRIERS TO EXPORTING

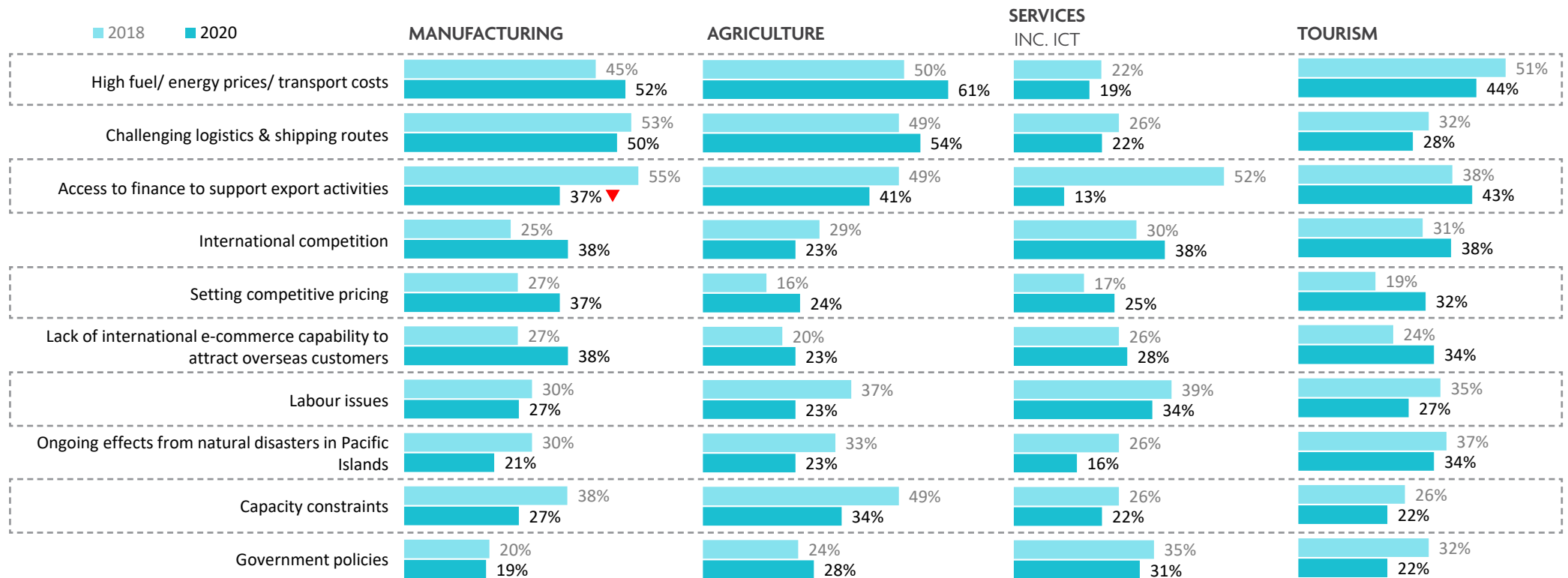
High fuel/energy/transport costs remain a key challenge for exporters, while setting competitive pricing, international competition and e-commerce capability are becoming increasingly challenging. Positively, access to finance and capacity constraints are becoming less of an issue.



WHAT ARE THE MAIN BARRIERS TO EXPORTING OR SELLING YOUR PRODUCTS/SERVICES TO OVERSEAS CUSTOMERS OR VISITORS?

▲ ▼ New Sig. higher/lower than Mature (95% CI)

BARRIERS TO EXPORTING BY SECTOR



WHAT ARE THE MAIN BARRIERS TO EXPORTING OR SELLING YOUR PRODUCTS/SERVICES TO OVERSEAS CUSTOMERS OR VISITORS?

▲ ▼ New Sig. higher/lower than Mature (95% CI)

TOP 10 BARRIERS TO EXPORTING

Mature exporters tend to acknowledge a wider range of barriers restricting their business growth. New exporters are more likely to be held back by the lack of access to finance and international e-commerce capability.

INITIATIVE	OVERALL	EXPORT AREA				EXPORT MATURITY	
		MANUFACTURING	AGRICULTURE	SERVICES (INC. ICT)	TOURISM	NEW (≤3 YEARS)	MATURE (> 3 YEARS)
BASE N=	N=226	N=52	N=87	N=32	N=95	N=86	N=140
High fuel/energy prices/ transport costs	46%	52%	61%	19%	44%	41%	49%
Challenging logistics & shipping routes	38%	50%	54%	22%	28%	28%	45%
Access to finance to support export activities	38%	37%	41%	13%	43%	45%	34%
International competition	33%	38%	23%	38%	38%	29%	36%
Setting competitive pricing	30%	37%	24%	25%	32%	30%	29%
Lack of international e-commerce capability to attract overseas customers	28%	38%	23%	28%	34%	38%	22%
Labour issues	26%	27%	23%	34%	27%	14%	34%
Ongoing effects from natural disasters in Pacific Islands	25%	21%	23%	16%	34%	23%	26%
Capacity constraints	24%	27%	34%	22%	22%	23%	25%
Government policies	24%	19%	28%	31%	22%	20%	27%

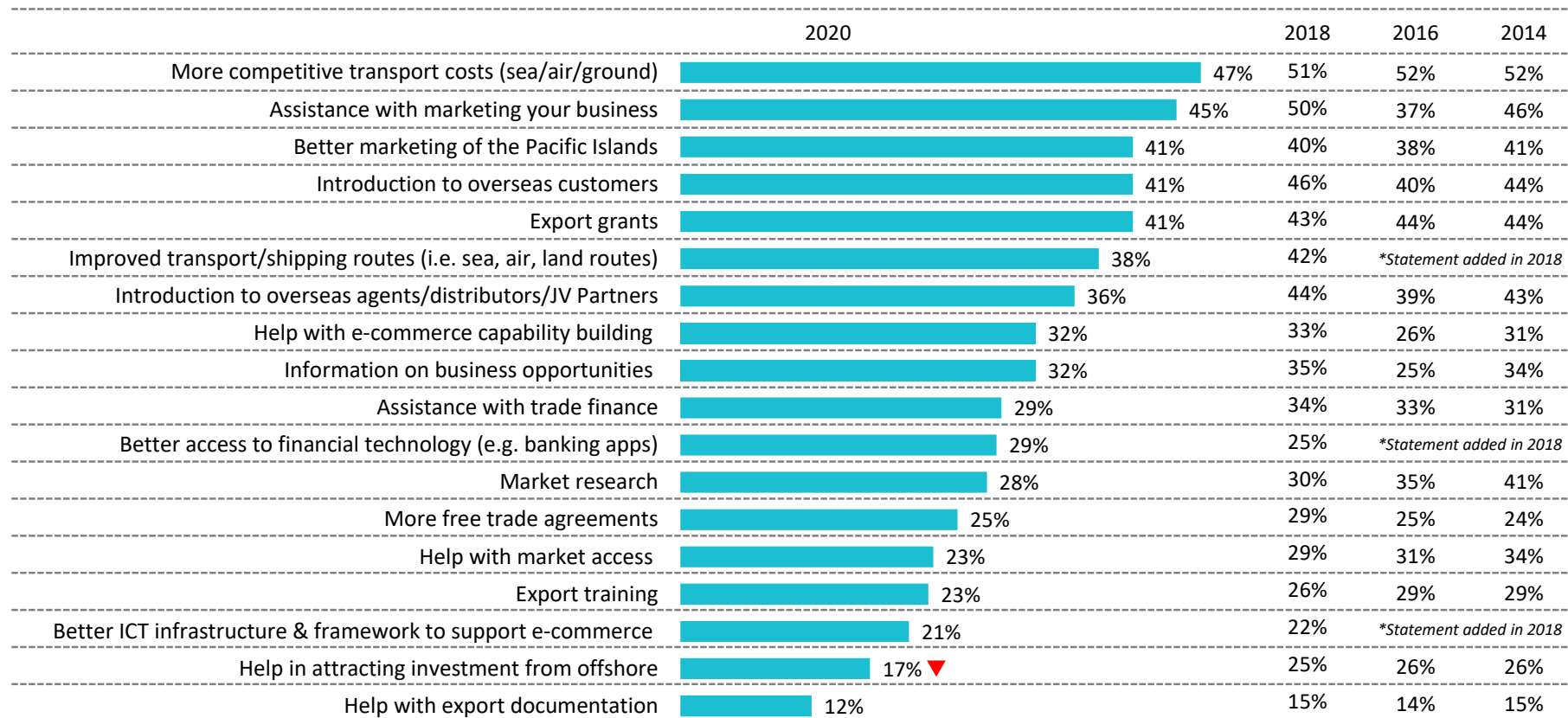


WHAT ARE THE MAIN BARRIERS TO EXPORTING OR SELLING YOUR PRODUCTS/SERVICES TO OVERSEAS CUSTOMERS OR VISITORS?

  New Sig. higher/lower than Mature (95% CI)

ASSISTANCE NEEDED TO INCREASE EXPORTS

Most assistance needs have declined since 2018, indicating exporters may be becoming more self-sufficient. Despite this, more competitive transport costs and improved shipping routes remain key for exporters as high fuel prices and challenging shipping routes are still major concerns.



WHAT FORMS OF ASSISTANCE WOULD ENCOURAGE YOU TO INCREASE YOUR EXPORT ACTIVITY?

▲ ▼ New Sig. higher/lower than Mature (95% CI)

ASSISTANCE NEEDED TO INCREASE EXPORTS

Despite fewer barriers recognised by new exporters, they are looking for assistance across a wider range of areas, including support with building international e-commerce capability and export training.

INITIATIVE	OVERALL	EXPORT AREA				EXPORT MATURITY	
		MANUFACTURING	AGRICULTURE	SERVICES (INC. ICT)	TOURISM	NEW (≤3 YEARS)	MATURE (> 3 YEARS)
BASE N=	N=226	N=52	N=87	N=32	N=95	N=86	N=140
More competitive transport costs (sea/air/ground)	47%	54%	63% ▲	41%	44%	45%	49%
Assistance with marketing your business	45%	52%	33%	31%	57% ▲	48%	44%
Better marketing of the Pacific Islands	41%	46%	36%	34%	53% ▲	44%	39%
Introduction to overseas customers	41%	58% ▲	39%	34%	39%	49%	36%
Export grants	41%	63%	60% ▲	22% ▼	29% ▼	45%	39%
Improved transport/shipping routes (i.e. sea, air, land routes)	38%	48%	55% ▲	25%	34%	34%	41%
Introduction to overseas agents/distributors/JV Partners	36%	58% ▲	32%	16% ▼	42%	37%	35%
Help with e-commerce capability building	32%	42%	31%	19%	34%	42% ▲	26%
Information on business opportunities	32%	35%	22%	38%	39%	36%	30%
Assistance with trade finance	29%	31%	34%	16%	31%	31%	28%
Better access to financial technology (e.g. banking apps)	29%	27%	20%	41%	38%	35%	25%
Market research	28%	23%	28%	22%	28%	28%	28%
More free trade agreements	25%	38%	32%	22%	18%	26%	25%
Help with market access	23%	23%	30%	16%	21%	24%	22%
Export training	23%	23%	28%	22%	18%	28% ▲	19%
Better ICT infrastructure & regulatory framework	21%	17%	18%	16%	25%	20%	21%
Help in attracting investment from offshore	17%	17%	20%	13%	20%	28%	11%
Help with export documentation	12%	8%	8%	16%	16%	14%	11%

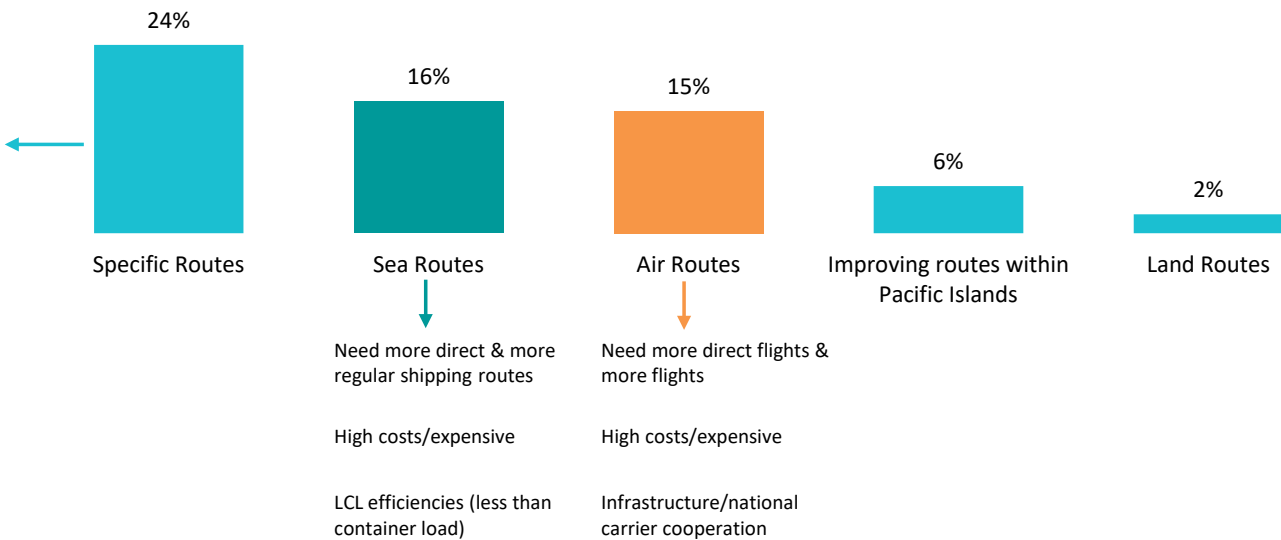
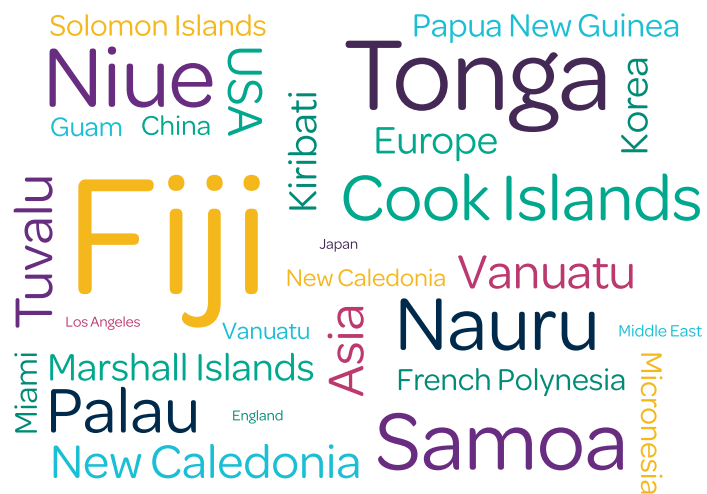


WHAT FORMS OF ASSISTANCE WOULD ENCOURAGE YOU TO INCREASE YOUR EXPORT ACTIVITY?

▲ ▼ New Sig. higher/lower than Mature (95% CI)

ASSISTANCE NEEDED TO INCREASE EXPORTS

One quarter of exporters need access to more specific and direct transport/shipping routes.



WHICH ROUTES (TO WHAT COUNTRY AND WHAT MODE OF TRANSPORT) SPECIFICALLY, WOULD YOU LIKE ASSISTANCE WITH?

IMPROVING TRANSPORT/ SHIPPING ROUTES

Specific routes include direct options to destinations within the Pacific Islands, Australia, New Zealand and the USA.

SPECIFIC ROUTES

"More direct shipping routes for smaller ports like Kimbe into Australia or NZ instead of having to go through Lae and transshipped onto Ocean carriers."

(Papua New Guinea, Agriculture, 5-10 employees, <\$100,000)

"More direct flights to the Cook Islands; more inbound shipping."

(Cook Islands, Tourism, 5-10 employees, \$500,000-\$999,999)

"Direct shipping lanes to Asia Markets instead of having to go through main ports of NZ and Australia to access."

(Samoa, Manufacturing, 101-199 employees)

"Inter-island routes within the Gilbert Islands."

(Kiribati, Tourism, 11-20 employees, \$100,000-\$499,999)

SEA & AIR ROUTES

"More efficient and timely between shipping routes between Pacific Island countries that do not have to route thru Asia just to deliver goods at neighbouring island country."

(Federated States of Micronesia (FSM), Agriculture, 2-4 employees, <\$100,000)

"Internal shipping options with better safety and comfort/cleanliness. Flights are regular enough but way too expensive to compete against other destinations. Luggage rules for domestic travel need to be reviewed to allow international travellers the same allowance for their whole itinerary in country."

(Solomon Islands, Tourism, 11-20 employees, \$100,000-\$499,999)

"Mainly to Australia and New Zealand by sea. Freight costs are too high from Fiji considering the distance travelled. Cost on LCL shipments are far too high. It will also be good to see faster shipping from China into Fiji as most raw materials come out of there and the long lead time does not help."

(Fiji Islands, Manufacturing, 301+ employee)

"Greater frequency to Australia, New Zealand and USA in sea transport. Air freight is overly expensive and national carrier is extremely inefficient."

(Samoa, Agriculture, 21-50 employees, \$3 - \$5 million)

LCL EFFICIENCIES

"Shipping product over to Australia, New Zealand and USA in pallets. Full containers are easily transported. Pallet orders is dependent on co-loading with other businesses to fill up a container. This usually means delays."

(Fiji Islands, Manufacturing, 21-50 employees)

LAND ROUTES

"The lack of internal domestic farmer road and shipping networks are a major hindrance towards achieving consistent supply and inflates the price of produce due to remoteness and inaccessibility for vehicles and vessels to load out produce. Before we think about national highways, we have to connect resource owners to local buyers through internal provincial road networks to all highly saturated resource zones."

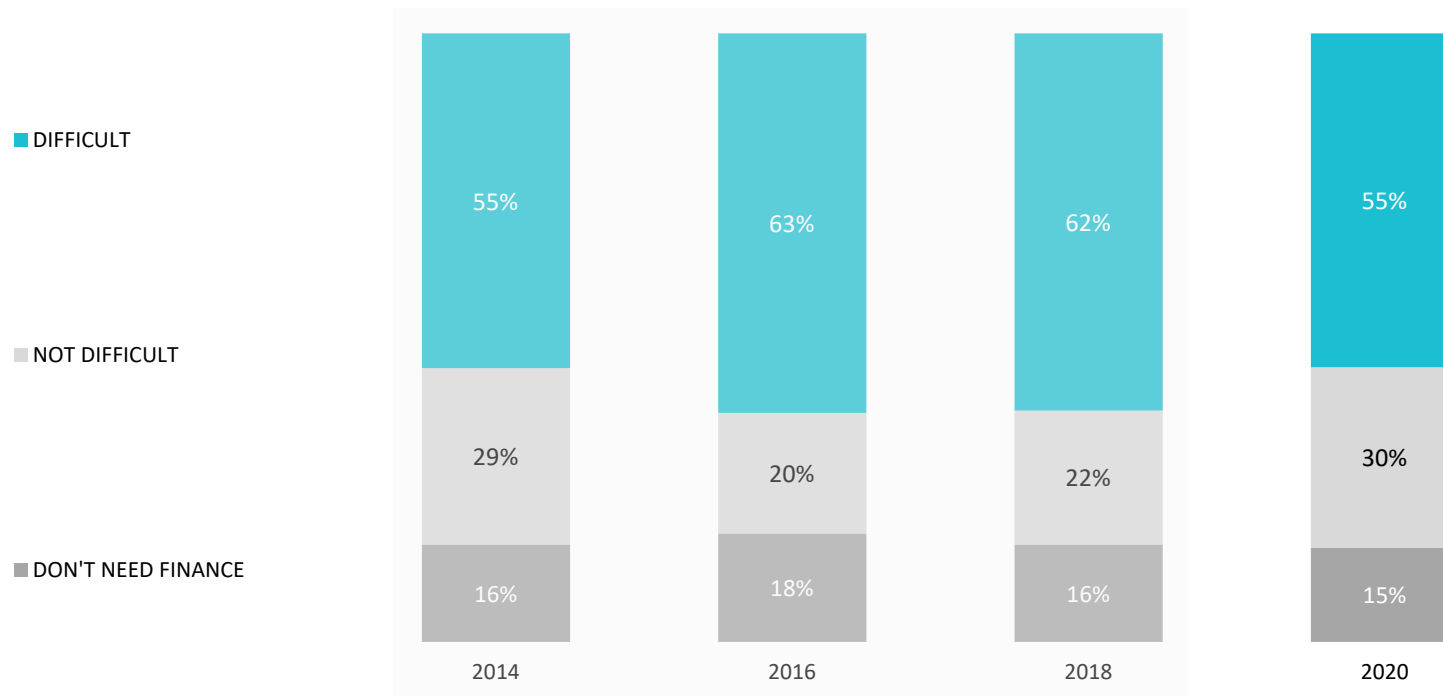
(Papua New Guinea, Agriculture & Manufacturing, 5-10 employees, <\$100,000)

FINANCE & INVESTMENT



DIFFICULTY OBTAINING FINANCE

Although access to finance has become less of a barrier, over half of exporters still find it difficult to obtain financing. Positively, the proportion of exporters that don't find it difficult is increasing.

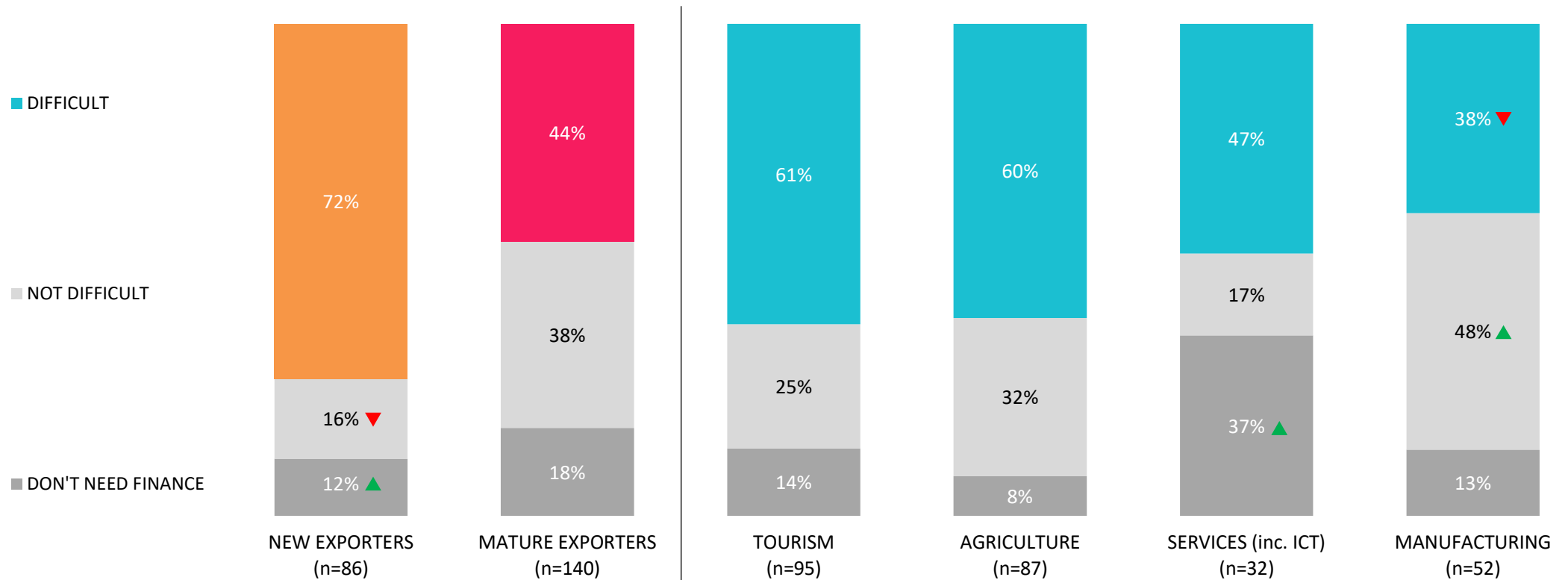


IS IT DIFFICULT FOR YOUR BUSINESS TO OBTAIN FINANCE?

▲▼ New Sig. higher/lower than Mature (95% CI)

DIFFICULTY OBTAINING FINANCE

Access to finance is difficult across most sectors, but particularly for new exporters and those in Tourism.

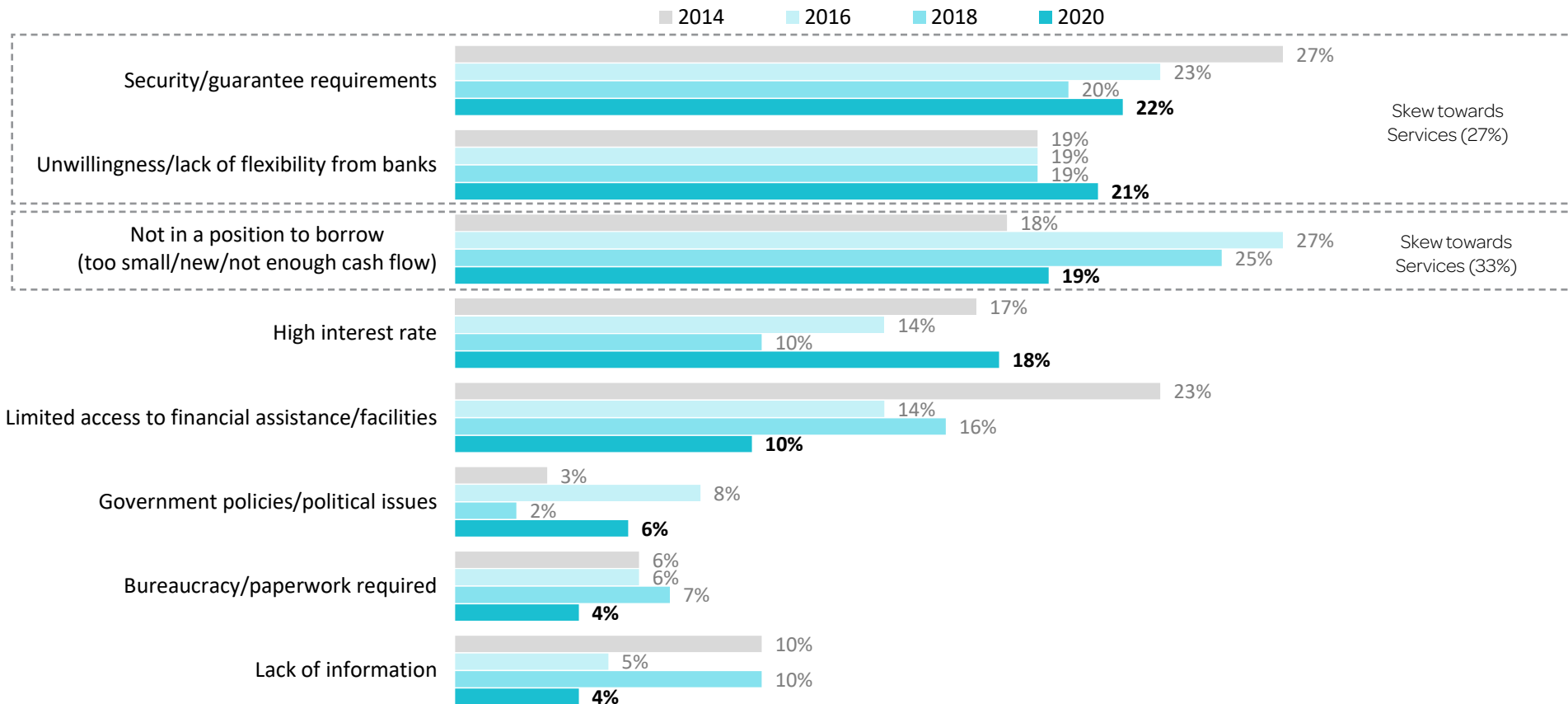


IS IT DIFFICULT FOR YOUR BUSINESS TO OBTAIN FINANCE?

▲ ▼ New Sig. higher/lower than Mature (95% CI)

REASONS FOR DIFFICULTY ACCESSING FINANCE

Lack of flexibility from banks with difficult guarantee requirements and high interest rates are making it increasingly difficult for exporters to obtain finance.



WHY DO YOU FIND IT DIFFICULT TO OBTAIN FINANCE?

▲▼ New Sig. higher/lower than Mature (95% CI)

REASONS FOR DIFFICULTY ACCESSING FINANCE

NOT IN A POSITION TO BORROW

“Because I'm a small business and don't have enough people to help keep my revenue at the same scale or more.”

(Niue, Services, 1 employee)

“Due to the infancy of my business, it is not able to meet most requirements of financial institutions.”

(117 Fiji Islands, Tourism & Services, 5- 10 employees)

SECURITY/GUARANTEE REASONS

“Lack of assets, lack of borrowing power with banks.”

(Tonga, Agriculture, 5-10 employees, <\$100,000)

“Tourism is not a regular income based on fortnightly or weekly, so finance companies do not lend loans to us.”

(Papua New Guinea, Tourism, 5- 10 employees, \$100,000-\$499,999)

“We don't have enough security to warrant loans, so we run a smaller scale operation.”

(Fiji Islands, Manufacturing & Tourism, 11-20 employees, \$100,000-\$499,999)

UNWILLINGNESS/LACK OF FLEXIBILITY FROM BANKS

“Funding for business in the Outer Islands in the Cook Islands is difficult.”

(Cook Islands, Tourism, 2-4 employees, <\$100,000)

“No finance able to be arranged in Nauru due to banking restrictions. Can only obtain finance via overseas assets.”

(Nauru, Tourism, 21-50 employees, \$1-\$2 million)

“Banks' interest rates are extremely high for repayment terms and due to unpredictable climate challenges, the risks involved for funding for agricultural products from domestic suppliers is too high for financial institution to support with a competitive rate for financial assistance.”

(Vanuatu, Manufacturing & Agriculture, 5-10 employees, <\$100,000)

LIMITED ACCESS TO FINANCE ASSISTANCE/FACILITIES

“Business based in isolated regions and very difficult for institutions to support them.”

(Papua New Guinea, Fisheries, 5- 10 employees)

“PNG does not have export assistance or export funds program to help or support exporters like the Australian Government has for its exporters. Also most commercial SME bank loans are not tailored for an agriculture export business making it difficult to obtain loans.”

(Papua New Guinea, Agriculture, 5-10 employees, \$500,000-\$999,999)

LACK OF INFORMATION

“Not many avenues available, or that I am aware of - lack of information from the relevant departments on the island.”

(Niue, Agriculture, 1 employee, <\$100,000)

BUREAUCRACY

“Cumbersome process and takes time.”

(Fiji Islands, Manufacturing, 21-50 employees)

“Slow processing of forms.”

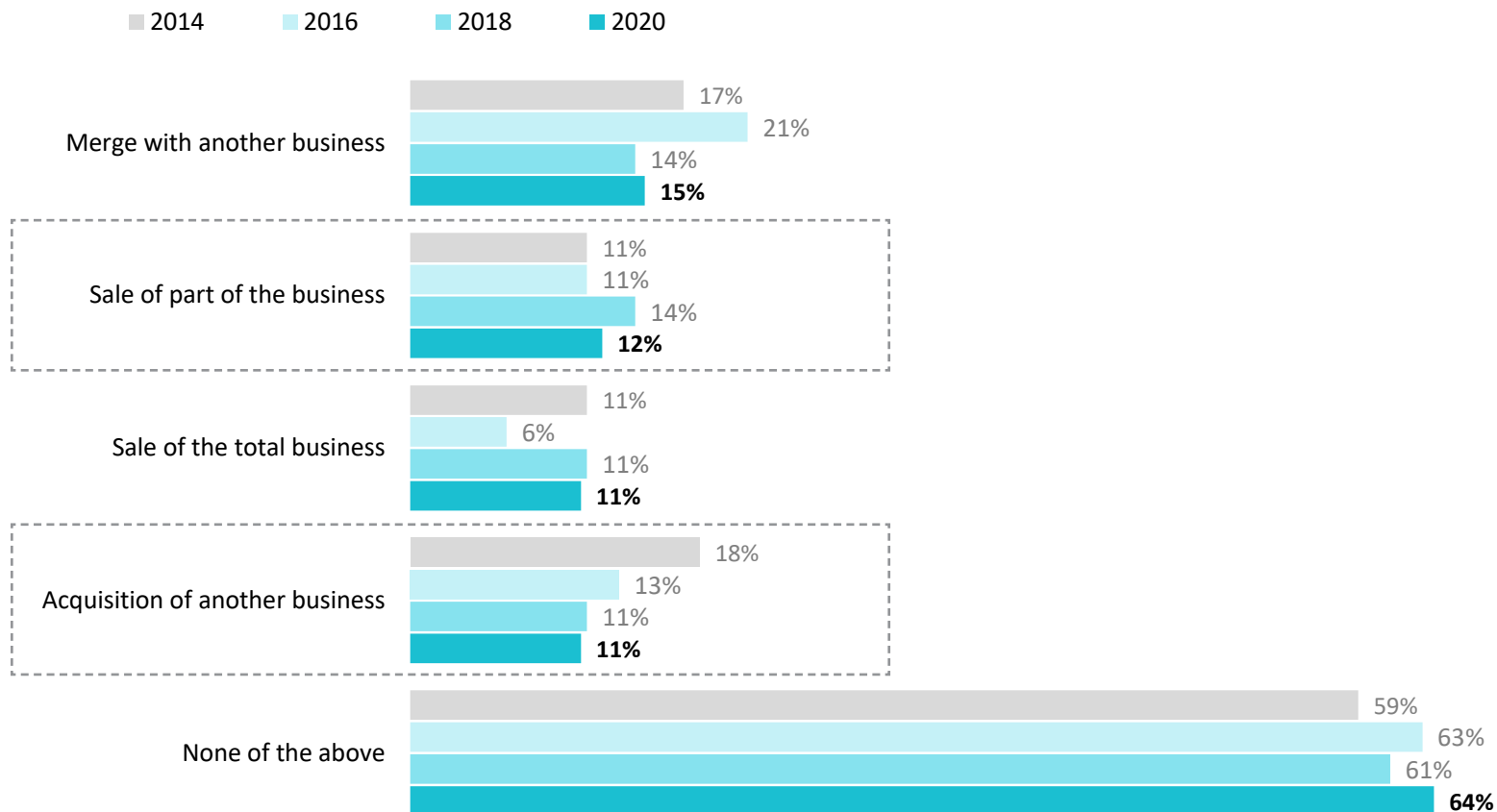
(Fiji Islands, Agriculture, 5-10 employees, <\$100,000)

Q

WHY DO YOU FIND IT DIFFICULT TO OBTAIN FINANCE?

CONSIDERATION OF SELLING BUSINESS OR SEEKING INVESTMENT

In line with previous surveys, two in five exporters are looking to sell their business or seek investment to enable growth or capitalise on value.



ARE YOU CONSIDERING ANY OF THE FOLLOWING ACTIVITIES OVER THE NEXT 2 YEARS?

▲ ▼ New Sig. higher/lower than Mature (95% CI)

FREE TRADE & ECONOMIC AGREEMENTS



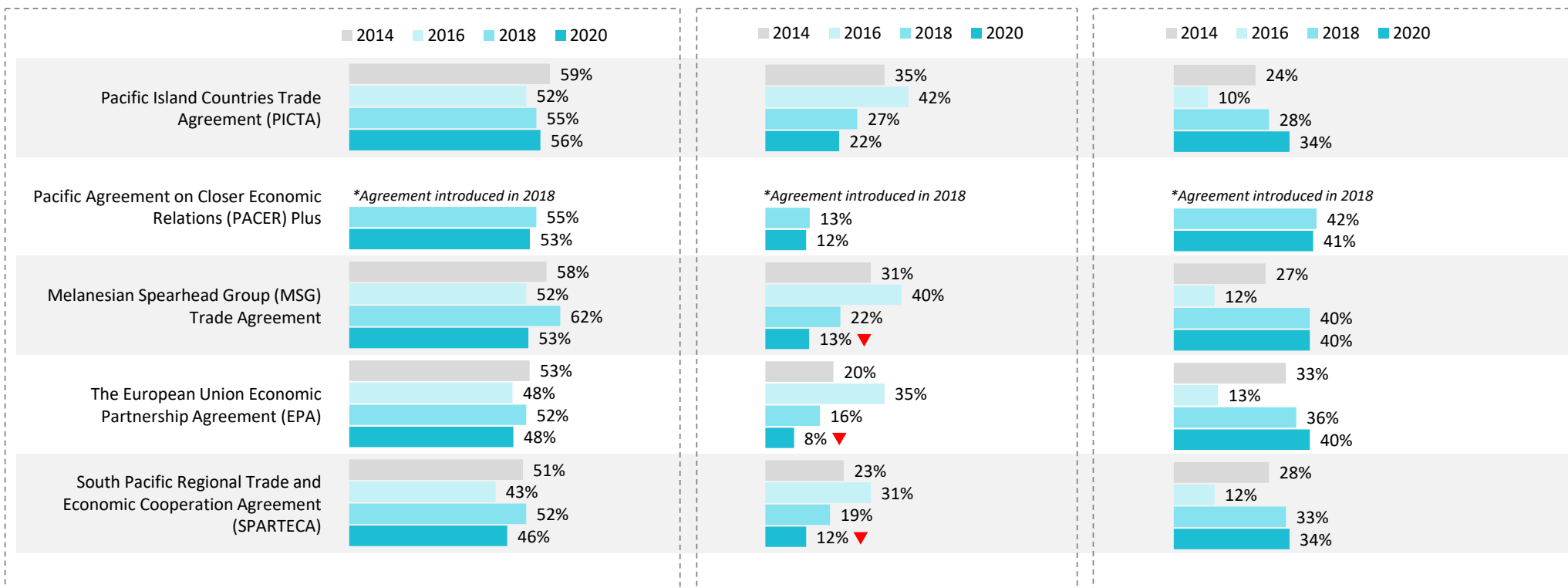
AWARENESS & BENEFIT OF FTAS & CLOSER ECONOMIC PARTNERSHIPS

Level of awareness of FTAs and closer economic partnerships remains consistent with previous surveys; however, the perceived benefit is in decline.

Q % AWARE OF FTAS & CLOSER ECONOMIC PARTNERSHIPS

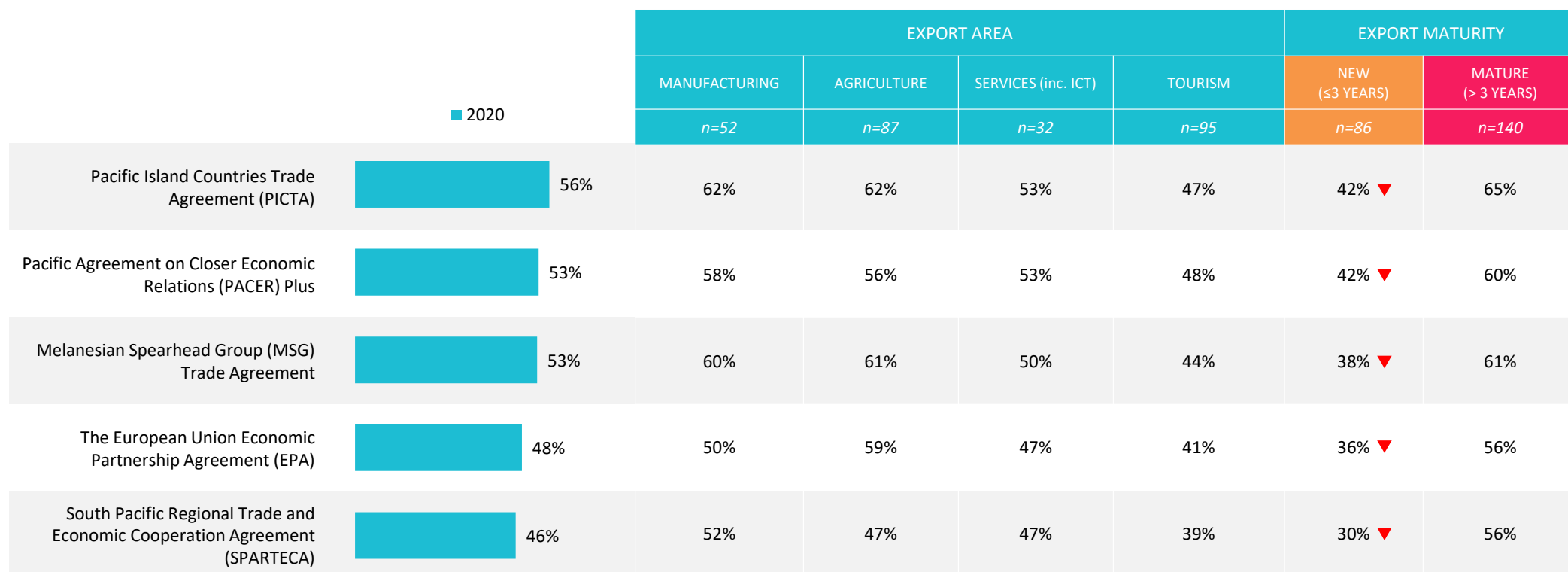
Q % BENEFIT

Q AWARENESS – BENEFIT DIFFERENCE



AWARENESS OF FTAS & CLOSER ECONOMIC PARTNERSHIPS

Awareness of FTAs and closer economic partnerships need to be better promoted among new exporters.



BENEFIT OF FTAS & CLOSER ECONOMIC PARTNERSHIPS

Services and Tourism exporters are less likely to benefit from FTAs and closer economic partnerships.

	2020	EXPORT AREA				EXPORT MATURITY	
		MANUFACTURING	AGRICULTURE	SERVICES (inc. ICT)	TOURISM	NEW (≤3 YEARS)	MATURE (> 3 YEARS)
		n=52	n=87	n=32	n=95	n=86	n=140
Pacific Island Countries Trade Agreement (PICTA)	22%	23%	26%	13%	18%	20%	23%
Pacific Agreement on Closer Economic Relations (PACER) Plus	12%	12%	11%	6%	12%	12%	12%
Melanesian Spearhead Group (MSG) Trade Agreement	13%	29% ▲	16%	0% ▼	8%	7% ▼	16%
The European Union Economic Partnership Agreement (EPA)	8%	12%	14%	6%	6%	5%	11%
South Pacific Regional Trade and Economic Cooperation Agreement (SPARTECA)	12%	21%	13%	9%	7%	7%	15%



DO YOU BENEFIT FROM ANY OF THE FOLLOWING FREE TRADE AGREEMENTS AND CLOSER ECONOMIC PARTNERSHIPS?

▲ ▼ New Sig. higher/lower than Mature (95% CI)

RESEARCH METHODOLOGY

WHO RESPONDED

A total of 226 surveys were completed.

All respondents are key influencers or decision-makers in their business.

All businesses are based in the Pacific Islands and generate revenue through the export of goods or services to clients in other countries.

HOW

Respondents completed a 15-minute quantitative online survey.

WHEN

Online responses were collected between 7 February – 6 April 2020 by ACA Research, North Sydney, NSW, Australia.

ABOUT PACIFIC TRADE INVEST AUSTRALIA

ABOUT US

As the Pacific's lead trade and investment promotion agency, PTI Australia develops and promotes businesses and people from the Pacific through trade, investment, tourism and labour mobility.

Our vision is to improve the livelihoods of Pacific people by enabling decent work and economic growth in the Blue Pacific.

PTI Australia is an agency of Pacific Islands Forum Secretariat funded by Australia's Department of Foreign Affairs and Trade.

ACKNOWLEDGMENTS & DISCLAIMER

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DISCLAIMER

The information presented in this report is based on information received by research company ACA Research from a survey they administered from 7 February – 6 April 2020.



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