



PACIFIC ISLANDS EXPORT SURVEY 2018

EXPORT DYNAMICS IN THE PACIFIC ISLANDS





CONTENTS

About.....	4
Introduction	4
Forward.....	5
Key insights	6
Sample profile.....	9
Export confidence.....	15
Export destinations.....	23
Barriers to exporting.....	28
Finance & investment	35
Free trade & economic agreements.....	43
E-commerce	47
Research methodology.....	55

ABOUT

The main objective of this research is to provide a greater understanding of exporting dynamics in the Pacific Islands.

The specific objectives of this study are:

- determine business confidence.
- understand opportunities and pain points regarding exporting from the Pacific Islands.
- understand the use of digital technologies by Pacific Island exporters .
- determine the use and awareness of Free Trade and Economic Partnership agreements that are beneficial to organisations in the Pacific.

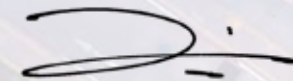
INTRODUCTION

INSIGHTS INTO PACIFIC ISLAND 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 third biannual survey conducted by ACA Research and with the support of the Australian Government. With a lack of private sector data from the Pacific Islands, Pacific Trade Invest 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 six years.

PTI Australia is pleased to share with you the 2018 Pacific Islands Export Survey Report.



CALEB JARVIS

*Trade & Investment Commissioner
Pacific Trade Invest Australia*

FOREWORD

EXPORT CONFIDENCE GROWS WITH OPPORTUNITIES THROUGH E-COMMERCE

Just as the Pacific continues to play its key role as a 'nursery' for Australian and New Zealand exporters, Pacific exporters are also finding the trans-Tasman economies to be their happy hunting ground. Pacific-based exporters, in general, use intra-regional trade to get their sea legs as an international exporter before expanding to Australasia, Asia and beyond. The proportion of new exporters (those who started exporting in the past three years) is at 41 per cent, up from 31 per cent in 2014 and 38 per cent in 2016. They are generally mature businesses, though new to export.

The new exporters are boosting exporter confidence. The growing proportion of new exporters is driving confidence in the 22 countries that make up the Pacific, with new exporters, particularly in tourism and manufacturing, being more bullish than agriculture while services are more cautious.

Australia and New Zealand are the key export markets for Pacific Island exporters with 92 per cent of exporters regarding them as main destinations, but intra-regional trade is

growing too, with two out of three businesses trading within the region.

With small populations but vast distances and complicated logistics, the Pacific has a lot to gain from online commerce. And exporters are taking it up, with 79 per cent surveyed using online channels for business purposes. Tourism exporters (91 per cent) are the most active online, with social media the most popular channel for two out of three businesses and 71 per cent of new exporters.

As other economic studies have shown, exporters are innovative and proactive in finding new ways to boost sales. According to the survey 43 per cent of exporters developed new products and services for export markets, enhanced marketing through online channels and improved efficiency through improved business processes. Government assistance also makes a difference in the Pacific, with 28 per cent of exporters using Pacific Trade Invest Australia for assistance.

What are the barriers to export in the Pacific? Naturally, given the unique geography, shipping routes, and transport and energy costs are a barrier. Pacific exporters would also like to see more direct flights. But access to finance is also a barrier with the majority of exporters (59 per cent) and 70 per cent of new exporters finding it difficult to obtain finance for their exporting activities. Exporters are also looking for agents, Joint Venture (JV) partners and access to grants, and a majority (56 per cent) would welcome foreign investment in their business. Most need assistance with marketing their business (50 per cent), 40 per cent suggested better marketing of the Pacific was needed and 46 per cent wanted help with introductions to overseas customers.

Tim Harcourt

JW Nevile Fellow in Economics, UNSW Sydney and Host of *The Airport Economist* on Sky News and Qantas
www.theairporthconomist.com

KEY INSIGHTS

- There is a growing number of new exporters in the Pacific Islands region.
- The proportion of new exporters (started exporting within the past three years) is at 41 percent, up from 31 percent in 2014 and 38 percent in 2016.
- Nearly half (46 percent) of these new exporters are mature businesses (started their operations over three years ago) but started exporting more recently.
- Export confidence remains high, with more than two out of three businesses expecting growth over the next year.
- Similar to previous years, this high confidence is driven by new exporters and those in the tourism or manufacturing sectors. However, mature exporters and those in agriculture or the services industries are more cautious.
- It is positive to see this high confidence despite a decline in the number of businesses reporting an increase in export orders over the past year (49 percent vs 56 percent in 2016).
- Exporters continue to trade with a number of countries
- Focus on regions outside of the Pacific Islands continues to be high (92 percent), with Australia and New Zealand the main destinations.
- Interregional trade remains important, with over two in three businesses trading within the Pacific Islands region.
- Exporters are looking to broaden their reach across most regions, with Asia and North America as the key target markets.
- Exporters are proactively driving growth through a range of initiatives.
- Enhanced marketing through online channels (43 percent).
- Developed new products/services for export markets (43 percent).
- Improved business processes to improve efficiency (43 percent).
- Online channels are key to growth.
- Online channels are used for business by 79 percent of exporters.
- The tourism sector is the most active in using online channels (91 percent), Social media is the most popular channel, used by two thirds of businesses (67 percent), particularly amongst those who are new to exporting (71 percent).

- 
- Just over half of exporters have their own website or app (52 percent.) Unlike social media, this is led by mature exporters (61 percent).
 - Currently 44 percent of users generate revenue through these channels, with an average of 44 percent of revenue actually being generated online.
 - With the tourism sector being the most active online it is not surprising that they are driving this trend as 59 percent of their revenue is generated online.
 - Exporters acknowledge a range of factors increasing e-commerce activities, including easier access to digital devices and hence an increased usage of online channels.
 - Nearly a third of businesses that are not yet online raise concerns around the available technology and access to skills and expertise.
 - Access to finance remains a major barrier to growth.
 - While fewer exporters mention access to finance as a main barrier, it remains an obstacle for nearly half (46 percent).
 - In line with this, the majority of exporters find it difficult to obtain finance for their exporting activities (59 percent). This is the most difficult amongst new exporters (70 percent), mainly due to the lack of flexibility from banks.
 - With access to finance remaining a key issue, not surprising that 44 percent would need assistance with the introduction to agents/distributors, JV

Partners and 43 percent are looking for help with obtaining export grants.

- Most exporters would also consider foreign investment in future (56 percent), particularly new exporters and especially those who are finding it hard to obtain finance elsewhere.
- High fuel prices and shipping routes are also challenging. A growing proportion of businesses are listing high fuel/transport costs as a main barrier (46% vs 42% in 2016 and 37% in 2014).
- Many exporters would like access to more direct routes/flights to reduce costs and shipping times, therefore making exporters from the Pacific Islands more competitive.
- Exporters also need assistance with business development and marketing.
 - » Assistance with marketing your business (50%).
 - » Introduction to overseas customers (46%).
 - » Better marketing of the Pacific Islands (40%).
 - » Information on business opportunities (35%).

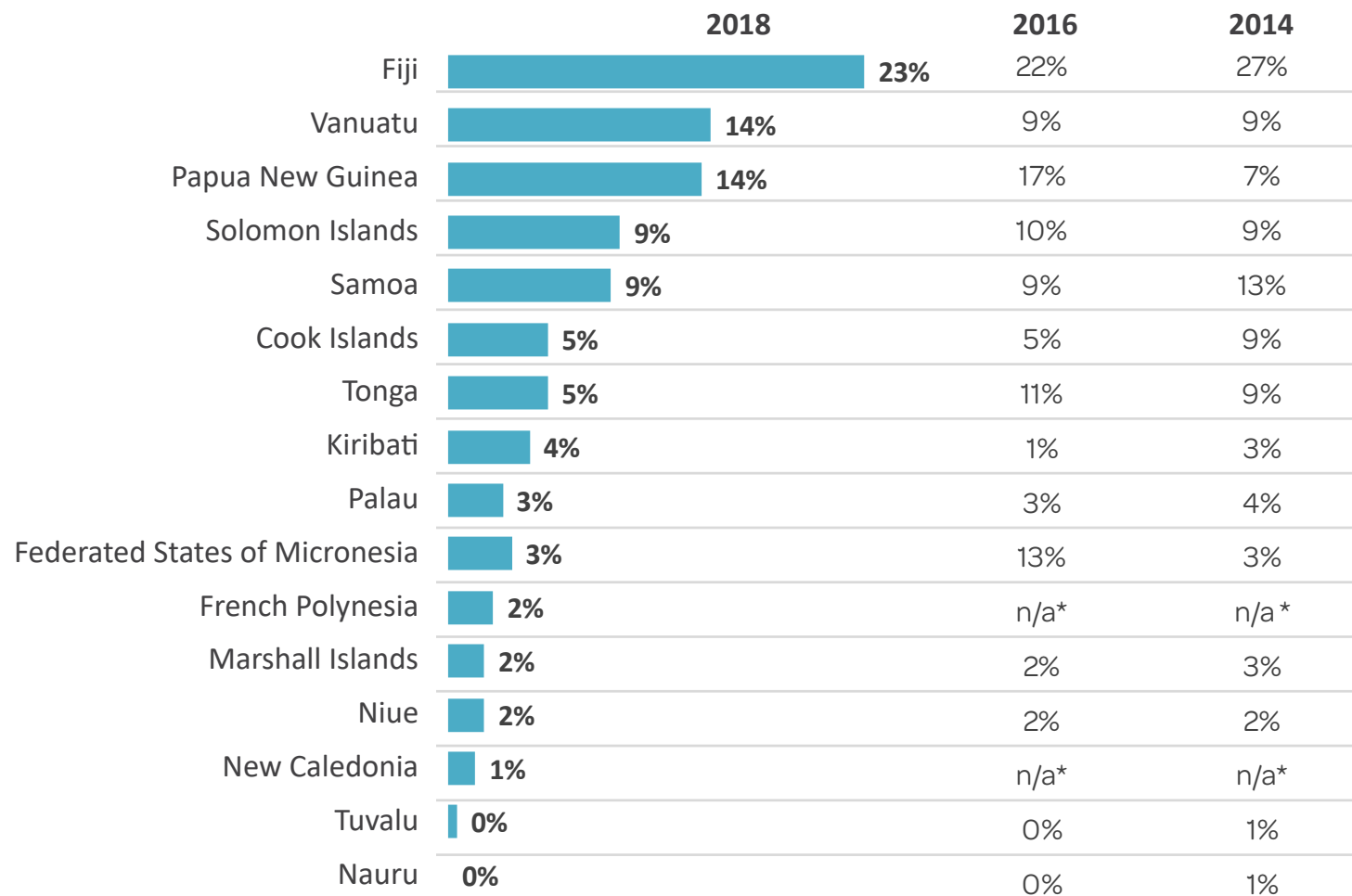




SAMPLE PROFILE

LOCATION OF MAIN BASE OF OPERATIONS

Our 2018 survey samples exporting businesses across the Pacific Islands. The distribution of respondents in this survey is similar to the 2016 survey.

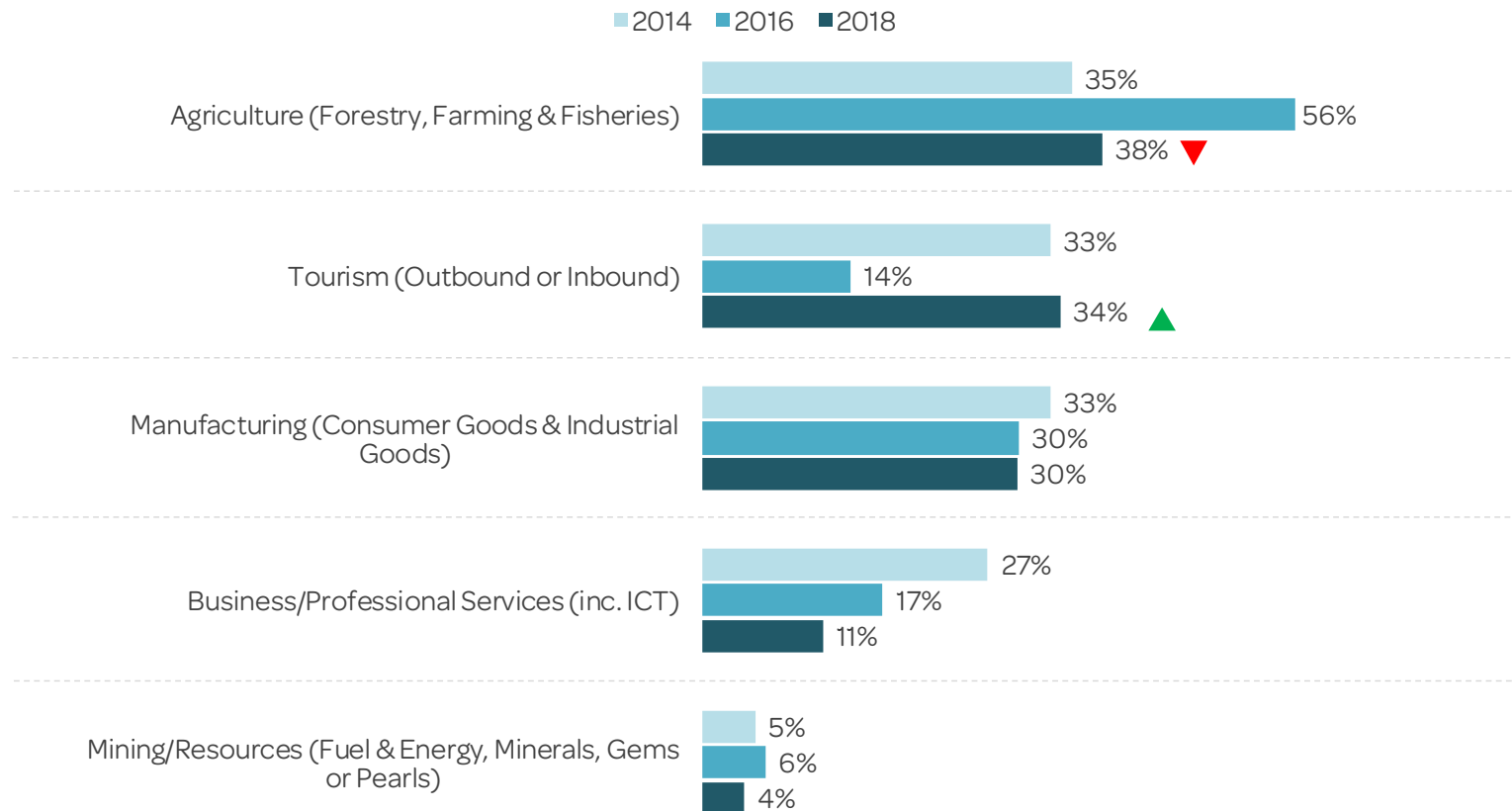


* New countries added in 2018

▲ Sig. higher than 2016 at 90% CI
▼ Sig. lower than 2016 at 90% CI

PARTICIPANT'S EXPORT ACTIVITY

The participation in the survey across the various export activities has shifted with agriculture and tourism back at 2014 levels and professional services continuing to decline.

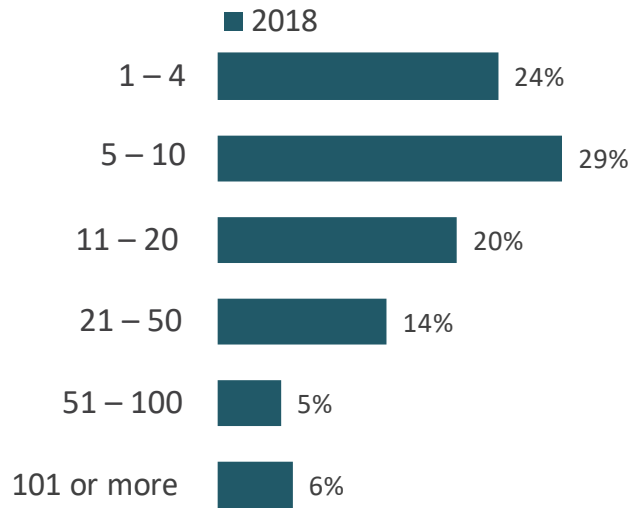


▲ Sig. higher than 2016 at 90% CI
 ▼ Sig. lower than 2016 at 90% CI

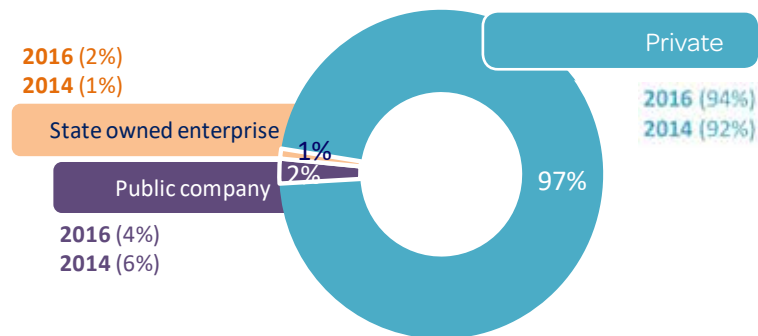
BUSINESS PROFILE

The proportion of larger businesses (> A\$1m annual revenue) has increased slightly since 2016.

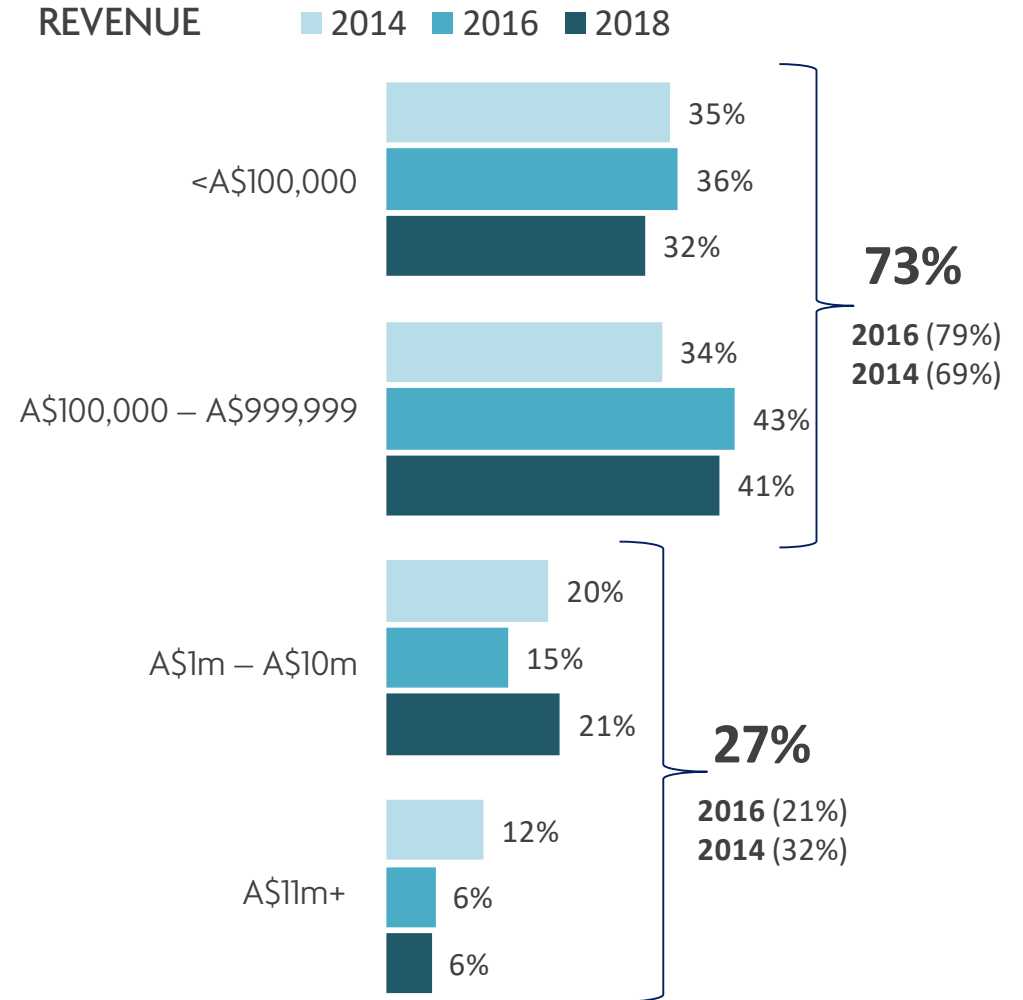
EMPLOYEES



OWNERSHIP



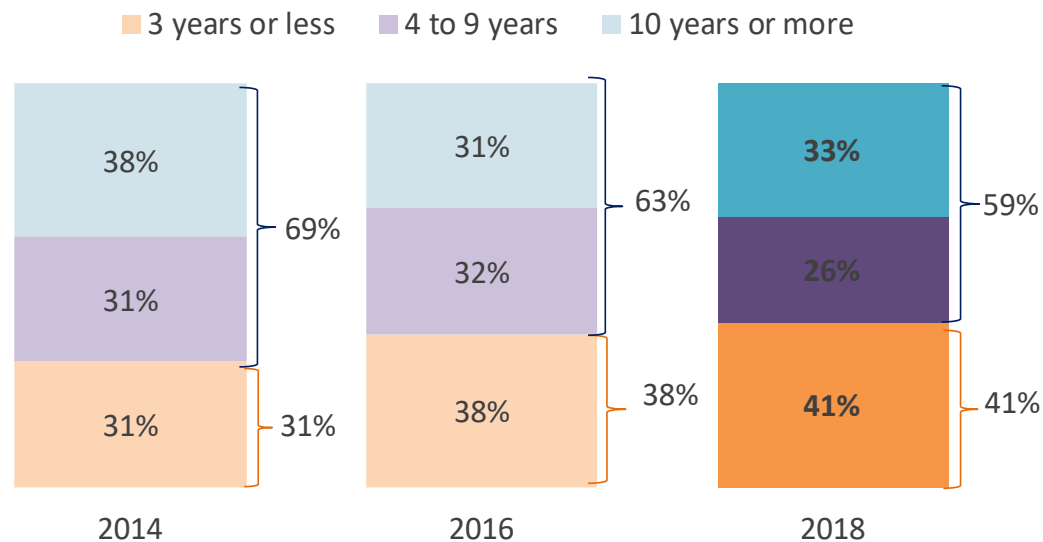
ANNUAL REVENUE



NUMBER OF YEARS IN OPERATION & EXPORTING

The proportion of new exporters continues to increase. It is interesting to note that a significant proportion of new exporters are mature businesses.

HOW LONG HAVE YOU BEEN EXPORTING?



WHEN DID YOUR BUSINESS START OPERATIONS?

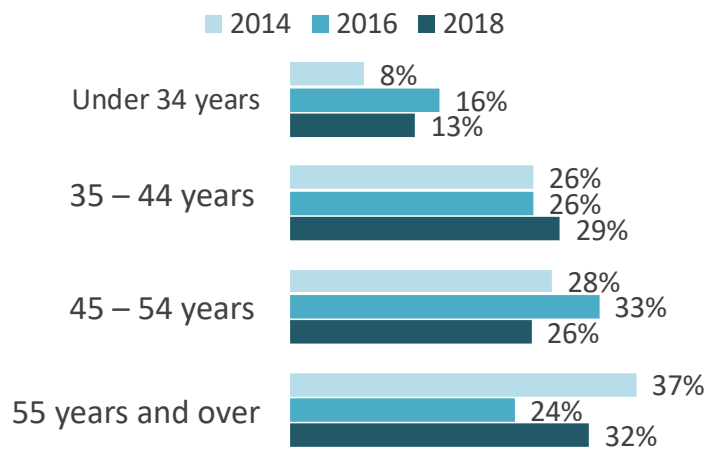
	Total	New exporters: Started exporting 3 years ago or less	Mature exporters: Started exporting over 3 years ago
Business started over 10 or more years ago	47%	11%	71%
Business started 4 to 9 years ago	31%	35%	29%
Business started less than 3 years ago	22%	54%	0%
<i>n=</i>	201	82	53

46% of new exporters are more mature businesses

PROPRIETORS, EXECUTIVES AND EMPLOYEES

Proprietors, executives and employees in exporting businesses are mostly male; however, there is a gradual increase in the proportion of females across all roles.

AGE OF PROPRIETOR/CEO/MANAGING DIRECTOR



GENDER OF STAFF

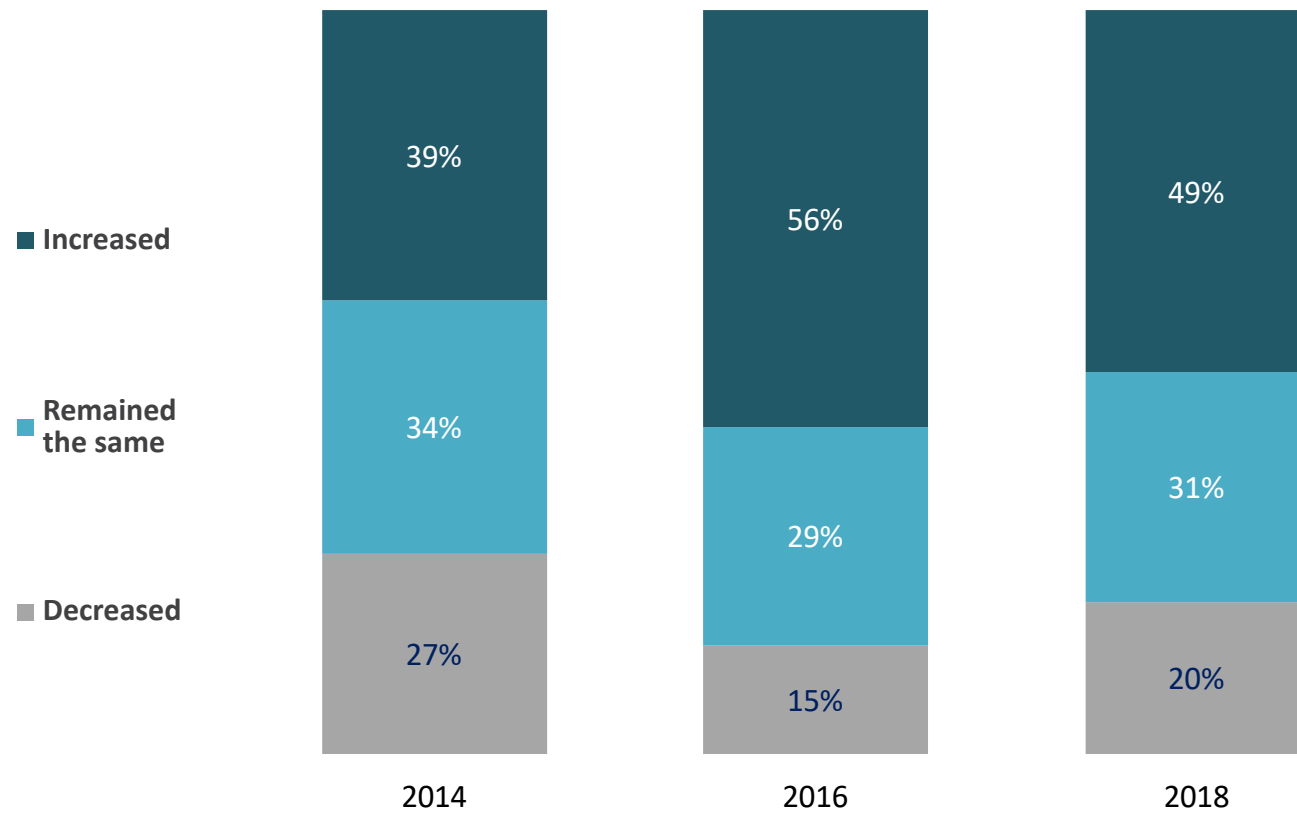
	Female	Male
CEO/Proprietor/MD	32% (2016: 27%) (2014: 27%) ↑	68% (2016: 73%) (2014: 59%) ↓
Executives	41% (2016: 37%) ↑	59% (2016: 63%) ↓
Employees	49% (2016: 43%) ↑	51% (2016: 57%) ↓

EXPORT CONFIDENCE



CHANGE IN EXPORT ORDERS

Nearly half of all businesses report a growth in export orders during the past 12 months. This is higher than in 2014, but slightly lower than reported in 2016.



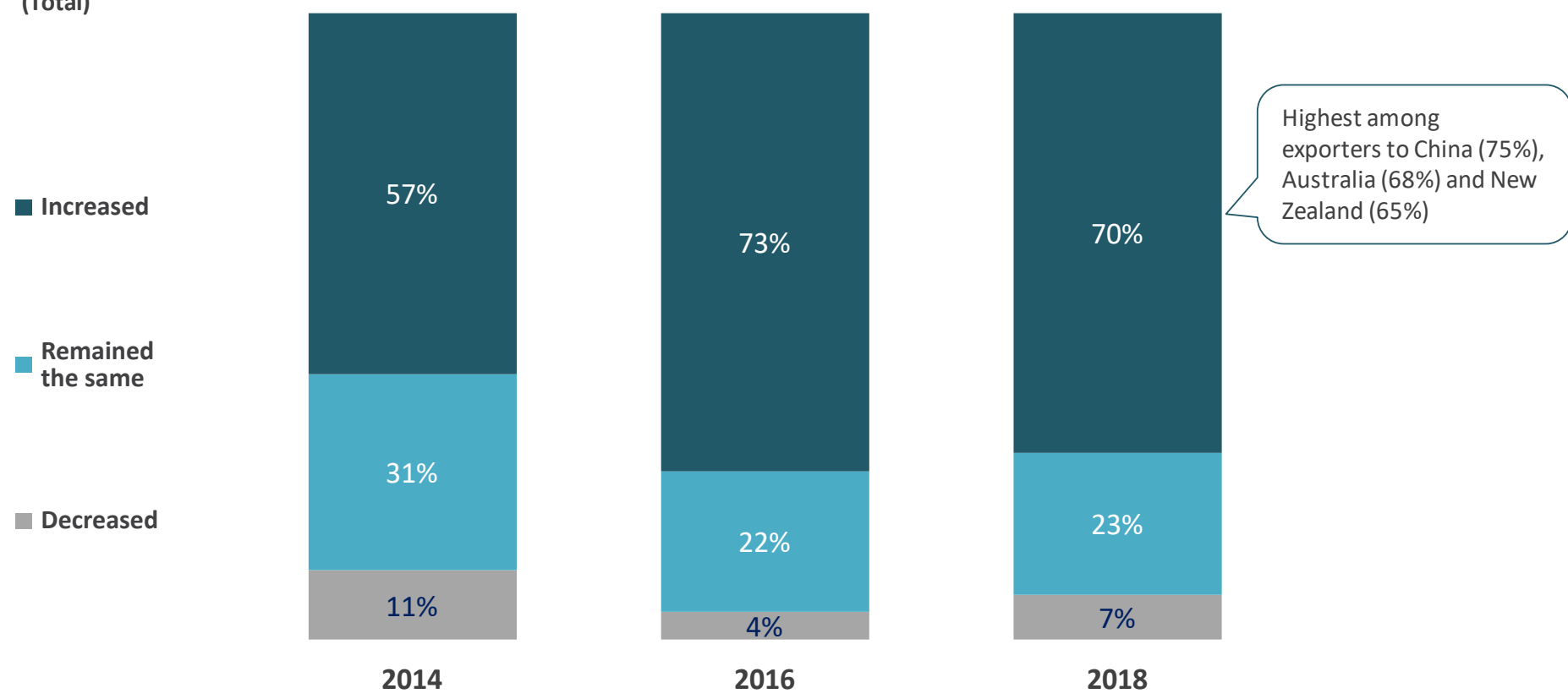
EXPECTED CHANGE IN EXPORT ORDERS DURING NEXT 12 MONTHS

Export confidence remains high, with more than two thirds of businesses expecting export growth in the next 12 months.

NET Increase (New exporters)	+58	+75	+86
------------------------------	-----	-----	-----

NET Increase (Mature exporters)	+41	+65	+48
---------------------------------	-----	-----	-----

NET Increase (Total)	+46	+69	+63
----------------------	-----	-----	-----



EXPECTED CHANGE IN EXPORT ORDERS continued...

Export confidence is high across all industry sectors, but slightly weaker in the Services sector.

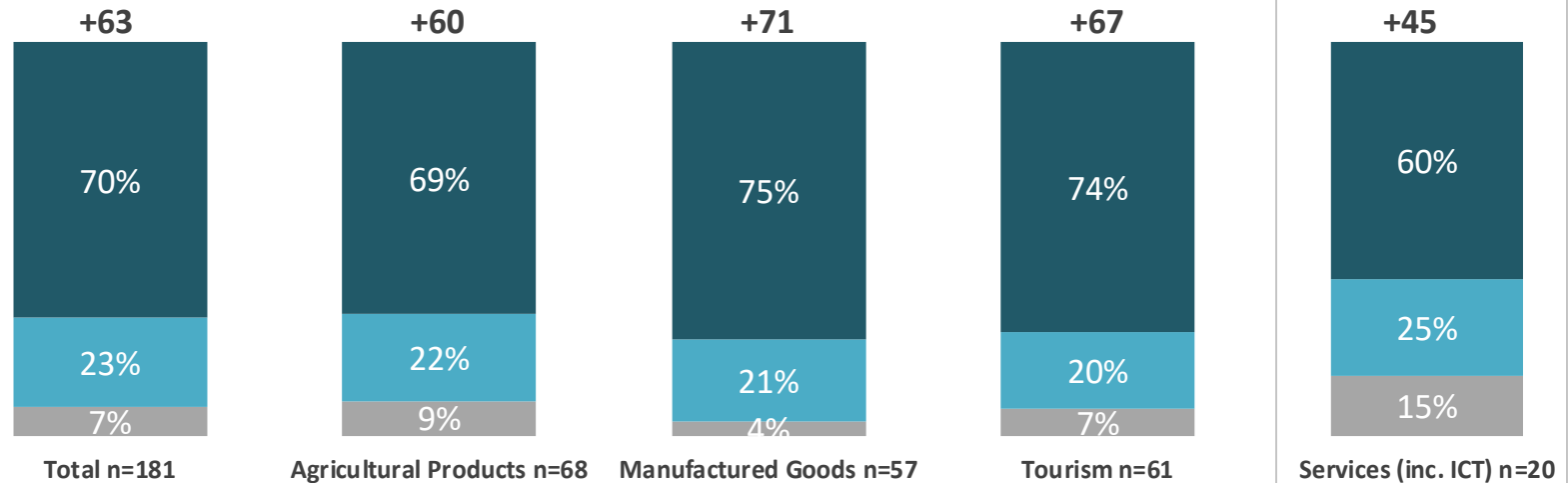
NET Increase

- Increased
- Remained the same
- Decreased



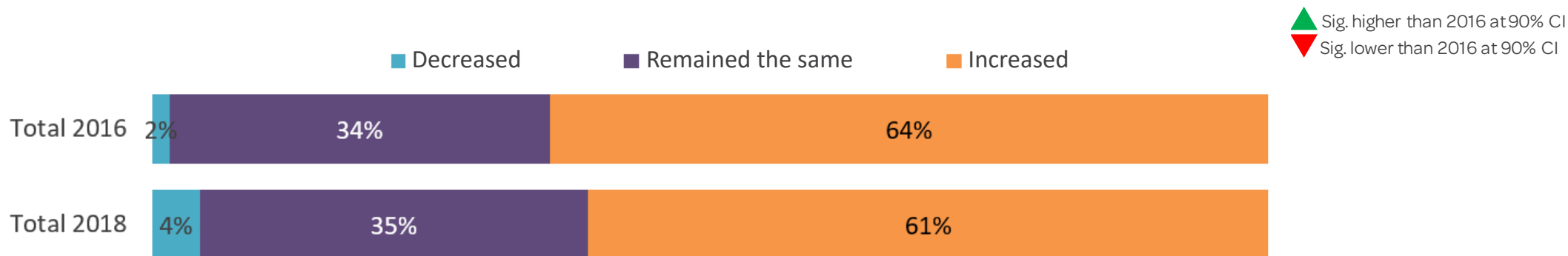
NET Increase

- Increased
- Remained the same
- Decreased



12-MONTH EMPLOYMENT PROJECTIONS

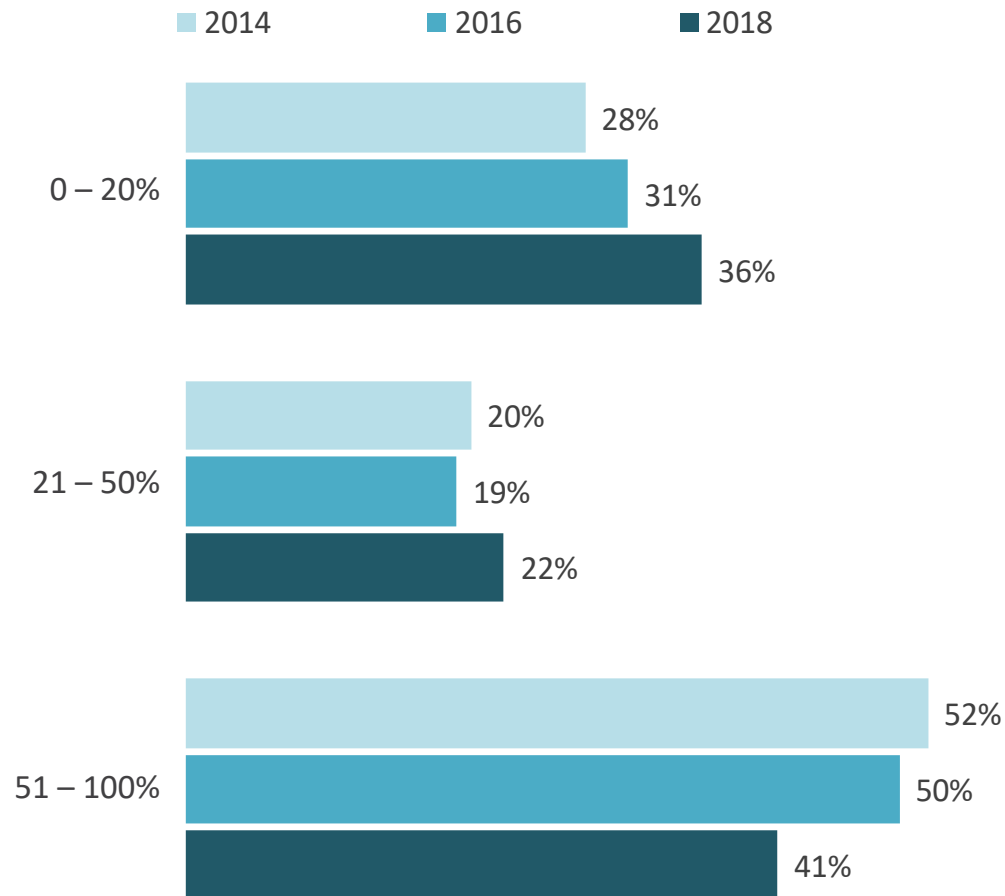
In line with confidence, most exporters expect to increase employee numbers during the next 12 months. It is very encouraging that employee growth is most prevalent among new exporters.



2018:	NEW EXPORTERS	MATURE EXPORTERS	Agricultural Products	Manufactured Goods	Tourism	Services
	(Exporting for 3 years or less)	(Exporting for over 3 years)				
Increased	70% ▲	55%	65%	67%	43% ▼	79%
Remained the same	27%	40% ▲	30%	33%	51% ▲	21%
Decreased	3%	5%	6%	0%	6%	0%
<i>n=</i>	74	113	71	54	63	19

REVENUE GENERATED FROM EXPORTING

With a higher number of new exporters in the 2018 sample, it is expected that the proportion of revenue generated from exporting during 2018 will be lower.



57% among new exporters (65% among mature businesses that are new to exporting)











23% among mature exporters

55% among mature exporters

20% among new exporters
Highest among exporters to Europe (68%) and North America (65%)

INITIATIVES INSTIGATED TO INCREASE EXPORT ORDERS

Similar to 2016, exporters are driving growth through a range of initiatives, including marketing, product development and process efficiency. Pacific Trade Invest continues to play an important role in helping businesses grow their export orders.

			2016	2014
Enhanced marketing through online channels		43%	n/a*	n/a
Developed new products/services specifically for export markets		43%	44%	36%
Improved business processes to improve efficiency		43%	40%	41%
Entered new markets		39%	39%	37%
Allocated more time and money to drive business		34%	36%	38%
Hired new staff/trained encourage innovation across the organisation		33%	32%	35%
Repositioned the business to align with export markets		30%	32%	33%
Contacted Pacific Trade Invest for assistance		28%	32%	23%
Improved e-commerce capabilities		26%	n/a*	n/a
Implemented new technology platforms		22%	27%	20%
Improved speed of delivery		20%	32%	21%

* New countries added in 2018

INITIATIVES INSTIGATED TO INCREASE EXPORT ORDERS

continued...

Initiative	Overall	Export area				Export maturity	
		Agriculture	Manufacturing	Tourism	Services (inc. ICT)	New (≤3 years)	Mature (> 3 years)
Base n=	n=201	n=76	n=60	n=68	n=23	n=82	n=119
Enhanced marketing through online channels	43%	30% ▼	48%	56% ▲	48%	49%	39%
Developed new products/services specifically for export market	43%	46%	60% ▲	34%	26%	45%	42%
Improved business processes to improve efficiency	43%	55% ▲	45%	38%	48%	40%	45%
Entered new markets	39%	50% ▲	52% ▲	29%	26%	48% ▲	34%
Allocated more time and money to drive innovation	34%	36%	40%	34%	43%	41% ▲	29%
Hired new staff/trained staff encouraged innovation	33%	25%	33%	38%	30%	32%	34%
Repositioned business to align with export markets	30%	36%	33%	19% ▼	48%	29%	30%
Contacted PTI for assistance	28%	36%	45% ▲	18%	26%	34%	24%
Improved e-commerce capabilities	26%	16% ▼	25%	32%	35%	24%	27%
Implemented new tech platforms	22%	16%	22%	29%	43%	22%	22%
Improved speed of delivery	20%	17%	28%	15%	26%	16%	23%

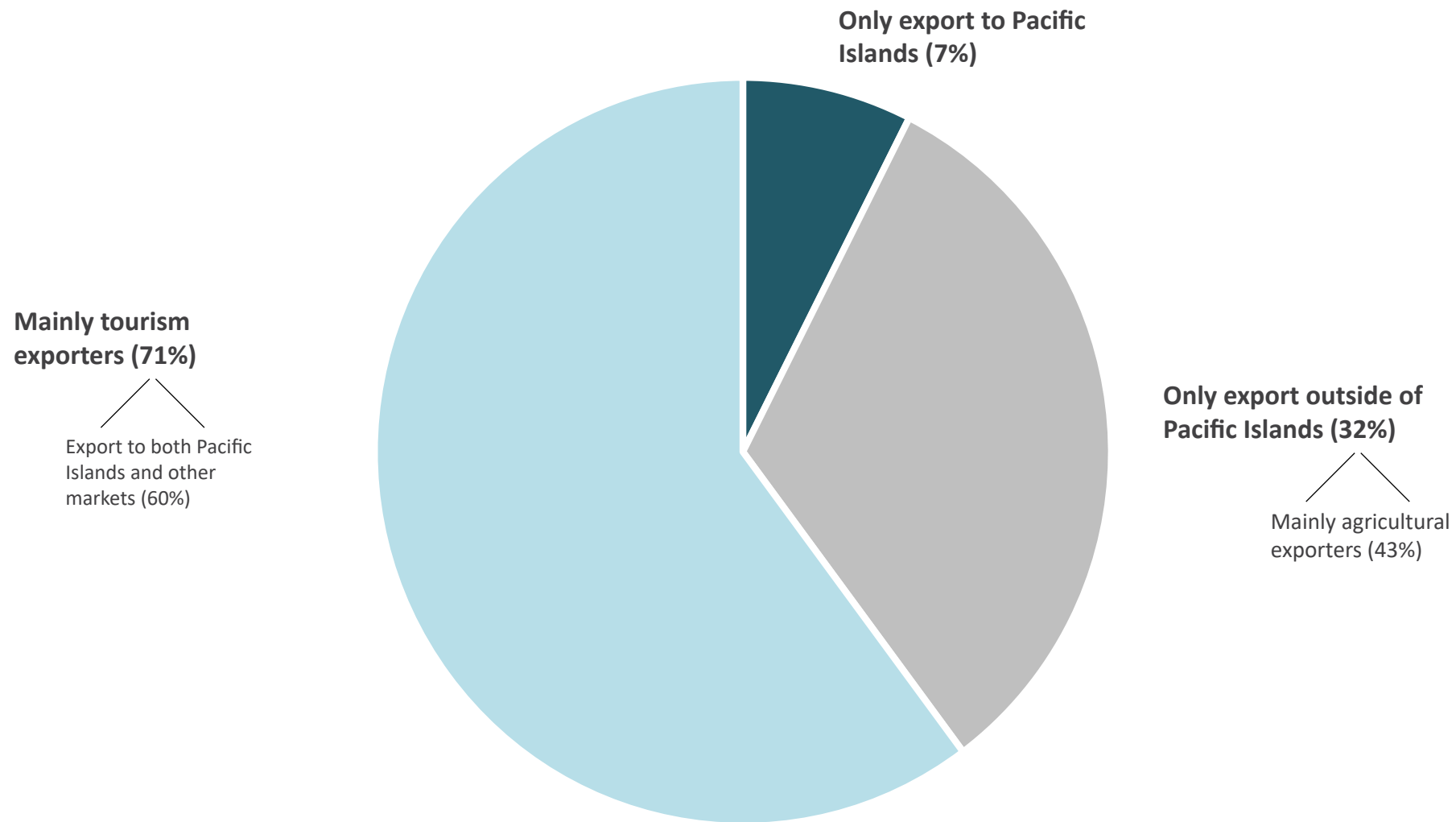
▲ Sig. higher than 2016 at 90% CI
▼ Sig. lower than 2016 at 90% CI

EXPORT DESTINATIONS



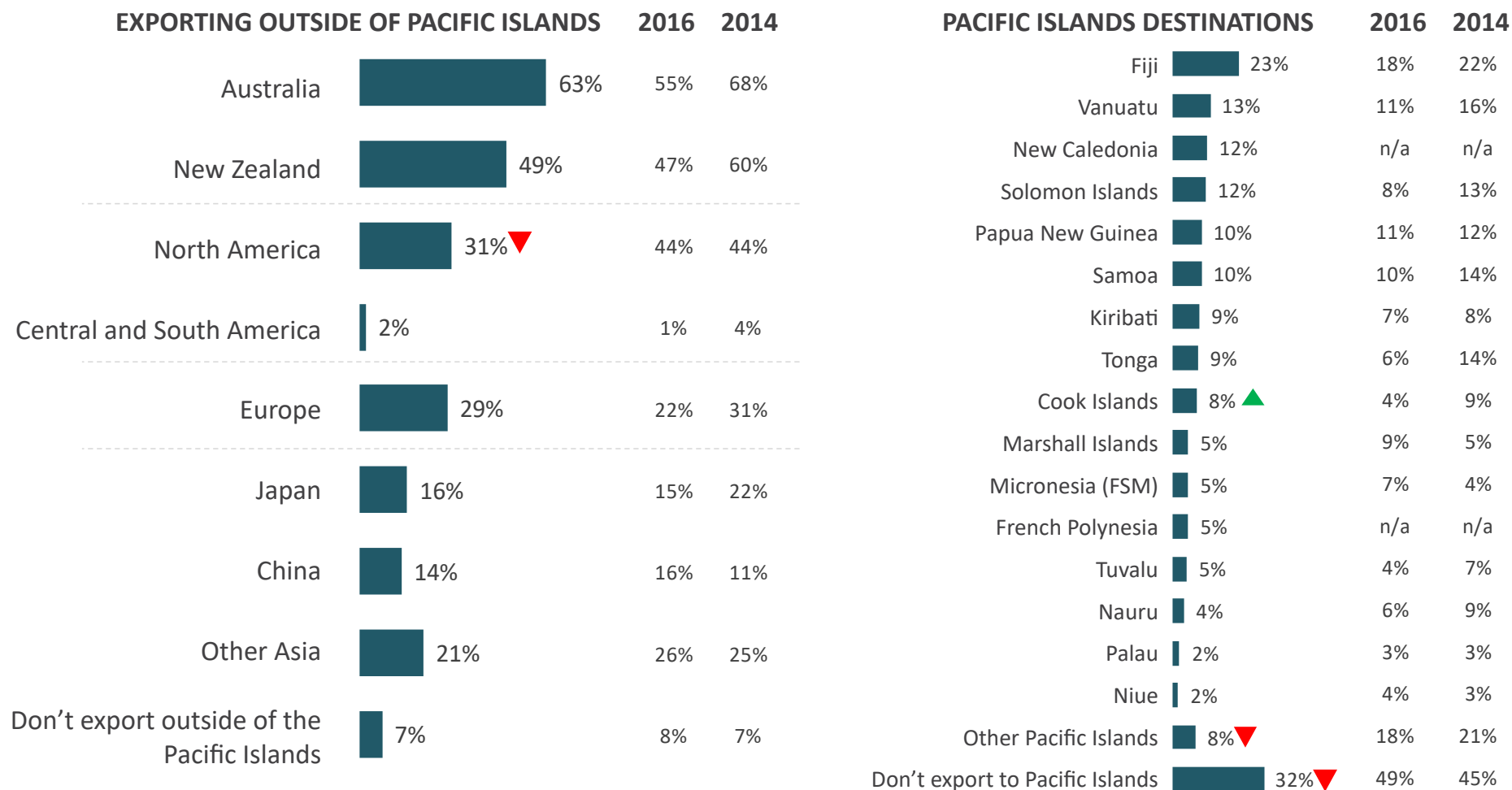
MARKETS EXPORTED TO DURING THE PAST 12 MONTHS

The majority of exporters trade within the Pacific Islands and throughout other parts of the world.



EXPORT DESTINATIONS

Australia and New Zealand remain the two key export destinations, with a slight increase since 2016. Intra-regional trade is important with more than two thirds of export orders generated from within the Pacific Islands.



▲ Sig. higher than 2016 at 90% CI
▼ Sig. lower than 2016 at 90% CI

EXPORT MARKETS OUTSIDE OF THE PACIFIC ISLANDS

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

Countries Exported to	Overall	Export area		Export maturity			
		New (≤3 years)	Mature (> 3 years)	Agriculture	Manufacturing	Tourism	Services (inc. ICT)
Base n=	201	82	119	76	60	68	23
Australia	63%	59%	66%	57%	63%	79% ▲	48%
New Zealand	49%	40%	55%	46%	60%	53%	35%
North America	31%	16% ▼	41%	37%	32%	40%	9%
Europe	29%	20%	36%	21%	22%	49% ▲	17%
Other Asia	21%	16% ▼	25%	22%	18%	15%	43%
Japan	16%	11%	19%	20%	17%	16%	13%
China	14%	10%	17%	12%	18%	13%	22%
Central & South America	2%	0%	3%	0%	0%	4%	4%
Nett Pacific Islands	68%	67%	68%	57%	72%	74%	74%
<i>Number of regions</i>	<i>2.3</i>	<i>1.7</i>	<i>2.6</i>	<i>2.2</i>	<i>2.3</i>	<i>2.7</i>	<i>1.9</i>

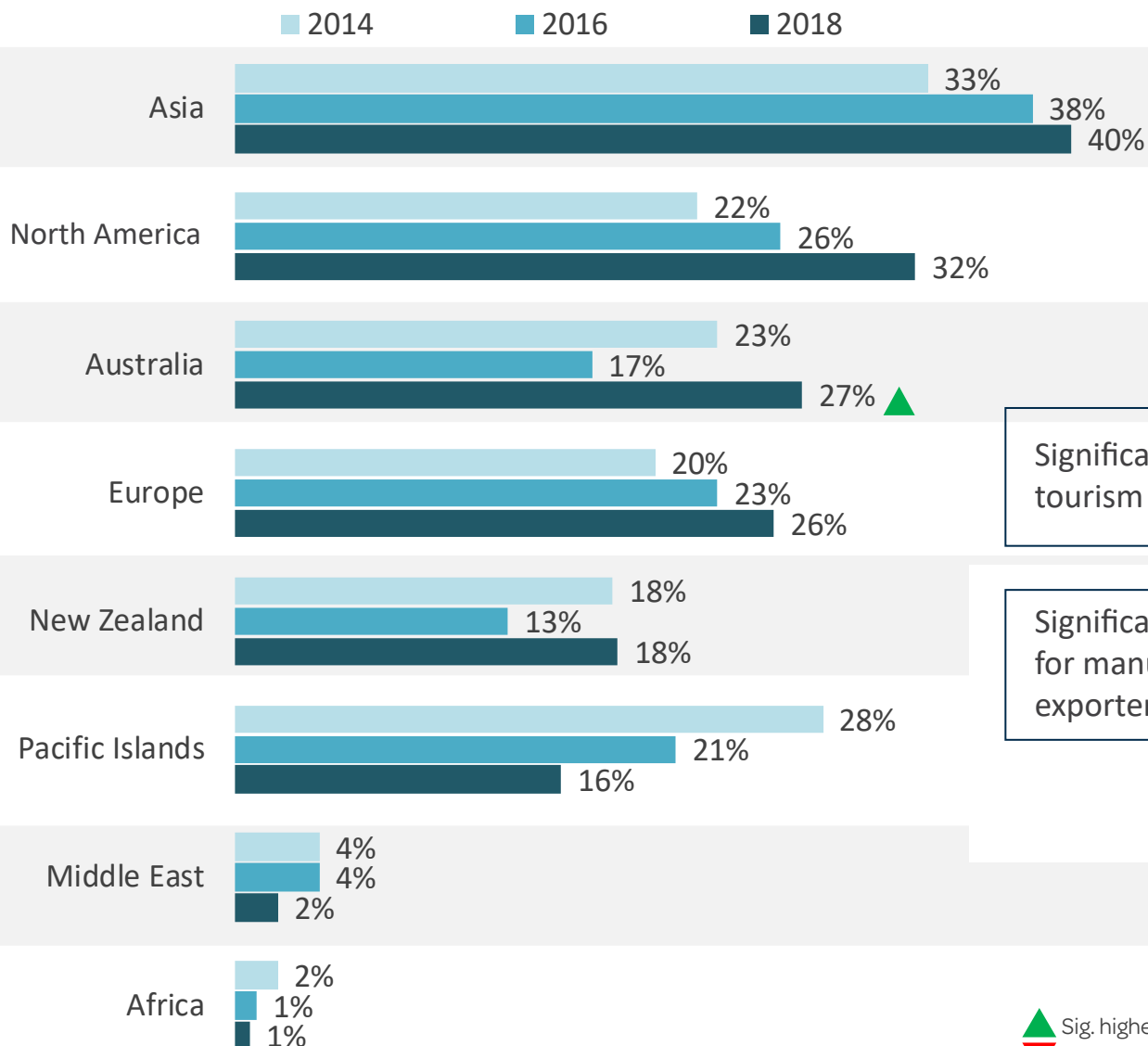
▲ Sig. higher than 2016 at 90% CI
▼ Sig. lower than 2016 at 90% CI

ENTERING NEW MARKETS OVER THE NEXT 3 YEARS

It is very positive that exporters in the Pacific Islands are looking to broaden their reach across most regions with Asia and North America continuing to hold most appeal.

73% of organisations are planning to enter a new market over the next 3 years
(2016: 86%)
(2014: 87%)

78% among new exporters vs **69%** among mature exporters



Significantly lower for tourism exporters (7%)

Significantly higher for manufacturing exporters (31%)

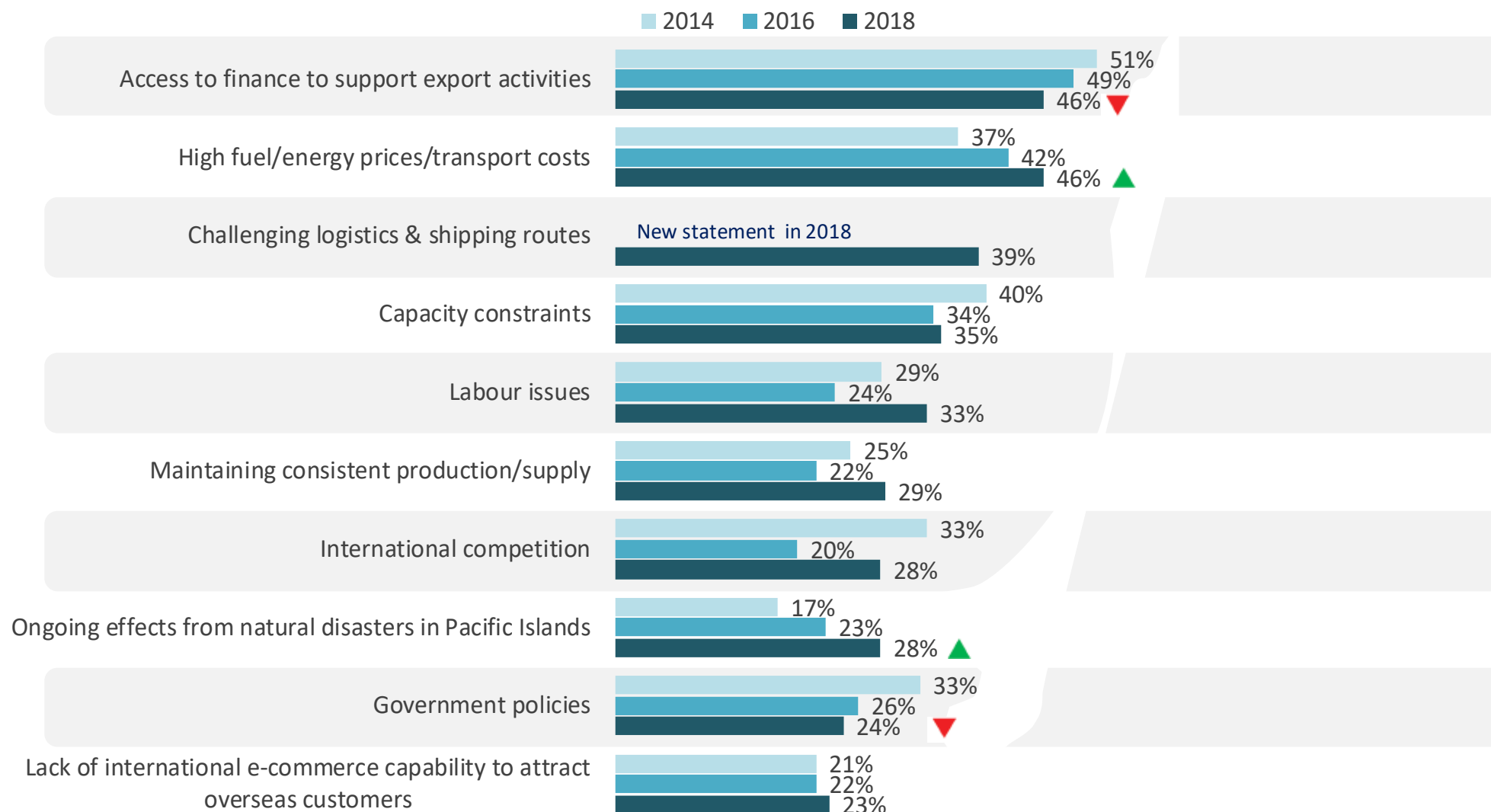
▲ Sig. higher than 2016 at 90% CI
▼ Sig. lower than 2016 at 90% CI



An aerial photograph of a vast, lush green mountain range. The terrain is characterized by numerous ridges and valleys, creating a complex, textured landscape. In the background, a prominent, rounded mountain peak rises above the surrounding hills. The sky is overcast with soft, grey clouds, and the overall lighting is diffused, highlighting the vibrant green of the vegetation. A dark blue rectangular box with a light blue border is positioned on the left side of the image, containing the text 'BARRIERS TO EXPORTING' in white, bold, uppercase letters.

BARRIERS TO EXPORTING

TOP TEN BARRIERS TO EXPORTING

Despite improvements, access to finance remains a key barrier. High fuel/energy prices and the impact of natural disasters are growing challenges. On a positive note, issues associated with government policy continue to decline.



 Sig. higher than 2016 at 90% CI
 Sig. lower than 2016 at 90% CI

TOP TEN BARRIERS TO EXPORTING continued...

Mature exporters tend to acknowledge a wider range of barriers restricting their business growth, but it is the new exporters who are more likely to be held back by the lack of access to finance.

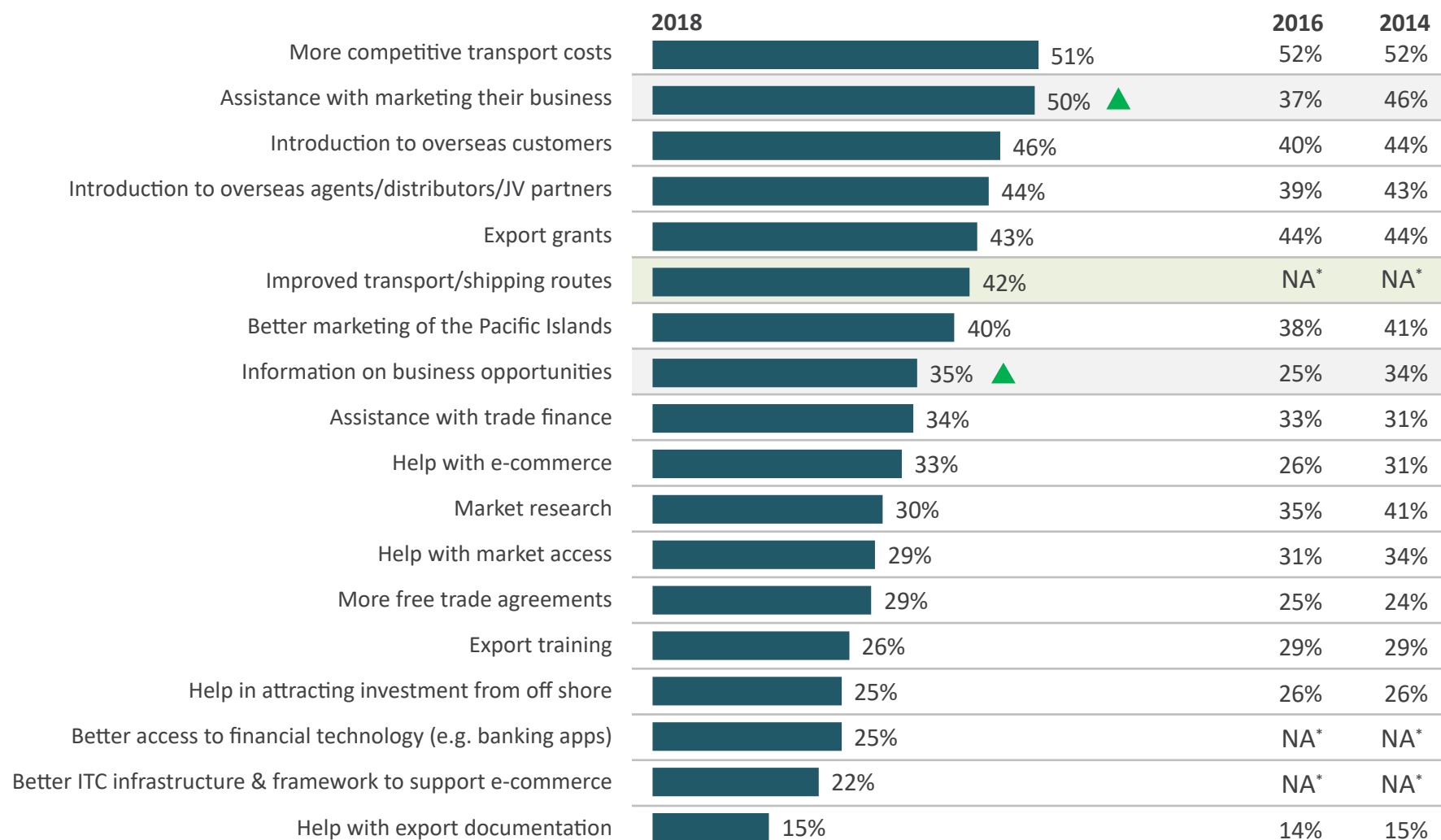
Barriers	Overall	Export Area				Export Maturity	
		Agriculture	Manufacturing	Tourism	Services (inc. ICT)	New (≤3 years)	Mature (> 3 years)
Base n=	201	76	60	68	23	82	119
Access to finance to support export activities	46%	50%	45%	51%	22%	57% ▲	38%
High fuel/energy prices/transport costs	46%	49%	55%	40%	52%	45%	46%
Challenging logistics & shipping routes	39%	49%	53% ▲	32%	26%	30% ▼	45%
Capacity constraints	35%	50% ▲	38%	26%	26%	39%	32%
Labour issues	33%	37%	32%	35%	39%	30%	35%
Maintaining consistent production/supply	29%	47% ▲	27%	24%	13%	28%	29%
International competition	28%	33%	30%	37%	26%	21% ▼	34%
Ongoing effects from natural disasters in Pacific Islands	28%	29%	25%	32%	30%	22% ▼	33%
Government policies	24%	24%	20%	32%	35%	16% ▼	30%
Lack of international e-commerce capability to attract overseas customers	23%	20%	27%	24%	30%	24%	22%

▲ Sig. higher than total at 90% CI
▼ Sig. lower than total at 90% CI

▲ New Exporters sig. higher/lower vs Mature Exporters at 90% CI
▼

ASSISTANCE NEEDED TO INCREASE EXPORT

As high fuel prices and challenging shipping routes are major concerns, more competitive transport costs and improved shipping routes are key for exporters. Assistance with business development and marketing are also a top priority.



▲ Sig. higher than 2016 at 90% CI
 ▼ Sig. lower than 2016 at 90% CI

* Statements added in 2018

ASSISTANCE NEEDED TO INCREASE EXPORT continued...

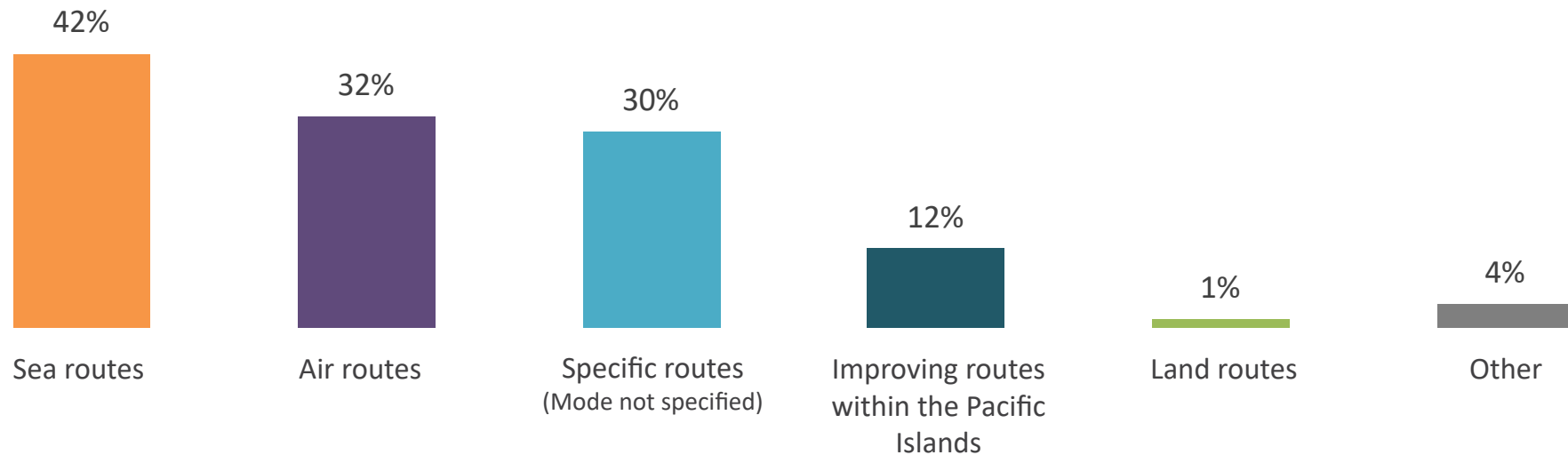
Despite exporters experiencing fewer barriers, they still seek assistance across a wide range of areas, including support with business development, marketing, technology and attracting off-shore investment.

Assistance Needed	Overall	Export Area				Export Maturity	
		Agriculture	Manufacturing	Tourism	Services (inc. ICT)	New (≤3 years)	Mature (> 3 years)
Base n=	201	76	60	68	23	82	119
More competitive transport costs (sea/air/ground)	51%	62% ▲	55%	50%	35%	50%	51%
Assistance with marketing your business	50%	45%	68% ▲	57%	43%	61% ▲	43%
Introduction to overseas customers	46%	46%	58% ▲	44%	52%	56% ▲	39%
Introduction to overseas agents/distributors	44%	46%	60% ▲	38%	39%	52% ▲	39%
Export grants	43%	61% ▲	58% ▲	25% ▼	43%	44%	42%
Improved transport/shipping routes	42%	45%	47%	43%	39%	34% ▼	47%
Better marketing of the Pacific Islands	40%	33%	38%	63% ▲	39%	48% ▲	34%
Information on business opportunities	35%	34%	43%	32%	61%	39%	32%
Assistance with trade finance	34%	42%	42%	24% ▼	39%	39%	31%
Help with e-commerce capability building	33%	21% ▼	43%	37%	43%	46% ▲	24%
Market research	30%	29%	40%	31%	39%	35%	27%
Help with market access	29%	28%	35%	37%	39%	33%	27%
More free trade agreements	29%	34%	42% ▲	24%	26%	33%	26%
Export training	26%	33%	30%	24%	26%	38% ▲	18%
Help in attracting investment from off shore	25%	24%	28%	29%	48%	35% ▲	18%
Better access to financial technology	25%	21%	25%	29%	35%	33% ▲	19%
Better ICT infrastructure & regulatory framework	22%	24%	18%	22%	52%	28% ▲	18%
Help with export documentation	15%	18%	18%	15%	22%	17%	14%

▲ Sig. higher than 2016 at 90% CI
▼ Sig. lower than 2016 at 90% CI

ASSISTANCE NEEDED TO INCREASE EXPORT continued...

Access to more direct routes/flights will reduce costs and shipping times, making exporters from the Pacific Islands more competitive.



SEA	
1	Costs/expensive
2	More direct routes/more frequent
3	LCL efficiencies (less than container load)
4	Time taken to ship

AIR	
1	Infrastructure/national carrier cooperation
2	More direct flights/more flights
3	Costs/expensive
4	Transporting live/animal products

ASSISTANCE NEEDED FOR IMPROVING TRANSPORT/ SHIPPING ROUTES continued...

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

"Shipping services to the Solomon's & PNG is on a high rate, it is very expensive and irregular, which becomes uncompetitive with Asian imports."

(Fiji Islands, Manufacturing, 51-100 employees)

"No direct overseas shipping out of our Province, everything is trans-shipped via Lae at a very high cost of costal shipping."

(Papua New Guinea, Agriculture, 21-50 employees, \$3M-5M)

"All air transport is via NZ. Another hub other than NZ would open up other markets."

(Niue, Tourism, employee numbers, 2-4 employees)

"Raw material from PNG to Vanuatu by ship is a big problem. We would like to import from Lae to Port Vila but it's not possible because the cost is prohibitive. In general, exporting from Vanuatu to Australia and other regional markets like New Zealand is too expensive."

(Vanuatu, Manufacturing, 5-10 employees, \$100,000-\$499,999)

"Air freight options from Tarawa to European destinations, information of active transshipment airline options out of Australia to European countries. Lists of freight forwarders Brisbane, Sydney, Melbourne that can handle live products through Australia to Europe."

(Kiribati, Agriculture/Tourism, 51-100 employees, \$3M-\$5M)

"As we ship LCL (Less than Container Load) to the USA and EU these need to be shipped via NZ, increasing transport times and costs. So working on LCL consolidation or use of the empty containers being returned to these destinations would be a profit multiplier for our company."

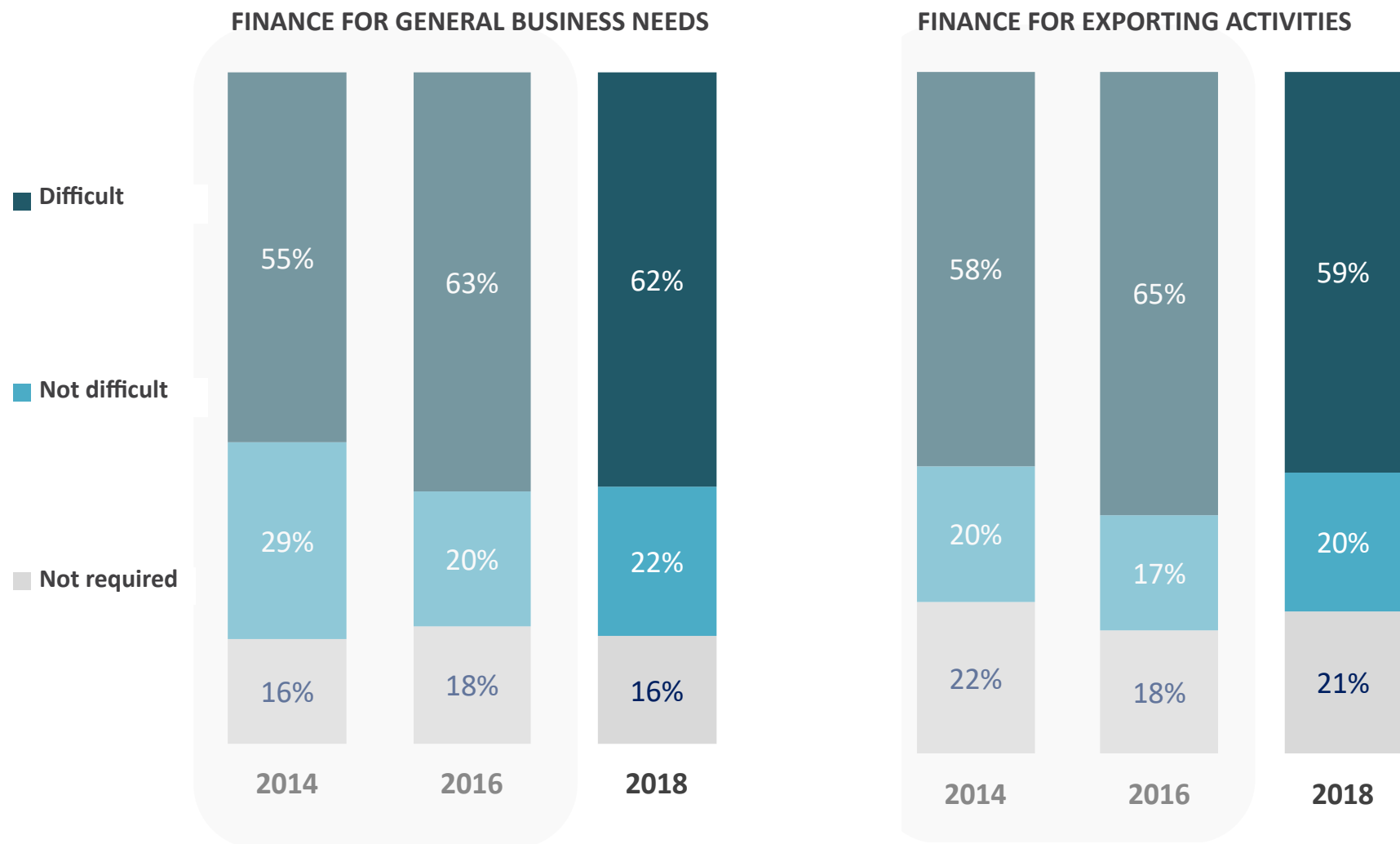
(Samoa, Agriculture, 5-10 employees, \$100,000-\$499,999)



FINANCE & INVESTMENT

DIFFICULTY OBTAINING FINANCES

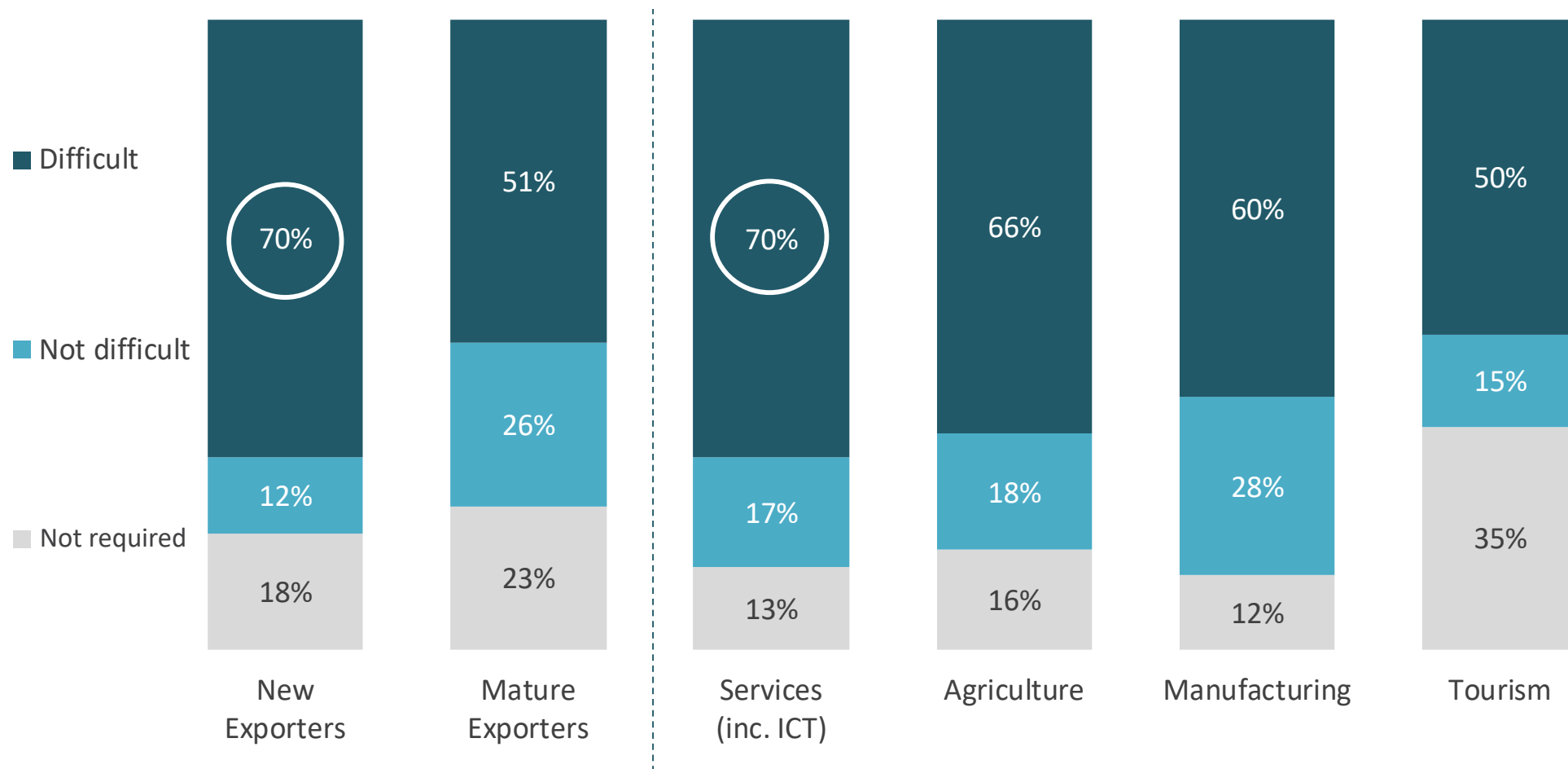
Access to finance remains one of the biggest challenges faced by the majority of exporters in the region. It is not surprising that most exporters continue to find it difficult to obtain financing.



DIFFICULTY OBTAINING FINANCES

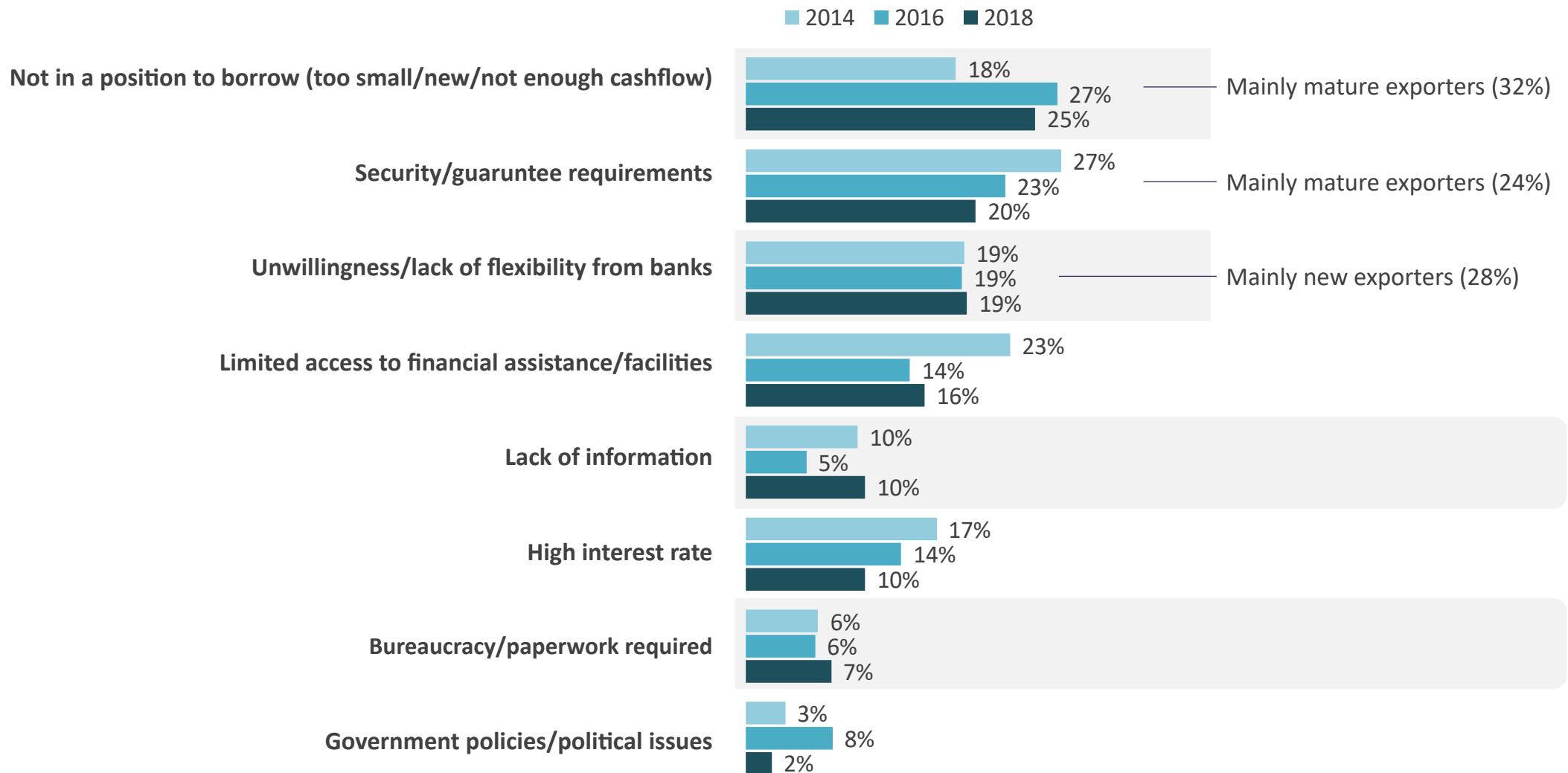
continued...

Access to finance is difficult for most exporters, but particularly new exporters and those in Professional Services.



REASONS FOR DIFFICULTY

While mature exporters struggle due to internal business issues (not enough cashflow, guarantee requirements, etc.), new exporters are more likely to be challenged by the lack of flexibility from banks.



REASONS FOR DIFFICULTY

continued...

Exporters were vocal about the difficulties they faced when obtaining finance for both exporting activities and other vital business needs.

REASONS FOR DIFFICULTY IN OBTAINING FINANCE FOR EXPORTING ACTIVITIES

"Financing for agriculture is generally hard to obtain in Fiji. Commercial banks do not take surety over native lease titles and also do not take fresh produce as their main line. Government is not taking a proactive role in getting the fresh produce sector finance support for exporters."

Fiji Islands, Agriculture, 21-50 employees, \$500,000-\$999,999

"I reinvest 10% of revenues in technology so I have no capital in the bank and the banks won't lend me money."

French Polynesia, ICT, 11-20 employees, <\$100,000

"Lack of accounts to demonstrate scale of export opportunity and return against investment. No model for finance companies to refer to."

PNG, Agriculture, 21-50 employees, \$<100,000

"Banks not able to fund exports."

PNG, Agriculture, 11-20 employees, \$100,000-\$499,999

REASONS FOR DIFFICULTY IN OBTAINING FINANCE FOR GENERAL BUSINESS NEEDS

"High level of risk due to no available insurance and storm damage is always a possibility."

Niue, Agriculture/Tourism, 1 employee, \$<100,000

"As a new emerging business we lack the security collateral to qualify us to access loans."

Solomons, Agriculture, 11-20 employees, \$500,000-\$999,999

"The interest costs make loans for large infrastructure projects too risky. We survived the issues of 2000, 2006 and the 2007 earthquake and tsunami by making small improvements over the past 30 years. Political issues within the Solomon's, and worldwide combined with increasing natural disasters leave us wary of big risks."

Solomons, Tourism, 11-20 employees, \$100,000-\$499,999

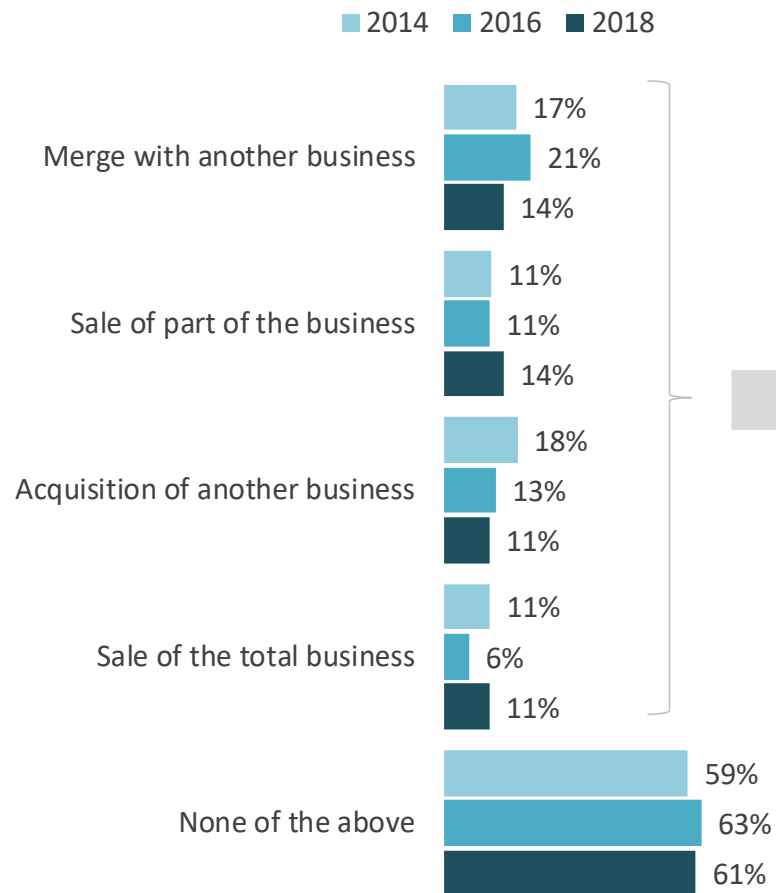
"I don't have the knowledge and the know how to write proposals or fill out funding forms."

PNG, Manufacturing, 21-50 employees

SELLING OR SEEKING INVESTMENT

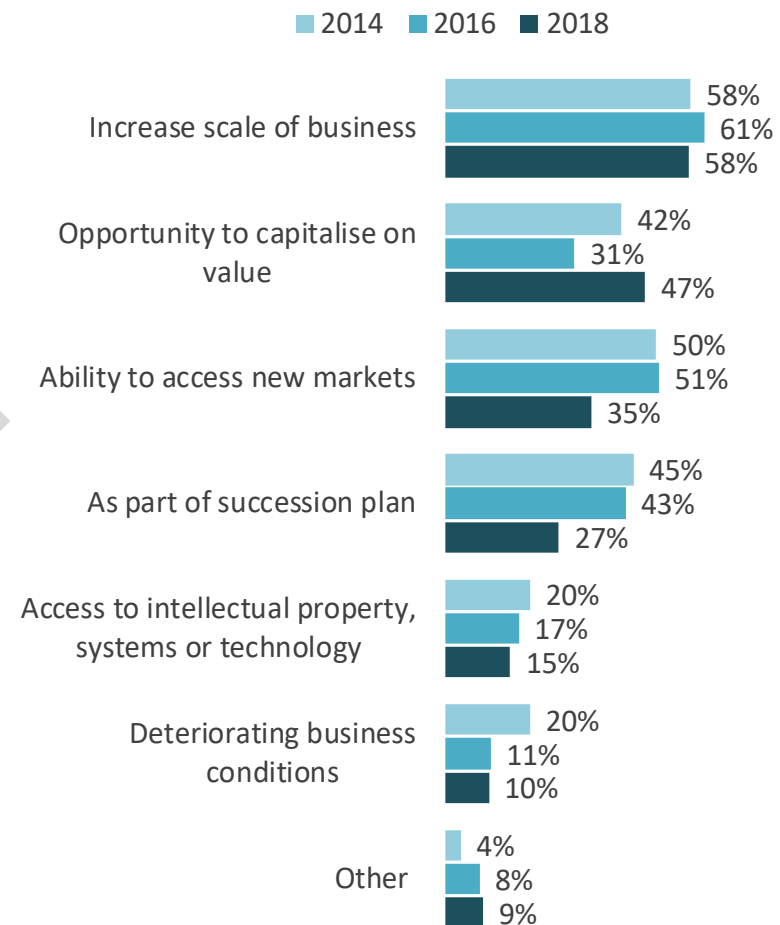
In line with previous surveys, two in five exporters are looking to sell their business or seek investment to enable growth or capitalise on value.

CONSIDERING SELLING OR SEEKING INVESTMENT



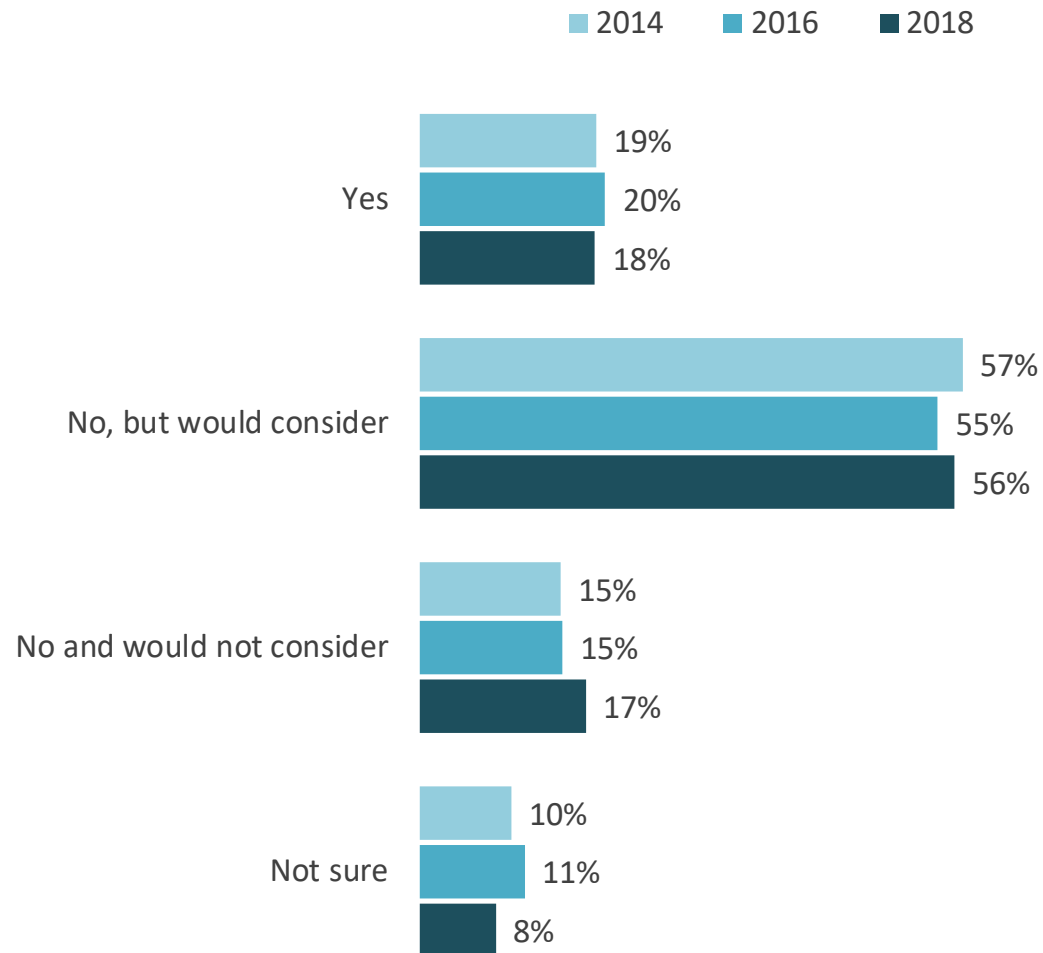
REASONS FOR CONSIDERING

(among business that consider selling/seeking investment)



FOREIGN DIRECT INVESTMENT

Also in line with previous years, most exporters would consider some level of foreign investment, particularly those who have had difficulties obtaining financing.



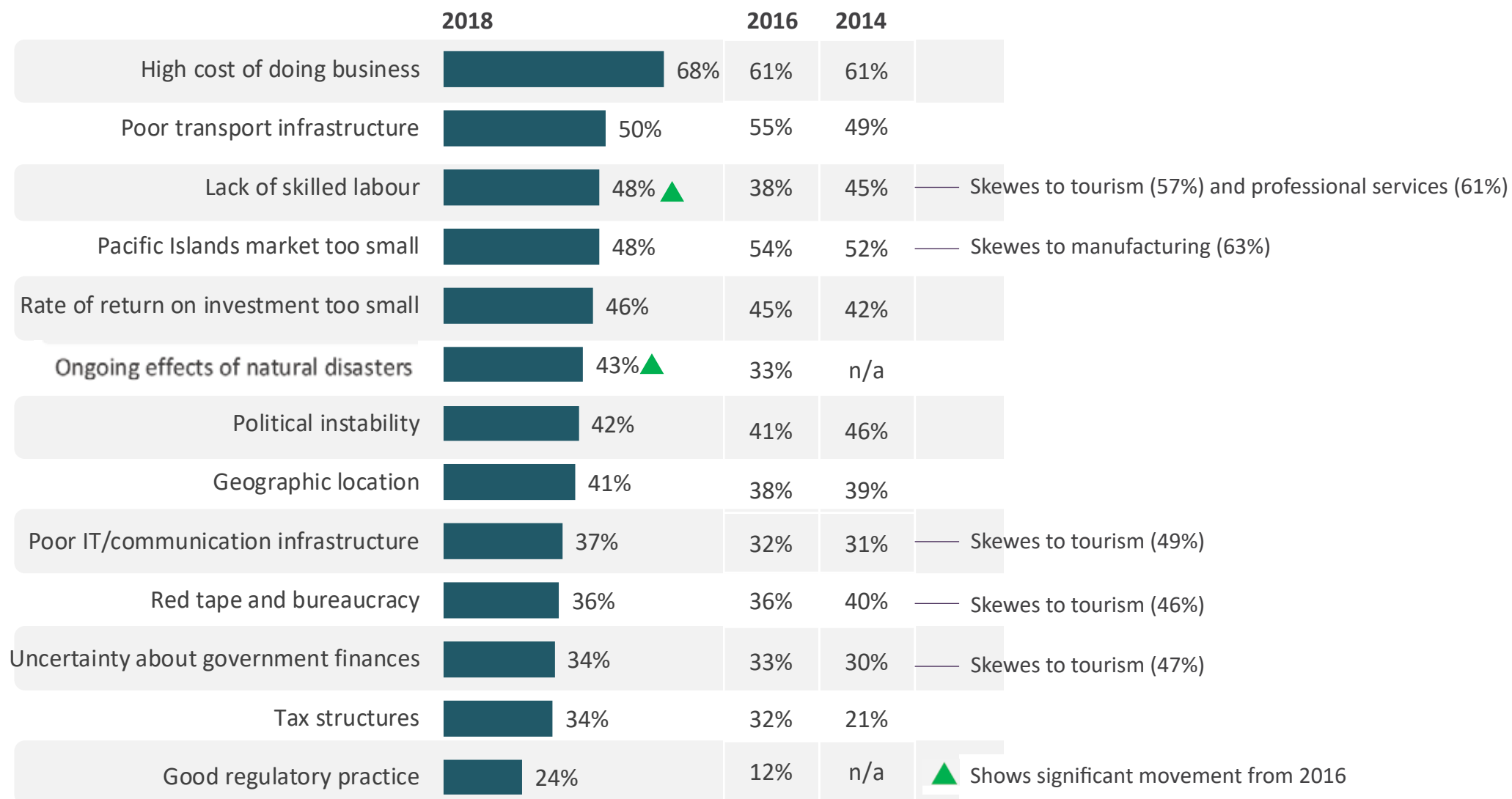
In line with 2016, new exporters are the least likely to have already received some level of foreign investment (15%) (13% in 2016.)

However, they are the most likely to consider it (66%) (60% in 2016.)

69% of those who find it difficult to obtain financing for export activities and 65% of those who find it difficult to obtain finance for general business needs would consider investment

EXPORTERS ON WHAT PREVENTS FOREIGN INVESTMENT

Exporters see a range of barriers preventing foreign investment in the region, with the lack of skilled labour and ongoing natural disasters having a greater impact this year.



An abstract painting featuring a red background with large, dark, swirling shapes. Two prominent circular forms on the left contain white, spiral-like patterns. On the right, a vertical, wavy, black-and-white pattern is visible. A dark blue banner with a light blue border is positioned in the upper right corner, containing white text.

FREE TRADE & ECONOMIC AGREEMENTS

FTAs AND CLOSER ECONOMIC PARTNERSHIPS

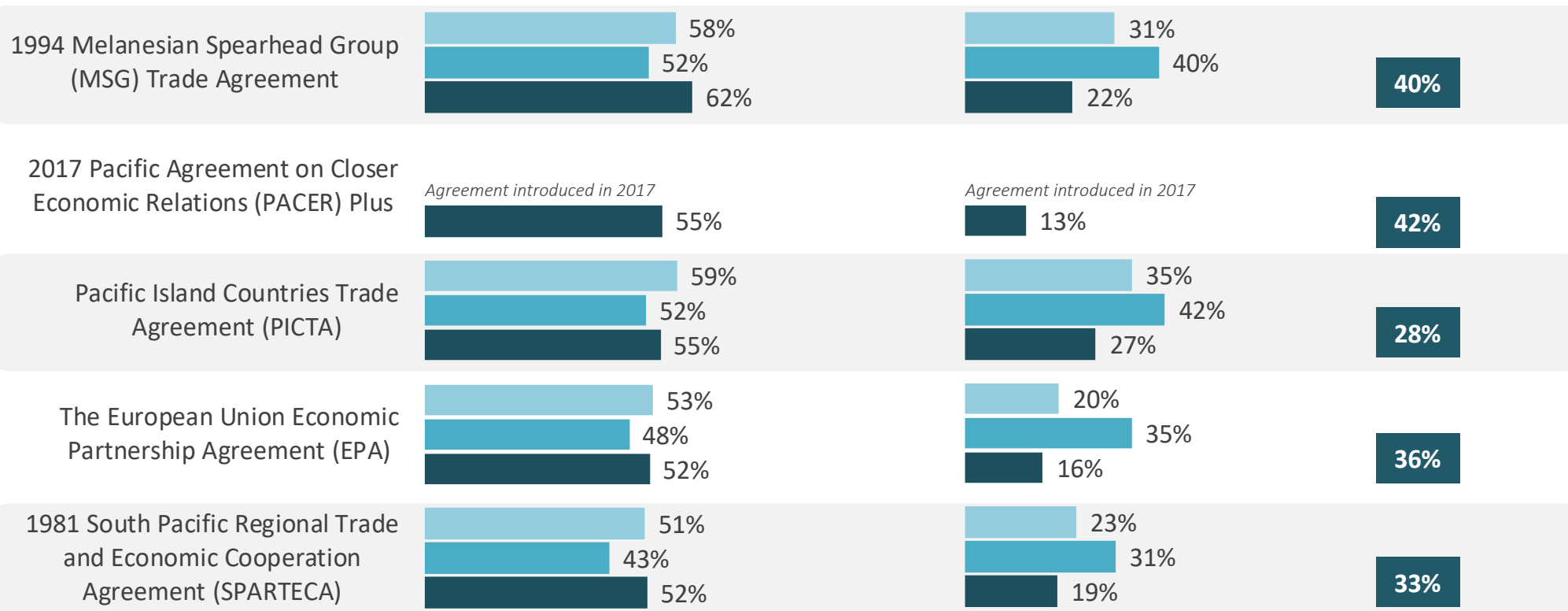
Despite high awareness of Free Trade Agreements (FTAs) and Closer Economic Partnerships, only a relatively small proportion of exporters are seeing the benefit.

AWARENESS OF FTAs OR CLOSER ECONOMIC PARTNERSHIP ON BUSINESS

BENEFIT FROM FTAs OR CLOSER ECONOMIC PARTNERSHIP ON BUSINESS

■ 2014 ■ 2016 ■ 2018

Difference between Awareness & Benefit



FTAs AND CLOSER ECONOMIC PARTNERSHIPS

continued...

Awareness of FTAs and Closer Economic Partnerships need to be better promoted amongst new exporters.

2018 RESULTS BY SEGMENTS

■ 2014 ■ 2016 ■ 2018

		Agriculture	Manufacturing	Tourism	Services (inc. ICT)	New (≤3 years)	Mature (> 3 years)
1994 Melanesian Spearhead Group (MSG) Trade Agreement		67%	65%	56%	65%	51%	70% ▲
2017 Pacific Agreement on Closer Economic Relations (PACER) Plus	<i>Agreement introduced in 2017</i> 	62%	55%	53%	70%	44%	63% ▲
Pacific Island Countries Trade Agreement (PICTA)		62%	62%	51%	52%	46%	61%
The European Union Economic Partnership Agreement (EPA)		58%	50%	44%	65%	43%	59%
1981 South Pacific Regional Trade and Economic Cooperation Agreement (SPARTECA)		54%	58%	47%	57%	41%	59% ▲

EXPORTERS WHO REPORT BENEFITING FROM TRADE AGREEMENTS

Benefits of FTAs and Closer Economic Partnerships could be increased by better promoting them among exporters in agriculture and manufacturing and those new to exporting.

2018 RESULTS BY SEGMENTS

■ 2014 ■ 2018

		Agriculture	Manufacturing	Tourism	Services (inc. ICT)	New (≤3 years)	Mature (> 3 years)
Pacific Island Countries Trade Agreement (PICTA)	<p>35% 27%</p>	34%	41%	14%	17%	34%	24%
1994 Melanesian Spearhead Group (MSG) Trade Agreement	<p>31% 22%</p>	24%	33%	16%	0%	21%	23%
1981 South Pacific Regional Trade and Economic Cooperation Agreement	<p>23% 19%</p>	24%	31%	9%	15%	12%	23%
The European Union Economic Partnership Agreement (EPA)	<p>20% 16%</p>	27%	17%	7%	7%	14%	17%
2017 Pacific Agreement on Closer Economic Relations (PACER) Plus	<p><i>Agreement introduced in 2017</i></p> <p>13%</p>	17%	21%	11%	6%	17%	11%



E-COMMERCE

ONLINE CHANNEL USAGE

The large majority of exporters use online channels to generate revenue across all businesses irrespective of size or maturity. However, usage among businesses exporting agricultural products is well below average.



Social media



67%

Skew towards:

- New Exporters (71%)
- Tourism (79%)



Own website/app



52%

Skew towards:

- Mature Exporters (61%)
- Tourism (69%)



Third party website/app



20%

Skew towards:

- Mature Exporters (23%)
- Tourism (34%)



Don't use online channels



19%

Skew towards:

- Agriculture (30%)

Usage of online channels overall is by far the highest among Tourism exporters

91%

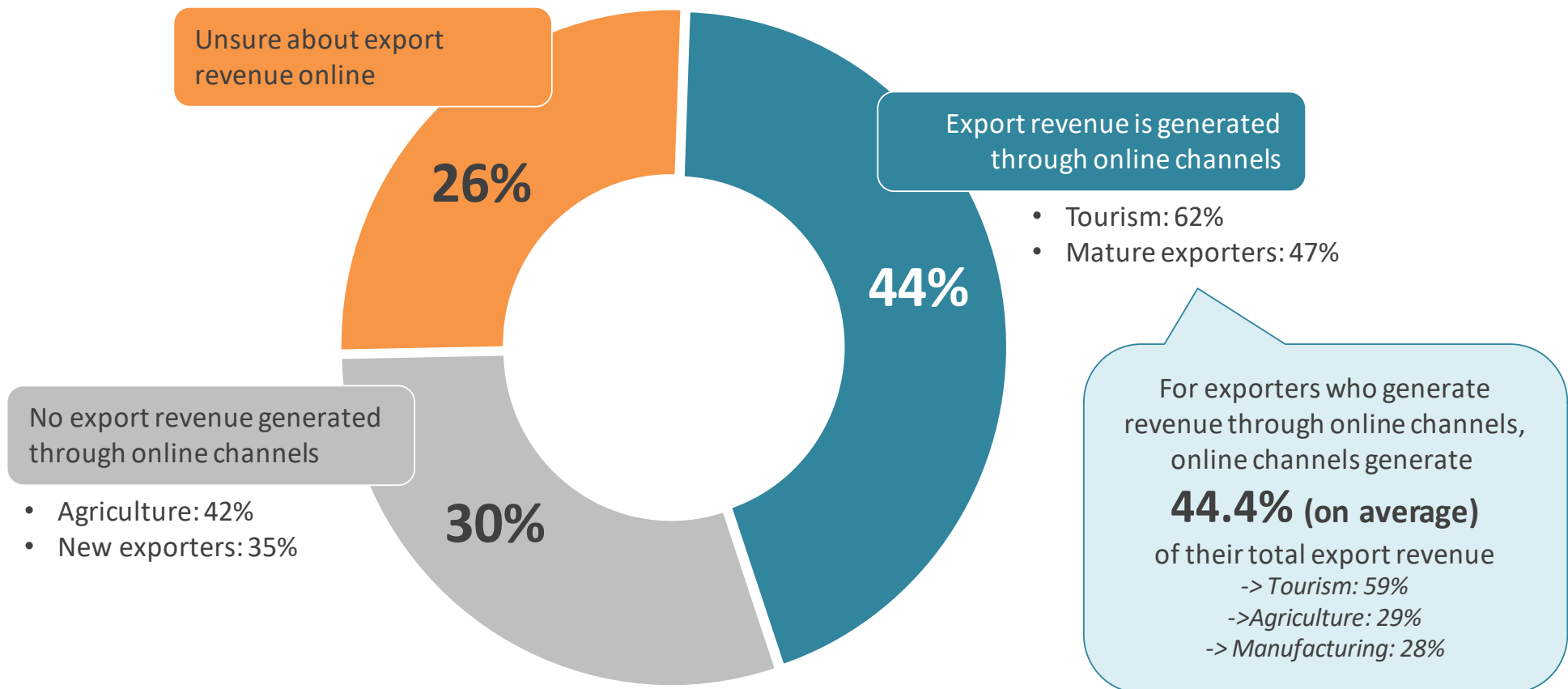
and lowest among Agriculture (70%)

Avg. number of channels used:

1.4

REVENUE GENERATED THROUGH ONLINE CHANNELS

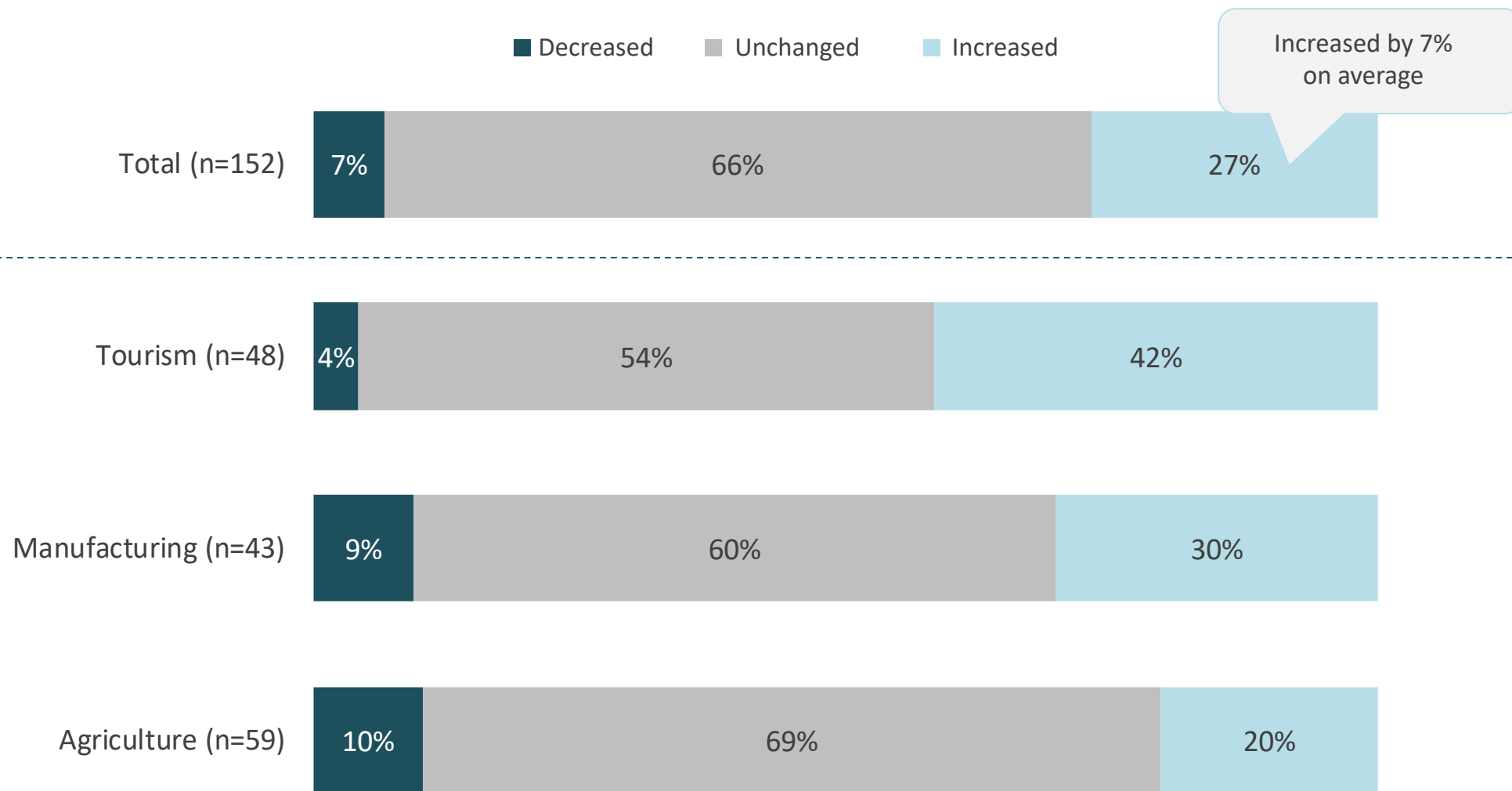
It is concerning that a quarter of exporters are unsure about the proportion of export revenue generated online, suggesting that the use of analytics is not widespread.



EXPORT REVENUE GENERATED ONLINE PAST 12 MONTHS

Amongst exporters who use online channels

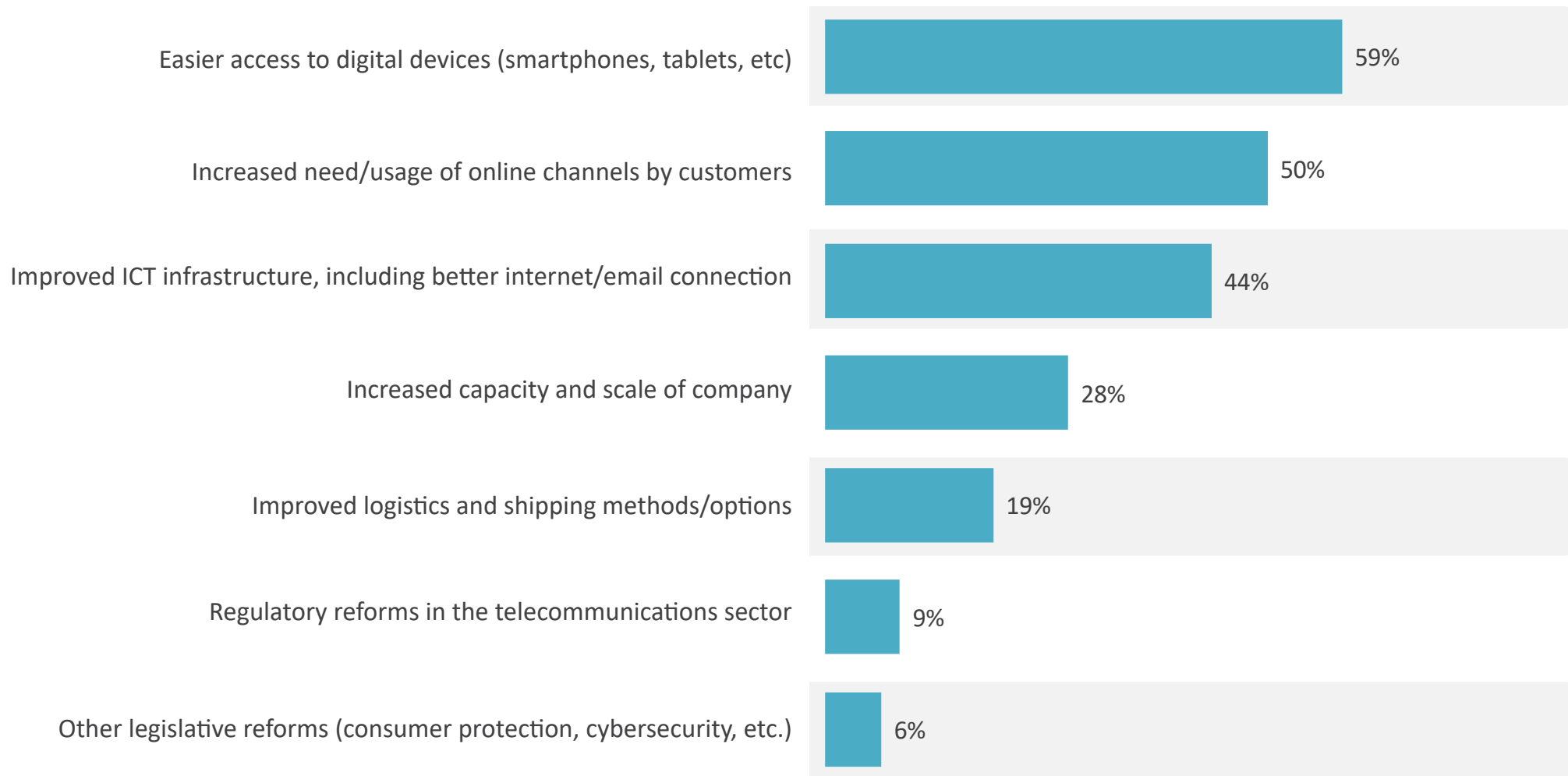
Positive to note that among those who generate revenue online, a quarter reported an increase in online export orders, driven by businesses in the tourism industry – not surprising as over half of all businesses have enhanced their marketing through online channels.



POSITIVE IMPACTS ON E-COMMERCE ACTIVITIES

Among exporters who use online channels

Exporters acknowledge that there is a range of factors enabling them to increase their e-commerce activities, the most prevalent being easier access to digital devices; the increased usage of online channels among their customers; and the availability of better ICT infrastructure.



POSITIVE IMPACTS ON E-COMMERCE ACTIVITIES

continued...

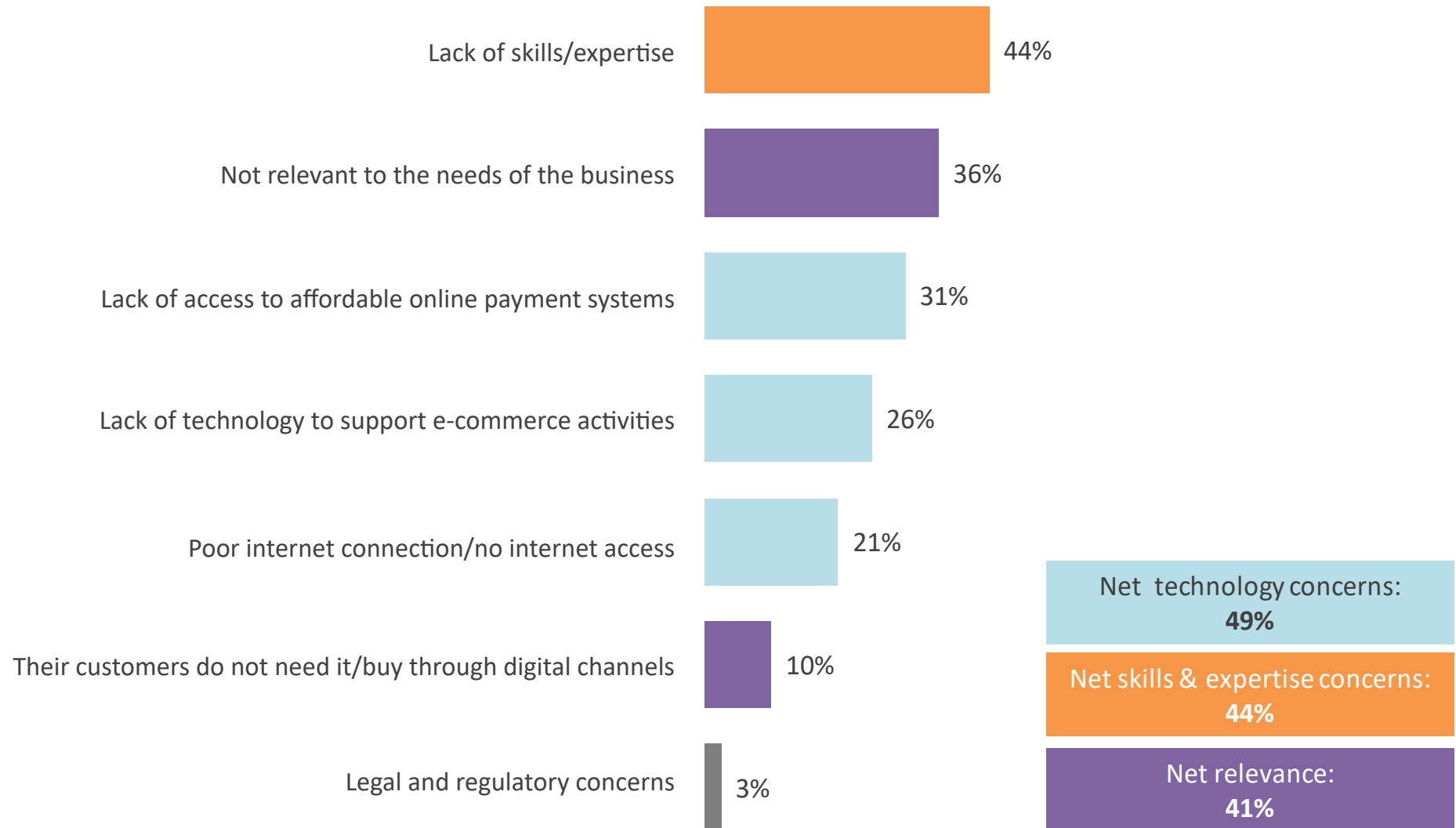
Tourism and services businesses are more likely to recognise a wider range of positive factors impacting e-commerce activities.

Positive Factors	Overall	Export area			
		Agriculture	Manufacturing	Tourism	Services (inc. ICT)
Base n=		44	43	62	14
Easier access to digital devices (smartphones, tablets, etc)		43% ▼	53%	68%	71%
Increased need/usage of online channels by customers		48%	44%	56%	57%
Improved ICT infrastructure, including better internet/email connection		34%	44%	50%	79%
Increased capacity and scale of company		30%	42% ▲	29%	21%
Improved logistics and shipping methods/options		32% ▲	21%	13%	36%
Regulatory reforms in the telecommunications sector		5%	5%	11%	36% ▲
Other legislative reforms (consumer protection, cybersecurity, etc.)		5%	7%	8%	7%
Avg. positive factors mentioned		2.02	2.21	2.39	3.07

▲ Sig. higher than total at 90% CI
▼ Sig. lower than total at 90% CI

REASONS WHY ONLINE CHANNELS ARE NOT USED

Those who do not use online channels to generate export revenue have raised concerns around access to appropriate technology or staff with relevant skills and expertise.





RESEARCH METHODOLOGY

WHO RESPONDED

A total of 201 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

A 10 minute online survey.

WHEN

Fieldwork was conducted for the period 15 March – 21 May 2018 by ACA Research, North Sydney, NSW, Australia.

ABOUT PACIFIC TRADE INVEST AUSTRALIA

Founded in 1979, PTI Australia is an agency of the Pacific Islands Forum Secretariat funded by the Australian Government.

PTI Australia creates jobs in the Pacific Islands by facilitating trade and attracting investment into the region. With an extensive network and a deep understanding of the Pacific Islands, PTI Australia supports private sector growth to reduce aid reliance, making long-term, sustainable improvements to the region's economy and the livelihoods of Pacific people.



ACKNOWLEDGMENTS & DISCLAIMER

ACKNOWLEDGMENTS

PTI Australia and survey partners would like to thank the Pacific export companies that took part in the survey and made it a success.

DISCLAIMER

The information presented in this report is based on information received by ACA Research from a survey conducted from 15 March – 21 May 2018.



**Pacific
Trade Invest**
AUSTRALIA



**PACIFIC ISLANDS
FORUM SECRETARIAT**



Australian Government

Department of Foreign Affairs and Trade


acaresearch