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Outline

- Outline of the book—key messages
- Opportunities for the Pacific from Asia’s growth
- Priorities for Improving Linkages
- Trends in Pacific linkages
- Conclusion
Book contents

- **Part I**  Current Economic Conditions in Asia and the Pacific
  1 – Introduction
  2 – Economic conditions and the recent performance of Pacific countries
  3 – Asia’s growth and opportunities for the Pacific

- **Part II**  Links Between Pacific Economies and Asia
  4 – Trade links
  5 – Investment, Labor migration, and other links

- **Part III**  Strengthening Links Between Pacific Economies and Asia
  6 – Enhancing cooperation through trade
  7 – Lessons and priorities for improving economic links
  8 – Conclusion
Key Messages

- Different resource endowments between Asia and the Pacific present many opportunities.
- The private sector takes the lead in the creation of economic links; government is facilitator.
- Further investment in soft and hard infrastructure needed.
- The quality of education and skills development needs to be enhanced.
- Socioeconomic and environmental sustainability needs to be guaranteed.
Opportunities for the Pacific from Asia’s growth
Major trends in Asia affecting the Pacific

- Continued economic growth
- Increasing urbanization
- Rising middle class
- Ageing population
Rising Demand for Pacific Exports from Asia

CONTINUING GROWTH IN DEMAND FOR RESOURCE-BASED COMMODITIES

PACIFIC TRADE WITH ASIA
over an eightfold increase from 2000 to 2012

From $1.2 billion in 2000 TO over $14.5 billion in 2012

TRADITIONAL PACIFIC EXPORTS
Responding to global demand for primary commodities (e.g., crude oil, timber, cash crops, fisheries)

PRIORITY ACTIONS Strategically planned investments in transport and ICT infrastructure with regional benefits
Growing middle class

**Figure 7:** Size of the Middle Class

- 1,751
- ASEAN
- 17
- 61

**Asia’s Growing Middle Class**

Over half of world’s middle class will be in Asia

- Asia
- Rest of the World

Greater demand for luxury goods and services

- 2010
- 2030

**Niche Products**

Unspoiled tropical environments ideal for tourism and production of some high-value goods (e.g., South Sea pearls, artesian water, cosmetics, handicrafts)

**Priority Actions**

Removing or reducing technical barriers to trade to enable producers to profitably export niche products and tourism operators to provide internationally competitive services

Asia’s Population Aging

POPULATION AGING IN ASIA

About 17% of Asian population over 60 by 2030

Asian population over 60: To increase by about 400 million

PACIFIC AS A POTENTIAL RETIREMENT DESTINATION AND SUPPLIER OF SKILLED AGED CARE LABOR

Favorable climate, pristine environments, hospitable people

PRIORITY ACTIONS: Investments in public services—particularly health care systems and human resource development
Priorities for Improving Links
Lowering Trade Costs

- Lowering transport costs by investing more in infrastructure
- Increasing trade openness
- Fostering regional connectivity
Improving the Business Climate

- Creating an enabling environment for business
- Increasing financial access of small and medium-sized enterprises
- State-owned enterprise reform
Reform Priorities for Enhancing Pacific Links

- Enhancing agricultural productivity
- Strengthening education
- Maintaining political stability and ensuring stakeholder involvement
- Advancing regional action
Trends in Pacific Linkages
Volume and Direction of Exports

Figure 9: Destinations of Pacific Exports ($ billion)

- 1990:
  - Asia: 0.6
  - Oceania: 0.2
  - Rest of the World: 0.7

- 2000:
  - Asia: 0.7
  - Oceania: 0.4
  - Rest of the World: 0.9

- 2012:
  - Asia: 2.3
  - Oceania: 1.9
  - Rest of the World: 3.6

Legend:
- Blue: Asia
- Green: Oceania
- Yellow: Rest of the World
Volume and Direction of Imports

Figure 10: Sources of Pacific Imports ($ billion)

- 1990: Asia 0.5, Oceania 1.0, Rest of the World 0.8
- 2000: Asia 0.6, Oceania 1.1, Rest of the World 1.2
- 2012: Asia 15.6, Oceania 4.2, Rest of the World 3.1
Services Trade: Tourism

Figure 11: Ratio of Tourism Receipts to Gross Domestic Products (average 2005–2012, %)
Strong Growth in Tourism Arrivals

Total visitor arrivals to the Pacific (thousands)

- 1995
- 2000
- 2005
- 2006
- 2007
- 2008
- 2009
- 2010
- 2011
- 2012
- 2013
# Rising Investment Links

## Table 17: Foreign Direct Investment Inflows to Pacific DMCs (2003–2012, $ million)

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<th>Country</th>
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<th>2004</th>
<th>2005</th>
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<td>Pacific DMCs</td>
<td>167.5</td>
<td>328.1</td>
<td>280.4</td>
<td>538.0</td>
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<td>% of GDP</td>
<td>2.0</td>
<td>3.6</td>
<td>2.6</td>
<td>4.6</td>
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<table>
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<th>Country</th>
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<th>2010</th>
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<td>571.6</td>
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<td>402.7</td>
<td>486.5</td>
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<tr>
<td>% of GDP</td>
<td>3.7</td>
<td>5.3</td>
<td>4.3</td>
<td>1.9</td>
<td>2.1</td>
</tr>
</tbody>
</table>
Conclusion
To foster mutually beneficial economic links:

• The private sector leads the creation of links, generally through trade in goods or services

• Governments’ role to facilitate—not create or direct—links
Reducing Pacific countries relatively high trade costs:

- Investments in transport and ICT
- “Soft” infrastructure
- Regional approach balancing national priorities
Strengthening linkages must be people-focused

- Building upon existing networks
- Education and skills development
- Support innovation and entrepreneurship
Proactive government policy to ease transition and mitigate potential negative impacts
Regulatory and compensation efforts underpin sustainability

- Transitional costs can be large
- Assist stakeholders that lose
- Protect unique natural and cultural resources
Arigato, Kam Rabwa, Salamat, Sulang, Tangkyu, Terima Kasih, Thank You, Vinaka, XieXie