



In Search of a Pacific Model of Growth

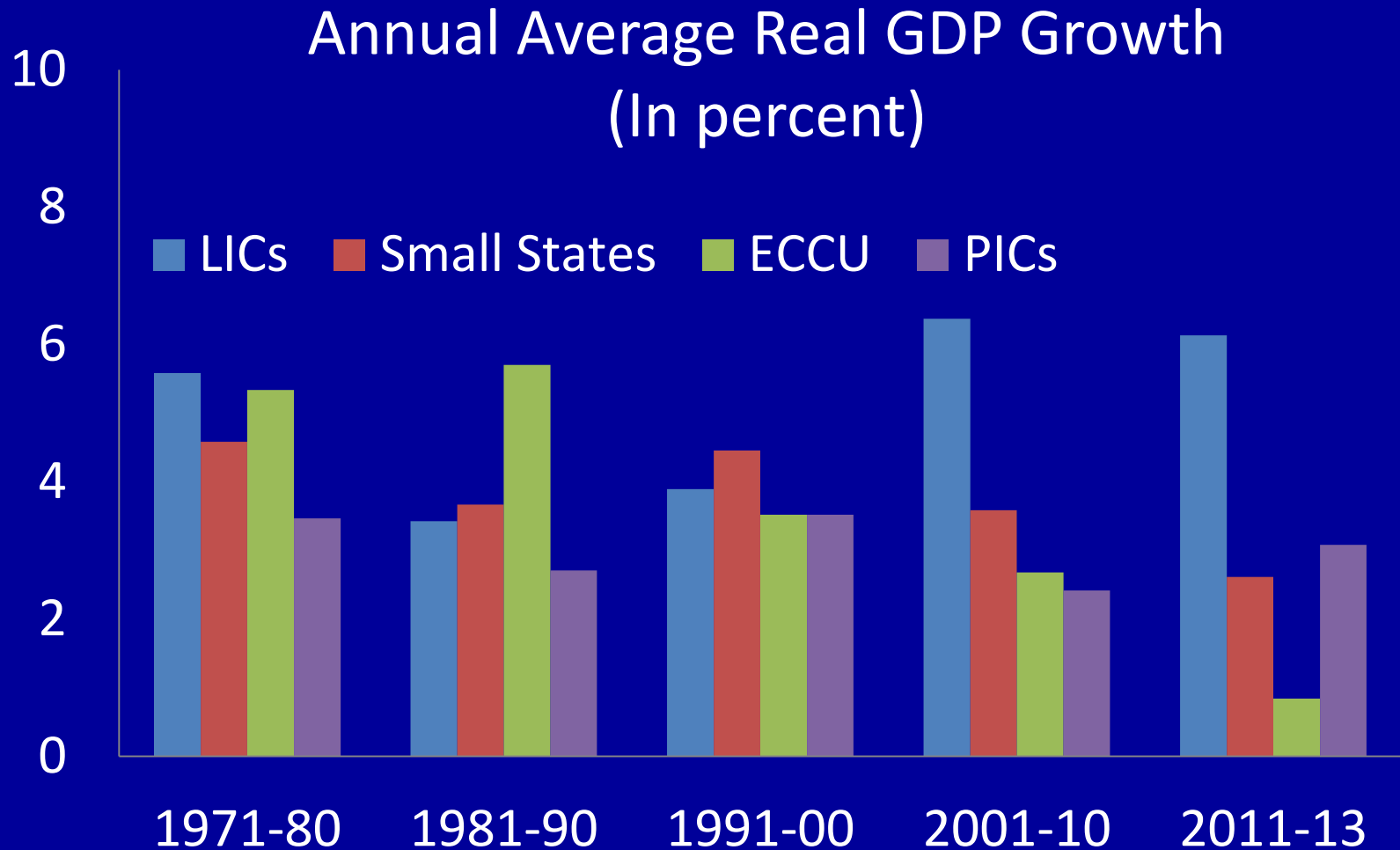
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Pacific Update, ANU

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International Monetary Fund

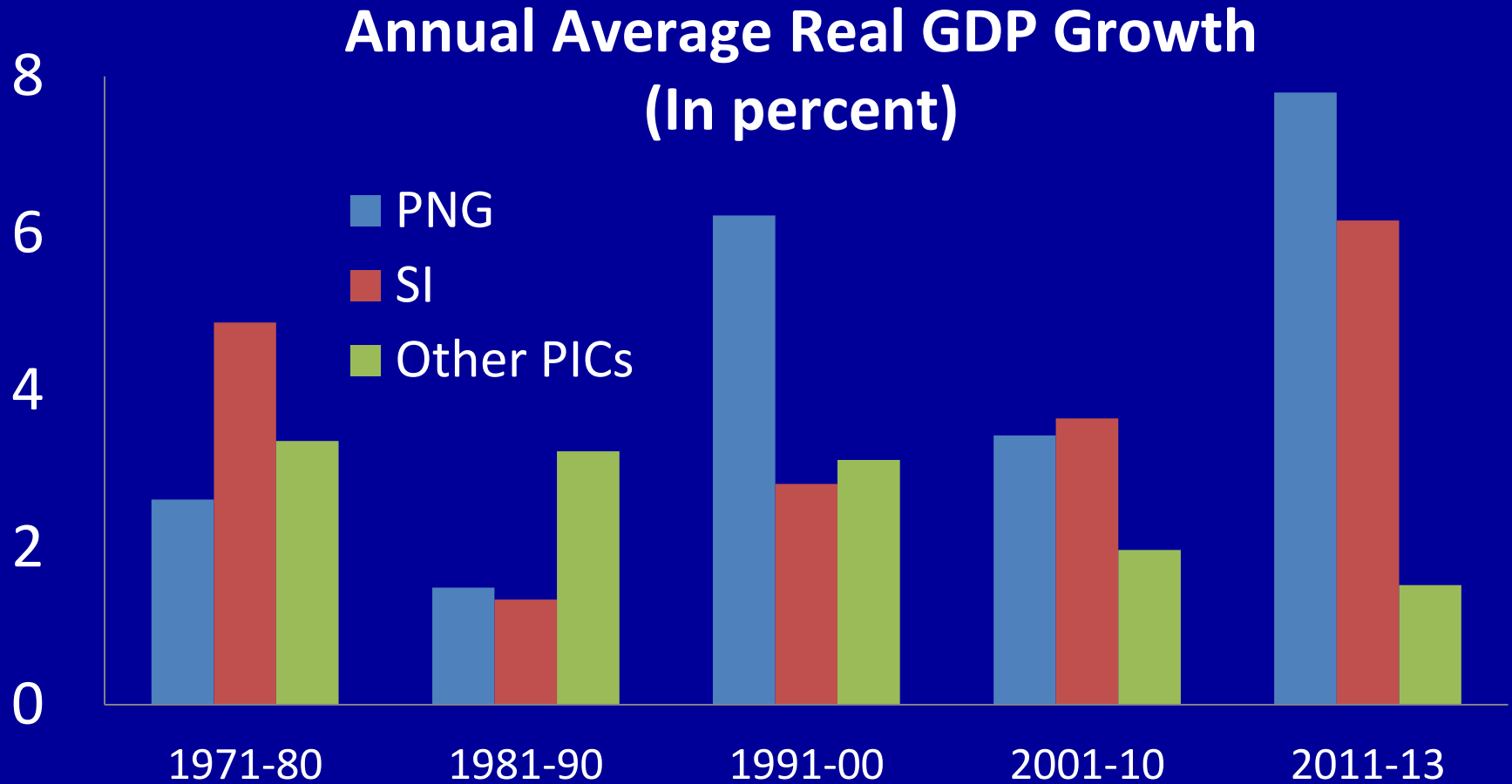
Outline

- PICs' growth performance
- Why has growth in most PICs been slow?
- What can be done to increase growth?
- Concluding remarks

PICs: Long-term growth performance

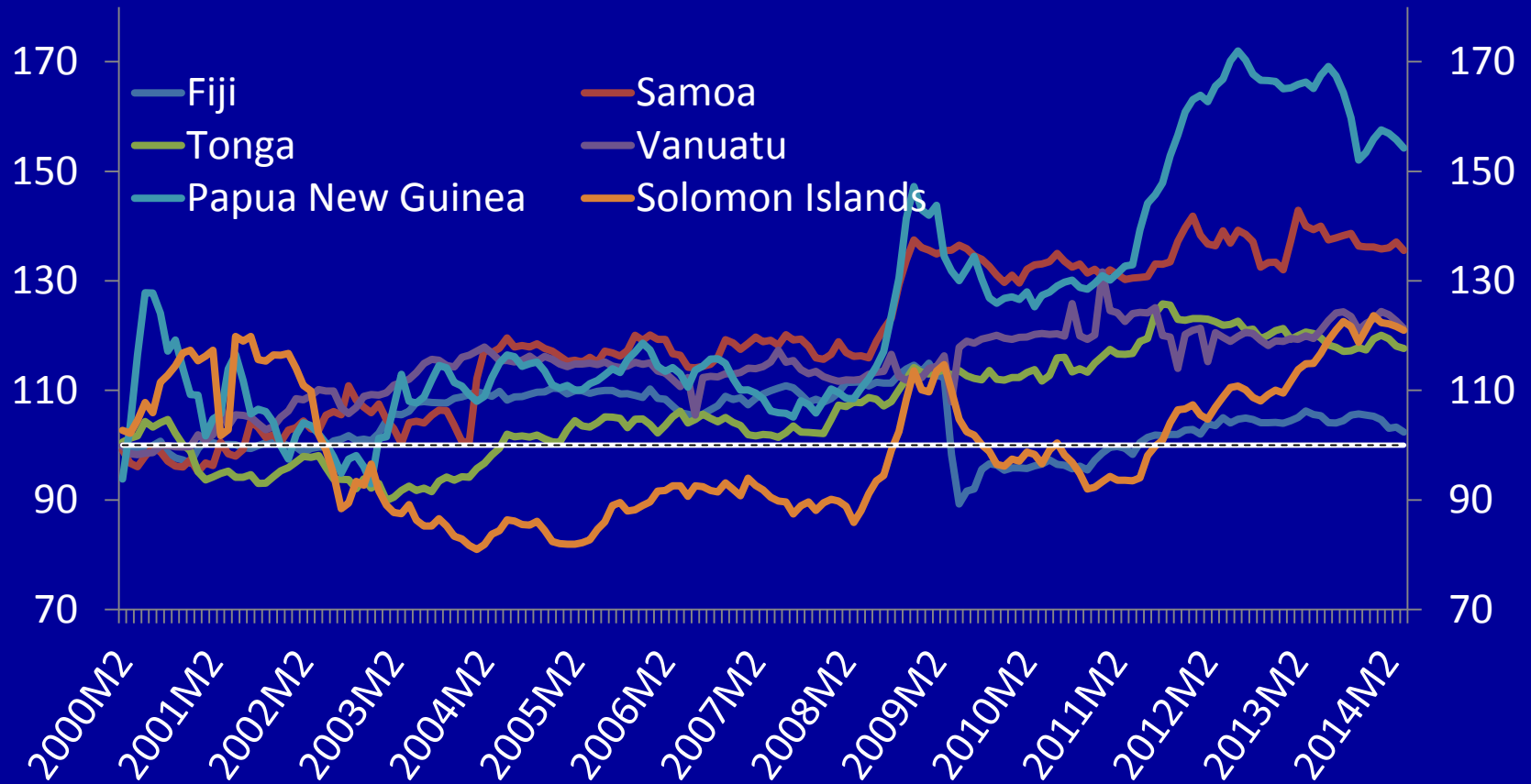


PICs: Long-term growth performance: resource-rich versus non resource-rich

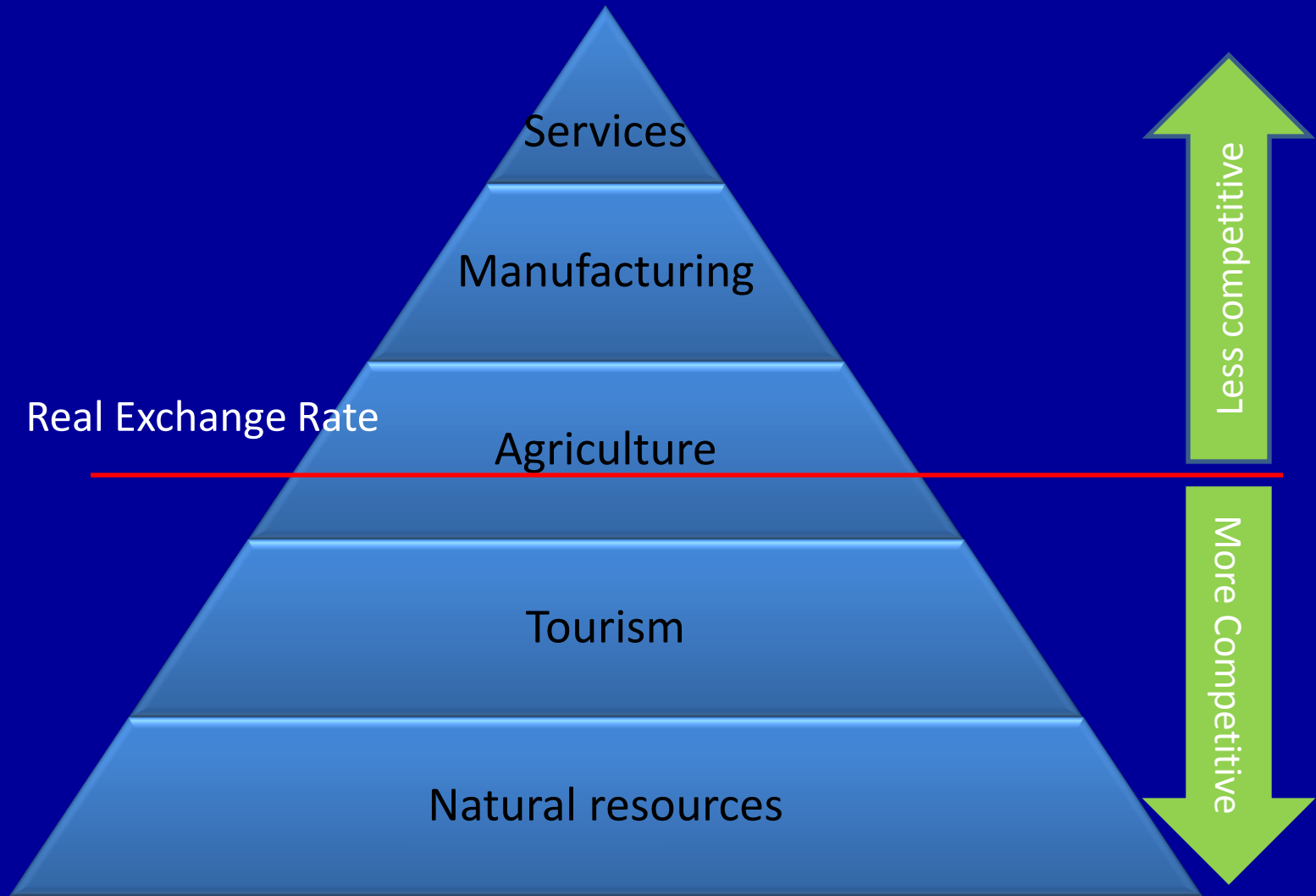


Real exchange rate developments

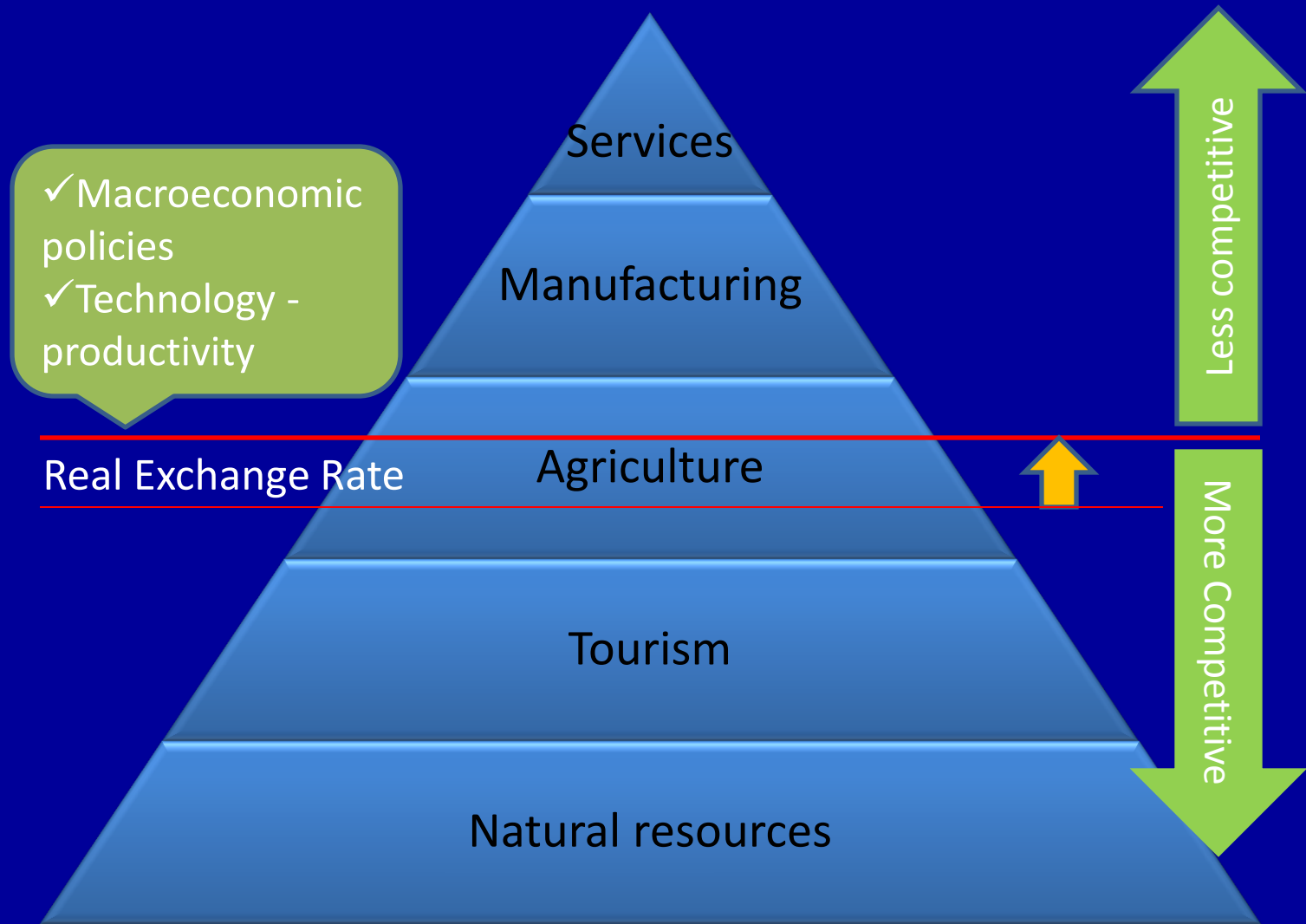
REER of PICs with Central Banks



Comparative Advantages: A Pacific Pyramid

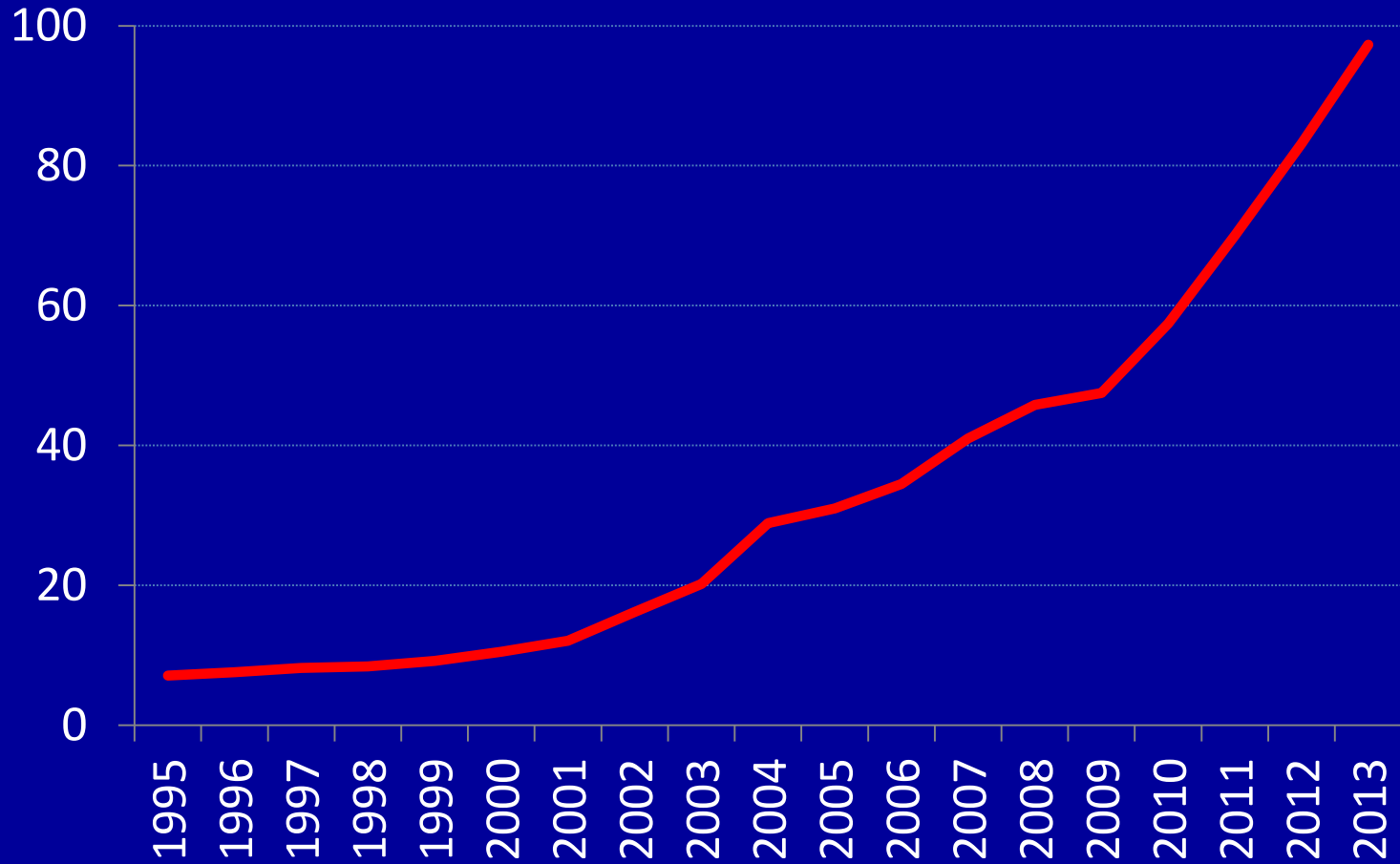


Pacific Pyramid: Improving competitiveness

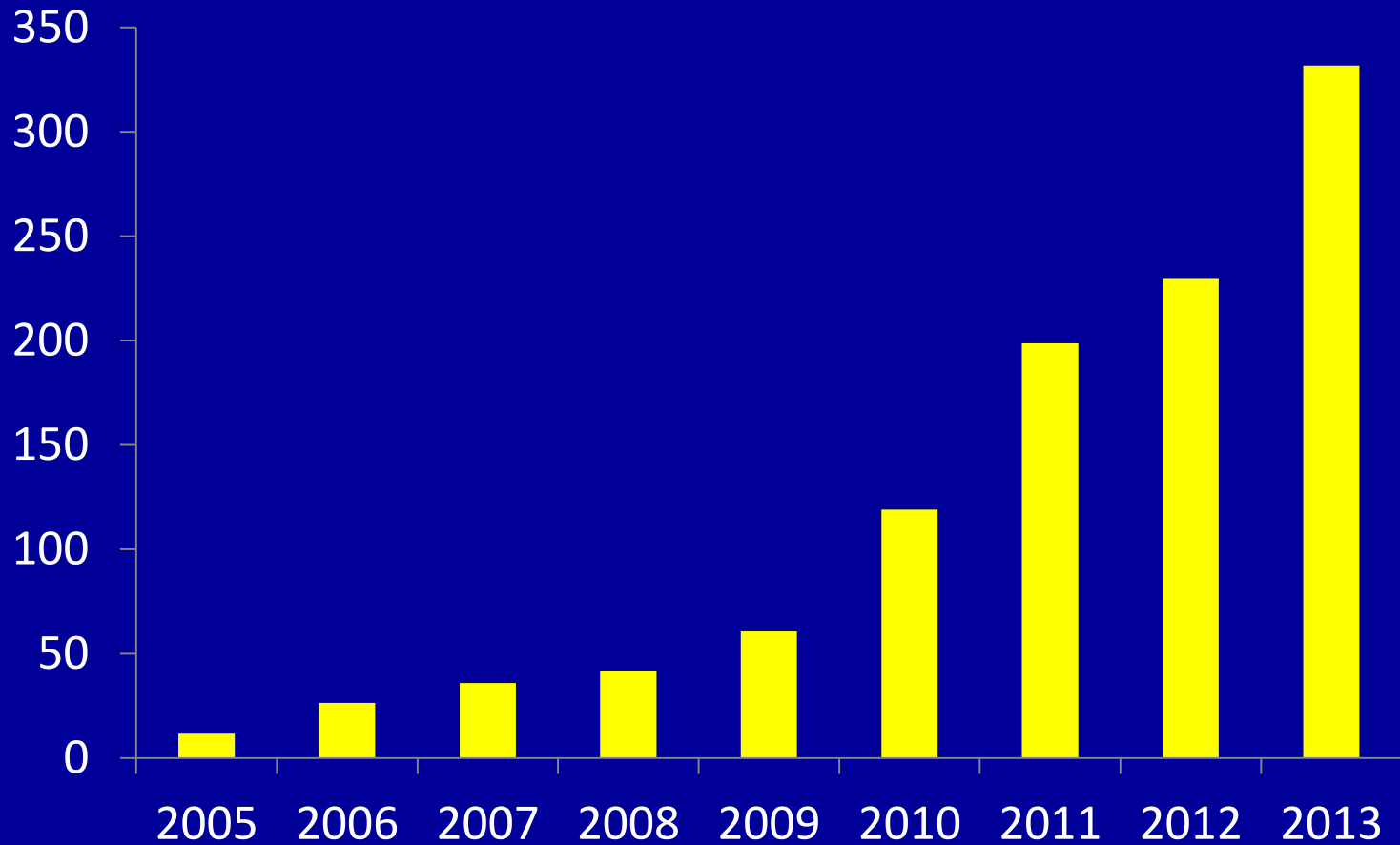


China's travel departures have grown exponentially

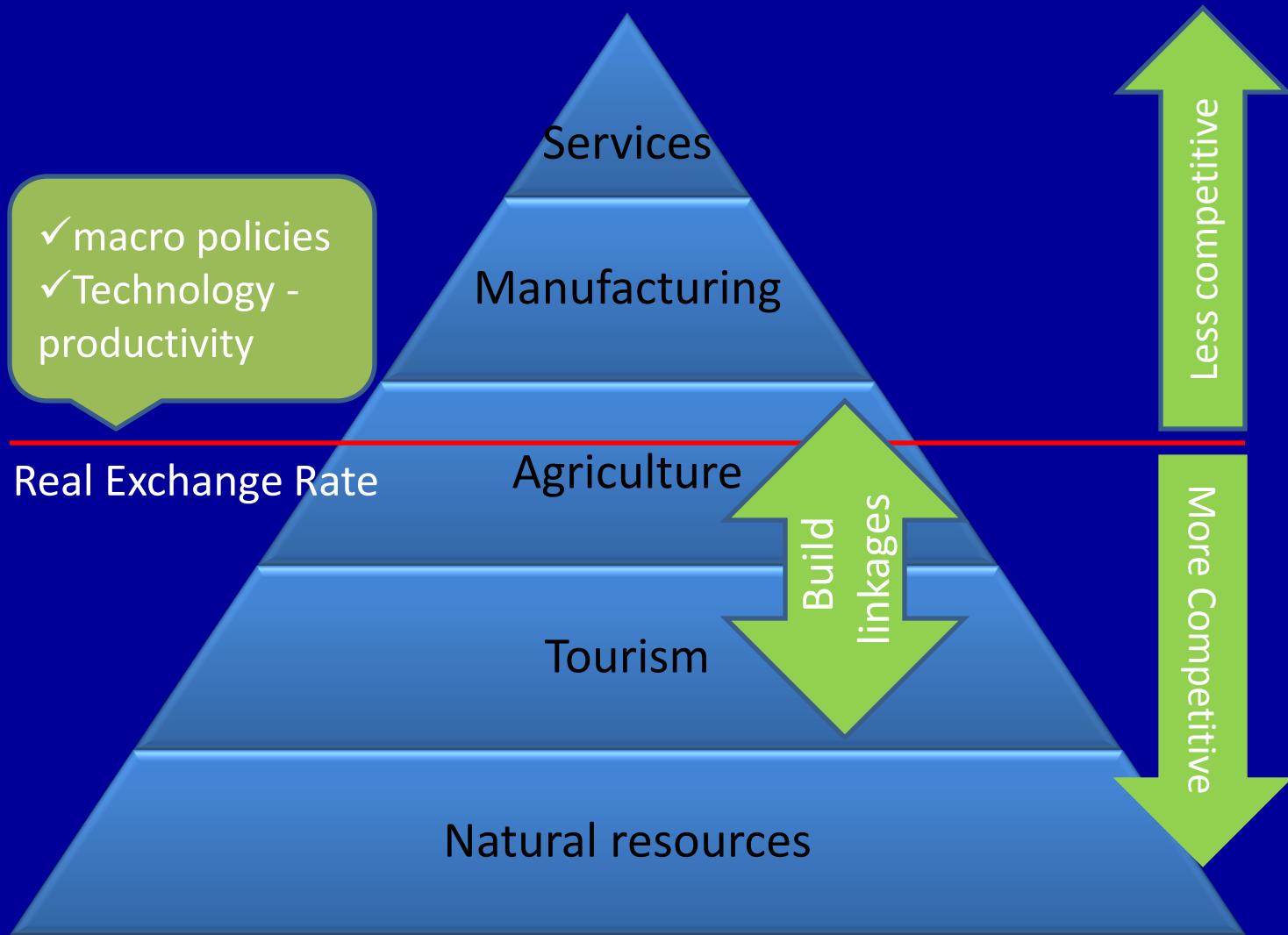
(In millions)



Maldives: Chinese tourist arrivals (In thousands)



Pacific Pyramid: Exploit synergies



Key Messages

- PICs are facing more difficult growth challenges in an era of regionalism.
- A competitive exchange rate is critical to expand PICs' small and narrow export base.
- PICs should more strategically target key growth sources—tourism, agriculture, fisheries, labor service exports.
- A viable growth model must involve deeper integration with traditional trading partners and strengthen economic ties with Asia.

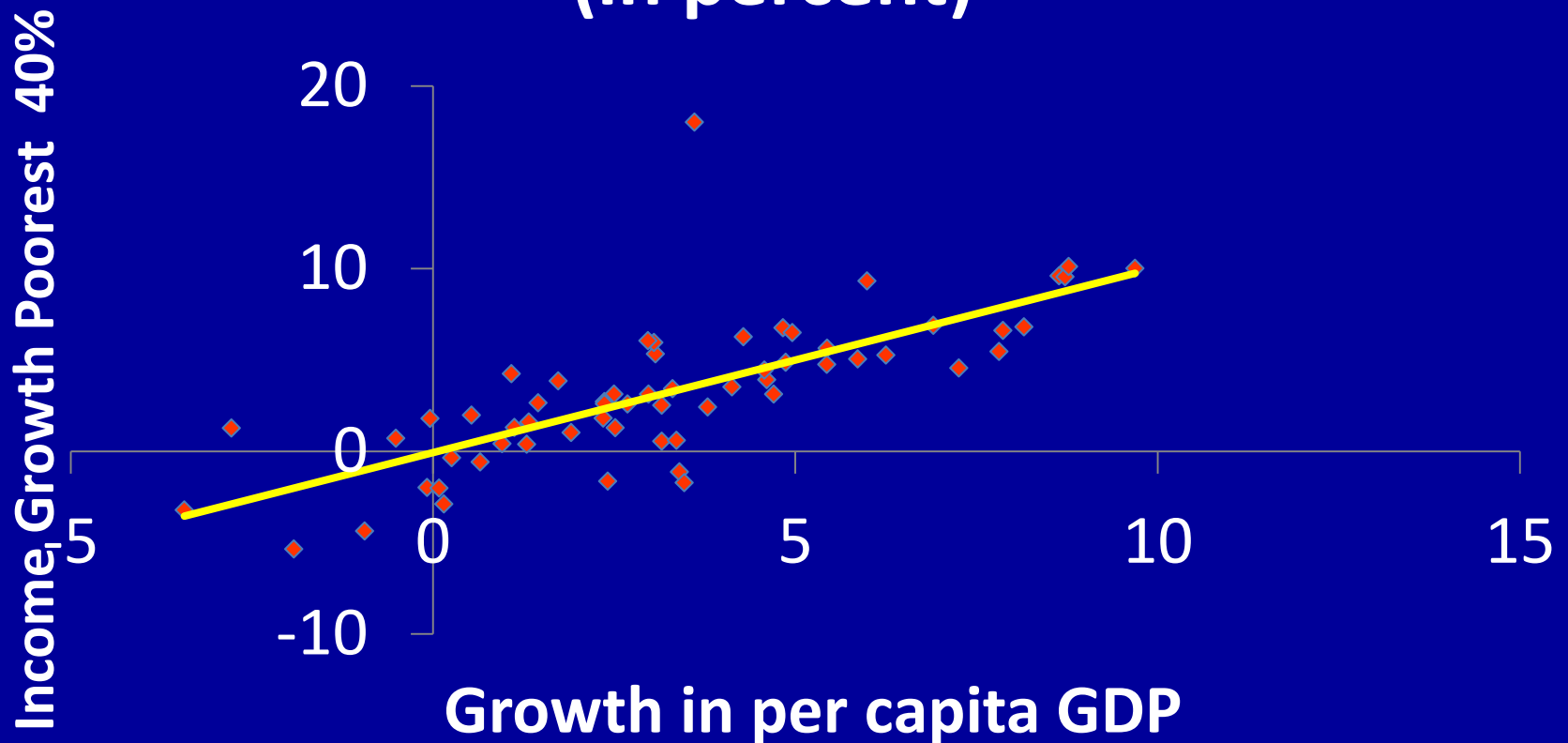


Thank You

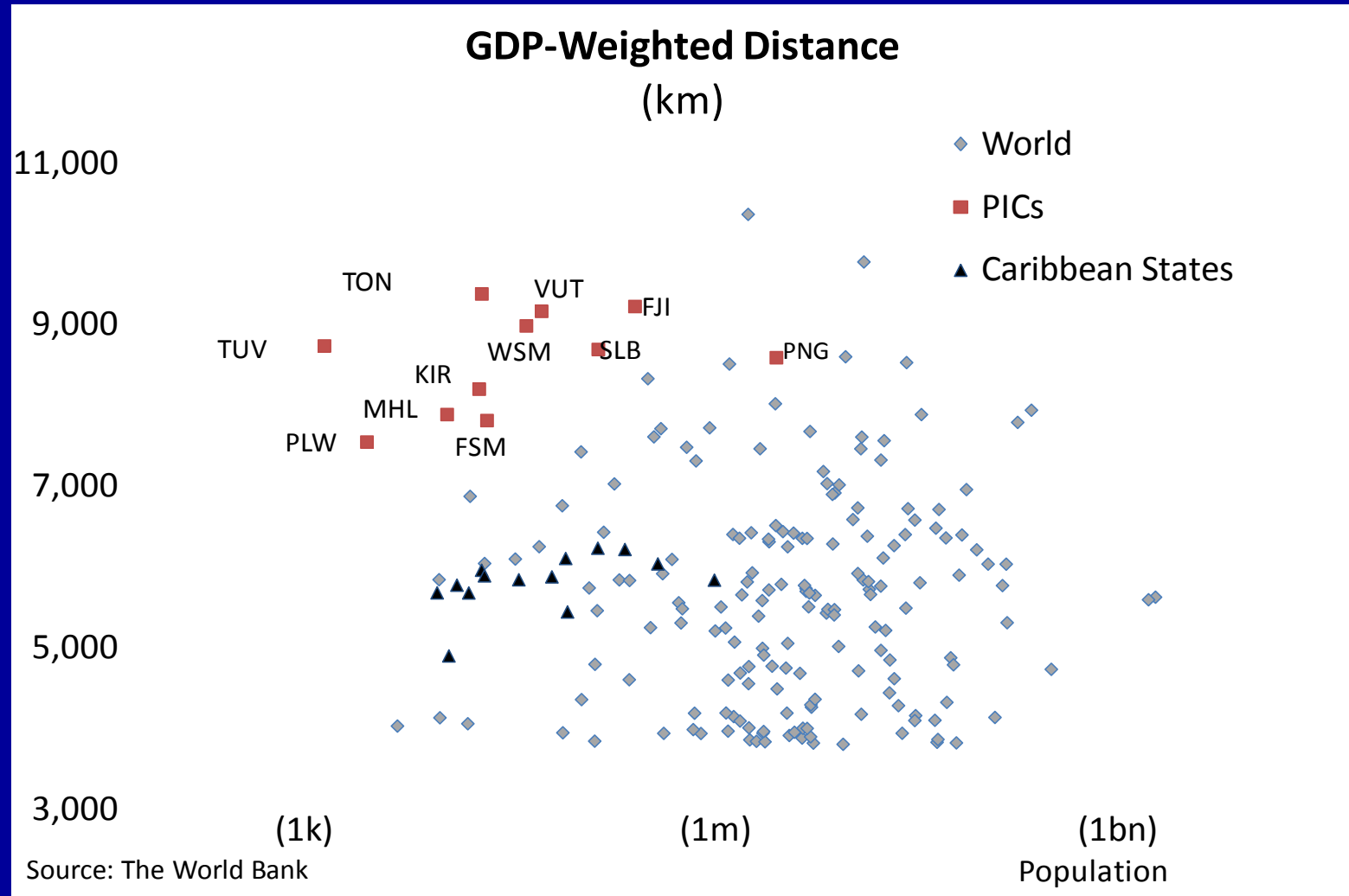
Spare

Income growth and poverty reduction

Income growth for the poorest 40%,
(in percent)



PICs are small and remote

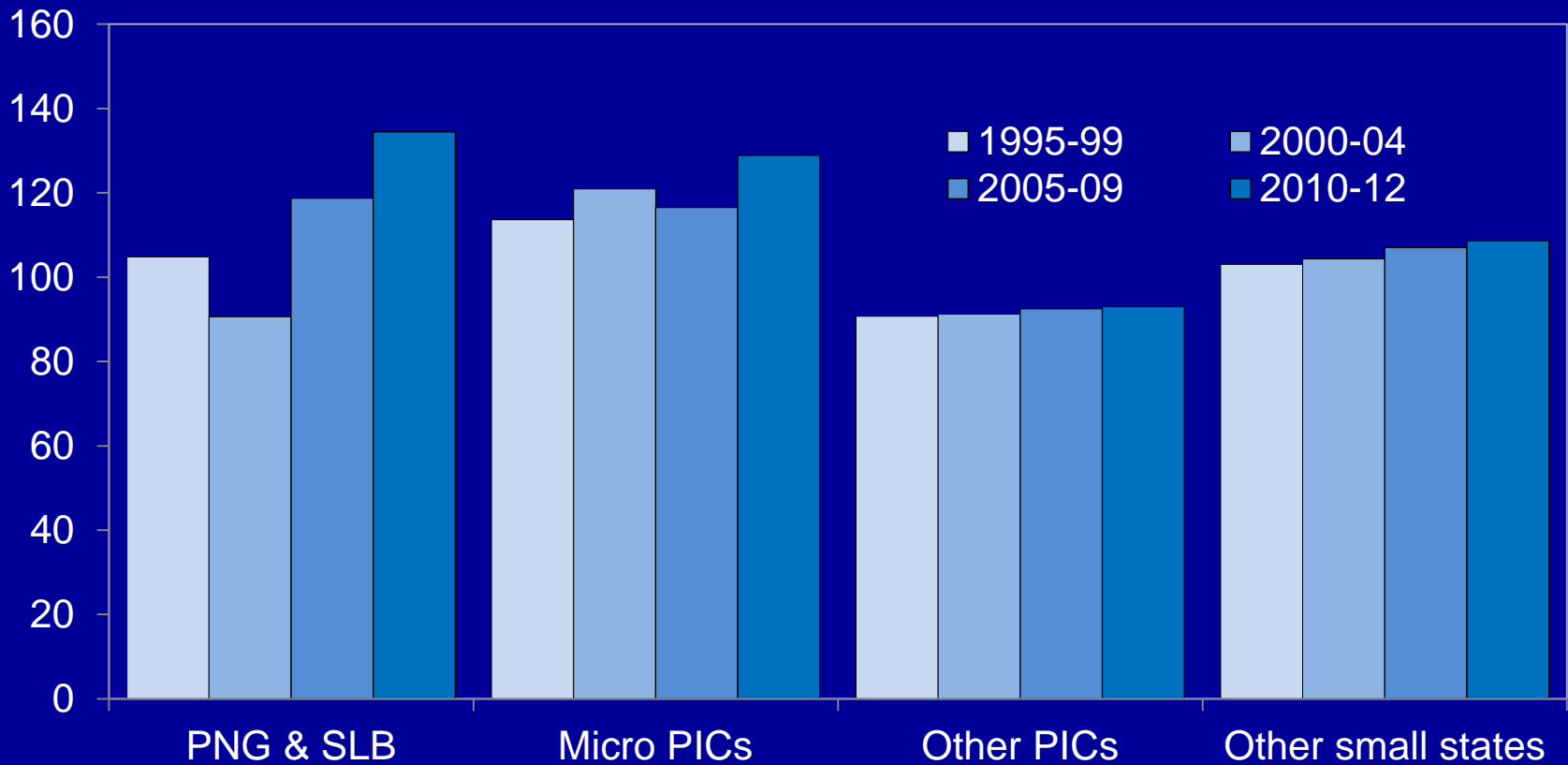


Constraints on PICs' Growth

- Geographical disadvantages that have been accentuated by recent regionalism.
- Slow reforms in areas that are vital in overcoming geographical disadvantages.
- Structural weaknesses hampering domestic supply response.
- Weak competitiveness resulting from macroeconomic policy and slow productivity improvement

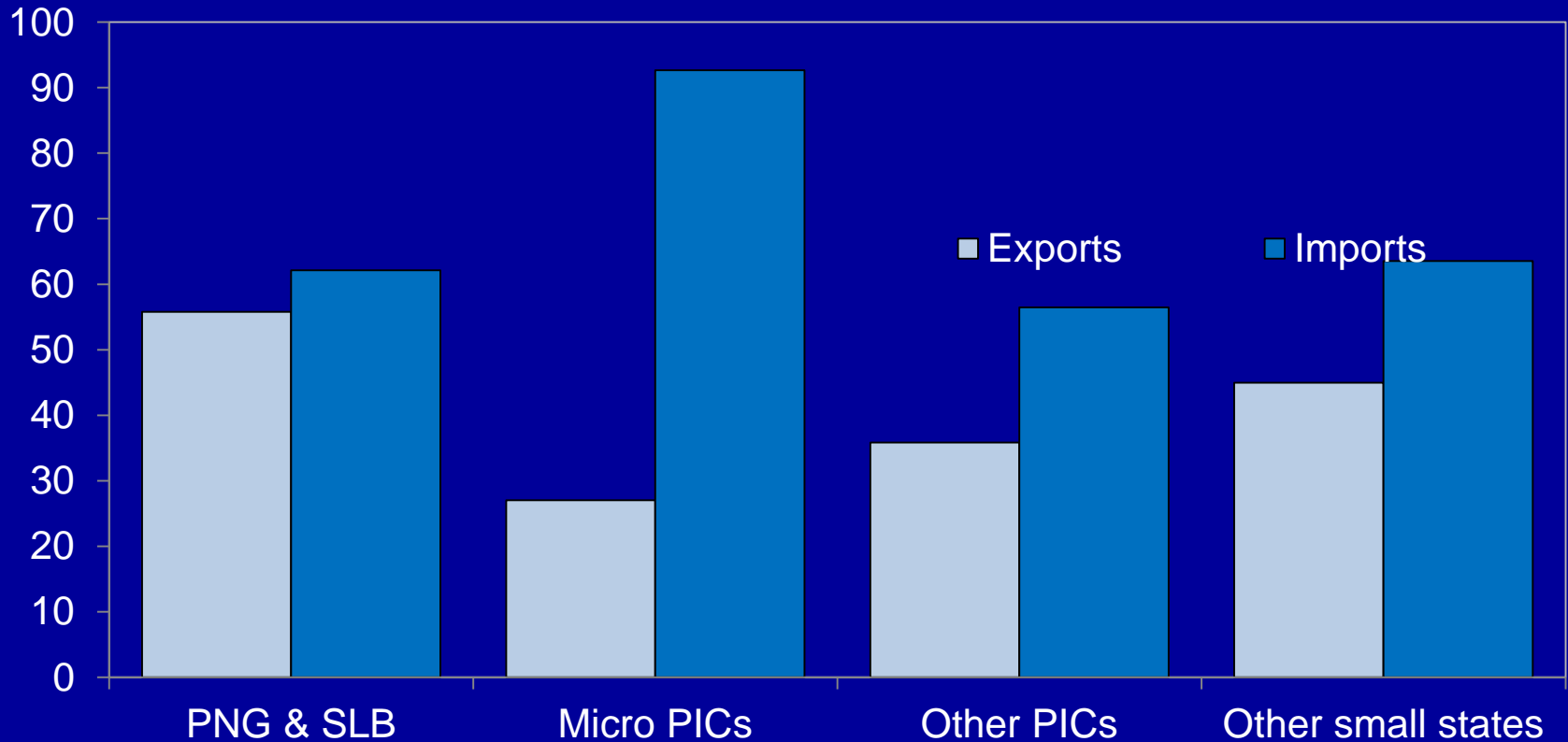
Openness Comparisons, 1995-12

(Goods and Services Trade - In percent of GDP)



Trade Balance - Goods and Services, 2003-12

(In percent of GDP)



Source: IMF APD LISC Database and staff estimates

PICs: Models for growth

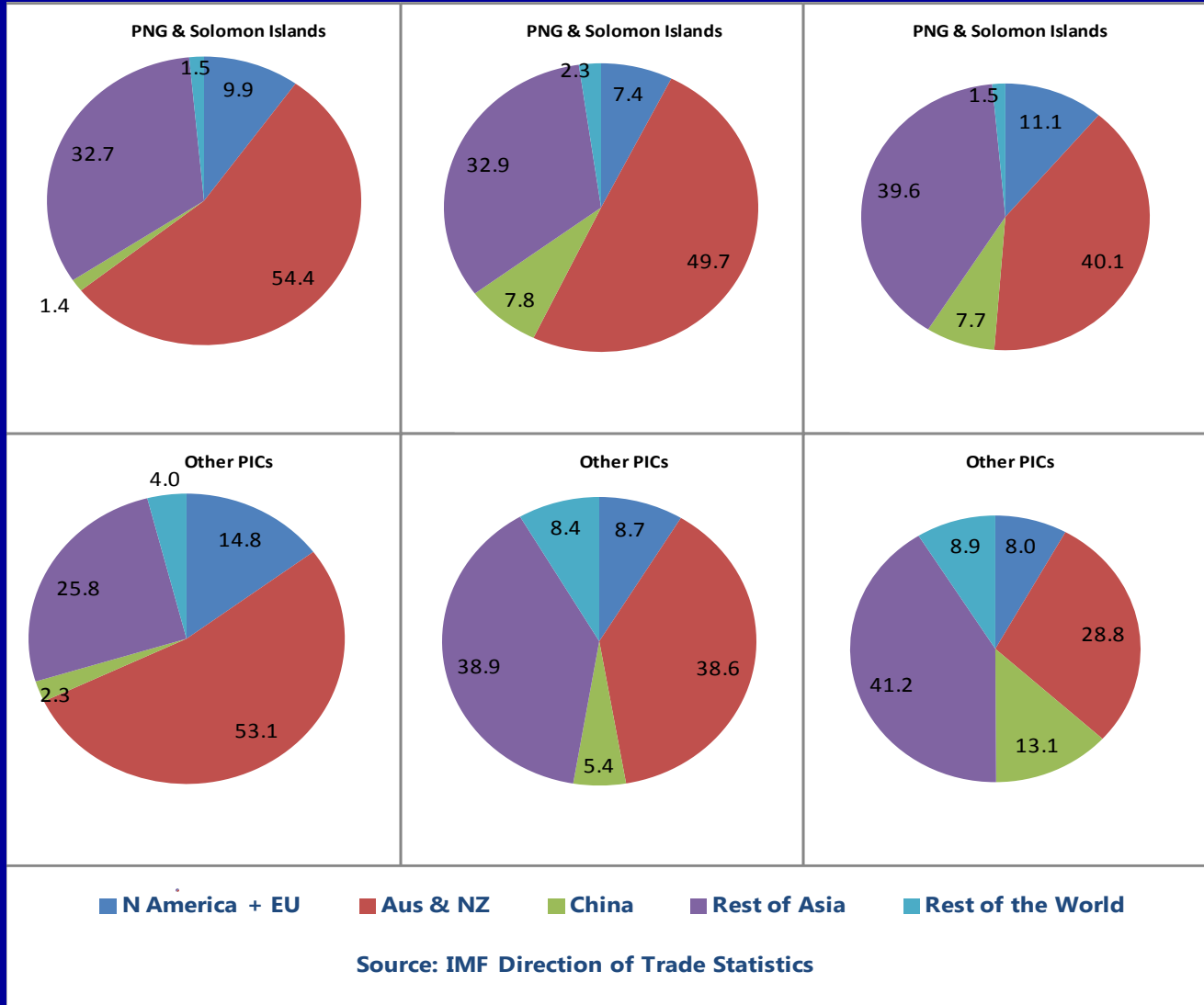
- **MIRAB**: migration-remittances-aid-bureaucracy.
- **SITE**: small island tourist economies.
- **PROFIT**: **P** (people considerations); **R** (resource management); **O** (overseas engagement); **FI** (finance, insurance and taxation); and **T** (transportation).

Sources of Imports

1991-2000

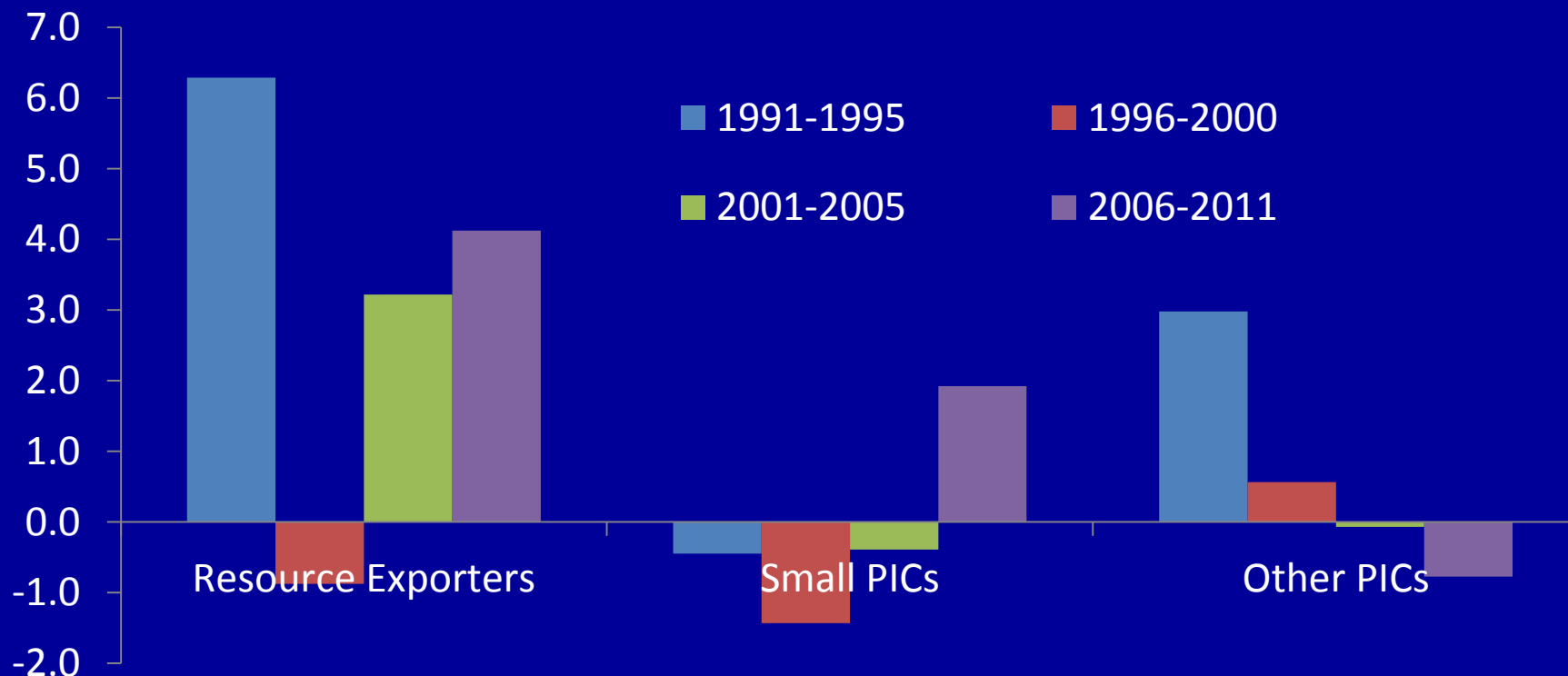
2001-2010

2011-12



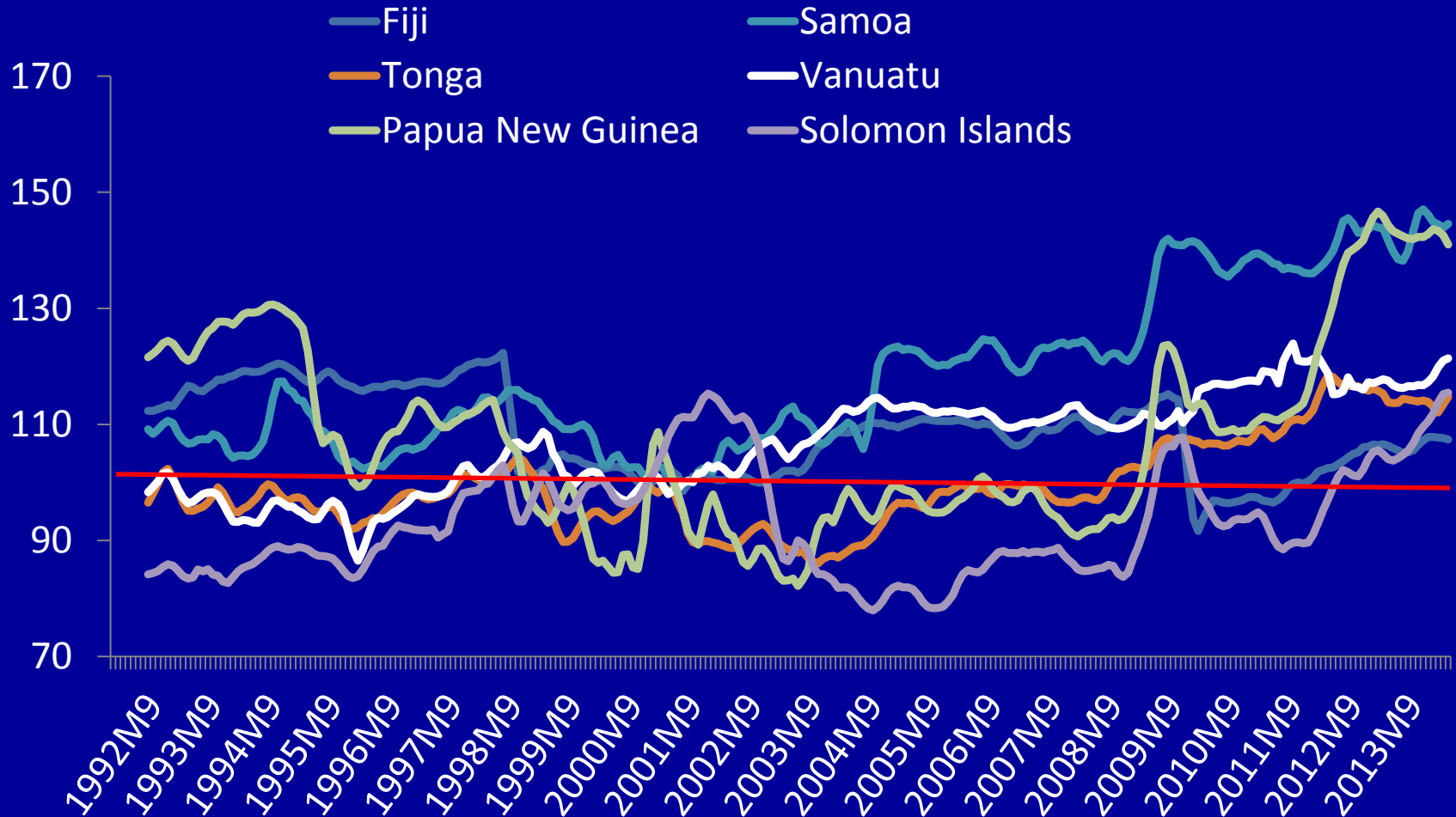
Growth of Agriculture, Fishing and Forestry Sector in PICs

(Average percentage changes)

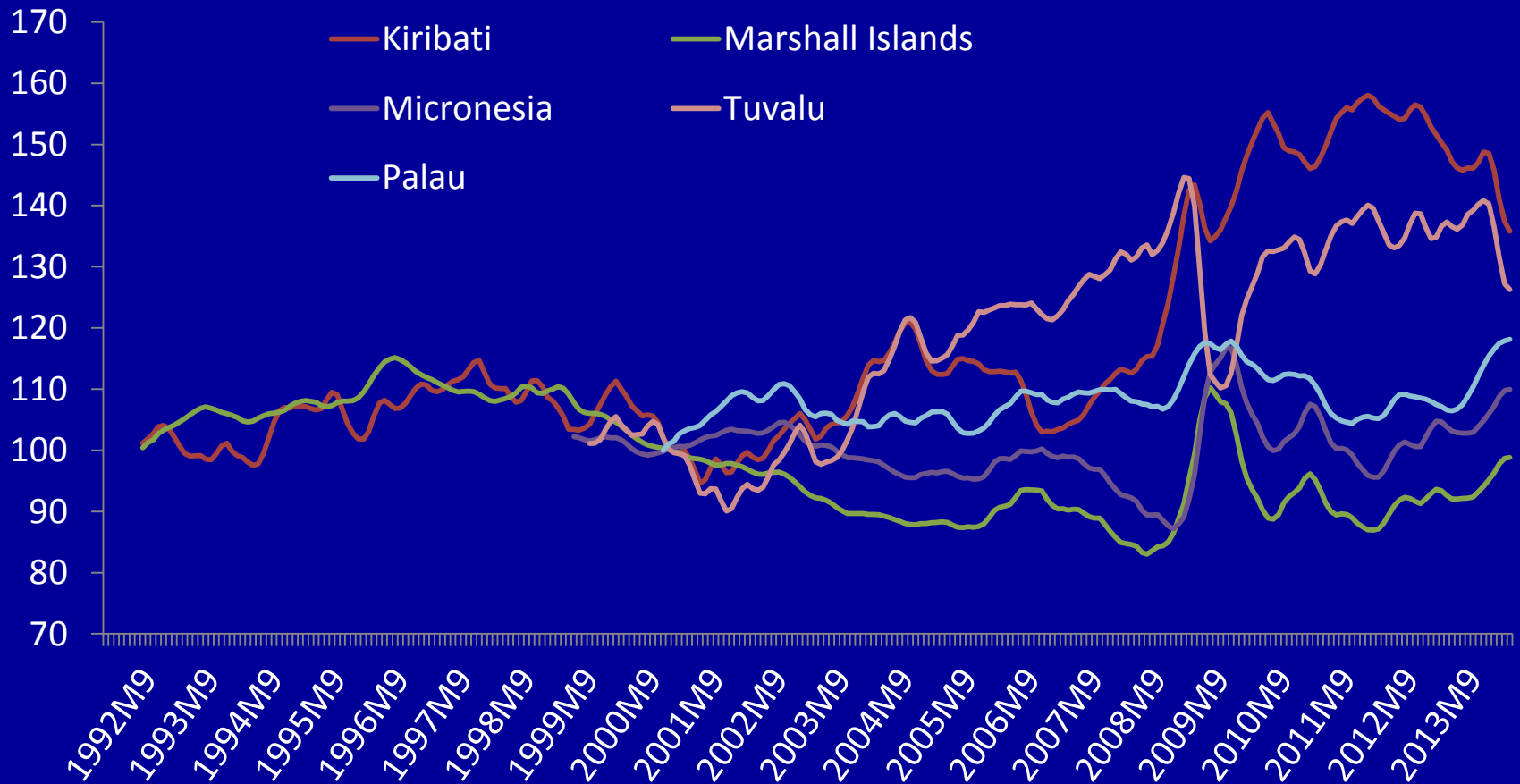


Sources: National Accounts Estimates Database, UN and IMF staff estimates

REER of PICs with Central Banks



REER of PICs without Central Banks

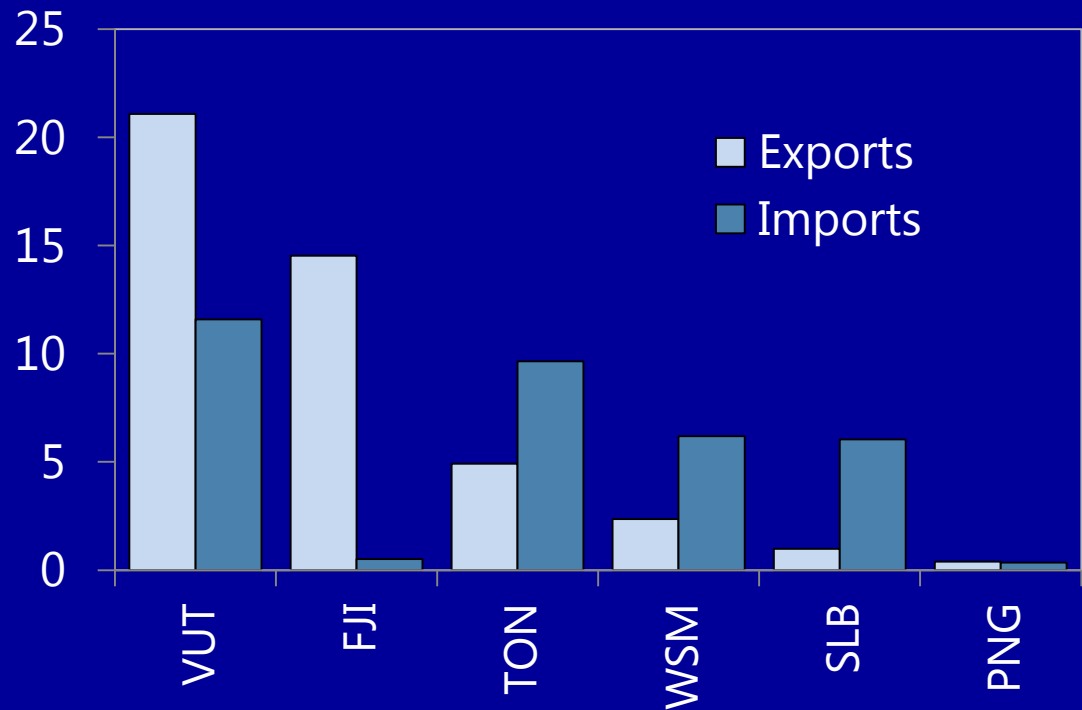


Is Free Trade Agreement the Way to Go?

- Relatively low volumes—small markets
- Low trade complementarity—low demand
- Uneven export capacity—potential trade tensions

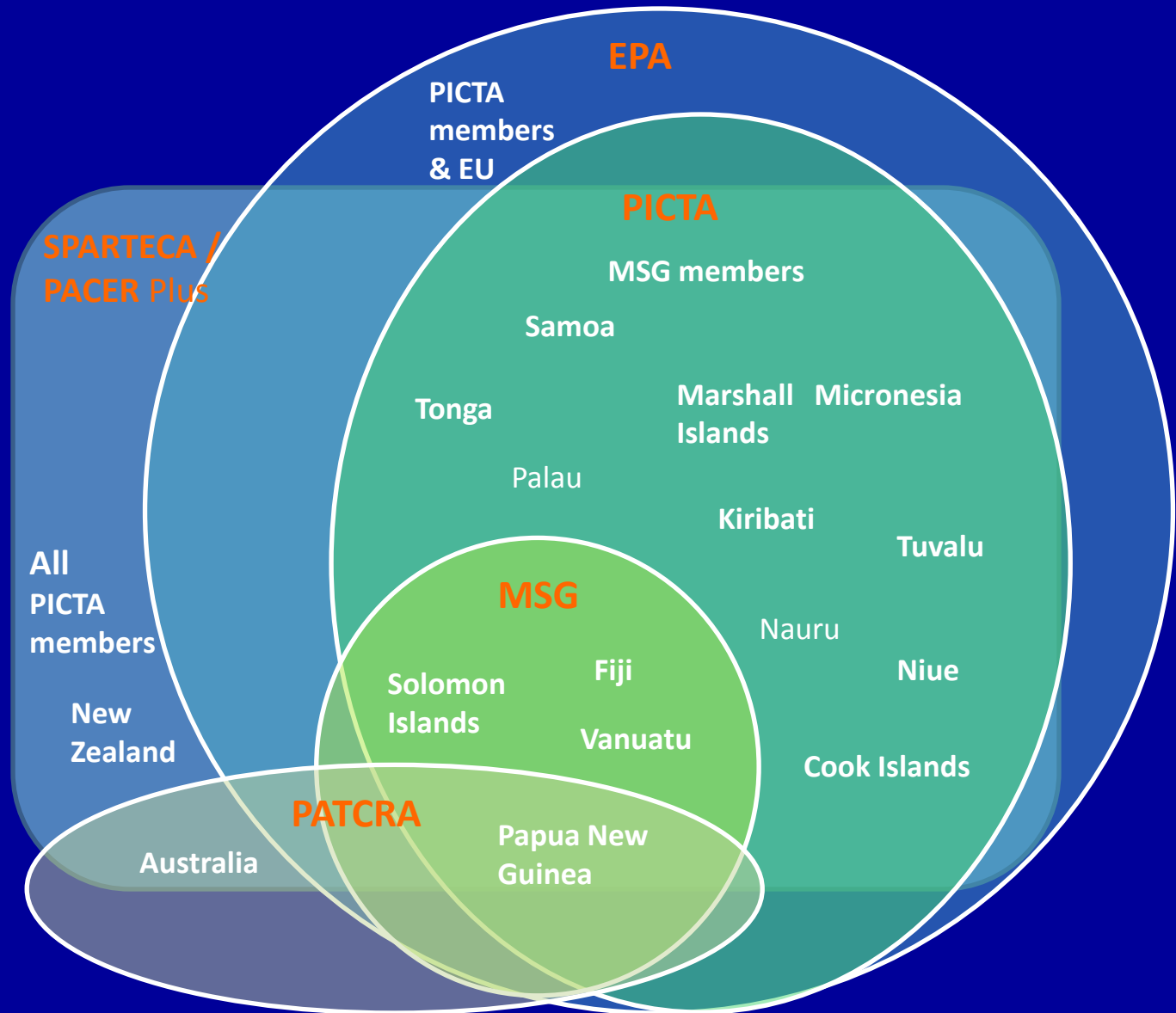
Intra-PICTA Trade

(In percent of GDP - 2010-11 Average)

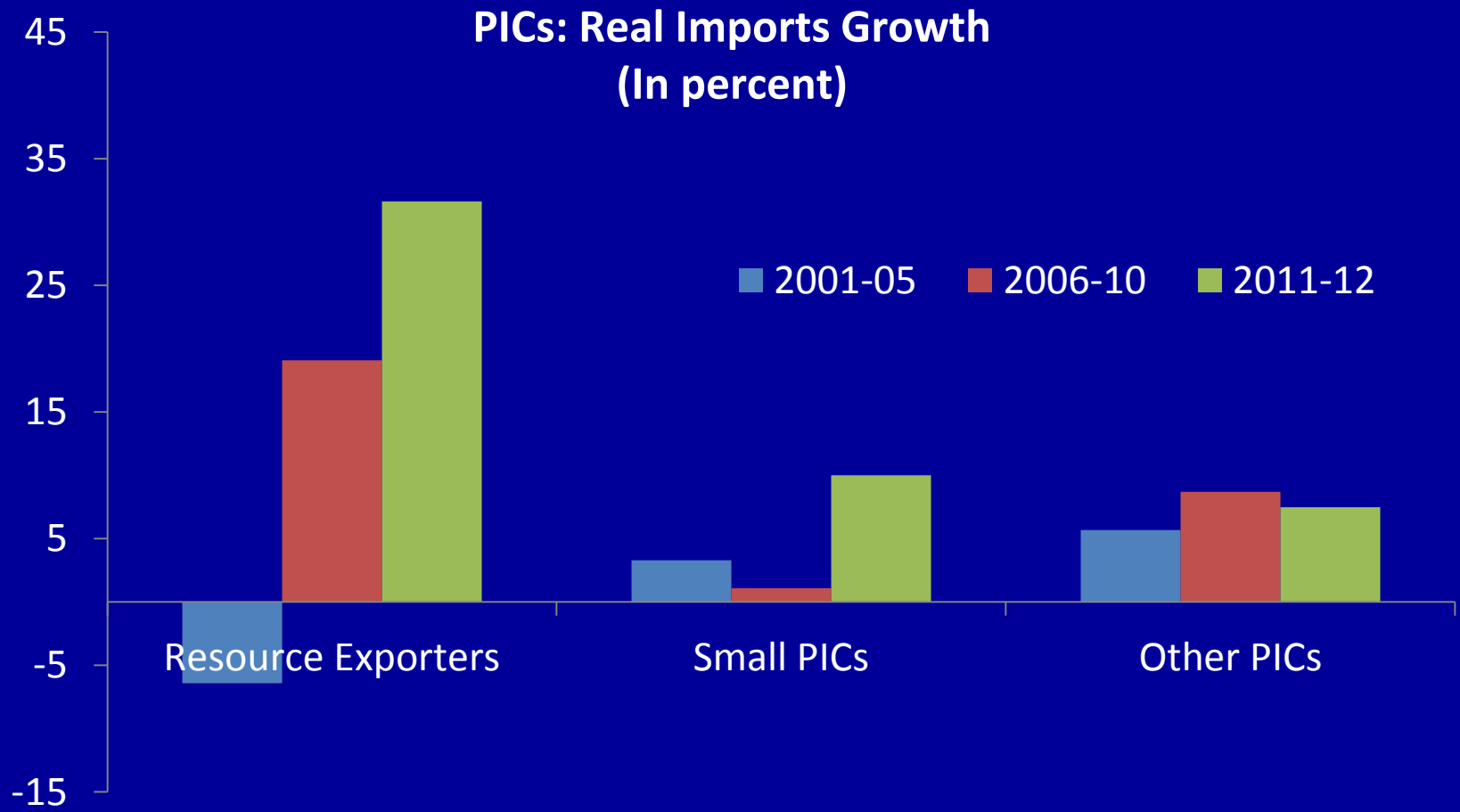


Trade Agreements in the Pacific

- PICTA most inclusive agreement but small
- PACER Plus more potential in agriculture and labor services
- Both likely lead to trade diversion



PICs: Import Performance



Tourism in the Pacific

Pacific Islands Tourism Receipts
(In percent of GDP, 2005-11 average)

