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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

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Part II. Links Between Pacific Economies and Asia

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Ch. 5 – Investment, Labor migration, and other links

Part III. Strengthening Links Between Pacific Economies and Asia

Ch. 6 – Enhancing cooperation through trade

Ch. 7 – Lessons & priorities for improving economic links

Ch. 8 – Conclusion

Opportunities for the Pacific from Asia's growth

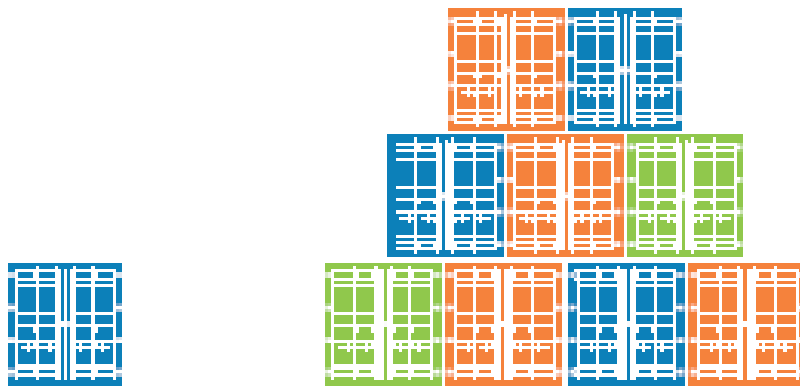
Rising Demand for Pacific Exports from Asia

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

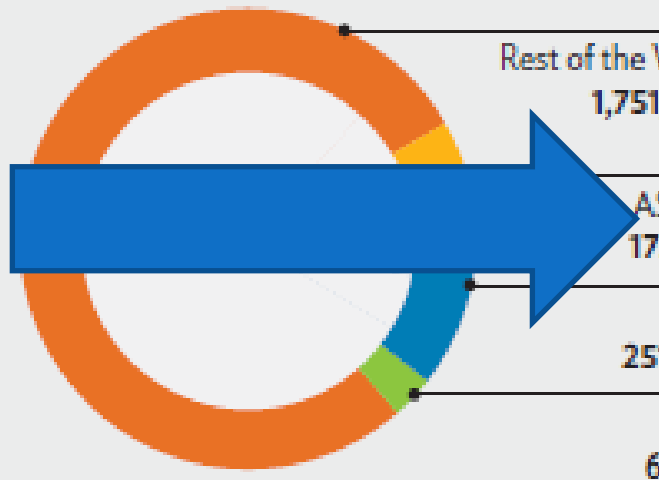
Responding to global demand for primary commodities (e.g., crude oil, timber, cash crops, fisheries)



PRIORITY ACTIONS ▶▶▶ Strategically planned investments in transport and ICT infrastructure with regional benefits

Growing middle class & urbanization

Figure 7: Size of the Middle Class



ASEAN = Association of Southeast Asian Nations,
 Note: Middle-income consumers are defined as the
 US dollars.

Source: Asian Development Bank Institute. 2014. A

ASIA'S GROWING MIDDLE CLASS

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

Asia □ Rest of the World □



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



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

Asian population over 60: To increase by about

400 million



Favorable climate, pristine environments, hospitable people



PRIORITY ACTIONS ▶▶▶ Investments in public services—particularly health care systems and human resource development

Other trends in Asia of importance to the Pacific

- Changing public-private-partnerships and SOE reforms
- Maturing financial regulation & financial sector
- Advances in IT technology (e-commerce)
- Education and research & development
- Small and medium enterprise finance – lessons for the Pacific

Priorities for Improving Links

Priorities for the Pacific to take advantage of rising opportunities in Asia, as suggested by Asia's own development experience

Lowering Trade Costs

- Lowering transport costs by investing in infrastructure (airport, ports, roads)
- Improving internet and other telecommunication connections
- Improving “soft” infrastructure
 - E.g., ASEAN’s integration measures, Open Sky policy
- Fostering regional connectivity
 - Production networks in Asia

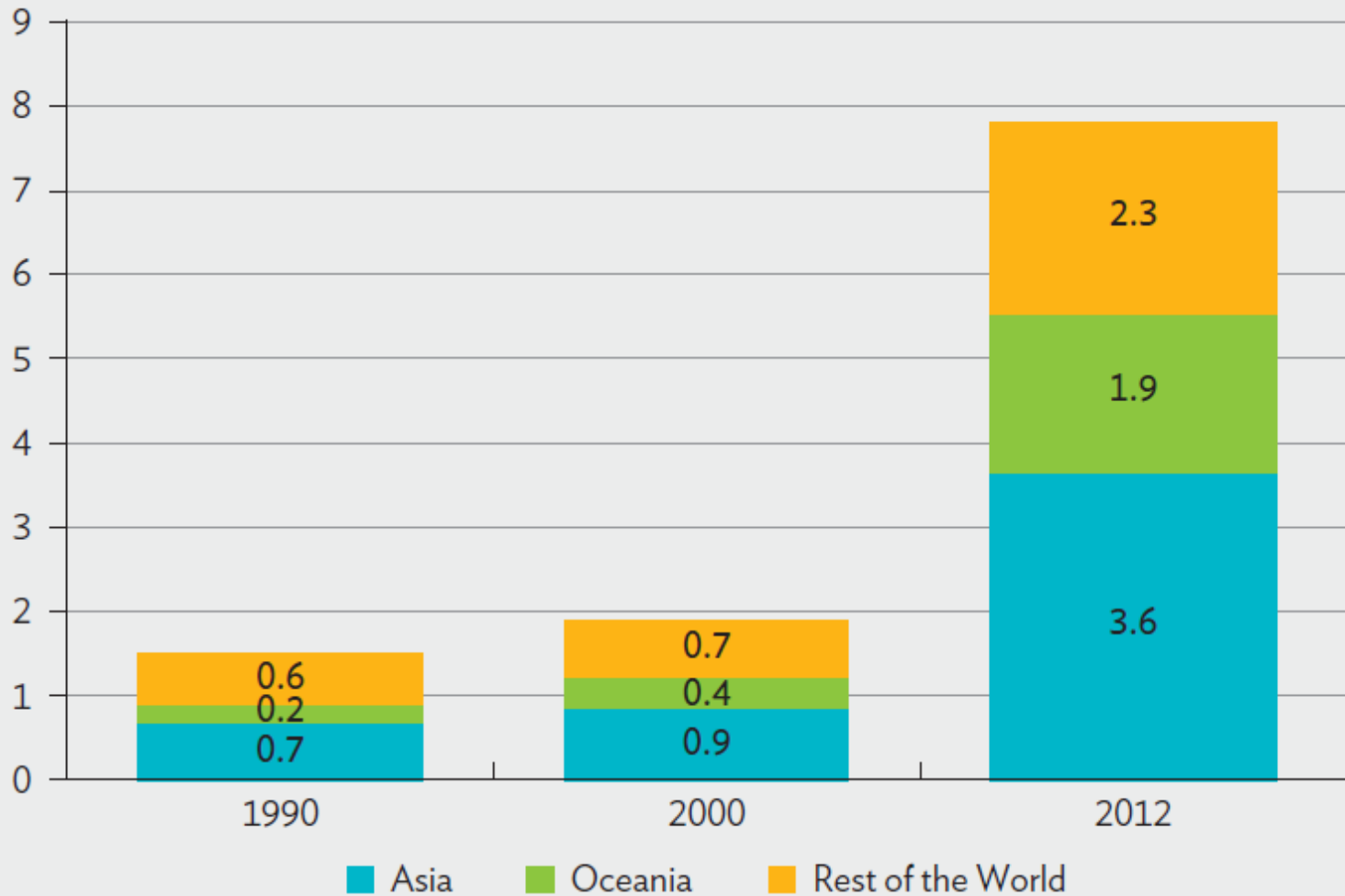
Reform Priorities for Enhancing Pacific Links

- Raising agricultural productivity
 - Land tenure reform, agricultural extension
- Tourism: Expanding visitor markets and improve connectivity with Asia (flights, e-commerce)
- Strengthening education & skills development
 - Opens up R&D opportunities
 - Increases services sector opportunities (aged care)
- Maintaining macroeconomic and political stability
 - Ensures stakeholder involvement
 - Improved exchange rate policy can foster economic stability, trade, and investment

Trends in Pacific linkages

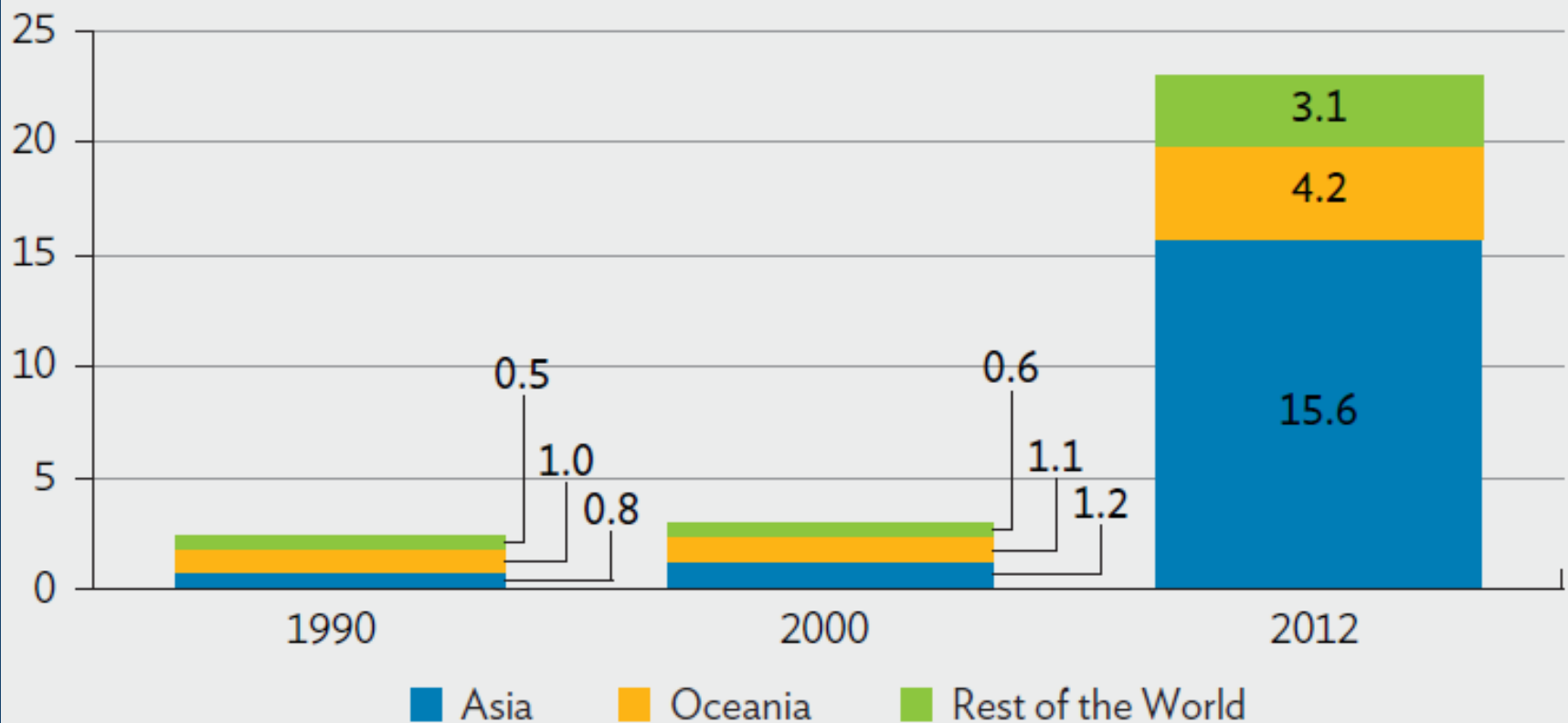
Volume and Direction of Exports

Figure 9: Destinations of Pacific Exports (\$ billion)



Volume and Direction of Imports

Figure 10: Sources of Pacific Imports (\$ billion)



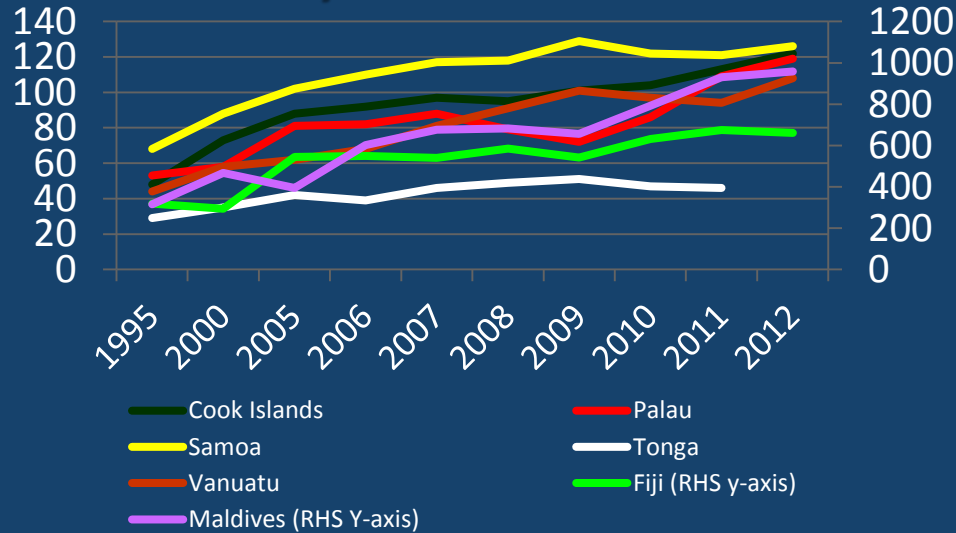
Composition of Trade

Table 11: Major Pacific Export Products and Destinations by Value

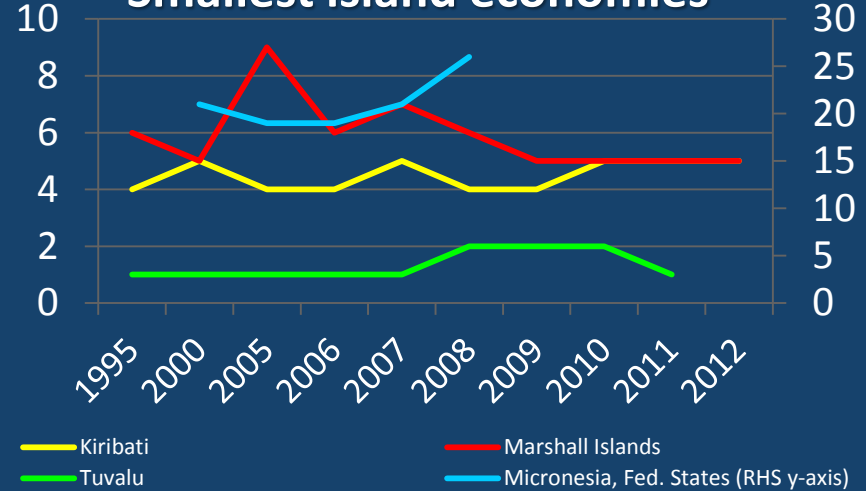
Country	Major Merchandise Exports	Major Export Destinations
Samoa	Fish, coconut oil, copra, taro, automotive parts, garments	Australia, US
Solomon Islands	Logs, fish, cocoa, copra	PRC, Thailand, Australia
Timor-Leste	Oil, coffee, sandalwood, marble	US, Germany, Indonesia
Tonga	Squash, nonu, vanilla, kava, cassava	US; Hong Kong, China; Japan
Tuvalu	Copra, handicrafts	Japan
Vanuatu	Copra, cocoa, kava, beef	Thailand, Japan, Philippines India, New Zealand
Palau	Fish, marine products, copra, garments	Japan, Pakistan, Republic of Korea, Germany
PNG	Gold, copper, palm oil, coffee, cocoa	Australia, Japan, PRC, Germany

Growth in visitor arrivals (thousands)

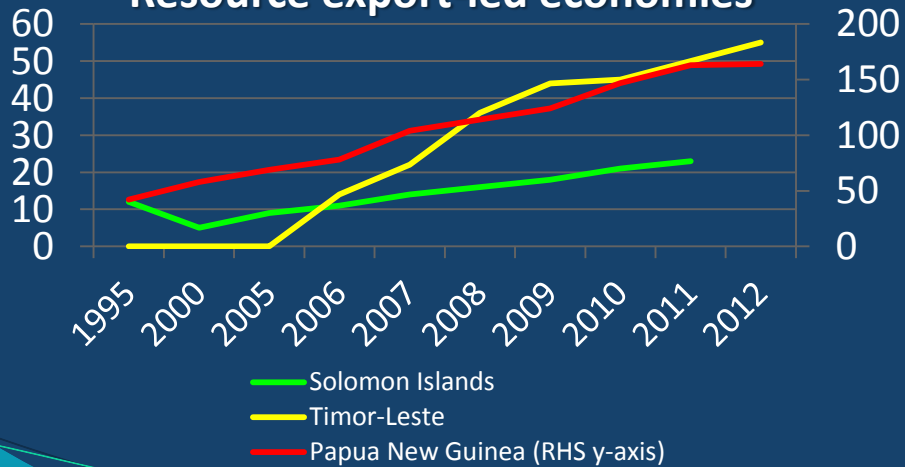
Relatively diversified economies



Smallest island economies

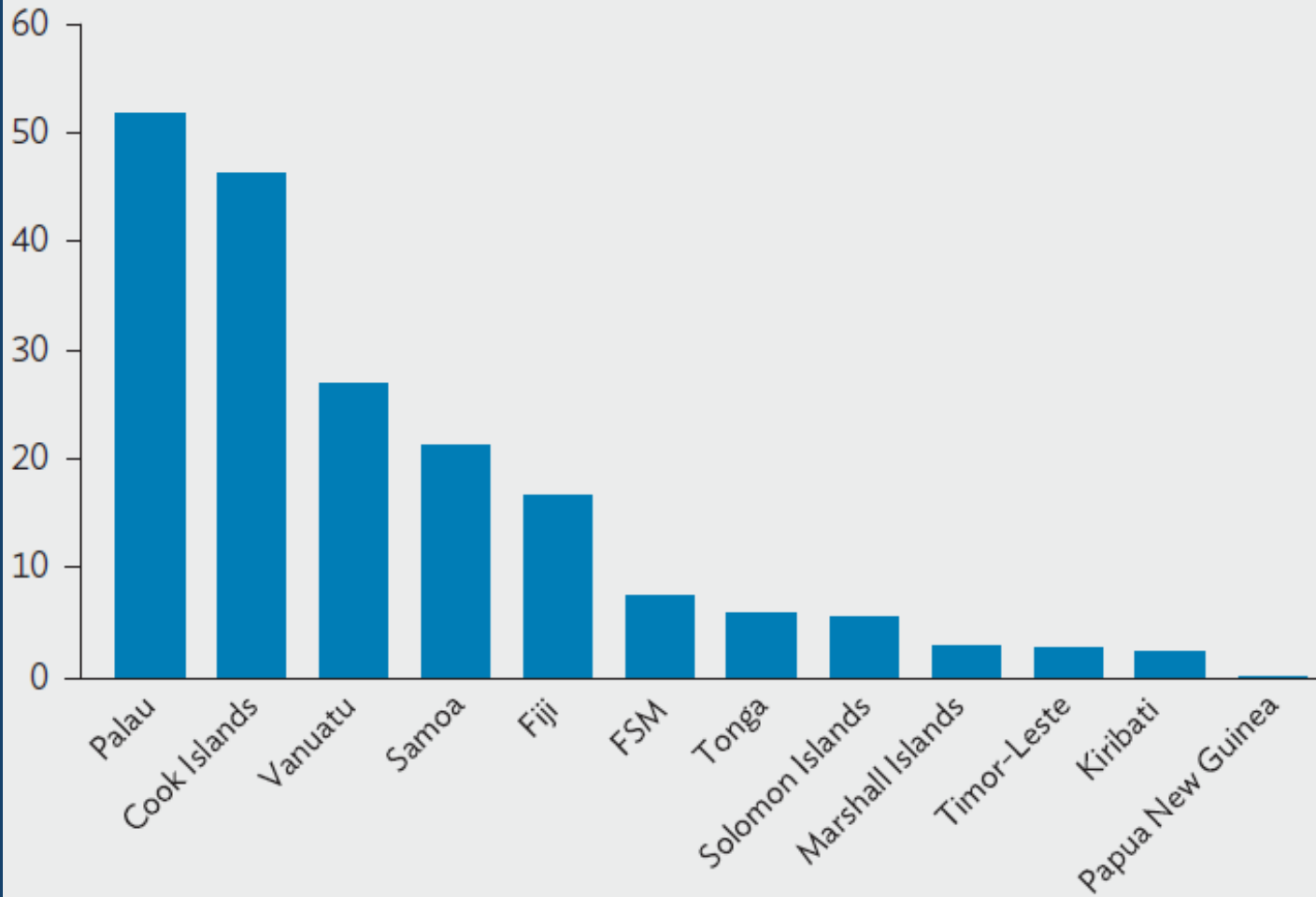


Resource export-led economies



Importance of Services Trade—Tourism

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



Rising Investment Links

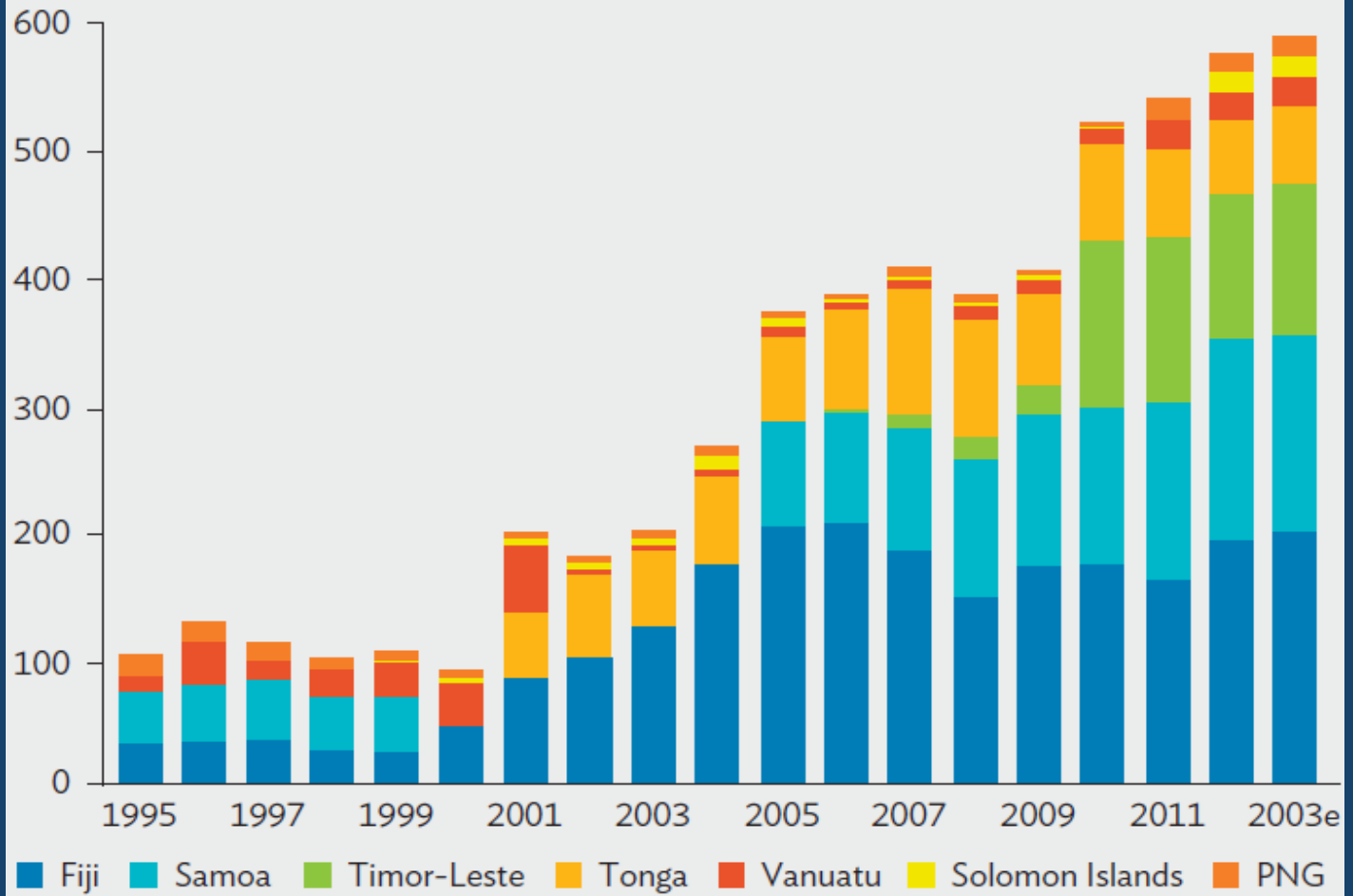
Table 17: Foreign Direct Investment Inflows to Pacific DMCs
(2003–2012, \$ million)

Country	2003	2004	2005	2006	2007
Pacific DMCs	167.5	328.1	280.4	538.0	664.2
% of GDP	2.0	3.6	2.6	4.6	5.1

Country	2008	2009	2010	2011	2012
Pacific DMCs	571.6	800.3	737.3	402.7	486.5
% of GDP	3.7	5.3	4.3	1.9	2.1

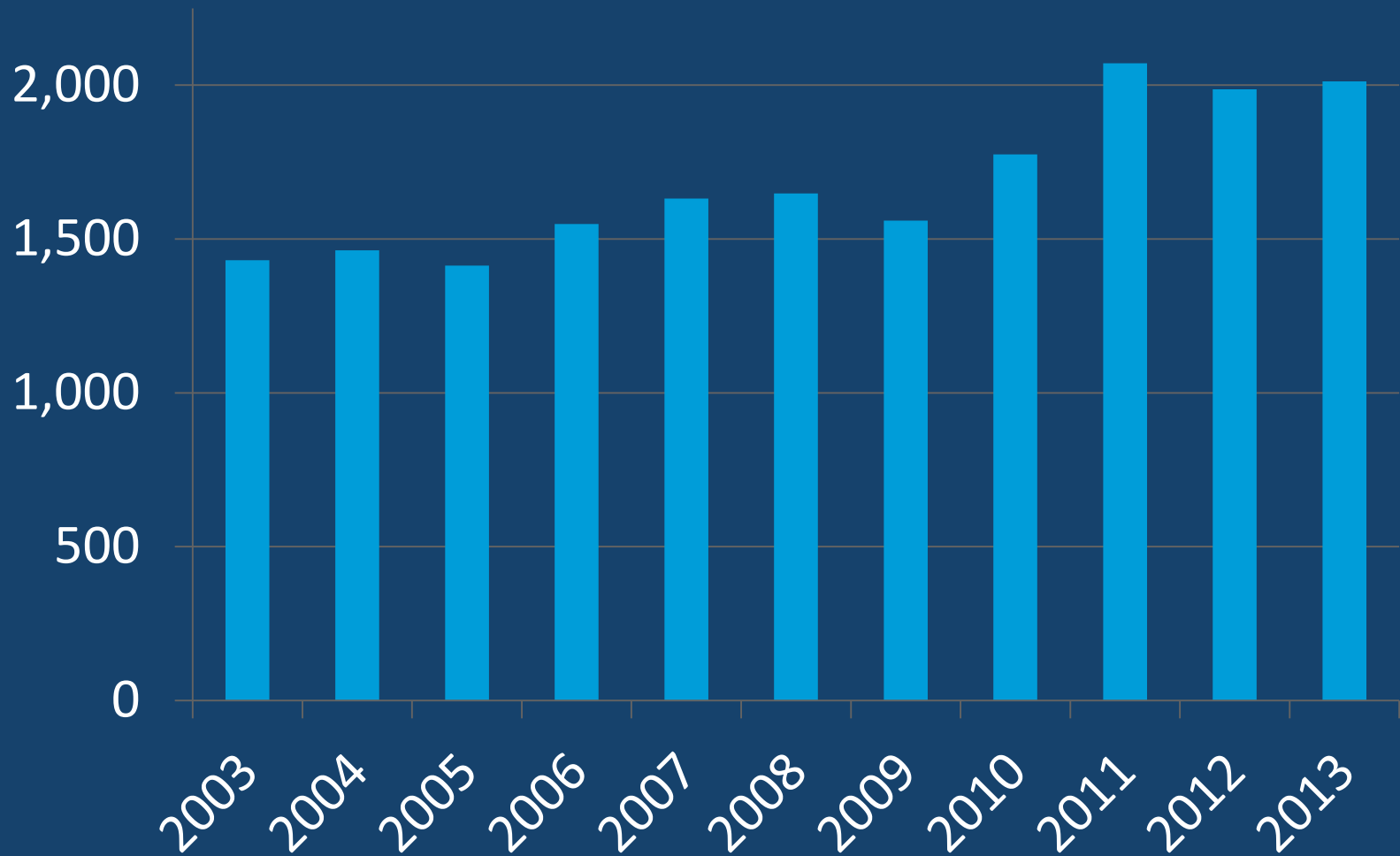
Labor & Remittance Ties

Figure 12: Remittance Inflows (\$ million)



Volume of Development Assistance to Pacific countries

(US\$ million, current prices)

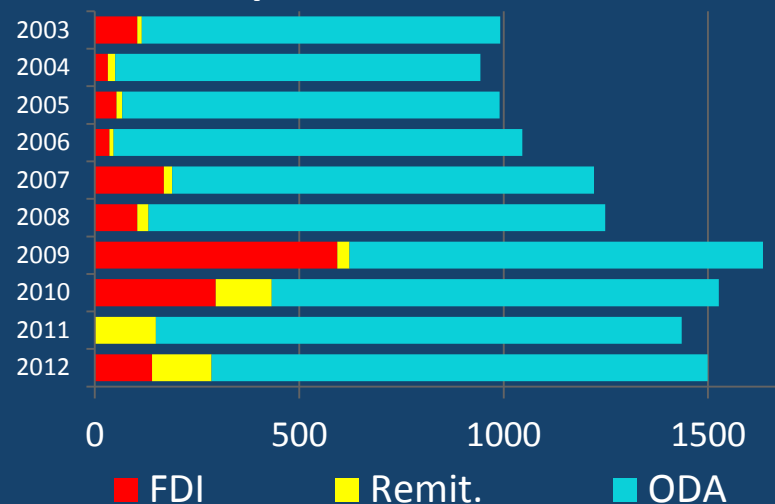


FDI, Remittance, & ODA (US\$ million, current prices)

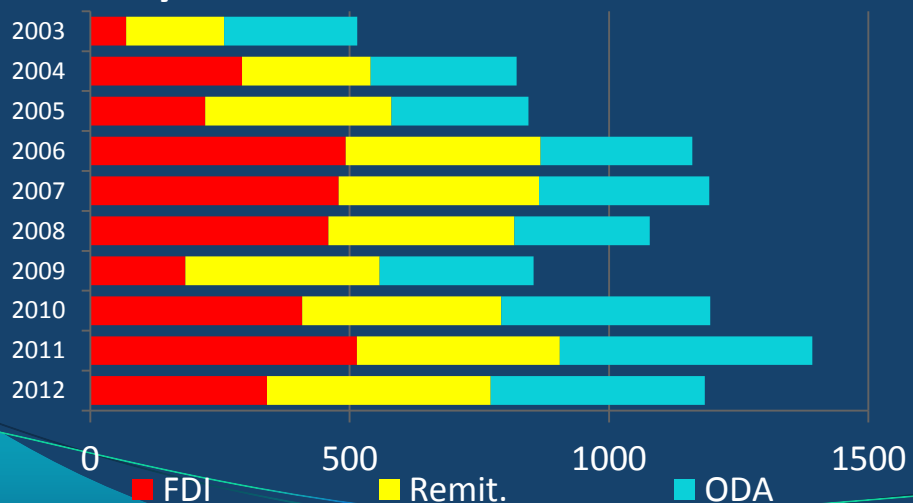
Overall Pacific



Resource Export Driven Economies



Relatively Diversified Economies



Smallest Island Economies



Conclusions

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

Efforts to strengthen linkages must be people focused

- Building upon existing networks
- Education and skills development
- Support innovation and entrepreneurship

**Proactive government policy to
needed to ease transition and
mitigate negative impacts**

Regulatory and compensation efforts underpin sustainability

- Transitional costs can be large
- Assist stakeholders that lose
- Protect unique but fragile natural and cultural resources

Arigato, Kam Rabwa, Salamat, Sulang, Tangkyu, Terima Kasih, Thank You, Vinaka, XieXie

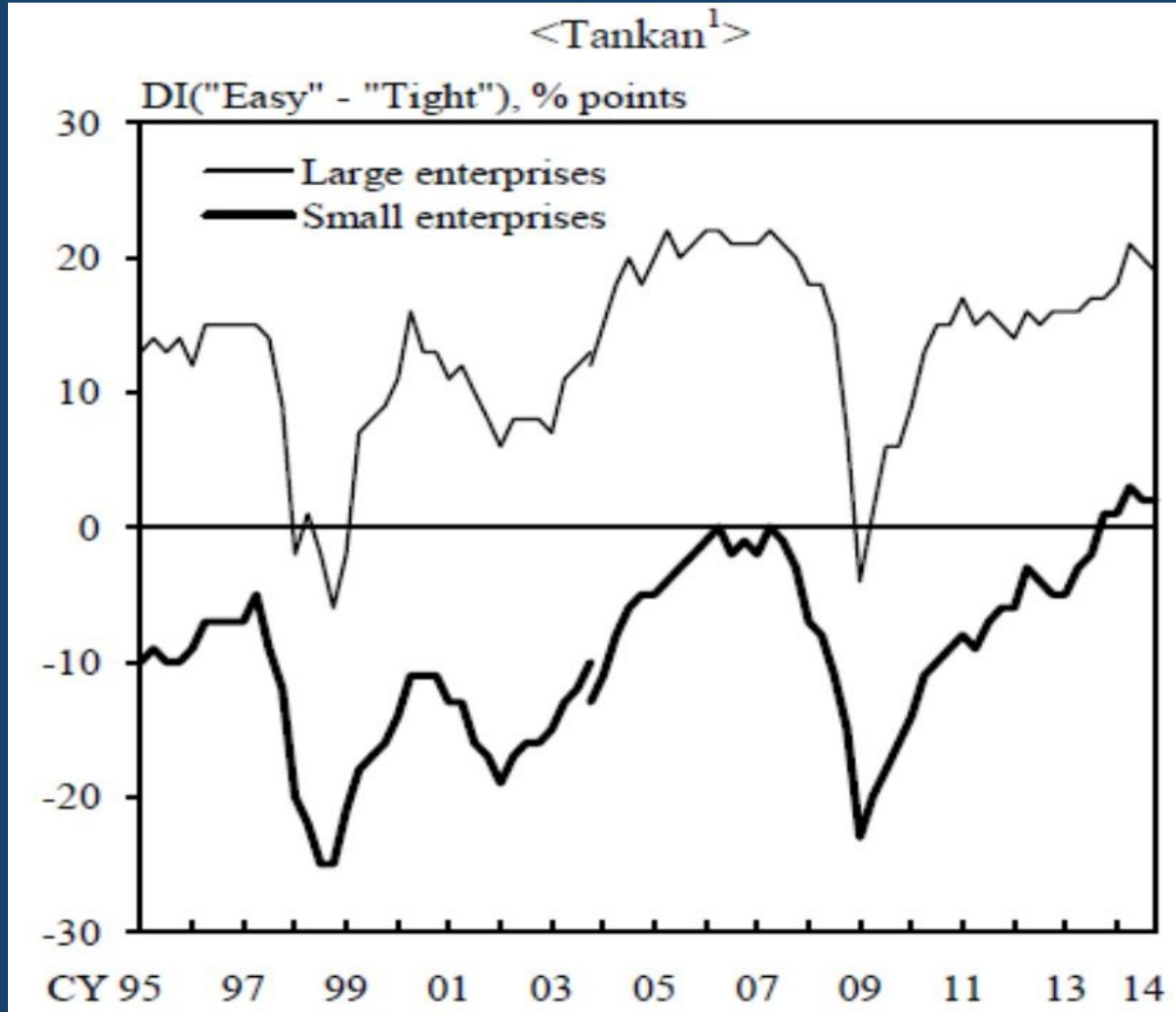


<http://www.adb.org/publications/pacific-opportunities-leveraging-asias-growth>

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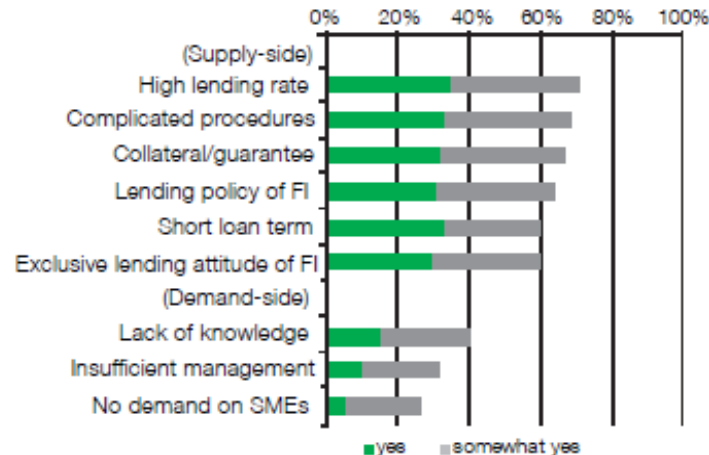
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Access to Finance by SMEs and Large Firms in Japan

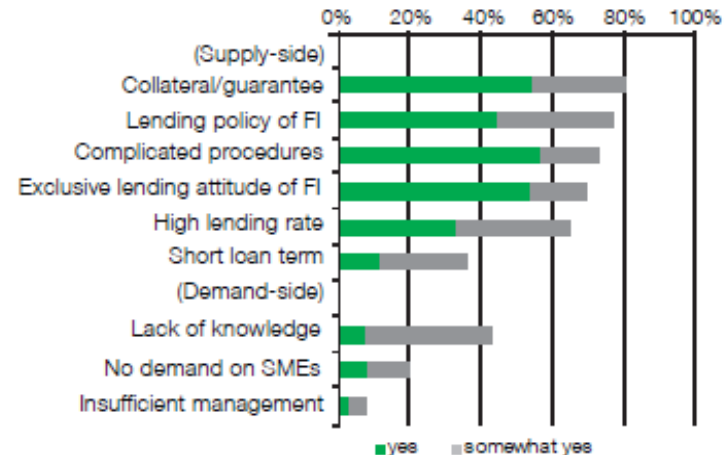


Barriers for SMEs in Accessing Financial Institutions

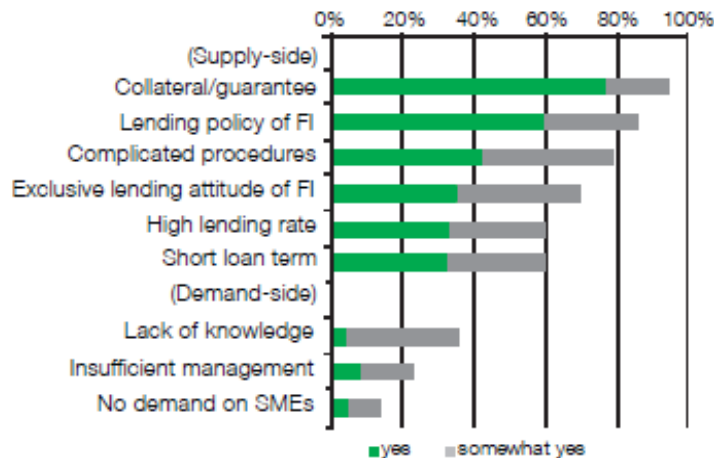
A. People's Republic of China



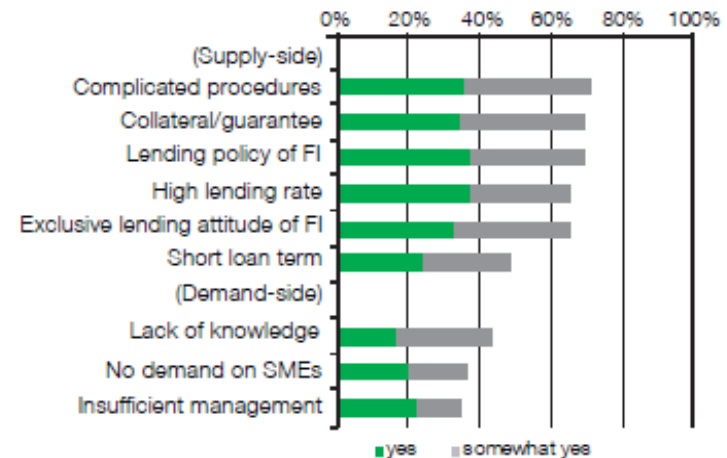
B. India



C. Republic of Korea

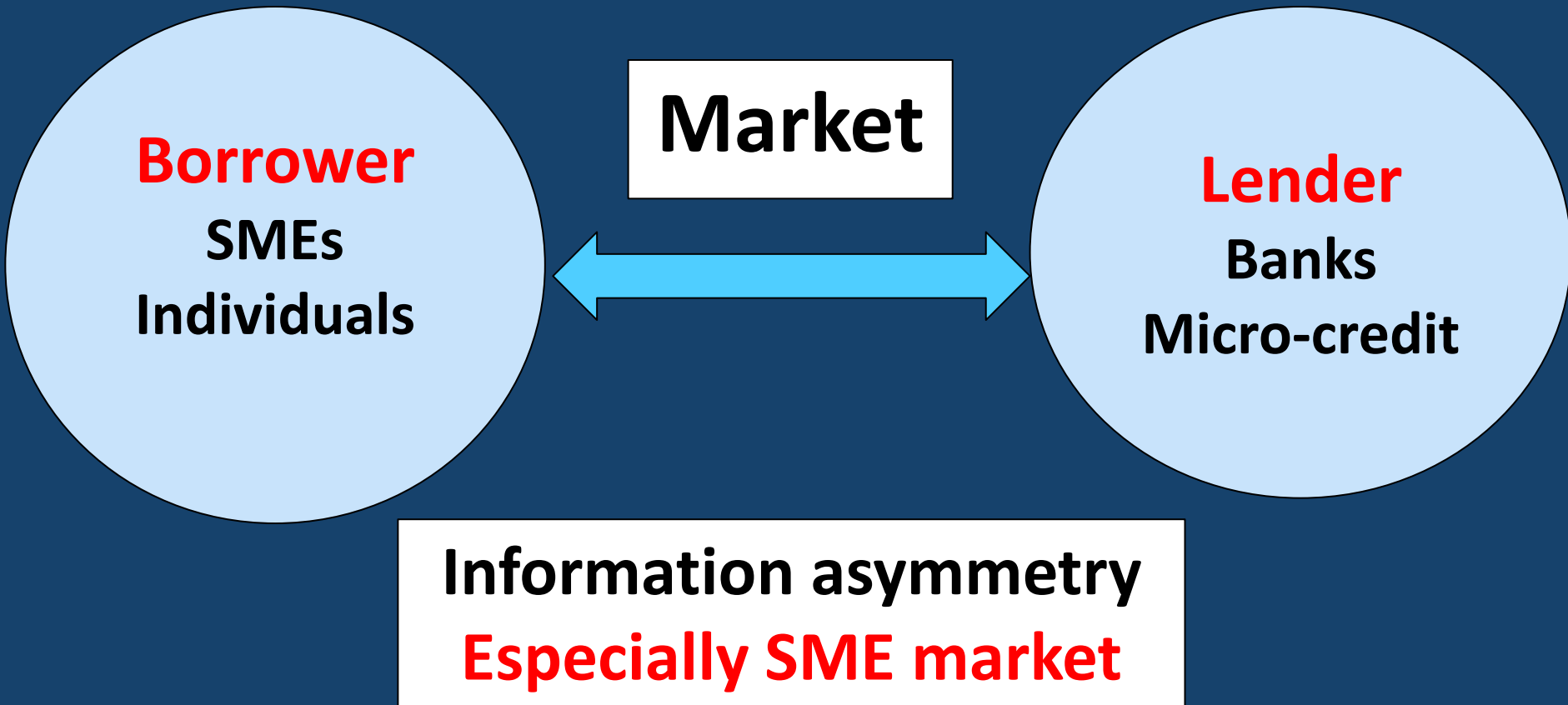


D. Malaysia



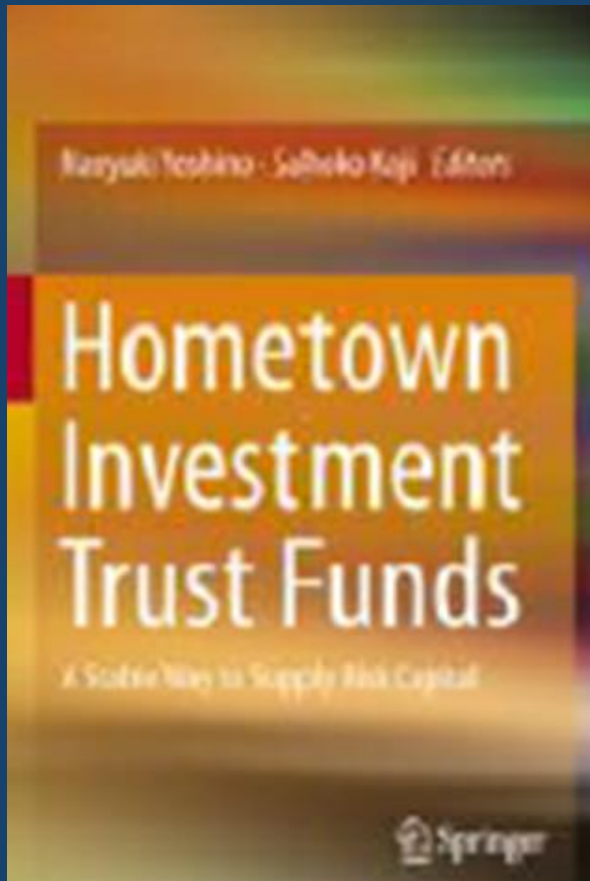
Source: ADB-OECD study on enhancing financial accessibility for SMEs: Lessons from recent crises. Mandaluyong City, Philippines: Asian Development Bank, 2013

Borrower, Lender and Market





Possible Solutions: Start up businesses



Hometown Investment Trust Funds

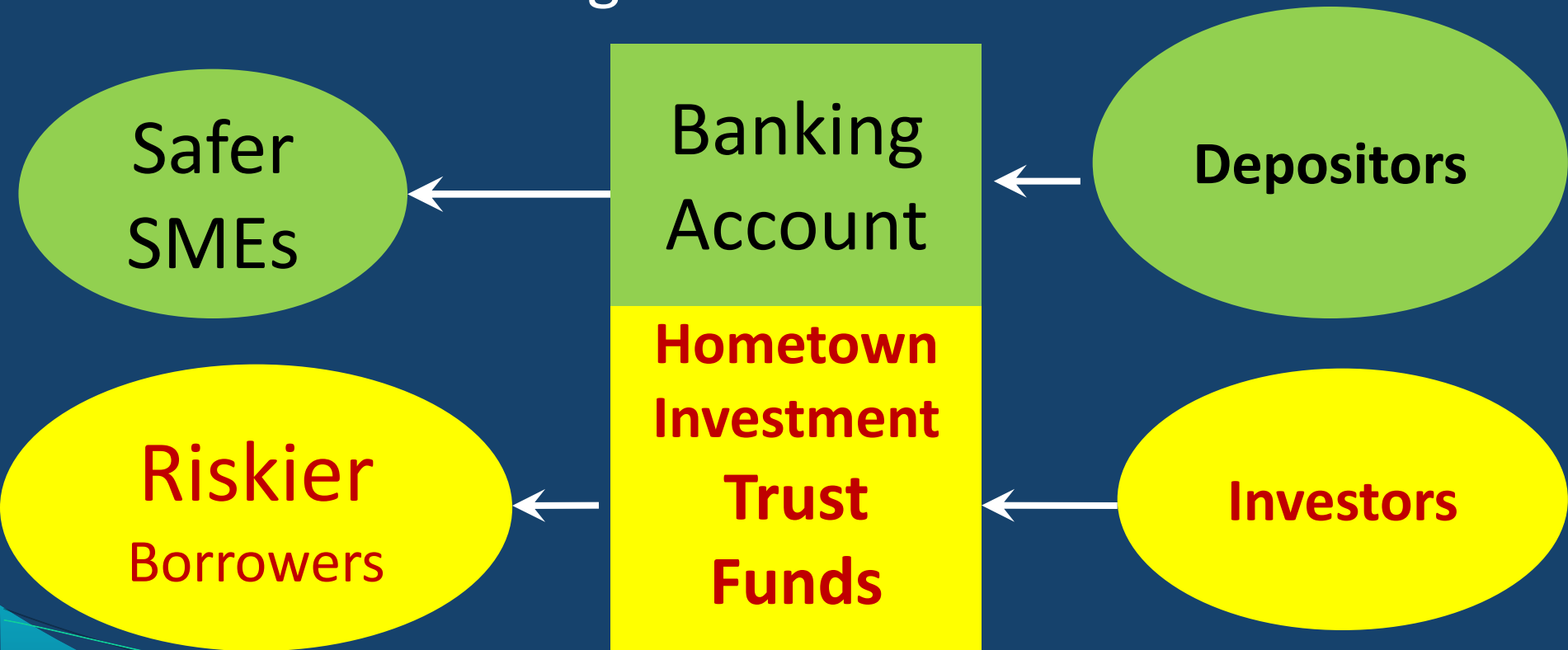
A Stable Way to Supply Risk Capital

**Yoshino, Naoyuki; Kaji Sahoko (Eds.)
2013, IX, 98 p. 41 illus., 20 illus. in color**

**Available Formats:
ebook
Hardcover**

Bank-based SME Financing and Regional Financing to riskier borrowers

1. Bank Loans to relatively safer borrower
2. Hometown Investment Trust Funds, e-finance, Internet financing



Examples of Investments in SMEs & Start-up Businesses



Seaweed for export



Solar power



Wind power

Examples of Investments in SMEs & Start-up Businesses



Wine



Beans

Key Messages

- Complementary resource endowments for linkage
- The private sector takes the lead in the creation of economic links; government is facilitator.
- Investments in soft and hard infrastructure needed
- Education and skills development key to strengthening linkages
- Need to prepare for adjustment costs and undertake measures to ensure environmental sustainability