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## NEW MARKETS FOR SOUTH PACIFIC PRODUCTS

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For many years there has been interest in exploring new markets for products from the Pacific island nations. Some countries have put a lot of effort into this search and some have had considerable success. However, there is still much to be done both to develop domestic markets and to establish exports of new products that will contribute significantly to the island economies.

### Development of industries

In the Pacific islands, apart from mining and primary industries, most new enterprises have been designed to supply the local market, particularly to replace imports. While it is not easy to establish a successful new enterprise, it is much easier to develop one that does not face fierce competition from well-established companies and branded products. To this end most governments in the region have been prepared to offer a significant level of protection to companies that can replace imports, frequently with

little regard to relative costs.

Once established, these companies often try to sell surplus production on the international market. For many this has proved very difficult, not least because the high level of protection enjoyed in the domestic market removes the major motivation for the development of products competitive in design, quality and cost. However, many firms have undertaken the necessary research to find out what is required in foreign markets and have adapted their products to meet those requirements. The most spectacular successes in this regard have been in the clothing industry, but it has been done also with wooden furniture, small machinery, boats and in the packaging and presentation of tropical fruits and vegetables (some of these taking advantage of SPARTECA, see below).

### Development of new products

Firms should be seeking continuously to add to their product ranges for existing markets. Sometimes it is

feasible to develop new products specifically for the export market and indeed many firms have done this. One company has developed an important export market in knitted goods taking advantage of the favourable climatic conditions in Tonga. Another has successfully developed a production line that produces parts of garments for a knitwear manufacturer: these parts are exported to New Zealand where they are incorporated into the finished product.

The manufacture of new products for export can also be encouraged by enticing foreign investors to set up a factory to supply all or part of their requirements. Such investments can be wholly owned by the foreign company or undertaken as joint ventures with local entrepreneurs. This has been done successfully in Forum island countries to manufacture products as diverse as leather jackets, wet suits, aluminium boats, fibreglass yachts, footballs and processed foods.

#### **Development of export trade**

The first export markets sought by most South Pacific island nations were to the two nearest large and relatively affluent markets in Australia and New Zealand. It was felt by most government and business leaders that preferential access to these markets would solve many of the problems of substantial trade imbalances. To achieve this objective two regional trade agreements were negotiated, the Papua New Guinea/Australia Trade and Commercial Relations Agreement (PATCRA) and the South Pacific Regional Trade and Economic Cooperation Agreement (SPARTECA). These agreements are non-reciprocal and now provide duty free access, unrestricted in quantity, for all products manufactured in Forum Island Countries except for a few products to which sectoral policies apply. Of these latter, the only ones of interest to South Pacific countries are textiles, clothing and footwear. Within the quota systems in operation these goods enter the mar-

kets of Australia and New Zealand duty free.

Whilst this preferential access is helpful in encouraging entrepreneurs to explore the possibility of exports, it should be noted that access alone does not sell products. No matter how cheap a product is, people will not buy it if its design is incompatible with that required by the consumer, if the quality is such that a cost-benefit comparison is unfavourable or consistency of the product is inadequate, making marketing too difficult. Manufacturers in the region were slow to learn this lesson but in recent years many have done so. It is worth noting also that products that are unknown in a market, for example, tropical vegetables in the Australian market, require more promotional support than products such as business shirts. The consumer must be enticed to try a new taste sensation.

Some island firms are now looking beyond the Southern Hemisphere for sale of their products. There have been successful promotions of some foodstuffs and clothing in Hawaii, the West Coast of the USA and Europe. Although these markets are more difficult to reach and penetrate, they are relatively very affluent and offer excellent opportunities for the right product.

Tourism is a product which is being promoted by many countries in the South Pacific and the North American and Japanese markets have been approached very enthusiastically in recent years.

Trade between the island countries of the South Pacific is one area that has not developed as much as expected but has potential. While there has been development of trade in products such as packaging, furniture and fittings, books and other printed materials, etc., there are potential markets for primary produce, processed foods, clothing, leathersgoods, hand tools and small machinery that have not been developed.