

**REVIEW OF
THE PACIFIC ISLANDS CENTRE
(PIC), TOKYO**

Report for the Pacific Islands Forum Secretariat

August 2019

Dr. Keisuke NISHIKAWA
Japan Economic Research
Institute, Inc.

Prof. Steven RATUVA
University of Canterbury

TABLE OF CONTENTS

Part 1	Executive summary	1
Part 2	Recommendations	5
Part 3	Overview	12
Part 4	Methodology	15
Part 5	The Pacific Islands Centre: Background	17
Part 6	The Pacific Islands Centre: Activities and contributions, 2013-2017	19
Part 7	Pacific trade: Some lessons for PIC	29
Part 8	Consultations in the Pacific Island countries and Japan	38
Part 9	New innovations and best practices for global TPOs: Lessons and way forward for PIC	46
	Annex 1: List of those consulted in North Pacific and Japan	51
	Annex 2: List of those consulted in South Pacific and PIFS	53

PART 1

EXECUTIVE SUMMARY

Japanese consultant summary

1. The PIC is a trade promoting organisation (TPO) established in 1996 under the Agreement Establishing the South Pacific Economic Exchange Support Centre, and is located in Tokyo. It has a role to (a) promote exports from FICs to Japan, (b) promote the inflow of investment from Japan, (c) assist FICs with cost effective importing from Japan and (d) vitalise tourist traffic from Japan, clearly indicating that the PIC was created to provide economic assistance from Japan for the benefit of FICs.

2. The PIC has four full time members with a total budget size of around JPY52.0 million to cover 14 FICs. Around 80% of the budget is for operating expenditures, and the Government of Japan (GoJ) contributes 90% and the PIFS contributes 10% of them. The remaining 20% is wholly funded by the GoJ for the PIC's annual work programme budget. In contrast to expanding roles of the PIC, the number of staff members as well as the budget size have remained at the same level and it was felt by the reviewer that there is a need to tackle the issue of human resource and budget shortages unless the amount of work on the PIC becomes reviewed and reduced.

3. The PIC has been undertaking the activities related to 'publications', 'web publication and other information distribution activities', 'exhibition and seminars' and 'other promotional activities' to fulfil the purpose of the PIC. It was observed that the PIC has always been tasked with a number of roles and activities for all aspects of trade, investment and tourism between Japan and FICs, and the staff members had to be multi-tasked. Indicators were set for the activities, which were often achieved. However, some of them were not achieved mainly due to ad-hoc activities or events not envisaged at the beginning of the year but come in as a priority task for the PIC. As a whole, it can be concluded that the PIC has been carrying out its tasks efficiently and contributed to closer economic relationships between Japan and FICs within its organisational capacity.

4. Recommendations were made on the (1) setting of indicators to measure the level of achievements of the PIC's activities, (2) raising awareness of the PIC especially among

the private sector in FICs, (3) collecting information by the PIC, (4) utilisation of external resources and (5) increases in the number of staff members and the budget. These recommendations were derived from the analysis of the information collected through this review survey and are closely related to the routine and periodic activities of the PIC.

Pacific Island consultant summary

5. As required by the Terms of Reference (TOR), for an informed approach to an innovative reform of Pacific Island Center (PIC), there needs to be a better understanding of the patterns of the Pacific Island Forum Countries (PIFCs)—Japan trade relations and the role of PIC in this. This should be seen in the context of the changing best practices of Trade Promotion Organizations (TPOs) internationally.

6. In the context of the changing regional economic and trade climate, changing needs of the PIFCs and new global innovation in TPOs operations, it is important for PIC to institute innovative reforms to make it more effective. This requires some changes in its strategic role and vision, political mandate, system of accountability, institutional relationship with the PIFS and other Pacific Trade and Innovate (PT&I) and style of engagement with Pacific and Japanese entrepreneurs and exporters.

7. Trade between Japan and the PIFCs is uneven because of the different productive and trade capacities of the PIFCs. The largest exporter to Japan is Papua New Guinea, mainly because of liquefied natural gas (LNG) while other countries export a variety of primary products. More than 95% of exports to Japan from PIFSs are based on primary and extractive industries and these are largely mining and fishing-based products. This raises questions in relation to sustainability and adherence to the Blue Pacific identity principles.

8. The original agreement made in 1996 has remained unchanged and as a consequence, it lags far behind the regional and global principles of sustainability and empowerment embodied in Sustainable Development Goals (SDG), Blue Pacific Identity and Pacific Framework for Regionalism. Many PIFCs are seeking newer forms of engagement with the Japanese market through bilateral means through their embassies and consulates rather than PIC.

9. It was clear from the field survey of views of Pacific business entrepreneurs,

government agencies and civil society organizations that PIC lacked visibility and a credible profile needed for a regional TPO. Except for very few business activities that were directly or indirectly linked to PIC, many people could not identify any significant evidence of the trade centre's contribution to the broader issues of national development and growth.

10. As an important lesson for PIC, it is important to note that TPOs around the world, especially those in the Global South, have continually readapted to emerging demands and many have embraced active innovative engagement in the whole chain of production process, rather than engage primarily with trade promotion. This includes more emphasis on investment as well as responding to socio-economic issues such as inequality, poverty, social justice and wellbeing by linking them to various development strategies.¹ This is informed by research which shows that trade has helped to lift millions of people out of poverty—as example, the proportion of the world's population living on less than PPP (Purchasing Power Parity) USD 1.90 per day fell from around 35% in 1990 to less than 10% in 2015.²

11. Many participants in the survey felt that the Japanese market is quite a challenging one to enter. It seems that there is a need for Pacific exporters and entrepreneurs to understand some key aspects of Japanese cultural norms associated with consumerism, quality system, relationships, collective cultural psychology and economic system as a first step towards engaging with and even successfully penetrating the Japanese market.

12. An observed pattern is that businesses, which involve Japanese investment such as beef export in Vanuatu, tourism in Solomon Islands or liquefied natural gas in PNG, tend to enjoy some success. This is because of the Japanese companies' familiarity with the Japanese market processes and procedures, bureaucratic links and consumer culture. This is basis for a more innovative approach involving partnership between Japanese and Pacific entrepreneurs. There are different models of entrepreneurial partnerships that can be created, facilitated by PIC.

13. The PIC operates outside the PT&I network and as a result, it seems to be

¹ First Look. 2012. JAMRO wins international trade award from ITC. <http://go-jamaica.com/pressrelease/item.php?id=1343>

² OECD. Why open markets matter. 2017. www.oecd.org/trade/understanding-the-global-trading-system/why-open-markets-matter/.

isolated and does not enjoy the benefit of sharing experiences, ideas and approaches and developing a common vision and strategy for Pacific development. It appears that the status and role of PIC are perceived differently by PIFS and PIC itself. According to a PIFS chief negotiator in 1996, the PIFCs saw the centre as a trade and development entity to address their developmental needs but Japan saw it as part of its broader economic, diplomatic and political engagement mechanism with the Pacific. For instance, this was reflected in Japan's reluctance to use the term "trade" in the PIC name, because Japan was not ready to fund trade activities.³ The need to renegotiate a name change would be a way forward to reflect the actual expectations and activities of PIC.

14. There is a strong perception that one of PIC's major shortcoming is its isolation and the need to align itself to the PT&I structure for more professional accountability to PIFS. A way of doing this is to follow the New Zealand and Australian PT&I model where the host governments provide grant which is channelled through the PIFS. This might help with the issue of accountability of the PIC to the regional development agenda as well as provide the PIFCs a greater sense of ownership.

15. The issue of monitoring the performance of the PIC has been raised consistently during the consultations and one of the suggestions is to have a benchmarking system that provides performance indicators. The International Trade Centre (ITC) has devised a number of indicators that could be used.⁴ However, it is important to have indicators which also ensure alignment with the SDG, Framework for Pacific Regionalism and Blue Pacific identity as well as culturally sensitive to the Pacific and Japanese socio-cultural contexts to ensure acceptability, workability and sustainability.

16. At the moment, the two PIC board members are either government or inter-governmental representatives with political and diplomatic mandates. There is a need to diversify and enrich the mandate of the board by incorporating representatives of the business community and those with technical expertise on trade, foreign relations and investment from various regional organizations and other relevant entities. While maintaining a diplomatic presence is important, incorporating innovative and diverse ideas into the decision-making process of the PIC is also critical in an age where innovation, sustainability and resilience are imperative in providing a competitive edge.

³ Based on discussions with Nikenike Vurobaravu, former Deputy Secretary General, PIFS, 2 July 2019.

⁴ International Trade Centre. ND. ITC benchmarking program: Measuring organizations performance. Geneva: ITC.

PART 2

RECOMMENDATIONS

Japanese consultant recommendations

1. Indicators

There have been 'indicators' set for each area of activity to measure the level of achievement. They are achieved or not achieved depending on the year while there are many other events being implemented in parallel. There was no single year during the target period when all the targets were achieved, which is considered to be indicating that:

- (a) the indicators were not set by accurately foreseeing the workload in the following year;
- (b) the number of staff has always been short to deal with all the activities to achieve the targets.

In order to solve these issues, it is suggested that:

- (a) the indicators need to be set by accurately estimating the workload for each activity
- (b) the number of staff needs to be increased or, as suggested in the PIC's annual reports, some of the tasks need to be contracted out so that the staff members can be engaged in other productive activities.

2. Raising Awareness of the PIC

It was revealed that the level of recognition of the PIC was generally low, especially among the private sector. The effective way to disseminate the activities of PIC for enhanced utilisation of the services is considered to be the staff members' frequent visits to FICs to build a network with local business communities in the countries and regions the PIC covers. In order to achieve this, the issue of staff and budget shortage needs to be tackled and solved.

3. Information Collection by the PIC

(a) Between the PIC and PIFS / Japanese embassies

In the review study, the Japanese reviewer felt that the business information of each country was not really shared between the PIC and the PIFS / Japanese embassies. As the PIFS and Japanese embassies are thought to be collecting business and economic data and information on a regular basis, non-confidential and disclosable information,

especially individual business interactions between Pacific and Japanese companies as well as trade, investment and tourism could be provided from PIFS and Japanese embassies to the PIC as the PIC is short-staffed without sufficient budget to travel to FICs all the time to collect business-related information.

(b) Direct information from FICs

It was observed that the PIC was not collecting business information directly from the Pacific island countries all the time while they have always been following up with the information from the media. While it is unrealistic for the PIC staff members to obtain first-hand business information directly from all the Pacific island countries by themselves, they could establish a network of correspondent in each country who can provide business information related and valuable to the PIC. The establishment of the correspondent network should require additional allocation of fund (budget) but it is expected that the PIC will be equipped with a lot more information of all countries and territories.

In addition, the PIC has an extensive range of contacts in the Pacific region since its establishment in the 1990s through their programmes such as trade shows (inviting Pacific business people to Japan) and business missions (dispatching Japanese businesses to the Pacific island countries). As the staff members of the PIC regularly change, a database of those involved in the PIC's programmes from the FICs in the past could be utilised more extensively to collect their information on a regular basis. When the PIC staff member visits any of the FICs, it should be meaningful and effective to organise a networking meeting of those who participated in the PIC's programmes in the past from that particular country. Such events could establish a PIC-related network so that the PIC will have a group of business people feeling closer to the PIC as well as Japan.

4. Utilisation of External Resources

Under the current staffing condition whilst the extent of the PIC's tasks has been expanding, it is not possible for the PIC to satisfy all the growing requirements and expectations. As expressed by the PIC themselves and also by the reviewers in this report, at least some of the work items need to be outsourced, such as basic data collection, revisions of Statistical Handbooks, updating of Guidebooks, etc. It is recommended that the work items be listed and sorted out to streamline the tasks of the PIC by contracting out some of their activities as above.

5. Increases in the Number of Staff Members and the Budget

Throughout this report, an argument was made as to the necessity for additional staff members and budget allocations. While the task of the PIC has been expanding, the staff numbers and the budget levels have remained the same. As the salary levels in Japan have picked up again in recent years mainly due to labour shortages, it is important to increase them for the PIC as well in order to secure highly skilled staff members. Alternatively, some of the work items can be outsourced. However, whichever option it may be, it should require additional budget allocation.

How the PIC is structured in terms of human and financial resources relates to the way Japan and the PIFS see the engagement with each other. In particular, as the Government of Japan is funding most of the budget under the established purposes (in the Agreement), it is on the part of Japan to further consider what kind of economic and more broader relationship it wants to maintain and foster toward the future whilst there are some other countries having closer relationships with many of the FICs.

Pacific island consultant recommendations

6. Review of original agreement: The original agreement signed between Japan and the PIFCs in 1996 should be reviewed, including a name change, to reflect the changing roles of modern TPOs, shifting global and regional economic dynamics and the changing development agendas of the PIFCs reflected in frameworks such as the SDG, Framework for Pacific Regionalism and Blue Pacific identity.

7. Funding model: There should be a change in the funding model to reflect the developmental needs of the PIFCs, independence of PIC, facilitate a greater sense of ownership, as well as provide more accountability to the PIFS and budgetary process. This includes changing the financial contribution by Japan to multilateral grant along the same line as the other PT&Is such as New Zealand and Australia.

8. Benchmarking: A benchmarking system should be established to gauge the performance of the PIC in relation to other international TPOs and PT&Is in particular. Some international indicators, such as those devised by the International Trade Council (ITC), can be used but these need to be modified to ensure that they are appropriate to the Pacific and Japanese cultural contexts.

9. Key performance index: KPIs for the PIC should be devised as part of the benchmarking process and these must not only be culturally sensitive, they should also be effective in measuring performance in line with the PIC's corporate strategy and regional development agenda expressed in the Blue Pacific identity, Framework for Regionalism and SDG. The proposed targets should be discussed widely with relevant stakeholders such as PIFS, PIPSO and traders and must be realistic given the changing circumstances in the Pacific.

10. Alignment: The work of the PIC must be aligned more formally with the PT&I network to ensure that trade and investment promotion policies and activities are coherently coordinated and best practices and valuable experiences are shared readily. This will make it easier and cheaper to co-brand the different PT&Is using a common template and strategy.

11. PT&I board: As part of the process of alignment and integration, an overall PT&I network board must be set up to oversee the overall operation of the centres. The membership of the board must be expanded to include private sector and technical experts representing a diverse range of interests and skills, in line with the global move towards diversification of technical expertise, social skills and professional acumen in the social, political and corporate sector.

12. SDG principles: As part of the reform, PIC needs to incorporate SDG principles on trade into its work scheme as well as principles of diversity and equity. This will involve expanding the clientele base to include women-owned enterprises and producers in poor rural areas. Gender, cultural and skills diversity is usually outside the traditional business networks but they are important to provide a broad sense of empowerment, ownership and legitimacy.

13. Global lessons of principles: PIC must learn from innovative initiatives of many TPOs around the world, especially those in the Global South, by incorporating issues of human security, social justice and poverty alleviation as driving principles of their trade promotion activities and policies.

14. Training: PIC should provide information on research on Japanese consumer culture through training workshops and digital dissemination means. Part of the training must be on product design to suit the Japanese consumer preferences. These should help bridge

the gap between Pacific exporter capacity and Japanese consumer culture.

15. Trade partnerships: PIC should initiate innovative means of encouraging more investment and trade by establishing an Entrepreneurial Partnership Program (EPP) between Japanese and PIFCs companies and entrepreneurs to facilitate transfer of innovation and scientific approaches to farming, skills and knowledge by Japanese partners working hand in hand with local exporters and producers who have local knowledge and expertise in local land and cultural matters.

16. Incentives: PIC together with PIFS should reward high performing or exemplary performers by providing prizes for high performers and this should be publicised widely to raise enthusiasm and eagerness to compete. Recognition of excellence, no matter how small and confined, is important for Global South producers and exporters who need affirmation while struggling to be seen and heard in a field dominated by large corporations. This will certainly be a motivating factor for local Pacific producers and exporters. For instance, as an incentive to boost export, PIC should award annual prizes to high performing companies and entrepreneurs involved in the Entrepreneurial Partnership Program (EPP).

17. Seasonal labour: To keep abreast of economic shifts and global changes in TPO work, PIC should also engage with and promote service-oriented industries. A good example is the use of seasonal or skilled Pacific labour force in Japan along the lines of the Australian and New Zealand labour mobility schemes.

18. Blue Pacific identity: In line with the Blue Pacific identity, PIC should pursue consumer and environmentally friendly projects such as fair trade. Fairtrade is a way of boosting productivity of organic crops as well as ensuring that farmers and primary producers are compensated well. This worked well in Fiji's sugar industry when it was still practiced.

19. Market readiness: PIC, in collaboration with PIFS, regional governments and producers, should be more actively involved in developing the capacity of exporters for "market readiness." This can include developing a self-paced assessment online to help take participants through issues they are new to in order to upgrade their skills and knowledge of the Japanese market.

20. Online services: PIC should take full advantage of the digital revolution to provide upgrade its online services through provision of vital information about market demands and dynamics, consumer behaviour, potential partners and possible points of entry, based on rigorous research in the field. Merely advertising goods and making connections in a routine way is not enough. Rather than simply “put up” information of products and potential clients, the PIC website should be linked to other social media forums such as Facebook, Tweeter, etc. to ensure active discussions and proactive feedback. There should also be constant updates and refreshing of the site to build up confidence that PIC is keeping up with the changing dynamics of global and regional trade.

21. Familiarity campaign: Because of lack of familiarity of PIC amongst the government entities and private sector, there should be a major campaign to publicise its role and significance. Part of this should be internship, staff exchange, visits and the use online forums.

22. Feedback system: There should be a quick and effective feedback system, which links PIC to Pacific islands clients to ensure constant update of latest developments in terms of market negotiations with Japanese companies and there should be a database of all the trade and investment facilitation initiatives, apart from just highlighting publicly organized promotion events.

23. Job descriptions: There should be a thorough review of the job descriptions of PIC staff to ensure that new innovative changes are possible. PIC needs to build up its ability to respond creatively to market changes as well as quick turnaround in the provision of market information, technological innovations and consumer demands, rather than merely fulfilling the bureaucratic and political mandates of the position. A rigorous recruitment process to include PIFS to pick the best candidate for the job needs to be done.

24. Co-directorship: One way of ensuring more diversity and a more balanced management structure with increased Pacific focus is to appoint co-directors, with one from Japan and one from the Pacific Islands. This may address some of the issues of visibility, relevance, ownership and reach.

25. Board: Apart from the boards of the different PT&I, which focus on the unique issues of the individual centres, there should be an overall advisory combined board consisting

of all the different board members to oversee the broader regional PT&I agenda. This is a way of ensuring a more regional identity which will make it easier to create a regional brand.

PART 3

OVERVIEW

1. The PIC operates under the “Agreement Establishing the South Pacific Economic Exchange Support Centre” (hereinafter referred to as the ‘Agreement’) which was signed during the 27th Forum meeting in Majuro in September 1996. The PIC opened on 1 October 1996. It was officially inaugurated on 14 October 1996 by the Chairman of the Forum and President of the Marshall Islands, the late H.E. Mr. Amata Kabua. The PIC is now located on the 1st floor, Shikon-kan, Meiji University, 3-22-14 Kanda-Ogawamachi, Chiyoda-ku Tokyo, 101-0052, Japan.

2. The Agreement specifies the purpose of the PIC as follows: “to promote exports from the FICs to Japan; to promote the inflow of investment from Japan to the FICs; to assist FICs with cost effective importing from Japan; and to vitalise tourist traffic from Japan to the FICs through cooperation between the Government of Japan and the Forum Secretariat.”

3. The Agreement also requires the PIC to undertake the following activities towards the achievement of its purpose:

- To introduce and publicise in Japan, products, industries, investment opportunities and tourism resources of the FICs;
- To provide, where appropriate, relevant organisations, companies and persons with services and advice on trade, investment and tourism promotion;
- To collect and analyse data and information on trade, investment and tourism;
- To conduct research and studies on trade, investment and tourism;
- To provide the Government of Japan and the Forum Secretariat and, as appropriate, relevant organisations and persons with information on trade, investment and tourism as well as the results of research and studies conducted by the Centre;
- To provide, whenever necessary, services to facilitate technical cooperation related to trade, investment and tourism; and
- To undertake such other activities as may be deemed necessary to achieve the purpose of the Centre

4. The Agreement requires the conduct of a review of the effectiveness of the PIC's operations at interval of no more than three years.
5. The past reviews were undertaken four times in 1999, 2003, 2009 and 2014, respectively. This fifth review has been conducted by Professor Steven Ratuva and Dr. Keisuke Nishikawa in June and July 2019.
6. The purpose of the review was as follows: Review of the Pacific Islands Centre's (PIC's) relevance, performance and efficiency of its operations as a trade promotion agency of the Pacific island countries
7. The objectives of the review were as follows: The main objective of this review is to assess the sustainability of the PIC and make recommendations consequential to:
 - a) The future of the PIC seeking to ascertain its relevance
 - b) Innovative models of scope and delivery
 - c) Institutional strengthening including its governance structure/mandate
 - d) The current funding model taking into consideration the Government of Japan's Development Cooperation key priority areas and PIFS Sustainable Funding Strategy; and
 - e) Sustainable staff
8. One of the primary focus of the review is to examine some of the best practices of a typical TPO and use these to assess the current qualities of the PIC. This requires a whole of organization assessment to determine PIC's value proposition. This involves assessing the impact the PIC has had on the Pacific island economies over the last three decades.
9. The review is expected guide the future of PIC in relation to its effectiveness, results, efficiency, funding model, staffing, location and governance structure to inform a decision by the Governing Board and their stakeholders.
10. The review is guided by the principles of the *Blue Pacific identity* and the *Framework for Pacific Regionalism*, in particular how the work of PIC can be aligned to these. A significant factor here is the call by the Pacific Island Leaders Meeting with Japan in 2018, which called on Japan's cooperation and engagement in the region to be aligned with regional frameworks and strategies.

11. The *Blue Pacific identity* is aligned with the SGG 14 which seeks to “conserve and sustainably use the oceans, seas and marine resources for sustainable development.”⁵ This is significant for Pacific island states and peoples whose livelihood is intrinsically linked with the ocean. The ocean is a unifying bond that links together the diverse cultures and peoples of the Pacific as well as defined their collective identity as a region.⁶

12. The Framework for Pacific Regionalism, provides a vision “for a region of peace, harmony, security, social inclusion, and prosperity, so that all Pacific people can lead free, healthy, and productive lives.” The objectives relate to: “Sustainable development that combines economic social, and cultural development in ways that improve livelihoods and well-being and use the environment sustainably; Economic growth that is inclusive and equitable; Strengthened governance, legal, financial, and administrative systems; and Security that ensures stable and safe human, environmental and political conditions for all.”⁷

⁵ United Nations. 2018. Sustainable Development Goal 14. <https://sustainabledevelopment.un.org/sdg14>

⁶ Pacific island Forum secretariat. ND. The Blue Pacific. <https://www.forumsec.org/the-blue-pacific-pacific-countries-demonstrate-innovation-in-sustainably-developing-managing-and-conserving-their-part-of-the-pacific-ocean-2/>

⁷ PIFS. 2015. *The framework for Pacific regionalism*. Suva: PIFS: 3

PART 4

METHODOLOGY

1. A two-person review team carried out the review. One member was from Japan and the other member was from the Pacific island countries. Both had carriage on interacting with stakeholders based in the Pacific region and Japan.
2. The Japanese consultant travelled to the Republic of Marshall Islands, Federated States of Micronesia and Palau to consult with the chambers of commerce, business leaders and government agencies on trade, commerce, industry including investment and tourism relations with Japan including the role/service delivery of the PIC Tokyo office.
3. The Pacific Island consultant covered Cook Islands, Vanuatu and Solomon Islands. Both consultants collaborated to achieve the objectives of the review inclusive of the deliverables.
4. The review team consulted with private sector representatives, relevant government officials, donors and regional agencies in selected countries including Japan, The Director and staff of PIC, relevant staff including PIFS management team were also consulted as part of this review.
5. The review team explored the preferable forms of PIC, examining the best practice qualities of a typical TPO. For this, information collection of PIC was conducted through the following two approaches.
6. Assessment of PIC activities and the organisation was conducted examining the best practice qualities of a typical TPO and measure these against the current qualities of PIC. In addition, PIC activities was evaluated through the use of the political economy analysis (PEA) approach, which analysed the PIC in the wider context of regional trade and the TPO international best practices. .

PART 5

THE PACIFIC ISLANDS CENTRE

1. Background

The PIC was established in October 1996 following an agreement between the South Pacific Forum Secretariat (renamed Pacific Islands Forum Secretariat in 1999) and the Government of Japan (GoJ). The preamble of the Agreement provides the rationale of the establishment of the PIC.

- The PIFS and GoJ have recognised the vital importance of promoting an increase in exports, flow of investment, and tourism for the sustainable economic development of the South Pacific Forum Islands Countries (hereinafter referred to as FICs).
- The PIFS and GoJ have convinced that cooperative efforts on a regional basis are highly effective in achieving such objectives.

2. Governing Board

The PIC is under the control of the Governing Board which is composed of two representatives. One representative shall be the Director General of the Asian and Oceania Affairs bureau of the MOFA and the other shall be the Secretary General of the PIF. The Agreement gives the Governing Board wide ranging powers to govern the PIC and manage its activities. These powers are:

- to decide on the direction and work programme of the Centre;
- to approve the annual work programme and the annual budget of revenue and expenditure of the Centre;
- to approve the annual report on the operation of the Centre;
- to appoint the Director;
- to consider and adopt amendments to this Agreement;
- to conduct a review of the effectiveness of the operation of the Centre;
- to approve the acceptance of financial assistance; and
- to adopt the financial regulations, staff rules, and rules of procedures.

The Agreement requires the Board to hold an annual meeting. The decisions of the Board have to be made by consensus.

3. Staff

The core staff of the PIC consists of four professional officers namely the Director, the Deputy Director, the Promotion Coordinator and the Office Manager. The position of the Promotion Coordinator was established in 2013 after the Trade Officer position, which used to be taken up by officers seconded from JETRO (from October 1996 till September 2009), was abolished at the end of 2012. The Office Manager's position was established in 2018 by merging two part-time positions (14 hours a week respectively) held by an accountant and a secretary. Although it is desirable for the PIC to employ more staff members with extensive knowledge/experiences and to be in charge of tourism and website and IT-related activities, the PIC's current budget does not allow them to recruit more staff members.

4. Funding

The PIC's total budget size has remained at an average level of JPY 52.0 million per annum during the period between FY2015 – FY2019. The GoJ annually contributes to 90% of the PIC's operating expenditure while 10% is contributed by the PIFS.

The budget consists of operating expenditures and programmed expenditures. Operating expenditures on average make up about 81.1% of the total budget. These expenditures comprise of personnel costs and administrative expenses. During the period under the review, personnel costs have accounted for approximately two-thirds of the total operating budget, and administrative expenses have been one-third.

In addition to its contributions to the operating budget, the GoJ has also funded the PIC's annual work programme budget. This budget has averaged at JPY 9.8 million per annum during the period between FY2015 – FY2019. The programme budget has been disbursed for publication activities, website operations, exhibition and seminars and projects for developing exportable products to Japan.

PART 6

THE PACIFIC ISLANDS CENTRE'S ACTIVITIES AND CONTRIBUTIONS, 2013 – 2017

1. The purpose of the PIC is mainly to promote exports from the FICs to Japan, to promote the inflow of investment from Japan to the FICs, and to vitalise tourist traffic from Japan to the FICs through cooperation between the GoJ and the PIFS.

2. The following sections summarise the activities and achievements of the PIC in the areas of 'Publications', 'Web publication and other information distribution activities', 'Exhibition and seminars' and 'Other promotional activities' between 2013 and 2017⁸.

(a) Publications

<Activities and Achievements in 2013>

Activities	
Five copies were published:	
- Two guidebooks on Vanuatu and FSM	
- Statistical Handbook 2013	
- 'Report of Perspectives of Economic Development in the Small Island States'	
- Correction of the guidebook on Papua New Guinea	
Total number of circulation was 4,876 (copies).	
Publication of hard copies was costly and the PIC was unable to reduce the cost while the demand for hard copies of guidebooks remained high.	
For the Statistical Handbook, data were sourced from JETRO's database but it became no longer available. The 2013 Edition sourced the data from the Customs and Tariff Bureau for the first time.	
Indicators and Achievements	
Indicator 1	At least three guidebooks will be updated in FY2013. → Achieved
Indicator 2	Expenditure will be within 90% of the proposed budget. → Not achieved

<Activities and Achievements in 2014>

Activities	
Five copies were published:	
- Two guidebooks on FSM and Niue	
- Statistical Handbook 2014	
- PIC leaflets (in Japanese and English)	
Total number of circulation of 14 Tourism Guidebooks was 13,773 (copies).	
PIC provided support for editing and publishing the guidebooks for FICs, such as	

⁸ Summarised mainly from the PIC's Annual Reports of respective years

translating the FSM's new investment guidebook into Japanese and providing advice on the PNG investment guidebook.	
Indicators and Achievements	
Indicator 1	At least three guidebooks will be updated in FY2014. → Not achieved (two guidebooks)
Indicator 2	New series of one-page-country-guide will be published. → Not achieved
Indicator 3	PIC brochure will be renewed. → Not achieved
Indicator 4	Statistical Handbook will be published with minimum costs. → Achieved

<Activities and Achievements in 2015>

Activities	
Two hard copies were published: - A guidebook on Tonga - Statistical Handbook 2015	
Total number of circulation of 14 Tourism Guidebooks was 11,877 (copies).	
PIC cooperated with JICA and in reprinting and distributing the PNG Investment Guidebook.	
For the Statistical Handbook, the relevant data needed to be sourced from the Customs and Tariff Bureau, whose processing was time-consuming leading to additional overtime work for the staff. Suggestions made on the possibility of outsourcing provided that the budget becomes available.	
Indicators and Achievements	
Indicator 1	At least two guidebooks will be updated in FY2015. → Not achieved (one guidebook)
Indicator 2	New series of one-page-country-guide will be published. → Achieved (one)
Indicator 3	Statistical Handbook will be published with minimum cost. → Achieved

<Activities and Achievements in 2016>

Activities	
Three hard copies were published: - A tourist guidebook for Samoa (prepared in time for the Samoa-Japan Trade and Investment Seminar in July 2016) - An investment guidebook for FSM - Statistical Handbook 2016	
Total number of circulation of 14 Tourism Guidebooks was 5,861 (copies).	
PIC published the Investment Guidebook of FSM in Japanese.	
For the Statistical Handbook, the relevant data needed to be sourced from the Customs and Tariff Bureau, whose processing was time-consuming leading to additional overtime work for the staff. Suggestions made consecutively on the possibility of outsourcing provided that the budget becomes available.	
Indicators and Achievements	
Indicator 1	At least two guidebooks will be updated in FY2016. → Not achieved (one guidebook)
Indicator 2	New series of one-page-country-guide will be published. → Not achieved
Indicator 3	Statistical Handbook will be published with minimum cost. → Achieved

<Activities and Achievements in 2017>

Activities	
Three hard copies were published:	
- Two tourist guidebooks (on Solomon Islands (edited after 12 years) and Nauru (revised after 6 years))	
- Statistical Handbook 2017	
Total number of circulation of 14 Tourism Guidebooks was 5,652 (copies).	
For the Statistical Handbook, the relevant data needed to be sourced from the Customs and Tariff Bureau, whose processing was time-consuming leading to additional overtime work for the staff. Suggestions made on the possibility of outsourcing provided that the budget becomes available.	
Indicators and Achievements	
Indicator 1	At least two guidebooks will be updated in FY2017. → Achieved
Indicator 2	Statistical Handbook will be published with minimum cost. → Achieved

The PIC revises guidebooks of some countries and the statistical handbook every year, and makes a number of copies as the demand for hard-copies has been high among Japanese businesses showing interests in the Pacific island countries. However, as the printing costs are somewhat burdensome, the PIC is in the process of making the information available on its website so that the demand for hard copies will be smaller and more interested businesses and tourists will have access to the guidebooks. In addition, the PIC has repeatedly expressed concerns on the amount of work required for the collection of relevant data from the Customs and Tariff Bureau of Japan to update the statistical handbook every year.

(b) Web publication and other information distribution activities

<Activities and Achievements in 2013>

Activities	
Major website renovation was carried out in 2013 and the PIC has been actively uploading a number of business news items and tourism information.	
A 'Tour Experience Essay Site' was newly developed on the website.	
The English web page was reconstructed to be in line with the PT&I sites to attract non-Japanese visitors to the website.	
Indicators and Achievements	
Indicator 1	To increase the site visitors at least 20%. → Not achieved

<Activities and Achievements in 2014>

Activities	
The activities were mostly the same as those in 2013.	
Indicators and Achievements	
Indicator 1	To upload more than 80 general topics. → Achieved
Indicator 2	To upload more than 280 economic/business topics → Achieved

Indicator 3	Total number of upload should be more than 365. → Achieved
Indicator 4	To receive 275,000 site visitors → No judgement (as the new counting system was introduced in the middle of FY2014)

<Activities and Achievements in 2015>

Activities	
Reflecting the requests from the public, the PIC revised the 'Pacific Islands Profile' for the first time after 2006. Due to budget constraints, only the web version was published. Other activities were mostly the same as those in 2014.	
Indicators and Achievements	
Indicator 1	To upload more than 80 general topics. → Achieved
Indicator 2	To upload more than 280 economic/business topics → Achieved
Indicator 3	Total number of upload should be more than 365. → Achieved
Indicator 4	To receive 275,000 site visitors → Not achieved (238,000)
Indicator 5	E-Newsletters should be newly published. → Not achieved

<Activities and Achievements in 2016>

Activities	
The activities were mostly the same as those in 2015.	
Indicators and Achievements	
Indicator 1	To upload more than 80 general topics. → Not achieved
Indicator 2	To upload more than 280 economic/business topics → Achieved
Indicator 3	Total number of upload should be more than 365. → Achieved
Indicator 4	To receive 275,000 site visitors → Achieved (317,000)
Indicator 5	E-Newsletters should be newly published. → Achieved
Indicator 6	To send at least one topic to Pacific Periscope per month → Not achieved

<Activities and Achievements in 2017>

Activities	
The PIC undertook another major website renovation, to be completed in 2018	
The PIC's topics in English were transferred to the Periscope to make more chances to disseminate the PIC's activities to the Pacific islands people.	
PIC started publishing E-news (named as 'Pacific Breeze') in October 2017 to provide the latest information on FICs and connect FICs with Japanese companies, organisations and individuals. It also aims to retain the PIC network especially with the people and companies outside Tokyo.	
Indicators and Achievements	
Indicator 1	To upload more than 100 general topics. → Not achieved
Indicator 2	To upload more than 300 economic/business topics → Not achieved
Indicator 3	Total number of upload should be more than 450. → Not achieved
Indicator 4	To receive 250,000 site visitors → Achieved (387,000)
Indicator 5	E-Newsletters should be newly published. → Achieved
Indicator 6	To send at least one topic to Pacific Periscope per month → Achieved

The PIC has endeavoured to provide trade, investment and tourism-related information on its website. The activities were more or less the same throughout the target period. A notable addition was the publication of the e-newsletter 'Pacific Breeze', which provides Pacific island-related events and information to interested Japanese businesses and

organisations. It is functioning as a tool to keep the Japanese businesses connected to the PIC.

(c) Exhibition and Seminars

<Activities and Achievements in 2013>

Activities	
The PIC participated in three major exhibitions: Marine Diving Fair, JATA Travel Showcase and Private Label Trade Show Japan.	
Pacific Islanders Club meetings were organised three times in FY2013, each with more than 100 participants.	
The Pacific islands – Sendai business lunch seminar was organised in association with PALM Interim Ministerial Meeting, in which more than 150 people gathered.	
The PIC organised a seminar on Japan-PNG Investment Treaty.	
The PIC improved the display at the PIC Showroom.	
Indicators and Achievements	
Indicator 1	At least one media coverage → Achieved
Indicator 2	New agent entering the market → No visible results
Indicator 3	At least one to two business negotiation started → Achieved
Indicator 4	Total participants in the Pacific Islanders Club will be 20%+ → Achieved
Indicator 5	10%+ new members join the Pacific Islanders Club → Achieved
Indicator 6	Organise a seminar with two other business groups → Achieved

<Activities and Achievements in 2014>

Activities	
The PIC participated in two major exhibitions: Marine Diving Fair and JATA Travel Showcase.	
Pacific Islanders Club meetings were organised twice in FY2014.	
The PIC hosted and supported various kinds of seminars and symposiums for active business exchanges between Japan and PNG.	
PIC actively participated and made presentations on various seminars and events held by other organisations.	
Indicators and Achievements	
Indicator 1	The number of visitors to the PIC reach 5,000 → Not achieved
Indicator 2	The PIC participate in at least three major tourism / business shows → Not achieved
Indicator 3	The PIC organises at least four workshops and/or seminars → Achieved
Indicator 4	The PIC cooperates on at least three seminars/workshops → Achieved

<Activities and Achievements in 2015>

Activities	
In collaboration with PALM 7, the PIC organised the Pacific Festa for four days in Tokyo.	
The PIC participated in two major exhibitions: Marine Diving Fair and Cosme Tokyo.	
Pacific Islanders Club meetings were organised three times in FY2015.	
The PIC assisted and advised to the government for the Japan-PNG Business Forum held at the time of the official visit of the PNG's Prime Minister.	
PIC organised a workshop on tourism, and also actively participated and made	

presentations on various seminars and events held by other organisations.	
Indicators and Achievements	
Indicator 1	The number of visitors to the PIC reach 5,000 → Achieved
Indicator 2	The PIC participate in at least two major tourism / business shows → Achieved
Indicator 3	The PIC organises at least two workshops and/or seminars → Achieved

<Activities and Achievements in 2016>

Activities	
The PIC participated in two major exhibitions: Marine Diving Fair and Tokyo International Gift Show.	
Pacific Islanders Club meetings were organised twice in FY2016.	
The Pacific Islands Business Seminar was co-sponsored by JETRO and PIC and held in accordance with the Fukushima-Iwaki Declaration at PALM 7. The seminar was attended by over 150 participants.	
Indicators and Achievements	
Indicator 1	The number of visitors to the PIC reach 5,000 → Achieved
Indicator 2	The PIC participate in at least two major tourism / business shows → Achieved
Indicator 3	The PIC organises at least two workshops and/or seminars → Achieved
Indicator 4	The PIC offers/holds at least three seminars/workshops → Achieved

<Activities and Achievements in 2017>

Activities	
The PIC participated in two exhibitions: The Marine Diving Fair and the International City Ota Festival.	
Pacific Islanders Club meetings were organised twice in FY2017.	
The Pacific Islands Business Seminar was co-sponsored by JETRO and PIC and held in accordance with the Fukushima-Iwaki Declaration at PALM 7. The seminar was attended by over 150 participants.	
The PIC co-organised the 'Fiji Trade and Investment Seminar' with the Fijian Embassy in Tokyo and JETRO, attended by 100 business people.	
The PIC held the Tonga Tourism seminar, attended by 30 interested people.	
PIC's Deputy Director delivered a lecture on 'Cooperation between Palau and Japan' at JICA's Palau exhibition.	
Indicators and Achievements	
Indicator 1	The PIC participates in at least one major tourism / business show → Achieved
Indicator 2	The PIC organises at least two workshops and/or seminars → Achieved
Indicator 3	The PIC supports/participates in at least three seminars/workshops → Achieved

The PIC regularly participates in large-scale exhibitions and seminars to promote business relationships between Japan and FICs. In addition to other seminars and workshops independently or jointly organised, the PIC has been holding Pacific Islanders Club meetings more than 20 times since it was commenced. The Pacific Islanders Club meetings are often participated by more than 100 people interested (normally held in a hall above the PIC office) and has become a place for the businesses not only to gain

knowledge about the Pacific region but also to get acquainted with the PIC staff members, government organisations and other companies actually doing or interested in doing business in the Pacific region. As a whole, it can be seen from the tables above that the PIC has been actively holding, supporting and participating in a number of exhibitions and seminars and achieved many of the indicators set for each year.

(d) Other Promotional Activities

During the period of FY2013 to FY2017, a number of other promotional activities were carried out by the PIC. Some of the key activities are extracted from the Annual Reports and summarised as follows.

<Major Activities and Achievements in 2013>

Activities	
Promotion of Tamanu Oil into the Japanese market	
A study on the ‘perspective of economic development in the small island states’ was carried out with some prominent scholars in Japan.	
Under the attachment programme (in place since FY2006), the PIC assisted a Tongan exporter to solve issues with their client in Japan, which led to the continuation of their business relationships.	
The PIC provided support for a private business mission to PNG and the Pacific Islands Dance Festival held in 2012 and 2013.	
Regular meetings with the Pacific embassies in Japan	
Receiving Pacific islander interns from universities in Japan	
Director / Deputy Director giving lectures at various occasions	

<Major Activities and Achievements in 2014>

Activities	
At the occasion of the Japanese Prime Minister’s visit to PNG, the PIC organised a business delegation in which 55 members from major Japanese companies participated.	
The first business mission (Japan-Tonga Economic Exchange Mission) of 14 members was despatched to Tonga and the Japan-Tonga Trade symposium was held in Nuku’alofa.	
The PIC continued sending its staff members to FICs for the purpose of business dialogues and networking activities with the private sector and government organisations.	
The PIC continued to provide support for a private businesses in trade, investment and tourism. Also, the PIC provided information to a group of Japanese scientists on climate change.	
Regular meetings with the Pacific embassies in Japan	
Receiving Pacific islander interns from universities in Japan	
Director / Deputy Director giving lectures at various occasions	
Indicators and Achievements	
Indicator 1	The PIC assists at least 10 missions from FICs → Achieved
Indicator 2	The PIC assists at least 24 missions to FICs → Achieved
Indicator 3	At least one business agreement is reached on Tamanu oil. → Achieved

Indicator 4	All internship students are cared and satisfied with the PIC → Achieved
Indicator 5	The PIC receives 400+ audiences to its seminars/workshops. → Achieved

<Major Activities and Achievements in 2015>

Activities	
The Japan Private Sector Delegation, consisting of 17 members, was despatched to Fiji and a series of meetings were held, leading to two business relationships. The Fiji-Japan Trade and Investment Seminar was held during the mission's visit.	
The PIC continued sending its staff members to FICs for the purpose of business dialogues and networking activities with the private sector and government organisations.	
The PIC continued to provide support for mutual visits of private businesses in trade, investment and tourism.	
The PIC staff members participated in various Pacific-related events and made presentations related to trade, investment and tourism.	
Regular meetings with the Pacific embassies in Japan. PIC also assisted other FICs not having embassies in Japan, most notably in sending donations from Japan to Vanuatu.	
Receiving Pacific islander interns from universities in Japan	
Indicators and Achievements	
Indicator 1	The PIC assists at least 10 missions from FICs → Achieved
Indicator 2	The PIC assists at least 24 missions to FICs → Not achieved
Indicator 3	All internship students are cared and satisfied with the PIC → Achieved
Indicator 4	The PIC receives 400+ audiences to its seminars/workshops. → Achieved

<Major Activities and Achievements in 2016>

Activities	
The Japan's Public-Private Joint Mission, consisting of 13 members, was despatched to Samoa and the Samoa-Japan Trade and Investment Seminar was held during the mission's visit.	
The PIC continued sending its staff members to FICs for the purpose of business dialogues and networking activities with the private sector and government organisations.	
The PIC continued to provide support for mutual visits of private businesses and actual business activities in trade, investment and tourism.	
The PIC staff members participated in various Pacific-related events and made presentations related to trade, investment and tourism.	
Receiving Pacific islander interns from universities in Japan	
The PIC held the 2 nd Pacific Islands Business Seminar and a reception to commemorate the 20 th anniversary of the establishment of the PIC.	
Indicators and Achievements	
Indicator 1	The PIC assists at least 10 missions from FICs → Achieved
Indicator 2	The PIC assists at least 24 missions to FICs → Not achieved
Indicator 3	All internship students are cared and satisfied with the PIC → Achieved
Indicator 4	The PIC receives 400+ audiences to its seminars/workshops. → Achieved

<Major Activities and Achievements in 2017>

Activities	
The Economic Exchange Mission, consisting of 8 members, was despatched to RMI and the Marshall Islands-Japan Trade and Investment Seminar was held during the mission's visit.	
The PIC continued sending its staff members to FICs for the purpose of business dialogues and networking activities with the private sector and government organisations.	
The PIC continued to provide support for mutual visits of private businesses and actual business activities in trade, investment and tourism, including some follow-up activities of the past business missions.	
The PIC staff members participated in various Pacific-related events and made presentations related to trade, investment and tourism.	
Receiving Pacific islander interns from universities in Japan	
Indicators and Achievements	
Indicator 1	The PIC assists at least 10 missions from FICs → Achieved
Indicator 2	The PIC assists at least 24 missions to FICs → Achieved
Indicator 3	All internship students are cared and satisfied with the PIC → Achieved
Indicator 4	The PIC receives 500+ audiences to its seminars/workshops. → Achieved

3. As summarised above, the PIC has assisted a number of businesses mutually between Japan and the FICs in terms of providing business information and supporting the actual business activities including some logistical matters. What is notable about the PIC's activities are that they extend their support at an individual company level, which not the kind of support seen in Japan. As most of the companies interested in the Pacific do not have any established network, the PIC has been utilised and appreciated for its services (free of charge). As described later, the PIC is also generally well known to the Pacific embassies in Japan mainly due to their efforts to keep close contacts with them.

4. The above tables on the PIC's 'Publications', 'Web publication and other information distribution activities', 'Exhibition and seminars' and 'Other promotional activities' indicate that the PIC has been tasked with a lot of activities which have to be undertaken by four staff members. As one of them is the office manager, the programme-related activities are normally handled by three members (Director, Deputy Director and Promotion Coordinator). While there is an advantage that all officers can be engaged in all aspects of activities, acquiring knowledge and experiences in those fields, there is no time for any of them to be trained in a professional way in any fields unless they had it prior to joining the PIC.

5. Moreover, the activities undertaken are gradually increasing while the traditional activities have remained to be done (such as guidebooks and the statistical handbook). The reviewer is of the opinion that the PIC might need to take a stocktaking of all

activities, prioritise them and abolish or reduce some activities in light of the significance and the level of contributions they make. This would be the pragmatic approach the PIC can take under the constraints of resource shortages.

6. Over the target period of this review, the role of the PIC expanded and the involvement of Japanese businesses has become gradually more widespread and the reviewer considers that the level of recognition of the PIC including their activities and the impacts they have had on closer economic relationships has become higher, particularly through the establishment of Pacific Islanders Club meetings and the business missions, though the degrees of impacts have not been quantified.

PART 7

PACIFIC TRADE: SOME LESSONS FOR PIC

1. Because of its mandate in promoting trade, the role of PIC could be better enhanced through an understanding of the trade dynamics in the Pacific and how it could respond well to the emerging needs of PIFCs. PIC could benefit from learning the lessons of the changing economic relations and trade in the region.

2. One of the major lessons PIC can benefit from are the three SDG trade related provisions: (a) Target 17.10: Promote a universal, rules-based, open, non-discriminatory and equitable multilateral trading system under the World Trade Organization, including through the conclusion of negotiations under its Doha Development Agenda; (b) Target 17.11: Significantly increase the exports of developing countries, in particular with a view to doubling the least developed countries' share of global exports by 2020; (c) Target 17.12: Realize timely implementation of duty-free and quota-free market access on a lasting basis for all least developed countries, consistent with World Trade Organization decisions, including by ensuring that preferential rules of origin applicable to imports from least developed countries are transparent and simple, and contribute to facilitating market access.⁹

3. Another major lesson for PIC is that trade has been responsible for transforming the lives of millions of people in poverty. The proportion of the world's population living on less than PPP USD 1.90 per day fell from around 35% in 1990 to less than 10% in 2015.¹⁰ While there were other factors responsible for this improvement, trade is a major variable. In Global South economies, figures from 1993 to 2008 show that trade may have contributed to poverty reduction in Global South countries through change in real income of the bottom 20% of the population. Trade is now seen as a significant factor in addressing inequality and TPOs play a vital role in this.¹¹ How can PIC position itself to fulfil these expectations? It must, however, be noted that reliance on trade varies from country to country in the Pacific. Most countries have semi-subsistence economies where

⁹ For details, see UNDP. 2015. *Sustainable Development Goals*. New York: UNDP.

¹⁰ OECD. 2017. Why open markets matter. www.oecd.org/trade/understanding-the-global-trading-system/why-open-markets-matter/

¹¹ OECD. Why open markets matter. 2017. www.oecd.org/trade/understanding-the-global-trading-system/why-open-markets-matter/.

both the market and subsistence systems of production exist side by side. In some cases, the subsistence economy makes up close to 80% of people's wellbeing.¹²

4. Often TPOs are caught up in complex situations, including free trade and economic nationalism, although this may not necessarily be the case with PIC. Global and regional trade has become a battleground for trade liberalization and economic nationalism.¹³ In Asia, the tension between regionalism through ASEAN and nationalism as well as liberalization through the TPP agreement continue to shape the trade regimes.¹⁴ In the Pacific, the export capacity of individual countries and the size of their markets are two of the few factors which shape the viability and sustainability of any free trade arrangement. The two major economies, Australia and New Zealand, dominate trade in the Pacific and often small states are mere buyers of exported goods in a rather unequal trade relationship. Japan is not part of any free trade deal which includes the PIFCs but this is something to consider in the future.

5. PIC needs to learn the lesson of how trade in Global South countries as in the Pacific can have significant impact on wellbeing through reallocation of resources to address inequality. However, this needs to be examined critically and carefully because while there are some potential gains from trade, many are still being left out and this may contribute to inequality, grievances and potential conflict.¹⁵ Some countries may want to institute protectionism, quotas and subsidies which may benefit the disadvantaged sections of the community. The balance between growth and distribution has been a major dilemma for many developing economies such as those in the Pacific.¹⁶

6. Although the capacity for PIFCs to trade amongst themselves or with overseas trade partners is limited, there is potential in the future given the right innovative strategies and support and PIC may need to work out how it can contribute to this as part of its strategic plan. The trade deficit with New Zealand alone is about NZ\$1.2 billion.¹⁷

¹² Ratuva, S. 2014. Failed states or resilient subaltern communities: Pacific indigenous social protection systems in a neoliberal world." *Pacific Journalism Review*, 20 (2): 39-57.

¹³ ESCAP. 2019. Asia Pacific trade and investment report 2018. Bangkok: ESCAP.

¹⁴ Ratuva, S. 2017. Asian regionalism, neoliberalism and multilateralism: The challenges of APEC. In A. Chang and T. Chang. *Handbook of Asia*. London: Routledge.

¹⁵ Ratuva, S. 2019. *Contested terrain: Reconceptualising security in the Pacific*. Canberra: ANU Press.

¹⁶

¹⁷ MFAT. 2019. Pacific. <https://www.mfat.govt.nz/en/countries-and-regions/pacific/#Trade>.

The aggregate trade deficit with Japan is not as bad, largely because of Japan's heavy import of LNG and minerals from PNG, which "distorts" the figures a bit. For other small island states, there is heavy reliance on Japanese technology, vehicles and machinery.

7. To address some of the issues of isolation, low productivity and market access, a number of trade regimes were established in the Pacific with different degrees of successes and failures. Amongst these were the South Pacific Regional Trade and Economic Co-operation Agreement (SPARTECA), a non-reciprocal trade agreement with Australia and New Zealand; Pacific Island Countries' Trade Agreement (PICTA) between the Pacific island states of the PIFCs; the Economic Partnership Agreement (EPA) between the EU and Pacific Island States; and the Pacific Agreement on Closer Economic Relations-Plus (PACER-Plus). The Melanesian Spearhead Group (MSG), a sub-regional entity has its own internal free trade agreement. For various reasons, not all the PIFCs, notably Fiji and PNG, the largest Pacific island economies, have signed up to PACER-Plus. These trade agreements have had or will have impacts on PIFCs economies and PIC needs to work out its engagement policies in the light of these.

8. The benefits of these trade agreements on the PIFCs has been a matter of debate and need to be examined in terms of individual countries and how they have leveraged these agreements to maximize benefits for themselves. Fiji, which controls about 80% of trade amongst the PIFCs (outside NZ and Australia) was one of the biggest beneficiaries of SPARTECA. The EU refused to entertain the idea of labour movement mooted by the PIFCs under EPA but under PACER-Plus, this appears promising. Both New Zealand and Australia have started the seasonal labour scheme to allow labourers from some Pacific Island countries to work in those countries. A labour mobility scheme with Japan is a workable idea and PIC is well positioned to be part of that process.

9. Labour mobility and remittances sent by relatives working or playing sports in the US, Australia, UK, New Zealand and other parts of the world have contributed significantly to the local economy and to the wellbeing of the people. The importance of remittance is in terms of how it directly reaches the ordinary consumers and contributes to changes in people's quality of life at the grassroots level.¹⁸ Remittance from Japan is largely from rugby players. The low level of invest, rapid expansion of youth bulge, chronic unemployment and inability of the state to provide opportunities, labour export

¹⁸ Chee-Keong, C., Jayaraman, T., and Kumar, R. 2011. Role of remittance in small Pacific island economies: An empirical study in Fiji. *International Journal of Economics and Business Research*, 3(5): 526-542.

to new markets like Japan will become a major area of focus in the future, a potential area of focus for PIC.

10. The recent focus on aid for trade (A4T) by New Zealand and Australia under PACER-Plus has some promise, despite some misgivings about PACER-Plus' long-term viability in relation to trade equity for smaller PIFCs. Associated with this is developing the capacity to overcome quality and quarantine barriers. A4T, if properly targeted, has the potential to develop the export capacity of the smaller economies as well as providing them with market access provided by trade agreements such as PACER-Plus. Aid for trade by Japan would be a great way of boosting trade and investment in the Pacific and the role of PIC in this will be critical.

11. Trade in the PIFCs has not addressed the bigger structural issues of inequality and wealth access. Many rely largely on the family and community-based "informal" economy for sustenance and more than ever before, there is an increase in drug production and trade in the form marijuana and hard drugs. Drugs provide a quick way of generating cash but also create conditions for long-term harm to society. More agricultural investment in rural areas to help curb this problem, could be an area Japan would be willing to invest in.

12. The development of niche markets in the Pacific the areas of tourism, ICT-related services, labour services, manufactured goods and agriculture hold promise.¹⁹ A number of countries are now linked to the Southern Cross cable and now have high capacity broadband access and this made a significant difference in their communication capacity. There is potential for partnership with Japanese businesses in these areas and PIC's role here is critical.

13. Tourism is the main growth area in the Pacific and many PIFCs rely on tourist dollars for development. The growth of the industry has been consistent over the years and concerted efforts have been initiated by governments and the tourism sector to boost marketing, as well as develop and upgrade infrastructure, accommodation and other tourism-related facilities.

14. The involvement of China in the region has "shifted" the trade dynamics and made it more diverse and competitive. For instance, Pacific exports to China have

¹⁹ Duncan, R. 2008. *Pacific trade issues*. Manila: Asian Development Bank.

increased quite steeply from \$46m in 2005 to almost \$400m in 2017.²⁰ This has overtaken exports to Australia, which decreased to \$160m in 2017 from \$210m in 2005.²¹ There has been a twelve-fold increase in the value of Chinese exports to the region since 2000 and over the same period, Australian imports remained stagnant. China’s expanding economic influence has the potential to overshadow Japan’s economic as well as political clout in the Pacific and PIC has to seek ways of rebalancing this shifting tide.

15. Competition between the PIFCs is minimal because of disparity in economic and trade capacity and this allows the big economies such as Fiji and PNG to be dominant regional economic powers. Because of its central location and historical circumstances, Fiji has positioned itself as the regional commercial and commercial hub, although PNG has much more potential in terms of resources and trade outputs.²²

PIFCs trade with Japan: How should PIC respond to the trends?

16. One of the fundamental challenges for PIC is that it is responsible for an entire geopolitical region with 14 countries with diverse economic base and trade capacity. For the purpose of this review, a number of significant features of PIFC-Japan trade need to be examined. These include: (a) the diverse and varying export capacity of PIFCs; (b) share of Japan’s global trade (c) the focus on primary and extractive industries for export; (d) the lack of detailed data to identify and isolate aspects of trade which can be attributed to PIC’s activities.

Figure 1: Top three exporters and importers for eight Pacific countries

Country	Top 3 export partners			Top 3 import partners		
Fiji	USA	Australia	New Zealand	Singapore	China	New Zealand
Palau	Japan	Guam	USA	USA	Singapore	Japan
Samoa	American Samoa	Australia	New Zealand	New Zealand	Singapore	China
Solomon Isds	China	Italy	Switzerland	Australia	China	Singapore
Kiribati	Malaysia	USA	Fiji	Australia	Fiji	China
Tonga	New Zealand	China	USA	New Zealand	Singapore	USA
Micronesia	Guam	N. Mariana Isds	USA	USA	China	Guam
Cook Islands	Japan	China	USA	New Zealand	Fiji	Australia

Source: Dornan, M and Muller, Sachini. 2018.²³

²⁰ UN Department of Economic and Social Affairs. 2019. UN Comtrade database. <https://comtrade.un.org/data/da/>.

²¹ Dornan, M. and Muller, S. 2018. The China shift in Pacific trade. DevPolicy Blog. <https://www.devpolicy.org/>.

²² The Commonwealth. 2019. Helping Fiji to become a Pacific trading and investment hub. London: Commonwealth Secretariat. <http://thecommonwealth.org/project/helping-fiji-become-pacific-trading-and-investment-hub>.

²³ Dornan, M and Muller, Sachini. 2018. The China shift in Pacific trade. *DevPolicyBlog*.

17. *Varying export capacities:* As Table 1 shows, Japan does not really feature prominently in as far as trading with most PIFCs is concerned. It does, however, feature in the top three export partners for Palau and Cook Islands and is in the top three import partners for Palau. In ascending order, in 2017, PNG was the largest PIFC exporter to Japan, followed by Fiji, Vanuatu, Palau, Cook Is, Marshall Is, Kiribati, FSM, Nauru, Solomon Is, Tonga, Tuvalu, Samoa and Niue.

18. Figures shown by the PIC *Statistical year book* shows that the total export for the period 2008 to 2017 was around US\$16.3 billion. Some countries performed better than others, but the pattern varied from year to year, with modest increases and decline. Between 2013 and 2017, the increases were as follows: Cook Islands (USD7.6 million); FSM (USD4.5 million); Fiji (USD3.7 million); Kiribati (USD5.7 million); Marshall Is (USD10.2 million); Nauru (USD3.2 million); Niue (42,000); Palau (7.5 million); PNG (1.7 billion); Samoa (147,000); Solomon Islands (745,000); Tonga (1.2 million); Tuvalu (2.3 million); Vanuatu (32.5 million). Export by PIFCs to Japan has generally been stagnant with slight fluctuations year by year. In total, the PIFC's export to Japan fluctuated from a high in 2008 (US\$1.4 billion) to a low in 2011 (US\$ 846 million) before a gradual increase and peaking in 2015 (3.2 billion).²⁴

19. *Share of Japan's trade.* The increase has been largely due to PNG's export of mineral fuels that constitute about 75% of all Pacific islands export to Japan.²⁵ As the table shows, the PIFCs export to Japan vary substantially in terms of quantity. PNG is the largest exporter because of its mineral and liquefied natural gas (LNG) exports. This is facilitated by direct Japanese investment in LNG extraction and production. For instance Nippon PNG LNG (JXV Marubeni) has 4.7% shares PNG LNG project. Chiyoda Corp and JGC Corp were involved in the procurement and construction of LNG plant. Osaka Gas and Mitsubishi Corp hold shares in the PRL4 Stanley mining area with 20% and 10% respectively. The two companies also hold shares of PRL21 Ketu/Elevara with 8% and 7.5% respectively. Tokyo Electric and Osaka Gas purchase LNG from PNG. Japanese imported around 84.8 million tons of LNG in 2016 and this makes up 5% of Japan's import.²⁶

<https://www.devpolicy.org/china-in-the-pacific-australia-trade-challenge-20181115/>

²⁴ PIC. 2018. Statistical yearbook. Tokyo: PIC.

²⁵ PIC. 2018. Statistical yearbook. Tokyo: PIC.

²⁶ Gorethy, Kenneth. 2018. Papua New Guinea's economic relations with Japan hits an all-time high. *Post Courier*. <https://postcourier.com.pg/papua-new-guineas-economic-relations-japan-hit-time-high/>

20. The PIFCs' export to Japan constitutes less than 10% of Japan's trade with other parts of the world. As Table 2 shows, there has been a steady decline in the share of the Japanese export market by the PIFCs, despite increases in the individual country exports. From 8% in 2008, the proportion declined dramatically to less than 1% in 2009, 4% in 2010, 5% in 2011, 6% in 2012, 3% in 2013, 9% (the highest) in 2014, 5% in 2015, less than 1% in 2016 and 3% in 2017. The total for the whole 11 years is 7%. The diminishing proportion is largely due to the competitive edge of other international exporters, against whom the PIFCs find it hard to compete with.

21. The trade deficit between Japan and the PIFCs has been largely offset by PNG's huge volume of LNG exports which started in 2013. In a way this tends to give a "distorted" picture of the regional-wide trade with Japan by portraying a positive outlook.

Table 2: PIFC exports to Japan, 2008 to 2017

Year	Total exports (USD000)	% of world exports to Japan
2008	1,004,774.04	8
2009	712,401.49	<1
2010	972,210.34	4
2011	846,015.62	5
2012	1,143,734.18	6
2013	916,490.89	3
2014	2,601,815.18	9
2015	3,210,277.35	5
2016	2,192,254.07	<1
2017	2,726,717.67	3
total	16,327,633.92	7

Source: Adapted from PIC Statistical handbook, 2018.

22. The lesson here is that PIC should recalibrate its strategies with clear aims as to what it needs to achieve not only in terms of increasing the volume of investment and trade, also in increasing the percentage. The target should be expressed as KPI in its strategic plan. This may not be easy because of the fluidity and often unpredictability of the global economic climate, but at least there should be an identifiable target around which resources can be mobilized.

23. *Emphasis on primary industries:* More than 95% of products exported to Japan from PIFSs are based on primary and extractive industries. In 2017, the percentages for the various categories were: food and live animals (6.93%); beverage and tobacco (0.07%); crude materials (16.65%); mineral fuels (75.26%); manufactured goods (0.64%); machinery, transport equipment (0.09%); miscellaneous articles (0.01%); and commodities not classified (0.35%).²⁷ Mineral fuel is largely liquefied natural gas sourced from PNG while crude materials consists of hide, skins, fur skins, wood, timber, cork, crude minerals, metalliferous, scrap, crude animals and vegetables. Food and live animals consist largely of tuna, are sources in different amounts from all the other countries except Nauru and Niue.

24. With the decline in tuna stock, this becomes a major issue of sustainability, a major thrust of the Blue economy framework. Figures show that export for some species of tuna in the six largest tuna exporters to Japan (Fiji, Marshall Islands, PNG, Kiribati, Solomon Islands and Vanuatu), have decreased considerably between 2013 and 2017.²⁸ This signals a bigger issue of overfishing and over-exploitation of the Pacific Ocean's resources. Between 2013 and 2017, the total volume in kilogram of tuna exported by individual countries were Cook Is (323,692), FSM (3,731,301), Fiji (14,932,650), Kiribati (9,888,008), Marshall Is (8,936,904), Palau (7,534,482), PNG (6,197,706), Samoa (208,069), Solomons (3,807,967), Tonga (469,988), Tuvalu (2,345,293) and Vanuatu (56,533,036).²⁹ While fish export is important for the livelihood of PIFCs, the issue of sustainability is also critical and measures must be put in place to address this and PIC should be well placed to promote the sustainability issue.

25. A long term alternative strategy will be for Japanese companies to invest more in the areas of organic farming in partnership with local Pacific producers and landowners, similar to the Hotel Chocolate model, a UK chocolate company which engages in partnership with Caribbean cocoa farmers.³⁰ PIC can play a crucial role in facilitating more investment by Japanese entrepreneurs and companies in organic and associated value-added products. In the context of the Blue Pacific economy, there is certainly a lot of promise in this area.

²⁷ PIC. 2018. Statistical yearbook. Tokyo: PIC.

²⁸ Ibid.

²⁹ PIC Statistical Yearbook, 2018.

³⁰ Market screener. 2017. Hotel Chocolat: The Future of fair cocoa. <https://www.marketscreener.com/HOTEL-CHOCOLAT-GROUP-PLC-27506720/news/Hotel-Chocolat-THE-FUTURE-OF-FAIR-COCOA-25023973/>

26. *Lack of data on PIC role.* One of the challenges is that it is not easy to know how much of the trade volumes resulted from the work of the PIC. It is important for PIC to work out a monitoring system to enable it to estimate roughly how much of the trade volume, investment and tourism traffic can be attributed to its work. While this cannot be precise, a general picture of trends using a reliable method of approximation would be of value to gauge the work of PIC in the broader trade environment.

PART 8

CONSULTATIONS IN THE PACIFIC ISLAND

COUNTRIES AND IN JAPAN

1. This part of the report analyses the responses from the six countries during the field visits. Dr. Keisuke Nishikawa visited Republic of the Marshall Islands, Federated States of Micronesia and Palau while Prof. Steven Ratuva visited Cook Islands, Vanuatu and Solomon Islands.

Republic of the Marshall Islands, Federated States of Micronesia and Palau

2. The Japanese consultant visited three Micronesian countries from 19 June to July, for 2-3 working days in each country interviewing a total of 28 people from 20 organisations (see Appendix for the list of those interviewed), such as business associations, individual firms, government organisations as well as Japanese embassies and JICA. Key findings are summarised as follows.

(a) Recognition of PIC and Relationships with PIC

In this review study, the reviewer visited three Micronesian countries and met mainly with those who had some kind of contact over the previous few years. Therefore, everyone was aware of the names of PIC and that PIC is an international organisation promoting trade, investment and tourism between Japan and the Pacific island countries. Most of the interviewees, however, did not know much about the details of the PIC's services and activities. This was particularly the case with the private sector and most of the interviewees commented that the private sector was generally not aware of the services offered by the PIC, and so that they did not know how to make an approach to the Japanese market, mainly due to lack of information.

In the Republic of Marshall Islands and Palau, business seminars were held during the dispatches of the business missions in 2017 and 2018 respectively. With the visits of Japanese businesses as a group, it is presumed that they had at least a certain degree of impact on strengthening business relationships between Japan and those countries. The Chamber of Commerce in those countries as a business body became more aware of the

PIC as well as the interests expressed by Japanese businesses. While actual and concrete business activities in a collaborative manner may not be seen immediately, it is thought that the awareness on the PIC as a TPO is expected to lead to closer and more frequent contacts of businesses through trade, investment and tourism-related activities.

Several companies and governmental organisations in Micronesian countries had concrete relationships with the PIC, such as companies that participated in FOODEX JAPAN events. Interviews with them have revealed that they appreciate the services provided by the PIC for their smooth participations in those events and exhibitions.

(b) Business Missions

There were two business missions dispatched to the Micronesian region during the target period of this review – to the Republic of Marshall Islands in November 2017 and Palau in December 2018.

The Japan and Marshall Islands Trade and Investment Seminar was held on 21 November, 2017 participated by some 20 participants from both countries, including 10 business mission members from Japan. In the following year, the Japan and Palau Trade, Investment and Tourism Seminar was held on 4 December, 2018 participated by some 120 members including 29 business mission members from Japan.

According to the interviews with some of the participants during the reviewer's visit, they clearly remembered the seminars and commented that the seminars were good opportunities to get to know Japanese businesses that were interested in some kind of business relationship with the FICs though there have been few actual business transactions triggered by the seminars. What was also found out as an impact of the seminar was the closer relationship fostered among the businesses in the FICs. In Marshall Islands and Palau, in addition to locally-owned businesses, there are a few (in RMI) and a number of Japanese businesses (Palau). Some of them in Palau (e.g. tour company) have said that they did not have close relationships with the government sector or major businesses in other industries prior to the seminar, but were able to get to know them. It is a positive impact that the seminar created opportunities for local businesses (Japanese and non-Japanese ones) to build close ties with each other.

There were some suggestions made during the interviews that some kind of follow-up activities be conducted regularly. In Japan, the PIC has been regularly sending

questionnaires to participant companies to follow-up with the progress or any movements, but on the island side, few contacts have been made between the PIC and the organisations/businesses involved in the seminars. As the PIC is short-staffed and unable to follow-up with all the participants, some form of mechanism to keep track of any further initiative is needed for the following several years.

(c) Expectations on the PIC

During the visits to Micronesian countries, expectations on the PIC's activities were expressed by the interviewees. The major ones are summarised as follows.

- In the three Micronesian countries, a number of small and large scale aid projects and volunteer programmes have been executed for many years. Many of the aid projects are related to infrastructure development, which is the basis for economic activities. Some of the volunteer activities are also related to business development. If there is information regarding Japanese businesses intending to find opportunities to collaborate with the Pacific companies or organisations (such as importing handicrafts or other products), the impacts of ODA would expand to the effects of individual projects.
- Pacific island countries wishing to export their goods though they cannot supply them stably in sufficient volumes. It means that there is often a lapse of time between shipments and the efforts to export the products to Japan on regular basis are easy to cease during the no-activity period. In order to continue any small efforts, there is a facilitator needed to establish the procedure.
- Business procedures and regulations are not fully developed or not adequately enforced in Pacific island countries, so that trade and investment, despite interests or demand in the private sector on both sides, cannot really be started and established. (It is assumed that this is an issue to be dealt with by respective countries. However, if the PIC has obtained any issues that could affect Japanese companies, then the role is to make a request to the Pacific island countries as necessary.)
- It was highly appreciated that the PIC was extending its services at an individual company level to promote any collaborative relationship between Japan and the Pacific island countries. Except for some countries, markets in many of the FICs are small, and some agricultural or cultural products which can fit into niche markets can

be sold well internationally while they are not the products manufactured in factories. The provision of information to facilitate trade relationships between Japan and FICs will be crucial. In order to achieve this, it is essential that the PIC have stronger networks with Pacific island governments and business organisations to exchange information, especially during the visits of the staff members to FICs.

Cook Islands, Vanuatu and Solomon Islands

3. In all the three countries visited, perception of the Japanese market was largely negative with respondents describing it as “restrictive,” “difficult to penetrate” or “hard.” Due to lack of knowledge of the Japanese market, there was a general desire by producers to understand the Japanese market better through research to enable them to break into it. The role of PIC was seen as critical in this regard. This tends to reinforce some comparative studies which have shown that Japan “is the most difficult market in the world” and there have been documented cases of spectacular failures together successes.³¹

4. In all three countries, there was consensus that the Japanese market was “very restrictive.” However, there was little or no knowledge of the reasons for this. Producers and even government officials were left in the dark as to what they can do to be able to have market access. There was inkling that it had to do with “quality” but there was no knowledge of what type of quality was required by the Japanese consumers.

5. One of the Cook Islands participants recommended a more proactive civic education process on Japanese culture in the Pacific amongst the business and political leaders and communities. It was also suggested that the same could be done about the Pacific in Japan.

6. In the Pacific, as elsewhere, the Japanese society is often framed in World War 2-associated stereotypical lenses, which tend to invoke culturally prejudiced attitudes rather than a proper understanding of the Japanese people and their culture. In the context of trade, rather than focusing purely on economic imperatives, it is important to

³¹ Ariga, M. 1990. Several crucial viewpoints to understand the Japanese consumer. In Dentsu Inc. (Ed.), *Japan 1991: Marketing and advertising yearbook* (pp. 85–91). Tokyo: Dentsu Inc: 85. Also see Melville, I. 1999. *Marketing in Japan*. Oxford: Butterworth-Heinemann.

understand the dynamics of the Japanese culture and how it shapes consumer behaviour. Of significance here is to understand some of the invisible and often subtle cultural norms, values, mores, perceptions, attitudes, behavioural dispositions and motivations which outsiders often cannot see. Research has identified a number of factors such as trust, collective conformity, mutual reciprocity, age, aesthetic values, risk aversion, busy schedules, quality assurance, Japanese imagery, branding and the changing nature of the Japanese society.³²

7. The role of the PIC in this is critical. It needs to expand its functions beyond just facilitating trade to providing education and training for business people in the Pacific about Japanese consumer behaviour and how to fashion the products to be acceptable to the Japanese market. The PIC needs to work with some Japanese universities and research institutes, which run Pacific research centres or other research components to engage in providing information about the socio-cultural aspects of the Japanese cultural norms and relationship with the consumer culture. There should also be training carried out on how to produce, package and market goods which have more chances of connecting with the Japanese consumer culture. This requires the collaborative effort of PIC, PIFS, business community and Japanese research institutions.

8. The idea is to raise the level of awareness of Pacific producers and provide them with the knowledge to empower them to make their independent evaluation of the Japanese culture and consumer sociopsychology to enable them to improve the quality and presentation of their products as well as alternative strategies for marketing and promotion. The Japanese consumer culture is vastly different from those of Australia, New Zealand or even Chinese and recognition of these differences should be the basis for framing relevant marketing strategies unique to those countries. Consumer behaviour is shaped by an array of factors including market forces and local cultural systems.

9. It was clear from the field consultation that “markets’ were seen as natural, pre-existing and unchangeable and thus difficulty of access into the Japanese market was considered “normal.” This killed any initiative to consider Japan as a possible export destination. This is why education about Japanese consumer behaviour has potential to open up new possibilities and hope. Another way of ensuring entry into the Japanese market is through partnership between Pacific and Japanese entrepreneurs. This can help

³² Synodinos, N. 2001. Understanding Japanese consumers: Some important underlying factors. *Japanese Psychology Research*, 43(4): 235-248.

address two major challenges including Japanese investment in the Pacific and Japanese market access. This partnership involves Japanese entrepreneurs investing in a project in collaboration with local partners who could provide equity in the form of land and capital. We have seen evidence in the three countries visited where market access to Japan was only possible through involvement of Japanese companies in commercial operations such as tourism and beef export in Vanuatu and tourism and tuna in Solomon Islands. There are other examples of this around the Pacific, the most prominent of which is liquefied natural gas and mining in PNG, where Japanese corporations heavily invest.

10. One of the growing models around the world is partnership between farmers and foreign corporations working together within the framework of fair trade. This ensures the use of organic approach to farming and production throughout the process as well as distributing the critical aspects of social capital such as power, ownership and benefits equitably. This worked very well for some time in Fiji's sugar industry and continues to work for many coffee, cocoa and banana farmers in the Global South. A well-regarded model for such operation is the case of the Hotel Chocolat partnership with cocoa farmers in the Caribbean island nation of St Lucia, where the company directly buys raw cocoa from farmers. This has revived the dying cocoa industry in St. Lucia and proven to be a win-win relationship with sustainable long term benefits for both parties.³³

11. Similar arrangements can be made in the Pacific to ensure that ordinary people directly benefit from trade, rather than just middlemen, entrepreneurs and corporations, who are often the main players and beneficiaries of trade promotions. This model fits in well with the Blue Pacific development philosophy of sustainability, equity and environmental justice.

12. Except for fish and minerals (from PNG), Japan is no longer seen as a lucrative market by many producers in the Pacific because of difficulty of access. The issue of access has discouraged a lot of potential Pacific island exporters to Japan. Unlike New Zealand and Australia where there is a large number of Pacific diaspora who are ready consumers of Pacific products (agricultural, etc.), and the existing mass of Pacific consumers makes it easy for Pacific products to enter these markets.

13. The strategies used by the PIC to promote investments is seen by some to be

³³ MacGregor, K. 2015. Hotel Chocolat: The saviour of St. Lucia's cocoa industry. *The Telegraph*, <https://www.telegraph.co.uk/foodanddrink/11459275/Hotel-Chocolat-the-saviour-of-St-Lucias-cocoa-industry.html>.

passive rather than proactive and more aggressive especially in a highly competitive and changing economic environment in the Asia-Pacific region.

14. There is also a perception that PIC was too “Japan-centred” in terms of its orientation rather than serving the interests of the PIFCs. This perception is reinforced by perception of close association with the Japan Ministry of Foreign Affairs and Trade through funding, staffing and accountability. A way to address this issue is to have two co-directors, a Japanese and a Pacific Islander.

Japan meetings

15. As part of this survey, in addition to meetings with the PIC, the Japanese reviewer visited the Ministry of Foreign Affairs, JETRO and one of the embassies of the FICs located in Tokyo as well as the Japan Pacific Islands Association³⁴, and had some discussions regarding their views on the PIC’s activities and the operating structure. To understand the broader views of the businesses and organisations closely related to the PIC, extensive interviews and/or a questionnaire survey needed to be conducted. However, due to the limited survey scope and period, they were not conducted.

16. Key findings by the reviewer through the opinions expressed by the interviewees in Japan are summarised as follows.

- As the organisations interviewed were all working closely with the PIC, they knew the roles and the details of PIC’s activities. Therefore, there were no issues of ignorance while it was the case in the Pacific island countries. They also admitted that the PIC was not widely known in the Pacific region and the embassy commented that it was partly because of many of the Pacific island representatives (embassies in Tokyo) not passing sufficient information to their government ministries as well as business communities about the PIC and that they can be the contact points to do businesses with Japan.
- The JETRO has been in close cooperation with the PIC to promote particularly trade and investment between Japan and the FICs mainly through holding Pacific islands-related exhibitions and seminars especially at the time of the Pacific Islands Leaders

³⁴ The Japan Pacific Islands Association (JAPIA) and the PIC signed an MOU in 2017, stipulating that the JAPIA will be an advisor for the PIC (for free of charge) on various Pacific-related topics including trade, investment and tourism.

Meetings (PALMs) every three years. The JETRO also used to send officers to work at the PIC as secondees. However, as the budget level has declined in the JETRO, (1) they stopped sending officers to the PIC, (2) their Japanese Trade Statistics Database, from which the PIC was sourcing the data for their Statistical Handbook, was discontinued in 2013, and (3) their Sydney Office is supposed to be in charge of business related matters in the Pacific, but in reality, they have not been able to collect relevant data and information, and are mostly dependent on the networks of the PIC. These factors are a clear indication that the PIC has become the only and crucial organisation to facilitate business relationships between Japan and the FICs.

All the organisations commented that the PIC has worked diligently with the limited number of staff members covering all the 16 countries and territories. Their primary focus is the promotion of business relationships for the benefit of the FICs, rather than that of Japanese businesses³⁵. This is starkly different from the role of JETRO that is promoting trade and investment activities of Japanese companies outside Japan. While the PIC is not an aid donor, it has an aspect of acting as a facilitator of business matching in a niche market at an individual company level. This aspect is considered to be unique. However, the PIC, while it has a name of ‘international organisation’, is not positioned as an international organisation and does not have any diplomatic privileges.

Some concerns were expressed in terms of securing of PIC’s human resources in the future. The PIC’s activities have been constrained by a shortage of budget both for administration and work programmes. The current and potential issue is that the salary level has been low for the current staff members, having a risk of losing them once they are offered more rewarding positions in other organisations, and talented persons with extensive knowledge and experiences will not apply for any positions of the PIC as the private sector and/or other organisations would be providing more attractive salary packages. It is widely recognised among the Pacific-related academic and business communities in Japan that a human resource base with expertise on the Pacific island region is really scarce, and even if someone shows an interest in the Pacific, there are no suitable positions where their talents and potentials are financially valued and utilised. In this sense, it will be more difficult in the future to recruit highly skilled and motivated staff members for all positions at the PIC unless the current

³⁵ The PIC was established to promote exports from the FICs to Japan; to promote the inflow of investment from Japan to the FICs; to assist FICs with cost effective importing from Japan; and to vitalise tourist traffic from Japan to the FICs.

salary packages are improved much further.

PART 9

NEW INNOVATIONS AND BEST PRACTICES FOR

GLOBAL TPOS: LESSONS AND WAY FORWARD FOR

PIC

1. Any potential changes to the way PIC operates needs to be informed by an understanding of the international TPO best practices. PIC is part of the regional and global economic system where markets are integrated and where TPOs share similar challenges and expectations which PIC can learn from. New innovations in TPO have been in response to dramatic transformations in the global trade regimes with the formation of trade blocs, liberalization of trade, development of novel and cutting edge products, new innovative initiatives in ICT technology and services at the global as well as other levels of society, as well as changing patterns of industrial and corporate cultures. These have been disrupted by recessions and recently by the trade wars between the US and China.

2. Some TPOs in the Global South have aligned their approaches to the SDGs, and principles of diversity and equity. This involves expanding the clientele base to include women-owned enterprises and producers in poor, rural areas. Gender, cultural and skills diversity is usually outside the traditional business networks but they are important to provide a broad sense of empowerment, ownership and legitimacy. PIC will do well to learn from this.

3. In the Global South countries, TPOs must also be more proactive in promoting trade and investment for SMEs as well as helping to improve their export capability. With global uncertainties in global trade, it is important for TPOs to share experiences and learn from each other on a regular basis.

4. In a competitive environment, it is important to provide a mechanism for benchmarking TPOs in relation to improvement of performance assessment, employment generation, responsiveness capacity to sudden change, environmentally sustainable innovation and how to better serve the services industries. The question here is how PIC

can benchmark its performance in relation to other PT&I. For the Pacific islands clients, this is important in discerning the full picture and where they stand in relation to trade with Japan and the benefits to them. A way forward is to develop key performance indicators (KPIs) to ensure greater effectiveness. Given the Japanese societal context, the KPI should be culture sensitive while at the same time be effective in measuring performance in line with the PIC's corporate strategy. The proposed targets should be discussed with various stakeholders such as PIFS and traders and must be realistic rather than idealistic and difficult to achieve.

5. In the developing economies of the Global South, TPOs need to reflect the unique character of the local economies, which are often producers of raw materials, have less developed economic infrastructure and are often dependent on metropolitan economies.³⁶ Despite the economic interdependence, due to the technological, political and economic power differences, trade between the Global North and Global South is often unequal. Because of the disparity, The TPOs, which represent the interests of the Global South, need to move away from a strategy based purely on routine trade facilitation to a more proactive role in addressing the disparity and the disadvantaged nature of Global South economies. This may involve redefining and expanding the rules of engagement to incorporate new approaches such as greater emphasis on investment promotion and facilitation involving export-financing strategies to build up the export capacity of Global South countries.

7. To respond to the global move towards diversification of technical expertise, social skills and professional acumen in the social, political and corporate sector, there is a need to expand membership of the board to include private sector and technical experts representing a diverse range of interests and skills. At the moment, the two PIC board members are either government or inter-governmental representatives with political and diplomatic mandates. There is a need to enrich the mandate of the board by engaging representatives of the business community and those with technical expertise on trade, foreign relations and investment from various regional organizations and other relevant entities. While maintaining a diplomatic presence is important, incorporating innovative and diverse ideas into the decision-making process of the PIC is important in an age where new innovative ideas are critical in providing the competitive edge.

8. TPOs now operate in a global environment where innovation is going through

³⁶ Kaul, I. 2014. *The rise of the Global South: Implications for the provisions of public goods*. New York: UNDP.

dramatic transformation and thus the need to keep up with new demands. This includes shift towards service-oriented industries organized around global and regional value chains and the vital role of research and development in providing the impetus for transnational competition. The innovative capacity of countries differ considerably, especially between countries of the Global North and those of the Global South because of differences in access to global markets and technology flows as well as the absorptive and innovative capacities. How PTOs can harmonize these differences is a challenge in a world where norms and practices are changing rapidly and increasingly differentiated.

37

9. The need for TPOs to retool and recalibrate themselves for the future is imperative to stay abreast of the dramatically changing commercial environment. In fact, studies show that in the last decade or so, TPOs around the world have demonstrated their capacity to fulfil their mandates as shown by the fact that of the 104 TPOs around the world studied, on average, \$1 spent on export promotion yielded \$40 increase in exports.³⁸

10. The role of TPOs in innovatively responding to a variety of challenges such as global economic crisis, massive rise in oil prices, increasing poverty and climate change is critical indeed, especially in times when consumer and investor trust is down.

11. One of the challenges for TPOs in Global South countries is how they can make a difference in export growth.³⁹ This is one of the critical challenges faced by PIC. Due to the competitive nature of trade and demands for visible benefits by stakeholders, there is increasing requirement for TPOs to measure their activities and results through quantifiable outcomes as well as being held accountable for their performance. This requires being transparent, well connected and be forthcoming with publicly information to satisfy funders, clients and designated beneficiaries. In this context, there is indeed a need for PIC to provide some quantifiable outcomes as part of measurement of performance.

12. Many modern corporations and TPOs have moved beyond the “traditional” trade promotion discourse into embracing producer and consumer friendly projects such as fair trade, corporate social responsibility and consumer empowerment as a way of addressing issues of inequality and injustice. These social values are also contained in

³⁷ International Trade Centre. <http://www.tradeforum.org/Tomorrows-Trade-Promotion-Organizations/>

³⁸ International Trade Centre. <http://www.tradeforum.org/Tomorrows-Trade-Promotion-Organizations/>

³⁹ International Trade Centre. <http://www.tradeforum.org/Tomorrows-Trade-Promotion-Organizations/>

the PIF's Blue Economy principles, which also guide this review. Perhaps the question here is, how can PIC incorporate these values into its operations. This demands a shift in mind-set which requires embracing new innovative ideas about creating what Grant Aldonas refers to as an 'enabling environment'.⁴⁰

13. Because of the different levels of capacity of markets (such as Japan and Pacific islands) TPOs need to develop the capacity to assess the level of “market readiness” of producers and exporters. This means working closely with them to ensure acceptance into the difficult Japanese market. Some TPOs provide self-paced assessment online and help take participants through issues they are new to in order to upgrade their skills and knowledge of the intended market. This is something which PIC can do to ensure that Pacific island producers and exporters have enough information and capacity to enter into the Japanese market.

14. In relation to the above, the use of the internet has transformed information accessibility. Many TPOs have become part of the digital revolution through provision of vital information about market demands and dynamics, consumer behaviour, potential partners and possible points of entry. These should be based on rigorous research in the field. Merely advertising goods and making connections in a routine way is not enough. PIC should rethink about these and develop a long term strategic plan on how to address these issues.

15. The need to develop new products is now seen by many successful TPOs as a norm rather than as a unique opportunity. Because of the changing demands of consumers and new consciousness about the environment and health, products should be constantly adapted to the changing markets. The demand for organic and environmentally friendly products is increasing and PTO are beginning to take notice. PIC should also be actively involved in promoting organic and environmentally friendly products, which the younger Japanese consumers would demand.

16. There must be a sophisticated understanding of the TPO's role among the country's leadership, and active involvement to produce system-wide engagement and support. National economic policy should also direct resources into industry sectors that have growth potential, not into propping up industries that are inherently unproductive.

⁴⁰ Aldonas, G. 2009. *Globalization and the American worker: Negotiating a new social contract*. Washington DC: Centre for Strategic and International Studies. 162

16. A critical aspect of TPO success is open communication and dialogue between various players including the business community, industry and exporter associations and groupings.⁴¹ This should entail exchange of innovative ideas about future potential, supporting resources and even staff exchange. Part of this is for PIC to provide internship programs for Pacific producers to spend time in Japan to engage with Japanese buyers and even consumers. Sharing intimate and insider knowledge is critical. There should be a feedback system, which links PIC to Pacific islands clients to ensure constant update of latest developments in terms of market negotiations with Japanese companies and there should be a database of all the trade and investment facilitation initiatives, apart from just highlighting publicly organized promotion events.

17. Planning for TPOs needs to concentrate not only on short-term operational strategies but also on the medium-term horizon, and involve inputs from all levels of the organization. The 'plan' must be proactive and not be a pro forma, box-ticking exercise. Strenuous performance evaluation against the plan must be undertaken so that lessons are learned. Strategy needs to be implemented aggressively and in rapid response to changes in markets and business practices.

18. The use of cyberspace technology for marketing and communication by TPOs is a revolutionary phenomenon. Rather than simply “put up” information of products and potential clients, the PIC website should be linked to other social media forums such as Facebook, Tweeter, etc. to ensure active discussions and proactive feedback. There should also be constant updates and refreshing of the site to build up confidence that PIC is keeping up with the changing dynamics of global and regional trade.

19. Incentives should be in place to help boost productivity and export. PIC together with PIFS should reward high performing or exemplary performers by providing prizes for high performers and this should be publicised widely to raise enthusiasm and eagerness to compete. This is common practice for some TPOs. Recognition of excellence, no matter how small and confined, is important for Global South producers

⁴¹ Giovannucci, D (ed). 2000. *National Trade Promotion Organizations: their role and functions (English)*. A Guide to Developing Agricultural Markets and Agro-Enterprises. Washington DC; World Bank Group. <http://documents.worldbank.org/curated/en/658381468137984834/National-Trade-Promotion-Organizations-their-role-and-functions>.

and exporters who need affirmation while struggling to be seen and heard in a field dominated by large corporations. This will certainly be a motivating factor for local Pacific producers and exporters.

20. The quality of the staff to carry out new innovative changes is critical. The ability to respond creatively to market changes, quick turnaround in provision of market information, technological innovations and consumer demands, rather than merely fulfilling the bureaucratic and political mandates of the position, is needed for TPO positions. A rigorous recruitment process to pick the best potential for the job needs to be done. This includes relooking at the job descriptions and conditions to ensure that the best candidates who fit the requirement are employed.

ANNEX 1

Names of those interviewed in the Republic of Marshall Islands, the Federated States of Micronesia, Palau and Japan (by the Japanese consultant)

[Marshall Islands]

Organization	Name, Position
MJCC	Kosuke Sato, General Manager
Embassy of Japan	Norio Saito, Ambassador Hitomi Obata, Counsellor Sho Matsumura, Economic Advisor / Researcher Naomi Ukai, Grassroots Grant Project Coordinator
Outer Islands Fish Market Center	Fred Bukida, Manager
Marshall Islands Marine Resources Authority	Florence Edwards, Deputy Director, Coastal and Community Affairs Toshikazu Nohara, Fisheries Technical Expert, OFCF
Tobolar Copra Processing Authority	Mison Levai, Sales & Marketing Manager Regina Alberttar, Operation Manager
Ministry of Natural Resources and Commerce	Hatty Kabua, Chief, Division of Trade and Investment
Japan International Cooperation Agency Marshall Islands Office	Nobuaki Matsui, Resident Representative

[Federated States of Micronesia]

Organization	Name, Position
Embassy of Japan	Koji Sugiyama, Deputy Head of Mission (Counsellor) Kenji Maki, Second Secretary
Japan International Cooperation Agency Micronesia Office	Shinji Shibata, Resident Representative
Sei Pepper and Restaurant	Sei Uemoto, General Manager
Saimon's Market	Saimon Mix, General Manager
Department of Resources and Development	Marion Henry, Secretary Stanley Raffilman, Program Manager for Investment, Trade & Investment Division

FSM Association of Chamber of Commerce	Marie Laamar, Secretary
Pirate Enterprises	Ken Shigeta, General Manager

[Palau]

Organization	Name, Position
Palau Conservation Society	Bernie Ngiralmu, Program Officer
Embassy of Japan	Hitomi Murakami, Third Secretary
Belau Tourism Association	Leilani Reklai, President
Koror State Government Solid Waste Management Office	Katsuo Fuji, Consultant
Bureau of Tourism	Kevin Mesebeluu, Director
Japan International Cooperation Agency Palau Office	Yoshikazu Tachihara, Resident Representative
Rock Islands Tour Company / Belau Tours	Ryo Iguchi, General Manager

[Japan]

Organization	Name
Ministry of Foreign Affairs	Daiji Yamaguchi, Director, Oceania Division Masaharu Shimizu, Senior Deputy Director, Oceania Division Yuki Asano, Assistant Director, Oceania Division
Japan Pacific Islands Association	Izumi Kobayashi, Chair
Japan External Trade Organization	Junji Kurokawa, Senior Director for Global Strategy, Planning Department
Embassy of the Federated States of Micronesia in Japan	John Fritz, Ambassador
Pacific Islands Centre	Ryuzo Saito, Director Akiko Takahashi, Deputy Director

ANNEX 2

Names of those interviewed in Cook Islands, Vanuatu, Solomon Islands and Pacific Islands Forum (by the Pacific Islands consultant)

Names	Organization	Country
Lynne Samuel	Cook Islands Chamber of Commerce	Cook Is
Steven Lyon	Businessman	Cook Is
Fletcher Melvin	Businessman	Cook Is
Jim Armistead	Ministry of Foreign Affairs	Cook Is
Teariki Vakalalabure	Trade and Investment Board	Cook Is
Bill Dorothy	Businessman	Cook Is
Ewan Cameron	Ministry of Foreign Affairs	Cook Is
John		
Web	Tourism operator	Cook Is
Gwen Wellen	Cook Is Noni Marketing	Cook Is
Robert Wyllie	Rito Oils	Cook Is
H. Fua	Cook Islands Tourism	Cook Is
Teresa Manarangi Trott	Business consultant	Cook Is
Piakura Passfield	Ministry of Foreign Affairs and Trade (Wellington)	Cook Is
Brian		
Fong	Tuna Fishing Vanuatu Co.	Vanuatu
Christopher Emelee	Tuna Fishing Vanuatu Co.	Vanuatu
Joanna Spencer	Vanuatu Chamber of Commerce	Vanuatu
Nasuvén Eñares	Director Vango	Vanuatu
Christina Thyna	Businesswoman/lawyer	Vanuatu
William Naviti	Ministry of Agriculture	Vanuatu
Joji Konusi	Bank South Pacific	Vanuatu
Pramod Archari	Vanuatu National Provident Fund	Vanuatu
Joe Pakoa Lui	Foreign Affairs	Vanuatu
Nikenike Vurobaravu	Ambassador	Vanuatu
Adela		
Aru	Tourism	Vanuatu
Lonny Bong	Livestock, Ministry of Agriculture	Vanuatu
Richard Balkonan	Foreign Affairs	Vanuatu

Josefa Tuamoto	Tourism	Solomon Is
Frances Deve	Kitano Hotel	Solomon Is
Atenasi Ata	Solomon Is Chamber of Commerce	Solomon Is
John Ta'amora	Solomon Is Chamber of Commerce	Solomon Is
Mereoni Moce	Hotelier	Solomon Is
Collin Beck	Ministry of Foreign Affairs and Trade	Solomon Is
Joseph Ma'aharua	Trade Commissioner	Solomon Is
Ganesh Chand	Economist	Solomon Is
Luke		
Forau	Reserve Bank of Solomon Islands	Solomon Is
Pio Vunituraga	Government consultant	Solomon Is
Glynis Miller	Trade Advisor	PIFS
Zarak		
Ali	Director, Trade Promotion and Investment	PIFS
Simon Clegg	PIFS	PIFS