



SUSTAINABLE DEVELOPMENT IN THE PACIFIC AND THE ROLE OF THE NEW ZEALAND PRIVATE SECTOR

OXFAM RESEARCH REPORT - MARCH 2013



OXFAM

New Zealand

Authors:

Marni Gilbert, Carolyn Rickards-Rees,
Nicky Spicer, Barry Coates

Sustainable development in the Pacific and the role of the New Zealand private sector

Published: Oxfam New Zealand; March 2013; Auckland, New Zealand

PO Box 68357, Newton, Auckland 1145

© Oxfam New Zealand, March 2013. All rights reserved

Website: oxfam.org.nz

Email: oxfam@oxfam.org.nz

Telephone: +64 9 355 6500

Authors: Marni Gilbert, Carolyn Rickards-Rees, Nicky Spicer, Barry Coates

Proofreader: Janet McAllister

Layout: Lynda Brendish

Acknowledgements: Oxfam New Zealand acknowledges the financial support of the New Zealand Ministry of Foreign Affairs and Trade.

With thanks to: The New Zealand companies that agreed to be involved in this work as well as the dozens of interviewees from Fiji, Tonga, Niue and New Zealand, who shared their insights.

Statement of copyright: Oxfam New Zealand gives permission for excerpts from this publication to be photocopied or reproduced provided that the source is properly and clearly acknowledged.

Photos: Oxfam New Zealand

Front cover: A Fijian pineapple grower supplying to Turners and Growers for export.

EXECUTIVE SUMMARY

Sustainable development that reduces poverty and inequalities in the Pacific is realistic and achievable, but a continuing challenge is ensuring that development strategies are inclusive of those most in need. Oxfam New Zealand initiated this research to deepen our understanding of the contribution that New Zealand businesses currently make to sustainable development in the Pacific.

A literature search confirmed there is little relevant research on the extent of New Zealand business activity in the Pacific and even less on the contribution that New Zealand businesses make to sustainable development in the Pacific. Research that does exist suggests that positive impacts of foreign investment are limited, at least partly because companies rely heavily on imported goods, services and expertise rather than domestic supply chains. Local employment is confined to low-skill jobs, often in basic production and service provision, and this has limited spill-over effects. The benefits for sustainable development are also limited in the sectors attracting the highest value of investment, notably in mining and other extractive sectors, where there have been problems of unsustainability, poor governance and low value added.

In an earlier report, *Learning from Experience*, Oxfam New Zealand utilised an inclusive definition of sustainable development to explore the crucial inter-relationships between economic equity, social inclusion, respect for culture and environmental sustainability to analyse successful Pacific exporters' experiences, strategies and key success factors. The research highlighted the vibrancy of agriculturally-based enterprises in the Pacific and the links between exports and sustainable development outcomes that are broad-based and inclusive. Importantly, the research highlighted that different forms of economic activity have different impacts on Pacific communities and that business activity by itself does not necessarily provide benefits to those who are in need. This research builds on that base to explore opportunities, challenges and potential for the New Zealand private sector to contribute to sustainable development in Pacific Island countries. This research focuses primarily on foreign investment and joint ventures by New Zealand businesses in the Pacific.

METHOD

The research began with a compilation of information from a wide variety of sources, including public reports, business network membership lists and interviews, to develop a mapping of current New Zealand business activity in the Pacific. A survey was sent to each company identified during the mapping to obtain more accurate and detailed information about companies operating in the Pacific.

The mapping was followed by four case studies of specific business investments in the Pacific. Tourism, fisheries and agriculture were identified as the key sectors in which to find case studies as they have been identified as priorities by MFAT and the Pacific Island Forum and are considered to have potential for growth and international competitiveness as well as potential benefits for people living on low incomes in the Pacific. Semi structured interviews were conducted with representatives from the four companies (in Fiji, Niue, Tonga and New Zealand) and with representatives of various Pacific based private sector organisations, government agencies and civil society organisations. The case studies were not designed to be an analysis of the full extent of these companies' impacts on the Pacific communities they operate in. However they offer valuable insights into the experiences of New Zealand companies.

NATURE AND SCOPE

The striking feature of the mapping was how few long-term investment relationships exist involving New Zealand companies in the Pacific, despite the evident advantages that come from strong links between New Zealand and Pacific island societies, especially in Polynesia. The survey revealed that while business opportunities is a primary motivator for long-term investors, family and historical

links are also important. Familiarity with, and closeness to, the Pacific were identified as factors for a successful business. Given the traditional ties and relationships that exist, it could be expected that some of the risks of doing business for New Zealand companies would be less than those for investors from other countries.

However, there are few New Zealand companies that have used the Pacific as a stepping stone to build international businesses from a Pacific base, and few NZ businesses anticipating expansion into the Pacific in the near future. The wider scope of New Zealand businesses operating in, or with, the Pacific appears to be dominated by less risky engagements such as NZ exports, contracts and consultancies. These are valuable business functions, and New Zealand companies operate in a competitive environment, but there is lower value added from these business activities compared to investment, joint ventures and long-term partnerships in the Pacific.

At a time of rapidly escalating business investment by Asian companies in the Pacific, this raises the issue of whether New Zealand investors are utilising the opportunities that are available in countries that have strong New Zealand connections.

This research has shown that the private sector's willingness to invest in the Pacific does not fully reflect the enthusiasm for inward investment amongst Pacific Island countries. Even though governments may be keen on stimulating more investment, the factors influencing business investment and success, and the development impacts, are complex and need further research before generalisations can be made about the most suitable policy interventions. Some policy changes already under consideration could include improving rules of origin in current trade agreements to match those that New Zealand provides to a number of other trading partners, and being more supportive in enabling Pacific countries to meet New Zealand's sanitary and phytosanitary regulations.

OPPORTUNITIES, CHALLENGES AND POTENTIAL

The four companies selected for case studies included two with investments in Fiji (Turners and Growers and Solander Fishing), one with an investment in Tonga (Scenic Hotel Group) and another in Niue (Reef Group). Specific strategies used by the companies analysed include adding value to Pacific resources (including tourism), producing for niche markets, skilful international marketing and building on strong relationships with overseas and domestic buyers.

Common to all four businesses is the influential role of particular individuals who have either strong connections with, or expertise in doing business in, the Pacific. Similarly the case studies all point to the benefit for New Zealand investors of having close social, cultural and political links with the Pacific.

The difficulties for investors in the Pacific should not be understated. Investment in the Pacific remains risky and high cost relative to a number of other locations. Investors need to take a long term perspective. The fragility of business profitability in the Pacific was highlighted by the observation that the Pacific businesses of each of the four companies profiled for this research were assisted by cross-subsidisation or support from other parts of the company at certain stages of operation.

While the four case study companies are adding value to the Pacific communities in which they work, it was more difficult to gauge an understanding of potential sustainable development outcomes. Companies' core business strategies do not include improved development outcomes and it is not common for companies to evaluate the impacts of their business activity beyond the business activity itself. The case studies demonstrated that, while business activities may offer indirect benefits, it is often difficult to understand how these may be linked to sustainable development, and benefit those who are marginalised and low income in Pacific societies.

This points to some of the complexities of assuming the existence of strong links between private sector and sustainable development for poverty alleviation. Incorporating deeper development strategies into

companies' business models could greatly strengthen the impact of private sector engagements on the lives of people living in poverty, while also potentially providing opportunities for the investors to build stronger local supply chains, to reduce costs through adding value locally and to gain market advantage from their 'Pacific story'. There are roles for governments and civil society in strengthening these links and providing the 'win-win' opportunities.

The understanding that emerges from these case studies, supplemented by the mapping, points to a business model that is more nuanced than the commonly held view that the Pacific's advantages rely on cheap natural resources and lower wages. The generalised business model that appears to offer considerable potential is one that combines the Pacific's natural resources, New Zealand expertise and/or technology, with long term relationships between the partners in order to successfully export to a higher value market. When combined with intentional strategies to support sound development outcomes, there is the potential for New Zealand businesses to scale-up their investment and make a significant contribution to sustainable development in the Pacific.