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

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Photos: Oxfam New Zealand

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

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ACRONYMS

ASEAN	Association of Southeast Asian Nations
CFC	controlled foreign companies
DWFN	Distant Water Fishing Nations
EEZ	Exclusive Economic Zone
EU	European Union
FDA	Food and Drug Association (USA)
FDI	Foreign Direct Investment
FTBOA	Fijian Tuna Boat Owners' Association
GDP	Gross Domestic Product
IBC	intermediate bulk containers
ILO	International Labour Organisation
IMF	International Monetary Fund
IUU	illegal, unreported and unregulated (fishing)
MDGs	Millennium Development Goals
MFAT	Ministry of Foreign Affairs and Trade (NZ)
MPI	Ministry for Primary Industries (NZ)
MSC	Marine Stewardship Council
NGO	non-governmental organisation
NES	National Export Strategy
NZ	New Zealand
NZTE	New Zealand Trade and Enterprise
OECD	Organisation for Economic Co-operation and Development
PAFCO	Pacific American Fish Company
PCF	Pacific Cooperation Foundation
PICs	Pacific Island countries
PIT&I	Pacific Islands Trade and Invest
PITIA	Pacific Island Tuna Industry Association
PNG	Papua New Guinea
ROO	Rules of Origin
UNCTAD	United Nations Conference on Trade and Development
WWF	World Wildlife Fund

FOREWORD

This research was initiated in response to the increased attention being paid to the private sector as a key actor in enhancing economic development. Initiatives undertaken by the New Zealand Aid Programme and a number of other aid donors go beyond supporting infrastructure (human, social and economic) for economic development and provide direct funding for private sector involvement. Research is crucial to understand the complexity of such interventions. While there are international examples of development benefits deriving from foreign investment, there is also a long history of ineffective aid and donors misusing public funds to subsidise domestic companies.

As we tried to understand how such a policy change may affect development in the Pacific, we became aware of the lack of sound research. There is no mapping of the activities of New Zealand companies investing in the Pacific, let alone analysis of the social costs or benefits from their operations, their development impacts and the possible role of public policy interventions that aim to create additional benefit. We therefore initiated this research to start to address these gaps.

This research is also relevant to Oxfam New Zealand's work, which focuses on supporting the people of the Pacific in achieving equitable and sustainable development that reflects their aspirations. Our major programmes use a value chain approach, assisting community-based groups to organise and strengthen their productive activities, while working with companies to strengthen supply chains and to add value to the Pacific's resources. Oxfam New Zealand also seeks to ensure that the policies of governments and companies support sustainable development, particularly the participation of those who are vulnerable and marginalised. Our research is therefore grounded in the realities of the Pacific, working from the experiences of real people rather than from theory. Our aim is to inform policy-makers, business, NGOs and others.

This research would not have been possible without the dedication of the team of committed and motivated researchers – Marni Gilbert, Carolyn Rickards-Rees and Nicky Spicer. We are also grateful for a grant provided by MFAT that was crucial in enabling the team to undertake in-country research and report preparation.

We would like to acknowledge the contributions by the New Zealand companies that agreed to be involved in this work, including the respondents to a survey that enabled us to understand the nature of foreign investment in the Pacific. We are particularly grateful to the companies who agreed to engage more deeply through the case studies – Turners and Growers, Solander Pacific, Scenic Hotels and Reef Group. A number of other people participated in the research and we are grateful for their time.

The research has benefited from the advice provided by members of the Advisory Group – Michael Greenslade (NZ Trade Commissioner for the Pacific), Yvonne Underhill-Sem (Director, Development Studies, Auckland University), Meg Poutasi (CEO, Pacific Cooperation Foundation), and Bruce Shepherd (former Chair, NZ-Pacific Business Council). While grateful for their advice, Oxfam takes sole responsibility for the outcomes of the research and this report.

Barry Coates
Executive Director
Oxfam New Zealand

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.

INTRODUCTION

The private sector has been promoted widely in recent years as a key driver for stimulating growth in developing countries and reducing poverty. This increasing interest in, and support of, the role of the private sector in sustainable development and aid effectiveness was evident at the United Nations (UN) Millennium Summit in 2010[1] and more recently at the 2011 Fourth High Level Forum on Aid Effectiveness (HLF4) held in Busan, South Korea[2]. A recent report from the Canadian Council for International Cooperation and North West Institute[3] describes this shift as "whereby the private sector is not only being afforded greater space to contribute to international and national policy discussions on development cooperation, but is also expected to serve as an important development partner."[4]

The role of foreign investment in international development has been extensively studied, particularly drawing on the experience of East Asian countries[5]. While different countries have relied to a greater or lesser extent on foreign investment in driving their economic development, there has been general agreement both that the right type of foreign investment can help generate decent jobs and build the local economic base, and that unregulated foreign investment can create social and environmental costs, and undermine local businesses.

Recent debate has centred on the role of host governments to provide foreign investment with support and incentives to assist with *sustainable* economic development[6]. The UN agency tasked with promoting the "development-friendly integration of developing countries into the world economy" aka the United Nations Conference on Trade and Development (UNCTAD), outlined in their recent annual report on foreign direct investment (FDI), that sound investment policy and domestic regulation can increase the value of FDI to the local economy as well as reduce the costs.

Stimulating investment has become an important component of the New Zealand government's approach to aid and development for the Pacific, as well as being a priority for many Pacific Island governments. Yet, apart from mining investments in Papua New Guinea (PNG), the Pacific has never been a major recipient of foreign investment, even when flows are adjusted for the sizes of their economies.

The particulars of the business environments vary greatly among Pacific Island countries (PICs) in the region, but with the exception of PNG, they share the common characteristics of being small countries, with small internal markets, located far from trading routes and the world's major markets. The Pacific's natural resources are inherently limited and the Pacific has largely missed out on the internationalisation of business and spatial dispersion of value chains.

Across the region natural resources dominate exports[7] while imports are dominated by fuel, heavy machinery and transportation equipment[8]. Foreign exchange from exports of services, often travel, is significant for many PICs[9], demonstrating the important role of tourism for some countries.

Although the extent of trade deficits varies across economies, most PICs run significant negative trade balances[10], and Pacific exports finance only a small proportion of their national imports[11]. Both aid and remittances, and to a lesser extent foreign investment, contribute to financing Pacific Island economies'

1 See http://unglobalcompact.org/Issues/Business_Partnerships/Private_Sector_Forum_2010.html
2 See www.aideffectiveness.org/busanhlf4/en/topics/private-sector-forum.html
3 Kindornay, S., & Reilly-King, F. (2012). *Investing in the business of development: bilateral donor approaches to engaging the private sector*. Ottawa: The North South Institute and Canadian Council for International Co-operation.
4 ibid, p.v.
5 UNCTAD. (2012). *World investment report 2012*. New York and Geneva: UNCTAD. Retrieved from unctad.org/en/Pages/DIAE/World%20Investment%20Report/WIR2012_WebFlyer.aspx
6 ibid
7 This is largely influenced by PNG's extractive industries.
8 Centre for International Economics. (2007).
9 For Fiji, Palau, Samoa and Vanuatu, foreign exchange from tourism accounts for 20-50 percent of GDP. See Centre for International Economies. (2007).
10 Data analysed using country data retrieved 02 December 2012 from www.spc.int/prism/data. Papua New Guinea is an exception.
11 Centre for International Economics. (2007). Pacific Island economies: The role of international trade and economics. Paper prepared for the Institute of Policy Studies, Victoria University, Wellington. Canberra: Centre for International Economics.

trade deficits. Economic development is essential if the Pacific is to avoid a future of dependency on aid and remittances.

The limited data that exist on foreign investment in the Pacific show that over the past four decades, this investment has not kept pace with the rapid rise in investment in developing countries as a whole. The Pacific's share has fallen from 1.8% of the total in the 1970s to 0.2% in the 2000s[12]. A recent report by the IMF has outlined the decline in Foreign Direct Investment (FDI) as a percentage of Gross Domestic Product (GDP) across PICs from 7.5% in 2007 to 3% in 2011[13]. In the Pacific the source of inward investment has changed significantly over the last four decades. The IMF report shows that, while Australia remains a significant actor among the OECD countries providing FDI to the Pacific, FDI patterns have become more diverse with the share of FDI from China and other East Asian trading partners, notably Korea, growing rapidly[14]. Significantly less inward FDI has been recorded for Polynesia and Micronesia than for Melanesia[15]. Flows of FDI often fluctuate. For example FDI to PNG has been volatile, which "[reflects] expectations of commodity prices and perceptions of the relative riskiness of investing in the country"[16].

Inward investment has primarily been in the natural resource extractive sectors of mining, forests and fisheries. Other FDI in the Pacific has been in agriculture (palm oil, copra, sugar and livestock), banking and finance, real estate and tourism. There has been less FDI to the manufacturing sector[17]. In the past, trade policies have stimulated inward investment at particular times due to trade preferences that provided sheltered markets for exports of certain commodities (sugar, textiles and clothing, and automobile components). In recent years, investment flows have been directed towards tourism, dominated by well-known international resort-hotel chains, fish processing and mining (primarily PNG). In the larger economies, such as PNG and Fiji, there have been foreign investments for import substituting businesses, but their scale has been limited due to small local markets and high intra-Pacific transport costs. Market-seeking investment has primarily been limited to retail trade, as the populations of most PICs are so small.

There is limited published research on the links between foreign investment and development in the Pacific, or on the domestic economic benefits and other spill-over benefits from foreign investment. A 2004 report published by the Pacific Island Forum Secretariat shared findings from five case studies of foreign investment in the Pacific[18]. The report suggests that positive impacts are limited, at least partly because companies rely heavily on imported inputs rather than domestic supply chains. Local employment has been confined to low-skill jobs, often in basic production and service provision, and this also has limited spill-over effects.

The concentration of investment in extractive sectors has been associated with elements of the 'resource curse' common to many other resource-rich economies, including periods of over-valued exchange rates, short depletion timescales, limited local value added, allegations of corruption, disputes with local landowners and environmental damage.[19] While there have undoubtedly been development benefits from foreign investment, many of the Pacific's natural resources have been depleted for a fraction of their value, with the raw materials exported and the value added in other countries.

This research draws a distinction between the economic benefits that accrue from any business activity and the benefits that enhance sustainable development and contribute to poverty reduction. This distinction is necessary because economic activity by itself does not necessarily provide benefits to those who are in need.

12 Data for Oceania developing countries analysed from UNCTAD database at unctadstat.unctad.org
13 Sheridan, N., Tumbarello, P., Wu, Y. (2012). *Global and regional spillover to Pacific Island countries*. IMF Working Paper, 12(54). Retrieved from http://www.imf.org/external/publications/index.htm
14 Between 2005-2010 Australia has remained the highest contributor of FDI by OECD countries with 39%, followed by Japan (29%), Korea (17%) and the UK (12%) with others at (3%). See Sheridan, Tumbarello & Wu, 2012, p.9.
15 Data for Oceania developing countries analysed from UNCTAD database at unctadstat.unctad.org
16 Centre for International Economics. (2007).
17 Feeny, S., Iamsiraroj, S., & Gillivary, M. (2011). *Growth and foreign direct investment in the Pacific Island countries.* Australia: Deakin University, Alfred Deakin Research Institute. Retrieved from http://sustineo.com.au/news/growth-foreign-direct-investment-in-the-pacific-island-countries.
18 Read, R., & Driffield, N. (2004). Linkages and Flow-on Impacts of Foreign Investment in Pacific Island Economies, Case Studies Report. Fiji: Pacific Island Forum Secretariat. Retrieved from www.wbginvestmentclimate.org
19 ibid

In the Pacific, the benefits from aid, trade and foreign investment are all too often captured by the few, not by the majority of the population. More and more literature recognises that for overall growth to contribute to poverty reduction, opportunities must be created for the poor, and poor, marginalised and vulnerable people must be able to take advantage of those opportunities[20]. Oxfam's research, based on the 'Poverty Footprint' methodology, illustrates that the extent to which wealth created by business can reduce poverty is determined by many factors[21]. Critical factors include: the industry's operating structure, the values and strategies of the individual companies, and the opportunities and negotiating power open to people living in poverty, whether as citizens, workers, producers, consumers, or other community members. Research undertaken by the OECD emphasises that the private sector consists not only of formal businesses but also of individuals, households and other informal enterprises. Therefore reducing poverty requires efforts, beyond increasing economic activity, to "maximise the contribution of the many informal enterprises, family-run farms and self-employed men and women that conduct business in developing countries" [22].

A recent Oxfam New Zealand report, *Learning from Experience*,[23] analyses the lessons from a breadth of innovative and resourceful Pacific exporters in agriculture and horticulture, which, despite the inherent challenges in PICs, are excelling in high-value international markets. The report shows how these organisations are employing a range of strategies to provide links between the informal and formal economies, build long term supply relationships for mutual benefit, share the benefits of market niche strategies, add value locally and provide remote communities with opportunities to participate in economic activities. These findings have been important in understanding the links between exports and sustainable development. Importantly the research recognised that different forms of economic development have different impacts on Pacific communities. Therefore an inclusive definition of sustainable development was used in "Learning from Experience" to capture the crucial inter-relationships between economic equity, social inclusion, respect for culture and environmental sustainability. The same definition of sustainable development is used in this report. To be considered "sustainable development", an initiative must be:

- **Sustainable** – environmentally, socially, culturally, economically, and financially
- **Broad-based benefits** – with equitable distribution of the benefits throughout the community, including for women and disadvantaged groups.
- **Appropriate** – to the culture and situation
- **Scalable** – able to make a significant contribution to the region's resources and needs.

Outline of current report

This report builds on the research in *Learning from Experience* by exploring the characteristics and potential contribution of New Zealand foreign investment and joint ventures in the Pacific.

The report begins by describing the methodology used, highlighting the dual approach of a mapping across the full range of New Zealand business activity, and a more detailed "textural" analysis of four specific business investments. The mapping section provides important insights into the overall pattern of NZ enterprise investment in the Pacific as, up until now, there has been little published material on the scope and scale of New Zealand investment in the Pacific, and little research on the experience of companies and communities.

20 For example see Organisation for Economic Co-operation and Development. (2006) *Promoting pro-poor growth: Private sector development*. OECD publishing, United Nations Development Program. (2004). *Unleashing entrepreneurship: Making Business Work for the Poor*. Commission on the Private Sector and Development, Report to the Secretary-General of the United Nations.

21 For an explanation for Oxfam's Poverty Footprint methodology see Oxfam.(2009).*Oxfam Poverty Footprint Understanding Business Contribution to Development*. For a comprehensive project based on this methodology see Oxfam America, *The Coca-Cola Company*, and SABMiller. (2011). Exploring the links between international business and poverty reduction for a comprehensive.

22 OECD. (2006), p. 14.

23 Oxfam. (2010). *Learning from experience: Sustainable economic development in the Pacific*. Auckland: Oxfam New Zealand. Retrieved from www.oxfam.org.nz

While the mapping provides an overview of investment patterns, it is not able to provide detailed insights into why businesses invest, key success factors or the complexity of investor experience. Therefore, the research delves into four companies' motivations, strengths, challenges and the contribution they are making to Pacific economies and communities. This is followed by an analysis of the mapping and the case studies to highlight key aspects of the links between investment and sustainable development. The report concludes with a call for further research and a deeper understanding of investment issues and trends, and suggestions for companies and policy-makers for strengthening outcomes to benefit the people of the Pacific.

METHODOLOGY

We first reviewed the available academic literature, government and NGO online information and other material about New Zealand private sector activity in the Pacific. However, we only found very limited published information on the impact of foreign investment in the Pacific, and less on the role of the New Zealand private sector. Because of this lack of published information, this research was designed as an exploratory undertaking.

The research had two components:

1. To map and analyse the scope of current New Zealand business activities and links in the Pacific.

2. To produce a selection of case studies offering insights into the experiences of four NZ companies. This involved field research in three PICs (Fiji, Niue and Tonga) and New Zealand.

Through the initial review of literature we began to compile a list of New Zealand companies involved in the Pacific and relevant stakeholders. In order to build a thorough understanding of the New Zealand private sector in the Pacific context, the mapping component employed broad criteria for including businesses.

Semi-structured open-ended interviews were conducted with government agencies, business network coordinators, and relevant NGOs including New Zealand Trade and Enterprise (NZTE), Pacific Cooperation Foundation (PCF), New Zealand Pacific Business Council, Pacific Island Trade and Invest (PIT&I). Data was also collected through attendance at New Zealand business events. Data gathered through these sources enabled us to refine and supplement the mapping with perspectives from experts in relevant sectors, as did information gained during interviews with representatives of various Pacific-based private sector organisations, government agencies and civil society organisations (as outlined in appendix I).

A survey was emailed in July 2012 to 112 companies identified during the mapping. The aim was to obtain accurate data on the scope and characteristics of New Zealand business activity in the Pacific; in particular, data on the sector, scale, aims, activities and financial arrangements of each company, as well as particular insights company respondents may have on the role of New Zealand business in the Pacific. The core quantitative questions in the survey were standardised, however other questions to elicit qualitative information and perceptions were open-ended (see appendix II).

Limited response to the surveys was identified as a potential problem. Hesitation to share company information was cited by some companies as a reason for non-participation. This issue was mitigated by aggregating survey data. All companies that had not responded to the survey within two weeks were sent a follow-up email, which was then followed by a phone call a week later. A 34 per cent response rate was achieved.[24]

Data gathered from the survey responses were integrated into the mapping and analysed to extract relevant themes and patterns and insights. Through the mapping process, a set of instructive examples of business engagements emerged as potential case studies for exploration, description and analysis. Particular attention was given to sectors where the mapping revealed activity by a number of New Zealand businesses; those identified as priorities by MFAT and the Pacific Island Forum; those considered to have potential for growth and international competitiveness; and those with potential benefits for people living on low incomes in the Pacific. For these reasons we identified tourism, fisheries and agriculture

24 A recent study examining the response rates for surveys used in organisational research analysed 1607 studies published in the years 2000 and 2005 and found that the average response rate for studies that utilized data collected from organizations was 35.7%. See Baruch, Y. & Holtom, C. (2008). Survey response rate levels and trends in organizational research. Human Relations, 61(8), p. 1150. See also Sheehan, K. (2001). E-mail Survey Response Rates: A Review. Journal of Computer-mediated Communication, 6(2), and The Resource Centre, email and online survey specialists, which states that a 10-20% response rate to an email survey is average. See http://support2.constantcontact.com/articles/FAQ/2344.

as the key sectors in which to find case studies.

We established a shortlist of potential case studies using the following criteria:

- Ability to provide insights into NZ-Pacific relationships and opportunities for New Zealand to improve impact;
- Potential for scale-up;
- Potential impact for people who are low income or marginalised.

A shortlist of 13 companies was identified and submitted to the Oxfam New Zealand research advisory board for them to advise on the suitability of these companies, and to add any other companies as they saw fit. Companies were then approached in order of priority, to request their participation in the research project. A final selection of four case studies was confirmed and case study research was undertaken in both New Zealand and in the Pacific Island region.

Semi-structured interviews were conducted with representatives of the four companies in Fiji, Tonga, Niue and New Zealand. Data for the case studies was collected predominantly through interviews with company management at both the New Zealand and Pacific ends of the business. Interviews with Pacific businesses and organisations supplemented and supported the data collected. 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.

The interview questions were open-ended, designed to obtain detailed information specific to the organisation including the companies' own assessments of their impacts on sustainable development. While quantitative data was important for explaining the nature of the company, the most interesting insights were drawn from the qualitative analysis. Where possible, company documents were collected to corroborate data collected in interviews.

Data was analysed to extract relevant themes and patterns. The definition of sustainable development outlined in the previous section was used to guide the exploration of companies' contributions.

THE SCOPE AND CHARACTERISTICS OF NEW ZEALAND BUSINESS ACTIVITY IN THE PACIFIC

This research undertook a mapping of identifiable New Zealand businesses engaged in PICs to gain a better understanding of the scope and nature of NZ business activity in the Pacific. For the purposes of this research, "New Zealand business activity" is broadly defined as including traders and contractors in addition to investors, but it excludes private foundations and Pacific enterprises established and managed by New Zealand expatriates. The mapping is not a complete record of all NZ business engagements in the Pacific: many businesses that operate as small traders, sometimes exporting only a single commodity to PICs, will have fallen beneath the radar, because of their size. Even so, the mapping can be considered a useful representation of NZ business activity in the Pacific as it captures a wide range of NZ business activity including the most active businesses.

To date, data and knowledge about overall foreign business activity in the Pacific is limited, and published data on the scope and characteristics of New Zealand businesses engaged and investing in Pacific Island countries is particularly scarce. Access to databases of businesses trading in the Pacific is subject to commercial confidentiality. The search for data was therefore limited to membership lists of various NZ-Pacific business councils, supplemented by information from New Zealand High Commissions throughout the Pacific, internet searches, and from organisations such as New Zealand Trade and Enterprise (NZTE), Pacific Islands Trade and Invest (PIT&I) and the Pacific Cooperation Foundation (PCF). We also gathered information through interviews with Pacific-based organisations, including Chambers of Commerce and government agencies. While notable examples of NZ investment were spoken of positively, it was indicated that the visibility and significance of NZ companies was limited in the Pacific countries visited.

New Zealand businesses are active in a number of sectors including agriculture, horticulture, fisheries, energy, commodity trading, waste management, freight and logistics, media, infrastructure and construction. The most popular sectors for New Zealand business, as identified through this mapping, are infrastructure, construction, agriculture and trading.

It is known that a few thousand New Zealand companies and sole traders export to the Pacific. New Zealand export statistics show that in terms of numbers of NZ exporters, Fiji, Cook Islands and Samoa are in New Zealand's top 10 export markets globally. In 2011, 2,246 New Zealand traders exported to Fiji, 1,225 to the Cook Islands and 1,198 to Samoa.[25] However in terms of volume of NZ exports, Fiji ranks 32nd in the world, Papua New Guinea at 41, and New Caledonia and French Polynesia at 49th and 50th respectively[26]. When looked at by region, the majority of New Zealand's merchandise trade is with Polynesia (including Fiji and French Polynesia), compared to Melanesia and Micronesia.[27]

Businesses who export a small proportion of their goods to the Pacific were not easily identifiable as 'Pacific traders' as they also export to other parts of the world and many sell the majority of their goods within New Zealand. This is contrast to those who have a deeper engagement, indicated through things such as membership of a Pacific business council or investment in the region rather than simply exporting to it. Although only a portion of traders were identifiable, the mapping still reflected high numbers of exporters to the Pacific and relatively few companies engaged in two-way trade or in facilitating Pacific exports to New Zealand or elsewhere.

Anecdotal evidence suggests that the Pacific is regarded as a learning opportunity for NZ businesses that are developing export initiatives, especially those involved in low-level commodity-type trade.

25 See http://www.stats.govt.nz/browse_for_stats/industry_sectors/imports_and_exports/overseas-merchandise-trade/integrated-trade-business-statistics.aspx (retrieved 21/01/2013).

26 Statistics New Zealand (2012). *Global New Zealand – International trade, investment, and travel profile: Year ended June 2012.* Wellington: Ministry of Foreign Affairs and Trade, and Statistics New Zealand. Available http://www.stats.govt.nz/browse_for_stats/industry_sectors/imports_and_exports/global-nz-jun-12.aspx

27 ibid

Along with low-level commodity-type traders there has been an increase in the number and value of New Zealand companies exporting to the Pacific. These exports include high value products such as light planes, super yachts and luxury food items, possibly serving growing middle class and expatriate communities and the tourism trade.[28] New Zealand traders are not just exporting New Zealand products but also re-exporting products and services from other countries to the Pacific.

Other easily identifiable New Zealand business engagements are in infrastructure, construction and engineering, sometimes involving New Zealand companies in joint ventures with local partners. Much foreign business activity throughout the Pacific is concentrated in these sectors. However for the most part, the source of funding behind the contracts comes from overseas development assistance provided by different bilateral and multilateral donors. The primary investor is therefore the aid donor not the contractor fulfilling the contract, and so can be distinguished from a business investing in commercial activity for a return.

New Zealand's flow of direct investment to the Pacific is not recorded by Statistics New Zealand (as other regions are) and therefore it can be assumed that it is minimal. Similarly, the mapping found very little evidence of New Zealand businesses investing in the Pacific.

More detailed information on the nature of business activity was gathered via a survey sent to more than one hundred New Zealand businesses identified through the mapping; 38 responses were received from 112 surveys sent out. Of the companies that did not complete the survey, two explained that the reason for non-response was they did not operate in PICs; this was despite one company belonging to the NZ-Fiji Business Council and the other belonging to the NZ-PNG Business Council. It is possible that this situation applies to other non-responding companies.

The tables below detail the size of company respondents (by number of employees and annual turnover) which range from very small companies to large multinationals.

Table One: Survey respondent size by number of employees		*Table Two: Survey respondent size by annual turnover*	
Employees	**Respondents**	**Annual Turnover (NZD)**	**Respondents**
1-10	12	< $500,000	4
11-20	8	$500,000 – $2million	4
21-50	4	$2 – $5million	10
51-100	4	$5 – $20million	7
101-250	5	> $20million	13
251-1000	3		
>1000	2		

BUSINESS MODELS AND SECTORS

Compared to the wider mapping (in which businesses with a deeper engagement were a small proportion), survey responses showed a slightly higher proportion of businesses that are engaged in two-way trade, the facilitation of Pacific exports and investments in the Pacific. Nevertheless, results of the survey show a dominance of businesses exporting products and services (including contractors) from New Zealand to the Pacific, with the reverse (importing products and services from the Pacific) a distant second in comparison. This reflects the broader trends of trade between NZ and Pacific Island countries[29].

Responses from the survey show a range of export markets throughout the Pacific including Polynesia, Melanesia and the French territories. Companies were not asked to quantify volumes of trade per

28 Data from Statistics New Zealand, 2012. Supplemented by data from interviews and anecdotal evidence.

29 In 2012, New Zealand exports to PICs were valued at $962 million while imports were $114 million This equates to 2.1% of New Zealand's total exports and 0.2% of New Zealand's total imports. See Statistics New Zealand. (2012). *Global New Zealand – International trade, investment, and travel profile: Year ended June 2012.* Wellington: Ministry of Foreign Affairs and Trade, and Statistics New Zealand. Retrieved from www.stats.govt.nz

country. Companies importing Pacific products to New Zealand are doing so primarily from Fiji, Samoa and Tonga. Recognising the high trading activity of NZ businesses in the Pacific, business councils and NZTE are promoting two-way trade between New Zealand and PICs. A number of companies reflected this attempt to increase two-way trade through the survey.

The very limited amount of manufacturing identified is situated in Fiji and consists of food manufacturing for both export to the wider Pacific and for the domestic Fijian market. Existing research shows that most food manufacturing in the Pacific is primarily for import substitution.

Of the 11 companies that signalled involvement in some form of investment in a Pacific Island business, joint venture or Public-Private Partnership, the core business of most is infrastructure or engineering. The others' core business included agriculture (including niche products), freight, energy and packaging.

Table Three: Breakdown of self-identified business models in survey

Businesses were able to select more than one business model to describe the company's business activities.

Model	*Total number*	*Agriculture*	*Infrastructure/ engineering*	*Energy*	*Trader*	*Freight*	*Other*
Export from NZ of a product or service to the Pacific	**27**	5	12	1	5	3	1
Import to NZ of a product or service from the Pacific	**13**	9				3	1
Investment in a Pacific Island business	**4**	1	1			2	
Public-Private Partnership	**4**		1	1		1	1
Joint venture	**7**	1	4			2	
Contractor	**7**		5	1		1	
Other	**1**		1				

MOTIVATIONS AND OPPORTUNITIES

The acknowledged motivations behind the involvement of the companies in the Pacific were principally to take advantage of business opportunities. The kinds of business opportunities identified included:

- Responding to international tenders
- Identifying a market for exports
- Investing in niche markets, based on Pacific resources

Of the companies that have invested in longer-term business relationships, both family and historical links were noted as significant motivators.

Table Four: Motivations for establishing business in/with the Pacific

Motivation identified	Percentage of survey respondents
Business opportunities	67%
Personal or family links	12%
Historical links	9%
Business opportunities and personal/historical links	12%

Many companies credited historical, family and personal links and familiarity with the Pacific as a way to identify the opportunities, while others cited direct contact with Pacific governments (sometimes with endorsement provided), or participation in government or local authority trade missions.

SUCCESS FACTORS

Reasons identified as factors for successful business activity depended on the nature of the business relationship, but a common factor identified was familiarity with and closeness to the Pacific. Companies also attributed success to their own company's competencies and expertise, including individual employees. One larger company explained that they employ people who have a history of working in the Pacific. Businesses explained that this familiarity means they have greater awareness of cultural differences, as well as helping to establish extended working relationships within the Pacific region. Strong relationships with various stakeholders (suppliers, governments, contractors etc), grown through long-term commitment, were identified by a number of companies as a key success factor.

Some businesses identified aptitude with logistical difficulties and the limitations common to developing contexts as important for success. One company mentioned as a success factor that working in a developing country creates a critical sense of purpose for employees. A variety of companies mentioned that success was higher when necessary infrastructure was in place.

A number of businesses believe they have established good reputations for: the continued supply of quality materials; the provision of a high quality and value orientated service; the provision of technical support and training; professionalism; and "getting the job done". Company values were also mentioned as a positive factor by a small number of businesses.

Businesses exporting from the Pacific, or whose business activities have an export component, also attribute their success to a number of common points:

- Meaningful engagements across all stakeholders
- Effective supply chains and systems – strong relationships with Pacific partners are important to increase supply and build confidence of secure and continuous supply
- Quality products, uniqueness, taste and price
- Effective marketing of Pacific products and promoting products through networks of partners and agencies – being a NZ company made securing a market in NZ much easier
- Establishing solid links between consumers and growers by engaging consumers in a strong Pacific brand, drawing from a point of difference, or offering ethically traded products. One company mentioned the aura associated with produce coming from the 'Pacific Islands' and the perception that these products are renewable and environmentally sustainable.
- In some cases there are transport advantages over other sources of imports (primarily Polynesia rather than Melanesia).

SELF ASSESSMENT OF BUSINESSES' CONTRIBUTION TO DEVELOPMENT

Through the mapping we were able to identify some perceived development outcomes arising from NZ business activity in the Pacific. The majority of comments focused on providing goods and services, developing essential infrastructure, generating business for local private sector, facilitating access to markets for Pacific products, creating employment opportunities and developing skills. A small number of businesses mentioned participation in disaster relief and charitable work (such as sports sponsorships), but this was not part of their core business. A theme that emerged from the mapping was a lack of understanding of the broader development impacts of their business activity – there was little articulation within the survey answers (or from subsequent interviews in the field) about the contributions from the business to sustainable development or to benefit marginalised or low-income people.

A number of businesses highlighted the creation of local benefit through the provision of products such as low cost foodstuffs, water storage facilities enabling cleaner drinking water, environmentally friendly products and products to facilitate the production of high quality food. A number of businesses identified the contribution of infrastructure (roading, bridges, wharves, electricity plants, airport upgrades) as well as raising the standards, often to international standards, of infrastructure in the Pacific as a key contribution to economic development.

Some companies highlighted the provision of employment. It was expressed by a number of companies that use of local labour in the construction and maintenance of a number of infrastructure projects feeds directly into the local economy through wages, up-skilling the workforce to maintain the infrastructure and, in some cases significantly growing the local partner companies. In terms of skills development, various businesses noted training provided in safe work practices as well as supervisory skills. One business explained that the local workforce learn about "our" processes. One infrastructure business engaged in a joint venture with a local company explained that capacity building is part of the partnership agreements, and that the workers employed in the infrastructure projects have been employed with the company for many years. A small number of businesses (agricultural and infrastructure) also pointed to the benefit of reciprocal work experience in NZ.

In terms of impact on the local private sector, some respondents highlighted regular and extra business as well as certainty of payment. The exposure to new products and to trading networks was also identified. Another key contribution identified was support provided for small businesses through training and mentoring, including strengthening business skills. Some companies described this as an implicit outcome of exposure to higher standards and implementation of new systems of operating. Support for agricultural producers was mentioned. A small variety of businesses mentioned local market growth through value-added activities and strengthened links between farmers and tourism. Because few NZ businesses are involved in Pacific production of goods, the engagements surveyed rarely provided opportunities for small Pacific business to contribute to local supply chains.

Of the companies enabling exports from the Pacific (predominantly coffee, bananas, coconut products, vegetables, vanilla and herbs), facilitating access to global markets and the associated increase in foreign exchange earnings were identified as development contributions. One company also stated that their venture had the added benefit of demonstrating markets for ethical and niche products from the Pacific.

A NEW ZEALAND ADVANTAGE?

In general, the companies surveyed perceive themselves as trustworthy and resourceful. Because NZ companies have a long history of working in the Pacific, they are perceived by survey respondents as having a good knowledge of operating in the Pacific and being sensitive from a cultural perspective. It was also suggested that some of risks of doing business in the Pacific are fewer for NZ companies than for investors from other countries because of New Zealand's closer relationship with PICs. Pacific Island countries have had strong exposure to the economies of New Zealand and Australia, and as a result linkages tend to be strong and well established. Examples given were that building standards in PICs are influenced by Australasia; qualifications are mutually recognised, and there is mutual familiarity with each other's tax and governance structures.

Of the market-seeking companies, it was often noted that PICs, especially those in Polynesia, are familiar with NZ products and consider them to be premium and trustworthy. One response noted that New Zealand's clean green image is also a benefit, even though they considered that this image is deteriorating.

In many ways the 'NZ factor' was understood as contributing to the companies' success. There were also a few suggestions that while NZ links are important, they are only important up to a point. New ways of doing business are resulting from Asian investment in the Pacific, and it is likely that the advantages for New Zealand as a source of investment are less important now than in the past, and, however small NZ investment is now, it is likely to reduce further in the future.

SUMMARY

Despite strong links between New Zealand and Pacific Island countries, the mapping indicates that currently there are limited higher value-added forms of business engagement between New Zealand and the region, such as foreign direct investment and long term supply chain relationships. Yet these are the forms of engagement which hold the most potential for long term beneficial impact for Pacific communities.

The striking feature of the wider mapping is how few long-term investment relationships NZ companies have in the Pacific. The wider scope of NZ businesses operating in or with the Pacific appears dominated by less risky engagements such as contract-specific construction activities, trading or consultancies. NZ companies do not seem focused on taking advantage of existing opportunities to build international businesses from a Pacific base.

As an explanation, there are either few viable opportunities for foreign investors, or NZ companies do not seem focused on taking advantage of existing opportunities to build international businesses from a Pacific base. Given the growing level investment in the Pacific from Asia, it is likely that the latter reason may be more likely.

CASE STUDIES: AN OVERVIEW OF BUSINESS ACTIVITIES

The following section introduces the four companies selected as case studies. The companies were selected from sectors that have been identified as having potential for growth for Pacific Island countries:

- Agricultural exports – these have been important for the Pacific in the past, and have huge potential for growth;
- Tourism – a major and important source of foreign exchange and opportunities for people in the Pacific, and there are increasing efforts to deepen the links between hotels and the local economy;
- Fisheries – crucial to Pacific Island economies and nutrition.

The case studies are described below, outlining the companies' motivations for investing in the Pacific, some of the challenges they are working with and some of the strengths of their businesses.

TURNERS & GROWERS LTD

Turners & Growers is one of New Zealand's leading distributors, marketers and exporters of premium fresh produce. The company's history in New Zealand dates back to 1897 and it has had trade links with the Pacific for over 100 years. Turners and Growers operates throughout the Pacific, exporting New Zealand produce to Pacific Island markets and importing limited lines of Pacific produce into New Zealand, notably from Tonga, Fiji and New Caledonia. Even so, the Pacific is a relatively small portion of its purchases and sales. About three per cent of its business (NZ$30 million) is related to the Pacific (both importing and exporting).

Turners & Growers' warehouse in Suva

Turners and Growers has recently re-established a direct presence in Fiji with the formation of a subsidiary, Turners and Growers Fiji Limited. In the past the company had a large office in Fiji, but this closed in the mid-1970s when the advent of air travel and the subsequent reduction of shipping services greatly affected Turners and Growers' ability to export produce (mainly bananas) out of Fiji. Although the quantity of these exports reduced dramatically after this time, Turners and Growers did continue to import limited lines of products from Fiji to New Zealand. These included taro, eggplant, chillies and papaya. The company also continued to export from New Zealand to Fiji and elsewhere in the Pacific. Although Fiji has a reasonable-sized agricultural sector, a considerable amount of produce is imported. Prior to setting up Turners and Growers Fiji, the company sold their New Zealand produce to Fijian importers who then marketed and distributed the product in Fiji.

Motivations and Opportunities

The existing links Turners and Growers had with Fiji provided a strong opportunity for the company to invest in Fiji in 2011. Turners and Growers identified opportunities in Fiji related to its relatively strong agricultural base. The company's familiarity with Fiji, and with doing business in the Pacific in general, was a major advantage when investing in the new business. In addition, Turners and Growers' Pacific Markets manager originates from Fiji and this person undertook the management of the new Fijian subsidiary.

A key motivation for Turners and Growers' investment in Fijii was to have more control over its supply chain. In its own words, Turners and Growers has returned to Fiji to "control [its] own destiny". Turners and Growers describes its investment in Fiji as having a "three-pronged strategy". The first part is to increase and diversify the company's New Zealand exports to Fiji. The second is to increase and diversify its exports out of Fiji. The third part of the strategy draws on Fiji's reasonably-sized domestic market, where Turners and Growers aims to become a major player in the marketing of both New Zealand imports and locally grown produce.

The principal aim of the investment is to foment two-way trade between New Zealand and Fiji by increasing Fiji's agricultural exports. Turners and Growers has existing networks and markets in New Zealand as an outlet for the Fijian exports, as well as the marketing expertise to promote Fiji produce in New Zealand. Turners and Growers maintains that it is trying to promote Fijian produce to international markets rather than just export New Zealand produce into the Fijian market. Even so, Turners and Growers' exports from Fiji are far outweighed by its imports into Fiji.

Turners and Growers is also interested in potential investment in other Pacific Island markets, particularly Papua New Guinea, in the future.

Doing business in Fiji

Turners and Growers has established two distribution centres, one in Suva and the other in Nadi, opened in February 2011 and March 2012 respectively. The Suva branch has a large pack house that includes refrigerated areas, and mainly services supermarkets. The newer Nadi branch currently uses shipping containers for refrigeration, and services resorts and hotels as well as supermarkets. Currently Turners and Growers employs approximately 34 staff between Suva and Nadi. These include export managers, warehouse staff, drivers and sales staff.

Turners and Growers' principal NZ exports to Fiji include potatoes, carrots and onions. Other products include pip fruit and different varieties of vegetables. These products are either not grown in Fiji, or are grown in small quantities. Turners and Growers also exports smaller amounts of certain products from New Zealand that grow well in Fiji, such as tomatoes. These commodities are currently subject to higher import tariffs than other products in order to protect Fijian growers[30].

Turners and Growers aims to become a "one-stop shop" for resorts and supermarkets. This involves

30 The Australian Government's Austrade website states that "Tariffs range from five to 32 per cent. The high tariff of 32 per cent duty is in place to protect the local manufacturing industry. Some of the products that come under this category are butter, UHT milk, mineral water, jam and locally grown vegetables and fruits". See Austrade. (n.d.) *Food and beverage to Fiji.* Retrieved from www.austrade.gov.au/Food-and-beverage-to-Fiji/default.aspx

diversifying its offerings by importing meat and dairy products from New Zealand. At the time of this report, the company had already imported a large shipment of NZ lamb. There is a growing number of middle class consumers and a large tourism industry that will purchase these NZ imports.

Currently, Turners and Growers' main export out of Fiji is taro. For this it continues to use an agent who buys from the growers and packs the product. Other products, such as papaya, eggplants, chilli and pineapple, are sourced directly from the growers. At present, volumes of papaya are low as a result of the floods in 2012 that caused significant damage to papaya plantations.

Setting Up

Turners and Growers believes it is well-received by consumers and the government because its business is beneficial to Fiji. Investment Fiji and the Fiji Revenue and Customs Authority were very supportive of Turners and Growers establishing a business in Fiji. The company also received advice and support from the Attorney General and the Commerce Commission who were very positive about Turners and Growers' presence in Fiji and the potential for reduced prices of New Zealand imports as well as increased revenue on exports.

Turners and Growers attributes its ease in setting up business to following the Companies Act and the law, using local lawyers, and the local knowledge and connections of the Fijian subsidiary's director, who is of Fijian origin. Turners and Growers thinks that the fact it is a reputable and well-known company also helped its case. Since reopening in Fiji, Turners and Growers has built a strong reputation through marketing campaigns and publicity about their work which has been strengthened in turn by government endorsement.

Challenges

While the process of setting up business in Fiji was relatively straightforward for Turners and Growers, maintaining an effective business in Fiji is a more difficult task. They acknowledge the common challenges to doing business in the Pacific, and also understand that a challenging trader environment is part and parcel of doing business in Fiji.

There are constraints on exporting produce out of Fiji. As an exporter to New Zealand, Turners and Growers is faced with New Zealand phytosanitary regulations. The company believes that certain policies of the New Zealand Ministry for Primary Industries (MPI) are not informed by a good understanding of the nature of Pacific Island countries. Certain procedures cannot be followed in the Pacific because there is insufficient scale and infrastructure. Turners and Growers feels that the MPI policies for certain Pacific products are out-dated and could be revised to allow for more flexibility on how things may be done to fulfil the requirements of the regulations.

Fiji's frequent air links are an important advantage for businesses transporting perishable goods. On the small-bodied Air New Zealand planes which come once during the week, Turners and Growers can load 500-800 kilos. On wide-bodied aircraft, up to two tonnes of produce can be loaded. However, the availability of space and scheduling can be issues. The wider plane currently arrives on Fridays which is less convenient for distributing produce in time for the weekend than a previous schedule when flights arrived on Thursdays. The size of the plane is dependent on tourist numbers, and there is an assumption if tourism numbers pick up from New Zealand to Fiji, there may be another wide-bodied plane service midweek which would help Turners and Growers supply weekend demand.

Fuel and logistics are high costs, as they are for any business depending on freight. Added to this are the costs associated with biosecurity processes. However the lower wages in Fiji (when compared to New Zealand) offset these higher costs. Fiji has a number of minimum wage rates (depending on the industry) in the range of approximately FJ$2 – FJ$3[31] (NZ$1.35 – NZ$2.03[32]) which are significantly lower than the minimum wage in New Zealand ($13.50). Building costs are also less expensive than in New Zealand.

Responses and Successes

In order to contribute to long-term profitability, Turners and Growers is looking at ways to market additional high-value products to the lucrative resort sector in Fiji. The company is also interested in ways to reduce freight costs by growing more products locally, including in hothouses.

A key factor in Turners and Growers' success has been its more efficient and shorter supply chain from grower to pack-house to retailer. The company now buys directly from Fijian growers and sells directly to Fijian supermarkets and resorts within Fiji. With offices in Fiji, it is able to market and distribute its products itself, cutting out Fijian import businesses and other intermediaries that were previously part of the supply chain. In this way, Turners and Growers has been able to increase the quantity of New Zealand produce it exports to Fiji as well as marketing locally grown produce it buys from local growers.

Locally grown eggplants for supply to Turners and Growers for export and the Fiji hotel sector

Increased control over its supply chain has also enabled the company to augment its Fijian exports to New Zealand. It is now able to have closer relations with certain growers whose produce it exports out of Fiji and is able to control the supply chain from grower to New Zealand. This gives it more control of the quality and quantity of its exports.

Before Turners and Growers Fiji was established in 2011, no pineapple had been exported out of Fiji to New Zealand for approximately 15 years. Turners and Growers saw an opportunity for Fijian pineapple exports if the biosecurity pathway to New Zealand could be re-opened. The company approached New Zealand MPI, putting forward a strong case for the re-opening of the pathway, from an expert industry perspective. Subsequently, the New Zealand MPI worked with the Fijian MPI to achieve this. Turners and Growers was the last company to export pineapples from Fiji and now the pathway has re-opened they have been the first to start again.

Turners and Growers currently buys from three pineapple growers who are registered for export with the Fijian Ministry of Primary Industries. To comply with biosecurity regulations, the pineapples are individually air blasted at the Turners and Growers Nadi branch before packing to ensure there is no white fly contamination. While more time-consuming, this method is preferable to the more common method of water blasting as the fruit remains dry.

New Zealand currently imports pineapples from the Philippines, from producers who are able to supply on a large scale. In comparison, Fiji's pineapple production is very small. The Fijian pineapple, Ripley Queen, is also smaller than the Filipino varieties. Turners and Growers' strategy is to market the Fijian pineapple as a niche Pacific product. It is able to do this because of New Zealanders' identification with the Pacific as close neighbours, as well as the fact that the Fijian pineapple, although smaller, is sweeter. Fiji also has an advantage over the Philippines in terms of the distance to market. This means the pineapples can be picked later when they have more colour breaks and are more appealing to customers.

31 Pacific Island Trade and Invest. (2012). Minimum wages in Fiji to rise – but only just. *Pacific Periscope, July*. Retrieved from www.pacifictradeinvest.com/wp/?p=3513

32 Exchange rate at December 09, 2012 (0.68)

Another success has been the development of refrigeration infrastructure along the supply chain including investment in cool storage and refrigerated vans and trucks. This has enabled Turners and Growers to increase the quality and shelf life of produce when it finally gets to the consumer, via wet-markets, supermarkets or hotels and resorts. A historical lack of public investment in roads and a lack of cool chain infrastructure previously made the transport of perishable products difficult. Imported produce from New Zealand as well as locally (Fijian) sourced produce now travels along the 'cool chain' until delivery to the customer. In this way Turners and Growers has set new and important benchmarks for the distribution of fresh produce in Fiji. Many resorts now require that refrigerated trucks deliver their produce orders. This is considered valuable for food safety.

SOLANDER (PACIFIC) LTD

Solander Fishing is a privately-owned family company based in Nelson. It was established in 1981 by Charles Hufflett, previously managing director of Sealord Group. After periods of managing fisheries for the governments of the Solomon Islands and Kiribati, Solander Fishing commenced operations in Fiji in 1987. The company started with a single vessel, bought from the Fijian national fisheries company Ika Corporation which was withdrawing from active fishing. Solander used pole-and-line fishing methods to target skipjack for sale to the national cannery. In 1988 Solander established a Fijian subsidiary, Solander (Pacific), now one of Fiji's longest established fishing companies.

Since 1992, when skipjack became unprofitable, Solander has targeted the sashimi market. It uses the longline method to fish for tuna species (Big Eye, Yellow Fin and Albacore) and other related pelagic species in the Fijian Exclusive Economic Zone (EEZ). The vessels also fish on the High Seas and in other EEZs congruent to Fiji's. All Solander's vessels are Fiji flagged, meaning they operate under the licences and jurisdiction of the Fijian Fisheries Department. Solander currently has 12 boats licensed to fish in the Fijian EEZ, out of a total of 70 licences issued by the department in 2012. The company has a long-term lease on land at Miller's Wharf, Suva, from Fiji Ports Corporation for its offices, engineering workshop, slipway and refrigeration plant.

In contrast with the other businesses selected for this study, Solander's Pacific subsidiary comprises a significant portion of the company's business. The Pacific business currently generates income of FJ$25 million (NZ$17 million) per annum, approximately one third of Solander Fishing's (New Zealand) turnover. Solander's profits in Fiji have fluctuated during its 25-year investment and at one stage it suffered consecutive serious losses. However the New Zealand company has demonstrated its commitment to the Fijian business, supporting it through difficult times so it can continue operating.

Motivations and opportunities

When Solander Fishing was established in 1981, it was late to be starting in the New Zealand fishing industry. The high cost of quota by that time provided limited opportunities for Solander Fishing in New Zealand, and Solander turned to the Pacific as an alternative. The tuna fishery represents one of the Pacific's greatest natural resources and the timing was opportune for investment.

Solander's engagement with Fiji had its origins as far back as 1981 when the company employed Fijian fishermen from the island of Ovalau for their operations in New Zealand. This resulted in a number of Fijian crews working for Solander in New Zealand waters. Because of their prior

The Solander XV, one of 12 Solander Pacific vessels licensed to fish in the Fijian EEZ experience on Japanese long-line vessels, the Fijians had expertise in long-lining that the New Zealand crews didn't have, and were therefore a welcome addition to the company. A number of grandsons of some of the original 1981 crew are now working for Solander in Fiji.

In Fiji, Solander was able to start with relatively little capital and slowly build up a fleet over a number of years. Charles Hufflett explains that "the Pacific still offers a fishing company the possibility of property rights in the long term; you can build a business up slowly, as we've done from one vessel". From an initial staff of 15 in 1988, the Fiji company presently employs over 450 people, all Fijian nationals except for a fishing operations manager from New Zealand, eight engineers from the Philippines and Indonesia, and three (out of 17) captains from Korea.

To increase productivity, Solander attempts to use the shortage of available Fijian fishing captains to its advantage. The employment of three Korean captains maintains a rivalry between the two nationalities with regards to the amount of fish they catch. An added advantage is that the Korean captains communicate regularly with fellow countrymen working for other fishing companies in the Fijian EEZ, therefore giving Solander an additional source of information regarding the whereabouts of fish stocks.

Doing business in Fiji

The company exports its high quality tuna to Japan, the USA, Europe, Australia and New Zealand via regular airfreight. The bulk of the lesser-valued Albacore tuna is sold to a cannery in Bangkok with which Solander has had a relationship for over 30 years. Albacore is freighted by ship in a frozen state. Increasing markets for fresh Albacore are being developed in Japan, USA and Europe.

Solander fish packaged for export

Setting up and challenges

As noted above, when Solander Fishing established its Fijian subsidiary in 1988, it did not encounter any problems in setting up its small one-boat fishing business. However over the years of operating in Fiji, the company has had to adapt the business to comply with changes in Fijian legislation. For example, due to changes in legislation regarding fishing companies, Solander Pacific has undergone various changes in ownership structure. In 1995 it was obligated to sell 30 per cent of its shares to indigenous Fijian interests and currently, the direct shareholding of Solander Fishing is only 18 per cent. However a majority of beneficial ownership still remains within the Solander group of companies and therefore Solander (Pacific) remains under the sole management of Solander Fishing in Nelson.

Solander's long-term profitability has been affected by the New Zealand Government's prior tax regime for controlled foreign companies (CFCs). Solander's investment in a capital intensive operation like fishing meant it would take a relatively long time to make a profit, incurring losses for a number of years. However, Solander was not able to offset its initial losses in Fiji against profits in New Zealand. When they finally made a profit in their fourth and fifth years of operations, they were taxed on the dividends remitted to New Zealand. The situation meant that the company was not able to take advantage of the Fijian Government's five-year company-tax free status for exporters that was available to all their competitors. Fiscally Solander did not receive support from the New Zealand Government in establishing its business in Fiji. Solander maintains that the early CFC regime placed them at a disadvantage compared to their competitors from Australia, Korea and China.

Solander's most significant costs are fuel, repairs and maintenance, and imported bait. The cost of mechanical parts is high, with most items having to be imported. Moreover, a stock of spare parts has to be maintained because of the length of time it takes for parts to arrive. Solander maintains a collection of spares valued at over NZ$4 million. In countries such as Fiji where PAYE is not the substantive tax, the government relies more heavily on import duties for national revenue. This affects the price Solander pays for all its imported equipment. Other costs such as freight and fishing licenses have also been increasing. Solander operates a "mother-ship" which collects fish from the 12 licensed vessels and brings it back to port. This saves fuel costs as the fishing boats come into port less frequently and they are also able to spend more time catching fish. The cheaper cost of labour in the Pacific also plays a part in countering the high costs of other parts of the business.

Solander considers its biggest constraint to doing business is a lack of engineering skills in the local labour force, particularly in relation to refrigeration maintenance. Charles Hufflett comments that many Fijian-trained engineers leave the country for higher wages in Australia.

Solander has also faced challenges due to changes in fishing licence regulation. In 2004 the number of licences issued by the Fisheries Department was 110, a situation that increased the competition between Fijian companies fishing in Fiji's EEZ to critical levels. The biggest threat to Solander's profitability is the reduction in the size of the fish catch due to the large number of licenced boats. Fishing licences have now been reduced to 70, a number that Solander believes is still too large to make fishing economical in the Fijian EEZ, as well as causing over-fishing.

It insists that the maximum number of licenses issued in Fiji should be 50, a view backed up by recent research[33] from the Forum Fisheries Association. Solander advocates strongly for a reduction in the licences under the rubric of the Fijian Tuna Boat Owners' Association (FTBOA). If the number of licences are reduced, the FTBOA believes that the size of each boat's catch will rise, allowing the fishing companies to bring their profits back to sustainable levels. In addition to this, fishing licences are renewed annually, which does not provide much security of tenure for Solander.

Another concern for Solander is the number of Chinese vessels licensed to fish in the EEZs and High Seas adjacent to Fiji. These large Chinese fishing fleets are subsidised by the Chinese government and are therefore able to catch fish at a considerably lower cost than Fijian vessels. Members of the FTBOA fear that if the subsidies continue, the domestic Fijian fleet may become economically unviable and be forced out of business. These concerns were raised at the recent Pacific Island Tuna Industry Association (PITIA) Fisheries Investment Forum[34]. However the Fijian government is silent on this issue, for obvious geopolitical reasons.

Solander believes that New Zealand has a role to play in the Pacific in particular in the production of food, both agricultural and marine, but that it is important that the role of the New Zealand Government connects with New Zealand business enterprise. The company maintains that there appears to be a reluctance on the part of the New Zealand Government to support New Zealand business enterprises in the Pacific – particularly in the development stages. Solander's funding has been provided by the New Zealand shareholders and through normal trading bank lending. The company explains that the sale of the Bank of New Zealand to ANZ Bank and withdrawal of New Zealand owned banking structures in the Pacific was unhelpful and furthermore that no soft or long-term loans are available from New Zealand.

Solander acknowledges that the New Zealand Government provides a number of training opportunities to Pacific Island Countries. However the company explains that because the selection of candidates for these training opportunities is made by the host nation, Solander employees have missed out on some potentially helpful courses funded by New Zealand which have instead been offered to other foreign companies. One exception was the selection of the Fiji company's CEO for a New Zealand funded course

33 Forum Fisheries Agency. (2012). *A bioeconomic analysis of the longline fishery in the national waters of Fiji.* Paper presented at Fiji TMDP Review 2nd Stakeholder Consultation, Noumea, New Caledonia.

34 At the recent PITIA conference (http://www.pcf.org.nz/fisheriesforum2012/), the issue of the subsidisation of Chinese vessels was raised by Russell Dunham, CEO of Fiji Fish, another Fijian-based tuna longline company and fellow FTBOA member. See also Elbourne, F. (2012, April 20). 50 fishing boats the limit. *Fiji Times online.* Retrieved http://www.fijitimes.com/story.aspx?id=198996

titled 'Women in Fishing' run by Nelson Marlborough Institute of Technology.

Responses and successes

The Solander XI on the Miller's Wharf slipway

The license situation in Fiji means that Solander will not be able to experience growth by increasing the number of boats it has fishing in the EEZ. Solander has been successful in choosing other areas to invest in, in order to diversify its business. Solander has taken advantage of opportunities to invest in the development of much-needed fisheries infrastructure in Suva, building Suva's third slipway at Miller's Wharf in 2002 in a joint venture with a local company. Solander took 100 per cent ownership of the slipway last year. The slipway provides an opportunity to earn extra revenue through slipway service provision. A major upgrade of the slipway and engineering facilities is planned for 2013. This includes the provision of two large computerised lathes which were funded, in part, under the Fiji Government's National Export Strategy (NES). Solander maintains that there is still a shortage of slipway services in Suva. Recently the company has started a project to increase the slipway capacity further to increase the number of boats it can service at one time as well as the size of the boats.

In order to contribute to long-term profitability Solander is looking for more opportunities, drawing on Fiji's resources and existing infrastructure, for value-added commodities. It has recently formed a joint venture with PAFCO (the Government owned cannery in Levuka) and a New Zealand company to manufacture tuna oil, previously a waste by-product from the canning and fishmeal production process at the PAFCO cannery in Levuka. The project is in its trial stage. Solander is collecting the oil for export in bulk to Malaysia, where it is used as the main ingredient in fish oil dietary supplement capsules. Due to existing facilities in Fiji, the set-up costs to start this initiative are relatively low. The main constraint is the location of the cannery, which is far from Suva. The cost of getting packaging material to, and the oil from, Levuka is approximately 40 per cent of the venture's operating costs, and will remain so while the operation is too small to use bulk containers. While the oil collected at present is very crude, Solander estimates it could produce a very polished oil with a further investment of NZ$300,000.

There are other activities that Solander has strategically chosen not to invest in. Fish processing services, for example, are available to them at very competitive prices as there are already a number of fish processing plants in Suva.

Solander recounts that the Fijian operation has relied heavily on the experience of the parent company in New Zealand. For example, all contracts are based on those already developed in New Zealand, with slight adaptations for the Fijian market. While Solander in New Zealand maintains a fairly tight control on Fijian operations, staff in Fiji feel strongly that they are a local Fijian company. One reason for this is Solander's policy to have only one expatriate New Zealander based in Suva (the fishing operations manager). The role of CEO has recently gone to a local Indo-Fijian woman who was already employed in the company.

Solander has a secure market for its fish sales. This has been ensured by meeting the required high standards of the United States Food and Drug Administration (FDA) and more recently the European Union (EU). Eight of Solander's boats have EU certification. Solander has recently received support from the Fiji government in order to install equipment on some of its boats so they meet EU food safety standards. However recently the EU has threatened to block EU market access for Fiji fish (along with seven other countries) because of the alleged high occurrence of illegal, unreported and unregulated (IUU) fishing[35]. Fiji has strongly refuted these allegations which Solander believes are, in the main, without foundation.

Fiji's frequent air links are crucial to maintaining that market as they enable Solander to export their fresh fish in a timely manner to global markets where they receive considerably higher prices than for frozen fish. Solander has taken advantage of Fiji's frequent air links to New Zealand to build a very efficient and innovative supply chain for supplying fish from their catch in Fiji direct to retailers in New Zealand in a very short time frame.

As part of the FTBOA, Solander is currently undergoing assessment for Marine Stewardship Council (MSC) certification. In December 2012 the FTBOA received MSC certification for longline caught Albacore. Solander is a constituent member of that association. Certification should guarantee the company a market for fish caught in accordance with sustainability best practice. Solander maintains a working relationship with the NGO World Wildlife Fund (WWF) in Fiji.

SCENIC HOTEL GROUP

The Scenic Hotel Group (Scenic) is a New Zealand limited company, wholly owned by the Hagaman family whose business interests include a 42% shareholding in the Dunedin Casino. In New Zealand, Scenic employs more than 700 people and owns 17 hotels split across a three-star Heartland brand, a four-star Scenic brand and a five-star property at Franz Josef Glacier[36]. Scenic won the Tourism Export Council New Zealand Operator of the Year Award in 2012.

Scenic has recently expanded into the Pacific, opening its first overseas hotel on the island of Tongatapu in Tonga in May 2012. The hotel has received a 4 star rating.

The hotel in Tonga (formerly known as The Royal Tonga International Hotel) is a fifty-fifty joint venture with New Zealand finance company Commercial Factors. The former owner, Mr Wong, defaulted on a debt and Commercial Factors came into possession of the hotel as first mortgagee. The owner of Commercial Factors had experienced the hospitality offered by Scenic's hotels and approached the company to propose a joint venture. Scenic has made a significant investment in the joint venture. The company also has the management contract on the hotel.

Scenic Hotel Group's Fua'amotu hotel is very near Tonga's international airport and approximately 30 minutes drive from the capital Nuku'alofa

Motivations and opportunities

Scenic believes that there are currently few opportunities in New Zealand for expansion, especially given that construction costs in New Zealand are too high to make building new hotels viable. The desire to enter new markets, particularly in the Pacific, has been part of Scenic's plan for some years. The company had been involved in the planning stage of the renovation of the Matavai, Niue's largest hotel, although this did not eventuate in a management contract for the company. Therefore when the joint venture with Commercial Factors was proposed, Scenic was enthusiastic about the opportunity.

35 Tabureguci, D., & Matau, R. (n.d.). Red alert on Fiji's fish, sugar: EU may blacklist us for illegal fishing, and force hand on iEPA. *Island Business*. Retrieved from www.islandsbusiness.com/fiji_business/index_dynamic/containerNameToReplace=MiddleMiddle/focusModuleID=20429/overideSkinName=issueArticle-full.tpl

36 Tahana, Y. (2012, April 26). Scenic puts stamp on Tongan hotel. *New Zealand Herald* online. Retrieved from www.nzherald.co.nz/business/news/article.cfm?c_id=3&objectid=10801426

Scenic's strategy is to use the Tongatapu hotel as a springboard to managing other tourism properties in Tonga. While the hotel is a capital investment, future plans do not involve capital outlay. Rather, Scenic is particularly interested in taking up management contracts as a way to spread its brand through the region while profit sharing with local businesses. The company is already in negotiations for the management contracts of three properties in Tonga. Scenic feels it has much to offer the Tongan tourism sector which it considers to be underdeveloped compared to other nations such as Fiji. Scenic also believes, that to some degree, it is a tourism pioneer in Tonga, and that other companies will engage in the sector in the future once the opportunities become more visible.

Doing business in Tonga

Commercial Factors took ownership of the hotel in May 2012. Legal proceedings to take possession of the hotel had been complicated by Mr Wong's death and by negotiations with the landowner due to many years of unpaid rent. Land in Tonga cannot be owned by foreigners and the hotel buildings occupy land leased from His Serene Highness Prince Tungi. At the time of the change of ownership, the lease had 35 years left to run. Commercial Factors managed to increase this to 50 years while negotiating the payment of rent arrears. Once ownership and lease issues were resolved, renovation began immediately and after three months the hotel reopened for business in July 2012.

The hotel is located very near Tonga's international airport in Fua'amotu, about 30 minutes drive from the capital Nuku'alofa. It consists of 76 rooms and four suites and currently employs 32 staff, of which all but two are Tongan. While the hotel is isolated from other tourist amenities such as banks, bars and restaurants, the hotel's location by the airport provides a potential link to Tonga's outer islands. It is also close to attractive beaches and good snorkelling.

Challenges

Scenic views Tonga as a challenging place to do business. Complex local business governance hinders attempts by companies to establish businesses in a timely and straightforward manner. For example the time taken to issue Scenic with its business licenses was significantly longer than anticipated, and a separate licence was required for almost every step involved in setting up the business. Recently however, pressure on the government from the Chamber of Commerce and local businesses has resulted in planned changes to a simplified licensing system. Scenic also views the right of landowners to increase rent every five years as problematic for their long-term investment in buildings.

One of Scenic's main costs is utilities. Tonga, like most other PICs, remains highly dependent on expensive fuel imports and uses little renewable energy. Although Tonga has recently invested in a solar energy plant, the benefits are localised and therefore unable to be utilised by the hotel. The hotel is considering the installation of its own solar panels.

Responses and successes

A further constraint is the inflation of prices given for building and equipment repair or renovations. Scenic maintains it is often quoted prices three times higher than the price given to locals so it claims it is often easier for the hotel to fly in skilled workers from New Zealand for certain jobs. This inflation was not just limited to quotes from local companies with some New Zealand construction companies who work locally also pricing high. Scenic sees this as a result of the custom of charging high prices for aid projects carried out for multilateral aid donor organisations.

Scenic sees the hotel restaurant as an important part of the guest experience and a valuable source of income. Scenic uses both local and imported foodstuffs in its restaurant. Many food items have to be imported to Tonga. Scenic has located reliable local suppliers and importers of fruit, vegetables, meat and dairy. While Tonga has high quality seafood such as mahi-mahi and Spanish mackerel, supply can be limited and prices expensive. It is sometimes more economical for Scenic to import high-value fish than to buy locally. More common species such as skipjack tuna are plentiful.

To date, the joint venture has invested approximately NZ$1.75 million in the set-up of the hotel (this does not include the capital for the purchase of the building). The investment has been made with a very long-term vision. Although the company anticipates the hotel's operations will break even within three years, full return on investment is not expected to occur for quite a number of years. Scenic plans to ensure long-term profitability by diversifying its services. A project to develop conference facilities is currently underway. Scenic is also working towards becoming a day-trip destination for residents of Nuku'alofa, offering use of the pool and restaurant, and providing activities. Scenic also plans to take advantage of the proximity of the hotel to the airport to promote weekend getaways from New Zealand and Australia.

The Scenic hotel pool and restaurant

Scenic sees building relationships with government ministers and public servants as very beneficial. The company is currently in the process of setting up a project with Tonga Tourism to strengthen marketing for the Tongan tourism sector, with both partners investing NZ$80,000 for a joint marketing programme. As the business is in its infancy, it is too early for Scenic to assess the success of its Tongan investment. However significant steps have already been made to transform the once dilapidated facilities into an attractive upmarket hotel, with a team of staff of which Scenic is very proud.

REEF GROUP (VAIEA FARM LTD)

Reef Group Ltd (Reef) is the New Zealand incorporated parent company of a number of subsidiaries. Reef began in 1967 with the commencement of a shipping service between New Zealand and Fiji[37]. It now operates in Papua New Guinea, Solomon Islands, Vanuatu, Kiribati, Tuvalu, Nauru, Wallis and Futuna, Fiji, Niue, Samoa, American Samoa, Tonga, Cook Islands, Tahiti and the Federated States of Micronesia.

Reef is a market leader in regional shipping, freight consolidation and container services[38]. Reef utilises innovative transport and carriage options such as 20-foot frames with big tanks, instead of 20-foot containers, to transport essential fuels and energy supplies to Pacific markets. Reef has a portfolio of companies focused on key growth sectors in the Pacific primarily bulk fuel supply[39], commercial fishing[40] and horticulture[41]. The company's head office is based in Auckland. Reef Group has an annual turnover of more than $20 million and currently employs 120 staff across its portfolio of companies, both in New

37 The name Reef originates from a successful mission by company founder Tom McNicholl to salvage a vessel stranded on a treacherous outrock of reef outside Suva Harbour.
38 Reef Shipping Limited, Reef Freight Ltd, CRS Ltd
39 Reef Bulk Fuels Ltd, Lava Gas Ltd
40 Niue Fish Processors Ltd, Reef Fishing Ltd, Fishing Partnerships Ltd
41 Vaiea Farm Ltd, Pure Pasifika Ltd

Zealand and in the Pacific.

Motivations and opportunities

Reef's motivations for investment in the Pacific extend beyond profit to encouraging more two-way trade between the Pacific and other countries as a pathway to Pacific Island development. As a private sector shipping company, a particular focus for Reef has been to stimulate the economic development of PICs through enhancing their export sectors. The company has a particular affiliation with Niue. In 2004 the country was devastated by Cyclone Heta which destroyed large parts of the country's private sector infrastructure. Reef Group worked with the Niuean government to identify opportunities for economic development projects which would make use of Niue's distinctive natural advantages and enable them to be competitive with larger-scale producers. The Niuean Government saw the potential for noni exports and offered Reef the opportunity to partner in an investment for organic certified noni juice production. (Noni is a Pacific Island fruit considered to have significant health benefits. The main exporters of noni juice are Hawai'i and Tahiti.) The Niuean Government leased land for a noni farm (Vaeia Farm) from a number of landowners and then leased it to Reef under the terms of their joint venture. Reef's obligations are to cover the capital investment and the costs associated with running the farm. Any profits made are split evenly between the parties.

Similarly the government offered a partnership in fishing and fish processing. Reef established Niue Fish Processors Ltd[42] in partnership with the Niuean Government. The business, a fish processing facility, opened in October 2004. The project comprised a significant investment and included ice production towers and large blast freezers in order to meet the strict requirements of overseas markets. The facility was designed to be self-sufficient by producing its own power and water (from desalination). The venture failed for a number of reasons. Firstly, the plant had been built with insufficient understanding of the migratory patterns of tuna fish stocks. There was not enough of the more valuable species of tuna in Niuean waters. At the same time, there appeared to be an unfortunate movement of tuna stock away from Niue. Secondly, fish was not always able to be landed because of the lack of a harbour in Niue. High sea swells often prevented the vessels from offloading the catch onto the barges designed to take the fish to shore. Three boats ended up wrecked on rocks.

While the fish processing plant is no longer in operation, Vaiea Farm is now facilitating one of Niue's biggest agricultural exports. The noni business therefore contributes to Reef's core business as it buys shipping services from the parent company. Reef is also exporting noni juice from Samoa using a different business model from this case study.[43]

Noni trees on Vaiea farm. The trees produce fruit all year around so picking is a big part of the farm's work. Picking takes place three days a week, on average

42 Reef Group Ltd. (n.d.). *Niue fish processors Ltd: A state-of-the-art South Pacific fish processing.* Auckland: Reef Group Ltd.

43 Rather than harvesting noni from a commercial plantation as in Niue, Reef's approach is to buy noni from small growers and families who are already growing or collecting noni.

Doing business in Niue

Vaiea Farm, which had previously been used for dairy farming, now contains 180 acres of organically managed noni trees with a further 100 acres being planted. The business has one of the most technologically advanced noni processing plants in the South Pacific and adheres to organic production standards. The business is accredited as organically certified under the JAS (Japan) and BioGro (New Zealand) organic certification. At the time of the research Reef currently employs 17 local employees and two expatriate managers on the farm.

The noni tree produces fruit all year round. At Vaiea Farm, the fruit is collected, washed, graded and stored in airtight barrels where it is matured. At present the fruit is matured for six months for the Japanese market. For planned supply of the New Zealand and Chinese markets, the noni would be matured for three months. Once mature the fruit is then pressed using a hydra press sourced from New Zealand where this type of equipment is used in the wine industry. Reef Group's marketing subsidiary Pure Pasifika, purchases the juice from the Vaiea farm joint venture and then markets the juice. The juice is shipped in 1000 litre IBCs[44] by Reef to New Zealand and then transferred to an international shipping container for shipment to Japan. Any juice for the New Zealand market will be bottled in New Zealand by Pure Pasifika and branded as such. Juice that is for the Japanese market is bottled in Japan and branded by the purchaser. Currently the farm is producing and exporting approximately 90,000 litres a year to the Japanese market.

Clockwise from top: Reef's noni processing plant on Vaiea farm; Fruit is washed and graded; then matured in airtight barrels; Hydra-presses designed for the wine industry are used to gently squeeze the juice out of the fruit. The equipment works perfectly well for Noni; When approximately 10,000 litres of juice is produced, it is pasteurised; Juice is then packed into 1000 litre IBCs for export.

Niue has a very small population and consequently a small private sector. The Niue economy is traditionally dominated by employment in the public sector. Niue relies on imports and limited export trade, now predominantly in taro, honey and noni. Investment opportunities in Niue are restricted by the country's small size; however opportunities have been identified in agriculture, fisheries, IT and telecommunications and tourism[45]. Tourism has been identified as the main driver of future economic development.

44 Intermediate bulk containers.

45 Pacific Islands Trade and Investment Commission. (2008). *Doing business in Niue.* Sydney: Pacific Island Trade and Investment Commission. Retrieved from http://www.pitic.org.au/pdfs/bigs/niue.pdf

Challenges

The tyranny of distance and the logistics of setting up a company in Niue have been very challenging for Reef. It is questionable whether the company could have succeeded had it not been a shipping company. The inherent on-going costs of doing business in a country that has not only geographic isolation, but also an extremely small population are a further challenge. High costs involved in doing business include the diesel for farm machinery, shipping, repairs[46] and the employment of expatriate managers. However Pacific Island wage rates are an important factor in offsetting some of the major costs associated with Pacific geographic isolation.

Exporting from Niue is made difficult because there is no adequate wharf. Instead a barge is guided out to the ship by another boat and a crane lifts containers on and off the barge. Such a procedure is highly weather-dependent particularly during the cyclone season. Farming in Niue is made difficult by the island's geography. The farm is implementing strategies to reduce the risk of extreme weather by mulching, installing an irrigation system and building shelterbelts. At the time of the research the drought situation in Niue was a significant problem for the farm which is unfortunately located in the driest part of the island.

Responses and successes

At present the Vaiea Farm business only just breaks even. As Reef is in the business for the long term, they are pleased to at least be covering their costs at the present time. For long-term sustainability of the farm, production needs to be increased. Reef's long-term goal is to slowly and carefully expand production while concurrently expanding their export market. In addition to the 100 acres currently being planted which will increase their output to 120,000 litres per year, they have also started discussions with the Niuean government about sourcing additional noni fruit from an existing government noni plantation in another part of the island.

As there is no local market for organic produce in Niue, a key success factor for Reef's Niue noni business has been to find a secure market for their product in Japan. They have found a niche market for a niche product. The noni from Niue is of a high quality and organic certified. Vaiea Farm ferments the noni for six months in order to sell it as a top-end juice, and obtain relatively better prices. Niue's limestone rocks make its noni particularly unique imparting alkaline characteristics. This gives it a point of difference from the noni exports from Tahiti and Hawai'i. In addition, Niue's clean environmental image is an advantage when promoting organic products. The 'Niue organic' brand is therefore important in their marketing of the product to their buyers in Japan.

Reef has been successful in maintaining the fine balance between the increasing size of production in Niue and the number of clients in Japan. It is crucial that they are able to fulfil all client orders, and as production increases they are careful about the speed at which they bring in new clients.

In order to obtain more markets for their products, Reef has plans underway to diversify into blended drinks. This means noni juice can be sold in the form of a dietary supplement health-food drink in a non-traditional noni market like New Zealand. Currently Reef is developing blends in partnership with a popular kiwifruit juice company. Such diversification has been identified as imperative for the venture's sustainability and profitability.

**After this case study was completed, Reef Group Ltd went into receivership. In December 2012, Reef Shipping was purchased by Matson, a NYSE-listed shipping company. At present, it is not known what impact the receivership will have on the Vaiea Farm business and Pure Pasifika. The receivers PwC explain that it will be business as usual for all employees and contractors of Reef Group for the foreseeable future.*

46 Aptly known as the Rock of the Pacific, the land is particularly hard on farm equipment.

CASE STUDIES: CONTRIBUTIONS TO SUSTAINABLE DEVELOPMENT

Oxfam maintains that business can play a key role in poverty reduction. However it is recognised that economic activity by itself does not necessarily provide benefits to those who are in need. Therefore the research sought to explore links between the economic activities of the four companies studied and economic equity, social inclusion, respect for culture and environmental sustainability.

The following section outlines some of the perceived development outcomes in the Pacific communities in which the four New Zealand businesses operate. The discussion draws from the experiences and views of the four companies studied as well as a number of relevant stakeholders including government ministers, private sector organisations and civil society organisations. 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.

MACRO ECONOMY

Through their activities the four businesses are contributing to the economies of Pacific Island countries by bringing in foreign capital, generating foreign exchange earnings, providing employment and including local businesses in their supply chains. The companies' activities are (or soon will be) generating tax revenue for the countries they have invested in. The companies are naturally having a 'multiplier effect' throughout the local economy, supporting other businesses that supply to them, as well as the families of the employees. In 2009 Dave Lucas, previous managing director of Solander (Pacific) said he believed that there were "at least 1500 to 2000 people directly affected in one way or another [from their] business".[47]

Previous research has shown Pacific businesses that compete internationally are particularly important for generating foreign exchange, jobs and opportunities[48]. The export nature of the four companies studied plays a significant part in their economic impact. Turners and Growers is facilitating, and arguably strengthening, access to overseas markets for Fijian fresh produce. By marketing pineapples as a niche product with a point of difference, they are contributing to building a Fijian brand. Reef is generating export earnings for Niue, in addition to facilitating direct revenue for their government joint venture partner. Reef is achieving this through enabling the export of a sustainable, Niuean, organic certified, value-added agricultural product. Solander is contributing approximately FJ$25 million pa[49] in export earnings for Fiji by selling fish to a global market through an efficient supply chain, and complying with the standards necessary to sell in those markets. Scenic predicts that their recent entrance to the Tongan tourism industry will contribute to boosting tourist spend and therefore foreign exchange earnings.

EMPLOYMENT

Business can play a key role in poverty reduction by creating jobs that enable people to work their way out of poverty. The International Labour Organisation (ILO) has set core international labour standards aimed at "promoting opportunities for women and men to obtain decent and productive work, in conditions of

47 Ritova, V. (2009, December 16). David Lucas. *Fiji Sun online*. Retrieved from http://www.fijisun.com.fj/2009/12/16/david-lucas/

48 Oxfam. (2010). *Learning from experience: Sustainable economic development in the Pacific*. Auckland: Oxfam New Zealand. Retrieved from www.oxfam.org.nz/reports/2010?category=All&country=All&page=1

49 Equivalent to NZ$17 million (exchange rate at December 09, 2012 (0.68)).

freedom, equity, security and dignity"[50]. Important factors that need to be considered include working conditions; whether wages paid are at a living wage rate, not just whether they are above the minimum wage; and how the wages compare to others in the sector. They also include: whether workers have job security; what employment benefits workers receive; what opportunities are created for them to advance; and what the business is doing to encourage or inhibit the pursuit of gender equality through its activities.

The wider contexts in which the four businesses operate affect employment conditions in different ways. Each company directly employs predominantly local staff; however the spread of wages that the companies provide differ. The businesses provided an indication of wage levels but because of the commercial sensitivity of wage data, precise figures were not obtained. Many of the employment opportunities created by the case study companies require a low level of skill, but all the companies offered various training and skills development opportunities. A perspective shared by the four case studies was that New Zealand businesses could have a role in facilitating skills development, for example in welding and refrigeration, in order to strengthen the private sector in the Pacific. None of the companies had experience with unions.

At the time of this research, Reef has 17 local employees at Vaiea Farm and two expatriate managers; this constitutes a large business in a country of Niue's size. Reef employs its farm workers from the local village of Vaiea, populated by Tuvaluans who have migrated to Niue. As migrants, Tuvaluans face substantial difficulties in accessing work in the public sector, the island's main employer. The company has found that employing these staff has meant they have built a strong relationship with the local village. There were different views throughout Niue's small business community about whether the farm's staff would be able to find alternative jobs if the farm closed.

The jobs at Vaiea Farm are low-wage level jobs. However they do provide a living wage and they exist within the organic sector, a potential area of growth for Niue and the Pacific. Familiarity with organic farming practices could possibly lead to future opportunities in other ventures if the sector expanded. There are a small number of women employed at the farm. In Niue, private sector legislation is very limited and it is usually up to individual businesses to adopt public sector employment policies as they wish. At Vaiea Farm, there are few workers benefits available to employees over and above wages. However Reef has a health and safety plan on the farm for worker security and the farm managers have a close, supportive relationship with employees.

The divide between farm worker and farm manager is very wide – too wide to bridge the gap between a farm worker's skills and the qualifications and skills needed to manage the farm. Reef has tried various training initiatives on the farm, such as horticultural training and opportunities to obtain tractor driving licenses, but it has been a challenge to achieve uptake of these by the farm workers. The company thinks a reason for this may be that employees do not see a future beyond working on Vaiea Farm. Ideally, Reef would like to indigenise the management of the farm but it has had difficulty finding suitable candidates with the required organic processes expertise, and management skills. The company sees potential in the returnee community (Niueans returning from living and working abroad, primarily New Zealand).

As Turners and Growers expands, the number of jobs it provides is steadily increasing. After 18 months of operations they employ 35 permanent staff. Employees range from low-skilled to managerial staff including drivers, warehouse personnel, sales specialists, administrative staff and branch managers. The company also employs casual staff. The company strongly believes that working for an international company exposes employees to new processes and ways of working. It also opens up the possibility of further training and employment opportunities in Australia and New Zealand. As an example, Turners and Grower's NZ operation has recently hosted women workers from an allied company in Papua New Guinea which provided these workers an opportunity to learn from the Auckland-based operation.

Solander is the largest employer of the four businesses, providing 450 jobs in both its on-shore and off-

50 International Labour Organisation. (n.d.). Mission and objectives. Retrieved from http://www.ilo.org/global/about-the-ilo/mission-and-objectives/lang--en/index.htm

shore activities. Almost all personnel on Solander's payroll are Fijian nationals. Alongside approximately 50 Fijian engineers (both shore and at sea), Solander employs eight foreign engineers (two Filipino and six Indonesian). Offshore, three Korean captains are employed together with 14 Fijian captains. Solander explained that they employ some foreigners, as a last resort, because of a local shortage of skills in those areas. The majority of staff are the fishing crew, who are all Fijian in contrast to many other commercial fishing companies operating out of Suva and predominantly employing foreign nationals on their boats.

Left to right: Solander fish is processed at the local Celtrock plant in Suva. Solander quality control employees are present; Solander employees unload export tuna from a Solander vessel. From an initial staff of 15 in 1988, the company presently employs over 450 people.

Solander's fishermen have individual contracts with the company that are based on contracts the New Zealand parent company has with its personnel. Solander explains that their wages are above industry average, with their lowest paid worker earning over FJ$10 000 annually. Solander also provides employment insurance to its entire sea staff although this is not a requirement under Fijian labour law. Commercial fishing is a deeply gendered industry due to the nature of the work. Being away for long periods of time in a confined space with little privacy means that it would be culturally unacceptable (and possibly unsafe) for women to work on fishing vessels in Fiji. However the majority of office and management staff at Solander are women, including an Indo-Fijian recently promoted to the role of CEO. This woman began her career with Solander over ten years ago as an accounts clerk.

Solander provides engineer training schemes for male youth joining the company after secondary school. The company also provides ongoing training for its engineers and seamen, motivated by the need to expand the skill set of employees to meet international standards. The company explains that it has the capacity to provide such training because of its size. Solander trains engineers up to class three level at which point they are able to move on to work on cruise ships or merchant ships if they wish. Solander maintains it trains more seamen than any other company in Fiji and the company takes pride in the progression of some of its employees into higher positions within the maritime industry. The company has had approximately 63 Fijian engineers qualified through its training scheme since beginning its operations. Captains also have opportunities to move on to more lucrative work on bigger ships once they have the necessary skills and qualifications.

Scenic is committed to staffing its Tongan hotel with local employees and currently employs 32 local staff. While the hotel manager is a New Zealander, Scenic's management in New Zealand will not second any other staff from New Zealand, so all other roles must be filled locally; however the chef will be a person of international experience. While one reason for this is economic, the other is to contribute to the authenticity of the Tongan hotel. Currently most of the jobs provided by Scenic are of a low wage level. However, Scenic wants to actively encourage staff, especially women, into managerial positions within the business. Scenic's location is inconvenient for many employees because it is some distance from town. For this reason, Scenic is in the process of buying the leasehold on a house in order to house some staff who would like to stay close to the hotel.

Scenic plans to provide training to some of its Tongan employees in the group's New Zealand hotels, a step that Scenic hopes will have a wider impact on the hospitality industry in Tonga as staff transfer into other employment in the future. Recently Scenic sent its current Tongan chef to a Napier hotel for five weeks' training.

IMPACTS ON LOCAL BUSINESS

When discussing inward foreign investment and sustainable development, an important issue to consider is the impact on local businesses. Local businesses may benefit or suffer as a result of foreign companies entering into the market. Moreover, in order for economic development to be sustainable, the benefits of business must have the capacity to reach the poorest. Supply chains should be inclusive with broad-based benefits in order to have potential for poverty reduction.

Turners and Growers maintains that its business brings a substantial amount of money to the local Fijian economy. The company sources consumables, packaging, IT services, power and fuel from local suppliers, as well as renting vehicles and refrigeration locally. For example, a local company makes packaging materials for the export of pineapples and papaya to Turners and Growers' specifications.

The return of Turners and Growers to Fiji has played an important role in the reduction of consumer prices for imported staples in Fiji, such as potatoes, onions and carrots. Turners and Growers has been working closely with the Commerce Commission, who sets price controls for staples. This comes down to economies of scale: Turners and Growers' large volumes result in more economical freight rates and a lower unit cost. The company has also reduced costs by selling directly to supermarkets and wet-markets, cutting out intermediaries. These benefits can be passed on to consumers.

Turners and Growers has made the market more competitive, with other importers having to sell with more realistic margins and become more cost-efficient. The Commission reports that Turners and Growers' entry into the market has broken a monopoly of importers who were selling these goods at a high premium[51]. While the impact on household consumption expenditure has not been documented, the Commerce Commission states that the lower prices are a great benefit for low-income families. On the other hand, smaller and possibly more labour-intensive importers may lose employment and some local producers may be displaced by cheaper imports. In the long term this could create a healthier and more competitive market but, unless there are measures to facilitate the participation of small farmers, it may lead to a growth in commercial farms and a loss of opportunities for smaller producers. This demonstrates that foreign investment can have quite different short-term and long-term effects with different actors benefiting or losing out.

Solander imports many of its inputs, for example bait and mechanical parts. However it has significant downstream effects on local businesses which are used for fish processing, packaging and transport. Solander contracts a local company, based in Suva, to pack its chilled fish for airfreight. Other onshore flow-on jobs include sourcing carton packaging from a local firm and laboratory services at the University of the South Pacific. In addition to this, Solander's philosophy is to involve local businesses in its slipway service provision rather than installing their own equipment. One example is that Solander subcontracts work to existing people who paint vessels rather than setting up their own painting operation. Another example is using the services of a local man who owns a high pressure water blaster and is employed to remove underwater growth from ships hulls at time of docking.

Whilst some of Solander's Albacore tuna is sold to the cannery in Levuka, most is exported to Bangkok. This reflects the long-term relationship but also better price stability. The recent MSC approval will increase sales to Europe.

51 Personal communication.

Reef buys many goods locally, and it includes the purchasing activities of its expatriate managers in the list of benefits its operations bring to Niue. Reef has undertaken some internal studies about the private sector multiplier effect that can be achieved by its business activities in Niue and believe it is adding significantly to the local economy. The farm has close relationships with the Public Works department, as well as other local organisations. The farm uses the bulldozing services of Public Works for the Vaiea farm expansion, and the local mechanical business derives a large amount of business from the farm.

Local suppliers of fresh produce to Scenic hotel

Scenic has only recently opened for business and is still in the stage of identifying long-term suppliers. Scenic's manager has secured some local suppliers by asking people he knew for recommendations. Fresh produce is supplied by a medium-sized family business that grows vegetables on the family farm and also imports produce from New Zealand. This business supplies produce to a number of cafes and hotels in Nuku'alofa and also exports produce to New Zealand. Meat, fish and alcoholic beverages are supplied to Scenic by another import business. Scenic always considers whether it would be cheaper to purchase a product in Tonga or source it directly from New Zealand. A useful future study would be exploring the proportion of revenue used to purchase goods and services from Tonga. Such data is often used in analysing the benefits of tourism to a country[52].

DEVELOPMENT OF LOCAL SUPPLY CHAIN RELATIONSHIPS

The Fijian Ministry of Agriculture has praised Turners and Growers' new operation because it provides a market for primary producers in Fiji, therefore encouraging them to grow more. Furthermore, there is an understanding that with Turners and Growers the market is secure and growers can invest in planting crops with confidence and plan for the longer term. Turners and Growers is developing relationships with growers that are mutually beneficial to both parties. Realising the importance of certain practices in the Pacific, Turners and Growers purport to 'play fair' in the supply chain by paying the growers in cash and on time. The company's dealings with smallholder farmers involves buying produce to distribute in the domestic market. These farmers can approach Turners and Growers to sell their produce if they do not have direct access to the resort market, supermarkets or wet-markets. Even growers with connections may prefer to deal with Turners and Growers if they can give them a secure outlet for their produce.

Geography, however, is an important factor in whether growers can participate in and benefit from opportunities to increase agricultural production, especially for export. Farmers in remote islands or rural areas are unlikely to find and develop direct relationships with international buyers such as Turners and Growers. Turners and Growers is working with larger producers who grow products for the export market. Different processes are followed for different products. Taro is sourced through an agent intermediary, as this is the nature of taro sales in Fiji. The agent buys and packs the taro for export. Papaya are sourced directly from producers and treated at Fiji's only commercial heat treatment chamber in Nadi before being packed for export by Turners and Growers. For pineapples, Turners and Growers works with larger farmers who are registered for export with the Ministry of Agriculture. These farms are businesses that use local casual employment when needed. Currently Turners and Growers works with three principal pineapple growers. The agreements with these farmers have been described as informal agreements.

52 See for example www.unep.org/resourceefficiency/Portals/24147/scp/business/tourism/greeneconomy_tourism.pdf

As an example, one of the farmers is predominantly a pineapple grower but also grows sugarcane and has beehives. He hopes to send 10,000 kilograms of pineapples to New Zealand through Turners and Growers in the peak season of December and January, in addition to the smaller consignments he has already sent. This farmer is somewhat of a lead farmer in the area, engaging with approximately 12 other smaller farmers from the surrounding community. He provides inputs, such as seeds, and gives advice and support and in return will receive a small portion of their yield when he on-sells their crop to Turners and Growers. Turners and Growers is trying to engage with growers like this who understand what the company needs and are able to provide capacity-building to other farmers. According to Turners and Growers, this works well because the lead grower makes sure crops are grown to specification and pushes the volume to meet demand. Turners and Growers recognises that such growers can have a ripple effect throughout farming communities.

Turners and Growers could also look at ways to encourage measures for environmental sustainability in their supply chain. This would involve activities to support farmers they work with to become more resilient to climate changes. At present Turners and Growers does not assess how their business might affect Fiji's fragile environment.

A pineapple grower supplying to Turners and Growers for export.

Scenic is considering the possibility of developing the vacant land surrounding the hotel into gardens reflecting the country's agricultural base to give guests an "authentic" view into the subsistence way of life that many rely on in the Pacific to supplement diets and family income. It suggests that products such as vanilla and tropical fruits would be prominent. However it has also mentioned the possibility of building a mini-golf course or other recreational facilities for guests. Scenic has an opportunity to use this land in a way that contributes to sustainable development while still providing a "guest experience" if it used the land as gardens. In this way Scenic could involve the local community in the hotel and provide a base for economic activity. There are various ways Scenic could implement this idea, depending on the level of involvement of the local community and who controls the planting.

Reef has involved the local community in its business by inviting people to collect and sell 'wild grow' noni to Vaiea Farm. When a person collects wild noni they identify on a map where the noni has been collected from so it can be certified as organic. However this initiative has faced challenges due to the small and aging population. Even though much effort was put into advertising the proposal, there was little interest and not enough noni was collected to make the separate testing worthwhile. Moreover most of what was collected was of insufficient quality. The Niue Department of Agriculture, Forestry and Fisheries suggests that the price offered was too little an incentive for local people to collect and was limited to a few elderly. However every year the farm applies for 'wild grow' certification so it remains a possibility. Incorporating 'wild growers' into the company's supply chain could be effective in larger populations like Samoa where many people grow and collect noni. However Reef should be aware of the local context so as not to undermine existing relationships between local growers and smaller exporters.

RAISING BENCHMARKS AND STANDARDS

The four New Zealand companies' contribution to raising product and process benchmarks was a common theme that arose during the research. The businesses have particular ways of working and expertise which may have impacts on the business context they are operating in.

Turners and Growers has set new benchmarks for the distribution of fresh produce in Fiji. The company explains that many fresh produce distributors worked out of containers in their own backyards and delivered produce without refrigeration. Turners and Growers' entry into the Fijian distribution market saw the company distributing fresh produce through its cool chain. Following this, many resorts request all distribution follows similar standards of refrigeration. Turners and Growers feels its impact has benefits for food safety and food quality. In addition to this, supermarkets and other retailers involved in Turners and Growers' supply chain benefit from the company's in-house training which focuses on how to handle fresh produce in order to preserve shelf-life and quality.

Scenic envisions that it will lift the standard of tourism service and accommodation in Tonga through leading by example. In addition it hopes to 'put Tonga on the map' in order to attract more tourist spending in Tonga. This is an ambitious undertaking for one hotel; however, Scenic hopes to further influence industry practice through additional management contracts as well as giving industry support and advice. Scenic believes it is very important to get as much support as possible from the NZ High Commission in Tonga in order to become a success and raise the standard and profile of Tongan tourism. Scenic aims to obtain a seat on the Tongan tourist board. The company has also been in discussions with the ANZ bank about creating a programme to support small business owners' performance in the tourism environment. This would involve improving the standard of properties, and learning about tourism and the expectations of tourists. Future plans also include partnering with tourism schools in Tonga to offer placements for Tongan students to train in Scenic's New Zealand hotels. Scenic is therefore being very pro-active with their entry to the Tongan tourism market. This commitment could have real long-term benefits if aligned with Tonga's own aspirations, and if based on strong partnerships and relationships with local actors. Such relationships would help to ensure participatory dialogue and respect for cultural and social practices.

Scenic Group prides itself on being a leader in responsible and sustainable tourism. Throughout its New Zealand hotels the company incorporates several environmental practices including chemical-free cleaning in all rooms, recycling programmes, providing New Zealand-made natural toiletries in recyclable packaging, partnering with environmentally aware suppliers wherever possible, and buying New Zealand-made to minimise the environmental impact of both production and distribution[53]. The company concedes that it has unfortunately not been able to maintain chemical-free practices in Tonga due to the volume of insects coupled with guest expectations. Furthermore recycling infrastructure is not established in Tonga so the company cannot easily incorporate recycling into its practices. However the hotel is dealing with sewerage in a sustainable manner onsite.

Solander's work with the World Wildlife Fund (WWF) is one example of its commitment to the sustainability of Pacific fisheries and marine life. WWF approached Solander with a proposal that Solander be used as an example by WWF to demonstrate to other fishing companies in the region that circle-line hooks are as effective as j-hooks. WWF is working to eliminate the use of j-hooks in the region, as they are harmful to turtles if caught. In contrast, circle-line hooks allow hooked turtles to escape unharmed. Solander has been using circle-line hooks since beginning long-line operations in Fiji. Another facet of Solander's relationship with WWF is that WWF played an advisory role when the Fijian Tuna Boat Owners' Association (FTBOA) sought Marine Stewardship Council certification for its tuna fishery. This certification is given for fisheries that are environmentally sustainable and caught according to best practice.

Solander strongly advocates for the reduction of the number of fishing licenses granted by the Fijian government. Solander recognises that the current number of licenses is environmentally unsustainable. Reduction of licences in Fiji must be accompanied with similar action by Distant Water Fishing Nations (DWFN) and other jurisdictions in the region. The current number of licences issued by Fiji, relative to the size of the EEZ, is modest in comparison with some neighbouring states. Notwithstanding, Solander recognises that it is in their own interest to reduce the number of licenses, as the fishing catch of each

53 See Scenic Hotel Group's website for the company's environmental policy, www.scenichotelgroup.co.nz/customer-information/environmental-policy

licensed vessel should increase. Charles Hufflett advocates for a property rights system to manage the sustainability of Pacific Island fisheries, similar to the New Zealand quota management system.

Reef's investment in Niue includes improving the soil quality on Vaiea Farm and promoting sustainable agricultural practices such as improving the farm's resilience to climate changes. Reef's noni farm is an opportunity to help strengthen organic production across the Pacific. Through a commitment to such production techniques, Reef is contributing to knowledge about organic farming methods in Niue and the export marketing of organic products. Organic certification requires very good management of processes to demonstrate that quality control requirements have been observed. Vaiea Farm has a working relationship with Niue's other main organic exporter, Niue Honey. The companies share knowledge and expertise to get their processes and products audited by BioGro New Zealand.

SUMMARY

The four businesses profiled have some commonalities in terms of identified investment opportunities. Each company made the initial decision to invest based on the grounds of expected commercial viability. The opportunities identified for investing and engaging in the Pacific draw on the Pacific's natural resources. Turners and Growers also saw opportunity in having a direct presence in Fiji's market.

The case studies illustrate how these businesses have drawn on existing networks, markets and their own expertise to create their business. Turners and Growers has had business connections with the Pacific (especially Fiji) for a long time. Reef has existing connections through shipping routes. A number of Scenic's staff had worked in the Pacific, and the company had also run an employment scheme connecting Pacific workers and Scenic's NZ hotels. Solander had many Fijian crew members working on boats in New Zealand and prior experience managing fisheries in other Pacific countries. These connections have played a role in the New Zealand companies' ability to set up a business in the Pacific. Common to all case studies is the influential role of individuals within the businesses who have strong Pacific connections or expertise with doing business in the Pacific. The case studies point to the benefit for NZ investors of having close social, cultural and political links with the Pacific.

The case studies also demonstrate some shared challenges of doing business in PICs, perceived as difficult places to do business by all four companies. Common challenges of setting up and doing business in the Pacific Islands relate to the countries' geographical isolation and relatively small market sizes. These include: the high cost of freight and fuel; limited infrastructure; and at times insufficient expertise and skills. While low wages in the Pacific help to offset some of the high costs, some of the companies face difficulties in making their Pacific businesses profitable.

The Pacific businesses of the four companies were assisted by some level of cross-subsidisation or support from other parts of the company. Solander (Pacific) is heavily supported by funds from the New Zealand parent company because operations since 1987 have not generated sufficient profits and cashflow. Scenic Hotel Group is sufficiently large and stable to be able to invest a large amount in the Pacific without expecting a healthy return on investment for quite some time. Turners and Growers' business exporting from New Zealand to Fiji has permitted it to take the risk of investing in new business activities within Fiji. At the time of data collection, Reef's noni farm had just begun to make a small profit from the noni business. Return on investment is extremely low but the business continued because of support received from Reef's core shipping business. Reef's receivership is a clear example of the difficulties and risk of doing business in the Pacific.

While there are obvious challenges for businesses to achieve profitability in the short term, the four businesses are investing for the future. The case studies demonstrate that long-term profitability, while dependent on the sector and size of business, will take time and will rely on securing and expanding access to niche markets where Pacific products and services can provide market advantages.

The case studies demonstrate that, while there may be indirect benefits of business activities to

Pacific Island communities, it is often difficult to build evidence about how these indirect or corollary benefits are actually realised. For example, the following were difficult to explore and some remain unknown: evidence of ways to increase the local value-added; the comparison of worker rights and benefits compared to others in the sector; the distribution of benefits to people who are vulnerable or low income; and the extent of long term relationships for mutual benefit. The above discussion is shaped by these limitations thus pointing to some of the complexities in understanding the existing or potential contribution of these companies' activities to sustainable development and poverty reduction in the Pacific.

However, by investing for the long term, the businesses are building relationships, providing skills for communities and, in some ways, inspiring hope through employment opportunities. The case studies revealed relationships that may be strengthening the sustainability of business activities as well as having potential impacts beyond just enabling business transactions to occur. For example, Turners and Growers has a business relationship with a key grower who works with more marginalised community members to ensure a more consistent supply. This relationship supports these smaller farmers' participation in an agricultural export supply chain. Solander's work with WWF provides a positive profile of the company and also encourages others in the sector to follow more sustainable practices. There appear to be opportunities for expanding on, and deepening relationships, with communities or other local organisations in order to strengthen the positive impact of business activities on a broader group of people.

REFLECTIONS ON NZ INVESTMENT AND SUSTAINABLE DEVELOPMENT IN THE PACIFIC

This research explores the role of New Zealand private sector in Pacific Island sustainable development. While there are some positive examples of NZ businesses investing in the Pacific and increasing economic activity, a strong message from this research is that links between NZ businesses and Pacific Island countries is limited. Furthermore, there seem to be few NZ businesses anticipating expansion into the Pacific in the near future. This is an important finding considering the current emphasis on the potential role of NZ private sector in the Pacific. It should also be recognised that even if there was more investment from New Zealand companies, it would be unlikely to impact the large trade deficits that characterise the economies of most Pacific Island countries. Therefore it is important to recognise that there are limitations to the kinds of development outcomes that may be expected from these kinds of economic activities.

The following section considers the realities of Pacific Island sustainable development and the potential role of foreign investment. Following is a reflection on some of the key observations coming from the mapping and case study components of this research. The report ends with a discussion on some identified ways to enhance the role that New Zealand businesses may have.

SUSTAINABLE DEVELOPMENT IN THE PACIFIC

A large proportion of the Pacific's people live without basic rights and opportunities. There are large numbers of people living in poverty, and increasing pressures from the growing numbers of youth, lack of jobs, and high levels of inequality. Throughout the Pacific many of the most marginalised people, often in rural remote communities, have been left out of development benefits. In the Pacific, the benefits from trade and foreign investment are all too often captured by a limited number of actors, not by the majority of the population. Experience shows that economic growth without addressing equitable distribution of benefits and the participation of those who are disadvantaged is ineffective at building the conditions for long-term development[54]. Oxfam's experience, as covered in detail in other research[55], shows that alleviating poverty and inequalities requires not just economic transformation but a redistribution of power, opportunities and voice.

A recent report by the Asian Development Bank (ADB)[56] has shown that income inequality is high in the Pacific, relative to Asia. Despite improvements in education and health care, economic opportunities are not available to many of the Pacific's people (particularly youth) in urban settlements as well as rural areas and remote islands. Further, there is only a weak relationship between economic growth and improvement in inequality, so that increased business activity, or even increased economic growth at the national level, does not necessarily result in improved development outcomes, particularly in societies with low levels of participation in the formal economy. Some Pacific countries with high levels of economic growth and increased business activity have experienced increasing inequality. The ADB report points out that high inequality is not only detrimental to social stability and well-being, but also inhibits opportunities for future economic development.

Sustainable development that reduces poverty and inequalities in the Pacific is realistic and achievable, but a continuing challenge is to ensure that development strategies are inclusive of those most in need. Possibilities exist in the Pacific to harness the energy of the private sector in ways that will specifically help those living in poverty. It is widely recognised that different kinds of growth reduce poverty more effectively than others. As an example, the 'Growth report', published by the World Bank's Commission

54 UNRISD. (2010). Combating poverty and inequality: Structural change, social policy and politics. Geneva: UNRISD. Retrived from www.unrisd.org

55 Green, D. (2008) From Poverty to Power: How active citizens and effective states can change the world. Oxfam International: Oxford.

56 Asian Development Bank. (2012). *Asian Development Outlook 2012: Confronting Rising Inequality in Asia.* Manila: Asian Development Bank

on Growth and Development explains that the expansion of smallholder farming cuts poverty quickly as it both raises the incomes of rural people as well as reducing the amount families need to spend on food[57].

As illustrated in Oxfam's previous research, *Learning from Experience*[58], some successful Pacific-based enterprises are putting in place deliberate policies that will not only enhance their business, but also support the inclusion of those on low incomes or who are marginalised. It is important that opportunities for 'win-win' outcomes between investors and local communities are understood and explored. NGOs and government agencies can play a role in highlighting strategies that can improve development outcomes while enabling the investor to benefit from a more reliable supply base, more skilled growers and workers, and a value-added story that can create higher returns in the market. This is an approach that Oxfam is undertaking in a number of countries, through value chain work, including programmes in Samoa, Tonga, Vanuatu and PNG. Collaborations across companies, NGOs and sometimes governments, can provide opportunities for companies to enhance their business while supporting people in need.

THE CURRENT AND POTENTIAL ROLE OF NZ BUSINESS IN THE PACIFIC

Data collected throughout this research has provided insight into the scope of New Zealand businesses engaged in the Pacific. Through mapping, this research found very few examples of significant investment. Although there are examples of exciting initiatives already taking advantage of opportunities, 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 limited value added from these business activities compared to investment, joint ventures with Pacific partners and long term partnerships in the Pacific.

While Pacific-based enterprises face challenges to competing internationally, the Pacific-based businesses of the four NZ companies chosen as case studies for this research demonstrate ways in which these challenges can be overcome. The four companies are examples of how businesses investing in the Pacific can draw on advantages inherent in the Pacific's natural resources to better compete within world markets through agriculture, tourism, and fisheries. Strategies 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.

The study of these businesses revealed a particular business model, one that combines the Pacific's natural resources and New Zealand expertise and/or technology with long term relationships between the partners in order to successfully export to a higher value market[59].

This model could be considered by other New Zealand businesses, especially in areas that have been identified as having real potential for sustainable development in the Pacific. These areas include: niche markets for agricultural products especially through organic or fair trade production and value adding; agricultural production for the domestic market including the tourism and hotel sector; sustainable use of natural resources and value adding through joint venture tuna fisheries or environmentally certified timber; high value tourism such as eco-tourism and village-based tourism that is founded on community ownership; and temporary labour schemes which are linked to skills training and community investment[60].

There is a need, however, to consider the fine line between encouraging and supporting local businesses and actually displacing them. While there is potential for New Zealand businesses to strengthen market

57 Commission on Growth and Development. (2008). The growth report: Strategies for sustained growth and inclusive development. Washington DC: The World Bank, p.14.

58 Oxfam. (2010).

59 We are grateful to Advisory Group member, Michael Greenslade, NZ Trade Commissioner for the Pacific, who contributed ideas to the identification of this business model typology.

60 Coates, B. (2009). Getting serious about achieving the millennium development goals in the Pacific: Strengthening economic development. *Policy Quarterly,* 5(3), 28-37. Retrieved from http://igps.victoria.ac.nz/publications/publications/list/10

infrastructure and raise benchmarks, there is a risk that, in the short term, local businesses that cannot compete will be displaced. On the other hand it may be argued that in the long term a strengthened private sector would create more opportunities for Pacific business, despite the initial displacement of some local companies. A strengthened private sector that is inclusive and supportive of local businesses points to the opportunity for gaining foreign capital and expertise while avoiding unnecessarily adverse impacts.

STENGTHENING DEVELOPMENT OUTCOMES

This research has pointed to a number of complexities which question the assumption that there is a *necessary* correlation between New Zealand private sector engagement and sustainable development in the Pacific. A clear message generated from data collected for this research is that there is a difference between general business activity and outcomes that promote sustainable development. Few businesses are aware of their social impacts or are deliberately attempting to achieve sustainable development outcomes that are inclusive of those that are most marginalised or on low incomes. 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.

Throughout the research companies' contributions to sustainable development were commonly expressed as introduction of foreign capital, provision of employment, generation of foreign exchange earnings, exposure to expertise and specialised knowledge, with limited mention of impacts on the most marginalised or those on low income. Standard measures such as sales revenue, export earnings or even the number of jobs provided are not the best indication of the contribution that an enterprise makes to sustainable development because economic activity by itself does not necessarily provide benefits to those who are most in need.

Oxfam believes there is real potential for businesses to engage in business models which create good business and contribute positively to sustainable development outcomes. At the same time companies will bring benefits to their own business by supporting the communities in which they operate to become healthier, wealthier and more highly skilled. Those communities will provide the customers, suppliers, and employees that companies need for sustainable growth. As an example, Oxfam International has outlined the following general guidelines that businesses, the NZ government and PIC governments could consider in order to contribute to poverty alleviation:

Poor people should be able to participate within the business as entrepreneurs, producers, workers or consumers in ways that enable them to partake successfully in markets, equitably capture the value and wealth created, and consequently lift themselves out of poverty;

Businesses should operate in a socially and environmentally responsible manner so that all the benefits that they bring by offering goods and services, jobs and incomes, access to markets, and tax contributions are not undermined by operations and behaviours that abuse human rights, cause environmental degradation or perpetuate corruption and bad governance;

Businesses should apply their core business skills and competencies in ways that help meet the challenge of lifting people out of poverty.

This would mean a shift beyond the notion of a 'traditional profit making' business where financial benefits of the company are the priority and any development benefits are an incidental bonus. It would also mean a shift beyond the notion of a 'do no harm' business model that incorporates measures to limit negative environmental, social and economic impacts as well as notions of corporate social responsibility (CSR), towards a business model that intentionally includes those who are too often excluded from development benefits and develops more sustainable goods and services to address development challenges such as climate change.

Internationally, many companies are stepping up to meet these challenges and discovering benefits that flow from the adoption of shared values across the company and a unifying sense of purpose. As the Silicon Valley entrepreneur Peter Thiel recently observed, the most successful companies didn't aim to make profits; they wanted to change the world.

A recent report by UNRISD explains that more companies are associating themselves with the MDGs and CSR agenda as well as "targeting the world's poor in their investment, production and marketing strategies"[61]. The report however states that "whether or not such approaches enhance corporate accountability and promote inclusive development remains an open question."[62]

In New Zealand, the movement for sustainable business is still nascent, despite the good work of a few companies and networks such as the Sustainable Business Network and the Responsible Investment Association of Australasia. The role of government in establishing a framework to encourage social responsibility is important to reach out to the corporate mainstream. Civil society also has an important role to play in encouraging this agenda, both as an advocate and partner, especially with regard to overseas investment where there is even higher potential for both costs and benefits. The shared challenge is to encourage an environment that will most effectively support opportunities for stimulating the types of economic development that are equitable, sustainable, inclusive and appropriate to the local context.

DETERMINANTS OF NZ PRIVATE SECTOR INVESTMENT IN THE PACIFIC

Business promotion, focusing on the Pacific, is undertaken by NZ Trade and Enterprise, Pacific Trade and Invest, and eight business councils in New Zealand, as well as the Pacific Cooperation Foundation, Oxfam New Zealand and a few other NGOs. But the Pacific does not have a high profile within the NZ business mainstream and there is a limited understanding of existing and potential New Zealand private sector investment in Pacific Island countries. The Pacific is New Zealand's sixth largest export market but it is not a region where most New Zealand businesses are looking for investment opportunities.

There are potential rewards for the New Zealand companies that can get the business model right. Businesses and stakeholders involved in this research cited the significance of historical and cultural links, geographical closeness, and family and community links in strengthening the New Zealand private sector's position to engage in business in the Pacific. New Zealand businesses were identified as being adept at forming sustainable partnerships with Pacific communities, businesses and governments. The case studies all demonstrated the benefits of having personal connections.

While this research has not undertaken a comprehensive exploration into investment determinants, existing research shows overwhelmingly that it is the existence of business opportunities that are a crucial factor[63]. Comparative investment patterns suggest that the origin of investment into the Pacific is diversifying (as explained in Section 3). While New Zealand business recognises that the Pacific has advantages such as low(er) wages, natural resources and available labour, it appears, in general, to have little interest in taking advantage of these factors.[64] This leads to a broader question of why New Zealand companies are not building global business from our relationship with the Pacific.

Is the lack of New Zealand company investment in the Pacific because New Zealand businesses are not particularly proactive with foreign investment or establishing partnerships with foreign businesses? It has been suggested that New Zealand has the perspective of a trader.[65] There are other suggestions the

61 UNRISD. (2010). Combating poverty and inequality: Structural change, social policy and politics. Geneva: UNRISD. Retrived from www.unrisd.org, p.21.
62 ibid.
63 UNCTAD. (2012). *Trade and Development Report 2012*, UNCTAD, New York and Geneva
64 As an example, the recent two-day 'Invest Samoa' conference, aimed to attract New Zealand investors to Samoa, has been touted as a step in the right direction; it nevertheless failed to attract many investors. See www.pcf.org.nz/news/index_dynamic/containerNameToReplace=Middle/focusModuleID=4371/overideSkinName=newsArticle-full.tpl
65 David Skilling explains that "improving international connectedness is defined as helping New Zealand firms expand into international markets, rather than as understanding the global debate and broader global forces" in Skilling, D. (2012, May 15). *Small countries in the global economy: Thoughts on New Zealand.* Paper presented at the New Zealand Treasury, New Zealand. Retrieved from www.treasury.govt.nz/publications/media-speeches/guestlectures/skilling-may12

New Zealand private sector tends to be rather inward looking, and tends not to take advantage of the interconnected nature of global business.[66] There is little evidence of New Zealand businesses saying they regard their base as not only being in New Zealand but as being New Zealand and the Pacific. They are not looking at building global businesses based on our New Zealand-Pacific base.

Is investing in the Pacific actually too hard? Business environments in the Pacific are not always easy for foreign businesses to navigate. In general, Pacific governments are working to make their business environments more attractive to foreign investment. Throughout the Pacific, governments are looking towards growth in the private sector as a development strategy and are positive about foreign investment to support this momentum. This was echoed widely during interviews in the Pacific.

Notwithstanding the opportunities, business investment in the Pacific has often been associated with high risk and high failure rates. There are inherent challenges, such as limited economies of scale, long distance to major markets, a lack of an existing supplier base, limited skills and experience in most manufacturing and service sectors and poor business infrastructure, These factors are significant in determining the kinds of investments may be feasible in Pacific Island countries. Stories collected through this research focused on the relatively high cost of the Pacific as a base for internationally traded products and services. Over the long term, successful businesses will be able to build a market advantage that offsets the higher costs, but cross subsidisation, whether from a grant or from another more profitable part of a business, is often necessary security in the short term for businesses to invest in the Pacific.

Businesses that invest in the Pacific therefore need to be aware of the challenges and the potential risks, and need to have a long term perspective that allows them to continue with their investment during periods of low profitability. Pacific governments often provide investment incentives that support business establishment, but companies investing typically need to have motivations other than short term profits. The possibility of business ventures collapsing, with adverse impacts on affected Pacific communities, needs to be avoided.

THE INFLUENCE OF TRADE POLICY

This research did not set out to investigate the relationship between trade policy and NZ investment patterns, but a search of the literature on the determinants of investment in the Pacific reveals the strong impact of trade policy. For example, manufacturing investment in the Pacific has been strongly influenced by the way that trade rules determine what is considered 'made in the Pacific'. Major investments in making garments in Fiji and wire harnesses in Samoa were possible when the rules of origin were relaxed for export to Australia.

Research by Oxfam and others suggests that inappropriate rules of origin are discouraging New Zealand businesses from investing in certain sectors of PICs. Pacific exports are subject to Rules of Origin (ROO) in the SPARTECA trade agreement. These require 50% of the value of the finished product to be added in the Pacific for it to be eligible for preferential treatment. But it has been argued that these ROO do not take into account the much greater dependence that Pacific Island countries have on imported inputs (since they have limited local industry) and the necessity for Pacific Island manufacturers to import from a range of different countries. Arguably this has led to limited investment into manufacturing in the Pacific[67]. The ROO that New Zealand currently offers to ASEAN countries is significantly more advantageous than what New Zealand offers to Pacific Island countries. It is vital that New Zealand supports the flexibility that Pacific countries need to enable them to develop their own economic foundations, by supporting a trade agreement that will help the Pacific make the most of trading opportunities and use trade as a

66 Skilling, D., & Boven D. (2005) *Dancing with the stars? The international performance of the New Zealand economy* [The New Zealand Institute discussion paper 4]. Auckland: The New Zealand Institute. Retrieved from Accessed November 23, 2012. www.nzinstitute.org/index.php/publications/C21/P20/

67 This can be seen in the examples of both wire harness manufacturing in Samoa and clothing and textiles manufacturing in Fiji. Both industries have needed policy interventions over and above SPARTECA and derogations from the ROO. These two examples where policy interventions have taken place show that these interventions were needed to enable this manufacturing to be viable in the Pacific.

tool to lift people out of poverty[68].

Phytosanitary barriers and quarantine protocols restrict the ability of Pacific farmers to sell their produce in New Zealand and other markets. New Zealand has valid reasons to be concerned about introduced pests and to maintain strong biosecurity measures, but the way that the rules are applied makes it unnecessarily difficult for exporters to comply. The New Zealand Government could be more proactive in supporting Pacific Island countries by incorporating more of a development perspective. Policies and procedures do not take into account the lack of adequate infrastructure in Pacific Island countries to assist farmers to meet phytosanitary requirements. There is scope for the New Zealand and Australian governments to offer more support to Pacific nations in terms of quarantine protocols, many of which were put in place many years ago and could be updated. In order to support such work a good step would be to put more phytosanitary officers on the Pacific desk[69].

Governments should also take advantage of industry expertise and opportunities to learn from people on the ground. Turners and Growers needed to invest time and expense to open up a pathway to export pineapples from Fiji into New Zealand. The requirement for companies to make these investments acts as a disincentive to prospective exporters and investors.

SUPPORTING NEW ZEALAND INVESTMENT IN THE PACIFIC

New Zealand's aid programme already makes valuable investments for development in the Pacific. This is not only in the obvious areas of physical economic infrastructure such as roads, bridges and ports, but also in the essential human infrastructure through education and training, health care, water and sanitation and community development. These are essential investments for inclusive development. In some Pacific societies, the majority of children receive only primary school education. It is difficult to imagine 21st century development for those who have only basic literacy or who suffer from ill health. Aid is also crucial to support the productive sectors who are all too often marginalised, such as small farmers or artisanal fishing communities. Retaining a focus on enabling the economic inclusion of those who are poor and vulnerable is essential if aid is to help the poor, rather than the middle class or the elites.

There is scope for policy change that would make sense from the perspective of the New Zealand investor as well as from a Pacific development perspective. This would 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. On a wider scale, the spectre of climate change hangs over the Pacific, imperilling people's livelihoods and lives, as well as the Pacific's investment prospects. If New Zealand has a public policy aim to support sustainable development in the Pacific, it needs to play a stronger role supporting global action to reduce emissions and contributing to the climate finance that is essential if the Pacific is to defend itself and adapt to climate change.

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. Engagements that are likely to have a significant impact on sustainable development, such as investment in Pacific-based business and the creation of long term supply chain relationships, are particularly limited.

There are numerous schemes that have been tried over many years to more directly support New Zealand businesses investing in the Pacific, from both Pacific and New Zealand governments. This research did not attempt to look at these in the context of the mapping or case studies, but the research outcomes suggest that a stronger evidence base is needed for such public policy interventions. Supporting business activity is not the same as supporting sustainable development that benefits vulnerable and

68 See Oxfam New Zealand submission to the Foreign Affairs, Defence and Trade Select Committee, July 2011 at http://www.oxfam.org.nz/report/submission-on-the-proposed-ammendment-of-article-3-of-the-australia-new-zealand-closer-economic-relations-trade-agreement

69 It is our understanding that there is currently one phytosanitary adviser on the Pacific desk and plans to recruit one other staff member.

marginalised people. The factors influencing business investment and success, and their development impacts, are complex and need further research before generalisations can be made about the most suitable policies that may attempt to influence New Zealand investment flows to the Pacific.

APPENDICES

APPENDIX I

People interviewed and consulted (in alphabetical order)

Name	Role	Country
Abdul Saheed	Grower - supplier to Turners and Growers	Fiji
Abhilash (Sunny) Nand	Sales Supervisor - resort and wet market, Turners and Growers	Fiji
Adam Dennis	Trade Commissioner, Pacific Islands Trade & Invest	NZ
Alika Cooper	General Manager, Turners and Growers, Suva, Fiji	Fiji
Alistair Petrie	General Manager NZ Markets, Turners and Growers, NZ	NZ
Hon Alohiva Levi	Speaker, Legislative Assembly of Niue	Niue
Aloma Johannson	President, Tonga Chamber of Commerce and Industry	Tonga
Avi Rubin	Chairperson, Chamber of Commerce, Niue	Niue
Bobby Sharma	Exports Manager, Turners and Growers (NZ); Director, Turners and Growers Fiji Ltd	NZ
Brendan Taylor	Managing Director, Scenic Hotel Group	NZ
Bruce Shepherd	Acting Chair, NZ Pacific Business Council	NZ
Charles Hufflet	Managing Director, Solander Fishing (NZ)	NZ
Dr Claire Slatter	Senior Lecturer, School of Government, Development and International Affairs, University of the South Pacific	Fiji
Drew Havea	Tonga National Youth Congress	Tonga
Elena Noyes	Development Programme Coordinator, NZ High Commission, Tonga	Tonga
Elliot Kirton	Chamber of Commerce, Niue	Niue
Emeline Siale 'Ilolahia	Executive Director, Civil Society Forum Tonga	Tonga
Haydon Porter	Senior Tourism Development Manager, Niue Tourism Board	Niue
Heather Baigent	Director, Interact Consulting Limited	NZ
Jackie Thomas	Pacific Policy Officer, World Wildlife Fund	Fiji
Jone Dakuvulu	Registrar, Fiji National University	Fiji
Karen Mapusua	POETcom Coordinating Officer, Secretariat of the Pacific Community	Fiji
Kate Sutton	Senior Programme Development Manager, Pacific Cooperation Foundation	NZ
Lucia Latu	Business Advisor, Tonga Business Enterprise Centre	Tonga
Lupe Laseki	Grower, supplier to Scenic Circle Hotel	Tonga
Dr Mahendra Reddy	Chairman, Fiji Commerce Commission	Fiji
Mark Blumsky Cameron Cowan Annmarie Aholima	High Commissioner, First Secretary/ Development Manager, Development Programme Coordinator, NZ High Commission, Niue	Niue

Markerita (Meg) Poutasi	Chief Executive, Pacific Cooperation Foundation	NZ
Mereia Volavola Erica Lee	CEO, Communications and Research Officer, Pacific Island Private Sector Organisation	Fiji
Michael Greenslade	Trade Commissioner - Pacific, NZ Trade and Enterprise	NZ
Michael Jones	Strategic Business Manager, Reef Group	NZ
Mike Doherty and Hinerangi Nu'u	Farm Managers, Reef Niue Noni Joint Venture	Niue
Nacanieli G Waqa	Senior Adviser, Pacific Market Access, Ministry for Primary Industries, NZ	NZ
Nesbitt Hazelmann	Chief Executive, Fiji Commerce & Employers Federation	Fiji
Dr Nur Ban Ali	President, Suva Chamber of Commerce and Industry	Fiji
Paul Davis	Programme Manager, Tonga New Zealand Tourism Partnership, Government of Tonga	Tonga
Peter Lund	Trade Commissioner, NZ High Commission, Fiji	Fiji
Poi Okasene	Acting Director of Agriculture, Department of Agriculture, Forestry and Fisheries	Niue
Radhika Kumar	General Manager, Solander (Pacific)	Fiji
Ratu Cokanauto Tu'uakitau Francis Chung	Solander (Pacific) Shareholder Finance Manager, Solander (Pacific)	Fiji
Ropate Ligairi	Permanent Secretary for the Department of Agriculture, Ministry of Primary Industries, Fiji	Fiji
Ross Brljevich	General Manager, Scenic Circle Hotel, Tonga	Tonga
Stanley Kalauni	Managing Director, Niue Vanilla; Chairperson, Niue Organic Exporters Association	Niue
Terry Coe	Politician; former Cabinet Minister (Niue); and local businessman	Niue
Toke Tufukia Talagi	Premier, Niue	Niue
Totafu Moeaki Salote Vaimoana Taukolo	CEO Deputy Director - Trade and Investment, Ministry of Labour, Commerce and Industry, Tonga	Tonga
Tricia Emberson	Treasurer, Tonga Chamber of Commerce and Industry; Secretary/Treasurer, Pacific Island Tuna Industry Association	Tonga
Vanessa Marsh	Tourism Development Coordinator, Niue Tourism Authority	Niue
Prof Vijay Naidu	Professor and Head of School, School of Government, Development and International Affairs, University of the South Pacific,	Fiji
Virginia Cooper	Grower - supplier to Turners and Growers	Fiji
Dr Yvonne Underhill-Sem	Director, Centre for Development Studies, The University of Auckland	NZ

APPENDIX II

Survey: Oxfam New Zealand Research Project: The Role of the New Zealand Private Sector in Pacific Island Development

Please return by one of the following:

Email: name@oxfam.org.nz

Fax: 09 3556505

Post: Freepost 4238, Oxfam New Zealand, PO Box 68357, Auckland 1145

Information

- This survey will be used to gain an understanding of NZ companies doing business in the Pacific and adding value to Pacific societies.
- Findings will potentially inform a publication that is expected to have wide circulation within policy, government circles, NGOs and NZ-Pacific business councils.
- Please be assured that all information provided by your company will remain confidential. Data collected from this survey will be aggregated so that no specific company data will be attributable.
- This survey should take around 20 minutes to complete. Please provide as many detailed examples as possible.

Company name: .

(Please complete for follow-up purposes. Your answers will remain confidential as outlined above)

1. What is the nature of your business?

i. What sector, what product/services

ii. Size (mark with an X)

____	Small	< $500K annual turnover
____	Small–Medium	$500K – $2M annual turnover
____	Medium	$2M – $5M annual turnover
____	Medium–Large	$5M – $20M annual turnover
____	Large	> $20M annual turnover

Number of employees: ________________________________ (please complete)

iii. What proportion of your overall business is related to the Pacific?

2. Where in the Pacific do you operate/trade?

3. What is the type of business model/structure of the initiative?
(select as many as applicable marking with an X)

____ Export from NZ of product/services to the Pacific

____ Import to NZ of product/services from the Pacific

____ Investment in a Pacific Island business

Type: (e.g. FDI/Portfolio investment) __________________________(please complete)

____ Public Private Partnership

____ Joint venture

____ Contractor

____ Other - please describe: ____

i. Please briefly describe your business in the Pacific.

ii. If you export from the Pacific, where are your major markets?

4. When did your business start operating in the Pacific?

5. How did the engagement come about?
e.g. family links, historical links with Pacific, investment opportunity etc

6. What other stakeholders are involved in your business in the Pacific?
e.g. government/public sector, other business partners, NGOs, PI communities etc

7. Do you have a local office in the Pacific? YES / NO
If yes, how many people are employed there?

Please specify numbers of locals and expatriates

8. Do you use local Pacific suppliers of goods and/or services while undertaking your business in the Pacific? YES / NO
If yes, what type of suppliers do you use?

and, what are the benefits to these suppliers from your operations?

9. **Does your business use NZ-Pacific transport links (sea/air etc)?**

i. **i) Please detail.**

ii. **ii) Is your business satisfied with the frequency and adequacy of these links?**
Please explain

10. **Does your business adhere to any specific code(s) of conduct/certification?**
e.g. Sustainability, Environmental, Organic certification, Fairtrade certification

11. **What are the key factors that make your business successful?**

12. **What difference does it make that you are a New Zealand business? Are there particular New Zealand links or characteristics that are important?**

13. **Do you think that your business contributes to broader Pacific Island development? If yes, how?**
e.g. through job creation, skills transfer, producer support, value-adding activities, access to markets, improved infrastructure and/or services, support of farmers, support of communities etc.

THANK YOU

Oxfam New Zealand appreciates the time you have taken to fill out this survey.

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