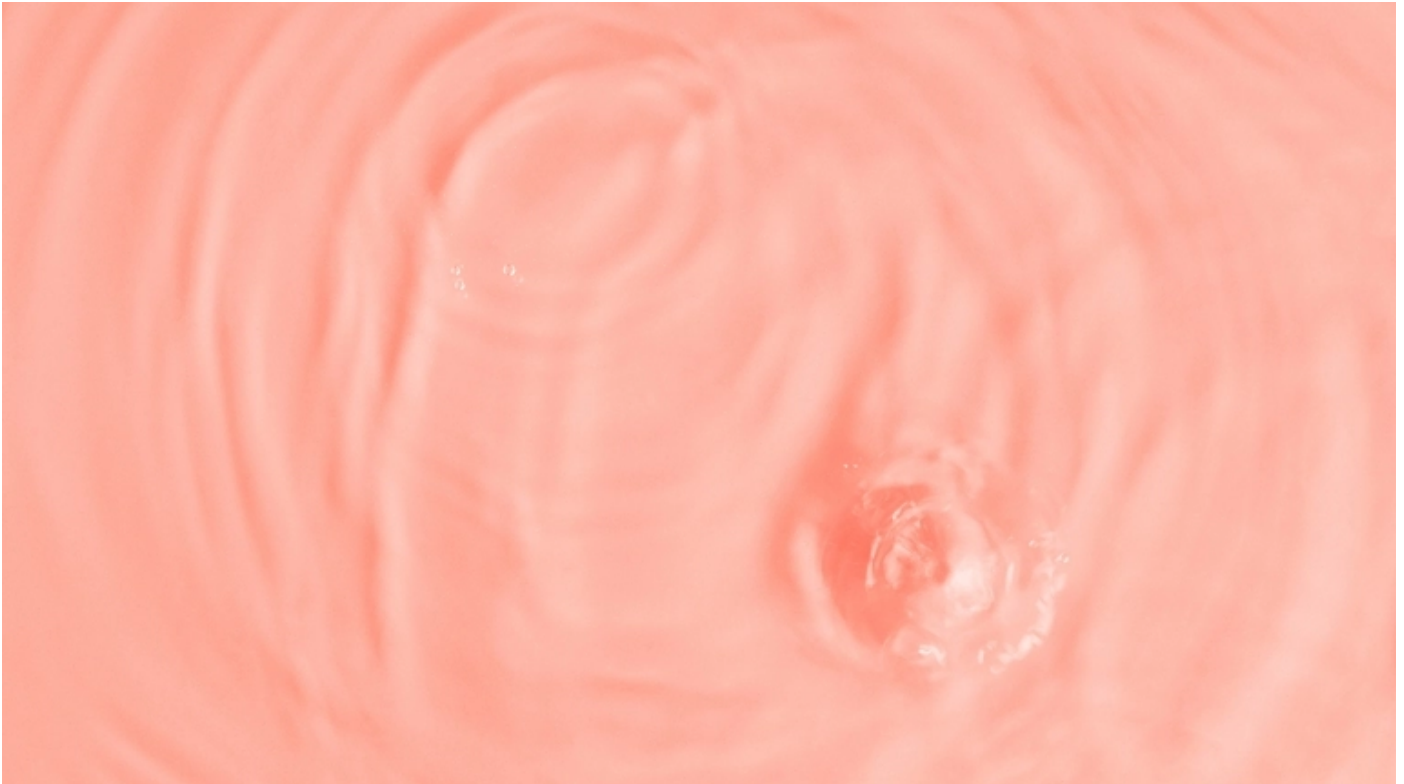


# Creating Job Opportunities In The Pacific Through Diversification

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The ongoing pandemic has shown how important a diversified economy is and how impactful it can be for businesses and the wider society when an economy relies on a few sectors only. It also shows that in many developing countries women and girls are most adversely affected by the loss of job opportunities.

Australia and New Zealand have weathered the pandemic [relatively well](#), however, many neighbouring Pacific Island countries (PICs) [have not](#).

One of the main reasons for the island economies' poor performance is their high dependency on international tourism and tourism-related services. This may be surprising considering the unique business opportunities beyond tourism that each island nation has to offer. If utilised, these business opportunities can assist in reducing the economic impact of shocks such as COVID-19 and provide job opportunities for women in sectors that traditionally have cultural impediments. A diversified economy can reduce the adverse effects of such cultural impediments on women and girls.

This article discusses how Australia's neighbouring island countries have yet to diversify their economies away from a dependency on one sector, tourism. As a result, women and girls are paying the highest socio-economic price of losing job opportunities and facing increased domestic challenges. It argues that current government policies have failed in attracting foreign direct investments and the creation of business incentives and opportunities for growth of other sectors, which could soften the impact of shocks on the economy and particularly on its minorities.

## The Impact Of Tourism Dependency

Australia's developing Pacific island country (PIC) neighbours that rely on tourism and tourism-related services have seen some of the most historically adverse impacts on their economies. [In 2019](#), tourism accounted for approximately 40 per cent of Fiji and Vanuatu's gross domestic product (GDP). For Samoa the number stood at 30 per cent and 20 per cent for Tonga. In the Cook Islands, it was as high as 90 per cent. However, since March 2020, tourism in the Pacific came to a halt when Governments decided to close borders or when major source markets

implemented strict border controls to prevent the spread of the pandemic. With the sharp fall in tourist arrivals, many tourism and tourism-related businesses such as hotels, restaurants and tour operators in tourist hot spots have closed temporarily, and in some cases, permanently. The extent of how many have closed permanently has yet to be revealed.

The closures have translated into significant loss of jobs and overall income. Figure 1 provides an overview of the extent of the impact of the pandemic on Australia's neighbouring PICs. Between 2019 and 2020 all countries experienced visitor arrival declines of 82 to 88 per cent, leading to GDP declines of up to 26 per cent (or 21 per cent of GDP per capita). In the case of Fiji this has meant a loss of more than six years of economic progress.

Figure 1 – Visitor arrivals, real GDP and GDP per capita developments (2019 to 2020)

	Visitor arrivals (thousands)			Real GDP growth (%)		GDP per Capita (USD)		
	2019	2020	% change	2019	2020	2019	2020	% change
Cook Islands	187	30	-84	4.8	-26	22138	18,919	-14.5
Fiji Islands	894	147	-84	-0.4	-19	6138	4857	-20.8
Vanuatu	121	22	-82	3.2	-9.2	3102	2782	-11.4
Tonga	69	9	-87	0.7	-0.5	5150	5130	-0.4
Samoa	181	22	-88	3.6	-2.7	4324	4067	-6.0

Sources: Cook Islands Statistics (2021), Fiji Islands Reserve Bank (2021), Fiji Islands Bureau of Statistics (2021), Vanuatu Statistics (2021), Reserve Bank of Vanuatu (2021), Central Bank of Samoa (2021), Reserve Bank of Tonga (2021), World Development Indicators (2021), International Finance Statistics (2021).

## Women and Girls Have Been Impacted the Most.

[A recent study](#) in the Pacific has found that women and girls, who already faced inequalities, have been disproportionately impacted by the pandemic. It was revealed that the economic consequences of the pandemic have worsened their situation. Women and girls were found to be facing even higher rates of domestic violence and sexual abuse by family members. It is not uncommon that they are forced to carry out more unpaid domestic work, have less access to essential health services, and are more at risk of economic hardship. In Fiji prior to the pandemic, 65 per cent of paid employees were males as compared to 35 per cent females.

Updated unemployment figures for PICs are not readily available. However, an indication of the impact of the pandemic on the job market comes from the statistics on job vacancies. In March 2020 as compared to March 2019, job vacancies declined by 36 per cent. That number dropped by another 76 per cent in March 2021. Going by previous economic downturns, it is likely that women would have experienced higher job losses than males. Furthermore, it was found that school closures and lockdowns resulted in women taking on additional childcare responsibilities and home schooling. Consequentially, the pandemic and the government policies have constrained women's abilities to participate in already limited economic opportunities.

## Diversification Can Lead To Job Opportunities?

The supply side constraints remain a major hurdle for many PICs. Government policies, institutional set ups, and inefficient State-Owned Enterprises (SOEs) continue to constrain much needed foreign direct investments from diversifying the economy and unlocking business opportunities.

The agricultural sector holds many opportunities in the Pacific, especially for women, [as their labour participation in that sector remains low](#), which is largely due to cultural impediments and [lack of secure access to land](#).

These opportunities arise as tropical agricultural products continue to enjoy [strong import demand](#) in major trading partners of the PICs such as Australia, New Zealand, Singapore, the United States and Europe. However, while these tropical agricultural products are produced in the PICs, very little is being exported.

To be able to successfully export agricultural products, countries must meet the trading partner [government's quarantine regulations](#), the [quality standards](#) of the trading business partner, which is guided by the consumers, and the product must be affordable. Currently, many PICs continue to struggle with meeting any of these requirements. [Quarantine regulations](#) and quality standards are a capacity constraint that could be addressed through education and technical assistance. [Affordability](#), however, can only be achieved if governments embrace best practice, ensure competition, and are open to structural reforms that address binding constraints.

## Expensive Air Services

Fresh agricultural products require affordable air services to major export markets. [A comparison of air transportation costs](#) shows that Fiji's air transportation costs have increased over the past 10 years, as compared to the transportation costs dropping significantly in competitor countries such as Malaysia, Thailand, and Viet Nam.

If the PICs wish to participate in market opportunities and diversify their economies, they must make their countries [more attractive to business investment](#). A first step must be to renegotiate and sign on to modern bilateral air services agreements with major trading partners. Many [current bilateral air services](#) agreements of the PICs include impediments such as price-setting mechanisms and freight capacity limits.

These price-setting activities make commercial long-term freight contracts almost impossible to sign between air service providers and exporting/importing businesses. Without the ability to have clarity about the freight costs and the quantities that can be transported, why would a foreign investor be interested in investing in infrastructure and education in the Pacific to develop up steady supply?

## Possible Actions?

When the Pandemic is overcome and countries open up to international tourism and other related services, the Pacific Islands will face mounting competition and, if no changes are made, will fall further behind. Many of the PICs' competitors are in a much better [economic state](#) and are well positioned for the re-opening of international tourism. While their tourism sectors have also suffered (like all tourism sectors around the world have), their more diversified economies have eased the [overall impact](#).

If the PICs not only wish to continue to attract tourists by offering competitive services but also seek to open up business opportunities and diversify their economies, increase [economic opportunities](#) for women and increase labour force participation, return to growth, and attract foreign direct investment, the time to implement changes and reforms is now.

Whether it is the recovery of the tourism sector or enabling future business opportunities through economic diversification, the costs of air transportation services must come down. [Modern bilateral air services agreements](#) that follow best practice principles should be implemented as soon as feasible. State-owned enterprises should be reformed (if not privatised) to meet global competition.

Most importantly, true economic diversification will be beneficial for all participants in the economy and can provide for [economic opportunities](#) that can help to reduce the adverse effects of crises and economic shocks currently disproportionately faced by women and girls in the Pacific.



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