

Empowerment through exporting

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2. Why export – benefits

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Fiji – export profile

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The top exports are: Exporting to:

Water (\$258M) United States (\$364M) 29% Fuel wood (\$73M) Australia (\$154M) 14%

Gold (\$63.2M) **China** (\$80.2M)

Raw sugar (\$52.1M) **New Zealand** (\$69.9M) 7%

Refined petroleum (\$49.8M) **Tonga** (\$47.1M) 6%

EXPORTS | IMPORTS: \$1.08B | \$2.54B

Source: OEC (Observatory of Economic Complexity) www.oec.world/en/profile/country/fiji_2021

Fiji – export profile

The top exports are:

- 1. Mineral fuels including oil: US\$251.8 million (23.5% of total exports)
- 2. Beverages, spirits, vinegar: \$170.6 million (15.9%)
- 3. Fish: \$90.7 million (8.5%)
- 4. Sugar, sugar confectionery: \$73.3 million (6.8%)
- 5. Gems, precious metals: \$46.8 million (4.4%)
- 6. Cereal/milk preparations: \$43.3 million (4%)
- 7. Wood: \$43.3 million (4%)
- 8. Electrical machinery, equipment: \$25.9 million (2.4%)
- 9. Meat/seafood preparations: \$25.8 million (2.4%)
- 10. Clothing, accessories (not knit or crochet): \$24.7 million (2.3%)
- Fiji's top 10 exports accounted for 74.4% of the overall value of its global shipments
- Mineral fuels including oil represent the fastest grower among the top 10 export categories, up 175.6% from 2021 to 2022

Source: Fiji's Top Exports 2022 (worldstopexports.com)



Fiji – export profile

Exporting to:

- United States (20.7%)
- Australia (10.9%)
- Tonga (6.7%)
- New Zealand (6.3%)
- Samoa (3.3%)
- Japan (3.2%)
- Italy (3.1%)
- Vanuatu (3%)
- mainland China (2.9%)
- American Samoa (2.6%)
- Kiribati (2.3%)
- Wallis and Futuna Islands (2.1%)

Source: Fiji's Top Exports 2022 (worldstopexports.com)



Fiji – main exports and opportunities

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Sugar:

Fiji has a long history of sugar production and is known for its high-quality sugarcane. Sugar is one of the country's primary exports, and it plays a significant role in the economy

Seafood and aquaculture:

Fiji's rich marine resources provide opportunities for the export of seafood and aquaculture products. Tuna, prawns, lobsters, and other high-value fish species can be targeted for export to meet the growing demand in regional and international markets

Mineral water:

Fiji has gained recognition for its premium mineral water. Bottled water, sourced from natural springs, is exported to many countries, particularly in Asia and the Pacific

Beverages:

Besides mineral water, Fiji exports other beverages, such as fruit juices and soft drinks made from local fruit like pineapples, coconuts, and passion fruit







Main exports and opportunities

Wood and wood products:

Fiji's forestry sector contributes sawn timber, plywood, and processed timber products like furniture and handicrafts



Agri-business products:

Fiji's agricultural sector offers export opportunities in high-value crops, such as organic produce, specialty fruits, root crops, and spices. Developing niche markets and emphasizing sustainable and organic farming practices can enhance Fiji's competitiveness in the international market

Essential oils:

Fiji produces and exports essential oils, including sandalwood, ylang-ylang, and vetiver oils. These oils are used in the fragrance, cosmetics, and aromatherapy industries

Main exports and opportunities cont



Textiles and garments:

Fiji has a growing textile and garment industry, with exports including t-shirts, dresses, and traditional Pacific island clothing, made from locally sourced fabrics

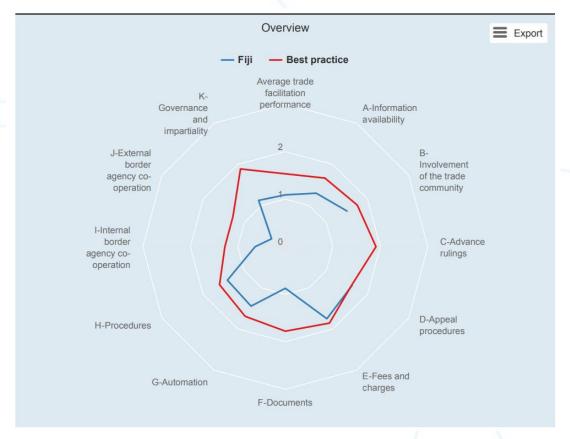
Tourism services:

Fiji is renowned for its picturesque islands, pristine beaches, and vibrant culture. The existing tourism industry presents significant potential through the export of enhanced services such as eco-tours, adventure activities, spa and wellness services

Electrical equipment and machinery:

Fiji exports electrical equipment and machinery, including electrical transformers, generators, and electronic components

Fiji – export performance





Export opportunities



Handicrafts and artifacts:

Fiji has a vibrant tradition of arts and crafts, including woven baskets, mats, pottery, wood carvings, and traditional artifacts. Promoting these unique handicrafts in international markets can generate export revenue while preserving Fiji's cultural heritage

Eco-friendly products:

With increasing global awareness of sustainability, Fiji can capitalize on the export of eco-friendly and organic products. This includes natural and organic skincare products, sustainable fashion and textiles, and environmentally friendly household goods



Export opportunities cont



Renewable energy technologies:

Fiji has been investing in renewable energy, particularly in solar and hydropower. The expertise gained in this sector presents opportunities to export renewable energy technologies, equipment, and services to other countries in the Pacific region and beyond

ICT services:

Fiji has a growing Information and Communication Technology (ICT) sector. Exporting ICT services, such as software development, digital marketing, and IT outsourcing, can leverage Fiji's skilled workforce and contribute to economic growth

Education and training services:

Fiji's education system has gained recognition, particularly in the Pacific region. Exporting education and training services, including vocational training, language courses, and tertiary education programs, can attract international students and generate revenue

Export opportunities cont



Fashion and apparel:

Fiji's textile and garment industry has the potential to export fashion and apparel products. This includes resort wear, beachwear, and traditional Pacific island clothing with unique designs and locally sourced fabrics

Film and entertainment:

Fiji's natural beauty and diverse locations have made it a popular destination for international film and television productions. Developing a film and entertainment industry can bring revenue through location fees, talent services, and production support



Fiji Fashion Week

www.fijifashionweek.com.fj







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Export opportunities – relatedness

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The top export opportunities for Fiji according to the relatedness index, are:

Crustaceans (0.22)

Tropical Fruits (0.21)

Bananas (0.2)

Cocoa Beans (0.2)

Packing Bags (0.2)





Relatedness measures the distance between a country's current exports and each product

(Source: Fiji (FJI) Exports, Imports, and Trade Partners | OEC - The Observatory of Economic Complexity)

Benefits of exporting

Exporting has numerous benefits and advantages for businesses of all sizes:

- expands your business with increased sales and profits
- spreads your risks
- reduces dependence on the local market
- provides access to 'economies of scale' in production (lower production costs)
- uses excess production capacity
- provides a buffer against seasonal or cyclical demand
- expands your skill base, management practices, marketing techniques, and ability to compete
- an important strategic option for small business owners who want to achieve continued business growth





Barriers to exporting – summary



Many barriers to exporting have been identified in the export marketing literature; however, the general consensus appears to be that the primary barriers to export include:

- finding customers
- lack of skilled staff
- access to suitable distribution channels
- adapting to foreign market needs
- export market attractiveness
- regulation in target markets
- access to finance
- competition



Barriers to exporting – in more detail



Limited resources:

Small businesses often have limited financial and human resources. Exporting requires investment in market research, product adaptation, international marketing, and distribution channels

Lack of export knowledge:

Exporting involves understanding international trade regulations, documentation requirements, customs procedures, and cultural nuances of target markets. Small businesses may lack the necessary knowledge and expertise in these areas, making it difficult to navigate the complexities of exporting

Access to information:

Small businesses may have limited access to relevant market information, such as market trends, potential buyers, and competitors in foreign markets. This lack of information hampers their ability to identify and evaluate export opportunities effectively

Barriers to exporting cont

Compliance and regulatory issues:

Exporting often involves compliance with various regulations and standards specific to each target market. Small businesses may find it challenging to meet these requirements, especially if they lack the resources or expertise to navigate complex regulatory frameworks

Financial constraints:

Exporting typically requires additional financial resources to cover expenses such as shipping, logistics, marketing, insurance, fluctuating exchange rates, collecting payments from foreign customers and market entry costs. Small businesses may struggle to obtain financing or face difficulties securing favourable payment terms from international buyers, which can hinder their ability to enter foreign markets

Barriers to exporting cont



Language and cultural barriers:

Language and cultural differences can pose significant challenges for small businesses in international markets. Effective communication and understanding local customs and preferences are essential for successful market entry. Overcoming language and cultural barriers requires resources and expertise that small businesses may not possess

Logistics and supply chain management:

Exporting may involve managing the physical movement of goods, ensuring timely delivery, and coordinating with various intermediaries. Small businesses may lack the experience or infrastructure to efficiently handle the complexities of international logistics and supply chain management

Market entry barriers:

Some markets have specific entry barriers, such as tariffs, quotas, licensing requirements, or product certifications, which small businesses may have difficulty overcoming if they lack the resources or market influence to navigate the legal and administrative processes

Barriers to exporting cont



Risk management:

Exporting exposes small businesses to various risks, including currency fluctuations, political instability, trade barriers, and legal disputes. Managing these risks requires expertise and financial resources that small businesses may find challenging to obtain

Competitive environment:

Small businesses often compete with larger, established companies in foreign markets. These competitors may have greater resources, established distribution networks, and brand recognition, making it challenging for small businesses to gain a foothold and compete effectively



Improving export performance

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To tap into export opportunities successfully, businesses could consider focusing on:

- improving organisational infrastructure
- enhancing product quality and standards
- strengthening trade facilitation
- leveraging Fiji's brand image internationally
- forming strategic partnerships
- participating in trade shows and exhibitions
- utilising digital platforms to access global markets





Strategies to increase export capability

Conduct market research:

Investing in thorough market research enables small businesses to identify viable export opportunities. This includes assessing market demand, competition, cultural preferences, and regulatory requirements. Market research helps businesses make informed decisions and tailor their products or services to meet the needs of target markets

Seek export assistance:

Governments and trade promotion organizations often offer export assistance programs for small businesses. These programs provide resources, training, market intelligence, and networking opportunities to help businesses navigate the complexities of exporting. It may be useful to actively seek out and engage with these organizations for guidance and support







Develop a strategic export plan:

A well-defined export plan helps small businesses outline their objectives, target markets, marketing strategies, distribution channels, and resource allocation. It serves as a roadmap for export activities and enables them to focus effectively

Build partnerships and networks:

Collaborating with local distributors, agents, or partners in the target market can significantly enhance a small business's export capabilities. These partners bring local market knowledge, established networks, and distribution channels, reducing the





burden on the small business. Developing strong relationships with reliable partners is crucial for successful market entry

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Attend trade shows and exhibitions:

Participating in trade shows and exhibitions, both domestically and internationally, provides small businesses with opportunities to showcase their products or services, network with potential buyers, and gain market exposure. These events serve as platforms for building relationships, generating leads and understanding market trends



Access export financing and insurance:

Small businesses can explore export financing options, such as trade loans, export credit insurance, or government-backed export financing programs. These financial tools can help address working capital needs, manage cash flow, and mitigate risks associated with international trade



Develop competitive advantages:

Small businesses can differentiate themselves by offering unique value propositions or niche products in target markets. This may involve leveraging superior quality, customization, innovation, sustainability, or competitive pricing strategies. Developing and communicating clear competitive advantages can help small businesses stand out from the competition

Persistence and adaptability:

Overcoming export barriers requires persistence and a willingness to adapt. Small businesses need to prepare for setbacks and learn from their experiences. They need to continually monitor market conditions, seek feedback from customers, and be open to adjusting their export strategies to stay competitive and seize emerging opportunities



Leverage e-commerce and digital platforms:

The rise of e-commerce and digital platforms has opened up new avenues for small businesses to reach international customers. Establishing an online presence and leveraging platforms like social media, e-commerce marketplaces, and digital advertising can help small businesses overcome geographical barriers and access global markets at a relatively lower cost

Enhance export knowledge and skills:

It may be beneficial for small business owners and employees to continually upgrade their knowledge and skills related to international trade. This may involve attending export training programs, workshops, or online courses that cover topics such as export documentation, logistics, cultural intelligence, negotiation skills, and international marketing

Role of government

According to the IPA Deakin University SME Research Centre, the continuing role of government includes:



- facilitating trade and investment; for example, by establishing consistent standards, institutional frameworks and measures to improve market openness
- negotiating bilateral, regional and other trade agreements in order to implement the above conditions



Overcoming domestic regulation barriers

- The main factors influencing decisions to do business in other countries lie outside the scope of trade agreements and are not directly influenced by them
- However, much has now been achieved in many regional initiatives and most importantly in the WTO, with agreement on best practice principles for Services Domestic Regulation
- WTO has shown that trade costs for services are double the costs for goods; and the OECD has shown that 40% of these services trade costs are regulation related. For telecommunications, the share is as high as 60% on average





Benefits of trade agreements



- WTO has shown that more efficient domestic regulation supports more entrepreneurship, ACCOUNTANTS* more active participation in global value chains and stronger trade performance
- Trade reduces the cost of economy-wide infrastructural services such as telecommunications, financial services, computer services, professional services, logistics and for businesses which are digitilising
- There are improvements to productivity, with the largest gains being for SMEs – costs reduce by an extra 2%-3%
- Regional business survey data consistently shows that business ranks domestic regulatory inefficiency as a top trade and investment irritant



Indo-Pacific Economic Framework (IPEF)



 IPEF is a regional arrangement to build cooperation and economic integration in the Indo-Pacific, established in Sept 2022 by 13 countries (including Fiji and Australia)

 Focus is on shared interests to deliver tangible benefits for "our peoples and advancing resilient, broad-based economic connectivity and integration in the Indo-Pacific

region, we intend to pursue provisions and initiatives related to labour, environment, digital economy, agriculture, competition policy, transparency and good regulatory practices, trade facilitation, inclusivity, and technical assistance and economic cooperation".



Making it easier to trade

IPEF and other regional initiatives will empower businesses by improving the trading environment:

- Data: commercial data flows are crucial for cross-border trade in digitally enabled services. A 1% increase in bilateral digital connectivity increases domestic trade by 2.1% and international trade by 1.5%. This double dividend applies to countries at all levels of development and across all sectors of the economy (IPA Deakin SME Research Centre, OECD)
- **Governance:** IPEF and other initiatives are expected to deliver regional governance that reflects the reality of digital services, such as facilitating region-wide acceptance of electronic signatures and documentation and facilitation of electronic payments
- **Digitalisation:** enhancing governance facilitates trade through simplified customs procedures and clearance while maintaining customs control and digitalization of trade facilitation measures
- **Regulation:** to ensure a level playing field across the region, we need to ensure domestic regulatory and policy settings are aligned including taxation, competition policy and intellectual property provisions

The role of innovation in exporting



STRATEGY PROJECT

- Innovation plays an integral role in exporting, both enabling and stimulating subsequent export behaviour:
- Australian exporters are twice as innovative as importers, particularly in terms of introducing new products or operational processes
- European Commission data shows that international firms are three times more likely to produce innovative products and services than domestic focused SMEs
- The data shows that around one-fifth of all Australian SMEs which export had introduced new, or significantly improved their goods or services (20.8%); or new operational processes (19.6%); and a quarter their organisational or managerial processes (23.4%). A further 19.5% had introduced new marketing methods

Source: IPA Deakin University SME Research Centre

Born globals

- Traditionally, the size, age, sector and capabilities of an SME have influenced its
 international performance. However, this has changed with the rise of digitilisation
 which in turn has seen the emergence of 'born globals' (eg AirBnB, tech start ups)
- Born globals have a more proactive and dynamic approach to internationalisation than firms entering overseas markets later in life
- Being less burdened by established organisational structures and routines, they tend to outperform other firms in terms of export speed, intensity and scope
- However, entering a number of foreign markets at the same time imposes exceptional pressures on born globals, which then influences their internationalisation behaviour
- They tend to reduce cost and risk by using a less intensive approach such as exporting via agents, or engaging in alternative collaborative governance structures including subcontracting, licensing or franchising



Policies to boost exporting

 Streamline domestic regulations to lower costs (benefits both exporters and domestic firms)



- Promote a stable domestic macroeconomic environment (stable exchange rates, low inflation, stable fiscal policy, stable regulatory environment, etc)
- Invest in education to enable Fiji to compete more effectively in global markets



Policies to boost exporting cont



Consider strategies to build upon current exporting successes. This approach requires targeting different categories of SMEs with specific types of support:

- Encourage micro and small businesses to participate in foreign markets by:
 - providing targeted export incentives
 - promoting govt grants
 - supporting networking and international collaboration
 - enabling business matching opportunities
 - providing mentoring services
 - facilitating access to finance
 - providing resources and guidance on how to take advantage of trade agreements
 - assisting access to global supply chains
- However, as geographic sales of SMEs vary across sectors, this suggests that a tailor-made intervention
 for each sector is highly recommended to boost the rate of internationalising SMEs. Research shows that
 tailor-made interventions are more likely to be relevant and effective and encourage higher levels of
 take-up by SMEs

Policies to boost exporting cont



- Undertaking all of these activities, will not only help government to understand SMEs' needs, but it will
 also build a bridge between SMEs and policy makers in designing specific instruments to support their
 internationalisation and exporting activities
- Specifically, governments should consider promoting the <u>resilience of global supply chains</u> and helping SMEs to meet the challenges and seize the opportunities of the digital and green transitions







Thank you

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