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French Pacific Trade and Economic Outlook

Market Report

October 2021

Prepared by the Pacific Polynesia and French Polynesia Division at the Ministry of Foreign Affairs and Trade
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COVID-19 in the French Pacific

The French Pacific has benefited significantly from French loans and support for its health systems in response to the COVID-19 global pandemic, including towards the provision and distribution of vaccines. French Polynesia has vaccinated approximately two thirds of its population, and New Caledonia has vaccinated around one third. New Caledonia took a hard-line approach to border management and was COVID-free for much of the pandemic. However, it is now facing a serious surge in community cases tied to the Delta variant. French Polynesia initially prioritised its largest sector tourism (17% of GDP) by keeping borders open as much as possible, however exposing it to high infection rates (with a recent wave of cases also linked to the Delta variant) and placing pressure on its health and social protection systems. Wallis and Futuna saw widespread community transmission earlier this year, however are now free of the virus and have vaccinated just over 45% of the total population.

Economic outlook

New Caledonia's economy remains reliant on its nickel industry, which accounts for nearly 94% of its export earnings and has been able to continue largely as usual during the pandemic (although domestic disputes connected to the nickel industry have cause delays to production over the last year). However, its economy has still taken a hit, due to pressures on supply chains, increased government debt, and job insecurity. New Caledonia's government is developing a range of economic stimulus measures to respond to the impact of the pandemic.

Prior to the pandemic, the government launched an ambitious economic reform programme, including some winding back of protective trade measures, but it continues to face opposition from industry groups. Nonetheless there is recognition in the business community of the need for closer economic links in the region, and especially with New Zealand and Australia. English language skills are seen as vital to business development.

Prior to 2020, French Polynesia saw solid economic growth (2.7% in 2018, 2.9% in 2019) with improvements in exports, private investment and household consumption, ongoing steady growth in tourism and a banking sector in a good state of health. While trade in the 2019/20 financial year only fell by NZD 30 million (less than 10%), a return to previous growth will depend on the territory's tourism sector rebounding once high value tourists are free or willing to travel again. Domestic restrictions and evolving border measures on top of global travel restrictions reduced economic gains from tourism by 77% last year.

Impacts on shipping and production due to the pandemic offer some opportunity to New Zealand business for growth in the food export sector, which in the French Pacific has historically relied on connections with France and the EU. There are also opportunities in the e-commerce sector due to the high cost of local goods and high shipping costs.

New Zealand's trade and economic relationship with the French Pacific

New Caledonia is New Zealand's fifth largest trading partner in the Pacific region, with total trade valued at NZD 189 million for the 2020/21 financial year. Key goods exports include dairy products, beef, and iron, and New Zealand imports some citrus fruits, vegetables, and electrical equipment. A comprehensive tariff regime and standards harmonisation remain significant barriers to trade with New Caledonia.

French Polynesia is likewise one of New Zealand's highest value export destinations in the Pacific with exports worth NZD 257 million for the 2020/21 financial year. New Zealand is the territory's second biggest supplier of food products and fifth largest supplier of goods overall. Key goods exports include meat, dairy, wood, and electrical machinery and equipment. French Polynesia's trade regime is less complex than New Caledonia's with most tariffs relatively low. Standards continue to be the chief non-tariff barrier for New Zealand's goods trade given that the territory generally adopts EU standards rather than Australian/New Zealand ones. This is not a problem for many primary products such as meat and dairy but can be challenging for other products such as wood and machinery/electrical equipment.

New Zealand enjoys a strong presence in Wallis and Futuna's market, with trade totalling NZD 7.3 million in 2020/21 (largely meat, dairy and wood exports).

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