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Unlocking the economic potential of remote areas

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Remote area development is an emerging topic of interest within the APEC region.² People in remote areas frequently have poor access to basic services, suffer from high living costs, limited job and entrepreneurial opportunities, and poverty. Their communities are isolated and vulnerable to environmental disasters.

There is no universal definition for remoteness, but generally a remote area lacks connectivity whether due to geographic distance, terrain or travel time. Not all remote areas are rural—cities are considered remote if they are disconnected from economic networks and are unable to tap into economic opportunities.

When remote areas have been discussed by other international forums, it was usually in the context of providing assistance or subsidies. There has been little discussion of economic potential, for improving connectedness and making these areas self-reliant. This is where APEC comes in.

Although remote areas are varied—a village in thick mountain forests will have little in common with a remote island community—they face some common challenges. APEC's diverse membership makes it well suited for initiating discussions on how governments and remote communities can face these challenges and turn them to opportunity.

Key Challenges

Limited Physical Infrastructure

The most obvious factor that makes an area remote is its lack of physical infrastructure connecting it to the rest of the economy. Remote areas are often isolated by geography or surrounded by difficult terrain, which makes development of transportation infrastructure and logistical services hard. This hampers access to electricity, water, sanitation and communications services. It also means economic activity is weak, market demand is low and the cost of living is high.



Poor Access to Services

People living in remote areas are vulnerable to health problems. Bad infrastructure means few roads that lead to health centers and insufficient systems for clean running water. People won't have ready access to certain treatments or vaccines (Bailie et al. 2004).

Education is also a challenge for remote communities, which often lack teachers, learning material and online access (Shaw 2010). Keeping the workforce well-trained is also more difficult in remote areas, and this contributes to a vicious cycle of potentially skilled workers leaving to find training and opportunity elsewhere.

Limited Economic Opportunities

Remote communities often have small markets that benefit less from economies of scale, which means there is little incentive to set up businesses (Kitchen and Slack 2006). It is common for smaller communities to have only one provider of certain goods and services.

Often, remote communities rely on informal economic activities, where work isn't regular. The OECD (2009) notes, for instance, that more than half of the employed population of New Zealand's remote places is involved in seasonal industries like agriculture, forestry or fishery. Other studies point out that in many other remote areas people are dependent on subsistence farming (Miranda et al. 2016; Li 2017).

Communities that don't have diverse economic activities and few employers are more vulnerable to economic shocks. Because they lack online infrastructure, they also lack access to financial services and capital. One need only look at the remote communities in Alaska in the Northern United States to see the difficulties of shifting away from a subsistence informal economy due to limited liquidity and financial services (Goldsmith 2008).

Lack of Human Capital

Remote areas often have relatively high unemployment (Kitchen and Slack 2006). Professionals employed in remote locations are often isolated from others in their field, which hampers career development (Paliadelis et al. 2012). They tend to move to urban regions, as a result, leaving a shortage of skills behind them.



This exodus of workers can drive self-perpetuating poverty. Departing workers are often young and skilled, so the communities they leave age faster, have lower output, lower incomes and lower purchasing power, which leads to more worker flight (Kuwahara 2012; UNECE 2017).

Governance Challenges

Policies formulated in urban capitals can be a poor fit for local conditions in isolated areas, especially in places with larger ethnic or indigenous populations whose languages and customs differ from the majority. Apart from the challenges commonly faced by poor rural communities, indigenous communities also face social stigmas and biases. It is doubly challenging for them to be integrated into the mainstream economy and to receive adequate support when struck by economic or natural crises.³

Finding Solutions

Economies need to develop transportation and communication infrastructure, implement structural reforms and encourage public and private investments in remote areas.

Some governments in APEC have done so by enacting legislation, others have integrated measures within strategic documents and development programmes.

The private sector can also contribute, given the right information and conditions.

Since many of these challenges overlap, many of the following proposed solutions can address multiple challenges and highlight multiple opportunities.

Develop infrastructure

Improving transportation and digital infrastructure will result in a slew of economic benefits such as connecting communities to economic networks and services, opening new opportunities, promoting local job creation and encouraging technology transfers.

A transportation network reduces the cost of logistics and travel, which attracts business and other opportunities, such as tourism.



However, not all infrastructure is created equal. Careful consideration should be given to what is suited to an area, which can be affected by factors like terrain and climate conditions, as well as the quality of infrastructure that can maximise long-term benefits.

Utilise and mobilise ICT

Once ICT infrastructure is in place, education and health services can be provided to remote communities without the costs of traditional service delivery. Online education, mobile-health or tele-health can be used to enhance the quality of services from hospitals and schools and to expand the reach of tertiary-level services available in major population centres.

ICT can promote entrepreneurial activity by reducing structural barriers to participating in e-commerce, fintech, and integration into the digital economy. Technology can also expand e-government services and improve data gathering for better public governance.

Diversify and ensure sustainability

Communities reliant on a single industry are vulnerable to economic shocks. Remote areas that lie along trade corridors, for example, may be subject to global fluctuations in trade. Hence, industries which can support a range of offshoots or related sectors stand the best chance of providing remote communities with sustainable economic opportunities.

Resource extraction is an example of a viable industry that will integrate remote areas with the larger economy. But this route calls for work to ensure the sustainable management of these resources, and to ensure against destructive environmental practices. Engagement with stakeholders, particularly those who are most likely to bear the costs of negative externalities, is also critical to ensuring social and environmental sustainability of remote area development plans.



Rabaul, a city on the island of New Britain in Papua New Guinea, was developed by German administrators on Simpson Harbour to serve as a logistical and shipment hub for the growing cacao and coconut industries on the island. Its name means mangrove swamp in Kuanua, the language of the Tolais.

Photo credit: Author.

Encourage foreign investment

Foreign direct investment (FDIs)—which could be complemented by public-private partnerships (PPPs) with the government—opens remote areas to improvements in technology, skills, knowledge and competitiveness.

A good strategy for stimulating the local economy and raising employment levels through investment is the establishment of Special Economic Zones (SEZs) (Pakdeenurit, et al. 2014). SEZs can help developing economies overcome barriers that hinder growth such as poor infrastructure, weak governance and restrictive policies (World Bank 2012; World Bank 2017).

Investments from the private sector through FDIs or PPPs can help share the costs of infrastructure development. Likewise, innovations developed by the private sector can help address connectivity constraints in remote areas while opening these markets to new products.



Technology and knowledge spill-overs—particularly in production management, organisational management, and product quality—can improve productivity among local producers (World Bank 2008).

SEZs in China and Indonesia provide prime examples. However, not all areas are well-suited to SEZs. It is important to conduct feasibility studies to ensure investment decisions are based on a clear and rigorous appreciation of economic potential.

The Role of APEC

APEC economies have already undertaken a range of projects to integrate remote areas in the region under the banners of other programmes relating to public private partnerships, energy, ICT, MSMEs, human resource development, and health. While these projects are often relevant to remote areas development, they rarely contain any direct reference to it.

APEC could work towards defining and measuring remote area connectivity and constraints to growth by developing ways to diagnose and identify areas with potential, which can then be the focus of investment promotion. A complementary line of work could be the development of a checklist of enabling factors for remote area development and integration.

APEC can also contribute by creating knowledge and initiating dialogue. Economies can share experiences in addressing remote area challenges. APEC's diversity in development level and geography make it an ideal forum to gather valuable insights and potential strategies.

These issues are explored in more detail in a report by APEC available at <https://www.apec.org/Publications/2018/11/Development-and-Integration-of-Remote-Areas-in-the-APEC-Region>.



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[2]https://www.apec.org/Meeting-Papers/Sectoral-Ministerial-Meetings/Trade/2018_trade

[3] Based on responses to the APEC Questionnaire on Remote Areas Development and Integration, all 14 responding APEC economies reported that economy-level policy is applied to address the problems of remote areas, and special programmes for these areas are being implemented in the economy. Moreover, seven of the respondents indicated that remote areas have some special status in their economy. APEC economies which provided responses to Questionnaire on Remote Areas Development and Integration indicated that special funds for remote areas development are being provided by the government.