REGIONALISM IN THE PACIFIC: A NEW DEVELOPMENT STRATEGY

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The Pacific Plan is potentially very different from earlier initiatives of the Pacific Islands Forum (PIF), the political body for Pacific regionalism. That difference lies principally in the challenge it presents to Australia and New Zealand to engage with Forum Island Countries (FICs) as equal partners in Pacific development rather than as honorary members on the sidelines. However, it also presents a substantial challenge to Island Countries; they need to move beyond postcolonial posturing and acknowledge the problems older strategies for development have created for their own peoples. Both challenges are immense and if not addressed will undermine the Pacific Plan.

WHY IS THERE NEED FOR A PACIFIC PLAN?

The Pacific Plan has not emerged from a vacuum. The region does face challenges and many of these, while not new, have assumed greater importance during the past decade. Since regionalism has long been recognized as a way of overcoming national constraints, the Plan seeks to transform the architecture for regionalism to better address the region’s major development difficulties. Some of these difficulties are similar to those experienced in other regions, but there are many differences also. With the possible exception of PNG and the Solomon Islands, the Pacific does not confront the same problems associated with interconnectedness experienced, for example, in sub Saharan Africa. If anything, it is the lack of connectedness which most distinguishes the Pacific, despite the obvious commonality of problems concerning communications infrastructure, political will, and the lack of a critical mass of countries to drive change.

The Pacific Islands are scattered across the world’s largest ocean. With their Exclusive Economic Zones (EEZs), they encompass one sixth of the world’s surface. Distances within island groups or between them impose large transportation costs that often weaken intra island trade; certainly remoteness from major markets impedes international trade. Kiribati, for example, contains 33 islands spread over 3.5 million sq km of sea, an area larger than Western Europe. But Kiribati demonstrates other characteristics common to many of the Pacific’s small island states. Most of its islands are less than 5 metres above sea level. Nearly half of its 100,000 people are crowded into South Tarawa which has a population density of 2,300 people per sq km. Such communities are highly susceptible to natural disasters and environmental damage, in particular from rising sea levels and poor

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⁵ The Forum comprises Australia, Cook Is, Federated States of Micronesia (FSM), Fiji, Kiribati, Marshall Is, Nauru, New Zealand (NZ), Papua New Guinea (PNG), Samoa, Solomon Is, Tonga, Tuvalu, and Vanuatu. French Polynesia, New Caledonia and Timor Leste have special observer status. French Polynesia, New Caledonia, Wallis and Futuna, and American Samoa are still territories.
waste management. Cyclones have the potential to reduce annual domestic economic growth by as much as 9 per cent\(^3\).

In addition to being widely dispersed across the Pacific, Island populations are also often highly fragmented within their own countries. The Pacific Islands may contain only 9 million people, but they possess close to 1000 language groups. Fragmentation creates difficulties for national development, especially in the larger Melanesian countries where civil unrest has contributed greatly to declining annual domestic economic growth. In the Solomon Islands ethnic tension reduced per capita income by 40 per cent between 1997 and 2000. Fiji’s 3 coups cost an estimated US$4.3 billion between 1987 and 2000, a loss of US$5,456 per person\(^4\). It needs to be borne in mind, that despite the diversity and dispersal of Pacific peoples, 88 per cent of them live in 5 Melanesian states\(^d\) and 75 per cent live in Papua New Guinea (PNG). These 5 states make up 98 per cent of the region’s land mass\(^5\).

Internal fragmentation is not unique to the Pacific. Size, distance and scattered diverse populations raise the cost of services and government business in other regions also. These costs fall heaviest wherever state intervention in economies has drained public resources, discouraged private sector initiatives, and –in some instances- contributed to the emigration of skilled personnel. They reduce the capacity of communities to participate in and benefit from new international linkages.

In the Pacific, as in many other regions, external linkages are extremely important as most exports go outside the region. Changes to the nature of markets due to ‘globalization’, or more accurately economic liberalization, have ended or reduced in value the preferential access many Islands enjoyed for their exports of sugar, garments and fish, an advantage that for a time reduced the impact of their inability to diversify and add greater value to their products. This weak capacity and economic openness has rendered FICs doubly vulnerable to external shocks over which they have little control.

Postcolonial strategies have failed Pacific communities in other ways also. Dependence on tariffs for government revenues and import substitution strategies has made adjustments to global trade changes more difficult. In addition it has raised consumer and business costs, and left many islands susceptible to political pressure from the small number of beneficiaries of such policies, thereby weakening political commitments to reform. When combined with rapid population and urban growth, and high proportions of young people, human security has been severely compromised. In many instances, large numbers of underemployed people are susceptible to political mobilization by disaffected elites or prey to criminal elements.

Often postcolonial governments have also failed to build national consciousness, with the result that traditional obligations take precedence over national interests and weak state institutions easily fall prey to the opportunism of politicians and bureaucrats. In this way poor governance contributes to low economic growth, which combines with rising populations and rural decline to weaken human security, reduce educational opportunities, accelerate squatter

\(^c\) Fiji’s annual per capita income is currently US$2253.
\(^d\) PNG, Solomon Is, Vanuatu, New Caledonia and Fiji.
settlements, and render large numbers of people susceptible to communicable diseases (HIV-AIDS, influenza, and malaria) and lifestyle illnesses. AIDS has the potential to reduce PNG’s labour force by 40 per cent and its GDP annual growth by 7.5 per cent by 2020. Today 15 per cent of Fiji’s population suffers from diabetes⁶.

Of course not all security threats are internally generated. They derive from communicable diseases, transnational crime, financial crises and climate change. FIC responses to these threats are constrained by lack of capacity, internal fragmentation and poor governance.

Together these factors restrict sustainable development. Even countries with significant natural resources such as PNG have not been able to provide adequately the human security its people desire; indeed its per capita GDP has fallen 10 per cent since independence in 1975. Similarly poor management and governance has seriously depleted forestry stock in the Solomon Islands (at one point 97 per cent of the country was licensed for harvesting), polluted lands and sea resources, and left entire communities without adequate means of sustenance⁷.

It is significant that the countries with the highest Human Development Indices (HDI) in the Pacific are resource poor micro states like Palau (0.77), Cook Islands (0.78) and Niue (0.74). What they share in common is a link to large external markets for their people. Tuvalu (0.65) and Kiribati (0.59) are also micro states but lack the same external opportunities for their people; so too the comparatively large states -Vanuatu (0.59) and Solomon Islands (0.41)⁸. They share the common distinction of being listed by the UN as Less Developed Countries (LDCs)⁹.

The Pacific Plan’s consultants noted that whereas the Pacific’s distance from the outside world once provided a measure of security, today isolation threatens its ability to meet popular expectations for development. Consequently service provision suffers, governments become less effective, and national autonomy –the ability to carry out national policies- is eroded⁹.

NEW REGIONALISM OR NEOCOLONIALISM?

Both Australia and New Zealand are members of the Pacific Islands Forum. This, one writer notes, ‘is one of the most striking differences between the Pacific and [other] ... regional arrangements, broadly equivalent of having the US and Canada as full members of the Caribbean Community –an unthinkable concept for the independent Caribbean states’¹⁰. One consequence, of course is that many academics focus on Australia’s hegemonic role in the region. Stewart Firth believes that no other region is so lopsided; that Australia has in fact established a kind of patron-client regionalism¹¹. William Sutherland has written of donor pressure for stronger compliance from Pacific Islands. Their reform agenda in the 1990s has now become a push for regional integration and stronger compliance regimes¹².

These arguments are not without justification. With a population of 20 million, Australia has the strongest economy in the region and the greatest influence. Together with the smaller New Zealand (4 million people), its past actions in the Pacific have often exposed it to severe criticism. Its stand on Fiji’s coups, corruption in PNG, support for democratic reform in Tonga, demands for judicial immunity for its police serving in PNG, and refusal to sign the Kyoto Protocol have, 

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⁶ Samoa is the exception as a LDC with a HDI of 0.72, but it enjoys linkages with New Zealand.
according to Jane Kelsey, reconfirmed an us-them attitude within the Forum. Her recent report -“Big Brothers Behaving Badly”- rounded on Australia (and New Zealand) for bullying Pacific Island states during trade negotiations in 1999\textsuperscript{13}. Tony Hughes notes that ‘From time to time such irritations have led to suggestions of a change in membership status for one or both of the two countries [but] ... no one is currently suggesting it ...[although] the idea remains in [FIC] self consciousness.’\textsuperscript{14}

Nonetheless, we should not see Australia's position as irregular. Many regions are dominated by large states: the North American Free Trade Agreement (NAFTA) by the US, Mercosur by Brazil, the East African Community (EAC) by Kenya, the Southern African Development Community (SADC) by South Africa, the Communauté Economique et Monétaire de l’Afrique Centrale (CEMAC) by Cameroon, and the Economic Community of West African States (ECOWAS) at least potentially by Nigeria. We could even argue that much of the early success of the EU relied on the economic strength of Germany and France. What is more important is how regionalism transforms dominance to the benefit of all parties\textsuperscript{15}. Economic integration alone cannot guarantee such an outcome. In the Pacific this issue is only now being confronted for the first time.

Although economic integration has been on the agenda of the Forum since it was founded in 1971, it did not survive the strong national drive for self determination and self sufficiency in the 1970s and 1980s. During the early 1990s it resurfaced, eventually being raised formally at a Forum Economic Ministers Meeting (FEMM) in 1997. The FEEM endorsed a proposal for a two stage free trade agreement to incorporate the Islands over a ten year period, followed by Australia and New Zealand during a second ten year period. However, the plan fell foul of World Trade Organization rules, and the Forum decided instead to adopt an islands-only agreement, eventually known as the Pacific Island Countries Trade Agreement (PICTA). Although evidence existed that PICTA would produce few gains for the Islands, at least one commentator believed that the FICs were given no reason to believe that they would be worse off without Australia and New Zealand. Perhaps all sides had reasons to be blind to realities. Australia wanted to avoid substantial costs and the Islands welcomed PICTA as a means to set their own pace of change and gain political influence as a grouping before tackling greater integration\textsuperscript{16}.

Everything changed however when the African Caribbean Pacific (ACP) bloc and the EU agreed to sign a successor agreement to Lomé at Cotonou in 2000 which foreshadowed 6 new reciprocal Regional Economic Partnership Agreements (REPAs) within 8 years. Because a Pacific REPA held the potential to advantage European goods over Australasian goods in the Pacific, Australia and New Zealand decided in 1999 to establish an umbrella Pacific Closer Economic Relations (PACER) Agreement to ensure that the FICs negotiated a similar agreement with them. Negotiations for PACER would begin no later than 2011; sooner if FICs began free trade negotiations with the EU.

Did the events of 1999 indicate that the Forum Island Countries had lost the ability to take the initiative, that they were victims of Australasian neocolonialism?

\textsuperscript{1} The United Nations Economic Commission for Africa advises regions to comprise as many countries as possible in order to overcome any one country from dominating. However, in some regions this strategy may not be possible. In any case, the participation of many countries may still not create the kind of critical mass needed to drive change.
The history of FIC-Australia-New Zealand relations suggests otherwise. The Forum came into being as a statement of regional determination in defiance of the older colonially established South Pacific Commission, headquartered in French Noumea, which refused to allow political discussions on French nuclear testing and independence at its meetings. During the 1970s and 1980s the new regional body successfully negotiated a raft of agreements: the Lomé Convention with the EU, the South Pacific Regional Trade and Cooperation Agreement (SPARTECA) with Australia and New Zealand, and the International Law of the Sea Treaty. In addition, the Forum successfully opposed Japan’s attempts to dump nuclear waste and US proposals to incinerate chemical weapons in the North Pacific, declared a South Pacific Nuclear Free Zone against the wishes of Australia, the US and France, and successfully concluded a Convention to Prohibit Fishing with Long Drift Nets in the South Pacific17.

Although some early Forum attempts at regional services failed (Air Pacific and the Pacific Forum Line survive as commercial entities with limited regional reach), others like the University of the South Pacific (USP) succeeded in satisfying national aspirations by providing a quality institution at relatively low cost6, by maintaining a degree of decentralization and by committing resources to distance education18. Aside from specialist research and project bodies such as SOPAC (South Pacific Applied Geoscience Commission), which focuses on the development of natural resources, and SPREP (South Pacific Regional Environment Program), the most important success story of the 1980s was the Forum Fisheries Agency (FFA) which oversees fish licensing in the Forum’s EEZs, the source of 40 per cent of the world’s tuna supplies. It has substantially increased returns on licensed fishing, now delivering on average 7 per cent of FIC domestic incomes (21 per cent for Kiribati), secured US compliance with the Law of the Sea Treaty, concluded a treaty to prevent fishing with long drift nets, and helped establish a Western and Central Pacific Fisheries Commission to manage high sea zones19.

Pacific regional organizations remain relevant to the region because of their successes and because they have developed skills for dealing with the region’s diversity. Australia and New Zealand, which fund up to 87 per cent of their core budgets, recognize their expertise, although Hughes argues that regional cooperation ‘can be mobilized in practice only if it is perceived by Australia and New Zealand to be in their interests ... [that] they tend to have a prominent role in defining when and where cooperation should take place.’20. Not surprisingly balancing regional differences and leverage from Australia and New Zealand is difficult for regional organizations, but not impossible. The Pacific Plan is one example.

The Forum’s decision in 2003 to appoint an Eminent Persons’ Group (EPG) to review its activities came after the intense negotiations of 1999, civil strife in Fiji and the Solomon Islands in 2000, and the near financial collapse of Nauru21.

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6 PNG did not join USP. A consultant has estimated that on the basis of 2004 figures USP saves the region an estimated US$41 million pa in foreign exchange (the cost of sending students outside the region). The University’s annual recurrent costs are US$36 million, and in 2004 it attracted US$14 million in donor funding.

9 In the early 1970s, the once guano-rich Nauru had one of the highest incomes in the world, but political instability and poor governance has resulted in per capita incomes falling to US$2,000, one twentieth of what they might have been had the country’s trust funds been wisely managed.
Although part of the motivation for a review derived from Australian and New Zealand’s insistence that regionalism more effectively improve governance and lay a better basis for economic growth (an insistence that had already found expression in the Regional Reform Agenda of the 1990s), the EPG was no mouthpiece for Australia and New Zealand and its goals were very different from those that emanated from the Australian Government.

For a start, Australia rarely sees itself as part of the region; if anything, it regards the Pacific as its ‘backyard’. Further, in the wake of 9-11, the Western Pacific loomed largely in its consciousness as an arch of instability that could host transnational criminals and terrorists. Accordingly security became the principal Australian concern, demonstrated by its so-called ‘hands-on’ approach to law and order and governance issues in Papua New Guinea, Solomon Islands and Nauru, and its push to place an Australian as Director-General of the Forum. In justification Australia claimed it had a special responsibility for the region, but critics argued that it sought to recolonize the Pacific or to establish a patron-client relationship.

Despite its massive expenditure, Australia’s forte has never been long term strategic development planning. Instead its engagement with the Pacific often seems motivated by national concerns or international commitments that occasionally overlap with the region: strategic denial during the 1980s and War on Terror after 2001. Although Pacific countries thwarted Australian objectives in the past (signing a nuclear free treaty, reaching fisheries agreements with the Soviet Union), with the end of the Cold War their leverage declined.

Despite similarities, New Zealand possesses different goals. It substantially disengaged from Western military alliances in the 1980s and unlike Australia possesses a sizeable Polynesian population (20 per cent). Prime Minister Helen Clarke’s fear in 2003 that the Pacific might become ‘a ghetto of conflict and poverty’ expressed a deeper understanding of the realities gripping a region that many of its citizens still intimately connect with. Nonetheless, at least one commentator suspected that New Zealand sought to use closer economic relations with the Pacific to deepen its own Closer Economic Relations Agreement with Australia.

However, for the EPG the task was not to dwell on Australian and New Zealand motives, but to harness them in ways beneficial to the region. After all, the Pacific Islands did face serious challenges: economic decline, social instability, environmental threats, and health concerns. In addition, the end to preferential access, which many Islands had used to underwrite postcolonial development strategies, loomed. This was no time for petulance. In 2004 the EPG report outlined what its Island members were prepared to support: a Pacific Plan of action to strengthen their existing Forum, make it more proactive in times of crisis, and coordinate a set of confidence-building initiatives designed to improve governance and deepen commitments to regionalism. It also called for greater engagement

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1 The EPG comprised former PNG Prime Minister Sir Julius Chan, former Australian High Commissioner to New Zealand Bob Cotton, former Tongan Deputy Prime Minister Dr Langi Kavaliku, former President of Kiribati and Chair of PIF Teburoro Tito, and Samoa’s Ombudsman Maiava Iulai Toma.

2 Previously by convention only Pacific Islanders held the post of Secretary General.
with remaining colonial territories in the region and with civil society organizations (csos). Linkages with colonial territories are clearly important for purposes of economic and sustainable development as well as security. Territories can no longer be excluded from regionalism simply because they are not independent. Linkages with csos acknowledge important social changes in the region, already signalled by a Parallel NGO Forum in 1995 and by the Forum’s Framework for Engagement with Pacific Regional Non State Actors (NSAs) in 2002. However satisfying NSA demands for consultation would require much more. Nonetheless, the inclusion of these two components in the EPG Report reflects the deeper regional consultation undertaken by the EPG, an undertaking lacking in the construction of the Australian vision.

The EPG Report also signalled another important shift in FIC thinking, one that emerges strongly in the background papers to the Pacific Plan. Analysts of Pacific regionalism had earlier noted that the FICs justified PICTA as a form of self determination, a means to adjust to liberalization at a pace they controlled. Certainly in the past the Forum avoided initiatives that impacted on sovereignty, refusing to intervene in national affairs during times of internal crisis, and declaring voluntarism and consensus the Pacific Way to decision making. However by 2004 attitudes became more flexible, in part as a result of the successful application of the Biketawa Declaration to the Solomons in 2003. In addition, FICs became more aware that PICTA could be detrimental to regionalism if it enabled larger industries in one country (Fiji) to dominate regionally. Disputes between Fiji and Vanuatu over biscuits in late 2004 and 2005 reinforced the point. Of course PACER might have a similar impact, with Australia and New Zealand being the beneficiaries on this occasion. A regionalism that focused solely on trade liberalization could exacerbate tensions between states and derail efforts to integrate Pacific economies.

Concerns that the gains of liberalization might not be sufficient to compensate those who lost their jobs as industries relocated also galvanized csos, already dissatisfied with their exclusion from pre-Forum dialogues and concerned that economic dislocation would worsen social conditions for Pacific peoples, create the climate for further political instability, and strengthen male-dominated forms of authoritarianism, usually justified as the Pacific Way.

Nonetheless, some analysts were unwilling to shake their belief that the whole exercise simply masked Australia’s determination to impose control through

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k On the eve of the Forum meeting at Port Moresby in October 2005, the Pacific Regional Non Government Organizations (PRNGOs) called for a two-year moratorium on the Pacific Plan to enable more comprehensive dialogue with ordinary Pacific islanders. The executive director of the foundation of the Peoples of the South Pacific (FSPI), Rex Horoi argued, ‘This plan should not be endorsed because it hasn’t been participatory and hasn’t addressed people’s needs.’

l In the Biketawa Declaration (2000), the Forum recognized the need to cooperate to address security concerns, especially if asked for assistance from members, and empowered its Secretary General to initiate a consensus-driven process for appropriate intervention.

m This dispute over the export of Fiji biscuits to Vanuatu related to a trade agreement between the Melanesian Spearhead Group (MSG), possibly a more viable grouping than PICTA but one which nonetheless demonstrated the same weaknesses. In retaliation Fiji banned the more valuable importation of kava from Vanuatu.
a European-style Pacific economic and political community\textsuperscript{34}. In 2003 the Australian Senate had called for a Pacific Union and a single regional currency\textsuperscript{35}, and its report soon became confused with the official Australian position, especially after Prime Minister John Howard floated the idea of a single currency at the Forum in 2003. Critics condemned Australia’s rush to integrate the region and argued first for greater convergence between Pacific economies\textsuperscript{36}. USP economist T.K. Jayaraman claimed that FICs are not yet ready for a single market and currency\textsuperscript{37}. American economist Phillip Powell also claimed that ‘the legitimacy of the state as a national actor has first to be established before transnational integration is worthy of pursuit\textsuperscript{38}’, implying a linear form of development and neglecting regionalism’s importance as a means to transcend nationalism\textsuperscript{39}.

These critics buttressed their arguments by drawing comparisons with the European Union and the Caribbean Community and Common Market’s (CARICOM) Single Market Economy (SME). Jayaraman argued that the EU succeeds largely because it represents a partnership between equals. In contrast, regionalism in the Pacific is driven by Australia and New Zealand. Similarly, CARICOM’s move towards a SME has been much more successful because it is driven by Caribbean states not outsiders\textsuperscript{40}. Powell also saw external pressure as stymieing Pacific regionalism in comparison with the Caribbean\textsuperscript{41}. In both instances, however, evidence suggests otherwise.

One of the goals of the EU is to link poorer countries with stronger larger economies. Union did not take place after convergence; rather regionalism became a means by which convergence occurred. The success of countries like Ireland, Portugal, Greece and Spain prove the point\textsuperscript{42}.

Herein lies the greatest difficulty facing Caribbean regionalism. Unlike the EU it possesses no large strong economies for smaller economies to draw on. In addition, the costs of integration are such that no country has been prepared to reduce its sovereignty in order to facilitate a SME. As one Caribbean analyst argues, it is ‘difficult to harmonize legislation state by state’\textsuperscript{43}, the same gradualist approach proposed for the Pacific with PICTA. Consequently the SME, first due in 1993, has been constantly postponed and is now not due for implementation until 2008 at the earliest.

Further the small Organization for East Caribbean States (OECS) has discovered that membership of CARICOM has not transformed trade patterns but consolidated them, with the result that trade deficits have doubled over the last 20 years and its producers have lost ground to larger cheaper producers elsewhere in the region\textsuperscript{44}. Intra regional trade has not grown significantly, with half accounted for

\textsuperscript{34} These views were also echoed by PNG Prime Minister Michael Somare in September 2005: “They are talking about this great Pacific Plan ... but they are using this as a disguise for their real intention. They want to control the region. So [Australian Prime Minister Howard] can go back to Britain and the US and say ‘we’re looking after the Pacific.’

\textsuperscript{35} Between 1960 and 2000 Spain’s per capita GDP has increased from 59% to 81% of the EU’s core 15 countries, Portugal’s from 39% to 74%, Greece’s from 43% to 67% and Ireland’s from 64% to 96%. Even the new Central and Eastern European countries have experienced rapid growth and investment since membership in 2004, with GDPs rising 5%, exports by 50%, and farm incomes by 50%. 
by oil products from one country alone and nearly two thirds of trade in manufactured goods representing OECS imports.

The EU, CARICOM and OECS demonstrate that it is neither the pace of change nor convergence that determines the success of regionalism. Success depends instead on political will or more particularly on factors that drive political will, particularly when regions demonstrate a high degree of diversity. In the OECS, populations range from 160,000 to 3000, per capita GDP from US$16,000 to $3,000. The Pacific is no different. Populations range from 5.7 million in PNG to 1,600 in Niue, population growth rates from 3.6 per cent in the Marshalls to -3.4 per cent in the Cooks, life expectancy from 73 years in Samoa to 54 in PNG, adult literacy from 99 per cent in Tonga to 56 per cent in PNG, GDP per capita from US$5708 in Palau to $421 in Kiribati, land area from 462,840 sq km in PNG to 21 sq km in Nauru, population in poverty from 38 per cent in Kiribati to zero in Niue, child mortality rates (per 1000 live births) from 88 in PNG to 12 in FSM, households with access to improved water from 100 per cent in Niue to 30 percent in Solomon Islands, ODA as a proportion of GNI from 48 per cent in the Marshalls to 1.8 per cent in Fiji, exports of goods and services as a proportion of GDP from 69 per cent for Fiji to 7.9 per cent of the Marshalls, and remittances as a proportion of household incomes from 55 per cent in Tonga to 0.8 percent in Palau.

Linking each to the other brings few benefits in terms of a development strategy. Nor can liberalization hope to reduce disparities between states, let alone create opportunities for convergence. It cannot compensate for lack of diversification in domestic economies and meet the costs of change. These things demand something very different, a strategy that gives purpose and incentive, that nourishes and sustains political will.

In virtually all regions this is a crucial element. Despite the rich web of interconnectedness between many of ECOWAS’s 15 states, regional integration in West Africa is hampered by lack of political will. Undoubtedly ECOWAS’s ineffectiveness is due also to fragile economies, capacity constraints and a history of military rule and conflict, but without strong leadership barriers to trade and the movement of people remain, regulations and policies are never harmonized, and regional institutions wither. No critical mass of countries exists to drive change and there are few benefits regionalism produces to stimulate leadership and sustain political will.

The situation is similar in East Africa. Again the smaller 3 nation EAC possesses no supranational body to establish a framework to lock in policies and commitments, and to prioritize goals that provide tangible and immediate benefits

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\[p\] Of course the Organization of East Caribbean States is a successful form of regionalism in its own right, with many similarities with the Pacific Islands. Made up of 9 states (3 still being territories), it has an impressive array of regional service providers: a telecommunications authority, a civil aviation authority, a regional stock exchange, a regional supreme court, a pharmaceuticals procurement service, and joint diplomatic missions. It also possesses a common currency and its citizens can travel between states with only national identity cards. Although small, with a population under 600,000, the OECS secretariat is twice the current size of the Forum’s. It is now considering economic union. Political union is also on the table for discussion, although the OECS sees little value in political union.

\[q\] The EAC comprises Kenya, Uganda and Tanzania. It was reestablished in 1999.
capable of sustaining political support and compensating losers. As in West Africa, many leaders agree to integration, but without benefits they find it politically convenient to migrate to alternative regional groupings\textsuperscript{47}. In the case of Mercosur\textsuperscript{4}, that problem has been offset by incorporating the region into wider groupings. This has also helped to reduce the problem of Brazilian dominance, but the issue of political will remains. Without effective institutions to handle disputes and develop community law, Mercosur’s fate often rests on the willingness of high profile presidents to intervene at crucial junctures\textsuperscript{48}.

**THE PACIFIC PLAN**

It is with regard to political will that the Pacific Plan has the potential to be more successful than alternatives suggested to date. In this respect it is very different from Australia’s narrow regionalism. It acknowledges weaknesses in current trade strategies and outcomes. PICTA, PACER, and REPA cannot be wished away, but lessons can be drawn. And since this is the Island response, it issues a challenge to Australia and New Zealand and demands a major shift in strategy toward meeting the particular needs of the Pacific.

The Pacific Plan’s consultants argue that the Plan should be based on 4 premises. First, for a regional strategy to succeed it must directly address fundamental challenges facing the region. Regionalism does not always do this, one reason some regionalisms fail. Although Mercosur has been slow to establish a common market, its four eastern South American states have nonetheless declared military dictatorships a major threat to development and made democracy a condition of membership\textsuperscript{49}. Similarly ECOWAS has taken the first tentative steps to depart from voluntarism in order to reduce the threat of military interventionism\textsuperscript{50}. Because the architects of European Union regarded interstate rivalry as the greatest impediment to sustainable development, they prioritized the dismantling of barriers between countries. However, they recognized that a single market economy could not coexist with maximum national sovereignty. Waiting for states to harmonize legislation was unlikely to produce the necessary momentum to sustain regionalism. Their solution came in the form of a Single Europe Act in 1986. CARICOM has no such solution, one reason its SME has failed to materialize. ‘Old common market concepts of frontiers and state by state liberalization of market access and legislative procedures of intergovernmental harmonization and national ratification don’t work,’ one commentator explains\textsuperscript{51}.

In the Pacific the fundamental challenge for regionalism is to ease capacity constraints and to increase economic opportunities. Pacific states are protective of their sovereignty, but the Plan envisages working towards a compact that addresses capacity constraints. A compact would mean redefining notions of the Pacific Way, not necessarily with regard to decision making but certainly with respect to implementation. ‘The benefits of regional cooperation can only be obtained and

\textsuperscript{1} Formed by Argentina, Brazil, Paraguay and Uruguay in 1991, the Mercado Común del Sur (Mercosur) or Southern Common Market was initially due in place in 1994.

\textsuperscript{2} In 1996 Mercosur quelled a coup plot in Paraguay by declaring democracy a condition of membership.

\textsuperscript{3} ECOWAS has a peacekeeping and enforcement force to resolve military conflicts in the region. In 2005 it imposed sanctions on Togo to ensure compliance with democratic principles.
offset its costs if decisions reached are actually implemented’, the Plan’s consultants note.

The second premise is that cooperation alone is not the answer. Certainly cooperation through the regional provision of services can ease capacity constraints and lay the basis for increased economic opportunities and longer term goals, as the Pacific Plan’s initiatives intend, in particular its regional audit service, regional ombudsman office, and regional anti corruption agency. Other governance, economic, social development and security strengthening proposals are also foreshadowed: harmonizing standards and extending policies on information access and dissemination; harmonizing approaches to health; developing and implementing policies and plans for dealing with national disasters, waste management, urbanization and biosecurity issues; and strengthening law enforcement training by focusing on domestic, gender and sexual violence, drug abuse, and accountability mechanisms. These proposals have been selected because they address crucial problems facing the region, can be implemented relatively quickly, and should -by delivering benefits of up to $10 billion over 10 years- sustain support for regionalism. These are the kinds of benefits other examples of regionalism (with the exception of OECS and EU) have failed to deliver and as a result have weakened political support.

The third premise is that a regionalism of small or relatively similar markets can only stimulate economic growth so far. The Plan’s consultants note with respect to the Caribbean that a regional market of US$37 billion has not been sufficient for CARICOM countries because it offers limited opportunities for the development of tradable goods and services at competitive prices and quality; hence the importance of Australia and New Zealand –with a combined market of over US$700 billion- as integral components of Pacific Regionalism. Without their stimulus to growth, regional members will have little incentive to work closely together. With a market of only $20 billion, the costs of integration will quickly overwhelm the benefits of regionalism. Hence the argument: cooperation is insufficient to overcome constraints of smallness and isolation; regional market integration without linkages to larger markets to stimulate growth produces intra-regional inequality and disharmony.

However, even this may not be enough. Because of the sheer dominance of Australia and New Zealand in terms of trade in the Pacific, even the inclusion of these two countries may not create a sufficient pool of benefits to make deeper regionalism viable. The experience of other regions, even the Pacific’s experience of its MSG Agreement and PICTA, demonstrate that it is the absence of offsetting benefits that make asymmetrical flows politically unpalatable.

Regionalism then must begin with what provides the greatest benefits. The fourth premise is that integration need not start first with goods and then move...
progressively to include services, investments, and finally labour, particularly if the overriding goal is to provide states the incentive to stay the pace and deepen regionalism\textsuperscript{56}.

What then might stimulate change when, for example, the benefits of good governance are shared by many but the costs are imposed on a few who are often well organized, vocal and can oppose reforms? Beneficiaries are usually widely dispersed and have little awareness of the relationship between their predicament and the absence of good governance. Often the most powerful actors with a vested interest in good governance are development donors and their actions can be interpreted as interference and manipulation by those who might ultimately benefit from good governance\textsuperscript{57}.

One solution is to strengthen the benefits immediately available to citizens through the liberalization of services and the movement of people. The Plan’s consultants noted that the current situation of severely restricted access of unskilled FIC labour to Australia and New Zealand, combined with relatively unrestricted and permanent movement of skilled labour is a worse case scenario for FIC welfare\textsuperscript{58}. Both Australia and New Zealand currently experience shortages in skilled and unskilled labour, a problem that will escalate in coming years as their populations age and labour preferences change. Both also have considerable experience with labour mobility. Australia and New Zealand have full access to each others labour markets, and currently 10 per cent of their labour forces are outside their respective countries. The Cook Islands and Niue have full access to New Zealand; Tonga and Samoa more restricted access. Australia regularly issues some 74,000 2-year working holiday visas annually\textsuperscript{59} and in recent years this number has doubled.

One ‘trade and development’ model proposed is to temporarily source (for 3 to 5 years) 1 per cent of Australia and New Zealand’s respective labour forces from the FICs, which already possess an abundant supply of young labour\textsuperscript{w}. This would immediately deliver a net welfare increase of US$1.1 billion in the short to medium term to the FICs. Gains would be higher if the increased productivity of returning labour is factored in. Undoubtedly such a scheme would have a short term impact on the availability of skilled labour in the Islands unless the focus is placed initially on unskilled labour and training schemes developed to ensure that migrating skilled labour is additional to immediate local requirements\textsuperscript{60}. The initial proposal forwarded for consideration in the Pacific Plan to meet these requirements is for a regional nurse training facility to train nurses additional to those already in national schools.

While ‘FIC citizens will gain from better governance at home and Australia and New Zealand will benefit from reduced bottlenecks in their labour markets’, the temporary migration of labour is unlikely to be of interest to the small proportion of Islanders who already enjoy unfettered access to larger markets\textsuperscript{61}.

Because even a modest supply of labour to external markets requires improved planning and training, this important ingredient of the Pacific Plan necessitates a further initiative which should assist to galvanize full regional support. Over the past 25 years development assistance to the region has declined 40 per cent, in part because of poor governance and instability. Aid and governance

\textsuperscript{w} Forty per cent of their populations are under 20 years.
are intimately linked. Poor governance might well be due to lack of political will, but in many instances it reflects also the lack of resources and capacity that Island communities experience. If their political leaders are to commit to improved governance, they require similar commitments from donors for development assistance. What is needed, therefore, is an agreement to both harmonize and stabilize development assistance in order to enable longer term planning, encourage economic growth and sustainable development, improve governance, and raise domestic skills.

The Pacific Plan’s confidence measures outlined earlier form part of this process to improve governance, raise skills and increase economic opportunities. As part of the regional machinery, they will contribute to a greater sense of local ownership of the Pacific Plan. Certainly they will also assist to make regional governing bodies a vital part of domestic economic life. But they need to be linked with the labour and aid initiatives formally by integrating the Pacific Plan with PACER over a 5 to 10 year period to ensure that closer economic relations between all Forum members involves more than just trade in goods and is truly developmental in character.

As noted earlier, the outcome of the EU’s REPA with the Pacific region will shape the nature of PACER in any case. FICs will be reluctant to agree to free trade with Australia and New Zealand and incur high transaction costs if they receive fewer benefits than achieved in EU negotiations. The Plan’s consultants suggest that because Japan is the second or third largest source of inputs for many FICs and the third largest regional donor (after Australia and the EU), a similar agreement with Japan should also begin as soon as possible: ‘[I]ncluding Japan early in the process will potentially provide substantially greater net benefits from a more comprehensive treaty arrangement in the context of Pacific Plan/PACER negotiations.’

The Pacific Plan has the potential to produce a more developmental form of regionalism if its short term interventions are placed within such a framework. This should enable the region’s problems to be tackled in a rigorous and comprehensive manner capable of gaining credibility and support within and beyond the region. The first component of this framework comprises confidence building measures designed to strengthen partnerships between the FICs and Australia and New Zealand. The second component involves negotiating a PACER broadened to include governance, economic growth, sustainable development and security. The resultant formal agreement will lock in a commitment to good governance in return for development assistance and trade over a fixed period of 5 to 10 years. Without such an expansion, PACER negotiations are likely to fail. Both components will require resourcing if they are to succeed.

WILL IT COME TO FRUITION?

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The Pacific Plan’s consultants suggest that Australia and New Zealand give 0.08% of their respective GDP and at least 25% of their total aid budget to FICs; 25% of aid to FICs should be provided through regional channels.
We noted earlier that even without Australia and New Zealand, the Forum is extremely diverse and that this diversity raises problems for regional development. In addition, postcolonial indignation at the past is far from over and often fuels national responses to internal and international issues. Sovereignty is not something to be surrendered lightly by countries that have only recently gained independence and are acutely aware that a number of island groups in the Pacific remain colonies. Hence to date there has been no talk of a Pacific SME or political integration.

Nonetheless, as the Plan’s consultant’s note, these issues need to be openly addressed as regionalism deepens, rather than put off. After all, this is the lesson that the most advanced regional body –the European Commission- presents. Integration may not receive popular support if its institutions are seen as beyond democratic control. In establishing regional institutions, the danger exists that they may be captured by donors or by the bureaucracies that manage them. The only way to address this real concern is to consider the possibility of a political track for the Pacific Plan, sooner rather than later. At the moment the Forum and CROP agencies do not possess a governing structure, a permanent sitting body of members to review their activities. The Plan’s consultants consider this essential, and believe that it could be the first step toward an eventual ‘Pacific Senate’ of elected representatives. If accountability and transparency are important goals for national good governance, they equally apply to regional governance. Only by this means can regionalism avoid fears of domination of one or more countries and development progress outside the straitjacket of nationalism.

In addition, democratization needs also to incorporate greater consultation and involvement with csos. The EPG Report proposed a Pacific Civil Society Forum that would feed recommendations directly to the Leaders’ annual meeting. Such a Forum is vital if deeper regionalism is to receive and maintain the popular support it requires for long term viability. It is vital also as a means to constrain authoritarian tendencies and to involve citizens more deeply in the debate on the future political governance of regionalism. To date little has been achieved in this regard.

Finally, although regionalism is often presented as a more manageable way for developing countries to adjust to globalization, it can only fulfill this objective if it is able to generate a sense of equal partnership. Here of course lie the first of 2 difficulties facing deeper regionalism in the Pacific. Because the Pacific Islands do not provide a large market for Australia, the latter’s politicians may argue that regionalism presents no benefit and reject the idea of equal partnership. Similarly if the FICs fail to see the forest for the trees, decide to accept only the confidence-building initiatives or simply resolve to go their individual ways, the Plan will also

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1 The Hughes Report on regional organizations does not consider a body of review. He recommends combining the FFA, PIFS, SOPAC and SPREP into a new Pacific Commission to provide the Pacific Plan ‘stronger regional cooperation and unified direction of core regional operations’.

2 A 2005 “Report on Strengthening Region Cooperation through Enhanced Engagement with Civil Society” argued that despite low levels of knowledge and perceived benefit, there is a strong sense of regional identity and communities expect more from regional organizations. In particular they want more direct institutionalized engagement with regional organizations rather than through governments, and they want to be integrally involved in the Pacific Plan.
falter. A framework for regionalism encapsulated within a regional compact is absolutely essential for the long term viability of the Pacific Plan.

Although not stressed in the draft Pacific Plan, an expanded PACER that builds in confidence-building initiatives, labour mobility and development assistance is essential for the long term development of the region. Regional lessons elsewhere suggest that forms of integration that rely on state by state agreements rarely succeed and that a single treaty and strong institutions are required to ensure that regional momentum is maintained.

The danger of regionalism is that it might produce a ‘one size fits all’ approach to development. The Pacific Plan proposes a major focus on three elements –governance measures, labour mobility, and development assistance- to provide benefits to overcome the initial costs of integration. Will these elements make the difference? In the smaller islands, yes; to reinforce the point the Plan proposes a special unit to assist Small Island States. In the larger Melanesian countries, where the bulk of the Pacific's population live, benefits alone may be insufficient if there is no corresponding political focus on popular welfare, often because politicians choose to believe that traditional safety nets can be relied upon. This point should not be forgotten. While regional cooperation can address capacity constraints at the national level and enable states to better focus on their communities, it cannot supplant national responsibilities, a point sometimes forgotten by ngo critics. Herein lies once more the challenge for donors and recipients alike; for the former to become equal partners, for the latter to reconsider postcolonial agendas and address the needs of their people.
AV Hughes notes that ‘Their participation in and financial support for Pacific!Regional Organizations is intended to serve their own national interests in the stability, prosperity and stability of the Pacific’. The intensity of their political involvement has fluctuated with the rise and fall of domestic political attention to these issues. (Report to PIFS, “Strengthening Regional Management: A Review of the Architecture for Regional Cooperation in the Pacific”, 2005, p. 10; see also G. Fry, “Pooled Regional Governance” in the Island-Pacific: Lessons from History”, paper to the International Workshop on Pacific Integration and Regional Governance, Canberra, Asia-Pacific School of Economics and Government, Australian National University (ANU), 8-9 June 2005.)


Asian Development Bank-Commonwealth Secretariat Joint Report to the Pacific Islands Forum Secretariat, Toward a New Pacific Regionalism, Manila, ADB, 2005, p. 30. The Report was authored by Dr Roman Grynberg with assistance from Michael Hyndman and Sacha Silva. This paper draws on their findings.

Ibid., p. 13

Hughes, p. 11, fn 7.


Ibid., p. 31.

Ibid., p. 26; UNDP Human Development Indicators for 2002.

Toward a New Pacific Regionalism, p. 33.

Hughes, p. 9.


Hughes, p. 10.


Toward a New Pacific Regionalism, p. 66, Hughes, p. 13.

Ibid., p. 10.


For more detail see Fry, ‘Pooled Regional Governance’, pp. 10-11; and Sutherland, pp. 6-8.


Kelsey, pp. 37-38; Firth, p. 2.

Ibid., p. 7; see also Peebles, p. 105.

Kelsey, p. 31.


Peebles, p. 339.


Fry, ‘Pooled Regional Governance’, makes a similar point: ‘Distance, relevance and local economic and political benefit encourage national rather than regional institutions’ (p. 14).
36 Peebles (p. 212) contradicts this argument with respect to currencies, arguing that there already exists a high degree of convergence between FIC currencies and the Australian dollar.
37 Jayaraman, p. 13. The issue hangs around economic growth: is the lack of convergence a cause of poor economic growth or poor economic growth a cause of fragmentation?
38 Powell, p. 20.
40 Jayaraman, pp. 1, 11.
41 Powell, p. 21.
43 H. Brewster, ‘The Caribbean SME: is it realistic without commitment to political unity’, St Lucia, OECS, p. 10.
44 Personal communication with Dr Len Ishmael, Director General of the OECS, August 2005. OECS states rely on tariffs to generate between 50-70% of government revenue.
45 Liz Stuart, “Why the European Commission is wrong about EPAs”, Trade and Negotiations Insights, p. 3.
46 Aryeetey, pp. 10, 26-30, 41.
47 Goldstein & Ndung’u, pp. 7, 29-31; Aryeetey, pp. 10, 25. Sometimes membership of parallel groupings results in conflicting objectives and duplication of effort.
49 Toward a New Pacific Regionalism, p. 204.
50 Ibid., pp. 205-206.
51 Brewster, pp. 10-11.
52 Toward a New Pacific Regionalism, p. 56.
53 Ibid., p. 147.
54 Ibid., p. 216; the consultants cite a reference which puts CARICOM’s combined GDP at $15 million.
55 Ibid., p. 78.
56 Ibid., p. 153.
57 Ibid., p. 148.
58 Ibid., p. 149.
60 Toward a New Pacific Regionalism, pp. 99-100.
61 Ibid., p. 150.
62 Ibid., p. 152.
63 Ibid., p. 153.
64 Ibid., p. 160-161.
65 Ibid., p. 161.
66 Ibid., pp. 163-164.
67 Ibid., p. 164.
68 Pacific Cooperation, pp. 31-32.