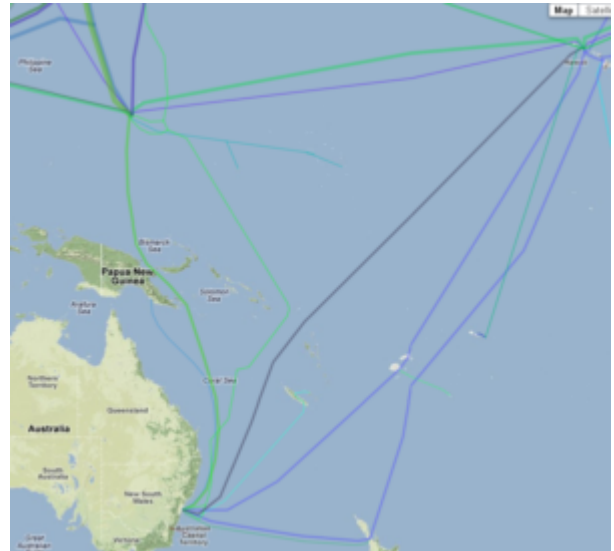


Pursuing development in the Pacific: acting on what we know

by Biman Prasad

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Pacific Island countries (PICs) are a diverse group with different cultural, geographical and resource endowments. However, in the scheme of development challenges they are very similar. Their economies are generally supported by resource based development, especially in the bigger countries such as Papua New Guinea, Solomon Islands, Vanuatu and Fiji. The smaller economies like Tonga, Samoa, and Cook Islands rely on tourism and remittances, while the smallest depend on foreign aid. For too long we have talked about how to create sustainable economies in the Pacific. I think we know what needs to be done but we seem to ignore the proper courses of action and still don't know why they are yet to happen.

At a glance, the key issues facing Pacific economies are as follows:

- Management of natural resources in the fishing, minerals and forestry industries;
- Continuation of remittances: whatever their down side, remittances provide families and households in many countries of the Pacific with the capability and freedom to consume and, to some extent, invest;
- Aid, which should not be confused with remittances and assuming that it has a similar effect. Aid continues to be vital to the creation of public infrastructure and for the delivery of public goods and services. And;
- Economic integration needs to be deepened and made more meaningful if the costs of doing business and delivering public goods are to be met.

Given these issues, what options do we have to further develop Pacific economies?

As our local markets are small we have few alternatives to pursuing outward-facing, export oriented strategies that expand our comparative advantage. Overseas markets are distant, however, making exports expensive, and we can't compete in manufacturing, but there is huge potential in the export of professional services

such as accounting, legal counsel, architecture, music production, editing, engineering and so on. All of these can be exported through a broad band connection.

We also need to consider how we can support local and domestic industries to expand beyond their domestic market. Tourism is one such industry that has been successfully promoted, but much of its comparative advantage and the distinction of our tourism products are based on the environment. Efforts to protect this must be accelerated.

Why aren't these issues being addressed and such options pursued?

[Dookeran et.al \(2012\)](#) talk about an 'anti-growth coalition' in the Caribbean, a concept that can easily be applied to the Pacific. Economic integration has been stalled by an anti-growth coalition of business interests, bureaucrats, politicians and some NGOs. PICs should make serious efforts to further integrate among themselves, which has so far not been pursued with any seriousness.

Further, we are surrounded by two rich neighbors with a combined GDP of more than \$1.6 trillion. Australia, with a nominal per capita GDP of about \$70,000, and New Zealand, with about \$40,000, will continue to be our source of tourism, remittances and investment. Our integration with them is vital and we should push with urgency to complete negotiations under PACER Plus.

To break the anti-growth and integration coalition I have described above political leaders need to pursue reform, particularly of the monopolistic structures that exist in many PICs. Further competition in the ICT sector and development of broad band infrastructure are particularly important. Some argue that further competition cannot be realised in countries like Fiji. In reality, it's a good example of where further deregulation would be beneficial.

The ICT sector also provides an opportunity for legislation to be developed to ensure that companies are regulated in the same way across different countries. The current mobile phone roaming charges in PICs are scandalous. We should collectively move to ensure that these charges are reduced. Australia and New Zealand, who are already working on such legislation, should include PICs in the deal.

These are just some ways in which the Pacific can move towards stronger economic development. The future of the Pacific is dependent on our leaders and our neighbours recognising and acting on what needs to be done, specifically:

- Improving our global competitiveness by increasing our national and regional

competiveness;

- Raising the quality of governance in the Pacific through transparent and inclusive political institutions and improving the political credibility of our governments;
- Pursuing integration in transport, ICT and other communication infrastructure;
- Achieving a convergence of key regulatory measures to ensure they support regional interests and;
- Pursuing policy excellence by supporting regional centres of high quality research and innovation.

Biman Prasad is Professor of Economics and Chair of the Oceania Development Network in the Faculty of Business and Economics at The University of the South Pacific. This post is based on his presentation to the Pacific Roundtable, which was held as part of the [Asia and the Pacific Policy Society Conference](#) at ANU on Thursday September 6. The rest of the series can be found [here](#).

Author/s:

Biman Prasad

Biman Chand Prasad is leader of the National Federation Party in Fiji and currently a Deputy Prime Minister and Minister for Finance in the coalition government. He is a former professor of economics and dean of the Faculty of Business and Economics at the University of the South Pacific.

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