

## **Pacific faces vital choices on Asia**

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What do this week's kick-off match for the Rugby World Cup and the Pacific Islands Forum have in common? The answer: the dedicated attention of Pacific premiers, presidents and prime ministers. And New Zealand is making it easy for them by hosting both the forum and the match in the same town in the same week.

But while football will be popular corridor talk for the leaders, it won't figure large on the forum agenda. Instead, the conference will be focusing on the security, social and economic issues confronting the forum's 16 member countries.

This year's forum in Auckland marks the 40th anniversary of the regional grouping which first met in Wellington in 1971.

But unlike 40 years ago when several Pacific countries were still emerging from colonial administrations, today's independent nations are confronted by a very different global economic and geo-strategic order. The forum members now find themselves in the most dynamic economic region of the world.

One-third of the world's gross domestic product comes from our region, Asia-Pacific, with Asia accounting for the majority of the spectacular growth.

But how is the other part of the region, the Pacific, responding to what has already been dubbed the Asian Century? How is it adjusting to having the world's economic powerhouse in the backyard?

The Pacific is home to a collection of culturally diverse and geographically dispersed countries which are at various stages of economic development. With a total population of about 36 million people ranging from 22 million in Australia through to just over 1600 in Niue, English is spoken widely across the region, but there are also more than a 1000 living indigenous languages.

The region's diversity is also reflected in its economies. Fourteen of the forum's members are developing countries and much of their development assistance comes from the other two members. In keeping with the wide divergence in the profile and substance of the region's economies, average annual per capita incomes range from just over US\$1000 (\$1174) in the case of the Solomon Islands through to Australia's US\$43,000.

There are also yawning differences between countries' annual growth figures. Some, notably those benefiting from the resources boom and strong commodity prices - Australia, Papua New Guinea and the Solomon Islands - enjoy relatively strong growth.

There is a list of factors which have long been cited as constraints to economic development in several Pacific nations - small populations and land mass, inadequate governance, lack of private-sector investment, communal land ownership systems, limited resources, aid dependency and climatic vulnerability.

Two other constraints also usually appear on this list - one is distance from markets, or isolation, and the other is vulnerability to global trends.

Isolation can no longer be used as an excuse for market lethargy across the region. Once upon a time, the Pacific region was distant to the world's economic centres - but not any more. The economic centre of the world is now in our region. The shift in the axis of economic power to Asia is doing much to demolish the tyranny of distance.

But this new closeness reinforces the Pacific's vulnerability to global and regional economic shocks and trends. As the region increasingly embraces Asia, its fortunes will be linked inextricably to the fortunes of the main trading partners. In other words, this Asian century offers new and profitable choices but takes away the luxury of persisting with inward-looking economies.

This is highlighted by the rise of China's influence in the Pacific, which is manifesting itself in several ways. Particularly visible is the considerable increase in its donor activities. But it is not just as a donor that China is known in the region. Its trade with China has grown exponentially over the last decade. The region as a whole ran a record trade surplus with China last year.

But despite China's significant growth as an economic partner to the Pacific, a look at the trading profile across the region shows a patchwork reality that reinforces the strong preference for trading partners within Asia-Pacific. Not surprisingly, Australia, China and Japan dominate as the preferred trading partners but other Asian countries also feature, including Thailand, Indonesia, Korea, the Philippines and India.

Six new leaders will be attending the forum this week. It is vital for the region's future that they realise the implications of the global economic shift. They face two options: do they seek further integration with Asia and take advantage of the fact that the world's economic centre is conveniently coming to us? Or do they devote their collective efforts towards asserting the "Pacific" in "Asia-Pacific" and create their own pathways towards greater economic development and prosperity for our populations? The answer may not find its way into the forum's concluding communique on Thursday but the issue is too important to be left undecided.

**Michael Wesley is executive director of the Lowy Institute. This is a summary of his keynote address to the institute's conference, "The Pacific Islands and the world: Realising the Pacific's Potential" in Auckland today.**