

# **Strengthening Pacific economic engagement with Australia & NZ**

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# Economic engagement not just Pacific issue

- World has entered phase of increased economic engagement
- We in the Pacific can gain from the lessons of increased economic integration elsewhere

# Potential challenges from economic engagement

- ‘Hollowing out’ – population/brain drain from small centres
- Encourages credit-based economics → volatility, debt risks e.g. Asian crisis 1997
- Local cultures weakened?
- National sovereignty undermined?

# Potential integration benefits

- Greater trade flows
- Greater returns from specialisation
- Stable international institutions (WTO, ILO etc)
- More widespread use of technology
- Pressure for democracy, openness, transparency
- Overall, economic engagement a good thing

# Who loses?

Q: Which countries lose out in context of greater economic engagement?

A: Countries that:

- erect or maintain trade barriers
- don't specialise
- don't enforce rule of law
- deter investment

# Who gains?

Q: Which countries benefit from more economic engagement?

A: Countries that:

- make free trade deals
- specialise to sell to defined markets
- create business-friendly environments

# Business-friendly environment:

- Rule of law: fair enforcement, corruption-free
- Light-handed regulation, easy for business to comply
- Regulation that doesn't deter foreign investment
- Investment in education, skills
- Investment in infrastructure

# Enablers

Pacific nations wishing more economic engagement with Aust, NZ could consider policy moves towards:

- specialisation of goods & services
- investment-friendly environment
- more open trade to encourage specialisation

# Enablers - specialisation

- 'Doing what you do best'
- Tourism (natural environment, hospitality)
- Specialised crops sugar, kava etc
- Others? – increasingly, we all have to find more
- Have to move up the value chain
- Where are your new areas of speciality to be found?

# Look to your strengths

- Finding new areas for specialisation involves considering your competitive advantages – resources & people
- Pacific people strengths – open, friendly, hard-working, sense of family, sense of community, have great contacts in many parts of the world.....
- How do you see your strengths?

# Specialisation case study: kava

- Traditional medicine – analgesic, tranquilliser, anti-depressant, also ceremonial uses
- 1990s: significant kava industry in Vanuatu, Fiji, Samoa, Tonga
- 10,000 hectares under cultivation
- US\$200 million annually from US, Europe

# Specialisation threatened

- 2002: Germany banned kava products
- Evidence linked kava to liver disease
- Other EU countries followed suit
- But Pacific growers had invested heavily in kava specialisation → economic loss

# Pacific response

- Individual Pacific countries could not fight the ban alone
- Grouped together with European drug industry reps, alerted WTO
- Requested World Health Organisation inquiry into kava ban
- Medical literature surveyed

# Review of kava ban

- Inquiry found kava dangers overestimated by German authorities
- New studies initiated
- Germany now reviewing kava ban

## **What worked:**

- Pacific nations worked as a team
- Made good use of international institutions

# Other enablers - dialogue

## Regional dialogue

e.g. recent ILO-Business NZ Pacific Workshop brainstormed responses to Vanuatu, PNG, Samoa, Fiji, Solomons, Kiribati issues:

- overtaxation
- political corruption
- political volatility
- overregulation of business

# Enablers – resident links

## Resident links

- Useful to create database of Pacific Island people living in Australia, NZ
- Keep in touch with those residents
- They are a connecting ‘bridge’
- Support network for individuals
- A base for outreach initiatives

# Enablers - education

## Education

- Education of Pacific Island people in Aust, NZ creates communities of interest in both countries
- (Similar to effect of 1960s Colombo Plan in NZ – forged relationships that are paying off now)

# Enablers – leadership

## Leadership

Changes required to improve economic engagement start at the top

- Leaders must model attitudes to education, transparency, rule of law
- Hard policy issues – overtaxation, overregulation, corruption can only be attacked by lawmakers

# Enablers - partnerships

## Partnerships

- For education – more NZ/Pacific education initiatives may now be possible with growth in PTEs in NZ
- For infrastructure – PPPs possible with private or public sector organisations in NZ & Pacific

# We're all in same boat

- Australia & NZ the same as other Pacific nations
- In global context, we all have relatively small populations
- Our citizens migrate to larger centres
- In global context, we all are relatively small economies

# Remoteness

- As Pacific nations we're all remote from the rest of the world
- But isolation can be a benefit
- Free from 'old world' paradigms
- Less danger from terrorism, disease
- How can the Pacific use remoteness to its advantage?



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