

Comments:
Regionalism: An Opportunity or an Imposition?

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The answer posed to the question in the title, according to Jane, is that regionalism has been more of an imposition rather than an opportunity for Fiji. I am not so sure, as I believe that regionalism could be a blessing for Fiji if managed well. My comments are divided into two main parts. The first section draws out and debates some of the salient points made by Jane. I am purposefully being provocative so as to generate discussion. The second part introduces my own views on regionalism and particularly the potential role Fiji has in respect of regionalism within the island-Pacific. Brevity will be the flavour for the next 10 minutes, but I would be glad to elaborate on any of the issues during the subsequent question and answer session.

Some questions and controversies

1. Have funding priorities in Australian and New Zealand corrupted the impartiality of academic research, thus compromising the position of universities as a critic and conscience of society? Jane believes so, but I would like to believe otherwise. Even for an economist by training, I trust that academics take up the profession for an intrinsic hunger for knowledge and truth knowing fully well that this noble profession will never make them rich. Yes, much like any other profession, we may have a few scrupulous dealers, but that is no reason for despair.

2. Jane claims that the multilateral trading framework ‘is unduly influenced by’ the European Union, Australia, and New Zealand (page 5); that ‘PICTA/PACER negotiations involved a level of bullying and arrogance that was redolent of colonial times’ (page 19); etc. I have no knowledge of the veracity of these claims but concede that Jane is far better connected than me on to the wheeling, dealing, and arm-twisting that takes place in Brussels, Canberra, Port Moresby, Suva, Wellington, and wherever else. The regional trading agreements, at least in theory, are ‘voluntary’ and motivated purely by the potential gains from freer trade.

3. I do, however, endorse the view that few Pacific Islands governments understand the full implications of any of the Trading Agreements. It baffles me as to why Pacific island governments continue to participate in these multiple and extremely complex agreements knowing fully well their limited capacities to live by the agreements. The recent kava controversy, bully beef, and biscuit war within the MSG suggests that these agreements can be counterproductive in that they can become a stumbling block instead of a stepping stone to regional integration.

4. While I agree that FTAs with Australia and New Zealand will have strong fiscal impacts on Pacific Island states, the above is not a sufficient case against FTAs. If trade creates net gains for the participating economies, then redistribution including that to the public sector is going to raise economic welfare. The case here is one of adjustment assistance and one where the EPAs could be of some value. I also fail to see why liberalisation on services and investment, even if it leads to greater concentration of Australia and New Zealand suppliers, is necessarily bad for realising the potential gains from freer trade. The issue here would be competition; if the above gains are made solely on competitive considerations, then the consumers are likely to be the beneficiaries of such a change. Pacific Island consumers have for too long sacrificed their access to aviation, shipping, water, electricity, and telecommunications services in the name of keeping these sectors within state and local ownership. PNG happens to be one of the few places in the world where telecommunications charges have been rising rapidly over the recent past. Australia and New Zealand with UNDP is making some inroads into providing banking services to the un-banked-poor of rural Fiji.

5. The issue of brain drain is raised with the claim that Australia and New Zealand and the Gulf States are ‘sucking out mainly women workers whom Fiji has paid to train’. This is only partly true since the exodus of professionals from Fiji accelerated in the aftermath of the three coups and a number who have emigrated have done their service for the nation and/or paid for their own training.¹ The entry of women into the formal sector has, in my view, been progressive as it has raised family incomes, probably lowered fertility rates, and earned Fiji income and respect abroad.² Fiji, moreover, cannot expect to hold on to its potentially mi-

¹ Fiji’s tertiary students have often studied on loan schemes; those fortunate to win scholarships have ‘bonds’ to serve the nation or reimburse the cost of their training.

² Fiji nurses working in Marshall Islands, as one example, have earned us all a reputation for being friendly, jovial, and caring people.

grant workforce, and expect to earn remittances that it now greatly values as a source of foreign exchange.

6. I endorse in the strongest terms the case for temporary mobility of unskilled workers for Pacific islands that are desperate for employment opportunities. I have been arguing for deepening integration of the regional labour market for well over a decade now. This is an obvious case where there are potential gains from freer trade with trade in this context being a strictly positive-sum game. Two qualifications on this are, however, warranted: the gains are likely to be even larger for skilled workers; and, (ii) an unfettered access to industrial country markets by unskilled workers runs the risk of discouraging skill acquisition. The experience of the Republic of Marshall Islands provides an excellent illustration of this point. The majority of the unskilled migrant Marshallese living in Hawaii in 2000 were in as much poverty as their cousins at home. The migrants, invariably, took low paid menial jobs and thus were unable to move out of poverty.

7. The Pacific Islands, in my view, would have to argue for temporary mobility of unskilled workers to provide the breathing space for much needed reforms at home. Such a *compact* for development of the local economy is likely to get greater traction within Australia and New Zealand rather than a simple demand for access to 'fruit picking jobs in Australia'. I would prefer to see our youth go to prosperous regions of the globe in search of quality work rather than risk life and limb in Iraq, as an example.

8. The claim in relation to the sending of troops and 'economic police' by Australia and New Zealand in periods of desperation as 'power plays amongst egotistical politicians' could be overly cynical. There was little chance of a return to peace without external intervention during the recent riots in Honiara and Dili and the previous conflicts on East Timor, Guadalcanal, and Bougainville. The Australian Defence Force (ADF) and the Australian Federal Police (AFP) can only provide short term respite from anarchy such as those that were seen in Dili last month. Long term stability has to be girded on economic prosperity, thus the challenge for the interveners is one of reviving the economy, a task that can only begin after law and order has been restored.

9. I agree with the claim that the Pacific islands are each very different; each with its own set of challenges and each at a unique stage of development. I also agree that the many regional trading agreements, some in place while others in train, devour an inordinate amount of resources.

The above then raise questions on when should Pacific Island states take on regionalism, if at all. The individual nations should, given their individual circumstances, make a judgement on the gains from partaking in regional trading arrangements. This could be done on a unilateral basis whilst mimicking the MFN-based rules of the WTO. In this case, the individual nations retain the flexibility of adopting regionalism only if and when opportune. The Forum Secretariat could then act simply as an anchor against back-sliding on instituted reforms.

Fiji's Role in Regional Integration

My own views on Fiji's role in regional integration are relatively straight forward. Fiji is extremely well positioned, as the geographic, infrastructure, and knowledge hub of the island-Pacific, to have a pivotal role in regional integration. No other island nation comes even close, as an alternative, to Fiji on this.

I wrote some 10 years ago on many of the points I make below (Chandra and Mason, 1998). Let me be brief to conserve time for discussions, but the interested reader may want to look at the referred to article.

Fiji is strategically placed, en-route to North America and Asia from Australia and New Zealand, to serve as *the* geographic hub for the island Pacific. Nadi has, for decades, served as an international hub for regional aviation while Lautoka and Suva have done the same for regional shipping. The Southern Cross cable that links Australia and New Zealand with the rest of the world passes through Fiji. These locational advantages are there to stay. Many of the smaller island neighbours of Fiji depend on this hub for trade, commerce, and diplomatic links. Fiji is close to being indispensable for regional trade on these geographic considerations alone.

Nadi has, by far, the best international airport of the region. Nadi also boasts the best accommodation, ground-transport, and telecommunications services of the region. Suva is home to several international organizations and major business houses. Furthermore, there is potential for further growth of Nadi as the tourism hub and Suva as the commercial hub of the island-Pacific.

Suva has a long history of being the hub for tertiary education for the island-Pacific. The *Fiji School of Medicine* has a very long history of producing doctors for the region, and the *University of the South Pacific*, *The Pacific Theological College*, and *The Fiji Institute of Technology* have all excelled in training current leaders and professionals of the re-

gion.³ The potential for further growth of this sector remains to be fully exploited, thus leaving Fiji University the room to make its contribution on this front.

Fiji can contribute substantially to the regional cause by building on all of the above. The nation has a comparative (and competitive) advantage in being the 'natural' service hub for the island-Pacific. Given the rapid growth of services within the global economy, such a strategy will not only benefit Fiji, but the region collectively. Most importantly, Fiji can do all of the above without having to engage in any (thus far painstaking) negotiations with its neighbours.

You may wonder as to what Fiji should do to consolidate on its advantages as an infrastructure, commercial, and knowledge hub of the island-Pacific. High on my priority list are macroeconomic stability including a stable exchange rate, low and stable inflation, and competitive interest rates. On the microeconomic front, I would stress the importance of maintaining law and order, improving long-term and secure access to land,⁴ maintaining policy stability, and improving access to basic services such as primary healthcare and education. Much of the rest will take care of itself. On the future prospects for the nation, I have reason for optimism.

Reference

Chandra, R and K Mason (1998) *The Atlas of Fiji* Suva: USP.

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³ Fulton College is another example, but it is not exactly in Suva!

⁴ The Prime Minister has taken up this challenge and deserves every support in resolving this long-standing issue. My hope is that 'collective rationality' on this very sensitive issue will prevail for growth of the economy.