

## REGIONAL ECONOMIC COOPERATION AND INTEGRATION FOR SUSTAINABLE DEVELOPMENT IN THE PACIFIC

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## **FOREWORD**

The coming decades will be 'make or break' for the diverse, culturally-rich and fragile subregion of the Pacific. Hard-fought economic and development gains have been achieved. Samoa has successfully graduated from Least Developed Country status. Others are poised to do the same. Papua New Guinea has experienced unprecedented growth on the back of the Asia Pacific resource boom. An increasingly vibrant tourism industry has significantly contributed to economic and employment opportunities in Fiji, Cook Islands and Palau.

Yet significant barriers to sustainable growth remain. The Pacific subregion is vast. The distances between islands, neighbors and trading partners are great and often expensive to overcome. Infrastructure in many countries is ageing and not always fit for purpose. Despite renewed interest in developing and upgrading sustainable infrastructure, the high capital intensity of many infrastructure projects has frequently prevented them from getting off the ground. The small population sizes of many Pacific countries mean recruiting and retaining skilled workers with technical expertise can be difficult.

This report identifies regional cooperation and integration as a critical means to overcomes these challenges. In particular, this report examines and aligns the following four areas of RECI to the unique situation of the Pacific subregion: (a) moving towards the formation of an integrated market; (b) developing seamless connectivity across the region in the areas of transport, energy and information and communications technology; (c) enhancing financial cooperation for closing infrastructure gaps across countries in the region and exploring the possibility of providing liquidity support; and (d) increasing economic and technical cooperation to address shared vulnerabilities and risks. In doing so, this report serves to support RECI in the Pacific subregion and reinforces ESCAP region-wide strategy of deepening RECI in Asia and the Pacific.

Countries of the sub-region have long worked together to enhance regional cooperation through a range of regional mechanisms aimed at delivering improved outcomes and opportunities for people in the Pacific. The results have been mixed. Successes have come in fisheries (Parties to the Nauru Agreement), education (University of the South Pacific), procurement (vaccines), a recent regional audit initiative and an active and engaged regional process currently occurring around planning and implementation of the 2030 Agenda for Sustainable Development and the associated Sustainable Development Goals.

The regional architecture is complex given the size and resources of the region. New actors and competing political and strategic agendas have seen this complexity increase in recent years, while funding for regional activities has become more difficult to access, with significantly more conditions attached. The inability for the sub-region to conclude the PACER Plus trade agreement with Australia and New Zealand in a timely manner has tested

regional solidarity, and the sub-region's economic powerhouses, Fiji and Papua New Guinea, have now both decided to stay out of the agreement, preferring work bilaterally.

Despite these challenges, the countries of the subregion, often under the grouping of the Pacific Small Islands Developing States (PSIDS) block, have been at the forefront of recent global agreements on climate change, such as the landmark Paris Agreement at COP 21 and the establishment of the Green Climate Fund (GCF). Such engagement is both commendable and essential for the subregion. As this report demonstrates, climate change's current and predicted impacts on atoll and island communities and their natural resources, including the great Pacific Ocean itself, present the greatest threat to the economies of the Pacific. Issues of vulnerability, resilience and ongoing responses to climate related threats must be mainstreamed across policy solutions. Strengthening regional cooperation and integration is essential to strengthen this response.

Deepening RECI in the Pacific has remained a logistically challenging and transnationally complex task to date. Yet as this report underscores, enhanced cooperation and deeper economic integration are critical to supporting sustainable growth and development. By drawing on shared reserves of creativity, connection and goodwill, we can ensure a stronger pathway to sustainable growth, and a more prosperous future for the Pacific.

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The Pacific subregion refers to the 16 'independent' Pacific islands countries of: Cook Islands, Federated States of Micronesia, Fiji, French Polynesia, Kiribati, New Caledonia, Nauru, Niue, Palau, Papua New Guinea, Republic of Marshall Islands, Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu (see Map 1). They are alternately known formally as the Pacific Small Island Developing States (PSIDS), Pacific Island Countries (PICs) or Forum Island Countries (FICs). Together with Australia and New Zealand, they comprise the membership of the Pacific Islands Forum, which has long been regarded as the region's peak political body<sup>2</sup>. All of the above are full members of ESCAP except Cook Islands, French Polynesia, New Caledonia and Niue which are associate members together with American Samoa, Guam, and Northern Mariana Islands. ESCAP members are also called Pacific Island Countries and Territories (PICTs).



Map 1: Pacific island countries and territories<sup>3</sup>

Many regional and sub-regional organisations have been established over the years to service these different groupings and coordinate the many initiatives that make up the

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Since 2009, the Pacific island states have caucused as the Pacific Small Islands Developing States (PSIDS) at the United Nations, where previously they tended to organise under the Pacific Islands Forum. Cook Islands and Niue are not UN members, but their names and flags appear on PSIDS stationery and 'they are able to be part of group statements' (Manoa, 2015).

Tarte, S. (2014) Regionalism and Changing Regional Order in the Pacific Islands

The 12 Pacific island countries with a presence in the United Nations are full members of the Economic and Social Commission for Asia and the Pacific (ESCAP): Federated States of Micronesia, Fiji, Kiribati, Marshall Islands, Nauru, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu. Additionally, the following countries and territories are associate members of ESCAP: American Samoa, Cook Islands, French Polynesia, Guam, New Caledonia, Niue and the Northern Mariana Islands.

Pacific sub-regional agenda including on economic cooperation and integration. The main ones are coordinated under the Council of Pacific Regional Organizations (CROP), chaired by the Secretary General of the Pacific Islands Forum Secretariat (PIFS)<sup>4</sup>, the main integration and trade and investment organisation in the Pacific.

There are others not under the CROP with roles and work related to what CROP agencies are doing. Pacific Oceania Customs Organisation (OCO) is the main customs facilitation organisation; the Pacific Islands Private Sector Organisation (PIPSO) is the main private sector body in the Pacific; and the Melanesian Spearhead Group (MSG) and the Micronesian Trade Committee (MTC) promote regional economic cooperation and integration in their respective sub-groupings.

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