

## CHAPTER 1

# The Basis for the ADB– Commonwealth Study

## The Origins of the Pacific Plan

### **Calls for Change**

**T**he decision by Pacific Islands Forum leaders in 2004 to create a Pacific Plan for Strengthening Regional Cooperation and Integration, commonly referred to as The Pacific Plan, originated from two interrelated trends in the Pacific. One is the long history of political support for closer regionalism. The second, more recent in origin, is a growing unease among the Pacific Islands Forum (PIF) membership about the condition of certain countries in the region, and the ability of the Forum—as currently constituted—to take necessary corrective action.

The idea of a closer cooperation and integration among Forum members is not new. While the Forum thus far lacks the legal mandate for economic or political integration (such as the “ever-closer union” provided by the European Union’s founding Treaty of Rome), various observers were calling for greater shared sovereignty in the region well before it became a source of concern for donors and governments. Mike Moore, former prime minister of New Zealand, proposed an economic and political community for the South Pacific as early as 1982. A key feature of his proposal was a Pacific Parliament. The Government of New Zealand subsequently commissioned *Towards a Pacific Community*. That 1990 report proposed further discussion of the development of a “community of countries working together to meet the needs and concerns of the region.”

Such proposals have tended to originate more in the developed Forum members than in the newly independent Pacific island countries, where there is often a reluctance to see erosion of newly acquired sovereignty. Country leaders, however, have also provided major impetus for stronger regional institutions. Early in the history of the Forum the most pressing issues for the countries were political ones, particularly the larger questions of decolonization, and the more immediate concerns of nuclear testing. Closer cooperation was called for to face these common challenges.

In 1965, Ratu Sir Kamisese Mara of the Fiji Islands led a major push from country representatives to give the existing South Pacific Conference more relevance beyond its existing “advisory” capacity. Mara was also the driving force behind the creation in 1965 of the first indigenously formed “islands only” regional organization—the Pacific Islands Producers Association (PIPA). Formed by Fiji Islands, Tonga, and Western Samoa outside of the domain of the Secretariat of the Pacific Community (SPC), PIPA provided a unified front for negotiating the prices of common agricultural products for export.

From the creation of the SPC at the 1947 “South Seas” conference to the first meeting of the South Pacific Forum<sup>1</sup> in 1971, proposals for a common market, for shared institutions, and even for a common currency among Forum members, have been part of the regional policy dialogue on both sides of the divide posed by membership (or not) in the Organisation for Economic Co-operation and Development (OECD).

Calls for closer Pacific regionalism has acquired a new sense of urgency over the past decade. There has been a growing perception among members of the Forum and in the international community—especially donors—that long-run trends in development indicators were increasingly negative, and that regional action was urgently required. As early as 1993, reports began to express pessimism over the state of affairs in the region. Unsustainable population growth, malnutrition, high unemployment, low economic growth, and increased violence and crime were among the concerns highlighted in these reports.<sup>2</sup> Conflicts in Bougainville and Solomon Islands, and increasing lawlessness in Papua New Guinea (PNG) prompted several observers, from 2000 onwards, to renew calls for stronger regional institutions to help cure the “serious illness” that the islands were facing, in the words of former PNG Prime Minister Sir Julius Chan. These issues will be explored in further depth in the following chapter.

Notable among these reports was a 2003 report by the Australian Foreign Affairs, Defense and Trade References Parliamentary Committee, entitled *A Pacific Engaged: Australia's Relations with Papua New Guinea and the Island States of the South-West Pacific*.<sup>3</sup> In that report, the Committee proposed “the idea of a Pacific economic and political community which recognizes and values the cultural diversity in the region, and the independent nations within it, and takes into account different levels of growth, is worthy of future research, analysis, and debate.” As Peebles (2004) notes, this recommendation was the first time that a group of Australian politicians from all parties acknowledged that closer integration with Pacific states could not only form a meaningful part of Australia’s future, but also be a vehicle for addressing the region's challenges.

### **The Road to the Auckland Summit**

In August 2003, the PIF heads of government met at Government House in Auckland for the 34<sup>th</sup> annual Forum leaders’ meeting. Among a number of declarations addressing such things as tax competition, the Millennium Development Goals, and liberalization of air services, they agreed that

...the serious challenges, both old and new, facing the countries of the region warranted serious and careful examination of the pooling of scarce regional resources to strengthen national capabilities. Ideas and proposals being put forward by the Leaders... should be pursued with urgency and with the goal of producing practical outcomes as soon as possible.<sup>4</sup>

To begin the process of tackling these “serious challenges,” the Forum leaders agreed to carry out a review of the Forum, conducted by an eminent persons’ group (EPG). The EPG was chaired by Sir Julius Chan, former prime minister of Papua New Guinea, and included a number of prominent Pacific leaders and diplomats.<sup>5</sup> Review findings were further discussed by an EPG “reflection group,” chaired by Helen Clark, Prime Minister of New Zealand.

The final EPG report<sup>6</sup> was circulated in April 2004. It recognized both the “difficulties” facing the Forum membership, and the stake that all Forum members—from the Small Island States subgrouping to Australia and New Zealand—had in overcoming them as “political partners and equal members” of the Forum. In addition to responding to measures to bring greater clarity, efficiency, and direction to the workings of the Forum,<sup>7</sup> the report proposed a leaders’ vision for the Forum that sought to launch a stronger “Pacific Way.”

Leaders believe the Pacific can, should and will be a region of peace, harmony, security and economic prosperity, so that all its people can lead free and worthwhile lives. We treasure the diversity of the Pacific and seek a future in which its cultures and traditions are valued, honoured and developed. We seek a Pacific region that is respected for the quality of its governance, the sustainable management of its resources, the full observance of democratic values, and its defence and promotion of human rights.

To bring this vision into fruition, the EPG report called for a "Pacific Plan" that would serve as a road map for closer regional cooperation between the Forum members. The EPG cautioned that the Pacific Plan could not be seen merely as a "Forum Plan," but one that involved the entire Pacific community through consultation and ownership. The ambition and clarity of the EPG mandate bears repeating in full.

We propose to Leaders the endorsement of the Pacific Plan to create stronger and deeper links between the countries of the region. The Plan should identify existing areas of inter-country cooperation, including their strengths and weakness. It should then seek to provide clear recommendations to Leaders on a sequence and priorities for intensified regional cooperation. It should identify the sectors and shared concerns where the region might make the most useful gains from sharing resources and aligning policies. Above all, the Plan should be a vehicle for placing the "big idea" of Pacific inter-dependence squarely at the front of the regional political agenda...

We ask Leaders not only to endorse the concept of the Pacific Plan, but also to be bold and innovative in pursuing it. Greater sharing of resources is the first step. We hope that Leaders will be prepared to go further, to consider regional integration that runs deeper than that established already under regional trade arrangements.

The EPG members sought a Pacific Plan that was not only "based on comprehensive research and analysis" but also on "[thought] outside the boundaries of current political and economic realities" and "engaged with the biggest issues facing [the Pacific] region." The EPG report sought to launch a process of consultation and deliberation rather than propose a blueprint for closer regionalism. Nonetheless it provided 32 recommendations for the transformation of the Forum. Among the recommendations most

relevant to the Pacific Plan was the defining of the Forum's key goals as

- economic growth,
- sustainable development,
- governance, and
- security.

These key goals are expected to become the four “pillars” of the Pacific Plan.

At the Special Leaders’ Retreat in Auckland on 6 April 2004, Forum Leaders endorsed the EPG report’s vision for the Forum and its recommendations in the 2004 Auckland Declaration. The subsequent annual Leaders’ Meeting, in Apia, Samoa, in August 2004, approved the terms of reference for a Pacific Plan Task Force (comprised of senior Forum government officials and members of key regional organizations). The first of several task force meetings quickly followed. A “Core Group” of leaders was also created to oversee the Pacific Plan process, comprising the immediate past, present, and future chairs of the Forum in consultation with the Forum Secretary-General.

### **After the Auckland Summit—Expectations and Results**

Buoyed by claims that the Pacific Plan was the most important initiative in the Forum’s 33-year history and “a landmark along the path to a more cohesive Pacific area,”<sup>8</sup> the reaction to the Auckland Declaration was positive, if slightly guarded. The explicit recognition of democratic values and the defense and promotion of human rights were seen by observers such as Peebles (2004) as commendable. These were issues the Forum had previously avoided addressing. The mandate for a blueprint for closer regionalism—rather than simply the issuing of another mission statement for the Forum<sup>9</sup>—raised expectations. The full support of “dialogue partners” (donors and members of the international community) for the Pacific Plan had a similar effect.

The product of the initial process was a draft Pacific Plan, which was dated December 2004.<sup>10</sup> It provided a large number of regional initiatives to serve as the basis for further discussion and, most importantly, to draw ideas at the country level during country consultations conducted by the Pacific Islands Forum Secretariat. Building momentum by identifying and acting on “early wins” was a key idea of this draft. Recognizing the constraints on resources and political will for regionalism, the working draft divided possible initiatives into a three-tier timeline: early practical benefits, medium-term benefits, and long-term benefits.

This initial draft, however, was perceived by many (including the authors of this report) as falling short of the EPG and Auckland mandate in two important respects. First, the “guiding principles” and “prioritization criteria”<sup>11</sup> of the initial draft did not provide clear and unambiguous criteria for determining which of the many possible regional initiatives should be included in the Pacific Plan. Nor did it spell out an appropriate sequencing.

Second, the inclusion of existing or ongoing initiatives along with several ministerial agreements that had been signed but not yet implemented—with no analysis of why implementation was lagging—seemed to run counter to the EPG exhortation that Pacific Plan initiatives go beyond those already agreed and established under previous arrangements.

## The ADB–Commonwealth Study

This study by the Asian Development Bank (ADB) and the Commonwealth Secretariat is intended to help strengthen the analytic foundations for the Pacific Plan process. It will summarize the vast literature on regionalism, development, and cooperation to draw out useful lessons from economic theory for the Forum membership. Guided by its terms of reference, it will aim to do the following.

Increase participation [and] ownership in regional collective action... Assist, in particular, the Pacific Plan Task Force (PPTF) and member states increase their appreciation of regionalism, including issues related to the costs and benefits of Pacific regional cooperation and integration... Enhance the capacity of the members of the PPTF and the Forum Secretariat to recommend a Pacific Plan underpinned by a clear rationale, including an analytical framework for cost-benefit analysis of regional programs... and facilitate the inclusion of the Pacific Plan resolutions on regional initiatives in the [Pacific island countries,] PICs’ national development strategies.”<sup>12</sup>

The study takes an independent, long-term view of Pacific regional issues and possibilities. It has been prepared parallel to, but independent of, the Pacific Plan process. It is intended to serve as a separate “think piece” on Pacific regionalism for Pacific leaders and peoples, but one that directly informs decision making on the form and content of the Pacific Plan. Most importantly, it hopes to provide a clear basis for Forum stakeholders to answer three important questions.

1. **Why does the region need a new Pacific Plan?** Even a cursory familiarity with the Pacific region reveals a large number of regional initiatives, institutions, funds, and strategies already in existence. Furthermore, national governments, in conjunction with donor countries, have long been tackling the challenges of the region—in many cases for decades. If the Pacific Plan indeed means “more questions than answers”<sup>13</sup> to the citizens of the region, why divert scarce resources into a new initiative?
2. **What should be in such a Plan?** Any large-scale regional agreement among 16 countries of varying levels of development could potentially include hundreds of different initiatives. However, resources—human, physical, financial, and political—are limited. Resistance to greater sharing of sovereignty is widespread among the newly independent countries of the region, and is certainly not limited to the Pacific. What initiatives would cement, in the minds of Forum stakeholders, the rationale for greater regionalism?
3. **How should the Plan be sequenced?** It has often been said that “implementation is everything.” The Forum experience is no exception. Many potentially useful initiatives agreed at the ministerial level founder at the implementation stage. The Pacific Plan working draft provides three columns for sequencing: early, medium, and long-term. But where should different initiatives be placed? How can Pacific Plan initiatives build on one another, rather than risking a chaotic and fragmented process? How does the Pacific Plan process relate to the many other agreements and negotiating tracks that Forum countries are currently engaged in?

Chapter 2 assesses the challenges that the region is facing—a diagnosis of the “serious illness” alluded to by Sir Julius Chan. Chapter 3 explores a subset of economic thought called “club theory,” which provides a “first pass” filter for what initiatives should be contained in a high-profile strategy such as the Pacific Plan, and what initiatives are best left for the other opportunities. It will show how regionalism, like many other decisions in economics, is a consideration of economic, political, and social costs versus benefits.

Chapter 4 will expand on the ideas of club theory, and explore in further detail the possible approaches to regional action. It will show how different approaches to regionalism yield different costs and benefits, and how the Pacific region—and others outside Forum membership—have used these

approaches with varying levels of success. Chapter 5 will marry the diagnosis of Chapter 2 and the economic framework of chapters 3 and 4 to suggest a number of regional interventions that fit the mandate given by the EPG report and the Auckland Declaration. Chapter 6 will conclude by addressing the important question of how the Pacific Plan can be sequenced to achieve both maximum benefit and maximum sustainability.

The list of working papers and studies commissioned for this report may be seen in Appendix 1.

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## ENDNOTES

- 1 The 16 members of the Pacific Islands Forum are: Australia, Cook Islands, Federated States of Micronesia, Fiji Islands, Kiribati, Nauru, New Zealand, Niue, Palau, Papua New Guinea, Marshall Islands, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu.
- 2 Cole, R.V., ed. *Pacific 2010: Challenging the Future*. National Centre for Development Studies. Canberra: Australia National University.
- 3 This section draws from a summary in Peebles (2004).
- 4 Pacific Islands Forum Secretariat. 2003. Communiqué.
- 5 In addition to Sir Julius Chan, the EPG included Bob Cotton (former Australia high commissioner to New Zealand and special envoy to Papua New Guinea), Dr. Langi Kavaliku (prochancellor of the University of the South Pacific and a former deputy prime minister of Tonga), Teburoro Tito (former president of Kiribati), and Maiava Iulai Toma (Samoa ombudsman and former ambassador to the United Nations).
- 6 Eminent Persons' Group. 2004. *Charting the New Pacific Voyage: Eminent Persons' Group Review of the Pacific Islands Forum*. Suva: Pacific Islands Forum Secretariat.
- 7 Oxford Analytica. 2004. Doubts Frustrate Forum's Integration Efforts. *Daily Brief* (April). Available: [www.oxan.com](http://www.oxan.com).
- 8 See Pacific Islands Forum Leaders Approve Plan on Greater Cooperation, *Xinhuanet*. Available: [http://news.xinhuanet.com/english/2004-04/07/content\\_1406202.htm](http://news.xinhuanet.com/english/2004-04/07/content_1406202.htm). PM Not Worried by Aussie, NZ Moves. AAP. Available: <http://www.thenational.com.pg/0407/nation3.htm>.
- 9 Peebles (2004) notes that the 26<sup>th</sup> South Pacific Forum in 1995 in Madang, PNG, issued a "Vision Statement" in which "Forum members [would] cooperate in efforts to maintain security, improve living standards, and ensure sustainable development throughout the region."
- 10 Pacific Plan Task Force. 2004. Working Draft #2 (December).
- 11 The second working draft of the Pacific Plan listed the guiding principles as (i) increasing the levels of sustainable returns to the Pacific; (ii) ensuring the successful implementation of regional cooperation at the national level; (iii) meeting common responsibilities and providing services cost-effectively; and (iv) developing partnerships with neighbors and beyond. The prioritization criteria were listed as (i) the likely impact on at least one of the four pillars of the Plan, and (ii) the potential for successful implementation and commitment.
- 12 Asian Development Bank. 2004. *Developing and Implementing the Pacific Plan for Strengthening Regional Cooperation and Integration*. Manila.
- 13 Taga, Laisa. More Questions than Answers. *Islandbusiness.com*. Available: [http://www.islandsbusiness.com/archives/islands\\_business/index\\_dynamic/containerNameToReplace=MiddleMiddle/focusModuleID=4654/overrideSkinName=issueArticle-full.tpl](http://www.islandsbusiness.com/archives/islands_business/index_dynamic/containerNameToReplace=MiddleMiddle/focusModuleID=4654/overrideSkinName=issueArticle-full.tpl).