State, Society & Governance in Melanesia

Measuring Regional Progress for a Blue Economy

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Why are Pacific economies smaller than those of other nations? The standard answer to this question highlights the unique vulnerabilities and dependencies of the region, such as size, distance from markets, and climate and disaster vulnerabilities. But what if these barriers were actually the source of Pacific equity? What if there existed an opportunity to treat them as benefits that could be accounted for in our national economies? And what does this have to do with oceans governance in the Pacific? This In Brief examines the options for accounting for the Pacific's unique ecological assets more fully, thereby reassessing the value of Pacific economies.

The Limitations of Gross Domestic Product in Valuing Pacific Economies

National accounts mirror national economies. They reflect the overall accounting of assets that are defined/given value through a fluid set of statistical data requiring many decisions that are informed by national, regional and international policy. At the moment gross domestic product (GDP) is the national accounting system that most states have adopted to measure their national economies. How we measure our accounts affects the size and strength of what we might elusively define as our economy — and that influences what we can leverage for investment, debt, exchange rates and purchasing power, the value of our bonds, and how we value insurance for loss and damage. How states account for data, where it is stored, and aggregating and accounting for it in a statistical framework is all managed by a coherent set of standards and policies that is managed within the United Nations (UN) Statistical Division in a System of National Accounts (SNA).

Many different variables can be used to measure our economies. Hence GDP is more of an ersatz mirror than a true reflection. Capital formation is an aggregate that accounts for the *net capital accumulation* of capital stock, such as equipment, tools, transportation assets and electricity, research and development, and military systems. However, household work, globalisation and intangibles like stewardship and biodiversity have a value that resist capitalisation and monetisation.

It is important to note that no Pacific island country is a member of the UN Statistical Commission. By and large, the SNA ignores the priorities of the region, particularly in relation to accounting for ecological biodiversity and impacts. Despite the ecological and development priorities of the twenty-first century, consumption remains heavily overweighed in the current GDP system and advanced economies continue to privilege their own industries and economic priorities. But alternatives are possible. For example, in Soviet-era Russia, labour and transport were weighted more equitably in their Material Product System national accounting system. As a means to raise the national economy, they did not treat the less populated and remote areas as deficits, but as an indicator to build regional interdependence.

Revaluing the Pacific

The key point to raise here is that there is an opportunity for the Pacific to determine how best to account for the equity in the region. Often our distant and remote islands have been seen as barriers to economic development. However, we can measure our economic welfare in a way that recognises and accounts for the bond that people have with their environment, particularly in a context of increasing loss and damage associated with environmental degradation caused by climate change. Indeed, in 2009, then French president Nicolas Sarkozy commissioned a report measuring economic performance and social progress, led by Joseph Stiglitz and Amartya Sen, two of the world's leading economists. Their report affirmed that current GDP measurements would remain flawed until environmental degradation is appropriately included in our measurements (Stiglitz et al. 2010). Whether degradation is accounted for as a deficit in capital formation or is treated as an independent aggregate may be a simplistic approach towards revaluing the equity of our region, but

until the Pacific is actually able to engage in these kinds of accounting schemes, there is little hope for us to emerge as an equal partner with other regions.

The System of Environmental Economic Accounting (SEEA) is at the centre of this discussion. SEEA was adopted by the UN Statistical Commission in 2012 that as an internationally agreed upon statistical framework measures the environment and its interactions with the economy (United Nations et al. 2003). SEEA helps us understand how to place a value on degradation and how to incorporate the effects of degradation in national accounts. By integrating the environmental and economic, new ecological aggregates based on degradation and climate impacts could be used to measure not only economic potential, but the consequences for the ecological wellbeing of our planet as well. The adoption of the 2012 SEEA framework, however, is not to be seen as an automatic big win for small island states. Rather, it should be seen as a call to action for Pacific island countries and territories (PICTs) to begin the necessary task of *reviewing their regional equity and investment/development priorities in light of ecological biodiversity and degradation*. The moment we begin to account for ecological biodiversity — and shift how our region is valued — the equity it possesses changes. However, the value of our ecological biodiversity will best be determined if PICTs can approach ecological integration, the regulatory management and accounting of biodiversity as a region.

Oceans Governance and Pacific Ecological Integration

To minimise the outputs of degradation, the large economies have devised carbon trading schemes to promote the green economy. This has led to the privatisation of many environments and removed much of the customary stewardship, while industries have continued expanding their carbon footprint. If we apply this to marine protected areas (MPAs), the current wave of enclosures targeting the world's fisheries and oceans will take place within the same context as global land grabbing. When SNA fully integrates with the SEEA, our MPAs will potentially provide tremendous equity in the global market, with a value that far exceeds what industrialised economies can offset their carbon deficits to. Simply pegging the value of degradation on the value of carbon expenditures seems very much like a giveaway and it is important for the region to reassess that value appropriately. Either the Pacific will account for them, or some private trust or partnership with ties to big industry will account for them. This has to be addressed in the context of ocean governance because MPAs cannot be accounted for twice. Ocean governance in this context is about setting regulatory protections — coherence, compliance and enforcement — with the aim of protecting and valuing our regional equity and based on a framework for regional ecological integration.

The ecological biodiversity of our region is intrinsically tied to who we are as the Pacific, and we need to recognise that the Pacific has the capacity to leverage this equity to provide for security, habitability, sustainability and growth that is commensurate with the Pacific Way.

Author Notes

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