

## PACIFIC INTEGRATION AND REGIONAL GOVERNANCE

### ‘Pooled regional governance’ in the island Pacific? Lessons from history

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Since mid 2003 the Australian Government has been attempting to reshape and revitalise regional cooperation in the South Pacific around the concept of ‘pooled regional governance’. The notion was first promoted by Prime Minister John Howard in the context of announcing his government’s intention to lead a regional assistance mission to Solomon Islands.<sup>1</sup> The Prime Minister argued that the smaller Pacific states needed to share resources if they were to overcome the constraints imposed by their small size and lack of capacity. He illustrated the point by referring to the absurdity of each island country trying to run its own airline or train its police when these could be done through a pooling of resources.

By August of 2003 ‘pooled regional governance’ had become a major foreign policy objective. Prime Minister Howard vigorously promoted the concept at the Pacific Islands Forum in Auckland. After his discussions he claimed that other leaders had accepted the notion (Howard 2003) although the New Zealand press interpreted these events slightly differently, viewing the

Australian push as too heavy handed. The Forum agreed not only to action on the particular cases the Prime Minister had raised, that of a regional police training unit and an Australian-sponsored study of civil aviation, but also to a major overhaul of regional arrangements under the auspices of the Forum. In some senses the resultant Pacific Plan became the embodiment of a broader notion of ‘pooled regional governance’, not just the sharing of resources and saving of costs in particular sectors but a commitment to a ratcheting-up of the cooperative effort as implied in the term ‘regional governance’ as against ‘regional cooperation’ (Eminent Persons’ Group 2004). The Prime Minister also lobbied hard and ultimately successfully to make sure that an Australian would be in charge of the development of the Pacific Plan.

As the concept is currently being developed in the Pacific context certain things have become clear about the parameters within which the participating states envisage future developments. No Pacific leader is pressing for a Pacific Union along the lines of

the European Union or a regional currency (the Australian dollar) despite the publicity given to these ideas following the release of the recommendations of an Australian Senate Committee on *A Pacific Engaged* just prior to the Auckland Forum. Both the Australian Government and leaders of Pacific island states rejected such ideas as premature. But all seem to be agreed on the need to go beyond what is currently in existence either to deal with globalisation, to promote regional security (Australia) or to halt the development of a 'ghetto of conflict and poverty' (New Zealand).<sup>2</sup> There also seems to be agreement that this should be pursued under the auspices of the Pacific Islands Forum.

But within these broad parameters there is obviously ground for political contest over the depth, breadth, form and purpose of future regional governance and the shape of institutional arrangements. These are of course not new questions in a region where regional governance in various forms has been attempted for so long. As Fiji's Foreign Minister, Kaliopate Tavola, said when asked about the new notion of pooled regional governance in July 2003: 'Well the concept is not new, I mean, the name Prime Minister John Howard has given it is new... But the concept itself has been the basis of some of the regional initiatives'.<sup>3</sup>

In its 34 years of history the Pacific Islands Forum has provided a focal point for several different models of regional governance. It is the starting point for this discussion that this experience provides some useful insights into the issues awaiting particular interpretations of the concept of 'pooled regional governance'. While one should recognise that there are new global conditions and Pacific states are at a very different stage of their political development there are nevertheless lessons to be learnt from this history. It is at the very least important to remind some new commentators that there is such a history.

The fact that Australian Governments have made major attempts in the past to promote precisely this same agenda is important. Prime Minister, Paul Keating, for example attempted in 1994 to create a new regional economic order with 'pooled regional governance' in all but name as the underlying concept and, as now, with airline rationalisation as a key policy objective (see Fry 1994). This is not to mention the first decade of the Forum's history where a narrow conception of 'pooled regional governance'—that concerned with regional integration of sectors of the economy including, most prominently, civil aviation—was pursued as the main objective of regional cooperation and failed. At the risk of simplification, I divide this rich history of regional cooperation in the Pacific into five main forms of attempted regional governance with a rough correlation with different time periods in terms of their prominence.

### **Comprehensive regional integration (1971–74)**

The emphasis on regional economic integration in the early years of the Forum reflected the liberal economic and development thinking of the time. It proceeded on several simple premises which seemed to have common sense status and which bear a strong resemblance to the rationale for 'pooled regional governance' as promoted in the current context. They were that larger units do better than smaller ones (particularly very small ones); that rationalisation of industry across the region would maximise economies of scale or at least reduce the diseconomies of scale that would otherwise occur; that small countries could not each afford a shipping line, a university, an airline, and a development bank; and that a free trade area would be trade-creating for the region; and that cost-

cutting could be achieved through bulk purchasing. These ideas were implicit in the early proposals of the Forum, in the tasks given by the first Forum to a committee on trade which met in 1971, and in the tasks given to the new South Pacific Bureau for Economic Cooperation in its founding agreement (South Pacific Forum 1971, 1972).

In the event, proposals for comprehensive regional economic integration—economic union, free trade area and industrial rationalisation ideas—did not pass initial inspection by consultants and committees. They failed largely on the basis of the supporting arguments as examined by officials and consultants, rather than because of political positions of member countries in formal negotiations. Industrial rationalisation was thought to be premature when an industrial base did not exist in the island countries except in Fiji. Inter-island trade was minimal because their products were either the same (for example, bananas) or, where different, were not the type of product that other island countries had the capacity to process (for example, copper). While a regional free trade area was judged to benefit Fiji's economic development it would be damaging to the island economies. Incorporation in a wider free trade area with Australia and New Zealand was seen as having similar implications.

### **Sectoral integration (1971–78)**

While comprehensive economic integration was effectively removed from the regional agenda in the early years of the Forum's activities attention focussed instead on sectoral integration, particularly in the areas singled out later by Prime Minister John Howard as in particular need of pooled regional governance, that of education and training, and civil aviation. Some prominent regional institutions—the University of the

South Pacific and the carrier Air Pacific—had already been created in these sectors in the last years of the colonial period. They became controversial in the 1970s as Pacific island leaders outside Fiji began to question whether these Fiji-based institutions were adequately serving their interests.<sup>4</sup>

The idea of a regional airline, based on an extension of the existing Fiji Airways, was first developed in the late 1960s by the British, Australian, New Zealand and Fiji Governments. In 1968 the existing shareholders in the consortium—Qantas, Air New Zealand, BOAC and the Fiji Government—were joined by the Western Pacific High Commission on behalf the British Solomon Islands Protectorate, the Gilbert and Ellice Islands Colony, and the Kingdom of Tonga. In the following year Western Samoa and Nauru became shareholders and in 1971 Fiji Airways changed its name to Air Pacific.<sup>5</sup> By the early 1970s, however, it was evident that it was only Fiji, among the island states, that was keen to further develop Air Pacific as a regional consortium. Despite their shareholdings in Air Pacific, the independent island countries were clearly interested in developing their own national airlines. Nauru had already established Air Nauru in 1969 and Polynesian Airlines, with the Western Samoa Government as major shareholder, was set up in the same year. In 1972 Nauru formally withdrew from the board of Air Pacific while retaining its shareholding and in the following year the King of Tonga announced his intention of establishing a national airline and Air New Guinea was established. The lack of commitment of the other island states to the development of Air Pacific was also demonstrated in their reluctance to increase their shareholdings as the metropolitan airlines withdrew. As a result Fiji became majority shareholder and the airline became increasingly identified as a national carrier.

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After the Rarotonga Forum in March 1974, Ratu Mara had warned: the 'Forum will stand or fall on civil aviation... Civil aviation will be the real test of Pacific regional cooperation'<sup>6</sup>. Two months later Ratu Mara was saying that 'Civil aviation is a notable failure' (Mara 1974:13). The idea of a regional carrier was effectively at an end. While various proposals for cooperation among national airlines, such as rationalisation of air routes and cooperation on purchasing of equipment would later be countenanced, full sectoral integration in the civil aviation field was effectively off the agenda until raised again by Prime Minister Keating (unsuccessfully) in 1994 and by Prime Minister Howard in 2003.

It is worth recalling the main reasons for the failure of this ambitious effort at pooled regional governance of the kind recently advanced by the Australian Government. The principal reason was the perception by island states that Air Pacific was dominated by Fiji. It was Suva based; it had its origins in Fiji; Fiji was the main shareholder; Fijians gained most of the employment provided by the airline; and, it was claimed, Fiji subsidised internal airfares by setting fares on certain regional routes higher than they should be (Inder 1974). The bitterness that this issue engendered was not felt only on one side. It was clear that Fijian leaders, and particularly Mara, took offence at the rising complaints about Fijian dominance.

It is important to note that the failure of the 'one regional airline' concept had important spillover effects into other areas of regional cooperation. The neo-functional theory of regional integration underpinning European integration assumed spillover effects in a positive direction; this however was a spillover effect that threatened to take regional integration in the other direction. This was the first major issue causing division among the Pacific island states. Although the negotiations were

conducted largely outside the Forum meetings the experience significantly affected the willingness of these states to cooperate on other substantive issues within the Forum in its early years.

By the end of the 1970s it was clear that Pacific island states were wary of economic integration schemes requiring high capital outlay, centralisation in one island state, or a sacrifice of national autonomy. The University of the South Pacific and the Pacific Forum Line were the only examples of a significant degree of sectoral integration. The University maintained its regional support by decentralising the campus. New campuses and units set up in Western Samoa, Kiribati and Tonga and promised at that time for Vanuatu, went some way to placate regional concerns about the uneven distribution of benefits (Crocombe and Meleisea 1988). The Pacific Forum Line succeeded because it did not involve high-level integration. The 'pooling' concept, involving an operating company that would charter ships from member countries, allowed an identifiable national component in this regional scheme and kept capital outlays to a minimum. In most areas of cooperation the emphasis shifted to the supplementation of national efforts through shared expertise, information and coordination rather than a more ambitious level of sectoral integration.

The South Pacific states were fortunate that they did not venture far down the path of comprehensive or sectoral integration common in other parts of the Third World at this time. Had they done so the experience would have likely poisoned any chance of moving to the more workable forms of cooperation they later achieved. Their attempts at significant sectoral integration in tertiary education and civil aviation indicated the kinds of tensions that would have pulled more ambitious regional schemes apart. Regional management

boards were not like corporation boards in the private sector. They were composed of representatives of national interest. The most desirable outcome for 'the region' was not necessarily the most desirable outcome for individual states or the politicians running a state. Despite the assumption of shared smallness, isolation and product range which has informed the dominant approaches to regional development, there is in fact considerable variation among Pacific island states on each of these variables. These differences quickly revealed a serious rift between the centrally located, relatively large and well-off Fiji and the other participating states over the costs and benefits of sectoral integration (Neemia 1986).

There was not only the issue of equity. There was also the question of whether the individual state could have a more cost-effective result outside the regional scheme. There were also political costs. For politicians the visible national venture, however irrational in terms of economic theory, was far more likely to earn local support than the regional venture. The recent 'biscuit war' between Vanuatu and Fiji with Vanuatu banning Fiji biscuits due to the competition posed to its local industry because of the operation of a free trade area suggests that this tendency is still present.

### **Collective diplomacy (1979–90)**

In the 1980s Pacific regional cooperation found its strength in the shift in emphasis from regional integration, whether comprehensive or sectoral, to collective diplomacy. By collective diplomacy I simply mean joint regional action aimed at mediating, moderating or denying harmful global influences on the region and to maximise the benefits from positive international influences. Whereas regional integration looks inward, collective

diplomacy looks outward. It is nevertheless a form of pooled regional governance in the broad sense in that it seeks to reach a compromise within the region in pursuit of a joint foreign policy and trades on the advantage of pooled diplomatic and negotiation resources.

Collective diplomacy was already evident right from the start of the Forum alongside sectoral and comprehensive integration as a major form of regional governance. The Forum employed this approach for example in relation to negotiations with the European Community over the Lomé Treaty. The Pacific Group, with coordination provided by the South Pacific Bureau of Economic Cooperation (SPEC), successfully represented the interests of Pacific island states. Also in relation to the Law of the Sea negotiations during the 1970s, they formed the Oceanic group which again successfully represented the views of the island states particularly in relation to the rights of archipelagic countries.

Pacific collective diplomacy came of age in the 1980s when regional integration as a form of cooperation was on the wane (in the Pacific and across the Third World). In particular it was the success of the anti-nuclear dumping campaign in turning around Japan's proposal to dump radioactive wastes in the Marianas Trench which first demonstrated the power of collective action. This was followed by a series of successful joint diplomatic campaigns which altered the intended behaviour of larger states: Japan on drift-netting, Australia on its policy approach to regional security, and the United States on its position on Law of the Sea issues and on chemical weapons incineration on Johnston Island. While the Forum's campaign to support the decolonisation of New Caledonia did not influence France's explicit policy toward that territory, the success in gaining UN support on the re-inscription

issue, despite French lobbying, demonstrated what concerted diplomatic action could achieve in international forums. It doubtless contributed to the increased confidence that was evident in later diplomatic campaigns, most notably on the drift-netting dispute and in the lobbying on environmental questions prior to the Rio Conference.

Collective diplomacy was strengthened by the institutional developments of the late 1980s: the reorganisation and enlarging of the Forum Secretariat, the creation of a separate agency for dealing with environmental issues, and the acceptance of a compromise in the long running battle over whether there should be one regional organisation or many organisations. The compromise was to create a cooperative network of organisations through the establishment of the South Pacific Organisations Coordinating Committee. The decentralised, but coordinated, network of regional agencies in place by the end of the 1980s provided focus and commitment in particular issue areas—the environment, fisheries—and allowed several island capitals to enjoy the economic and status benefits of hosting a regional institution, a departure from the Suva and Noumea-centred regionalism of the 1970s.

A significant outcome of collective diplomacy has been the establishment of a series of regional legal regimes which seek to institutionalise the understandings reached between island states and the outside world. These include the South Pacific Nuclear Free Zone Treaty (1985), the Convention for the Protection of the Natural Resources and Environment of the South Pacific Region (1986), and the Convention for the Prohibition of Fishing with Long Driftnets in the South Pacific (1989).

### **Regional security community (1984–89)**

Alongside these collective diplomacy efforts of the 1980s concerned with the regulation of the impact of globalisation (broadly defined) on the Pacific was an attempt at another form of regional governance—the attempt by Australia and New Zealand to impose a regional security order. This was a push by Canberra and Wellington to promote a joint foreign policy orientation among Pacific island states around the notion of the ‘strategic denial’ of Soviet influence in the South Pacific. This was form of collective diplomacy, of attempting a joint foreign policy stance across the region *vis à vis* matters related to the Cold War as interpreted in Canberra and Wellington. The regional governance in this case was however explicitly hierarchical. The joint foreign policy orientation expected of the island states was different from the foreign policy behaviour of Australia and New Zealand.

This is often represented as a successful strategy by Australia and New Zealand on behalf of the West which somehow kept the Pacific states pro-west during the Cold War. This is not the case. Pacific states were anticommunist for their own reasons. This attempt at hegemonic regional governance ultimately failed. The hierarchy could not be sustained. The Pacific leaders did not like the second-class citizenship given to island states in the strategic denial formula. They could not understand why island states were denied diplomatic, economic and cultural contact with the Soviet Union when the western powers, including Australia and New Zealand, enjoyed these links. In 1985 Kiribati entered a fisheries agreement with the Soviet Union. Vanuatu followed suit in 1986. By 1988 it had become clear to the Australian Foreign Minister, Gareth Evans, that Australia’s past approaches to regional security were no longer workable.

Recognising the effective challenge to existing Australian assumptions posed by the concerted actions of island leaders he announced a conceptual shift in policy to a doctrine of 'constructive commitment' emphasising partnership rather than agency for western interests, or Australian hegemonic aspirations, which he saw as dominating past approaches (Evans 1988).

### **Harmonisation of national policies (1994–2003)**

From 1994 there was a concerted effort by the Australian and New Zealand Governments to re-establish leadership in regional governance around issues to do with economic reform, national governance, and small 's' security—drug running, trans-national crime, money laundering and tax havens. While this new push initially included attempts to promote a form of what is now termed 'pooled regional governance' (in the form of rationalised airlines and bulk purchasing) as well as new forms of collective diplomacy in relation to gaining better prices for tuna from distant water fishing nations these were not taken up by the Pacific island states. The form of regional governance that began to dominate was what we might call regional harmonisation of national laws, regulations or policies. This was very different from collective diplomacy and from regional integration of a particular sector. Its focus was initially on creating the conditions for structural economic reform, and for neo-liberal development based on open markets. Like the regional security community this was explicitly hegemonic regional governance.

This form of regional governance had its origins in the Keating Government's attempt to create an Australian-led regional economic order in the Pacific. As the 1994 Pacific Islands Forum approached the Australian Minister for Pacific Island Affairs,

Gordon Bilney, stated that

it is our hope that we shall be able to seize the moment to launch ourselves with fresh determination, on the crucial task of preparing our region for the challenges of a new century (Bilney 1994).

Throughout the 1990s the structural reform agenda for Pacific states was managed regionally (Sutherland 2000). A donor-led agenda emphasised a regional harmonisation of national regulations and practices concerning privatisation, investment laws, lowering of tariffs, accountability, output-based budgeting and so on. This harmonisation of national regulations and practices also began to cover security-related issues such as customs, drug-running, policing and money laundering, particularly after September 11.

This form of regional governance was often contested or quietly resisted by Pacific island governments because it was seen as insensitive to local cultural practices, or involved political costs for local politicians, or economic costs for particular groups in society or because of the way it was imposed by Australia. For their part Australia and New Zealand became increasingly frustrated with the slow pace of regional reform and the lack of obligation on the part of those who signed up to the regional standards to carry out what they had agreed to. This is partly responsible for the push for 'pooled regional governance' from 2003.

### **Lessons from the past**

Certain general points can be distilled from the past experience with regional governance in the Pacific which may hold lessons for this current attempt to build 'pooled regional governance' and regional integration. The first is that in various ways the history of regionalism in the South Pacific has always

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been about negotiating Pacific engagement with globalisation, whether in the form of global trade, investment, colonial control, or the environmental impact or resource exploitation by larger powers. Regional governance has always had a two edged role in this negotiation or mediation process. For outside powers such as Australia and New Zealand or for the international agencies it is seen as a vehicle to promote these globalising ideas and processes. For Pacific states it has often been seen as a shield against such processes or a way of moderating the impact as in the multilateral treaties regulating the rapacious activities of the larger powers.

Secondly, implicit in these various attempts at creating regional governance over the past 34 years is the creation of particular notions of regional community. The big lesson of this long history is that the political authority of regional governance is tied directly to the legitimacy, among Pacific islanders, of the particular notion of regional community that is being promoted.

As the main outside force attempting to shape regional governance since the mid 1970s Australia has come up against this legitimacy issue a number of times. As Senator Evans found in his promotion of a two-tier security community in the 1980s and Prime Minister Keating and Minister Bilney found in the 1994–95 period in attempting to set up a new regional economic order what looks like a successful new form of regional governance is not sustainable if it fails to gain legitimacy among Pacific states and peoples. The lesson from those past failures is that the problem lay partly in the hegemonic style of Australia's regional community-building (exacerbated by its claim to shape a community of which it was not a member), and partly in what was being promoted as the way the community should live.

The lessons concerning the legitimacy issue in relation to past regional governance does not solely revolve around a tension

between Australia and the Pacific islands. The other major trend in this regard is the tension between different groups of Pacific islanders over their respective rights and terms of participation in regional governance. The regional project has been seen as illegitimate because it has been too state-centric, too male dominated, or dominated by larger countries, and particularly Fiji. In general terms there has been a tension between those who see the need for an opening up of regional governance to include civil society, sovereignty movements and non-independent territories, and those who support a state-centric regional community seeing these civil society groups as unrepresentative.

Among participating Pacific island states the authority of regional governance has partly depended on how they see their gains and costs relative to other member states. As we have seen the lesson is that this becomes very obvious when regional integration in particular sectors is attempted. The early failure of the regional airline and the underlying tensions between Fiji and the other Pacific states was noted earlier. Even the regional success story, the integration of the university training sector in the regionally governed University of the South Pacific has some important lessons in this regard. The trend is to an increasingly decentralised university and to the creation of new national universities. Distance, relevance, and local economic and political benefit are all factors in encouraging national rather than regional institutions in these areas of high sectoral integration.

The exact shape of regional governance under the Pacific Plan is still under negotiation. The lessons of the past suggest that serious regional integration of the kind attempted in civil aviation is probably not going to gain the legitimacy it requires for authoritative and sustainable governance. Harmonisation of domestic policies as a form of regional governance may also have the



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problems of legitimacy it experienced in the 1990s unless Australia and New Zealand engage more fundamentally with Pacific perspectives on the governance and security issues they seek to influence.

## Notes

- <sup>1</sup> Interview with the Prime Minister, 22 July 2003.
- <sup>2</sup> 'The United States of the Pacific', *The Sydney Morning Herald*, 17 March 2004:12
- <sup>3</sup> ABC Online, AM, Fiji's Foreign Minister Talks about Pooled Regional Governance, 23 July 2003, <http://www.abc.net.au/am/content/2003/s908328.htm>
- <sup>4</sup> The dissatisfaction with the University of the South Pacific is examined in Crocombe and Neemia (1983).
- <sup>5</sup> Based on author's interview with Captain P. Howson, former Chairman of Air Pacific, Sydney, 19 July 1976.
- <sup>6</sup> 'Forum co-op wanted, not a talking shop', *Pacific Islands Monthly*, June 1974:3.

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