

**Australian Development Studies Network**  
**Australian National University**  
**Canberra ACT 0200**

**Australia's relations with the South Pacific -  
challenge and change**

*Gordon Bilney*

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# Australia's relations with the South Pacific - challenge and change

*Gordon Bilney, Minister for Development Cooperation and Pacific Island Affairs*

In September 1988, Senator Gareth Evans made a landmark address to the Foreign Correspondents' Association, in which he set out the Australian government's policy approach to its relationships in the South Pacific. He outlined a strategy for maintaining and developing a partnership with Pacific Island countries which promoted regional stability through economic development, and the encouragement of shared perceptions of strategic and security interests. That strategy, dubbed 'constructive commitment' involved, centrally, the promotion of close, confident and broadly-based bilateral relations between Australia and all South Pacific countries, and the promotion of effective regional cooperation. It was based on our respect for the full sovereignty of Pacific Island countries and the promotion, at the same time, of shared perceptions of the region's strategic and security interests.

Constructive commitment has, from the Australian standpoint certainly, served us very well. It will remain the basis of our approach to our South Pacific relationships. Six years is, however, a long time in world affairs. The period since 1988 has been one of momentous, accelerated change. The cold war has come to an end and with it, that set of arrangements - the superpower balance - within or against which we have all, as nations, defined ourselves. Those arrangements had been the global organising principle for over forty years, that is, back to a time when most of the Pacific Island states were colonial possessions and Australia was beginning to identify itself, after World War II, in terms other than those of the old imperial connection.

Rapidly the world is re-arranging itself around new structures, driven for the most part by newly evolving economic relationships, rather than more traditional security concerns. We continue to live in a world of sovereign states - and in a number of parts of the world, old sovereignties and ethnic divides have re-emerged - but a range of contemporary transnational issues is also leading to redefinitions of the limits of sovereign power. Even if it were true that individual nations were islands unto themselves - and I doubt whether that was ever a meaningful notion - it cannot be so now. Cross-border environment problems, unregulated population flows, refugees, international terrorism, the narcotics trade, international crime, and health problems such as AIDS, all demand our urgent attention.

The 1980s and 1990s have been a period of searching challenge for Australia. We, like others, have had to adjust

to the realities of the post-cold war world. But before this, we have had to respond to the challenge of substantially modernising our economy, and grasping the opportunities provided by the dynamic growth of the Asia-Pacific rim by opening it to competition after decades of what had proven to be a stultifying regime of protection behind high tariff walls. It has not been an easy process, but it is an essential one for any nation seeking to improve the living standards of its people and to ensure its well-being. The alternative, economic stagnation, is not a valid option for any self-respecting nation.

I rehearse this history, and outline the challenges facing Australia, to make two wider points. First, Australia is not alone in the region, any more than it is alone in the world, in having to face up to the challenges of the new international agenda. The issues faced by Australia are also faced, in varying degrees and particulars, by our neighbours in the South Pacific.

Secondly, and though many challenges lie ahead for us, the massive changes Australia has already managed give us credential in our dealings with others who are embarking on the same path. I'm not saying Australia has 'been there and done that', but we *are* some way along the path, we know some of the traps and pitfalls, and we know how steep the path can become. And it's right that we should help our friends, by pointing out the obstacles and how to avoid them.

It is a striking measure of how much has changed, when rereading the constructive commitment speech, that two of the key interests we define for ourselves in respect of the region are in 'keeping the region free from destabilising activity by an external power or group' and 'in minimising superpower tension in the region'. The second proposition is no longer an issue. The first still is; external influences of various kinds, national and non national, continue to operate in the region and these influences cannot always be assumed to be benign. But that said, has there not been, to put it bluntly, an observable shifting of attention away from the South Pacific region on the part of some of its more traditional partners as they have found themselves having to address pressing priorities elsewhere? Does this not make it all the more urgent that, as a region, we strive to attune ourselves as closely as possible to changed global circumstances? And, even more centrally, does it not mean that it is up to us; that, paradoxically in this increasingly interdependent world, we are much more on our own, and that we must look to ourselves, making

the best of what we have, if we are to secure a sustainable regional future?

### **Current issues in Pacific Island countries: Sustainable development or bust?**

I now want to concentrate on a number of key factors which must be addressed by governments with a sense of urgency if sustainable development is to be achieved in the South Pacific. I also want to pose some questions concerning the future of the region, questions which must be addressed by national governments if the region is to have a sustainable future.

The concept of sustainable development has taken on increasing international importance since the conclusion of the United Nations Conference on Environment and Development in 1992. I believe that it is essential for the future development of the region that this concept form the basis of national government policies.

In addressing what we will have to do to secure that sustainable future, I am not ignoring the fact that some countries in the region continue to face difficult and complex political, constitutional and security issues, the resolution of which is fundamental to the realisation of their full economic and social potential. The on-going problems on Bougainville, the resolution of Fiji's constitutional situation, and the progress of the Matignon Accord process in New Caledonia are all issues of vital importance to the long-term future of the region. Australia is and will remain an understanding observer of these issues and will lend assistance in their resolution where requested and where it accords with our own interests.

However, I do believe that there are some broader issues which relate directly to the long-term future of the countries of the South Pacific, which if not addressed with a sense of urgency, could have consequences which would make those more immediate political problems seem small by comparison. I do not seek to paint a picture of a region in a state of crisis. But I do want to highlight the fact that policy makers in the region today face a very different set of circumstances than their predecessors, and that in some cases the need for serious and urgent action is already upon us.

I am also conscious that many of the problems faced by the region affect different island countries in varying ways and to varying extents, and that formulas for addressing these problems cannot always be easily defined or applied. I do so, too, in the knowledge that South Pacific Island countries have, throughout the period of their modern independence, faced a series of difficulties and limitations dictated in large measure by geographic isolation, small domestic markets, narrow productive bases and vulnerability to natural disasters, and that the history of this period has been marked by efforts to address these problems.

Those efforts notwithstanding, it is unfortunately the case that, over the past decade most Pacific Island countries have achieved only slow growth in real per capita incomes despite a generally favourable natural and human resource endowment, high levels of external assistance and generally sound economic management. This phenomenon has been widely characterised in a range of studies and reports as the 'Pacific paradox'.

The World Bank highlighted the disappointing development performance of the South Pacific in its 1993 economic report on the region, when it estimated that real gross national product in Pacific Island countries grew by an average rate of only about 0.1 per cent annually over the previous ten years. The report also pointed to the contrast between the slow economic growth of Pacific Island countries and the much higher growth rates of some Indian Ocean and Caribbean Island countries.

In short, whatever policies we've been following in the South Pacific - and by 'we' I mean island countries and donor countries alike - are demonstrably not working, and not judged by some alien standard, but by the yardstick of sustainable development we've all set ourselves. Why not?

It is clearly the responsibility of both national governments and donor countries to ask themselves why the region has performed at this disappointing level. I for one do not think the constraints to development which I have mentioned above, or the lack of sufficient external assistance, provide the full answer to this question. Rather, I would contend that the policy frameworks adopted in the region have often retarded the prospects for long-term sustainable economic growth. Until appropriate national policies are implemented little improvement can be expected.

So what are the consequences of continuing slow economic growth in the region? And does it matter?

The lack of economic development, when combined with high population growth rates, unsustainable exploitation of natural resources and rapidly rising community expectations, has led to a growing range of social and economic problems, including permanent environmental degradation. Already, in some areas of the region, health and general living standards appear to be declining and community services are under strain. Nor is the region isolated from wider global health problems such as HIV/AIDS, malaria, neonatal tetanus and polio. In addition, the rush of technological change is adding to pressures on existing social and political structures and is creating, in a new generation, heightened social and economic expectations which may not be realisable.

Of particular importance is the need for national governments to develop and implement sound national policies to address priority environmental issues such as population growth, fisheries, logging and coastal zone

management, about which I would like to say more later. No amount of regional and international assistance will bring about sustainable development in the South Pacific unless the countries of the region themselves play the leading role through the adoption of such national policies, including public sector reform and private sector development.

This reform process may involve thorough reappraisal by island countries of the way in which they have done things before. Island countries may need to ask themselves, as Australians have had to do in recent years, whether some old social and economic habits and attitudes might need to be adapted, or even abandoned, if positive and beneficial change is to be secured and longer-term social and economic aspirations met.

I am aware of the view, reflected most recently at the Standing Committee of the Pacific Island Conference of Leaders in Hawaii in April this year, that economic development should take appropriate account of traditional cultural and social values. Of course it should. On the other hand, it is only reasonable to assume that the preparedness of investors and aid partners alike to continue to play a role in the South Pacific will depend on how well individual countries formulate and implement the economic and structural reforms necessary for sustainable economic development.

I would also question whether the unsustainable exploitation of resources which is currently occurring in some countries, and which will leave future generations with a legacy of permanent environmental damage and reduced economic prospects, is in line with these traditional values. I think not, indeed I'm certain of it.

I would like now to touch briefly on some of the specific development and resource management issues which Pacific Island countries now face.

### **Environmental management**

The South Pacific region contains some unique environmental treasures and has among the highest levels of biodiversity of any region on this planet, and many parts of the region are environmental assets of world standing and value. With the right mix of government policies and private sector initiative these assets can and should be utilised in a sympathetic and sustainable manner, to ensure that both their environmental and economic value are preserved for generations to come.

One way of doing this is through the development of environmentally friendly tourism industries, or, in the modern idiom, ecotourism. As we all know, the South Pacific has an enviable reputation as a tourist destination, based in large part on the attraction of the region's beautiful coastal environments and unique cultural history. It's also a situation where, as the world becomes more crowded over

time, the disadvantage of geographic isolation becomes an attraction, the chance to get away from it all. In many countries the full potential of the tourism industry is yet to be realised. New forms of tourism, and provision for special interest groups such as adventure enthusiasts, are only in their embryonic stages but the potential for further development is considerable.

The Olympic games in Sydney in the year 2000 will focus global attention on our region. It will provide an opportunity for South Pacific countries to benefit if they can take advantage of the expected influx of visitors by developing attractive and sustainable tourist facilities. As long, that is, as that development is compatible with what makes island locations attractive in the first place.

However, for the tourism industry to continue to grow it is important that national governments establish a stable policy framework which promotes quality foreign investment, internationally competitive work practices, and sustainable and sensitive development through careful coastal zone management.

It is, unfortunately, also the case that island countries currently face a range of specific environmental problems including deforestation, coastal pollution and degradation, depletion of in-shore fisheries and damage to coral reefs, inadequate watershed management, a shortage of clean drinking water and effective waste management facilities, all underpinned, as it were, by the possible effects of global climate change. Unless addressed comprehensively by governments, these problems threaten to destroy the potential for sensitive and sustainable tourism development before it has had the chance to develop fully.

### **Population growth and human resource development**

The most valuable resource of any country is its people and this is in many ways all the more true for the countries of the South Pacific. However, while South Pacific countries contain small populations, in relative terms, their population growth rates are in some cases among the highest in the world. The impact of these high population growth rates on countries which have had a disappointing record of economic growth over the past decade, and enjoy only a limited and fragile resource base, has in some cases already contributed to a real decline in living standards.

The work of the Pacific 2010 research project, carried out by the National Centre for Development Studies at the Australian National University under the auspices of the Australian aid programme, alerts policy makers to the real dangers of uncontrolled population growth without corresponding economic growth. It paints a nightmare vision of mass unemployment, urban slums, unrealisable demands on already stretched government services, growing lawlessness and a degraded environment if current trends continue.

As with all doomsday scenarios it only illustrates a possible future. The worst cases can be avoided through urgent and sustained action by island governments, with the assistance of development partners such as Australia. This is not an easy task, as the achievement of lower population growth rates requires a careful mix of policies which promote economic growth and security, extend the quality and accessibility of health and family planning services, education and training, and enhance, in particular, women's rights, status and breadth of choice.

There has been a greater recognition by South Pacific countries in recent years of this critical link between population growth, sustainable development and environmental integrity, including by heads of government at last year's South Pacific Forum in Nauru. Much, however, remains to be done.

### **Fisheries and maritime resources**

Aside from their people, the most important natural resources for many Pacific Islands countries, and in some cases their only resources, are those contained in their huge exclusive economic zones. Although small in terms of land area, the South Pacific Island countries have sovereignty over 20 million square kilometres of ocean and the resources which this vast area contains. This area supplies approximately 50 per cent of the world's canning tuna, with the annual harvest of approximately one million tonnes worth commercially around \$1.5 billion per year. It is truly one of the world's great fisheries - indeed one of its last - and needs to be harvested sustainably in order to ensure that future generations are able to prosper from its bounty.

Of equal importance to many countries are the in-shore fisheries which provide both a valuable source of food and income for many people. High population growth rates and related environmental degradation have placed this resource under enormous pressure and it will only be through urgent implementation of sustainable management policies that it will continue to provide for ever growing populations.

The experience of many countries, sadly including our own, is that over-exploitation of marine resources can cause irreparable damage to stock levels and consequently destroy the capacity to maintain a viable industry in the long-term. While countries of the region are small, and of limited influence as individual entities compared with the major distant water fishing nations, practical experience has shown that by developing a cooperative approach they can take greater control of these resources and ensure their sustainable and equitable development.

Achievements such as the Wellington Convention, which saw a global ban placed on the horrendous and wasteful practice of drift netting, and the successful conclusion of an equitable multilateral fisheries access agreement with

the United States, are demonstrations of the value of close regional cooperation. Much remains to be done in order to ensure that the Pacific Island countries derive the maximum sustainable benefit from this most valuable of resources. Of vital importance is the need to ensure that those distant water fishing nations currently exploiting the South Pacific fisheries resource do not, by poaching, inaccurate catch reporting or the dubious incentive of supposedly compensatory aid funds, deprive island countries of what is rightfully theirs - a fair price for their resource.

### **Forestry**

In some countries in the region, rampant exploitation of tropical forests by foreign interests has already caused serious environmental and social problems. Some islands will be completely denuded of commercially viable forests before the turn of the century, and others will be irreparably damaged if the current unsustainable rates of exploitation are allowed to continue. This in turn will reduce the capacity of the land to sustain rapidly increasing populations and could lead to a vicious circle of poor development performance. It will also lead to major environmental problems such as the siltation of lagoons and reefs, as well as reducing in-shore fish stocks and destroying the potential for tourism.

A further aspect of this problem is that some of those foreign interests involved in the forestry sector gain access to the timber resource at minimal cost, and greatly understate the value of the resources they are taking out of the region, depriving island countries and communities of very substantial legitimate income.

The story is not all doom and gloom, and countries of the region *are* beginning to implement policies which, if maintained in the long-term, will lead to a more sustainable forestry sector. But this will not be an easy process given the high level of reliance at both the local and national level on forestry revenue. Regional policy makers will continue to face acute policy dilemmas as they balance the needs of the short-term against those of future generations of their people. And yet, again, something must be done.

### **Trade and investment**

It is difficult to overestimate the importance of trade and investment and private sector development in the future well-being of the region. As the 20th century draws to a close, the way nations relate to each other is increasingly being determined by their economic performance.

Given that the relatively generous levels of aid to the South Pacific are unlikely to increase in the coming years, the prospects for improved living standards in the region will increasingly depend on the adoption and sustained pursuit of policies which foster increased trade and attract quality foreign investment.

It is a recognised but unfortunate fact that the unprecedented recent economic growth of the broader Asia-Pacific region has largely bypassed Pacific Island countries. While the fast-growing Asian economies, with their large labour forces and expanding domestic and international markets, clearly have a significant edge over the much smaller and relatively isolated Pacific Island states, their successes are more than just a matter of size and geography. Asian governments have taken deliberate steps to adopt and pursue economic policies aimed at mobilising domestic savings and opening their economies to quality foreign investment, in industry, services and national infrastructure. It is perhaps not too harsh a judgement to say that a number of South Pacific countries are, to the extent that they are able, yet to take up this example.

In the increasingly open international trading environment following the Uruguay Round, preferential access arrangements offer little remaining advantage to developing countries in the South Pacific or elsewhere. There is now effectively no realistic alternative to competition and the pursuit of comparative advantage, no matter how daunting these concepts may appear. While international and external factors are important influences on a country's economic fortunes, economic performance is importantly determined by the policies which each government formulates and implements. This has certainly proved to be Australia's experience, and I believe that many Pacific Island leaders are coming to a similar conclusion.

#### **Private sector development**

We believe that a confident and growing private sector is one of the keys to the success of any trade and investment strategy. To repeat an old truism, 'governments don't trade, business does'. It is now generally accepted that the private sector could contribute much more substantially in the future to economic growth and employment in the region, for example in small-scale manufacturing, agriculture, fisheries and tourism.

Several island countries are already well down this path, and have had some notable successes in attracting quality foreign investment projects which have helped, sometimes substantially, to generate employment, develop national manufacturing bases, and enhance export income. This clearly indicates to me that there is further potential for business development in the South Pacific.

For this potential to be realised, however, the investment climate must be competitive and the right institutional and administrative support should be available at the national level. While opinions vary on the appropriateness of the different types of incentives which governments may use to attract foreign business investment, there is no doubt that potential investors will only choose Pacific Island countries, in preference to other destinations, if they can be confident of operating in an environment which is positive, predictable

and profitable. This requires discipline at both the governmental and labour market level.

It is also important for any country seeking to attract sound foreign investment to have an adequate local skills base at the management and technical level, and to have appropriate export enhancement measures in place. One particular issue that must be taken into account is for the size and cost of public sectors in island countries to be carefully managed so that sufficient scope is available for business sector growth.

On a possibly more sensitive note, I also think it is now generally recognised, including by island leaders, that the time has come to look a bit more closely at traditional land use patterns in South Pacific countries, to make them more compatible with the needs of potential investors, local and foreign. Other difficult issues, such as energy consumption patterns and heavily indebted and costly national airlines, will also need to be considered urgently by reform-minded island governments.

#### **The future**

It may be said by some that I have painted an unnecessarily bleak picture of the South Pacific future. That is not the impression I wish to leave with you. Not only am I an optimist by nature, I also very sincerely believe that the future holds great promise for the South Pacific, and that this promise can be realised if all of its countries work, both individually and closely together, in building that future.

Some will also, inevitably, accuse me of seeking to be prescriptive about these problems. Again, that is not my intention. Australia in no way seeks to impose its own ideas on island countries about the solution to their problems. We know we cannot do so and we are not about to try. Indeed those problems can only be addressed properly if island country leaders and peoples commit themselves and their own resources to the effort and participate fully in it. Aid donors can help, but their efforts can only be in support of those of the island countries themselves.

What I have tried to communicate is the urgency of the situation. The problems I have spoken of are today's problems, in the here and now. The stakes are very high. The challenges we face cannot be ignored, and the way we address them will largely determine the outlook for future generations.

I hope that Australia's enduring commitment to its close relationships with its South Pacific neighbours, demonstrated and acted upon over many years now, does not need restating. Those relationships continue to be fundamental to our foreign policy, indeed to our own sense of nationhood. We want, as we have in the past, to work very closely with Pacific Island countries in addressing the

issues they and we face. But I would suggest that if we are to make real progress in addressing them, we are going to have to put ourselves into a higher gear. We cannot hope to achieve what, I think, we all want to achieve, if we do not get beyond stop-gap measures, extravagant national symbols and haphazard and uncoordinated development efforts.

At this time of far reaching international change, it is essential that countries of the region realise that the level of interest of foreign investors or donor countries in the South Pacific, will depend to a large extent on the implementation of sound and sustainable policies by national governments.

We must all, in short, commit ourselves to the new agenda of issues which a changing world has thrown up. We must, I believe, recognise the sombre truth of the words of two recent commentators, and I quote them:

In this day and age the unique characteristics of the Pacific count for little in the eyes of the outside world as countries struggle for economic and social

survival. If the islands aspire to progress in modern terms the decision is theirs and theirs alone.

In early August, Australia will host the 1994 South Pacific Forum meeting, the most significant international gathering to take place in Australia this year. At that meeting, we hope not only to reconfirm Australia's determination to work closely with our South Pacific neighbours but that the leaders will have the opportunity to discuss together, in perhaps a new, more focused way, the agenda of issues we now face together. We have proposed that the theme of the forum should be 'managing our resources'. The response from regional leaders to this proposal has been positive. It is our hope that we shall be able to seize that moment to launch ourselves, with a fresh determination, on the crucial task of preparing our region for the challenges of a new century.

*These are excerpts from an address presented by the Hon Mr Gordon Bilney to the Foreign Correspondents' Association in Sydney on 15 June 1994.*