

PERSPECTIVES

**THE PACIFIC ISLANDS AND THE WORLD:
REALISING THE PACIFIC'S POTENTIAL**

OUTCOMES REPORT

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The Lowy Institute for International Policy is an independent international policy think tank. Its mandate ranges across all the dimensions of international policy debate in Australia – economic, political and strategic – and it is not limited to a particular geographic region. Its two core tasks are to:

- produce distinctive research and fresh policy options for Australia’s international policy and to contribute to the wider international debate.
- promote discussion of Australia’s role in the world by providing an accessible and high-quality forum for discussion of Australian international relations through debates, seminars, lectures, dialogues and conferences.

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Executive Summary

Should the Pacific go it alone or ride with the Asian dragon? The Pacific region, once remote from the global centres of economic power, are now in the most dynamic economic region in the world, but are they using this position to their own advantage? Are they taking the right approach to realise their potential? These were the key questions put to the Lowy Institute's conference, *The Pacific Islands and the World: Realising the Pacific's Potential*, convened in Auckland on 5 September 2011.

Launched by New Zealand Prime Minister John Key, with the opening address delivered by New Zealand Foreign Affairs Minister Murray McCully, conference participants attempted to identify the game-changers and the decisions that needed to be made now in order to shore up the region's future.

Three areas were identified as offering the greatest potential for economic and social development: the region's natural resources, ranging from mineral deposits through to its fisheries; its natural beauty, which offered greater opportunities for tourism including that targeted at a growing Asian market; and its people, through good leadership, labour migration, and improved telecommunications and broadband services. One of the most important and positive developments highlighted has been the liberalisation of the telecommunications sectors across a number of Pacific Island countries, which has resulted in an explosive expansion in mobile telephony.

It was the imperative for better education, the need for more enlightened and inclusive government to encourage a more vibrant private sector, and importantly the role of women, that stood out as the game-changers.

The conference reflected that the Pacific had in the past struggled to learn from other regions in the world and that much could be gained from greater analysis and discussion of changes in other emerging regions around the world.

Samoan minister Fiame Mata'afa reflected the meeting's mood in suggesting that the Pacific didn't have to choose between riding the Asian dragon or strengthening itself. It could do both. But the region had to get serious about making forward-thinking reforms and get better at working together – government with government, government with private sector and government with civil society.

Policy recommendations

- As the centre of global economic gravity shifts to the Asia-Pacific, Pacific governments and private sector should invest more in understanding global and emerging market trends that will have an impact on the region.
- Pacific Island governments need to **invest in vital infrastructure**, including transport links, adequate port facilities and energy and telecommunications infrastructure to encourage new and enhanced private sector investment.
- Recent projects in the tourism industry have demonstrated the potential for joint projects between Pacific and donor governments and the private sector. **Public-private partnerships**, leveraged by donor governments, can be an effective instrument to deliver better infrastructure and services in the region.
- Where viable, Pacific governments and the private sector should work together to **process resources onshore** (for example, tuna and timber), which would add value and substantially increase the export price of these resources.
- Pacific Island countries need to shift their reliance on diesel energy by **investing in renewable energy** and, particularly, solar generation. Governments need to put the right frameworks in place to attract both private sector investment and donor funding.
- There is enormous opportunity for the Pacific Islands in **seabed minerals**. In order to take advantage of this opportunity, Pacific states could follow the lead of the Cook Islands government to put in place the appropriate legislation to ensure the benefits accrue to the wider community and future generations.
- South Africa has recognised the social dangers of concentrating the benefits of the mining sector in the hands of the few. South Africa's Mining Charter model could offer some lessons for resource-rich Pacific Island countries.
- A major prospect for growth in tourism in the Pacific lies with **Asian outbound tourism** – the greatest potential being the rising middle classes in China and India. The Pacific must develop tailored marketing strategies to appeal to the different markets in Asia.
- There are early indications that **social media and blogs** are having social, economic and political impact in the Pacific. Governments could capitalise on this increasing social connectivity by gaining greater understanding of and involving themselves in the discussion. Where is it happening and why?
- Government, the private sector and civil society need to interact on a more regular basis to facilitate an environment of trust in building better futures for Pacific societies.

Introduction

The Lowy Institute for International Policy hosted an international conference, *The Pacific Islands and the World: Realising the Pacific's Potential*, in Auckland on 4 and 5 September prior to the 2011 Pacific Islands Forum (PIF) Leaders meeting hosted by the New Zealand Government. With the cooperation of the Motu Economic and Public Policy Research institute, this conference followed on from the success of the Lowy Institute's inaugural Pacific Islands and the World conference in Brisbane in 2009.¹

The aim of this conference series is to strengthen international interest in the Pacific region and to reinforce Pacific understanding of the wider issues of the global debate. The conference brought together Pacific leaders with civil society, private sector representatives and media, with the intention of discussing and debating Pacific policy, as well as broadening contacts between Pacific countries and other important players in the region and internationally.

The conference served as a curtain-raiser to the PIF Leaders' Summit and was a valuable opportunity to influence the thinking of Pacific leaders. Public policy is something that has to be debated, discussed and endorsed by whole communities – with this in mind, conference participants were encouraged to participate actively in sharing views, putting forward new ideas and challenging the status quo.

The Lowy Institute identified four major focus areas: how to convert returns from the region's natural resources into better living standards; how innovation can extend the promise of the tourism sector; how to strengthen connectivity and integration through access to migration and the use of new technologies such as social media; and how our region can further realise potential through good leadership.

New Zealand's Minister of Foreign Affairs Murray McCully's opening address focused on the Pacific's education challenges and called for good leadership in the region.² Lowy Institute Executive Director Michael Wesley reminded the conference that we live in the most dynamic region in the world and spoke on the opportunities and challenges the Pacific region faces as we relate to the emerging economic powerhouse of Asia.

The discussion at the conference was constructive, wide-ranging and very dynamic. This outcomes report summarises the discussion and captures the ideas and policy recommendations put forward by conference participants.

Role of government

The role Pacific governments play in economic development remains a crucial question. The conference identified three main roles for government, which can help provide for the economic and social well-being of their countries: creating a stable policy environment; investing in capital development; and protecting human rights.

Improving the overall policy environment remains the perennial priority for governments in the Pacific. Providing a stable, predictable policy environment is crucial to attracting investment. This is true of all sectors. The conference heard from important figures in the tourism, telecommunications and resources sectors, all of whom agreed that over-regulation remained a significant barrier to investment in their industries. Further, they could point to investments they had made as a result of deregulating previously over-regulated sectors.

Governments must also invest in the development of physical and human capital. Businesses looking to invest in Pacific countries are unlikely to commit meaningful sums in the absence of transport links, adequate port facilities and telecommunications infrastructure. Once these investments are made, governments must be willing to provide adequate maintenance of these assets.

But the story goes beyond physical infrastructure. Indeed, it was suggested that some governments in the Pacific have adhered to economic orthodoxy in investing heavily in capital projects in boom years. But the recurrent side of the budget has been neglected: the maintenance of infrastructure and investment in human capital. Educating its citizens is one of best-value investments a government can make, even though the investment horizons are much longer. Further, the recurrent budget provides fewer opportunities for corruption, which tends to occur with the funding of large capital projects.

Finally, the third major role for government was in protecting human rights. Outside the region, in South Africa, several affirmative action mechanisms to address the country's poor recent human rights record have been implemented. In the case of the mining industry, South Africa implemented the new Mining Charter in 2004. The Mining Charter set several legislated timeframes for achieving certain levels of representation in management,

governance and ownership of mining companies by 2014. The Charter also mandated a minimum expenditure on social programmes such as skills development and housing.

Speakers and conference participants noted ongoing human rights abuses despite growing tourism sectors, with Fiji as the notable example. It seemed that an adverse political environment did not detract from the attractiveness of picturesque, safe and affordable Pacific Island locations. The majority of tourists seemed not to have a social conscience. Safety and stability are important for the tourist and as long as a country can meet those conditions, tourists will continue to travel.

Strong and effective political leadership was identified as a critical element in the pursuit of good government. Systems of governance were important but the role of leaders in developing a stable policy environment and helping constructive relationships with the private sector and civil society should not be underestimated.

Natural resource sustainability

Conference speakers and participants all recognised the need to sustainably manage the region's natural resources. The over-harvesting of forestry in Solomon Islands, where logs are harvested at six times the sustainable rate, was a particular problem. If the current rate was maintained, the stocks would be exhausted within six years, with 70 per cent of the country's export earnings going with it. The forestry sector in Papua New Guinea, while better than that in Solomon Islands, was still harvesting at greater than sustainable rates. Bigeye tuna was currently over-fished while the less valuable Yellowfin species was currently fished at its maximum sustainable rate. Inshore fisheries across the Pacific are being depleted, with some countries, notably Samoa, taking steps to regenerate the resource through the implementation of community management strategies. The situation became even more pressing when placed in the context of a regional population set to increase from 36.59 million in 2010 to 55.23 million in 2050.³

There are steps the region can take without losing revenue. By shifting up the value chain, countries can significantly increase revenue. Fiji is currently processing timber onshore, enabling them to sell their product for up to four times the value of round-log exports. If Solomon Islands was able to replicate this, it could increase its take from \$145 million per year to nearly \$600 million, (although this assumes the current unsustainable logging rate).

Tuna exports to Japan for sashimi achieve five times the price of tuna sent to Taiwan for canning. Aquaculture is increasingly becoming an alternative as wild fish stocks become increasingly depleted. However, onshore processing would require significant capital investment in plants, further highlighting the governments' role in providing stable, investment-friendly policy environments.

Pacific Island countries are completely dependent on fossil fuels. Imported fuel accounts for 30 per cent of Gross Domestic Product in Tonga and averaged 15 per cent across the Pacific. The retail price for consumers in the Pacific was up to seven times the retail price paid by consumers in New Zealand. But countries are beginning to adapt. The northern islands in the Cook Islands are in the process of converting from complete reliance on diesel generation to one hundred per cent renewable energy sources. The Solomon Islands and the New Zealand government announced its largest aid project, a one megawatt solar generator in Tonga. In a region with an abundance of sun and so vulnerable to the effects of climate change, solar generation holds particular promise.

Mining

The most significant development in the resource sector in the Pacific is the Liquefied Natural Gas (LNG) project in Papua New Guinea, which is forecast to pump \$15 billion into the economy from 2014. Large-scale investments in minerals resources remained largely limited to Papua New Guinea and New Caledonia, which accounts for about a quarter of the world's nickel reserves. There are some prospects for Solomon Islands and Fiji and there is residual phosphate mining still taking place in Nauru. But terrestrial mining opportunities are limited in Polynesia.

However, seabed minerals hold potential across the Pacific. Papua New Guinea is the first country in the region to actively prospect for seabed minerals. The world's first seabed mining project is expected to commence in waters off Papua New Guinea in 2013.⁴ Eight other Pacific countries' seabed minerals opportunities have been rated as very good to excellent, while a further six countries are rated as good to fair. The Cook Islands government is working with the Commonwealth Secretariat to be the first country to pass legislation on seabed minerals. The Secretariat of the Pacific Community has a Deep Sea Minerals Project, which is working to establish a regional framework for individual countries to manage interest in seabed mining.

While the process is new and somewhat limited by available technology, there are early lessons to be learned from the governance of terrestrial mining. The Misima gold mine project in Papua New Guinea provided a good example for mine owners. The owners actively included the local community in decision-making, meaning benefits accrued to the wider community beyond the life of the mine, including building crucial infrastructure and investing in local skill development. When considering policy around resource projects, including seabed mineral extraction, there are four questions governments must be able to answer:

1. How much revenue can we get?
2. What mechanisms can we use to manage the revenue?
3. How can we manage the revenue to ensure future generations also benefit?
4. How do we put in place a transparent and sustainable policy framework?

Tourism

The lessons from natural resources also hold true for tourism, as tourism could be perceived as a different way of exploiting a country's natural resources. Tourism operations at both the mass market and niche products ends of the market must take the environment within which they work into account. This can be seen in three major ways: community development; tourism as leverage; and growth markets.

Community development

Tourism could be perceived as an example of resource exploitation. The tourism industry can learn lessons from the experience of the mining sector. Andrew Abel, President of the Surfing Association of Papua New Guinea, pointed to the Bougainville conflict as a catalyst for his 'reverse spiral' tourism model, which worked with local custodians to protect the rights of resource owners and placed participatory decision-making in the hands of locals. This meant that the benefits flowed directly to communities and the resource was managed sustainably, both financially and environmentally, through capping the numbers of tourists present at any point in time and charging surfers a levy for this restricted access. This model empowered the community so it did not have to rely on government. The model could be replicated elsewhere and in other sectors.

Tourism as leverage

Tourism can be used as a catalyst for wider economic development than the immediate activity of entertaining tourists. While the primary objective can be lucrative in its own right, more can be achieved by leveraging off the opportunities provided by tourism. This opportunity is heightened by the forecast increase in tourist arrivals over the next 10 years. Over one million Australians and New Zealanders are forecast to be taking cruises in 2020 and half of those will be travelling through the Pacific. Air arrivals are also expected to increase. A recent global market forecast from Airbus said air traffic growth between Australia, New Zealand and the Pacific Islands region was ‘significantly faster than the world average of 4.8 per cent.’⁵

Carnival Australia, the largest cruise company in the Pacific, has implemented several programs to assist in ensuring the spill-overs from tourism are captured by local communities. For example, Carnival has worked with AusAID to purchase a launch to take cruise passengers from Mystery Island in Vanuatu to nearby Aneityum, where locals could sell crafts and cultural experiences to tourists. This activity was already broadening out to fisheries and timber ventures. Other projects are underway in Fiji and Ile des Pins in New Caledonia.

Ann Sherry, CEO of Carnival Australia, believed that the cultural barriers between governments and business could be overcome and that the two should be working together to deliver projects for the ongoing benefit of local communities. Ms Sherry said the benefits of such partnerships exceeded the sum of the parts. Carnival Australia has worked with both AusAID and the New Zealand Aid Programme to deliver effective public-private partnerships.

Growth opportunities in Asia

Having the giant Asian economies on the doorstep of the Pacific Islands presents a number of opportunities in tourism that have not yet filtered into the Pacific nor captured our imagination in the way they should have. The Asia Pacific region has seen strong double-digit growth in arrivals for a decade now, with the Pacific sub-region a relative underperformer at just seven per cent growth. However, arrivals into the Pacific from Asia have been declining since 1997. This is largely a result of declining outbound travel from Japan, which even the growth of China’s outbound travel has not been able to offset.

The strongest growth, though off low bases, is coming from Timor-Leste and Vietnam, each recording 20 per cent compound annual growth rates of arrivals into the Pacific between 2005 and 2010. China and India have the second and eighth highest volumes of arrivals in 2010 and are still producing strong annual growth of 10 per cent and 15 per cent respectively.

The major lesson for Pacific countries here is that the Asian inbound tourism market is changing. There are two strategies which should flow from this. First, Pacific countries must spread their risk by broadening their tourism marketing beyond the large markets instead of relying on one or two high-volume inbound markets. Second, and related to the first, tourism marketing bodies need to develop marketing strategies to appeal to distinct markets in the Asian region, not just to 'Asia'.

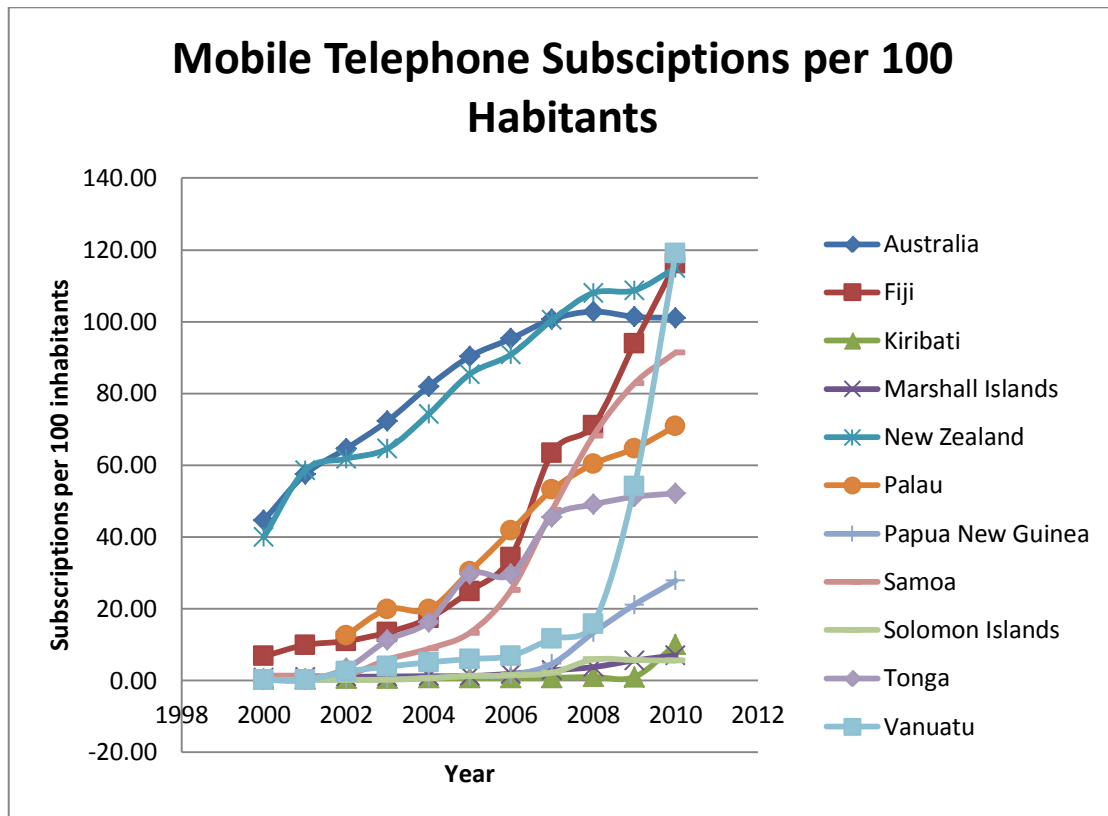
Social connectivity boom

Pacific Island countries are experiencing a social connectivity boom brought on by increasingly affordable and accessible mobile and broadband networks that are currently spreading across the region. This increasing inter-connectedness offers unparalleled opportunities for all.

Mobile phones

Mobile phone use in the Pacific has skyrocketed since 2005-06, with mobile subscriptions per 100 people rapidly approaching that of Australia (101) and New Zealand (114) in Samoa (91), and being surpassed in Fiji (116).⁶ Papua New Guinea, which in 2001 had only 10,000 mobile phone users, today has over 1.9 million mobile subscriptions.⁷

Mobile Telephone Subscriptions per 100 habitants in selected Pacific countries⁸



This increased mobile phone use has been driven, primarily, by Irish mobile telecommunications provider Digicel which, backed by the International Finance Corporation, currently covers six markets across the Pacific – Papua New Guinea, Samoa, Tonga, Vanuatu, Fiji, and Nauru.

Digicel credits its success to the fact that they have been able to work effectively with Pacific governments to set up world-class telecommunications networks. Unlike other groups at the conference which provided less positive assessments of working with Pacific governments, Digicel Pacific’s CEO Vanessa Slowey told the conference that the company’s success was tied to the liberalisation of telecommunications sectors and that progress was enhanced when government policy has incentivised private investment. Industry cannot be deregulated without government involvement.

Competing mobile operators in the region have been forced to scramble in order to catch up with Digicel’s low handset, call and SMS rates. This increased competition makes the Pacific’s telecommunications sector one of the most dynamic and innovative sectors in the region.

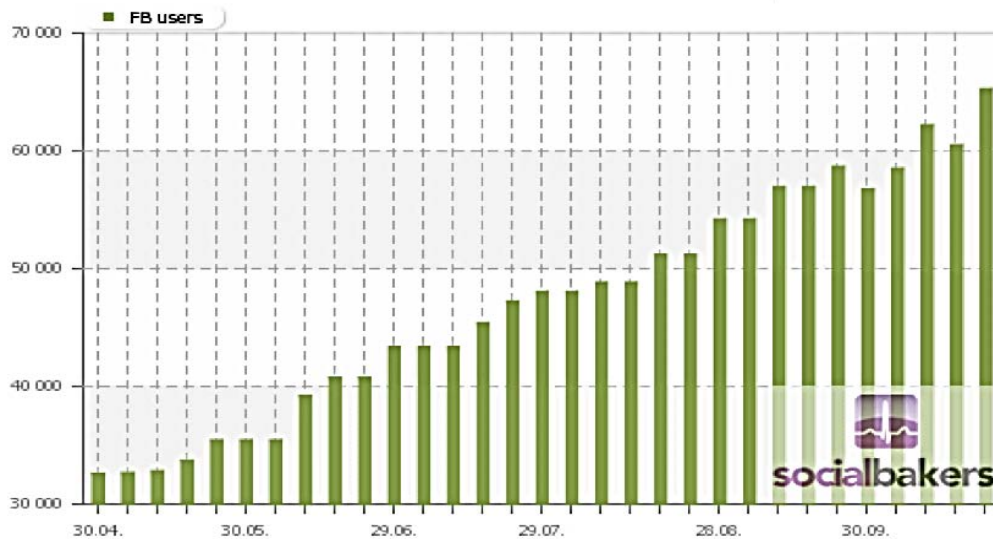
While internet access in the region has typically been substandard, characterised by slow speeds and limited download capacities, one of the bigger inhibitors has been a lack of access to the necessary hardware needed to access the internet – computers. Computers no longer have a monopoly on internet access. Digicel enables users to access Facebook through their mobile phones, tweet via SMS and is now offering a cheaper alternative to the iPad⁹ in addition to rolling out high-speed mobile broadband internet across its Pacific markets¹⁰.

Facebook, tweets and blogs – Social media sweeps in

Increasing access to and affordability of the internet across the region is resulting in a Pacific digital revolution and, at the heart of this leisurely revolution, lies social media.

The conference heard that the ‘Digicel effect’ means that in Papua New Guinea anyone can buy a lower-end mobile phone for 50-100 kina (USD22-44) that is internet accessible and tailored for Facebook use – this is facilitating a growth in social media use. Facebook users in PNG have more than doubled over the past 6 months from 32,580 to 65,260.¹¹ While Facebook penetration in Papua New Guinea is only 1.10% of the country’s population it represents 54.38% of Papua New Guinea’s total number of internet users.¹²

This take-up of Facebook compares favourably with some other developing countries (for example, Afghanistan, Kenya and Swaziland) in terms of the percentage of internet users.

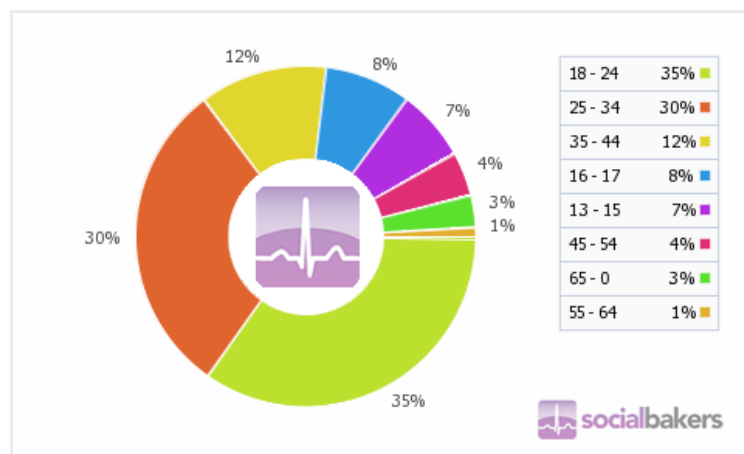


Growth in total Facebook users in Papua New Guinea, over a 6 month period from May to October 2011¹³

User demographics offer up some other interesting insights. Sixty-five per cent of PNG’s 60,000 Facebook users are aged 16-34 with the biggest increases occurring in the age bracket of 18–24. Males (60%) are using Facebook more than females (40%) – a disparity not as prevalent in other developing countries of the same size.

User age distribution of Facebook users in Papua New Guinea¹⁴

User age distribution on Facebook in Papua New Guinea



While the conference only explored Papua New Guinea's social media boom, other Pacific countries are experiencing similar trends. Statistics reveal that Melanesia is clearly leading Polynesia in terms of Facebook user growth.¹⁵ Fiji has the greatest number of Facebook users in the Pacific Islands region with 157,980 total Facebook users, a total which has increased by 29,000 in the last 6 months. Papua New Guinea has registered by far the fastest growth, with user numbers increasing by 100.31 per cent in the last six months. 2,480 Solomon Islanders joined Facebook over the last 6 months and Solomon Islands now boasts 18,920 Facebook users.

Telecommunications and broadband internet access in the Pacific are vital to attract and facilitate a dynamic and flexible private sector. A shortage of technical skills and a region-wide lack of focus on industry development are holding this sector back from reaching its full potential. Increasingly, this same access is becoming critical for social and cultural connectivity, and in facilitating the development of a public sphere for discussion and debate.

Blogs are becoming an important platform for expression and are filling gaps left by mainstream media. In Papua New Guinea, blogs are increasingly used to break stories and to hold politicians and government accountable for their actions. Politicians and government officials are opening social media accounts and monitoring blogs; in addition, they publically respond to discussion on blogs through blogs, newspaper articles or media releases. It was discussed that while Pacific social media users and bloggers are concentrated in urban areas this is changing as internet penetration and low-cost access spreads to rural areas. In addition, it was noted that expatriates often played a pivotal role in this discussion, resulting in wider, and at times, international exposure.

There are early indications that social media and blogs are having social, economic and political impact in the Pacific. While it is still an emerging trend, some governments are taking note of this increasingly powerful and influential conversation medium. Others are not. Governments and donors have the opportunity to capitalise on this increasing social connectivity but most are yet to meaningfully enter this space and are not yet involved in the discussion nor aware of where the discussion was happening.

Mobile money set to revolutionise the region?

By 2014, mobile money transaction volumes in the Asia Pacific are set to exceed US300 billion and there will be more than 620 million mobile payments users across the region. Most

of these transactions will be made by users in Asia in markets such as Vietnam, Philippines, India and Indonesia. So does mobile money hold the same potential in the Pacific? A number of mobile operators are bringing a variety of services that will bring financial inclusion to the unbanked population of the region.

The conference heard about Digicel's mobile money service in the region, where users can load cash onto their mobile, send money to anyone via their mobile, pay bills via their mobile, withdraw cash from agents and 'cash out' or keep money on their mobile and lock it into a deposit account and earn interest on that money.

Mobile money services have already slashed the costs and associated fees of transferring money and will help countries reduce the impact of isolation by providing both access and flexibility to transfer, spend or save.

Labour migration

Much has been said in recent years about the labour mobility programs which New Zealand and Australia have introduced for workers from several Pacific Islands countries. It was suggested that the labour mobility schemes were effectively a form of aid from the Pacific Islands to Australia, even though the donors were unlikely to acknowledge them as such.

New Zealand's Recognised Seasonal Employer (RSE) program has flourished, with relatively few roadblocks. Launched in 2007, the RSE scheme now has a quota of 8000 seasonal workers allowed to work in New Zealand for a maximum of 7 months in an 11-month period; workers can return again in subsequent seasons. Conference speakers and participants agreed that the RSE scheme had largely met its goal of promoting development in the Pacific and that seasonal migration was one of the most cost-effective (and largest-impact) development interventions for which rigorous evidence was available.

Research presented at the conference described that the broader community impact had been modest but positive and community leaders say the scheme has been good for their communities. The development gains from the seasonal labour schemes still paled in comparison to those from permanent migration.

Australia's Pacific Seasonal Workers Pilot Scheme (PSWPS) did not yet have the profile or successful record of New Zealand's RSE scheme. Australia's scheme was perhaps too

ambitious at the outset in trying to meet the expectations of all stakeholders rather than implementing a scheme that would attract the forecast number of workers. However, recent modifications made to give employers more flexibility in length of the employment term and to alter the splitting of travel costs between worker and employer were welcomed. In the 2011-2012 Australian federal budget, the Australian government reduced the marginal tax rate for those employed under the PSWPS from 29 per cent to 15 per cent on the first dollar of income up to \$37,000.¹⁶

There was substantial interest at the conference in New Zealand's RSE and Australia's PSWPS programs being expanded – both in terms of numbers, and to other sectors. Following the conference, the Australian government announced it would expand the scheme to accommodate workers from Nauru, Samoa, Solomon Islands and Tuvalu in addition to workers from Kiribati, Papua New Guinea, Tonga and Vanuatu in the horticulture sector in Australia.

Engaging civil society

Civil society is an increasingly important player in the region, but most conference participants agreed it did not yet have the formal recognition it deserved nor the opportunity to meet regularly with government and private sector leaders in the region. The Pacific needed to look beyond governments and embrace civil society organisations and the private sector in order to create inclusive regionalism.

Although the Lowy Institute conference provided a platform for civil society leaders to influence the thinking of Pacific leaders prior to the Pacific Islands Forum leaders meeting, civil society groups in the region communicated that they would like a more formal and regular opportunity to conduct dialogue with Pacific leaders.

Women – the biggest untapped resource in the Pacific

Just under three per cent of all elected political representatives in the Pacific are women – a statistic that is of continuous embarrassment to the region – not only because it represents the lowest representation in the world but because it continues to regress. Papua New Guinea, Vanuatu, Cook Islands and the Marshall Islands have only one elected female representative in their parliaments. Tonga, Solomon Islands, Tuvalu and the Federated States of Micronesia have no elected female representatives.

It was argued that the biggest untapped resource in the region was in fact women. There are few women in elected public positions and the only sector that had adequate female participation was civil society.

Without active government intervention, female participation in Pacific Island parliaments is unlikely to see any real increase. Pacific Island governments should put in place quota systems to ensure female participation in parliaments increase – a realistic initial target would be 30 per cent – a feat achieved by no less than seven countries in Sub-Saharan Africa in 2010.¹⁷

The quality of leadership in the region will continue to be stifled by such a severe lack of female representation. A quota system was not a silver-bullet solution and should be coupled with other initiatives.

Conference participants recommended a code of ethics for Pacific Islands Forum leaders, mandatory human rights and gender training, greater analysis of leadership paths and leadership mapping in the region, and greater funding for leadership and mentoring programs among Pacific youth.

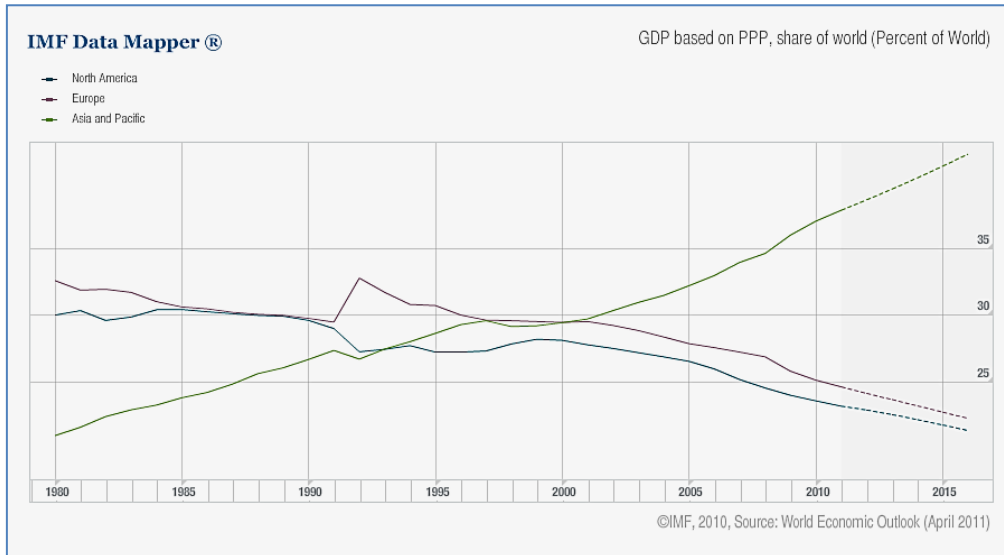
Samoan Prime Minister Tuilaepa Sailele Malielegaoi, a distinguished speaker at this conference, has since announced that he would like to see women make up a minimum of ten per cent of the country's parliament and he wanted legislation to guarantee it.¹⁸ This marks a change in policy from the Samoan leader who had earlier in 2011 ruled out Samoa's implementing reserve seats for women.¹⁹

Papua New Guinea's Prime Minister Peter O'Neill has also indicated his determination to pass legislation to guarantee more seats for women in parliament.²⁰

The Pacific in the Asian century

Once far from the centres of economic power, Pacific Islands are now located in the most dynamic economic region of the world. One third of the world's Gross Domestic Product comes from our region – Asia-Pacific. This was compared with Europe's contribution of 28 per cent and North America's 24 per cent.

Asia-Pacific share of the percentage of World GDP continues to grow at the expense of Europe and North America²¹



However, while this growth is extraordinary, it was agreed that aggregation could be dangerously misleading. The Asia-Pacific includes some of the world's richest and poorest countries and it is Asia in particular that is responsible for the spectacular growth.

Asia's growth is having a profound effect on the rest of the world, with the global flow of goods, financial resources and people across national borders all influenced by Asia's economic ascent. Standing out in this story of a region emerging are the extraordinary growth rates which have made China the world's second-largest economy and India, its ninth largest. The Asian Development Bank estimates that if the current growth was maintained, the Asia Pacific would account for one half of total global GDP by 2050.²²

And the economic centre of the world continues to move closer to the Pacific²³



Where to from here?

As the economies of neighbouring Asia grow exponentially, and as Australia and New Zealand look to enlarge their proven seasonal labour schemes, the people of the Pacific Islands have a significant opportunity to convert economic potential into higher living standards. Increased incomes for local consumption and venture capital can be attained through seasonal migration; increased national revenues and employment opportunities can be attained through responding to the outbound tourism and resource demand of emerging Asia.

Where there is opportunity, however, there is also challenge. At this stage it remains to be seen whether there is sufficient political will and capacity to ensure that these opportunities are fully seized, and that the rewards are not squandered.

Participants at the 2011 *Pacific Islands and the World: Realising the Pacific's Potential* conference were able to take heart at the opportunities for intensified democratic engagement that digital connectivity presents. Information and communication technologies can enable even fragmented populations to partake in global and local debates, to examine and discuss opportunity, and to act as engaged and unified democratic constituencies. Ultimately it is up to the people of the Pacific to make their governments answer to them, and there is an unprecedented ability for them to do so as united peoples.

The Lowy Institute will continue to seek occasions to bring together government policy-makers, private sector leaders and civil society so as to stimulate ideas for change and facilitate the building of networks for reform.

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The Institute also thanks the distinguished speakers and participants at the conference for their valuable contributions to a most constructive debate, exchange of ideas and commitments to new partnerships for the Pacific region.

The Lowy Institute would like to acknowledge The Myer Foundation which provides full support to the Institute's Melanesia program.

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