



REGIONAL INTEGRATION THROUGH A COMMON CURRENCY FOR THE PACIFIC

Vol. 1, No. 3, 2008

Five decades ago, following the establishment of the European Community, the first wave of the “concept of an area without boundaries” spread across the world. Although the European countries were successful with regional integration, countries in other parts of the world did not make much progress. This concept is not new to the colonized island nations in the Pacific. Growing from a handful in the 1970s to 14 in the new millennium, the Pacific Islands countries (PICs), established in 1971 their regional organization, the Pacific Islands Forum and the Forum Secretariat with the objective of promoting cooperation among the island nations in trade and economic development. Further regional integration has remained an elusive concept despite various efforts during the past 34 years.

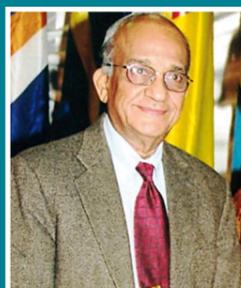
The introduction of a single currency in Europe, which is the ultimate sign of economic integration, together with the expansion of the European Union to 25 countries in 2004, has set off a new enthusiasm for integration among Pacific Island countries. The Pacific Island states are now implementing the Pacific Plan, a document originally formulated by their leaders in a meeting held under the Forum support in Auckland in 2004. The Pacific Plan is built upon the four pillars of economic growth, sustainable development, good governance and security. It seeks to integrate trade in goods and services, and promote movement of labour in the region and create bulk purchasing capacity for essential items such as fuel and medicines.

An informative study carried out by the University of the South Pacific, aside from reviewing the past efforts by PICs to promote regional cooperation, assesses the weaknesses and strengths of such efforts and explores the avenues now open to PICs with a view to finding ways to exploit these opportunities without repeating past errors. Experiences from European regional integration have shown that only guaranteed economic gain is a powerful enough motivating force for smaller countries to come together. A single economy attracts investment from overseas for producing goods for a secure market without any trade barriers. In the Pacific region, progress has been achieved in some areas of regional interest such as civil aviation, shipping services and higher education. There are still some areas of weaknesses. The region does not

command the range of information and skills needed for success in production for the international market as domestic markets are very small. It is the perceptions of small PICs that any deeper regional integration, as in the past, would benefit only major PICs such as Fiji and hence they are reluctant to extend full support and commitment. Occasional “kava” and “biscuit” wars are some obvious symptoms.

Both the single market and single currency are concepts for which PICs may not yet be ready. Economic integration efforts in Europe, which took five years of concerted action culminating in the birth of a single currency, began by promoting unhindered trade and they were speeded up by labour and capital mobility. At this stage the PICs should concentrate on achieving the same unhindered trade in goods and services amongst themselves, leaving other ambitious goals aside for a while.

The full version of the article titled “Economic Integration in the Pacific: Review of Past Efforts and Future Prospects” was published as Chapter 8 in Eliawony Kisanga and Sarah Danchie (Eds.) Commonwealth Small States: Issues and Prospects, London: Commonwealth Secretariat and Commonwealth Parliamentary Association, 2007. This comparative research study won the University of the South Pacific’s 2007 (Inaugural) Vice Chancellor’s Prize for the Best Research Publication.



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