

## Sharing the gains from prosperity

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The annual publication by the Bangkok based United Nations (UN) Economic and Social Commission for Asia and the Pacific (ESCAP), *Economic and Social Survey for Asia and the Pacific 2015* (the Survey), was launched this week in Fiji.

In a video message, Under-Secretary- General of the UN and Executive Secretary of ESCAP conveyed to Fiji audience the pleasing news to policy makers: Asia and Pacific developing economies did much better than rest of the world.

Although there are worrying concerns in regard to infrastructural shortages in the region constraining growth prospects, Asia and Pacific developing economies are predicted to continue growing at 5.9 percent in 2015 in comparison to modest growth of 3 percent to 3.5 percent in 2015 for other economies.

While China is slowing down, moderating to a more sustainable level with possibly a lower intake of imports of minerals and raw materials, India's growth is accelerating; but its growth critically depends on reforms. In South-East Asian economies the medium term outlook, although robust, depends on how skills shortages are addressed.

### **Pacific region**

Growth in Pacific region is driven by the emergence of super performer: Papua New Guinea (PNG).

PNG's outstanding growth in the last two years was due to the construction work of the liquefied natural gas (LNG) project. With the completion and early start of gas production, PNG's growth rate rose to 8.4 percent in 2014 from 5.3 percent in 2013.

The next best performer among Pacific island countries is Fiji, having achieved a rate of growth higher than 4 percent in last two years: 4.6 percent in 2012; 4.2 percent in 2013 and 4.0 percent predicted for 2015.

The Survey says: “As a region, PICs, as a whole have grown by 6 percent in 2014, a three-year high”. Exception being is Solomon islands which was affected by cyclone.

For 2015, PICs are expected to record yet another expansion close to 10 percent, despite the recent setback suffered by Vanuatu at the hands of cyclone, Pam. The expected growth performance will be mainly due to the anticipated, unprecedented growth of PNG. The projected growth rate of PNG for 2015 is 15 percent, “the fastest pace in Asia and Pacific, underpinned by a full year of production and export of LNG”. It is also expected that other non-mineral sectors, including agriculture and fisheries would rebound.

### **Growth and policy changes**

The Survey stresses world economic growth in 2015 would be still subject to continuing uncertainties surrounding growth in USA and Europe as well as in Russia.

It reminds us that the slowdown in the rate of expansion is despite a favourable happening: oil price has actually fallen. It should have lifted growth against the backdrop of a low inflationary climate.

It did not happen.

Since economic growth in major countries is not going to be any more influenced by exports but only by domestic factors, many countries are stepping up domestic demand under the name: rebalancing. Domestic private consumption and investment will have to play a greater role, rather than exports.

Additionally, the Survey says intra-regional factors will heavily influence future growth in APDs.

That brings us to the topic of regional economic integration or efforts towards greater trade and investment activities across the border.

### **MSG initiatives**

The sub-regional economic integration has picked up greater momentum recently. Efforts towards promoting freer trade among the Melanesian Spearhead Group (MSG) countries ever since its agreement signed in 2000 have raised the quantum of trade. Prosperity in PNG can be shared by MSG countries only by fostering a single market space by eliminating barriers to trade and hurdles to investment across the borders.

Already intra- PIC trade has increased from less than 1 per cent of total trade in 2000 to more than 10 per cent over the years. In the last three years, Fiji’s exports into PNG have grown three fold. There are equally many opportunities for PNG to expand exports into Fiji.

In the last six years, Fiji and PNG bilateral trade has grown by 150 per cent from (a little over F\$9m) in 2006 to F\$23m in 2012. Employment of skilled personnel under the Skills Exchange programme is on the rise. Furthermore, investment by PNG in Fiji and investment by Fiji in PNG are increasing. Notable PNG investments in Fiji include those by Lamana Development Company, the Grand Pacific Hotel, investments in the Pearl South Pacific (Fiji) hotel at the Pacific Harbour, and Bank South Pacific.

These are the spillovers from PNG's super performance which should be taken advantage of.

Policy makers in MSG countries should persist with integration efforts.