

# Australia, New Zealand and the Pacific Island Nations — Interweaved Histories, Shared Futures\*

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For a few short months New Zealand was part of what was to become Australia when it was annexed by New South Wales (NSW) in 1840. New Zealand's separate crown colony status in 1841 did not end the link and while it may have been separated from the Australian continent by the 'twelve hundred miles of stormy ocean' that made up the Tasman Sea, this was easier to cross than the even larger distance between eastern and western Australia, in large part inhospitable desert. This held true until the completion of the Trans-continental railway in 1917. Indeed the talk at the time was often of British Australasia, of the seven 'Australian' colonies, rather than the separate Australia and New Zealand that is common now. And within this Australasian world, New Zealand, along with the leading colonies of NSW and Victoria, was in some ways more central than (then) more peripheral colonies such as Western Australia (WA).

Immigrants, labour, goods and capital moved easily between the colonies — as did economic and political elites, missionaries and trade union leaders, entertainers and crooks. The Maori and other New Zealanders traded potatoes and produce in their ships across to Sydney. Troops and ships from the Australian colonies fought in New Zealand's wars between the Maori and the colonials. Australian arms dealers sold muskets to both sides. Australia's greatest strike — the Maritime Strike of 1890 — was a cross-Tasman affair, with thousands of New Zealand workers striking in sympathy with their Australian union comrades, to which the New Zealand union movement was strongly tied. Informal, family, sporting and social links were strong. Even Australian Rules Football gained a foothold in New Zealand — with the formation of clubs contemporary with some of the more famous in Victoria. New Zealand could well be playing in the Australian Football League now if its hillier, muddier, smaller paddocks weren't better suited to rugby.

Links were formed at the highest inter-governmental level. Utopian visionary, heiress-abductor, and occasional somewhat shady landshark, Edward Gibbon Wakefield applied his planned settlement model both to South Australia and New Zealand. Politicians and colonial officials moved between the Australasian colonies — Sir George Grey being a notable example, being

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at different times Governor of South Australia, Governor of New Zealand (twice), Governor of the Cape Colony (South Africa) and then Premier of New Zealand. The colonies co-operated widely on a number of issues including establishing a joint naval squadron in 1887 and undertaking a royal commission into the rabbit problem a year later. The model of state development — Paul Kelly's (1994) 'Australian settlement' consisting of 'White Australia, Industry Protection, Wage Arbitration, State Paternalism and Imperial Benevolence' — was actually a shared 'Australasian settlement', with key elements originating in New Zealand. Failures and successes of state development in other colonies were debated and interpreted, and sometimes misrepresented, in parliamentary debates, in discussions in the media and elsewhere. Royal commissions studied and commented on these state experiments, passing easily across borders. During a 1901 New South Wales inquiry, District Court Judge Backhouse toured New Zealand to report on the compulsory arbitration mechanism — which settled disputes between labour unions and employers before a judge — that much of Australia was to adopt.

It is not inconceivable that New Zealand could now be part of the federation which united the Australian colonies into the Commonwealth of Australia in 1901. As federation looked likely in the 1880s and 1890s, New Zealand was invited to and took part in the constitutional conferences of 1890 and 1891. There was some support for federation within New Zealand at the highest political level but most of the political elite were ambivalent. Ultimately New Zealand stayed outside the federation through fear of miscegenation with Queensland's population of Melanesian 'Kanakas' and Asians, concern at the treatment Maori might receive, a feeling of superiority from a free-settled New Zealand looking across at a number of former penal settlements, exigencies of domestic politics, and just sheer indifference (Mein Smith 2003). Despite New Zealand's lack of enthusiasm, the Australian Constitution mentions New Zealand by name, and continues to allow for its subsequent entry into the federation. Leading New Zealand politicians at the time wanted to keep the back door open just in case they changed their minds.

As late as the planning of the new Australian capital, Canberra, in 1913 it was still assumed New Zealand would join the Australian Commonwealth. One of the seven roads radiating from the centre of Canberra — six now named after the state capitals — was to be called 'Wellington', after the capital of NZ. It now has to settle for 'Canberra'. One of Canberra's suburbs is still named *Manuka* after New Zealand's ubiquitous tea-tree. And it should be remembered that New Zealand was not the only colony reluctant to join the federation. NSW was for a time somewhat sceptical, as was WA to the very last, while Queensland looked unlikely to join for much of the 1890s and declined even to take part in the Convention of 1897–8. WA tried to secede in 1934–5, but was prevented by the British.

As the British Empire expanded through the Pacific, Australia and New Zealand absorbed some Pacific Islands into their own mini-empires. The Cook Islands were transferred from Britain

to New Zealand in 1900; Niue became a territory of New Zealand in 1901; Nauru was occupied by Australian forces in World War I; Western Samoa was seized from Germany by New Zealand in the same war; and Tokelau, a British protectorate from 1889, was transferred to New Zealand administration in 1925. Paupa was annexed by Queensland in 1883 before passing to Australian control in 1905, and German New Guinea was occupied by Australian forces during World War One. They were merged administratively in 1949.

These island states achieved some degree of self-government in the second half of the twentieth century, but strong ties remained to their former colonial masters. Western Samoa (Samoa from 1997) achieved independence in 1962. The Cook Islands (in 1965) and Niue (in 1974) became self-governing in 'free association' with New Zealand, with responsibility for their internal affairs. New Zealand retains responsibility for external affairs and defence, exercised at the request of the respective governments. Nauru became independent from its joint Australian-NZ-British administration in 1968. Papua and New Guinea were merged as a self-governing state in 1973, with full independence granted to (what was now) Papua New Guinea in 1975. Tiny Tokelau will vote in February 2006 to decide whether to choose limited self government in 'free association' with New Zealand. Some of these nations are remarkably tiny — Niue, for example, has a population of less than 2000.

### **Divergence between Australia and New Zealand?**

Did the federation of Australia in 1901 mean the end of Australasia and the beginning of a separate Australia and New Zealand? This is the view of James Belich (2001), a noted New Zealand historian, who claims that after 1901 New Zealand turned away from Australia and back towards Britain, in a process he calls recolonisation. There is much truth to this. Australasia as a term drifted out of common usage as nationalists in both countries looked to form separate New Zealand and Australian identities. New Zealand trade flows shifted largely to Britain, a process that began in the late nineteenth century, although this lessened throughout the second half of the twentieth century as Britain accounted for 90 percent of New Zealand's exports in 1939, but its share fell to 50 by 1965 and 36 percent by 1970, and was less than 10 percent by the end on the 1980s. Australia's export market shifted from domination of Britain in 1900, to shift to the USA and other nations, particularly APEC ones, by the mid to late-twentieth century, with Britain falling to sixth by the late twentieth century. Both countries competed to be seen as the most loyal of British Dominions. Instead of sister colonies, New Zealand and Australia sometimes became competitors, hawking more-or-less similar primary products to a world market.

Foreign policy took somewhat divergent paths — Australia turned closely to the United States, particularly in the wake of the Pacific War and the fall of British Singapore to the Japanese. New

Zealand moved away from the US and Australia in the late twentieth century with the anti-nuclear stance adopted by the Fourth Labour Government elected in 1984, and the ANZUS pact (initially formed in 1951 with the threat of a resurgent Japan still in the minds of some) was abrogated in 1985. But even before this New Zealand had been a less enthusiastic supporter of US foreign policy than Australia, fighting in Vietnam only with great reluctance and under considerable pressure from the US, in contrast to Australia's rather more gung-ho approach. The election of a Labour-Alliance coalition in 1999 saw further divergence with Prime Minister Helen Clark stating she did not regard New Zealand and Australia as a single strategic entity. New Zealand abandoned plans to buy 28 F-16 fighters from the US in 2000. Claiming that New Zealand faced a 'benign strategic environment,' the government abandoned its air strike capability, selling the obsolete Skyhawk jet fighters and Aermacchi jet trainers for \$155 million in September 2005; the Navy was restricted to two frigates and other transport and coastal patrol vehicles; and the bulk of defence expenditure was redirected to the army, including focusing on high-tech communications equipment and around 100 state-of-the-art LAV armoured personnel carriers (Patman 2005). Such moves excited disparaging comment from commentators and journalists in Australia, and while the Howard Government in Australia was restrained in its criticism, the general impression given was that New Zealand was abrogating its defence responsibilities (Henderson 2003). Also implied was that New Zealand's continued antinuclear legislation and low level of defence spending would harm its chances of negotiating a free-trade agreement with United States — something achieved by Australia in February 2004. New Zealand, unlike Australia and the United Kingdom, failed to support the American led invasion of Iraq and Prime Minister Helen Clark made a number of comments that caused some annoyance in Washington and Australia.

Cultures diverged - Australia became more Americanised but at the same time more self-consciously 'Australian.' European non-Anglo and Asian settlement after the War changed its inner-city cultures dramatically, and the larger Australian cities have populations equivalent to New Zealand's entire population. New Zealand remained somewhat more British (at least for a while) and unsure of itself, but at the same time drew more strongly on Polynesian elements, from the indigenous Maori, but also from the Pacific Islanders who increasing became a significant part of the population.

### **Continuing Links**

This divergence should not be overstated. Links continued in myriad ways and New Zealand, Australia and the mini-states of the South Pacific, maintain a closeness possibly unlike any other nations. There is of course the ANZAC experience — the Australia and New Zealand Army Corp that took part in the failed Allied invasion at Gallipoli in Turkey in 1915. ANZAC day is com-

memorated as a public holiday and memorial for war dead in both countries. Both nations have tried to find some national identity in this disaster in the Dardanelles, blaming British incompetence and celebrating their own heroism and stoicism in the face of appalling conditions — but sometimes they have put each other out of the picture in the process. The Australian film *Gallipoli* mentions New Zealanders only in passing — New Zealand's *Once Upon Chunuk Bair* returns the favour. But New Zealanders visiting Australian war memorials are still moved by the sight of the New Zealand flag flying alongside the Australian flag, and New Zealand youth share the Australian trend towards pilgrimages to Gallipoli as part of the (also shared) tradition of the Big OE (overseas experience). And many 'cultural icons' are shared between the two countries. As every New Zealander with an interest in horse racing knows, the highly successful 'Australian' race horse Phar Lap that captured public enthusiasm in the 1930s before dying in the United States, was born and spent his early life in New Zealand. Australian and New Zealand museums and racing associations occasionally bicker over his mortal remains, like rival medieval churches squabbling over holy relics. Iconic companies such as the cereal producer Sanitarium was founded on both sides of the Tasman with its first major production starting in Christchurch in 1900, which makes it easier to advertise the same products in both countries by just changing a few words here and there — Aussie Kids/Kiwi Kids are Weetbix (a type of cereal) Kids. Many other foods seen as quintessentially New Zealand or Australian are actually shared — such as the yeast-based spread Vegemite and the meringue-base cake, the Pavola. New Zealand teams play in the Australian domestic rugby league and soccer competitions. The recent Australia New Zealand Leadership Forums held in Auckland (2004) and Melbourne (2005), and attended by senior ministers, business leaders and academics, endorsed the importance of the close relationship and examined ways it could be further strengthened.

Cross-Tasman trade became increasingly important after the signing of the Closer Economic Relations Trade Agreement (CER) in 1983. This is one of the most comprehensive free-trade agreements in the world where all items are included unless expressly excluded. It achieved its free trade objectives five years ahead of schedule in 1990 and propelled a 500 percent increase in cross-Tasman trade. New Zealand is now Australia's fifth most important trading partner, and is the first or second most important destination for Australian manufactures. Australia is New Zealand's most important market. Australia takes 21 per cent of New Zealand's exports, and provides 22 per cent of its imports. In 2004, Australia invested \$51.3 billion in New Zealand, while New Zealand invested \$20.8 billion in Australia. CER had predecessors — an attempt to set up a trade agreement with South Australia was made as far back as 1895. There was even talk of a CER-like agreement in the aftermath of the formation of the Australian federation, sidelined by the death of New Zealand Premier Richard Seddon in 1906. The New Zealand Australia Free Trade Agreement, CER's immediate predecessor, began in 1966 (McLean 2003). Its name was a misnomer and it became so

bogged down in detail it became a burden to trade and a constant source of frustration to officials. This frustration led key officials to push for the treaty that became Closer Economic Relations, despite some ambivalence from some of their political masters.

There is increasing harmonisation and mutual recognition of business and other law and steady progress towards the ostensible aim of a single economic market. The Trans-Tasman Mutual Recognition Agreement (TTMRA), signed in 1996 and activated in 1998, allows any good legally sold in one jurisdiction to be sold in any other. Any person registered to practise an occupation in one jurisdiction can practise in any other. There are some exceptions based on social issues, public health and safety, and the environment, amongst other things. Although strong empirical evidence does not exist, there is a general agreement that the mutual recognition agreement has been of benefit to all parties. The Trans-Tasman Mutual Recognition Agreement and cooperation through CER, amongst other things, have facilitated New Zealand and Australia's influence on international standards, norms and trade agreements. Both countries have presented similar positions in international fora such as the WTO, International Standards Organization, and APEC.

A review of the Mutual Recognition Agreement by the Australian government research agency the Productivity Commission in 2003, made a number of the recommendations which were largely accepted by the COAG Committee of Regulatory Reform and New Zealand officials. These are aimed at streamlining the process of removing exceptions and lessening administrative burdens, promoting the existence and benefits of mutual recognition, and integrating the TTMRA early into the policy process. While the report supports the gradual removal of some exceptions, it strongly supports existing exceptions on fireworks, gaming machines, pornographic material, films and computer games on 'the grounds of sovereignty.'

Harmonisation of competition, consumer and other law is an ongoing process. The Australian Productivity Commission's recommendation to further integrate the two countries' competition and consumer regimes was endorsed by the New Zealand Finance Minister Michael Cullen and the Australian Treasurer Peter Costello in February 2005. This includes moves to share information between competition authorities and on consumer policy; the possible establishment of joint institutions; a possible single set of accounting standards for both countries; harmonisation of insolvency legislation and company registrations; and the mutual banning of directors in both countries, amongst other things. Harmonisation of banking regulation, intellectual property, rules of origin, amongst other things, are all under examination.

Under the Trans-Tasman Travel Arrangement, New Zealanders and Australians are able to live and work indefinitely in each other's countries and no visa is required to enter. New Zealanders make up the largest immigrant group in Australia — the census of October 2001 found 356,000 of those resident in Australia were New Zealand-born — the equivalent of 1.9 percent of the Australian population. Australians-born respondents totalled 56,300 in New Zealand's census of March

2001 — around 1.5 percent of New Zealand's population. A cross-Tasman business elite developed as Australia acted as a magnet to New Zealand business talent and as companies spread across Australasia. New Zealanders have been scattered through top CEO jobs in Australia —the Commonwealth Bank, Woolworths, Goodman Fielder— just to name a few. An Australian formally headed New Zealand's second largest telecommunications company. Much like the mid-19th century, Australian companies dominate the New Zealand banking industry. Then, as now, this has led to questions regarding whether banks serve New Zealand's interests: in the 19th century this was a rationale given for the establishment of the Bank of New Zealand; in the 21st, the Government owned Kiwibank. The Australian stock exchange looked to take over the New Zealand one, but was resisted. New Zealanders hold important positions in medicine and academia, in the professions and in the arts. Many professionals belong to cross-Tasman associations: the Australian and New Zealand College of Anaesthetists, Royal Australasian College of Surgeons, Accounting & Finance Associations of Australia and New Zealand amongst many.

There is significant cooperation in science and education. New Zealand and the Australian states are already cooperating on attracting biotechnology industry. Cooperation exists on a personal and institutional level between many New Zealand and Australian scientists in government agencies and the universities. A large number of scientific and professional organisations are Australasian ones: as are the journals they produce. One important example of cooperative research is the Australasian Cooperative Research Centre (CRC) for Interaction Design based at QUT in Brisbane, which includes the University of Canterbury's (NZ) Human Interface Technology Laboratory as a member. From New Zealand's viewpoint, involvement is important for engagement with the international community. Conversely, New Zealand talent enhances what would otherwise have been an Australian Cooperative Research Centre, expanding its scope and potential beyond national boundaries. There have been important collaborations between the New Zealand Crown Research Institutes (CRIs) and the Australian Commonwealth Scientific and Industrial Research Organisation (CSIRO), such as the sharing of resources on the joint CSIRO and the New Zealand National Institute of Water and Atmospheric Research NORFANZ expedition to examine the deep sea habitats from Lord Howe and Norfolk Islands to New Zealand. The Australian and New Zealand School of Government is a joint programme between a number of Australian universities and the New Zealand Victoria University or Wellington.

## **Defence Cooperation**

Despite the picture often given of tension on the defence front, the reality is considerably more complex. New Zealand and Australia work together as the regional peacekeepers. They cooperated in the settlement of the secession movement and civil war in Bougainville, an island in

Papua New Guinea, a conflict that led to an estimated 10,000 deaths. Australia initially supported PNG government attempts to suppress the rebellion, which led to suspicion of Australia by the secessionists. An initial but unsuccessful truce was negotiated by New Zealand in 1990, and Australia subsequently withdrew its support of the PNG government after it contracted for mercenaries to fight its war. In 1997 New Zealand hosted talks between the secessionists and the PNG government at Burnham military camp in Christchurch, New Zealand, that led to the Burnham truce. A NZ-led Truce Monitoring Group led to further negotiations, culminating in the Bougainville Peace Accord negotiated in 1998. A UN mission, led by Australia, led to the destruction of weapons and the establishment of an autonomous, self-governing region, with an independence referendum scheduled for 2017 (Hoadley 2005).

Both countries cooperated with a great deal of success in the Australian-led UN intervention in formally Indonesian-occupied East Timor. Following an unexpected independence referendum in 1999 allowed by the Habibie Government after two decades of a brutal and bloody occupation of the former Portuguese colony, the East Timorese voted overwhelmingly for independence. This led to a murderous rampage by Indonesian backed militia gangs, and subsequently New Zealand and Australia received UN support for a peacekeeping mission, with the Australian-led INTERFET force landing in September 1999 and quickly restoring order. The New Zealand Brigadier Martin Dunne was the deputy of the Australian General Peter Cosgrove. Both countries actively supported the UN reconstruction (Hoadley 2005).

Virtual civil war in the Solomon Islands between the Malatians and Guali peoples led initially to an unarmed intervention from other Pacific Islands in 2000. However, a failure to restore order led the Solomon Islands Prime Minister to invite Australian intervention, with this intervention legitimated by the Pacific Island Forum Summit in Auckland in 2003. The Regional Assistance Mission to Solomon Islands was led by Australia who provided 1500 troops, 55 police, 90 support personnel and various Navy and Air force support, and was assisted by 250 New Zealand police and troops, as well as contributions from other Pacific island nations. Order was quickly restored. The bulk of the cost was met by Australia, with contributions from New Zealand and other intergovernmental and international organisations (Hoadley 2005). New Zealand troops took part in the recent campaign in Afghanistan alongside their American 'friends' (not allies) and Australia, while New Zealand military engineers contributed to the 'reconstruction' of Iraq, although did not take part in the invasion.

### **Australian and New Zealand Intergovernmental Cooperation**

Governmental links between Australia and New Zealand, both informal and formal, are extensive, and have been for a long time. Most New Zealanders and Australians would be surprised at

the degree of policy coordination and intergovernmental cooperation that exists. In many ways New Zealand behaves like a seventh state of Australia. During the Second World War New Zealand received priority treatment in the allocation of scarce resources and Australian manufactures. The Canberra Pact of 1944 established a regional zone of defence between the two countries who felt themselves often not treated with due respect during the War. The Council of Australian Governments (COAG), established in 1992, has led to the development of a number of intergovernmental agreements and consequent legislation, by the six States, the two Territories, the Australian Commonwealth and by New Zealand.

A large part of COAG's work is carried out by 40 Ministerial Councils and associated fora. These facilitate policy development, consultation and cooperation between the various governments in specific policy areas. New Zealand is a member of, or observer on, the majority of these councils. The councils include representation of the relevant ministers from the Commonwealth, each of the States and Territories, some local government officials, and (mostly) New Zealand. In some cases, the responsible New Zealand Minister has full membership and voting rights where issues impact on the Trans-Tasman mutual recognition agreement; with observer status otherwise. Ministerial Councils usually meet annually or biannually — although there may be extraordinary meetings — and will often meet in conjunction with other related ministerial consultative bodies. Much business is carried out through correspondence. In 1996 Australia and New Zealand agreed to jointly develop food standards and the Australia New Zealand Food Authority now approves standards across the Australian states and New Zealand.

Meetings of officials support the councils. These can include the chief executives of relevant departments, and other public officials and observers. These usually meet before the ministerial conferences, although they may have separate meetings and meet more regularly than the ministerial conferences. Secretariats support the ministerial meetings. These are usually located in various Australian government agencies, both at Federal and State level, although there may be independent secretariats. These are often jointly funded by the various governments involved.

In certain cases, there may be more than one minister from each government represented on a council. Where voting arrangements apply, each government generally has only one vote. Therefore New Zealand has the same voting power as the Australian States and Territories, even though it is a sovereign nation. It is a junior partner to the Australian Commonwealth in the Ministerial Councils. It is sometimes claimed there is a loss of sovereignty for New Zealand from its involvement in COAG fora. It is possible that Australian governments could vote on issues to favour Australian interests, and against New Zealand's. There was some controversy generated regarding this possible loss of sovereignty in relation to the Australia and New Zealand Food Regulation Ministerial Council and *Food Standards Australia New Zealand* which set food standards across governments. New Zealand business leaders have expressed concern that some harmonization may see New Zealand

simply adopt the law of the more powerful neighbour- even if in some cases the New Zealand law is considered better and the Australian law more prescriptive and interventionist. New Zealand officials and politicians have become increasingly focused on dealing directly with states to try to exert influence. This has included visits by Prime Minister Helen Clark to state capitals — much as if a New Zealand premier of pre-federation days was dealing with her counterparts in fellow Australasian colonies.

In complex policy areas, economies of scale exist in co-ordinating and sharing policy development. New Zealand gains access to the considerably greater policy resources and expertise of the Australian Commonwealth and the Australian States. Similarly, Australian governments gain access to the policy resources and expertise of another sovereign nation—more than adding another state to the mix. The ministerial councils and related officials committees also provide avenues for policy learning. Participants are able to learn from policy developments, policy innovations and policy failures in other jurisdictions in a cost efficient manner, and often through verbal communication. Personal contacts and networks developed through the various meetings are an important facilitator of positive relationships and the development of trust between members of different governments, and provide an important means for the sharing of information. Such personal relationships are particularly important if difficulties arise between governments.

Australia and New Zealand continue to be a source of policy ideas and innovations for each other, just as they were in the state building era of the late 19th century. Some of this is facilitated by the increasing harmonisation and mutual recognition of law, but goes further than this. The state of Victoria borrowed many of its public sector reforms of the early 1990s directly from New Zealand models, even down to repeating or closely emulating New Zealand legislation. The Australian Charter of Budget Honesty Act 1998 draws on the New Zealand Fiscal Responsibility Act of 1994. New Zealand's radical economic reforms of the 1980s and 1990s provided an exemplar for Australian business elites and others attempting their own economic reforms. Indeed, links between policy and business elites was strong in the post-reform era, with economic liberalisation advocates such as the New Zealand Business Roundtable Chief Executive Roger Kerr and former New Zealand finance minister Roger Douglas linked to such think tanks as the pro-economic liberalisation Australian Tasman Institute. A number of New Zealanders involved in the reforms took important jobs in the Australian state sector.

### **Australasia, the Pacific Island Forum and the Pacific Plan**

There is an increasing move amongst Pacific commentators and academics to talk of a Pacific region, culture or community, based around the nations of the Pacific Islands Forum, a group established in 1971 in which 16 members of various South Pacific nations, including New Zealand and

Australia, are represented<sup>1</sup>). Pacific Islanders provide a significant proportion of population in New Zealand and a lesser extent in Australia. Immigration to New Zealand is largely from current or former New Zealand dependencies, with many immigrants at the time New Zealand citizens. The free association status allowed Cook Island and Niueans joint citizenship and Samoans had free entry into New Zealand, although Tongans also immigrated in significant numbers. Numbers were at first small but were a significant proportion of the population of New Zealand—Pacific islanders made up 26,000 of the population in 1966 and 61,000 in 1976 (Denoon and Mein Smith 2000, 398). Immigration was steady, and by the early 1990s the Pacific island population in New Zealand had grown to 5 percent of the total population and now is over 6 percent, with 85 percent of Niueans, and around 70 percent of Tokelauans and Cook Islanders living in New Zealand, leaving some islands with population shortages. Pacific culture, particularly in New Zealand's largest city Auckland, has added considerably to New Zealand's cultural richness.

Remittances from Australia, New Zealand and elsewhere are often the leading source of foreign income for these island mini-states and have been increasing in recent years, with aid another significant contributor. In Tonga, for example, private remittances accounted for 41.2 percent of GDP in 2002, and even this may be an underestimation. Tourism is also a significant contributor — the largest source of foreign income for Fiji, and second to remittances in Samoa (ESCAP 2005). Despite these inflows of funds, economic performance of the Pacific Island Forum nations has been variable, ranging from negative to significant growth — and generally poorer when figured on a per capita basis, although in some cases reliable figures on economic performance are not available (Figure 1). There has been considerable reform, such as the establishment of an independent central bank in PNG and removing the appointment of senior public servants to an independent body. Fiji has taken significant steps to liberalize its economy, including tax-free zones and a tax free factory system of investment incentives for export production. This has encouraged the establishment of a number of a domestic and foreign owned firms and the growth of a garment industry, which grew to 27 per cent of total exports during 1998–2001. Australia is the main source of imports for a number of pacific island nations, while New Zealand is a relatively small source of imports except in Fiji, Samoa and Tonga, although its importance has been declining even in these countries. Australia dominates as an export market for a number of islands, with Japan, the United States and the EU also important. New Zealand as an export market declined markedly during the 1990s (Yari 2003).

Some islands have considerable economic problems, with Nauru, for example, squandering the millions it gained from phosphate mining and facing virtual bankruptcy. On a number of measures

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1 ) The membership is Australia, Cook Islands, Federated States of Micronesia, Fiji, Kiribati, Nauru, New Zealand, Niue, Palau, Papua New Guinea, Republic of the Marshall Islands, Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu.

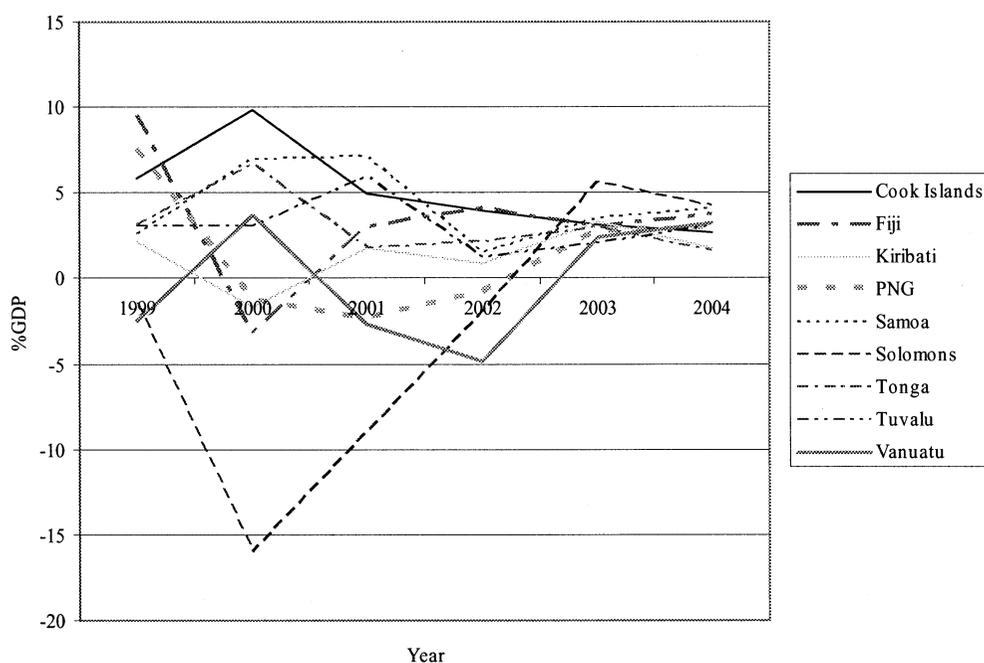


Figure 1 Economic Growth in Selected Pacific Island Nations  
Source ESCAP (2005). Fiji is real GDP at factor cost.

of development, some islands do particularly badly — such as PNG and Vanuatu. Extreme poverty is usually avoided however, as many islanders have access to land and subsistence agriculture. The Pacific Islands face problems of remoteness and hence higher transport and other costs; small and sometimes shrinking populations and brain drains to the centre; limited resource bases; and a continual threat from natural disasters; particularly cyclones which seem to be increasing in regularity with global warming. There is often a reliance on a narrow range of export commodities which fluctuate widely in price, particularly in Kiribati, Samoa, Tuvalu and the Marshall Island which rely heavily on only one or two export commodities (Yari 2003). This contributes to widely varying national incomes. Resources that are available have often not been used in a sustainable manner and environmental degradation remains a problem. On the other hand, many islands see themselves threatened by rising sea levels and resent Australia and the United States' refusal to sign the Kyoto protocol on greenhouse emissions, with Tuvalu threatening to take both to the World Court. The private sector in many island nations remains weak and relatively under-diversified, and there are significant capital account deficits due to low export receipts and low investment flows. In some cases investment flows are negative, although reliable figures are generally unavailable. Infrastructure is often underdeveloped and property rights, particularly land tenure, are sometimes insecure (ESCAP 2005).

Labour and investment flows between different islands are limited and approaching negligible

in some cases, with most links towards the centre nations of Australia, New Zealand and the North<sup>i)</sup>. Traditionally Pacific Island nations have been given preferential access to New Zealand and Australia, with the South Pacific Regional Trade and Economic Cooperation Agreement providing duty-free and unrestricted access for most South Pacific island products. Dating from 1980, this has become of lesser importance as both countries have removed external tariffs. The Pacific Agreement on Closer Economic Relations, which came into force on October 2002, envisages a step-by-step process of trade liberalisation, including negotiations scheduled for 2011 on free trade across the entire Pacific Islands Forum, including Australia and New Zealand, although negotiations may be brought forward. A free-trade agreement, the Pacific Island Countries Trade Agreement (PICTA) came into force in 2003, with 10 Forum countries (not including Australia, New Zealand, the Federated States of Micronesia, Palau, the Marshall Islands and Tuvalu) ratifying the agreement, and with implementation scheduled for 2006.

Government structures vary between Pacific Island nations. While most governments and legislatures are popularly elected, democracy is not a given. Tonga, for example, is ruled by what might be one of the last absolute monarchies in the world, although this rule is increasingly challenged in the face of a number of corruption and incompetence scandals and by a general strike by public servants in 2005 which received strong support from New Zealand's Tongan community. Samoa's political system is still dominated by the *Matai* — the traditional chiefs — who are the only ones eligible to stand for 47 of the 49 seats within the Legislative Assembly or *Fono*. Ethnic and other tensions have threatened democratic rule in Fiji, with 3 successful or attempted coup de tats in the last 20 years, and civil war erupted in the Solomon Islands and on Bougainville, as noted.

Other problems are seen to exist in many island states. This includes fears of failed states; of possible terrorism and other threats; widespread corruption; tax evasion; crackpot schemes to raise money such as selling passports and toxic waste dumps; possible money laundering by some states such as Nauru; influence of conmen on leaders of questionable competence or honesty in some Pacific Islands; and fears of economic collapse. This has led the larger nations, particularly Australia, to become more focussed on security issues in the Pacific and to press for economic reform and 'good governance.' Indeed, the Australian Prime Minister John Howard has explicitly noted that 'increasingly in the future Australia will be saying as a condition of aid that corruption must be eliminated (Mercer 2003).' Australia's estimated \$463.0 million of aid to the Pacific, though Pacific Regional Aid Strategy 2004–9, is tied to a

hands-on' approach . . . Rather than let regional neighbours' problems deteriorate, Australia will work actively to build the region's capacity to pursue governance reform and work collectively to address shared problems (Australian Government AusAid 2005).

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i) An exception is Fiji and Samoa which maintain strong trade links.

Much this aid will be directed towards Melanesia and conflict prevention, and includes a 'Fragile States Initiative', complemented by the provision of \$10 million to the World Bank to support work on fragile states in the Pacific. New Zealand, while not as vocal in its willingness to tie aid to particular policy outcomes and intervene in its fellow nations, gives tacit support to Australia's more active interventionist approach adopted since 2003 (Hoadley 2005). Of the \$245 million budget of the New Zealand Agency for International Development, \$100 million is dedicated to the Pacific.

Of particular importance is the 'Pacific Plan,' endorsed on 27 October 2005 by the 36th Pacific Islands Forum held in Paupa New Guinea. The plan was hailed by the Forum as a 'new era for Pacific partnership'. The Kalibobo Roadmap, named after the lighthouse in the northern coastal town of Mandang, where the Pacific Island Forum leaders' retreat was held, outlines the implementation of the plan. The ten year plan focuses on deeper and broader regional cooperation, including examining trade liberalisation, economic growth, 'good governance', sustainable development and security. The assumption that greater economic liberalisation and economic integration will improve the lot of the Pacific island nations strongly underpins the Plan. It was strongly driven by Australia and New Zealand, although both New Zealand and Australia resisted attempts to improve worker access to their own countries from their poorer neighbours. Some members of the Pacific Island Forum expressed concern that liberalisation measures would harm domestic industries and national sovereignty, while a number were worried at the concentration of power amongst the larger members of the forum. Some academic and other commentators have questioned the greater hands-on role of Australia and New Zealand in the Pacific, seeing it smacking of neo-colonialism and of an arrogant application of Australian and New Zealand values and practices to considerably different cultures. However, despite these concerns, the islands have generally acquiesced to Australian and New Zealand pressure, at least ostensibly.

The Plan grew out of a recognition, outlined in the Forum meeting in Auckland in 2003, and, after consultations carried out by the Eminent Persons Group, further highlighted in the April 2004 Auckland Declaration, that challenges faced by the countries of the Pacific required the sharing of regional resources and the alignment of policies. The Plan was developed by a Task Force managed by the Forum Secretary General, which included representatives from Forum countries and regional organisations. It met five times. Other regional leaders also had input. The plan is full of the buzzwords of cooperation, economic liberalisation and harmonisation and governance. Key principles seen to strengthen regional cooperation and integration are:

- (a) Increasing the levels of sustainable returns to the Pacific;
- (b) Ensuring the successful implementation of regional cooperation at the national level;
- (c) Meeting common responsibilities and providing services cost-effectively; and

(d) Developing partnerships with neighbours and beyond.

It is assumed that benefits in sustainable economic growth and employment will be achieved through economic integration and the provision of common services, such as improvements in customs and quarantine services and the development of trade standards. Trade in services, including free labour movement, will be integrated into PICTA. It is also planned that there will also be harmonisation and standardisation of regional maritime training, and a number of agreements on regional transport and aviation. There are plans to develop a regional tourism marketing policy, regional training of police forces, a regional 'digital strategy', and common strategies on HIV, epidemics (in October 2005 Australia and New Zealand contributed \$8 million and \$800,000, respectively, to deal with any possible outbreaks of avian flu), and sport and physical education. Bulk buying of some commodities, such as oil and gas, is also discussed.

A key aspect of the Plan, is what is called 'good governance' which is seen as the the 'effective management of a country's resources in a manner that is transparent and accountable.' This is seen to include strengthening justice systems including training and education and regional judges and prosecutors, the establishment of greater democracy and human rights mechanisms; and key accountability and transparency mechanisms such as such as Audit, an Ombudsman and anti-corruption organisations, and harmonisation with international agreements.

Further issues canvassed around greater integration of the Pacific region include: a regional defence force; transport issues; a federation or confederation; a regional parliament; the absorption of some micro states into New Zealand and Australia; and a common currency (that is, adoption of the Australian dollar). Regional courts have been an interest of a number of scholars. The New Zealand Prime Minister Helen Clark has talked of an EU-type grouping of nations, although she later rejected federalism as going too far. New Zealand and Australia's role in any of these developments will be central.

### **Australasia, the Pacific, and Federation**

Bob Catley (2001), an Australian academic then at the University of Otago in New Zealand's South Island, received wide media coverage for his 2001 book recommending New Zealand join the Australian federation. Section 121 of the Australian Constitution allows for this eventuality. Catley was supported in this by much of the Australasian elite who responded to his surveys — although participants at the 2004 Leaders Forum noted political union is not an option for the foreseeable future. The centennial of federation in 2001 and the twentieth anniversary of CER in 2003 led to further consideration of the relationship, including discussion of a common currency, further integration and harmonisation of laws and so on, and this debate continues.

Many Australians would be reasonably relaxed about New Zealand joining the federation. But only on their terms and only as a seventh state. Further thought might raise issues that could be troublesome — New Zealand's Treaty of Waitangi settlements and the question of 'fiscal equalisation'<sup>ii)</sup> for a new seventh state that has a significantly lower GDP per capita than the Australian average. Similarly, the poorer nations of the South Pacific are already heavily dependent on aid and remittances from Australasia and there is no mood in New Zealand and Australia for this dependence to increase — instead, the Pacific Plan is in part an attempt to reduce this dependence. There is also little to suggest New Zealanders are ready to join Australia. Whatever their undoubted similarities, New Zealanders define themselves largely by the fact that they are not Australian, much as Canadians define themselves as not Americans. A common currency is a possibility that was once much debated — but this has largely faded from the agenda with the realisation this would be on Australian terms, with considerable doubt that adopting the Australian dollar would benefit New Zealand. Putting aside the unlikely event of a total economic collapse that led to Newfoundland joining Canada in 1949, New Zealand will retain its independence for the foreseeable future. Instead, it will continue to devote much of its energy to maintaining its most important relationship, in thickening its ties to the Australian federation through COAG, the harmonisation of laws and other means, and through doing its part as the junior partner in Australia's important role as a stabilising element in a sometimes unstable Pacific region.

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ii) Fiscal equalisation is where states with lower per capita incomes receive a top-up from the federal government — i.e. a transfer of income from the richer to the poorer states.

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