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The neoliberal ascendancy and its critics¹

The normative framing of the Pacific island region changed dramatically after the Cold War. Western states and global institutions began to view Pacific regionalism primarily through an economic development lens rather than the security lens of previous decades. This new lens reflected the rise to global dominance of the neoliberal political economy. Neoliberal ideas had become dominant within Western countries, as seen most prominently in the Thatcherite and Reaganite revolutions in the United Kingdom and the United States in the 1980s. They also became the dominant ideology of the main international agencies forming the basis of the so-called Washington Consensus during the 1990s.

These ideas became powerful in the Pacific because Western countries—and particularly the European Union, Australia and New Zealand—were now committed to imposing these ideas on the region through aid conditionality, trade liberalisation and the promotion of regional economic integration and ‘pooled regional governance’. This amounted to a new interventionism in the Pacific economies not evident in the Cold War years, when the main motivation of Western aid donors had been to outbid their Soviet rival rather than attempting to mould how Pacific island states organised their societies and economies.

1 Parts of this chapter were first published in ‘Climbing Back onto the Map? The South Pacific Forum and the New Development Orthodoxy’, in the *Journal of Pacific History* (29[3], 1994: 64–72).

In terms of the region-building theme of this book, the most important expression of this new framing of the Pacific was the attempt by Australia and New Zealand to promote an institutionalised regional economic order based on neoliberal principles. The international agencies played an important part in providing the authoritative *regional* framing that would underpin the promotion of neoliberal policies at the national level. However, it was Australia and New Zealand—recent converts to the neoliberal ideology in their own political economies—that took this forward as a regional project. In 1994, they launched a major initiative to use the SPF as a key vehicle for creating regional norms to govern state behaviour with regard to development and ‘good governance’.

While the neoliberal discourse was the dominant normative frame applied to the Pacific island region by powerful outside actors in the period 1990–2018, there were also competing global development discourses, promoting alternative framings of a preferred regional economic order. These included ‘human development’, ‘sustainable development’ and ‘radical’ perspectives. The dominant neoliberal regional normative frame was also contested by Pacific governments and by regional civil society—sometimes deploying one of these alternative global development discourses and, at other times, promoting a local cultural framing of Pacific regional development. It should be noted that although the contest we are examining here is about influencing *regional* norms, these norms were ultimately about how people should live *within* their states and societies.

The rise of neoliberalism

The neoliberal framing of Pacific development promoted by the main global institutions from the early 1990s laid the foundation for ongoing contests over the form and content of regional economic governance over the next three decades. The World Bank and the IMF had promoted such ideas in their ‘structural adjustment’ programs for individual Pacific island countries in the 1980s, but it was not until the 1990s that these institutions began to promote neoliberal economic governance as a regional project. This approach was first set out in the World Bank’s 1992 and 1993 reports on the Pacific island states, in which it provided an authoritative depiction of a Pacific development problem, which, it argued, needed a Pacific-wide solution. It painted the picture of a typical Pacific island economy as one in trouble (as indicated by low growth figures) and therefore in urgent

need of neoliberal solutions.² As well as providing this authoritative and influential depiction of the Pacific problem as a rationale for neoliberal programs of privatisation, free trade and market deregulation, it also encouraged donor countries to promote this approach in their economic assistance, by toughening the conditions they attached to such assistance.³ In its 1993 regional report, *Pacific Island Economies: Toward Efficient and Sustainable Growth*, the World Bank introduced the notion of the ‘Pacific paradox’ to capture the problem:

Development performance in the PMCs [Pacific Member Countries] during the last decade or so has been marked by a paradox: virtually no growth (0.1% annually) occurred in average real per capita income during this period despite a favourable natural and human resource endowment, high levels of aid, and reasonably prudent economic management.⁴

The bank explained this paradox primarily in terms of the favouring of ‘public sector interventions of low effectiveness, rather than more efficient private sector activity’.⁵

As the basis for a regional approach to development, these neoliberal ideas represented a significant departure from the form of economic liberalism that had previously been promoted as part of region-building projects in the 1970s and 1980s. Neoliberal ideas included a dismantling of the state, privatisation and structural adjustment. Ultimately, this perspective promoted market fundamentalism, employing national growth in gross domestic product (GDP) as the key indicator of success. On international trade, its adherents promoted a ‘level playing field’ in the form of free trade with no special assistance or concession for small island states. By contrast, the modernisation paradigm, which had previously shaped the regional policies of donor states and international agencies, had been tolerant of significant state involvement in development, and indeed advocated development planning. Furthermore—and of particular relevance for the Pacific—proponents of the earlier modernisation ideas were sympathetic to the granting of preferential treatment for small island developing states in global markets, whereas neoliberals were not.

2 World Bank, *Pacific Island Economies: Towards Higher Growth in the 1990s*, Washington, DC: The World Bank, 1991; World Bank, *Pacific Island Economies: Toward Efficient and Sustainable Growth. Volume 1: Overview*, Report No. 11351-EAP, Washington, DC: The World Bank, 8 March 1993.

3 World Bank, *Pacific Island Economies: Towards Higher Growth in the 1990s*, p. 85.

4 World Bank, *Pacific Island Economies: Toward Efficient and Sustainable Growth*, pp. ix, 1.

5 *ibid.*, p. 5.

With the failure of the neoliberal structural adjustment programs throughout the Third World from the mid 1990s, the World Bank developed the ‘good governance’ concept as a key organising idea for its global development programs. The neoliberal economic ideas were retained as part of the new organising concept but there was a new emphasis on seeing their success as dependent on remaking the postcolonial state to ensure an enabling policy environment. The good governance approach ‘was articulated in highly managerial and administrative terms, focusing on public sector management, accountability, the legal framework, transparency and information, and civil society’.⁶ Citing the *World Bank Development Report 1997: The State in a Changing World*, Anthony Payne and Nicola Phillips argue:

[T]he World Bank’s policy reform prescriptions thus shifted away from an exclusive focus on macroeconomic stabilization and adjustment to the so-called ‘second generation’ reform agenda, addressing fiscal reform, labor flexibilisation and the ‘modernisation of the state’.⁷

The emphasis on ‘good governance’ in the programs of the global institutions had a major impact on the contests over the normative basis of region-building in the Pacific. As we shall see below, it became a major pillar of the SPF Secretariat’s strategic plan, sitting alongside economic growth and sustainable development.

The promotion of the neoliberal framing of the Pacific island region began as an academic endeavour. Its most dramatic expression was contained in the ‘Pacific 2010’ project at The Australian National University, which became the basis for the Australian Government’s promotion of a new regional economic order in the Pacific from 1994.⁸ The *Pacific 2010* report emphasised an impending crisis in the Pacific island region. As expressed in the report, the key issue was ‘survival’ in a completely changed global strategic and economic order. The Pacific island economies, it was asserted, had ‘fallen off the map’ since the end of the Cold War and were threatened with further marginalisation by rapid changes in the global trading order. Pacific island societies were portrayed as having arrived at a major crossroads: if they continued along their current path, they

6 Anthony Payne and Nicola Phillips, *Development*, Cambridge, UK: Polity Press, 2010, p. 97.

7 *ibid.*

8 Rodney V. Cole (ed.), *Pacific 2010: Challenging the Future*, Canberra: National Centre for Development Studies, The Australian National University, 1993.

would risk ever-decreasing living standards and, ultimately, in the more extreme descriptions, a ‘doomsday scenario’ or ‘Pacific nightmare’. The other path—that of significant structural adjustment and ‘sustainable development’—was said to lead not only to an avoidance of crisis, but also to the possibility of a fast-growing, export-based, self-reliant economy linked to the ‘new Asia’.⁹

The way to get back on to the map under these new global conditions, it was argued, was by island governments taking hard decisions: to jettison the plea for special treatment based on small size and to implement effective structural adjustment, which would result in a dynamic private sector able to develop niche export markets within the new global trading structure.¹⁰ The Indian Ocean and Caribbean countries were held out as models of what small island states could achieve. This was, at heart, a case for the necessity of adopting the neoclassical economics model. Although the adherents of these ideas measured economic success in terms of the growth in GDP per capita, they did not advocate growth at any cost. From the early 1990s, the proponents of structural adjustment, following World Bank practice, also embraced a particular concept of sustainable development, which in the Pacific context brought together environmental and resource management agendas. The general ideas contained in the resulting model were not entirely new to South Pacific governments. They had been moving along the structural adjustment and sustainable development path at various speeds since the mid 1980s, encouraged by international agencies and their own economic advisers. What was different about the new orthodoxy, then—which in general terms followed evolving World Bank prescriptions—was not the character of the ideas but the level of commitment to serious and urgent implementation of them, and the attachment of stricter conditionality to economic assistance.

9 See, for example, Rowan Callick, ‘Pacific 2010: A Doomsday Scenario?’, in Cole, *Pacific 2010*, pp. 1–11; Rodney Cole and Somsak Tambunlertchai, eds, *The Future of Asia-Pacific Economies: Pacific Islands at the Crossroads?*, Canberra: National Centre for Development Studies, The Australian National University, 1993; Rowan Callick, ‘Time to Shift Pacific Goalposts’, *Australian Financial Review*, 16 April 1994: 15.

10 See, for example, Andrew Elek, ‘The South Pacific Economies in a Changing International Environment’, in Cole and Tambunlertchai, *The Future of Asia-Pacific Economies*; and Rodney Cole and Somsak Tambunlertchai, ‘Signposts at the Crossroads of Development in the Pacific’, in Cole and Tambunlertchai, *The Future of Asia-Pacific Economies*.

Its regional impact was felt largely in policy developments in the SPF, where neoliberal ideas became institutionalised from the mid 1990s. The other major policy expressions of these ideas were Australia's and New Zealand's promotion of a regional free-trade area with the Pacific island states and the European Union's attempts to establish a regional economic partnership agreement with the region. Over time, this mainstream neoliberal discourse expanded and changed to incorporate 'good governance', 'women and development', 'sustainability', 'human development' and cultural tenets, but only in a form consistent with the core beliefs of neoclassical economics.

Competing development discourses

The ascendancy of neoliberal regional norms (with their incorporation of the sustainable development discourse) in the early 1990s prompted several critical responses. In the same year as the establishment of neoliberal ideas as the main framing perspective for Pacific development at the 1994 SPF meeting, the UNDP promoted the 'sustainable human development' perspective as an alternative paradigm for the Pacific region. It was first introduced at a meeting of Pacific island states (with Australia and New Zealand as observers) in Suva in May 1994. Hosted by the UNDP, the meeting's purpose was to consider the *Provisional Pacific Human Development Report*. The meeting endorsed the new concept and 'confirmed that sustainable human development is consistent with the political commitment for people-centred development which already exists in all Pacific island countries'.¹¹ The meeting adopted the Suva Declaration on Sustainable Human Development in the Pacific, which, among other things, endorsed enhancing the productivity of the rural and subsistence sectors, the promotion of community-based development, improving access to land, addressing inequality and emerging poverty, promoting the advancement of women, ensuring youth involvement, supporting environmental regeneration and establishing effective governance.¹²

11 UNDP, 'Foreword', in *Suva Declaration on Sustainable Human Development in the Pacific*, Suva: UNDP, 1994; and UNDP, *Pacific Human Development Report: Putting People First*, Suva: UNDP, 1994.

12 UNDP, *Suva Declaration*.

At the global level, ‘human development’ had had a major influence on the development debate since the concept was launched in the UNDP’s 1990 global *Human Development Report*. As developed in that first report, the concept of ‘human development’ provided a critique of the World Bank’s emphasis on national growth as the indicator of development progress.¹³ Beginning in 1990, the UNDP also initiated the Human Development Index as an alternative measurement of development.¹⁴ As explained in the first *Pacific Human Development Report* of 1994, sustainable human development ‘seeks to refocus attention on the ultimate objective of development, to increase the opportunities for people to lead productive and satisfying lives’.¹⁵ While the human development paradigm recognises that ‘greater economic growth is a prerequisite for a sustained improvement in human development’, it posits that ‘for a host of reasons there is no guarantee that growth in income alone will be satisfactorily translated into a general improvement in living standards’.¹⁶ It promotes equitable distribution of income, adequate access to health and education services and building on and recognising the strengths of the subsistence sector and cultural identity.

Although the 1994 SPF communiqué endorsed the Suva Declaration, it is clear these ideas did not at this stage challenge the dominance of the neoliberal ideas promoted by Australia and the World Bank.¹⁷ During the 1990s, the human development discourse was expressed mainly through UNDP programs conducted either at the national level or in partnership with regional agencies concerned with technical cooperation. The SPC—with its emphasis on youth, gender, cultural and other human-centred development programs—was a natural partner in this regard. On the other hand, the key ministerial councils set up to take the neoliberal agenda forward within the SPF were not noticeably influenced by these human development ideas in the 1990s. The UNDP nevertheless continued throughout the decade to champion the human development paradigm, most notably in its *Pacific Human Development Report 1999*.¹⁸ The report

13 UNDP, *Human Development Report 1990*, New York: Oxford University Press, 1990.

14 UNDP, *Human Development Index*, New York: UNDP, available from: hdr.undp.org/en/content/human-development-index-hdi.

15 UNDP, *Pacific Human Development Report*, p. 1.

16 *ibid.*, p. 5.

17 SPF Secretariat, *Leaders’ Communiqué: Twenty-Fifth South Pacific Forum, Brisbane, Australia, 31 July – 2 August 1994*, Suva: SPF Secretariat, 1994, para. 4.

18 UNDP, *Pacific Human Development Report 1999: Creating Opportunities*, Suva: UNDP, June 1999.

emphasises several key themes: the increasing poverty and inequality in the region, the importance of sustainable livelihoods as an objective of development regardless of the level of economic growth and the problems associated with focusing too much on economic growth at the expense of social impacts.¹⁹

A second, alternative development perspective—which we might dub the ‘radical’ perspective on development—was associated with civil society groups, churches and the women’s movement. It focused on inequality, human development and gender as well as taking a critical view of growth-oriented and deregulation policies focused on national growth at the expense of communities. It was critical of structural adjustment strategies as a way of reorganising Pacific economies and societies. It was most forcefully expressed in *Sustainable Development or Malignant Growth?*, a volume of critical essays written by Pacific women and published in the same year (1994) as the key SPF meeting that launched the neoliberal regional order.²⁰ These ideas had first entered the regional debate with the Development Alternatives with Women for a New Era (DAWN) conference on women, the environment and development in the Pacific, held in Suva in 1992.²¹ In her introductory chapter, Atu Emberson-Bain argues:

[T]here is little questioning (at the official level at least) of the purpose and ramifications of the free market ideology being peddled by the new-look colonial ‘missionaries’ of the 1990s—the powerful global financial institutions like the World Bank and the International Monetary Fund (IMF) which are the effective ghost-writers/directors of regional development policy.²²

Although the critical development perspective presented in the volume appears to share many of the same positions as the ‘human development’ and ‘sustainable development’ perspectives, Atu Emberson-Bain is careful to distinguish it from these perspectives. She presents these discourses as having been coopted in the Pacific context by the dominant market (neoliberal) ideology:

19 *ibid.*, pp. 4–7.

20 Atu Emberson-Bain, ed., *Sustainable Development or Malignant Growth? Perspectives of Pacific Island Women*, Suva: Marama Publications, 1994.

21 Atu Emberson-Bain, ‘Introduction: Sustaining the Unsustainable?’, in *ibid.*, p. i.

22 *ibid.*, p. ii.

The concepts of sustainable and human development take on board the reassuring (politically correct) language of the international community but do not appear to have inspired fundamentally new development approaches. They continue to be guided by the sacrosanct policies of the market and economic growth.²³

Emberson-Bain argues that the sustainable and human development paradigms, at least as promoted in the Pacific regional institutions, have inherent contradictions because of their stated commitment to free-market and economic growth principles as well as human-centred development. She posits that the economic restructuring associated with free-market policies has disturbing outcomes for human-centred development and for the environment. These include:

The relinquishment by Pacific island states of their long-held responsibilities for providing basic educational, health and welfare services; the weakening of both modern democratic and traditional cultural institutions by the imposition of market or adjustment policies without community consent, and often in spite of popular resistance; the emergence of a 'new' culture of conflict and violence that embraces state-sponsored militarism, coercive labour practices, and community conflict over resource-revenue benefits; and the openings for greater foreign domination of Pacific Island economies created by privatisation and deregulation policies.²⁴

These ideas draw their lineage from the 'Pacific way' critique of development in the 1970s considered in Chapter 10. While they failed to influence the regional policy debate that was taking place in the SPF in the 1990s, their later resurfacing in the context of the Pacific Plan and in relation to free-trade negotiations in the 2000s was more influential. The greater commitment to the inclusion of civil society voices in the region-building project in the second decade of the 2000s created an opportunity not allowed by the state-centric, top-down regionalism of the 1990s.

Taken together, then, these alternative development perspectives did not impact on the ascendancy of the neoliberal paradigm in the 1990s. The human development ideas were treated as an add-on to the main game of promoting neoliberalism through the SPF. Like gender and sustainable development perspectives and (later) 'good governance' commitments,

23 *ibid.*, p. iv.

24 *ibid.*, p. vi.

the human development concept was coopted by the neoliberal project and did not challenge the central commitments to economic growth and restructuring and deregulating in line with free-market principles. As we shall see, however, these human-centred perspectives on development reappeared at various points in the regionalism story over the next three decades with ever-increasing influence.

One idea central to both the moderate and the radical critiques of the neoliberal perspective was the need to defend traditional cultural practices and communal land tenure. This was a view also shared by the political leadership of the Pacific island states and it was therefore one that had a major influence on the form of neoliberalism that came to dominate in the Pacific. For example, in October 1994, at the Port Vila South Pacific Conference, Pacific leaders pushed back against the neoliberal policy of moving away from communal land tenure to free up land for investment. At the planned themed discussion on land questions, Melanesian chiefs from several island countries spoke about the cultural significance of communal land tenure. At the end of the meeting, the Australian Minister for Development Cooperation and Pacific Island Affairs, Gordon Bilney, said he had learnt a lot from the discussion. From that point, land reform was dropped from the Australian Government's regional policy on promoting a neoliberal order.²⁵

Institutionalising the regional neoliberal economic order

The Australian Labor Government under prime minister Keating was the prime mover in translating neoliberal ideas into a regional policy agenda. From early 1994, Bilney worked towards translating the Pacific 2010 recommendations into a regional strategy. Capitalising on the opportunities offered by Australia's hosting of the Twenty-Fifth South Pacific Forum in Brisbane in July of that year, the minister focused on the meeting as a potential point of departure.

25 Based on observations of the author, who attended the South Pacific Conference in Port Vila in 1994.

The tone of the SPF's deliberations had already been set by Bilney's speech to the Foreign Correspondents' Association in Sydney in June 1994.²⁶ In a declaration that was millenarian in tenor, he said:

[I]t is our hope that we shall be able to seize the moment [the Brisbane SPF meeting] to launch ourselves with a fresh determination, on the crucial task of preparing our region for the challenges of a new century.²⁷

Broadcast by satellite to island capitals, the message was a development of the assumptions contained in the Pacific 2010 project's 'Pacific doomsday scenario' and the 'falling off the map' thesis as well as the World Bank's 'Pacific paradox'. The speech was intended to set a new agenda—to confront directly the failure, as the minister saw it, of Pacific island governments to address seriously sustainable development issues or to adequately prepare their countries for changing global conditions. He saw the solution in public sector reform, private sector development, the possible abandonment or adaptation of 'old social and economic attitudes', making traditional land-use patterns more compatible with the needs of investors and giving consideration to the appropriateness of maintaining costly national airlines. In the post-Uruguay Round international trading environment of diminishing preference margins, Bilney saw 'no realistic alternative to competition and the pursuit of comparative advantage, no matter how daunting these concepts may appear'.²⁸

Some prominent islander economists and central bankers reportedly shared the minister's concerns. They had 'recently been urging Australia ... to talk frankly and toughly to their own politicians'.²⁹ In his address at the launch of the National Centre for Development Studies' Pacific 2010 Colloquium at Australia's Parliament House in June, Sir Mekere Morauta, Governor of the Bank of Papua New Guinea, certainly indicated his agreement with the main tenets of Bilney's doomsday scenario. The doomsday scenario, he said, 'is not surrealistic. The seeds of that scenario have been planted in every Melanesian state, and are growing daily'.³⁰

26 Gordon Bilney, 'Australia's Relations with the South Pacific: Challenge and Change', Address to the Foreign Correspondents' Association, Sydney, 15 June 1994 [published as Briefing Paper No. 34, Canberra: Australian Development Studies Network, The Australian National University, July 1994], available from: openresearch-repository.anu.edu.au/bitstream/1885/9989/1/Bilney_AustraliasRelations1994.pdf.

27 *ibid.*, p. 6.

28 *ibid.*, p. 5.

29 Rowan Callick, 'Tough Talking in the Pacific', *Australian Financial Review*, 27 June 1994.

30 Sir Mekere Morauta, 'Melanesia in the Twenty-First Century', Address at the Launch of Pacific 2010 Project, Parliament House, Canberra, 30 June 1994, p. 1.

However, some Pacific leaders clearly had reservations about the more extreme claims of a potential ‘nightmare’ that underlay minister Bilney’s position and which were enlarged by the Australian media. In a television interview during a *Lateline* program on ‘the Pacific nightmare’, the prime ministers of Papua New Guinea, Fiji and the Cook Islands rejected the image of impending crisis and the purely economic analysis of the ‘doomsday’ approach.³¹ Cook Islands prime minister, Sir Geoffrey Henry, also indicated his concern with the generalised accusations in Bilney’s statement:

There is no question that we must all address the problems facing the region—and each is doing that—but to brush generally over the Pacific and say ‘you are all a bunch of failures’ ... [Bilney] should have named the countries in his speech and not just thrown a net across the Pacific ... I know for a fact the speech was not well received in the Pacific.³²

At the Brisbane SPF meeting in 1994, the Pacific island leaders nevertheless agreed on a series of measures aimed at supporting the implementation of structural adjustment ideas through regional action. The leaders agreed that finance ministers would meet to consider, among other things, ‘appropriate policy responses to maximise opportunities and minimise threats resulting from changes to the global economic environment’, and directed the SPF Secretariat to take a more active role in advising member governments on private sector development.

A second set of decisions emanating from the twenty-fifth SPF was concerned with promoting regional integration: the consideration of regional free-trade arrangements by trade ministers, exploration of bulk purchasing and the rationalisation of civil aviation. As we have seen, these are very old ideas in the context of South Pacific regional cooperation. Their return after a 20-year absence reflected the new influence of neoliberal ideas within the SPF, particularly as promoted by Canberra and Wellington. The rationale for such an approach was much the same as that which underlay the initial enthusiasm for these ideas—that larger units do

31 Kerry O’Brien and Margot O’Neill, ‘Pacific Nightmare’, *Lateline*, Sydney: Australian Broadcasting Corporation, 1 August 1994, available from: trove.nla.gov.au/work/21232284?q&versionId=25338293.

32 ‘Cook Islands Prime Minister Applauds Resources Theme of Forum Meeting’, *Pacific Report*, 7(15), July 1994: 5.

better than smaller ones; that a free-trade area would be trade-creating for the Pacific area; that small countries cannot each afford a national airline; and that cost-cutting could be achieved through bulk purchasing.

While the neoliberal conception of 'development' was dominant in the decisions of the Brisbane SPF, the leaders departed from a purely neoliberal perspective in supporting a series of environmental measures in line with the sustainable development agenda set at the 1992 UN Conference on Environment and Development in Rio de Janeiro and the 1994 UN Global Conference on Sustainable Development of Small Island States in Barbados. These built on programs and commitments that had been developed under SPF auspices since 1991. Although environmental issues such as nuclear testing and dumping of radioactive waste had featured on SPF agendas for many years, the comprehensive commitment to environmental protection measures under the rubric of sustainable development was a new phenomenon. Spurred by the increased prominence of environmental concerns in mainstream economic thinking, Pacific island states were now supporting, to varying degrees, regional measures aimed at confronting their own environmental problems as well as those caused by larger states. But serious regional input into this effort through the South Pacific Regional Environment Program was still at a very early stage.

Throughout the second half of the 1990s, there was a concerted effort by the Australian and New Zealand governments to institutionalise the new regional development norms established at the 1994 Brisbane SPF meeting. The form of regional governance that began to dominate was the regional harmonisation of national laws, regulations and policies. There was now more emphasis on regional management of the structural reform agenda for Pacific states. Political scientist and former Deputy Secretary-General of the Pacific Islands Forum Secretariat, William Sutherland, argues that 'the increased pace and scope of reforms that occurred in the islands from the mid 1990s onwards cannot be explained outside the context of the donor-driven regional reform agenda'.³³

To facilitate the new agenda, Australia and New Zealand pushed for the creation of the Forum Finance Ministers Meeting as a new part of the SPF structure. This was agreed at the 1994 SPF meeting and the first Forum Finance Ministers Meeting, financed by Australia, was held in Suva in

33 William Sutherland, 'Global Imperatives and Economic Reform in the Pacific Island States', *Development and Change*, 31(2), 2000: 459–80.

February 1995. The Forum Finance Ministers Meeting adopted a procedure of monitoring through reporting on agreed specific objectives—a level of accountability unusual in Pacific regional governance. The reform agenda pursued through the Forum Finance Ministers Meeting focused on the regional harmonisation of national regulations and practices in areas such as privatisation, transparency of investment, lowering of tariffs, accountability and output-based budgeting.³⁴ The 1996 SPF meeting expanded the scope of the Forum Finance Ministers Meeting deliberations to include all economic issues and changed the name accordingly to the Forum Economic Ministers Meeting (FEMM). The first FEMM was held in Cairns, Queensland, in July 1997. Sutherland argues that

by the second half of 1998 the regional reform agenda was well and truly in place ... the new pattern was clear: for the region as a whole, reforms were now deeper, more extensive and gathering steam.³⁵

A key move in setting the reform agenda in place was the Economic Action Plan agreed in 1997 at the Cairns FEMM chaired by the Australian Treasurer. The action plan provided the blueprint for the implementation of neoliberal reforms across the region. Crucially, the action plan encapsulated the finance ministers' agreement to 'encourage the adoption of a set of best practice principles for public accountability' and to 'pursue a common goal of free and open trade and investment'.³⁶ At the same meeting, the ministers also agreed to the eight principles of accountability, which together became the new regional norm on 'good governance'. SPF secretary-general Noel Levi argued that 'governance and accountability are the core of the Forum Economic Ministers Action Plan'. He went on to argue that 'promoting good governance in all its aspects ... is an essential element of the framework within which economies can prosper'. 'Government attitudes and policies towards good governance and accountability', he asserts, 'are also a critical pre-condition to attracting foreign direct investment and to generating sustainable economic growth'.³⁷ Reviewing the regional impact of these 'good governance' principles in 2001, Levi concludes:

34 *ibid.*, p. 466.

35 *ibid.*, pp. 469–70.

36 FEMM, *Action Plan: Forum Economic Ministers' Meeting, Cairns, 11 July 1997*, Suva: SPF Secretariat, 1997.

37 PIFS, 'The Forum's Eight Principles of Accountability: A Progress to Date', Press statement by Mr W. Noel Levi, Secretary-General of the Pacific Islands Forum, Suva, 27 February 2001, available from: www.pireport.org/archive/2001-07-30.

Since the adoption of the Eight Principles of Accountability, most Pacific Island Countries have undergone substantive public sector reform and private sector development strategies and programmes designed to generate economic growth and to improve standards of living.³⁸

The neoliberal framing of Pacific ‘development’ within the SPF’s programs included a core commitment to trade liberalisation. This commitment emerged in the context of the rise of free-trade ideology at the global level from the late 1980s, culminating in the establishment of the World Trade Organization (WTO) in 1995. Australia and New Zealand had also embraced free-trade ideas in their national and Pacific policies, and this was another major contributing factor. The 1997 FEMM proposed that the SPF Secretariat explore free-trade options.³⁹ Following a consultant’s report, the secretariat’s advice to member governments was for Pacific island governments to set up a Pacific island country-only free-trade agreement as a stepping stone that would not expose the Pacific to competition from Australia and New Zealand in the first instance. Australia and New Zealand objected strongly to this proposal and fought hard—and some argue overbearingly—to change the terms in which this would occur.⁴⁰ This determination on the part of Canberra and Wellington was only partly motivated by economic ideology; it was also about not being left out of any major regional arrangement for strategic reasons. They were also motivated by knowledge of the European Union’s intention to negotiate a free-trade agreement with the Pacific.

The outcome was seen as a partial win by both sides. The Pacific island states signed a free-trade arrangement among themselves, the Pacific Island Countries Trade Agreement, and they also signed an agreement with Canberra and Wellington, which would trigger negotiations for a free-trade area with Australia and New Zealand once the Pacific began negotiations on free trade with third parties (the European Union). This was a pyrrhic victory for Australia and New Zealand as it created distrust among the Pacific island leaders concerning their dominance and role in the region—a point we will explore in greater detail in Chapter 13.

38 *ibid.*

39 FEMM, *Action Plan* (1997).

40 Jane Kelsey, *Big Brothers Behaving Badly: The Implications for the Pacific Islands of the Pacific Agreement on Closer Economic Relations (PACER)*, Suva: Pacific Network on Globalisation, 2004.

By the end of the 1990s, then, there was a neoliberal ascendancy in the framing of the regional economic order. The commitments to a neoliberal program of deregulation, accountability ('good governance'), free trade and privatisation had gone beyond agreed declarations and guidelines. It had been institutionalised in the operation of the FEMM and its reporting procedures as well as in the SPF Secretariat's policies. There had been occasional push back from the Pacific leaders against the purely economic view of development and a concern for a more holistic approach that took in cultural and human values. We saw this in 1994 with the signing of the Suva Declaration and, again, after the Brisbane SPF meeting in 1994, when the leaders made clear their commitment to the defence of communal land tenure in the face of the pressures of neoliberal proposals. Sutherland also notes two occasions in the 1990s when SPF chairs appealed for development with a more human face. The first was in 1997, as SPF host, prime minister Henry of Cook Islands

suggested that reforms ought to go beyond conventional economic dimensions and urged consideration of the need for Pacific cultural values and norms to be the basic premise and foundation for the whole reform process.⁴¹

The second occasion was in 1998 when the SPF host, Marshall Islands president Jacob Nena said:

We as Forum leaders should not reform just for the sake of reform ... we must not fall into the trap of encouraging economic growth for growth's sake alone and at the cost of more important aspects of true Pacific prosperity.⁴²

The rising challenge from human-centred development

In September 2000, the global community endorsed the UN Millennium Declaration and the human development goals it authorised. This new global consensus signalled the rising influence of the human development paradigm and a serious challenge to the global ascendancy of neoliberalism. This change was reinforced by the failure of neoliberalism

41 Sutherland, 'Global Imperatives and Economic Reform in the Pacific Island States', p. 476.

42 *ibid.*, p. 477.

as a development strategy in the 1990s and the growing self-criticism by some key economists who had been part of the promotion of the Washington Consensus in the World Bank and the IMF. In particular, the Asian Financial Crisis had revealed the failures of the neoliberal strategies pursued by these agencies.

This global change in development thinking was reflected in the rising influence of human-centric development ideas in the economic assistance policies of the main development partners of the Pacific states: Australia, New Zealand and the European Union. This, in turn, started to influence the framing of Pacific regional development. As we saw earlier, Pacific island leaders had signed on to human development ideas in their 1994 Suva Declaration, but this commitment had largely been displaced in the 1990s by the efforts of Australia and New Zealand to institutionalise the neoliberal paradigm through the SPF and the FEMM. We saw occasional efforts to assert Pacific cultural positions and to soften the neoliberal reform agenda, but these did not go far. However, with the advent of the Millennium Development Goals (MDGs) at the global level, from 2000, human development ideas began to influence the framing of development in the PIF and the framing of existing human development programs in other regional agencies.

The Pacific leaders signed on to the global millennium declaration in September 2000. In March 2003, a UN and Council of Regional Organisations in the Pacific (CROP) MDG working group was established to provide oversight of the region's response to the global MDG process. It is significant that the PIF Secretariat (PIFS) was one of the organisers, along with the UNDP, the ADB and the SPC, and that, as chair of CROP, PIFS provided the chair of this working group.⁴³ At the 2003 annual PIF meeting, the leaders:

Recognised the broad relevance of the Millennium Development Goals to the Pacific ... and their usefulness in focusing and improving the integration of planning for sustainable development, and in the monitoring of progress.⁴⁴

43 Secretariat of the Pacific Community, 'The Pacific Islands Regional Millennium Development Goals Report', Paper presented to the Thirty-Fourth Meeting of the Committee of Representatives and Administrations, Nouméa, 16–19 November 2004 (SPC/CRGA 34), pp. 1–2.

44 PIFS, *Leaders' Communiqué: Thirty-Fourth Pacific Islands Forum, Auckland, New Zealand, 14–16 August 2003*, Suva: PIFS, 2003, para. 7.

Meanwhile, the SPC, with its longstanding interest in technical cooperation in human development-related issues, became the key regional agency working on the preparation of regional reporting to the global MDG process. The UNDP and SPC jointly prepared the first Pacific regional MDG report in 2004.⁴⁵ This was a natural fit. In its 2003–05 corporate plan, the SPC listed ‘achieving the international community’s development goals in the Pacific’ as one of its key objectives.⁴⁶ In 2003, the SPC established an MDG taskforce to assist member countries in the development of ‘the MDG approach’. The neoliberal frame (including good governance, trade liberalisation and deregulation commitments) was still dominant in the FEMM, but the PIF had begun to take on an oversight role on the MDGs and to give rhetorical commitment to their significance as a new separate framing of Pacific regional development; and the SPC had adopted the MDGs as a new policy frame for its human development programs.

From Pacific Plan to the framework for Pacific regionalism

In 2003, Australia and New Zealand became the principal drivers of a new era of region-building focused on deepening regional integration through a revitalised PIF. Among other things, this was an attempt to take the institutionalisation of the neoliberal economic order to a new level. This amounted to a further ratcheting up of the existing efforts to promote regional economic integration through harmonisation of national laws and target-setting and monitoring through regional ministerial meetings. For Australia, the commitment to a more effective regional effort in promoting a regional neoliberal economic order was explicitly motivated by a security imperative: the ‘war against terror’. It was part of the Howard Government’s new doctrinal approach to the Pacific, underpinned by its view that Australia had a ‘special responsibility’ to look after ‘our patch’.⁴⁷ In the context of developing the rationale for intervention in Solomon

45 Secretariat of the Pacific Community, ‘Pacific Islands Regional Millennium Development Goals Report’, Paper presented to the Thirty-Fourth Meeting of the Committee of Representatives and Administrations, Nouméa, 16–19 November 2004 (SPC/CRGA 34).

46 *ibid.*, p. 1.

47 ‘Howard: Solomons Could Have Become a Haven for Terrorists’, *Sydney Morning Herald*, 23 July 2003; and John Howard, ‘Transcript of the Prime Minister the Hon. John Howard MP Interview with Kerry O’Brien, The 7:30 Report, ABC’, 25 June 2003.

Islands in mid 2003, Howard promoted the idea of the pooling of regional resources as a means of small nonviable states finding the resources to govern and to avert the longer-term economic problems producing state failure and inviting terrorism.⁴⁸

As the August 2003 PIF meeting approached, Helen Clark, prime minister of New Zealand, also indicated her government's commitment to create a much more effective PIF to confront the issues that her government had been very active in providing assistance with in recent years: development, law and order and conflict situations. While not embracing the 'special responsibility' or 'war on terror' motivations of the Howard Government, the Clark Government, as PIF chair, was very keen to give leadership to the reframing of regionalism as practised by the PIF. Indeed, it was Clark, rather than Howard, who was the main driver of the reform process from the 2003 PIF meeting to the adoption of the Pacific Plan in 2005.⁴⁹ Reflecting on this commitment, Clark said it was necessary if the Pacific was not to descend into a 'ghetto of conflict and poverty'.⁵⁰

The other Pacific leaders at the 2003 Auckland PIF meeting agreed to the chair's call for a renewal agenda and agreed to set up the Eminent Persons' Group (EPG) to conduct the first comprehensive review of the PIF.⁵¹ The EPG was chaired by Sir Julius Chan, former prime minister of Papua New Guinea, and comprised several prominent members: Dr Langi Kavaliku of the Kingdom of Tonga; Teburoro Tito, former president of Kiribati; Maiava Iulai Toma, the Samoan ombudsman; and Robert Cotton, a former Australian diplomat and senator. The New Zealand Ministry of Foreign Affairs provided the secretariat.

Reflecting the urgency to act quickly, particularly as seen by the PIF chair (prime minister Clark), the EPG reported to a special PIF meeting in Auckland in April 2004 after consulting widely in the Pacific at both state and civil society levels. At the 2004 PIF meeting, the Pacific leaders had before them an EPG proposal for future directions and an outline of the principles on which a future Pacific 'community of states'

48 'Transcript of the Prime Minister, the Hon. John Howard MP, Press Conference', Canberra, 22 July 2003.

49 Nicola Baker, 'New Zealand and Australia in Pacific Regionalism', in Greg Fry and Sandra Tarte, eds, *The New Pacific Diplomacy*, Canberra: ANU Press, 2015, pp.137–48, at p. 143.

50 Sean Dorney, 'Regional Security and Corruption the Focus of Pacific Forum', *The World Today*, ABC News, 6 April 2004, available from: www.abc.net.au/worldtoday/content/2004/s1082146.htm.

51 PIFS, *Leaders' Communiqué: Thirty-Fourth Pacific Islands Forum*.

should be based.⁵² A vision statement outlined the general concept; its implementation awaited the drawing up of the Pacific Plan. The April 2004 special PIF meeting endorsed the EPG report and its vision statement.⁵³ The EPG envisaged a regional community of states engaged in ‘deep integration’ and greater cooperation in such areas as transport, information technology, quarantine, customs, security, judicial and public administration and regional law enforcement. It is important to note, however, that the EPG vision also introduced Pacific heritage and cultural identity as guiding principles of a ‘refreshed’ regionalism alongside the security and development purposes promoted by the Australian and New Zealand governments.⁵⁴ It also promoted the participation of dependent territories and civil society groups in regional deliberations and introduced the notion of ‘peoples of the region’ as key participants if regional community-building was to gain legitimacy.

To develop the Pacific Plan, a taskforce of officials drawn from member countries was appointed with a mandate to consult all key stakeholders and report back to the October 2005 PIF meeting. The resultant Pacific Plan for Strengthening Regional Cooperation and Integration reflected a commitment to a deeper level of regional integration.⁵⁵ As presented for endorsement by the October 2005 PIF meeting, the Pacific Plan represented the key aims of those who had driven the process in Canberra and Wellington. Although the earlier Pacific vision of the EPG had introduced cultural heritage and identity as key concerns, it is significant that these did not feature in the final plan. The Pacific Plan looked more like the Australian and New Zealand regional security and economic agenda of the previous decade, but this time to be pursued in an institutional context in which it could be more effectively implemented.⁵⁶

52 The Eminent Persons’ Group Review of the Pacific Islands Forum, *The Eminent Persons’ Report*, April 2004, available from: www.iri.edu.ar/publicaciones_iri/anuario/CD%20Anuario%202005/Asia/47-pacific%20island%20forum-eminent%20persons%20report%2004.pdf.

53 PIFS, *Leaders’ Decisions: Pacific Islands Forum Special Leaders Retreat, Auckland, New Zealand, 6 April 2004*, Suva: PIFS, available from: forumsec.org/pacific-islands-forum-special-leaders-retreat-auckland-6-april-2004-leaders-decisions/.

54 The Eminent Persons’ Group Review.

55 PIFS, *Kalibobo Roadmap on the Pacific Plan*, Kalibobo Village, Madang, Papua New Guinea, 26 October 2005, available from: www.forumsec.org/kalibobo-roadmap-on-the-pacific-plan/.

56 *ibid.*

One significant departure, however, was the introduction of sustainable development as a separate pillar of the work program alongside economic growth, governance and security, rather than incorporating it as part of a neoliberal agenda. The concerns listed under ‘sustainable development’ were similar to those making up the UNDP’s ‘human development’ paradigm: capacity-building of youth and women, education, health and environmental protection.⁵⁷ This reflected the increased influence of the human development agenda on the regional framing of development. However, the plan’s designers were not embracing the 1999 *Pacific Human Development Report’s* definition of sustainable development objectives such as sustainable livelihoods and individual opportunities;⁵⁸ rather, they were seeing sustainable development as capacity-building in service of promoting neoliberal objectives (mirroring the way elements of the human development paradigm had been incorporated in World Bank thinking).

The principal critique from civil society groups was that there had been insufficient consultation. The EPG had talked of the Pacific Plan as a people’s document and had talked up inclusivity in the process. This tone was reinforced by the terms of reference for the Pacific Plan and the statements surrounding it, which suggested that this was to be a people’s document. Accordingly, there were high expectations that this task would involve a process of deep and inclusive reflection on future approaches to ‘development’ in the region as it would affect the lives of all Pacific islanders. For NGOs, there was, instead, a sense that this was a consultation on a fait accompli and that there was little movement from the core commitments of the draft.⁵⁹

A second critique was that it was just a repackaging of the long-established PIF agenda and that this in turn reflected the priorities of Australia and New Zealand rather than the Pacific island states and societies. In her cogent critique of the plan, Elise Huffer argues that the objectives were centred uncritically on the pursuit of neoliberal ideas and that the plan ‘appears to be mainly a tool for integration by free trade’:

57 *ibid.*

58 UNDP, *Pacific Human Development Report 1999*.

59 Claire Slatter, ‘The New Framework for Pacific Regionalism: Old Kava in a New Tanoa?’, in Fry and Tarte, *The New Pacific Diplomacy*, pp. 49–63, at p. 52; and Elise Huffer, ‘The Pacific Plan: A Political and Cultural Critique’, in Jenny Bryant-Tokalau and Ian Frazer, eds, *Redefining the Pacific? Regionalism, Past, Present and Future*, London: Routledge, 2006, pp. 172–3.

The July 2005 draft makes this clear when it states that the 'leaders' wish' is to move towards regional integration which is described in purely economic terms as 'the lowering [of] market barriers between countries ... easier access to more consumers by Pacific companies, increasing economies of scale.'⁶⁰

Claire Slatter and Yvonne Underhill-Sem take a similar view, describing the plan as 'a framework for deepening neoliberal reform and trade liberalization in the region'.⁶¹

A third concern was that the cultural identity/heritage pillar of the EPG had been dropped from the Pacific Plan, with significant implications for how development was being defined and approached. Huffer argues:

Integrating culture into the Plan by cutting it up into (non cultural) categories such as good governance and sustainable development rather than making it the foundation of the Plan is a piecemeal and unproductive approach. 'Cultural identity' is an all-encompassing feature of life in the Pacific. What Pacific peoples have in common are the cultural values that they hold, their ways of life and their worldviews.⁶²

Huffer goes on to cite the critique of Lopeti Senituli, Director of the Tongan Community Development Trust, that the ethical stance or underpinning of the plan assumes that the problem of the Pacific lies with Pacific cultures' inability to adapt to a liberalised global market and to the values espoused in the good governance agenda. This, he argues,

ignores the fact that there are communities in the region, which live by local and customary values and norms, and which do not espouse the values attached to (neo) liberal politics and economics.⁶³

The Pacific Plan became the overarching program for regional governance for the next decade. For the main instigators of the plan, Australia and New Zealand, there was a growing recognition that it was not producing results. It had not captured the imaginations of Pacific island leaders,

60 Huffer, 'The Pacific Plan', p. 172.

61 Claire Slatter and Yvonne Underhill-Sem, 'Reclaiming Pacific Island Regionalism: Does Neoliberalism Have to Reign?', in Bina D'Costa and Katrina Lee-Koo, eds, *Gender and Global Politics in the Asia-Pacific*, Basingstoke, UK: Palgrave Macmillan, 2009.

62 Huffer, 'The Pacific Plan', p. 166.

63 *ibid.*

and it had not been sufficiently inclusive as seen by civil society groups. For Roman Grynberg, senior trade adviser in the PIFS at the time of the Pacific Plan, the legitimacy problem stemmed from the plan's genesis:

Australian and New Zealand officials basically took the regional aid programs that they were already implementing and renamed them the Pacific Plan. There was also little or no support from islands as it soon became evident that the Plan was merely window dressing, a renaming of whatever Australian and New Zealand bureaucrats were, in any case, planning to do. Thus the Pacific Plan continues to live in name only but failed because it had no obvious island champions nor any real roots in the islands.⁶⁴

This continuation of a commitment to neoliberal objectives is difficult to reconcile with the strong and rising commitment to human development ideas elsewhere in the PIF system. If anything, the influence of the human development paradigm increased over the next few years such that it appeared with equal billing with neoliberal ideas in regional policies without explanation as to the relationship between them. This ambiguity is present, for example, in the Australia-initiated *Cairns Compact on Strengthening Development Co-ordination in the Pacific*, signed by PIF leaders in August 2009. The key objective of the compact is 'to drive more effective co-ordination of available development resources from both Forum Island Countries and all development partners, centred on the aim of achieving real progress against the MDGs'.⁶⁵ However, to 'realise this objective', the compact relies on a set of principles that are the familiar neoliberal commitments (including good governance). For example, the first principle is 'a recognition that broad-based, private sector-led growth was essential to achieving faster development progress'.⁶⁶

This seems to suggest an endorsement of human development ends pursued by neoliberal means—an interesting reversal of the PIF's earlier incorporation of human development as a capacity-building means to assist with achieving the neoliberal objective of economic growth. This new regional framing of Pacific development reflected the

64 Roman Grynberg, 'The Pacific Plan and Other Failures: What Can Be Learned?', *Pacific Media Centre*, 16 January 2013, available from: pmc.littleisland.co.nz/articles/pacific-plan-and-other-failures-what-can-be-learned.

65 PIFS, 'Annex B: Cairns Compact on Strengthening Development Coordination in the Pacific, August 2009', in *Leaders' Communiqué: Fortieth Pacific Islands Forum, Cairns, Australia, 5–6 August 2009*, Suva: PIFS, 2009.

66 *ibid.*, para. 2.

change in Australian development thinking in particular, where human development goals were now sitting alongside neoliberalism as a powerful second pillar of development thinking. The significance of this shift from the neoliberal ascendancy in Australian policy was most clearly evident in the *Tracking Development and Governance in the Pacific* report of August 2009, which provided the rationale and evidence for the new policy directions in the Cairns Compact.⁶⁷ It was also clear in the new Rudd Government's aid policy, as set out in the Port Moresby Declaration of 2008: 'Australia believes that the Millennium Development Goals agreed by the international community ... provide an appropriate framework for developing nations world-wide, including in our region'.⁶⁸

The build-up of dissatisfaction with the ineffectiveness of the Pacific Plan led to the commissioning of a review of it in 2013.⁶⁹ The Morauta Review recommended a Framework for Pacific Regionalism to replace the Pacific Plan. The main recommendations for change related to the governance of regionalism, and these will be discussed in the next chapter. What is important for the present argument is the way in which the new framework pictured regional development. The framework continues the ambiguities evident in the revised Pacific Plan. On the one hand, human development influences are evident in the vision and values, with their emphasis on social inclusion, equity and the valuing of cultures and traditions. They are also evident in the principal objectives (the four pillars of the old Pacific Plan). Crucially, the 'sustainable development' objective is linked to the ultimate goal of improved livelihoods; the 'economic growth' objective is qualified by the stipulation that it should be inclusive and equitable. However, as Claire Slatter argues, it is clear that elsewhere the framework retains a fundamental commitment to 'deep' economic integration along neoliberal lines.⁷⁰ We see this, for example, in the description of the requirements under the forms of regionalism required to achieve economic growth, which is clearly a restatement of the neoliberal agenda.⁷¹ We also see it in the surprising comment in the

67 AusAID, *Tracking Development and Governance in the Pacific*, Canberra: AusAID, August 2009.

68 Australian Department of Foreign Affairs and Trade [hereinafter DFAT], *Port Moresby Declaration*, 6 March 2008, available from: dfat.gov.au/geo/pacific/development-assistance/partnerships/Pages/port-moresby-declaration.aspx.

69 PIFS, *Pacific Plan Review 2013: Report to Pacific Leaders. Volume 1*, Suva: PIFS, 2013 [known as the Morauta Review].

70 Slatter, 'The New Framework for Pacific Regionalism', pp. 56–62.

71 PIFS, 'Annex A: The Framework for Pacific Regionalism', in *Leaders' Communiqué: Forty-Fifth Pacific Islands Forum, Koror, Republic of Palau, 29–31 July 2014*, Suva: PIFS, 2014, PIFS (14)10.

Morauta Review report about the lack of basis for alignment between the ‘global development agenda’ (the MDGs) and the framework. The report concludes that the MDGs ‘are not that useful for tracking progress on regional integration and regional cooperation’.⁷²

This ambiguity in regional policy framing continued as Sustainable Development Goals (SDGs) replaced MDGs as the main framing process of the global development agenda. The commitment to the SDGs remained central to FEMM economic action plans, alongside neoliberal commitments.⁷³ Backed by key development partners, the PIF states developed a Pacific region response to the creation and implementation of the SDGs. In a move seemingly at odds with the Morauta Review’s earlier position that the MDGs did not easily fit with the framework, in their 2017 PIF communiqué, the leaders stated that

in endorsing the *Pacific Roadmap for Sustainable Development* (PRSD) [they] reinforced the centrality of the FPR [Framework for Pacific Regionalism] in contextualizing global commitments under the 2030 [SDG] Agenda and the SAMOA [Small Island Developing States Accelerated Modalities of Action] Pathway.⁷⁴

While there remained ambiguity in the overall position on the development approach in the main frameworks of the PIF, it is clear, at the very least, that human development had made major inroads into the neoliberal ascendancy of the previous decades. This result was mainly felt in relation to the regional norms concerning how states should be governed and the balance between economic and social objectives.

Regional trade liberalisation

It was a very different story in relation to the ideas governing trade negotiations between the Pacific states and their primary trading partners in the first two decades of the twenty-first century. In these negotiations, Australia, New Zealand and the European Union were pursuing unadulterated neoliberal positions as they pursued full trade liberalisation

⁷² PIFS, *Pacific Plan Review 2013*, p. 125 (‘Alignment with Global Development Agenda’).

⁷³ See, for example, FEMM, *2017 Forum Economic Ministers Meeting Action Plan*, Suva: PIFS, 2017, paras 3–6.

⁷⁴ PIFS, *Leaders’ Communiqué: Forty-Eighth Pacific Islands Forum, Apia, Samoa, 5–8 September 2017*, Suva: PIFS, 2017, PIFS 17(10), para. 14.

with the Pacific island states. These free-market positions were not leavened by human development commitments, which is especially surprising after the global discrediting of pure neoliberalism after the 2008 Global Financial Crisis.⁷⁵ For the neoliberal proponents from Canberra, Wellington, Washington and Brussels, such trade liberalisation was seen as a major part of the solution to the Pacific development problem, and a necessity if the Pacific was to adapt to an increasingly globalised world.

The Pacific island governments also gave lip-service to a commitment to trade liberalisation. It had appeared as a key goal in the Pacific Plan. However, as the negotiations for comprehensive trade liberalisation proceeded in the 2000s with the European Union, on the one hand, and Australia and New Zealand, on the other, it was clear they did not intend this commitment to be without conditions. The leaders realised that the move to two-way free-trade arrangements brought no obvious trade benefit to their countries and the threats to their economies, and to their sovereignty, were real. This included a possible loss of local industries, as predicted by some Pacific economists, and the introduction of new, unpopular taxes and a decline in government revenue.⁷⁶ Thus, any benefits would have to be gained through hard bargaining as additional concessions outside the trade considerations. Their attitude, then, was one of a reluctant adjustment to new global trading realities but with a shared determination to minimise the predicted costs associated with moving from a preferential system to an 'even playing field' and to broaden the negotiations to include new concessions for Pacific island countries in relation to such matters as labour access and trade facilitation.

The regional free-trade agenda was a significant departure from past practices. The opening of island markets through the removal of tariffs clearly had potential implications for small, protected industries such as tobacco, alcohol and biscuit factories. For smaller states, it also meant the removal of a major part of government revenue and, in turn, this meant imposing a politically unpopular new tax on consumer goods to compensate for that loss. This was a major shift from the dominant development thinking in the 1970s and 1980s, when preferential treatment for the island states was written into the regional trading

75 Kevin Rudd, 'The Global Financial Crisis', *The Monthly*, February 2009, available from: www.themonthly.com.au/issue/2009/february/1319602475/kevin-rudd/global-financial-crisis.

76 Wesley Morgan, 'Trade Negotiations and Regional Economic Integration in the Pacific Islands Forum', *Asia and the Pacific Policy Studies*, 1(2), 2014: 325–36, at p. 329.

arrangements with Australia and New Zealand under the SPARTECA and with Europe under the Lomé Convention. These were described as one-way free-trade arrangements because they allowed duty-free access for island products to metropolitan markets.

Ironically, in their long resistance to the neoliberal arguments of Canberra, Wellington and Brussels, the Pacific island leaders did not deploy human development arguments or even cultural protection arguments; rather, they opted for an even purer form of the neoliberal argument. They argued for the free movement of labour as a *quid pro quo* for agreeing to trade liberalisation, which would otherwise hold no benefits for their states.

As we saw above, in the late 1990s, the European Union had signalled its intention to commence negotiations with Africa, the Caribbean and the Pacific countries for a full free-trade replacement for the Lomé Convention, as its preferential provisions had been challenged as falling foul of WTO trade rules. What was proposed was a new arrangement that would grant free access for European products into Pacific markets as well as eliminating any preferential treatment for Pacific products into the European market. The new agreement was to be negotiated on a regional basis. The negotiation of the new economic partnership agreement (EPA), based on the model also being negotiated with the Caribbean and Africa, began in 2004.⁷⁷ The Pacific leaders, advised by the PIFS, realised that such an agreement would disadvantage them unless they negotiated special concessions outside the free-trade provisions. In 2006, they submitted a draft agreement to the European Union, which included proposals for

special temporary access to the EU for a limited number of Pacific Island workers, the establishment of a regional office for the European Investment Bank in a PIC [Pacific island country], sector-specific strategies to encourage European investment in Pacific tourism and agriculture, and a regional fisheries agreement linking fishing rights for European vessels with measures to encourage downstream processing in Island states.⁷⁸

The Pacific also proposed that liberalisation commitments be linked with financing to offset adjustment costs (primarily tariff revenue losses).⁷⁹

77 Wesley Morgan, 'Much Lost, Little Gained? Contemporary Trade Agreements in the Pacific Islands', *Journal of Pacific History*, [Online], 4 June 2018: 5–10.

78 *ibid.*, p. 6.

79 *ibid.*, p. 6.

The European Union's response was to reject all of the Pacific's proposals and to propose a counter treaty without any concessions. This was unacceptable to the Pacific. With a stalemate in negotiations of the regional EPA and the expiry date for the WTO waiver covering EU preferences for island exports imminent, Fiji and Papua New Guinea each signed an interim bilateral EPA. Meanwhile, negotiations on the regional EPA between 2007 and 2015 proved acrimonious. The European Union was seen as splitting the Pacific bloc and it was also criticised for not shifting from its position of promoting an orthodox regional free-trade agreement. For its part, the European Union saw the Pacific states' position as untenable and intransigent. Consequently, in May 2015, the European Union proposed a three-year 'pause' in negotiations.⁸⁰ Wesley Morgan concludes that 'Pacific governments decided no agreement at all with the EU would be better than a conventional FTA [free-trade agreement]'.⁸¹

As indicated earlier, Canberra and Wellington had won a concession from the Pacific island states in the form of the Pacific Agreement on Closer Economic Relations (PACER), signed in 2001, which provided for the triggering of negotiations for a new regional free-trade area with Canberra and Wellington if the Pacific started to negotiate free-trade arrangements with the Europeans.⁸² In the event, it was not until 2007 that the Australian and New Zealand ministers announced that they intended to negotiate a new regional free-trade arrangement with the Pacific island states now that negotiations were under way with the Europeans. The so-called PACER Plus negotiations took place over the next decade.⁸³ As with the negotiations with the European Union, the Pacific island states and the regional secretariat approached these negotiations with the knowledge that any gains to be made, or offsets for potential losses, would come from wins on issues outside the free-trade discussions. The Pacific strategy, then, was to broaden discussions beyond a conventional free-trade agenda.

80 African, Caribbean, and Pacific Group of States Secretariat, 'Pacific–EU Talks on Hold', Press release, Brussels, 16 May 2015, available from: www.acp.int/content/pacific-eu-trade-talks-hold.

81 Morgan, 'Much Lost, Little Gained?', p. 10.

82 PIFS, *Leaders' Communiqué: Thirty-Second Pacific Islands Forum, Yaren, Republic of Nauru, 16–18 August 2001*, Suva: PIFS, 2001, para. 7; and PIFS, *Pacific Agreement on Closer Economic Relations (PACER)*.

83 For the most authoritative scholarly analysis of the trade negotiations on PACER Plus, see Morgan: 'Trade Negotiations and Regional Economic Integration'; Morgan, 'Much Lost, Little Gained?', pp. 10–19; Wesley Morgan, 'Negotiating Power in Contemporary Pacific Trade Diplomacy', in Fry and Tarte, *The New Pacific Diplomacy*, pp. 251–61.

The Pacific was strongly committed to winning substantive labour access to Australia and New Zealand and this quickly became the main issue for negotiation. Australia and New Zealand argued for dealing with the labour mobility issue outside the free-trade treaty and, accordingly, they each set up new bilateral labour schemes for Pacific islanders: the New Zealand Recognised Seasonal Employer Scheme (from 2007) and the Australian Seasonal Worker Program (from 2009). Wesley cites Curtain et al. as calculating that, by 2015, nearly 12,000 workers from the Pacific were arriving in Australia and New Zealand.⁸⁴ With the Pacific negotiators continuing to insist that labour access be included in the agreement itself, and Canberra and Wellington's refusal to move on this issue, this became the sticking point of the negotiations. In the end, compromise was reached by Australia and New Zealand agreeing to more generous labour mobility arrangements outside the trade treaty and the Pacific island leaders agreeing to drop their demand that labour mobility be included in the treaty. In August 2016, Pacific trade ministers endorsed a complete treaty text but, significantly, Fiji and Papua New Guinea did not sign the treaty. The Fiji minister Faiyaz Koya argued that PACER Plus would limit Fiji's ability to support its domestic industry, while PNG prime minister, Peter O'Neill, argued that the treaty would entail a 'net loss' for the PNG economy.⁸⁵ The three Micronesian states with compacts of free association with the United States have also not signed the treaty as yet.

While the European Union and Australia and New Zealand had framed these trade negotiations through the neoliberal free-trade prism, the diplomatic outcome could not be clearly delineated as a triumph for neoliberalism. In the case of the negotiations with the Europeans, these ended in stalemate and ultimately rejection by the Pacific. In the case of PACER Plus, the signing of a free-trade agreement in June 2017 was hailed as a successful outcome by Canberra and Wellington.⁸⁶ However, the two key economies in the Pacific, Fiji and Papua New Guinea, refused to sign. It is also the case that the Pacific won concessions from Canberra and Wellington on labour access outside the trade treaty. ANU economist

84 Richard Curtain, Matthew Dornan, Jesse Doyle, and Stephen Howes, *Labour Mobility the 10 Billion Dollar Prize*, Pacific Possible Series, Washington, DC: The World Bank, 2016, as paraphrased in Morgan, 'Much Lost, Little Gained?', p. 15.

85 Morgan, 'Much Lost, Little Gained?', p. 17.

86 DFAT, *Pacific Agreement on Closer Economic Relations (PACER): About PACER Plus*, Canberra: DFAT, 2017, available from: dfat.gov.au/trade/agreements/not-yet-in-force/pacer/Pages/pacific-agreement-on-closer-economic-relations-pacer-plus.aspx.

Matthew Dornan concludes that, with the signing of the PACER Plus agreement, 'there is not much to celebrate, beyond a deal being struck'.⁸⁷ USP political scientist Morgan concludes:

Ultimately, after decades of discussion, little of substance has been gained from regional trade negotiations. Perhaps, the biggest loss of all was two decades of political and diplomatic energy, spent in acrimonious talks, securing agreements that left much to be desired.⁸⁸

The commitment to trade liberalisation negotiations had been roundly critiqued by civil society since the early 2000s.⁸⁹ As the talk about trade liberalisation arrangements with Europe, on the one hand, and Australia and New Zealand, on the other, began to ramp up, several civil society organisations formed the Pacific Network on Globalisation (PANG), in May 2001, to represent their concerns about these developments. While excluded from the formal negotiations, regional civil society nevertheless had an important role in influencing the course of regional trade diplomacy. PANG, in particular, had a major role in raising and publicising the issues at stake in the secret negotiations. It also lobbied Pacific leaders and officials and, in the more inclusive period of the PIF from 2014, attempted to influence PIF deliberations in the last stages of the PACER Plus negotiations.⁹⁰

The key points of this civil society criticism remained constant over the following two decades. First, PANG has criticised the PIF for the secrecy of these negotiations. Second, it criticised the dominance of Australia, New Zealand and the European Union and their alleged manipulation of the process.⁹¹ Third, regional civil society shared the concerns of some Pacific island leaders about the economic impact on local industry and employment. Fourth, there was concern about the impact on the sovereignty of the Pacific island states based on the loss of sovereignty that had occurred in other free-trade agreements. Finally, PANG raised

87 Matthew Dornan, 'PACER Plus is Not Much to Celebrate', *East Asia Forum*, 2 June 2017, available from: www.eastasiaforum.org/2017/06/02/pacer-plus-is-not-much-to-celebrate/.

88 Morgan, 'Much Lost, Little Gained?', p. 19.

89 See, for example, Kelsey, *Big Brothers Behaving Badly*; Pacific Network on Globalisation [hereinafter PANG], *A People's Guide to PACER Plus: Understanding What It Is and What It Means for the People of the Pacific Islands*, Suva: PANG, 2017; Waden Narsey, 'PICTA, PACER and EPAs: Where Are We Going?', *Islands Business*, April 2004.

90 See, for example, PANG, *Defending Pacific Ways of Life: A People's Social Impact Assessment of PACER-Plus*, Suva: PANG, June 2016.

91 Kelsey, *Big Brothers Behaving Badly*.

a number of concerns about the social impacts of the proposed agreement. These included the impacts on health and food security, gendered impacts and impacts on indigenous economies and customary landownership.⁹²

Conclusion

In the 1990s, Australia and New Zealand strongly promoted a regional economic order based on neoliberal principles. Neoliberalism became the ascendant policy frame in the principal regional institution in that decade. However, from 2000, the PIF appeared to juggle two separate policy frames—one based on neoliberalism and the other on the human development paradigm—on the assumption that they were entirely compatible. However, for the proponents of human-centred development, there had always been the potential for conflict between these two paradigms. The UNDP, for example, argued that economic growth was important for human development but it could also work against it. Economic growth needed to be inclusive and mindful of social goals. As we have seen, radical perspectives go further, saying that these two paradigms are necessarily in conflict. Free-market ideology necessarily contradicts human-centred development. From this perspective, neoliberalism is not just a different approach to development; it also has deleterious impacts on human development objectives. For many neoliberal proponents, the opposite is true. Human development policies are often seen as a problem to be solved if growth is to occur (for example, too much spending on safety nets or education). The PIF has not tried to square this circle to explain how its endorsement of both policy frames overcomes these contradictions or to enter the debate over whether the pursuit of neoliberal goals has influenced the poor regional outcome on the MDGs, as predicted by human-centric development perspectives.

At the very least, it is evident that the early, unchallenged ascendancy of neoliberalism was not sustained in the 2000s. We have seen that, even in their most unadulterated form—in the promotion of trade liberalisation by Australia, New Zealand and Europe—neoliberal ideas have by no means had a clear victory. We now turn to the other major area of regional diplomacy during this period (1990–2018), in which Australia and New Zealand sought to impose a hegemonic form of regional governance that suited their interests: regional security governance.

92 PANG, *A People's Guide to PACER Plus*, and *Defending Pacific Ways of Life*.

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