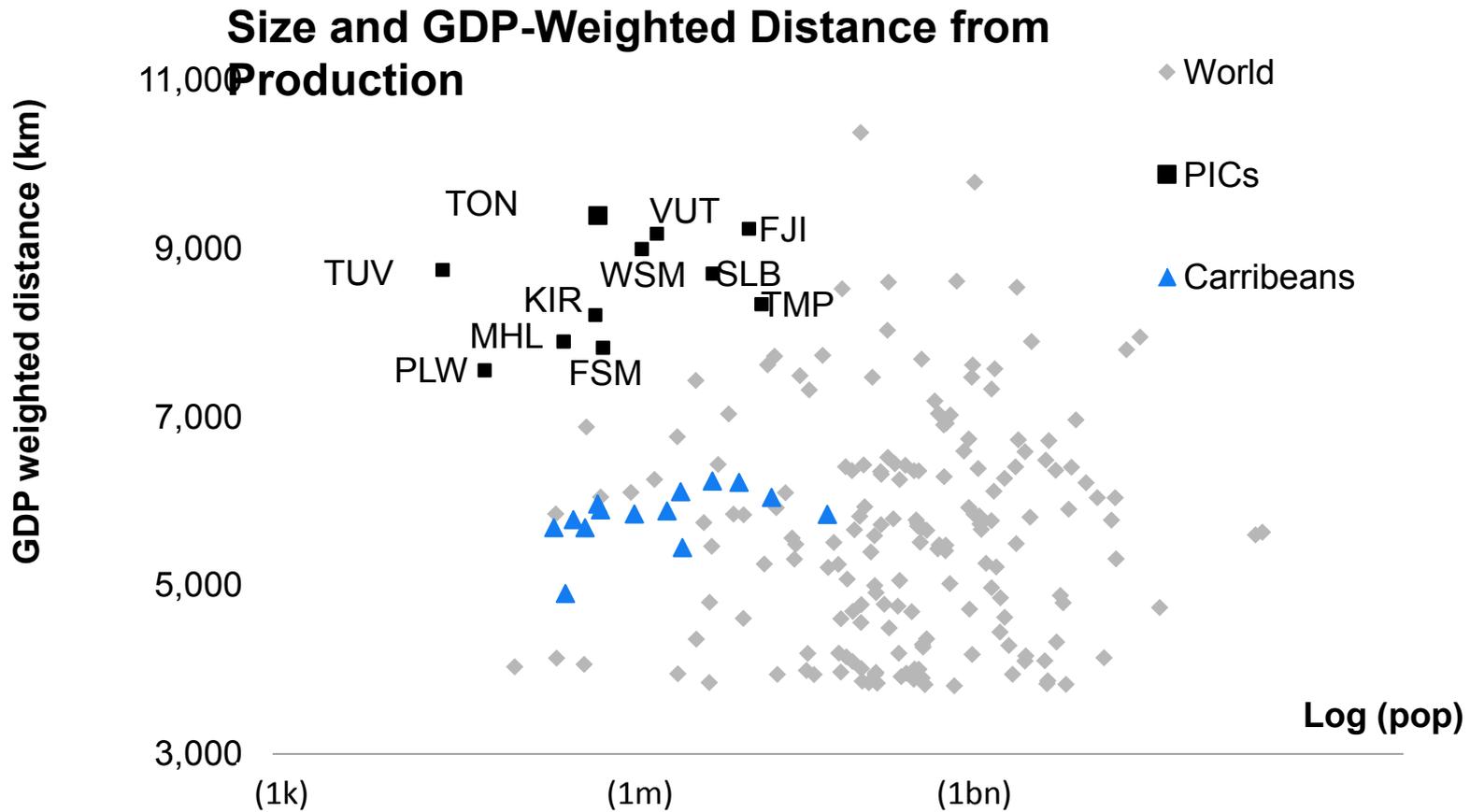


A QUICK READ INTO
**GROWTH, SUSTAINABILITY AND THE
FUTURE OF THE PACIFIC
ECONOMIES**





2

PICs are different: smallest and most distant to centers of global economic activity.

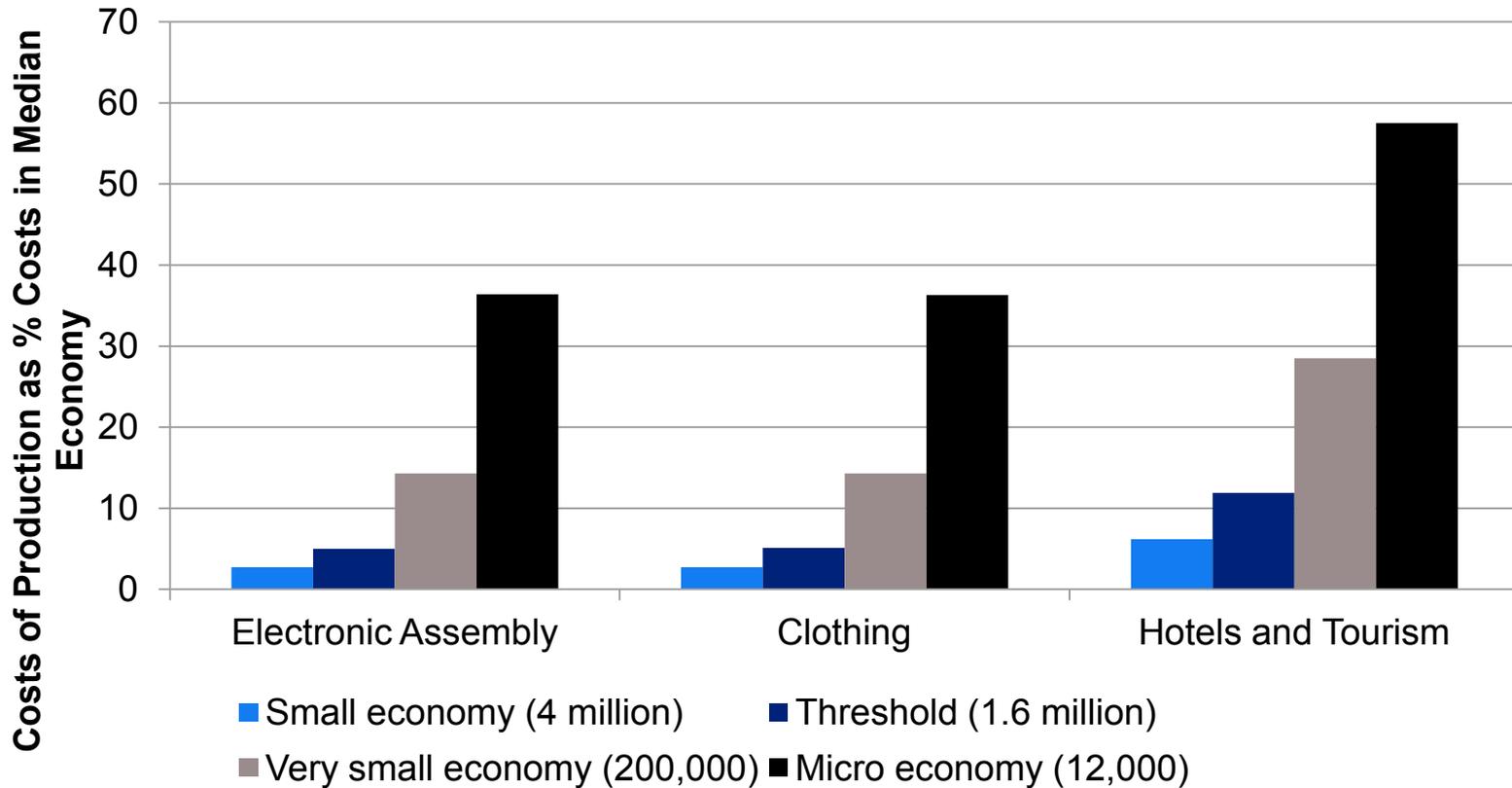


Geography is major constraint

3

- Inadequate local markets for economies of scale
- Long distances to markets
 - ▣ Increase cost of imported inputs
 - ▣ Preclude competitive exporting
- Creates diseconomies of scale in services and infrastructure
 - ▣ Poor quality
 - ▣ High cost
- Capacity constraints in delivery of services and infrastructure due to small populations and few individuals with specialized skills

Costs of Production by Country Size as Percent of Costs in



4

Consequently, production is inherently more costly.



Integration can Ameliorate Costs of Geography

5

	Shared regional institutions	<ul style="list-style-type: none">• Achieve economies of scale• Help overcome capacity constraints
	Harmonization of laws and regulations	<ul style="list-style-type: none">• Ease cross-border business• Help overcome capacity constraints
	Labor market integration	<ul style="list-style-type: none">• Allow people to move to areas where opportunities exist• Allow access to necessary skills and capacities
	Better transport and communication links	<ul style="list-style-type: none">• Reduce costs of business• Facilitate flow of knowledge and ideas



Overcoming Constraints

6

- Problems are well known
- Potential role of integration is clear but implementation uneven
- It is time for solutions

Immediate

- Demonstrate the potential of regionalism with success in key areas

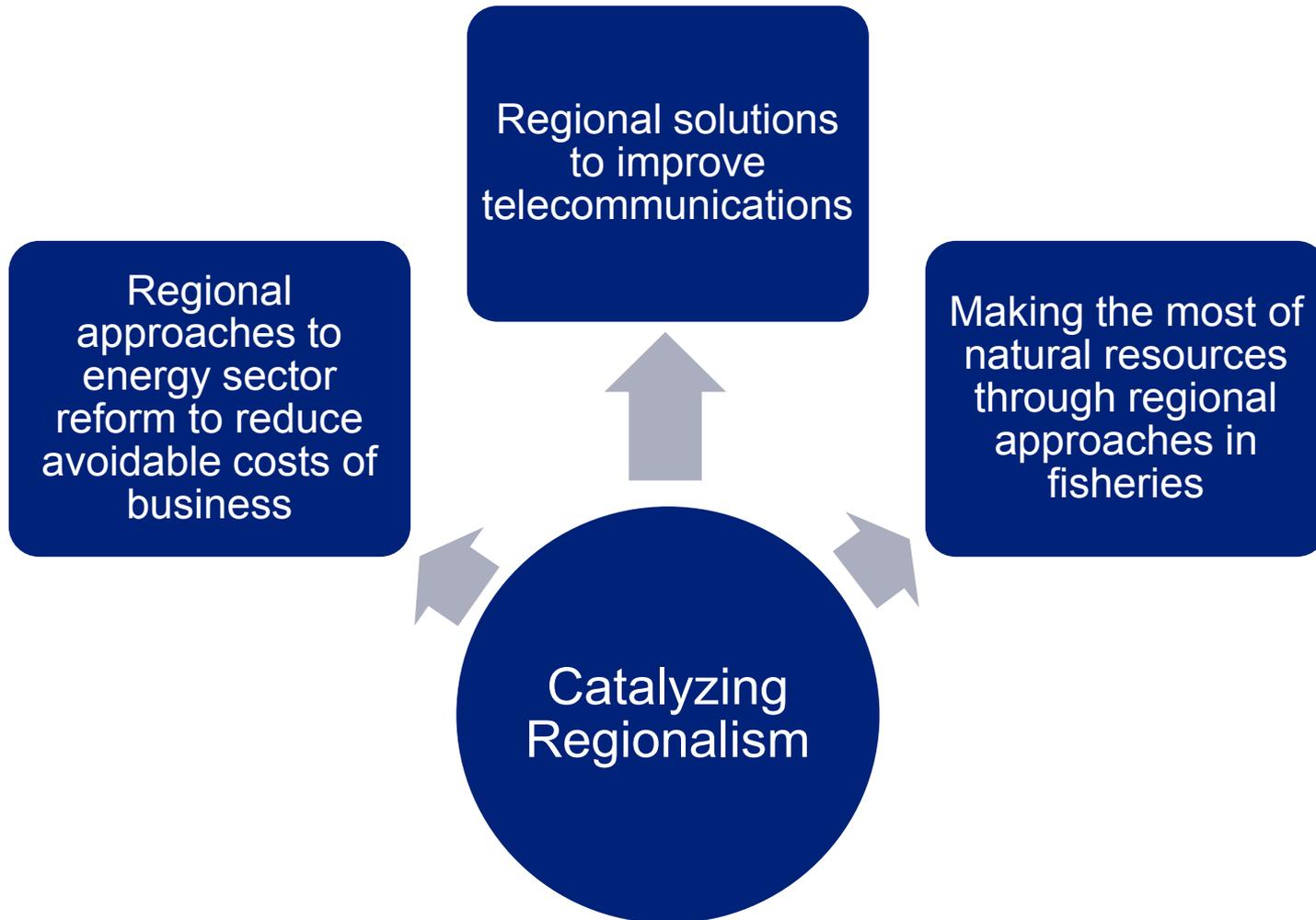
Longer-term

- Build on successes to drive a broader conversation and a deepening of regional approaches



Overcoming Constraints

7

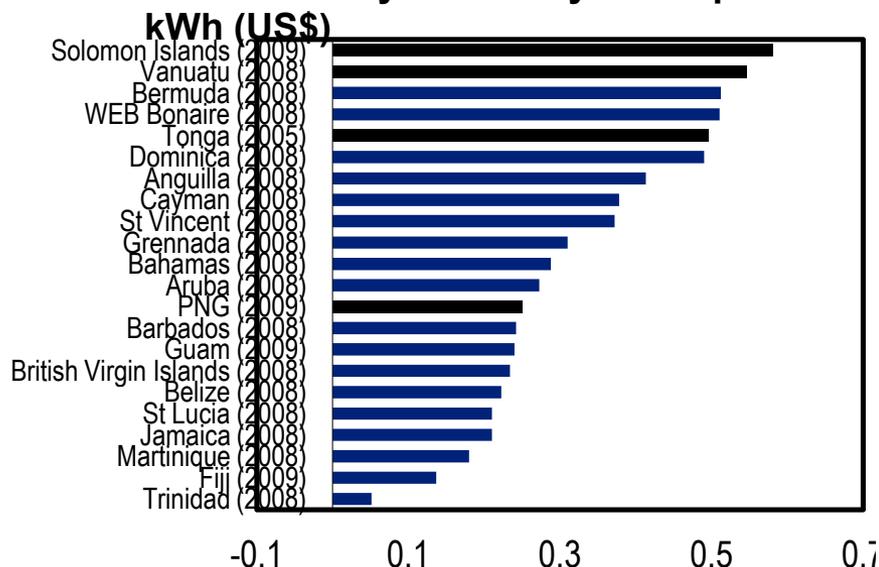




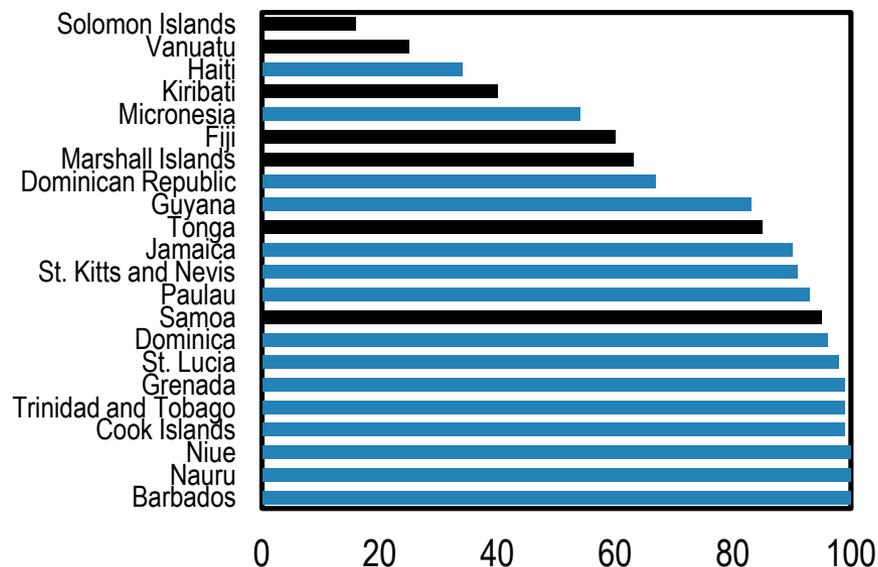
Lower Business Costs through Regionalism in Energy

8

Small Country Electricity Costs per kWh (US\$)



Access to Electricity (% Population)



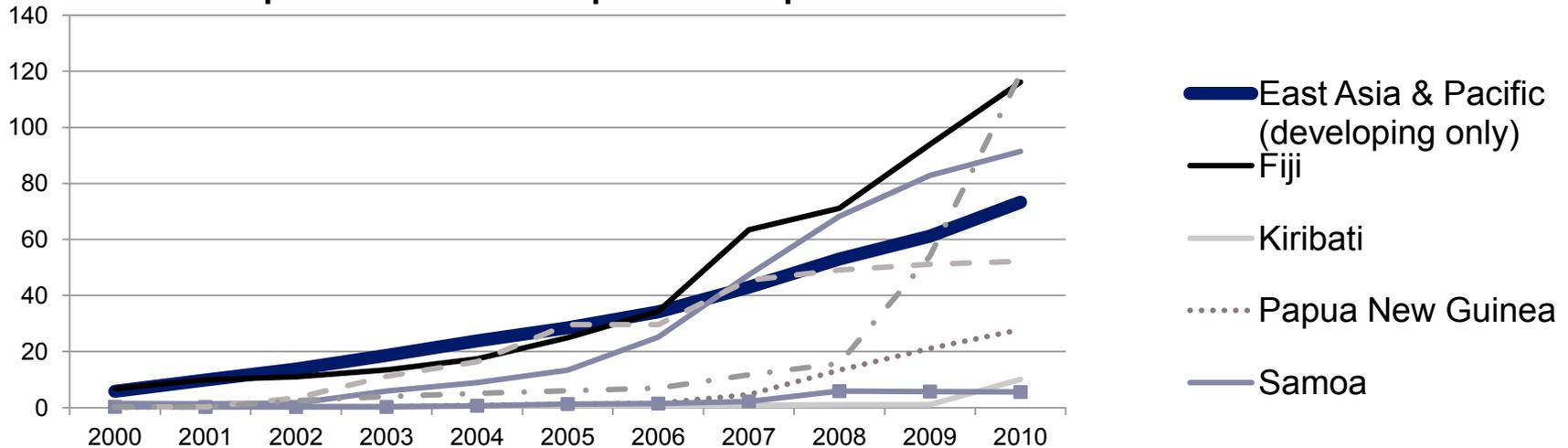
- Options for regional approaches to petroleum procurement and shipping – reduced costs through scale (E.g. Tonga Energy Roadmap)
- Regional regulation of electricity utilities through a joint regulator
- Sharing of regional technical capacities and technical assistance
- Facilitating renewables through sharing of experience and



Increased Connection through Regionalism in Telecommunications

9

Cellular Telephone Connections per 100 People



- Potential of liberalizing reforms has been illustrated
- Share capacity burden of regulating liberalized telecommunication markets:
 - ▣ Regional regulatory body
 - ▣ Shared/harmonized regulatory rules
 - ▣ Regional technical assistance resources
 - ▣ Informal knowledge and capacity sharing



Regional Approaches to Unlocking Fisheries Potential

10

60% global tuna stocks

Total landed value annually of around US\$1 billion and an estimated market value of US\$3-4 billion

Access agreements for distant-water fishing nations US\$60–70 million annually and increasing

Uneven proportion of catch value retained by PICs

Yellowfin and bigeye tuna at serious risk of overfishing.



Regional Approaches to Unlocking Fisheries Potential

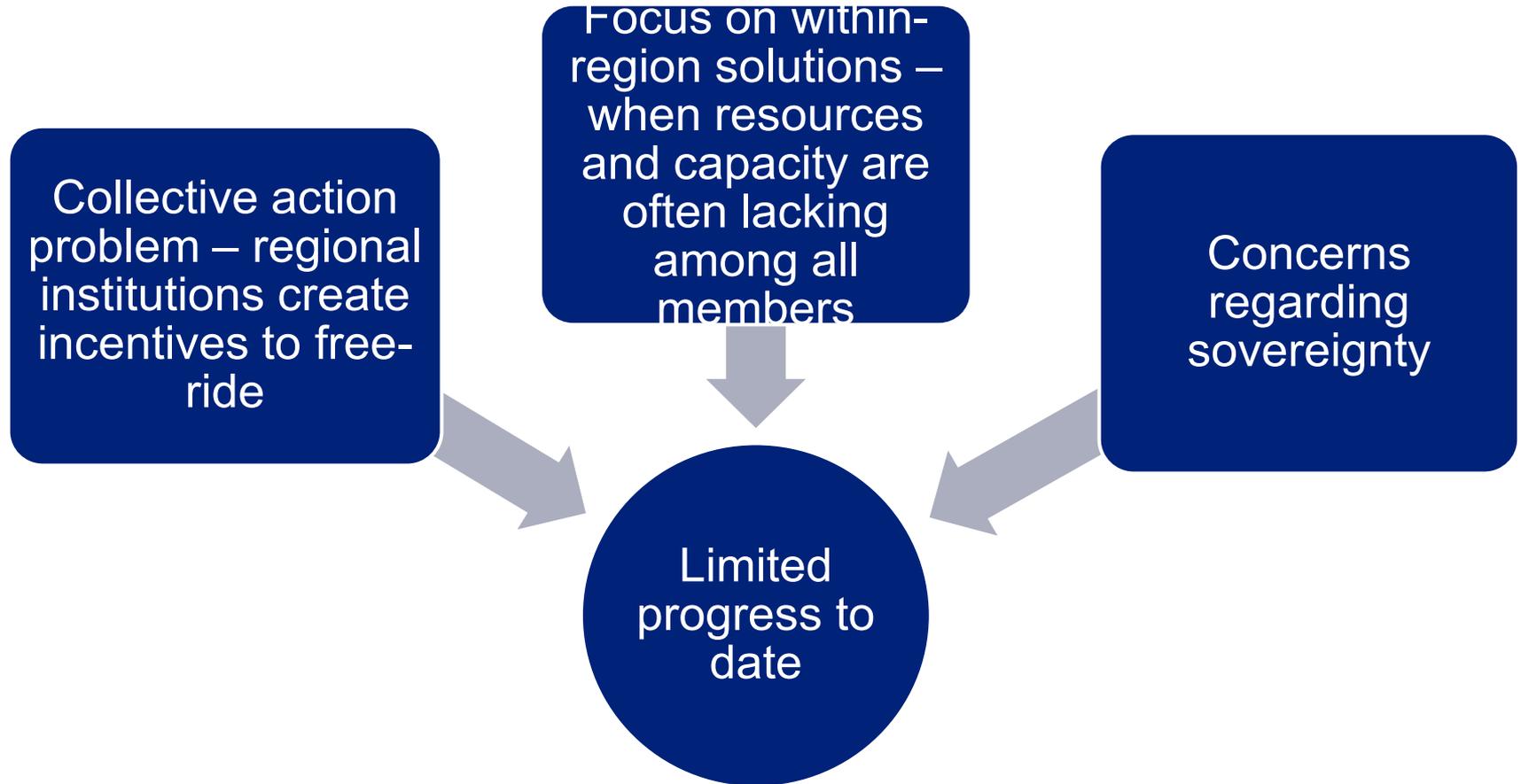
11

- **Collective action required** to manage supply to preserve stocks and market value
- Uneven performance across existing regional institutions
- Demonstrated potential in sub-regional mechanisms led by PICs
- Agreements need to be supported by technical capacity for implementation and shared resources for enforcement



Constraints to Regionalism

12



Focus needs to shift from independent sovereignty to shared



Incentives Supporting Regionalism

13

Expanding the jurisdiction of existing regulators in large countries to cover PICs

Sustained capacity support, rather than short-term technical assistance

**New incentives
for
Regionalism**

Sustained financial assistance to regional institutions rather than reliance on contribution-based models

Additional donor funds tagged for regional initiatives