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## **Harmonising resources for sustainable economic development in the Pacific Islands context**

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### **Reframing the approach to economic development**

This paper is based on the view that the conventional development model, followed by governments in our shared Pacific Islands region, is fundamentally inadequate for addressing the broad social, economic, environmental, political, and cultural development needs confronting the Pacific Islands today (see Halapua 1993). Hence the present approach to development in the Pacific Islands requires a fundamental reframing and redirection

It will be demonstrated that the kind of framework needed to provide insights and meet the needs of the Pacific policymakers must be able to harmonise the interactions of all the major forces of development within the Pacific Island countries and between them and their overseas partners.

### **Economic development as a sustainable process**

In our framework, development is defined as the process of guided change directed towards preferred goals. Today the preferred goals of development vary from country to country depending on the historical, social, economic, and political circumstances in each country. One of

the most common preferred goals, as expressed by governments in the region, is the desire to foster a steady expansion in the supply, as well as improvement in the distribution, of goods and services. At the same time the cultural values and some of the traditional institutions, in addition to the quality of population, environment, and natural resources, must be maintained over time.

These are not, of course, the only preferred goals of development in Pacific Islands countries. Some governments emphasise self-sufficiency in the provision of basic goods and services. Many governments seek to achieve some form of self-determination with respect to the issue of control over the use of the resources available to them. A great many Pacific Islanders feel that there is a need to balance the preferences for material goods and services with our spiritual and cultural values.

An integral part of the means of pursuing the preferred goals of development consists of the processes of government policy, market rules and arrangements, and cultural principles that determine the direction of quantity, quality, and distribution of resources available to the people. More importantly, the term 'sustainable' conveys the need for stability and continuity in each process. And the guided change or the 'guidance' is provided jointly by the government policy, the market forces, and the cultural values and beliefs of each society.

## **The value-types of resources**

The types of resources that support the mode of life of a people encompass more than natural physical resources and man-made tools (capital). Each society determines what is important (value) for its way of life.

In this connection, resources are defined as those quantities and qualities that people value or consider to be important in association with their labour, in the pursuit of their preferred way of life. Thus a person values not only his or her work and knowledge but also its product and the purpose it serves. In addition, the person has the right to continue to value them.

In the literature of political economy, the value of a resource refers to its capacity to satisfy a desire or serve a purpose. It stresses the use-value of a resource. In this sense, historical myth or knowledge itself is but one type of value that serves the imagination or political will of a community of people. Based on the modern principle of government by consent, for example, the leading western scholars of the social-contract

theory stresses the importance of government with limited power and authority to serve a purpose, namely, the protection of the rights of individuals, especially their property rights. Thus the government is granted as much power as the people are willing to give up in exchange for guaranteed property rights and for protection of their lives. This western notion of a government has come to be conceived as the will of the people.

The government made the laws that define the property rights of individuals. The government process of defining and enforcing property rights and rules of exchange uses resources (labour, skills, knowledge, materials, tools, beliefs, etc), and this is crucial for the existence of a market economy. It is affected and impacts upon, the existence and interactions of markets and cultural beliefs.

Therefore resources in the context of a Pacific society include the physical environment, government power and authority, man-made capital, skills, knowledge, and cultural beliefs. This conceptualization of resources stresses the environmental, governmental, technological, and cultural values that serve the general well-being and promote the continuity of the preferred way of life of a Pacific Island society. But despite the diversities in emphasis in all these value-types in the Pacific Island countries, there is still an underlying identity that they have in common: people are obliged to express the value they give to a resource by conferring the rights to promote the continuity of that resource. For example, the culture of a community expresses the value it attaches to land by defining the rights that control the continuity in the use of land.

From the broad definition of value-types of resources, we identify seven dimensions of sustainable economic development in the Pacific Islands

- economic growth
- population
- environment
- technology
- culture
- government
- international relations

Each of these dimensions reflects a certain type of value and serves an obligation that constitutes a compelling force for the common action of a society. Therefore each dimension gives policymakers a signpost as to where the country is going —the direction of sustainable development.

## **The dual character of the resources**

Two forces are present in all value-types of resources in all situations

- the rights to use the resources or the services that flow from them to satisfy a desire or serve a purpose
- the obligations that serve as the compelling (rallying) forces for common action to promote continuity of the resources.

The former leads to the accumulative deterioration both in the quantity and quality of the resources. But the latter results in the productive reinvestment and creative preservation of the resources. For example, the rights to use a tuna resource to serve a commercial purpose of accumulation of monetary profits can result in the depletion of that resource over time. But reinvestment in the productive control over the rate of exploitation preserves the value of continuity of the resource.

The challenge of sustainable economic development in the Pacific Islands can be resolved and the process can be understood only by recognizing that both the rights to use and the obligations to the continuity of resources are inherently inseparable. They are two sides of the same coin. Once the dual character of the value-types of resources and the interaction of these forces are understood and appreciated, the need for reframing our approach to economic development in the Pacific Islands countries is obvious.

## **Interactions of dimensions of sustainable development**

An analytical framework is needed for investigating the interaction of the value-types of resources in the process of economic development. Here, the critical issue is the value in continuity of resources that support the direction of change in the way of life from the present generation to the future generation. Practical reasoning is central to our framework of analysis of the seven dimensions of sustainable development. Specifically, it does not allow the evaluation of the interaction of obligations to the value in continuity of the resources.

The continuity in economic production is conditioned by the interaction of the forces of economic growth, population, environment, technology, government and international relations. Thus we cannot isolate the evaluation of the rights of the factors of production from the evaluation of the obligations to the value of continuity of those factors. For example, the effect of market forces on the supply of and demand for labour resources cannot be clearly separated from the evaluation of the effect of cultural values.

It is the task of government policy for sustainable economic development to effect two sets of adjustments

- the adjustment between income (or domestic savings) and expenditure (or total investment), and
- the adjustment between obligations to the value of continuity of the resources needed for development.

The kind of adjustment associated with the first set is the familiar conventional approach to economic development in the Pacific Islands. This conventional approach, which is adopted by the World Bank, the Asian Development Bank and the International Monetary Fund, focuses on the adjustment between aggregate income and expenditures in the economy. It is sometimes known as the 'resource gap' approach. Therefore it is the typical task of recommended economic policy to adjust the difference ('the gap') between planned investment requirements and savings.

There are three basic conventional methods or main sources of financing such 'gaps' known as deficits. First, there are additional resources obtained by external borrowing. Second, there are additional resources provided by the inflows of foreign capital or investment. In addition, the supporting policy measures include control of price inflation, government expenditure and direct subsidy, tariff and non-tariff protection, taxation, interest rate settings, and the foreign exchange rate.

All these policy measures tend to concentrate on the issue of redistribution of rights—especially the exchange of rights—to use resources. In fact, they do not address the question of obligation to the value of the continuity of resources, which is essential to sustainable development in the islands.

Take tourism development for example. A reduction in or removal of the interest rate on loans for and income taxes on tourist facilities will redistribute the rights to use resources from the financial intermediaries (hence, the owners of savings held by financial institutions) and government to the private owners of such investment projects. But this policy in itself is not adequate to address the obligation to the value of continuity of resources such as the quality of the physical environment and the traditional culture upon which the growth of the tourism industry is also dependent.

Therefore it is prudent for policy makers to take stock of not only the exchange of rights to use resources but also the obligations to the value of continuity of the resources. In order for economic development to be

sustainable in the context of the Pacific Islands, the two sets of adjustments, stated above, must be combined and integrated in the planning, implementation, and evaluation process of government policy. This integrated approach needs the interactive exchange framework outlined above as its analytical tool.

## **Harmonising the development process**

Harmonisation in the context of our framework refers to the process of balancing the rights to use and the obligations to the continuity of the value-types of resources. It is conceived as an interactive exchange process in which the input is the preference for value-types of resources. The process itself is the means through which the differences in the value-types of resources are combined by practical reasoning into a decision or a policy. Therefore, the attention of policy makers should be drawn to the interactive process of the value-types of resources itself rather than to some planning exercise in setting and evaluating targeted goals—such as the planned rate of investment—of economic development.

As the Nobel Prize Winner James Buchanan once put it: ‘How does one improve a market? One does so by facilitating the exchange process, by reorganizing the rules of trade, contract, or agreement. One does not improve or reform a market-like exchange process by an arbitrary rearrangement of final outcomes.’

The practical reason for balancing the differences in the value-types of resources is performed by individuals of the society via

- the government process, which constitutes a procedure for defining and enforcing rules of exchange and property rights
- the market process, which consists of an arrangement whereby the rights to use resources are voluntarily exchanged among individuals, government, and business firms
- the cultural process, which defines the broad principles and set of rules by which kinship, inter-tribal, clan, and spiritual relationships with respect to the rights to use and exchange resources are expressed and reciprocated.

Clearly, these fundamental processes are not necessarily compatible in every Pacific Island country. The lack of willingness or inability to resolve the form of incompatibility in the interaction of these fundamental processes can generate a destructive or negative effect on the sustainable use of resources for economic development. Therefore a

mechanism is needed for the interactive process of resource management designed to minimize if not avoid destructive or negative deterioration in the rights and obligations to use resources in the Pacific Islands context.

### **An institutional mechanism for resources management: The National Interactive Development Council (NIDC)**

The NIDC is conceived of as the institutional mechanism through which the diverging government, market, and cultural processes are amalgamated into the policy of the interactive process of resource management. It offers a ‘multidimensional window’ for managing the value-types of resources for sustainable economic development in the Pacific Islands.

The NIDC models the approach to managing resources for sustainable development ultimately on the exchange paradigm—the exchange of an analytical information service to minimize if not prevent negative conflict in the rights to use and the obligations to continuity of the value-types of resources in specified ways. There are equity, technical and economic efficiency arguments for the role of the NIDC in the management of principles and rules of using resources to serve a purpose, namely, economic development in a sustainable way.

There are three principle functions of the NIDC

- to provide the analytical information service needed by policymakers in the planning and formulation of policy and strategy
- to promote complementarity in the implementation of policies through the exchange of analytical information
- to evaluate the responsiveness of policies in relation to the preferred goals.

In fact, the interactive framework of the seven dimensions of sustainable development provides the analytical tool for the NIDC. In addressing the practical issues of economic development, the government can rely on the NIDC to ensure that the processes of planning, implementation, and evaluation of the efficiency of projects are not divorced from the processes pertaining to the continuity of the flow of resources. Thus the NIDC plays the dual role of providing the analytical information service to the policymakers and serving as the institutional catalyst for implementing the economic development policy in a unifying and sustainable way.

## Reference

Halapua, S., 1995. 'Sustainable development: from ideal to reality in the Pacific Islands' in S. Halapua and Barbara Naudin (eds), *Sustainable Development and Population*, Proceedings of the Fourth Pacific Islands Conference of Leaders, East-West Center, Honolulu.