

Comments on a paper by Michael Moriarty.  
*New Zealand-Pasifika: Interactions and Perspectives* Conference, 8 February, 2007.

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Thankyou Michael for a thought-provoking paper.

Let me introduce your subject by saying a little more about the theory of borders. We need to distinguish jurisdictional borders from geographical borders.

Jurisdictional borders tend to be unstable – from, say, a hundred year perspective – unless they are also geographical borders. As it happens, in the Pacific jurisdictional borders are mainly geographical borders – practically the sea. There are a few exceptions such as the West Irian – Papua New Guinea border, and that between the Republic of Samoa and American Samoa. Aside from such instances, which are hardly touched upon in his paper, Michael shows that even geographically based jurisdictional borders are not as simple as they seem.

It is not just a country has various jurisdictional borders – as in the difference between its 20 km and 320 km zones. Even the innermost border is multilayered, under a variety of apparently increasing threats including from terrorists, biosecurity, drugs, illegal migrants, restricted activities via the internet, smuggling and customs duty evasion. I found the details of these challenges far more interesting than I expected. The remarks on the ability of illegal forces to corrupt those who guard the borders reminds an economist of the importance of quality public institutions.

Underpinning this paper that even geographical borders are far less stable than geography might suggest. Buda and Pest were once two separate towns divided by Danube River. That river is no longer the geographical barrier it was and the towns have amalgamated into Budapest.

Similarly, the natural geographic boundaries of the Pacific are being undermined by more efficient shipping, air travel and the internet, by what in my book, *Globalisation and the Wealth of Nations* – out at the end of the year – calls ‘the diminishing costs of distance’. Not only is there a chapter specifically entitled ‘Borders’ but others discuss border issues such as labour mobility and social policy regimes. (The paper does not particularly address these issues, for they were covered in other papers at the conference.)

However, while my book pays some attention to micro-states, today and in Michael’s paper they are the centre of attention, for aside from Australia, New Zealand, and perhaps Papua New Guinea the members of the Pacific Island Forum are micro-states.

As I read through the paper I was confronted with the question that if jurisdictional borders are so difficult to manage, what is the future of a the Pacific Island micro-states, whose existence and sovereignty are underpinned by these boundaries?

Merging them would not solve many of the border problems. There would still be a need to enforce the existing geographical borders for terrorist and biosecurity and so on reasons. Nor would the merger address any internet problem since their sources lie outside the Pacific. Unlike, say, in the case of the European nation-states the most common source of the border crossings (people to trade) are not from neighbouring states, but from those outside the region or Australasia. That substantially reduces the relevance of the micro-states collaborating across borders.

Perhaps there would be some gains from a merged pan-Pacific border control agency but it would still have to be locally administered, and we know from the experience of the British and US police forces, that can still leave opportunities for corruption.

Towards the end of his paper Michael turns to the question of given the great difficulties that micro-states face with their border management, whether a re-prioritise the border controls, perhaps abandoning or downgrading some in order to focus on what is really important. Internet geeks would advise to give up attempts to control the internet, arguing that it treats censorship as damage and routes around it. (Perhaps all that can be done is to encourage parents to control their children's access.)

Some might argue for abandoning customs duties. Michael's paper reminds us that the duties are an usually important part of the fiscal revenue of these micro-states. What are they to replace it with: general indirect taxation? income tax? They will generate border problems too while administration costs may be higher. Moreover, some excise duties are for other purposes: tobacco duty is a means of reducing smoking and enhancing the nation's health. Perhaps some reduction in some duties may be beneficial providing a satisfactory alternative revenue source can be found. or there is an effective alternative social policy. .

Towards its end, the paper considers the case that further harmonisation – even something like closer economics relations within the Pacific – might make a viable contribution to each's individual survival. Had I been writing the paper I might have been a little more optimistic about the possibilities of international supply chains, that is the increasing sourcing of components from a variety of countries, and the way which a CER might encourage involvement in them, although what it really needs to be a CER with Asia.

The underlying issue is whether the Pacific micro-states are economically viable. Merging the Pacific Island economies is unlikely to solve the problem. Large economies are not particularly favoured in today's world probably because of the

difficulties of political management. It is certainly true that access to a large market is an advantage, but the falling costs of distance and reduction of artificial border protection means that increasingly every country has access to a large market – the world market. What seems to matter to successful (non-resource based) producers is the intensity of economic activity in its particular locations, what is called ‘economies of agglomeration’.

To give an indication of the magnitude of the economies of agglomeration, there is some disagreement as to whether Auckland is big enough to reap them. One side says it is ‘not quite’ large enough, the other says it is ‘just’ large enough. Whichever is right, the conclusion must be that a Pacific Island-wide economy is no where large enough.

The question of whether even New Zealand is large enough to be economically viable, to a different forum, but my book’s conclusion is that success will not arise from turning in and merging with a neighbour. That sort of economic world is going. New Zealand’s future has to be operating intelligently in a multilateral world but it is a world where borders are less a means of promoting economic development, and domestic policy within the borders will matter more. . Sure we should cooperate with, say, Australia, but it has to be an outward looking cooperation. The same probably applies to each Pacific micro-state, too.

If agglomeration is out, then what about resources? The theory which underpins my book concludes that unless they have some exceptional resource basis – say oil reserves – small economies are almost certainly not economically viable in isolation. (It is well to remember the fate of Nauru as an example of what can happen when a resource is exploited.)

One resource is a potential tourist attraction, but even that has to be handled with care, since the return may end up as offshore as the tourists, with the only gains from the low skilled employment generation – better than nothing but not offering the high incomes that discourage out-migration. In any case, tourists involve border controls from the various threats that they bring directly, while others use the cover of tourism for nefarious purposes. A related, smaller, but less border problematic, activity may be retirement havens.

What Michael’s paper demonstrates then, is that there are places for marginal improvements in border management and perhaps some minor economic opportunities from those improvements. But better or different border management will not resolve the big problem of sustainability.

Sometimes one may despair that there is any solution. Alternately perhaps the problem is improperly defined. Perhaps the relevant borders are the social ones which define a Pacific Island community, such as Samoan or Cook Island or Tongan, by its

networks of interactions which cross geographical and jurisdictional borders.

Thankyou, Michael, for stimulating these ponderings.