



# Pacific Islands Economies in an Era of Globalization: Managing the Requirements of Globalization such as WTO / WORLD BANK / ADB / EUROPEAN UNION

**These remarks  
were delivered by  
Dr. Terepai Maoate,  
Prime Minister  
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to a wider audience.*

Without doubt global economic integration poses the greatest development challenge of this millennium. The choice of the theme for this Sixth Pacific Islands Conference of Leaders is a reflection of how globalization will draw more and more of our attention toward the linkages between what we do at home and the engagements beyond our shores.

It is obvious the expansion of world markets through increased flows of trade and finance has created unprecedented opportunities for wealth creation. Yet, we ask with concern just how substantial have been the human development gains reaped by the peoples throughout our islands?

Plainly, the rich countries and the large multinational companies have disproportionately captured the benefits of globalization. And it is even plainer that we are struggling to keep from falling even further behind.

What we have seen of globalization to date has been for the rich to get richer and the poor to get poorer. And it does not help developing countries that this process is being reinforced with reductions in the levels of international aid.

Is this process inevitable, whereby the opportunities for wealth creation are so lopsided toward the rich? It would be if the regulation of globalization through various international organizations continues to be biased toward the powerful countries.

I say biased purposefully because that has been our experience and observation over the past decade.

A situation in point has been the OECD Harmful Tax Initiative last year, which targeted seven Pacific offshore financial jurisdictions among others for retributive measures over

causing the erosion of the domestic tax bases of larger industrialized countries.

This was a measure that reeked of lack of consultation and — dare I say it — arrogance. In the case of the Cook Islands, the bilateral consultative process consisted of nothing more than a request to respond to a list of prepared questions, and a half-day country visit by a foreign taxation official last April.

A genuine commitment to an internationally responsible consultative process would have revealed that the majority of offshore entities created in the Cook Islands are not tax-motivated. The Cook Islands' main market for its offshore activities is the United States and that country's citizens who establish entities in the Cook Islands offshore regime receive no tax break. In fact, both the US citizen and the Cook Islands trustee lodge income tax returns to ensure that US citizens pay US taxes.

The information gathered and available from US authorities constitutes a declaration of credibility and taxation transparency of the predominant Cook Islands' offshore product, the asset protection trust.

Quite understandably, we in the Cook Islands ask: Where is the harmful tax practice?

Without vigorous debate and broad international input, this is a question that is not going to be answered.

Without the views and considerations of non-OECD member countries, we will not hear any answers either over tax cartel practices by wealthy countries, who attract foreign investors with zero-tax policies, exemptions, subsidies, and grants — policies that suit the more resourceful countries while denying similar benefits to resource-limited countries.

*The positive aspects serve to underline the importance for island nations of developing the capacity to sift the good things out of globalization and reject the bad.*

Ironically, the evolution of tax havens grew out of the need for small countries with very few options to develop their economic bases. The bigger countries encouraged those smaller countries to expand those bases in competitive ways. The offshore financial services in the Cook Islands grew out of that. Now those big countries are turning and saying they don't want them any more because it's turning around and biting them.

But high mobility of money is a fact of globalization, and it is something we have managed in the Cook Islands to utilize in a beneficial way to diversify our economy and bring in new skills and technology.

The experience of the Cook Islands with OECD epitomizes for me the dilemma of developing nations over the role played by international organizations in globalization.

The message that I delivered earlier this month at an international forum on the tax issue related to the effort and dedication over twenty years to construct an offshore financial services regime in the Cook Islands with high standards of integrity and credibility. This was done against a backdrop of a fragile economy and limited physical and human resources and much was achieved — yet with one foul and uncaring sweep from an international organization the hard work of many years is threatened with extinction overnight.

The reality for us in the Pacific has always been that it is hard to build something. And oh so much easier to tear it down.

The globalization phenomenon is usually considered in a negative way. It is usually considered as something you have to be wary about. Like a tornado, you cannot control it. We are all affected by it. The new information technology, globalization of finance, growth of tourism through the increased mobility of people, and the dominance of the American culture — all of these things are part of globalization.

We worry about globalization because we can see the economic gains have been spread unevenly. We worry about the speed at which short-term capital can flee a country thereby hastening financial crises.

We worry about our diminishing ability to create social safety nets for our people, and about letting labor and environment standards slip in our need to remain internationally competitive. And our workers feel threatened by low wage competition and new technology. It's all worry, worry, worry.

These concerns are all real. But there are many positive aspects of globalization.

So the solution cannot be to abandon it, but to manage it better.

We know international trade and capital flows should be to the benefit of all. Trade encourages specialization, increasing productivity and living standards, and providing people with access to a range of better-quality goods at lower prices.

The free movement of capital enables money to be channeled efficiently, finance investment, and give better returns to savers.

Openness to information and ideas from abroad go hand in hand with trade in goods and capital. The technological revolution offers small island states, which can make the necessary investments in education and training, the potential to resolve difficulties associated with being distant from major continental centers.

The positive aspects serve to underline the importance for island nations of developing the capacity to sift the good things out of globalization and reject the bad. Unfortunately, many developing countries don't have that. Their options and avenues are limited. So, it is important to understand that international organizations will become important to developing countries as a means of tackling difficult issues.

With respect to the role of international organizations, the task for small island states is clear. We have to find ways to make them work better for us.

So what in particular can we do? Here are a few raw thoughts on the issue.

First, how many organizations do we belong to? The answer is heaps!

We have to ask how much are we getting out of these organizations?

If we don't have the ability to get things out of organizations then we are falling short in achieving our full potential.

For example, a consultant based in Brussels at the heart of the European Union who visited the Cook Islands in December told us some of the developing countries in the EU-ACP Convention weren't getting the most they could get out of it.

In fact, there was a lot of disappointment out of what they did get from it.

He pointed out there was a big difference between those who really milked the system and those who didn't have the capacity to suck the thing dry — so to speak.

*More and more, the international affairs of our countries are becoming our domestic affairs. Globalization will see to it that we can no longer ignore the questions the world faces because they too are our questions.*

One of the conclusions therefore has to be trying to find out how member countries can get the most out of an organization. Some organizations are not effective because the members don't seem to be able to get much out of it. Nobody really knows the ins and outs of utilizing it.

Second, why do some of us find international organizations constraining or elusive? Maybe they are too complicated for the smaller country members. Maybe the small countries are not speaking out loud enough about the way they get things.

Maybe international organizations have inflexible rules. Because they are serving multi members, they don't treat members on a case-by-case basis.

Whatever the reasons, international organizations need to help poorer countries by being more flexible and "user-friendly."

Third, there are many multilateral organizations in the region.

We can see they are not getting less. They are growing. It's like for every activity we have there is an international organization for it.

Are we any better off because of these organizations? We should be studying whether they need to be streamlined, restructured, or abolished, and whether new ones need to be created.

We need to talk about what ways we want these organizations to be better so they do not just exist for us as empty frameworks of cooperation.

We have got to give them real meaning, otherwise they will remain totally ineffective.

To sum up, therefore, no country in the Pacific can ignore the importance of how the phenomenon of globalization applies its influence and the ways in which it may be felt.

From this meeting of leaders in Honolulu it may be that our voice, the voice of the Region, will be an expression of how we might deal with globalization in future years as the world grows and develops more rapidly.

Governments around the Pacific, which may share our own policy to promote equity in terms of access to benefits and opportunities for all, will no doubt ask of each other: What can we do to sift the best from globalization while protecting ourselves from the worst? Quite simply, we must learn to do so with more awareness and far greater degrees of commitment under shared perspectives.

In my own messages overseas to the international community, I have spoken of the importance of the Pacific Region as a significant

player on the world stage. While we may be small in terms of numbers of people, we have jurisdiction over vast areas of the greatest ocean on the globe and vast quantities of minerals on the seabed. That is something of inestimable value. But far too often, the Pacific has accepted the prescriptions that the outside world has laid down for it. The outside world creates the playing field even before questions arise about whether it is level or not. Much of the stage may be set but the acceptance or receptivity to the play will provide globalization with its significance.

For the Cook Islands at least, our fight begins at home where a determination to meet the needs of small communities must prevail. When Government looks beyond our borders at what may be happening in the international community, it is really looking within. It is looking within and making a conscious decision about the lives of those small communities, and the people who inhabit them. When we look out to the world, we are really looking at ourselves.

What, for example, would be the future of our quality of life if we simply ignored the way the world is investigating and turning inside and out the cause and effect of climate change, the frequency of cyclonic weather, the rise in sea level, or the tides that may wash the reputation of nuclear contamination upon our shores?

Where would we begin to rebuild if we simply failed to take into account the way the boundaries of world trade continue to be redrawn, if we downplayed reaching an agreement on certain international standards of finance, or let slip the level of attraction which the Cook Islands has portrayed so well to the outside world.

Unfortunately, there is no cure to the peculiar problems of small island states and we should not believe in an instant that one lies in wait, simply undisturbed by discovery. More and more, the international affairs of our countries are becoming our domestic affairs. Globalization will see to it that we can no longer ignore the questions the world faces because they too are our questions. What it will mean is that those who may be disadvantaged must remain sensitive to shared perspectives and cooperation along common goals.

So as we move forward, I am asking you, let's not be afraid to say what we have to say about making globalization work to the benefit of all Pacific Island peoples. Let's be strong. Let's go forward and meet the challenge of global economic integration. Together, we can do it.

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## Statement in support of the continued funding of tourism assistance and agencies such as the South Pacific Tourism Organisation

Many years ago, the dream of Pacific Island leaders was to tap the growing mobility of people around the globe because of the potential to make an important contribution to economic growth and sustainable development of the region.

That being said, tourism is the fastest growing industry in the world today and Pacific Island countries are receiving their share of this growth. Last year, the Cook Islands recorded its highest number of visitors ever.

One notable advance in recent years has been the establishment of the South Pacific Tourism Organisation to coordinate and promote tourism activities throughout the region.

The collective approach in this case is important because it enables small Pacific islands with limited means and small private sectors to become increasingly integrated into the world economy.

It would be a shame if the work of this organisation were brought to a stop because of a halt in funding assistance based on a premise of an international organisation that the region's private sector should drive tourism completely.

As I have observed previously, it is hard to build something but easy to tear it down.

In this regard the Cook Islands would have no difficulty in supporting recommendations to the effect that this Conference of Leaders re-endorse and recognize tourism as a priority sector for development in the region and that all efforts be made for negotiations and identification of new funding from donor governments and aid agencies for the South Pacific Tourism Organisation and other tourism promoting agencies in the region.

In making this statement, I acknowledge and admire the great efforts of the new Chief Executive Lisiate Akolo for working hard to obtain continued funding for the survival of the South Pacific Tourism Organisation so that it may continue to provide benefits for small island states in particular that are striving to share in the proceeds from the global growth in tourism.

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*The Pacific Islands Conference of Leaders, an organization comprising heads of government from Polynesia, Micronesia and Melanesia, was established during a meeting at the East-West Center in Honolulu in 1980. The Center's Pacific Islands Development Program serves as secretariat to the Conference of Leaders.*

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For more information contact:



### EAST-WEST CENTER

Office of External Affairs  
1601 East-West Road  
Honolulu, Hawaii 96848-1601

Phone: (808) 944-7111

Fax: (808) 944-7376

E-mail: [ewcinfo@EastWestCenter.org](mailto:ewcinfo@EastWestCenter.org)

World Wide Web:  
<http://www.EastWestCenter.org>

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