

Chapter 8

The Economies of Oceania

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ABSTRACT

This chapter provides an overview of the economic performance and current situation of the economies in the Oceanic region. Oceania comprises the economically developed countries of Australia and New Zealand plus the more than 20 island countries and protectorates of Melanesia, Micronesia, and Polynesia. In 2018, Australia dominated the region in terms of population (71% of the total for Oceania) and gross domestic product (86%). Melanesia, which includes Papua New Guinea, Fiji, and New Caledonia, contained 26% of the region's population and generated 4% of its gross regional product. According to the authors' forecasting model, Oceania's share of both world population and gross world product will rise strongly during the coming three decades, admittedly from a low base. Reflecting the high degree of complementarity of the Oceanic economies with those of Asia, this strong growth in the Oceanic region should support increasingly attractive opportunities for trade and investment with the economies of Asia.

OVERVIEW

The economies of Oceania, individually and in total, are small compared to those of Asia. In 2018, Oceania's population was 41 million, or 0.9 percent that of Asia. Oceania's per capita gross domestic product (GDP), of just over I\$ 38,500, was 2.6 times that of Asia, and its gross regional product (GRP), of I\$ 1.6 trillion, was 2.4 percent of the GRP of Asia.¹ The economies of Oceania, comprising about 25 countries and protectorates, had average population of about 1.6 million and GDP of I\$ 63 billion while for the 49 countries of Asia average population was 86 million and average GDP of I\$ 1.3 trillion. However, the difference in scale, there is a high degree of complementarity between the economies of the two regions, with Oceania being an important source for Asia of raw materials and education, health and financial services, Asia being the leading supplier for Oceania of a wide range of manufactured products and each region providing a market for the other in tourism, investment products.

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For the purposes of this chapter, Oceania is divided into four regions: Australia and New Zealand (Table 2), Melanesia (Table 5), Micronesia (Table 6) and Polynesia (Table 7). Table 1 shows the performance of these regions in 2018 with respect to labour force, labour productivity, gross regional product (GRP), population, and per capita GRP. The ANZ region dominated in all categories: it accounted for 74 percent of the labour force, 71 percent of the population and 95 percent of GRP. Its labour productivity and per capita GRP were 7.6 and 7.8 times the corresponding averages in the rest of the region. Among the three smaller regions, Melanesia had the largest GRP (I\$ 62 billion) and Micronesia had the highest per capita GRP (\$15,116).

Table 1. The Major regions in Oceania, 2018

	Labour force (m)	Labour productivity (I\$)	GRP (I\$ bn)	Population (m)	Per capita GDP (I\$)
ANZ	15.7	96,745	1,520	29.6	51,424
Melanesia	4.6	13,473	62	10.7	5,811
Micronesia	0.2	34,684	7	0.5	15,116
Polynesia	0.6	13,912	8	0.7	12,013
Oceania	21.1	75,636	1,598	41	38,579
Asia	2,086.5	31,001	64,683	4,286	15,091
World	3,415.2	39,627	135,334	7,676	17,630

Sources. World Bank's World Economic Indicators, IMF's World Economic Outlook, UN Population Division, CIA's World Factbook

Notes. (1) GRP is measured in purchasing power parity (PPP) terms, at 2018 prices.

(2) ANZ refers to Australia and New Zealand

AUSTRALIA AND NEW ZEALAND

In 2019, the Australian Bureau of Statistics announced that the population of *Australia* had passed 25 million and was growing at an annual rate of about 1.5 percent (compared with a global average of 1.1 percent). In 2018, Australia's GDP of I\$ 1.3 trillion was 19th highest in the world, and its per capita GDP of I\$ 52,809 was second only to that of the United States among the world's larger economies (those with population above 20 million and GDP more than I\$ 1 trillion). Australia has an open market economy with a small but highly productive agricultural sector (4 percent of GDP) and a large, cutting-edge services sector (71 percent of GDP). Its main trading partners are China (28 percent of exports plus imports), Japan (8 percent) and South Korea (6 percent). Australia is an important exporter of natural resources (coal, iron, copper, gold, natural gas, and uranium) and farm products (wheat, wool, meat, milk, and cheese), as well as education, financial services, and tourism. Its major import commodities include motor vehicles, petroleum products, telecommunications equipment, and computers. Australia's proximity to and increasingly close cultural ties with what might be three of the world's four largest economies by 2050 – India (largest), China (second largest) and Indonesia (fourth largest) – should make it an increasingly attractive source and destination for both international trade and foreign investment during the coming decades (Hooke, 2019).

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