Reviews of American Sāmoa, and Wallis and Futuna are not included in this issue.

Cook Islands

The shrinking economy was the crucial issue in 1996–97. The government’s budget policy statement accepted that the economy shrank a further 4.1 percent during the year, following an 8 percent drop the previous year. The present government, in power since 1989, outdid its predecessors in efforts to make voters dependent on them and to politicize more forms of power. It achieved this largely by borrowing far beyond the country’s capacity to repay, using the money to bring more people onto the government payroll with little to do, and giving cash grants and perquisites to politically useful actors—including all the main churches.

With insurmountable debt, and bankruptcy only one payday away, the Asian Development Bank was called on and a “structural adjustment package” devised. Cook Islands currency was abolished because it became discredited after the government “mined” the reserve fund on which it was based. New Zealand currency was adopted in its place.

The public service staff was cut nearly sixty percent from a peak of 3,600 to 1,593—still relatively large for a resident population of 18,000. Those who lost their jobs were offered three months’ pay if they joined “Transition Services” and trained for private-sector work or self-employment. But the head of Transition Services, Nga Pierre, said that many would not even attend interviews for jobs. Many private-sector jobs were advertised but not filled, because private-sector jobs involve regular attendance and effort, which government jobs in most cases did not. Motivation was low, as people had become accustomed to wide-ranging dependence, including being paid without significant work. A few set up their own enterprises, but most were left ill equipped for initiative, responsibility, or self-reliance. Many people have some land or family they can fall back on in emergency, and all have the right to live in New Zealand and Australia and earn much higher amounts (which become a benchmark at home), whether from work or welfare grants.

The staff of the Ministry of Agriculture was cut from 280 to 70. Few had realized that the ministry itself was a major constraint on agricultural productivity, and those who knew had a vested interest in not telling. For decades, successes in agriculture have resulted from individual initiatives; almost every government scheme has failed. By the end of the year under review agricultural production was already much improved.

However, the political superstructure remained untouched. As the publisher of the Cook Islands Press observed on 26 January, “Ministers run the country into the ground, everyone loses their jobs except them.” Despite public calls for reductions to
the 9-person cabinet and 25-person parliament to run a community of 18,000, their posts and privileges have been preserved.

Levels of integrity have also been tarnished. The newspaper article spoke of ministerial improprieties that are general knowledge such as “[Minister] Tom Marsters . . . ordering tax-paid workers to his private pig farm”—and to his taro plots. The same minister contracted the mowing of the international airport to his campaign manager and supplied him with a government tractor to do it with. Minister for Marine Resources the Honourable Tepure Tapaitau granted a license for a pearl enterprise in which his family are the major Cook Islands beneficiaries. Such conflicts of interest and misuse of power are common. Former Minister of Marine Resources and then Cook Islands Commercial Consul in New Zealand Ben Toma was being sought by creditors and police for money he owed to all three banks in the Cook Islands (among other debts), and for his island’s church funds, which “disappeared” while in his care. Toma went into hiding in Australia, using a diplomatic passport. The New Zealand government was so keen to get the passport back that it refused to renew any Cook Islands diplomatic passports until it was returned. The public complains about widespread incidents like these involving politicians and public servants, and the Cook Islands Press editorial of 22 June 1997 observed that “Money, cement, cars, boats, computers, video cameras and decks, and many millions in office supplies and food have gone missing over the years as those in power have helped themselves to overseas aid.” No one dares to take ministers to court, for the network of power in a small community is too pervasive. Not all is gloom. The much-respected Minister for Justice the Honourable Tiki Matapo has often challenged his colleagues and public servants over conflict of interest and misuse of power.

There is little confidence in today’s political leaders. A newspaper poll in March revealed that an overwhelming 86 percent of respondents were not satisfied with the government. Nor did they have faith in the opposition. Prime Minister Sir Geoffrey Henry received only 9 percent support (compared to 17 percent last year). The highest approval rating was achieved by the Honourable Tiki Matapo, but at only 15 percent. Leader of the Opposition the Honourable Norman George rated only 10 percent (and all members of his party together only 19 percent). George’s 10 percent rating seems not to have been changed by his public “apology to the nation for my past business failures. . . . I’ve hurt some people [but] I’ve learned from my mistakes.” Given the scale and nature of the “mistakes,” however, and the number of people hurt, the poll suggests that few were moved by his request for forgiveness. Sixty percent of those polled want a new field of politicians, suggesting that a credible new party may get public support.

In April a new Public Expenditure Review Committee was established, but the minister of finance (who is also prime minister), selects the chairman and the cabinet selects the other mem-
bers. Justice Minister Tiki Matapo’s recommendation for an independent review committee was rejected. He wanted a committee with a much wider brief, including hearing complaints about corruption by members of parliament and cabinet. The new committee is concerned only with public servants.

The government decided to delegate more financial and administrative responsibility to local governments on each island. The principle of devolution is good if there is a local input, but how it will work in practice remains to be seen, as the government will give the Island Councils the money, and they are highly politicized.

Since the government dissipated savings (including people’s money in the Post Office Savings Bank, the superannuation fund, and the reserves of public utilities) and minimized incentives for people to save, the country is excessively dependent on foreign aid, investment, and initiatives to create infrastructure, employment, and income. However, the present government’s eroded credibility and reputation for low quality management have reduced the volume of both aid and quality investment. Whereas overseas suppliers used to give sixty days’ credit, they now give many Cook Islands businesses thirty days or less because of the country’s deteriorating image abroad in the past three years. Many local firms have ceased giving credit and deal only in cash.

After years of heavy losses, the government decided last year to sell its four hotels. The Akitua was sold to Tahitian interests. A sale agreement was signed for the Rarotongan, with the transfer to take place on 26 November 1996. However, the government revealed that their arrangements to shift the mortgage on it to other government assets by the government of Nauru (as security for the loan to build the Sir Geoffrey Henry Cultural Centre) had not been finalized as promised. They therefore advanced money to proceed with renovations, to be repaid once they were able to transfer the title. This has been delayed by five changes of president in Nauru. Public criticism of the government’s actions was strong. The Vaimaga resort lies incomplete, empty, and without a definite buyer. The Rapae is in the process of being sold.

The government liquor supplier (which had the monopoly on all liquor imports) had a history of corruption and mismanagement. One former manager is still in jail for fraud; some ask why he is the only one there. The business was sold, and outstanding debts of NZ$400,000 written off. The result of the broken monopoly was a reduction in alcohol prices as multiple outlets competed for the market. The competition has also led to suppliers being much more generous in giving to sporting and other community events.

The radio and television service that the government sold last year has been losing money (although only a fraction of the losses when it was run by the government), but hopes to become viable by adding cable television. The government dental clinic and one outpatient clinic were priva-
tized with some government subsidy.

The Rarotonga and Aitutaki airports and shipping ports, power, water, and waste management services, and the development bank, have been advertised for sale, but the policy remains contentious and no sales have been made. The government has offered to return the land to the former traditional landowners, who would rent it to the investors who buy the assets and operate the services.

The Mangaia ostrich farm closed, with the loss of one hundred jobs, after being for three years the main source of private employment on that island. A proposed alpaca quarantine station (for alpaca en route to Australia) never opened, following long and acrimonious debates. The owners established it on neighboring Niue. Copra production, which ceased some years ago, recommenced on the atolls. It is exported to Sāmoa. There is scope for more agricultural exports, but Mangaians stopped exporting taro in September as they had not been paid for up to seven months.

A lands commission, set up to ameliorate problems of fragmented title, absentee ownership, backlogs in the land court, and so on, presented its report during the year. Action to be taken by the government has not yet been decided.

A private Internet casino opened. Cook Islanders cannot play, and there has been criticism of the fact that the business was given tax-free status.

The South Pacific Forum holds its annual meeting in a different country of the region each year. This year the Cook Islands’ offer to host the meeting was accepted, but there has been public pressure to postpone the invitation for several years until the economy is in better shape. Hosting the Forum in the Sir Geoffrey Henry Cultural Centre will cost NZ$500,000 according to government estimates, and $1 million according to some others. This is a lot of money for a country with a national budget of only about NZ$50 million, and in financial crisis. But the prime minister is determined to “showcase” the “reform” program and rehabilitate his image among fellow heads of government. Once one of the most positive images, it has been badly shattered in recent years.

Despite high rates of natural increase, the population remained static due to emigration, particularly in the 15–44 age group. The national total of 18,617 in 1991 rose to only 18,904 by the December 1996 census. It rose considerably in the early 1990s, but dropped markedly in 1996 and early 1997 following the collapse of the “bubble economy” that had been built on reckless borrowing and non-maintenance of national assets. The proportion of non–Cook Islanders in the population has grown, as Cook Islanders emigrate and foreigners immigrate to set up commercial services. Most of these services could be set up by Cook Islanders, but the government’s dependency-creating practices, plus cultural priorities, have sapped their initiative and confidence. If the hoped-for economic upturn takes place there will not be enough staff for the hotels and other enterprises and an inflow of Filipino and other Asian workers is likely—as is apparent
throughout much of Melanesia and Micronesia.

The shrinking economy, and the higher fees set by the University of the South Pacific in Suva, was reflected in enrollments of extension students being less than one third of what they have been. The whole education system is currently being reexamined.

The prime minister rode a self-generated wave of “Cook Islands culture,” which the first head of government (his cousin Albert Henry, who led the country from 1965 to 1978) had likewise used to political advantage. Sir Geoffrey’s goals of enhanced cultural integrity were supported, but once filtered through his ego and political goals, they ended up being expressed in such initiatives as bankrupting the nation with the Sir Geoffrey Henry Cultural Centre. Its main hall is empty ninety-nine percent of the time and in the one percent of time it is used, ninety percent of the seats are usually empty. The National Library, which is part of the centre, was built in an unsuccessful attempt to force the closure of the voluntary, long-established, and successful Cook Islands Library and Museum Society, which was chaired by former prime minister and political foe Sir Tom Davis. The island of ten thousand people now has three libraries side by side—the third being that of the University of the South Pacific Extension Centre. None is adequately staffed or equipped. Interest payments on the loan for the construction of the Sir Geoffrey Henry Cultural Centre are in arrears, and the zero-coupon bond, donated by the founder of the Cook Islands tax haven to repay the capital at the end of the fifteen-year term, was cashed early, leaving the government with another unmanageable debt.

A Polynesian Song Quest, which was to have been an annual event, fizzled after the first session, at which the government lost considerable funds. The rhetorical importance given to the Cook Islands language is faced with the reality of a deteriorating language situation. Nongovernment cultural initiatives, on the other hand, have in many cases been successful. Voluntary expressive arts flourish, sponsored mainly by the sources of income, travel, and other rewards for performance and product—the tourist industry, the airlines, and the banks.

The international commercialization of rugby, league, and soccer began in 1996 to provide external funds for full-time and part-time Cook Islands staff, training in country and abroad, equipment, and fares for Cook Islands teams to compete in games in several different countries each year. The Olympic Movement also provides funds for in-country and overseas training of Cook Islands athletes and for equipment and financial support to compete abroad. These are valued experiences.

Permanent-residence status in the Cook Islands is very difficult to obtain, and Sir Geoffrey Henry stated publicly in 1989 that no more permanent residence certificates would be issued while he was prime minister. The Cook Islands constitution states that only the High Court can revoke permanent residence status. That would require very good reason, and no such case has ever been brought. Nevertheless, the prime minister and other ministers from time
to time threaten to “deport” any permanent resident who annoys them. Their bugbear during the past couple of years has been Jason Brown, publisher of the Cook Islands Press, whose investigative reporting (along with that of his equally vigorous Cook Islands partner, whom the government cannot touch) has hurt the government more than any other. It was they who uncovered the Letter of Guarantee scam and various others.

In September the government tabled a constitutional amendment in parliament, giving the minister the right to deport permanent residents at his discretion. The New Zealand government did not comment, but several New Zealand backbenchers called for a review of the automatic right of Cook Islanders to enter and remain in New Zealand (where there is no deportation, even through the courts), while New Zealanders have no right to enter the Cook Islands. There are two and a half times more Cook Islanders in New Zealand (over 50,000) than in the Cook Islands, but only a few hundred New Zealanders in the Cook Islands. Cook Islanders both there and at home value the access privilege highly, and the possibility of loss of it led them to apply pressure on their politicians at home. In response, the Cook Islands government withdrew the proposal for ministerial deportation and provided for a maximum of 500 permanent residents at any one time. There were then 315. For the first time since 1989, a new intake was permitted in 1996.

In April the government issued the prime minister’s “Vision 2005,” the basic goal of which is “to achieve a standard of living better than any in the region, and in harmony with our culture and environment.” That had been achieved by Sir Tom Davis’s government in the 1980s, with the then exception of Nauru among the independent nations and the stark exception of the French and American territories in which levels of income, education, health, and so on are much higher. If Sir Geoffrey is to attain his goals, it will mean a radical change of policy and practice from those he applied during his first seven years as prime minister. He admitted in the Parliamentarian (January 1997), as he has publicly at home, “I finally came to realize who caused the problem: we did—my government and past administrations.” Nevertheless, the public will take some convincing. Henry’s commitment to repaying his government’s debts will take time to achieve, even if expenditure is reduced. The key goals in Vision 2005 are to lift economic growth through tourism, agriculture, marine resource developments, offshore financial services, and local industries and services. It aims, between 1997 and 2005, to get government revenue and expenditure below 30 percent of gross domestic product, net debt (liabilities to current assets) down to 30 percent, and to build a national reserve of at least NZ$50 million. The Cook Islands remains in a trough, but if the reform program is maintained, future prospects could be much brighter.

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