ECONOMIC PROSPECTS FOR THE PACIFIC ISLANDS

by

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It is often said that the Pacific Basin Region is poised to enter a new economic era which will bring new levels of prosperity to its people. Such a belief is not totally without foundation; after all, the Pacific contains within its boundaries some of the most dynamic and rapidly growing economies in the world, many of whom are world leaders in technology and industrialization. With its vast ocean areas, the region is rich in marine life and its land masses contain substantial quantities of key minerals: copper, gold, nickel and phosphate as well as hardwood timbers. Energy potential is not insignificant while the strategic value of the region is recognised by the Western Alliance which so far as the South Pacific island countries are concerned has implications for their ability to secure financial aid resources for development. Not for nothing has it been said that the 21st century is the era of the Pacific.

For the small island states of the region, however, the promise of an impending 'golden age' needs to be treated with caution. In an uncertain world, many key resources may take years to develop, and some with apparent promise may yet prove to be commercially nonviable. It is likely that meaningful participation by Pacific island countries in the development of their fishery resources will continue to be frustrated by lack of capital and technical expertise. Distant fishing nations will continue to reap the major benefit until these deficiencies are remedied. And, while rapid growth continues to be enjoyed by the Pacific Rim countries, little impact is likely to be felt by the smaller islands economies of the region.

These generalisations aside, it is clear that Pacific Island countries differ widely in their resource endowment and their capacity to achieve economic growth. The best prospects are held by the larger island countries such as Papua New Guinea and Fiji which are relatively well endowed with natural resources. With these, the potential is there to sustain cumulative growth and to achieve significant economic transformation in the coming decade. Far reaching changes in the social and economic life of these countries can be expected and these will be manifested through such avenues as the attainment of higher levels of social and welfare services; greater diversification of economic activity; stronger involvement of foreign capital; accelerated urbanisation; and a further decline in subsistence activity.

In sharp contrast are the prospects for the very small island economies: economic growth cannot be envisaged because of poverty of resources combined with rapid population growth. Living standards are likely to remain at low levels and the absence of economic opportunities will be reflected in continuing aid dependence, growing unemployment and pressure to emigrate.

This paper addresses the contrasting economic condition of Pacific island countries, their development prospects and the important influence of regional initiatives and foreign aid. It also reviews recent policy and strategy proposals whose implementation could significantly affect future development. To simplify, the analysis focuses on three categories of island countries, principally those under the Forum umbrella, whose size and resource potential suggest (1) continuing economic growth, (2) limited growth and (3) no growth. This three-fold typology is not meant to be all embrasive, e.g., a notable omission is the special case of Nauru; but it is convenient for the purpose of the present discussion.

Growth Economics

This group includes what can be considered the lucky countries of the region: Fiji, Papua New Guinea, Solomon Islands, Vanuatu (and arguably New Caldedonia). Together this group accounts for an estimated 3.7 million, or 84 percent of the region's estimated current population of 4.5 million. Each has the potential to achieve cumulative economic growth and structural diversification based on the exploitation of both land, sea-based and tourist resources. Through a disciplined planning approach and backed up by a considerable input of private foreign investment, these countries have already made notable advances in developing their resources and in improving their living conditions.

By comparison with many other island countries, this group controls fishing zones that are relatively well stocked with tuna and have relatively large land areas as a basis for achieving significant agricultural diversification, whether it be subsistence food, cash crops, livestock or forestry. Rich mineral deposits are found in Papua New Guinea and to a lesser extent in Fiji and Solomon Islands. Hydro-carbons have been found in Papua New Guinea but hydro-power, biogas and solar energy possibilities are present throughout. Forestry is a major resource in Papua New Guinea and Solomon Islands while exotic forest varieties are being developed on a large scale in Fiji.

Considerable success in the exploitation of natural resources including minerals, is reflected in exports. Although gold and copper account for just over half her export earnings ($480 million out of $913 million in 1982) Papua New Guinea can boast at least half a dozen other major natural resource export products: coffee, cocoa, copra, copra oil, palm oil, logs and tea. Fiji exports are dominated by sugar, which accounts for about half her total export earnings, but the degree of diversification is also notable here. Important exports include coconut oil, gold, canned fish, ginger and an array of processed and manufactured goods such as cement, paint, cigarettes and light engineering items. For Solomon Islands the range covers fish, wood products, palm oil and copra; and for Vanuatu, copra, cocoa, frozen fish and chilled beef.

Though export earnings have generally been static over the past few years due to poor commodity prices, they have nonetheless expanded markedly over the decade as a whole. From 1975 to 1982, export earnings (in current values) more than doubled for Papua New Guinea and Fiji but multiplied five fold for Solomon Islands and three fold for Vanuatu. These are impressive performances, meaning in effect that there has been a growth in exports in real terms, and in the case of Solomon Islands, a very notable one.

With exports as an engine of growth, the national incomes of these countries also expanded markedly. Fiji's GDP doubled from 1975 to 1982; Papua New Guinea's rose by 30 per cent from 1977 to 1981 and from the limited evidence available, it appears that it more than doubled for the Solomon Islands over the past five year period. This suggests positive values for economic growth in real terms (which for Fiji has averaged 3 per cent annually in the period 1977-82) and since these rates were above population growth, incomes per head have been rising. This is no mean feat when viewed against the adverse effects of the recent global recession. According to available national income figures, the level of GDP per head (1982) amounted to $1,637 for Fiji, $820 for Papua New Guinea and $670 for Solomon Islands (see Table 1). These are well above income levels recorded for most developing countries in the world.

The major factor underlying these growth performances has been successful export diversification through natural resource development. Minerals have played a large part, especially for Papua New Guinea and Fiji, but the increased processing of natural resources has been significant. This has been an important factor in the expansion of industrial sectors, particularly in the case of Fiji where industrial activities and processing now account for at least 12 per cent of GDP - the highest in the region.

The growth momentum continues apace with the development of new major resource projects. In Papua New Guinea work has reached an advanced stage on the Ok Tedi project in the Western Province to develop huge deposits of gold and copper. The mine is said to contain 34 million tons of gold deposits, yielding 2.9 grams of gold per ton, and 376 million tons of ores bearing 0.7 per cent copper, 0.6 grams of gold and about 0.14 grams of silver per ton. The cost of bringing the mine into operation is estimated at $1.6 billion (1981 prices) and the first stage of the mine opened in 1984, beginning with gold. When it is fully operational it will dominate the economy of Papua New Guinea in much the same way as Bouganville did in the previous decade.

Other major projects being developed in Papua New Guinea are the Ramu Sugar project which commenced production in 1982 but with its full potential not yet realised; a revival of the tuna industry; timber milling; and survey work on several newly discovered mineral deposits.

In Fiji, the harvesting of vast pinewood forests will make a significant impact on the economy and will open up many industrial opportunities. New sugar acreages are being developed while further major expansion can be expected from ginger, cocoa and citrus fruits. Productive projects currently being implemented in Solomon Islands encompass forestry, tuna fishing, and a commercial venture in palm oil and coconut.

Limited Growth

Western Samoa and Tonga are illustrative of this middle level group, where agriculture and related activities provide scope for growth, but their future potential is restricted by a limited land area and opportunities for major industrialisation and tourist development. Additionally, there is little indication so far of the existence of commercially exploitable minerals.

Exports are dominated by 'traditional' products: copra and other coconut products, cocoa, bananas and coffee, with a variety of other items including light manufactures, but these are small in total. Thus, Western Samoa relies heavily on coconut oil, cocoa, taro and timber with coconut cream, beer, soap and fruit juice providing a degree of diversification. Tonga's exports are dominated by coconut products including coconut oil and desiccated coconut, with certain fruit and vegetable items also prominent. Between 1975 and 1981, Western Samoa recorded a slight upward trend in copra coupled with strong expansion in taro exports, but the overall performance in real terms has been static, a situation also seen in Tonga.

National income per head is among the lowest in the region, varying between $400 and $500. Principally because of this, Western Samoa has been classified as a Least Developed Country (LDC) by the United Nations. Some growth in real national income appears to have occurred during the 1970's but the recent experience has been one of decline because of adverse terms of trade, generally declining export production and an ever-rising population.

Subsistence production continues to play a significant part in the economic life of the group; as a proportion of GDP, subsistence production is equal to 32 per cent in Western Samoa, and 26 per cent in Tonga which compares, for example, to only 8 per cent in Fiji. Opinion varies regarding the development potential of subsistence sectors, but at the present time they remain of considerable importance as a source of livelihood for many island countries. As well, they provide a measure of security against the vagaries of the world economy as a 'fall back' in times of economic crisis.

Development prospects mainly depend on the ability to develop presently unused land for agriculture and to improve the productivity of existing agriculture. Other possibilities lie with the development of agricultural processing and tourism.

Countries in this group must contend with powerful constraints to development. Among the most intractable problems are the existence of rigid traditionally based land tenure systems, a low capacity to innovate, paucity of capital funds and skills, continuing vulnerability to international trade instabilities and rapid population growth. Progress in selected areas will no doubt be made, but on a limited scale and irregularly, while adverse changes in world market conditions could quickly undermine the economic viability of apparently successful projects. For these and related reasons major breakthroughs in the foreseeable future cannot be expected.

No Growth

These are the 'problem' economies of the region: Kiribati, Tuvalu, Tokelau, Niue and the Cook Islands. Apart from sea-based opportunities, poverty of land-based resources is severe and this combined with tiny domestic markets, geographic isolation and expanding populations, provides the ingredients for economic malaise and decline. A few countries have been able to stave off subsistence poverty through sustained emigration and a heavy reliance on foreign aid.

Copra is the lifeblood of the group but small amounts of handicrafts and fresh fruits and vegetables are exported in some cases. Exports of fruit juice, processed fruit and clothing are significant in the Cook Islands but these are based mainly on two islands — Rarotonga and Mangaia. On the whole, export earnings are not only small but have been static except in the Cook Islands, where, in recent years, exports have climbed noticeably.

Recent estimates of national income per head vary from $600 to $700, except for Kiribati and the Cook Islands with $450 and $1,200 respectively. These are relatively high and reflect aid dependency rather than domestic productive capacity. All have probably suffered a decline in real income per head in recent years.

An additional handicap suffered by this group (with the notable exception of Rarotonga) is the low productive capacity of subsistence sectors reflecting poor soils and other unfavourable environmental conditions. Poor subsistence sectors explain in part the unusually high dependence on imported food compared with the larger island countries, as well as the modest contribution of the subsistence production to GDP. Thus in the case of Kiribati and Tuvalu, it is estimated that subsistence production accounts for between 16 and 18 per cent of GDP - about half the corresponding share for Western Samoa and Solomon Islands.

With virtually no opportunities for growth, prospects for improved living conditions depend on aid, with emigration relieving population pressure. Possible regional and aid initiatives for small island countries will be discussed below and if implemented could result in major benefits. On the other hand, an absence of outside assistance would lead to an unavoidable drift to subsistence poverty.

External Initiatives

It is clear that by concentrating on natural resources as a basis for economic growth I have perhaps painted an unduly bright future for the larger of the Pacific island countries. The analysis has neglected the many obstacles that have to be addressed and overcome if the resource potential is to be realized — a fact that applies both to large and small countries. On the supply side, there are problems of raising development capital and securing the necessary expertise at all levels, but with limited local capacities, the bulk of these inputs must necessarily come from overseas.

Progress can also be obstructed by rigid adherence to customary forms of land tenure and socio-traditional attitudes, which impede the development of commercial agriculture and are inimical to innovation and development.

On the demand side, problems arise over securing markets and favourable prices and the ability to cope with fluctuations in world market conditions. Poor export prices, if accompanied by rapidly rising import costs, can result in a serious decline in the terms of trade which can negate the effect of increased export production on national income.

High costs of transport, both sea and air, and of public administrative services are further major constraints, particularly onerous for the more remote and dispersed countries. Testing social issues that invariably arise with development have to be faced, such as ensuring that the benefits of development are distributed on a reasonably equitable basis between the various social, occupational, ethnic and geographic groups. Also, almost all countries currently face serious balance of payments problems which need to be brought under control, stemming, in part at least, from low export price levels and high import costs, including that for imported fuel.

Such constraints remain an ever-present threat, frustrating efforts of island countries to realise their development aspirations. However, even from the most pessimistic assessment, the economic future of the larger countries still remains highly favourable by comparison with the smaller members of the region. A growing disparity in the economic circumstances of the Pacific islands is evident from the recent experience, but greater polarization can be expected in the future even allowing for the effects of foreign aid. One will find groups of countries thriving in a state of relative affluence amidst those suffering economic deprivation - dramatic contrast to the traditional times when under subsistence conditions, economic status would have been fairly uniform.

Increasing fragility in the economic circumstances of the small island countries could have significant regional implications. Continuing economic weakness could leave little choice but to seek radical solutions including closer integration with a sympathetic metropolitan power and mass emigration. Such approaches will certainly undermine the coherence of the region making it difficult to pursue regionalism in a meaningful sense. Serious security problems could arise whose impact on the economic life of the region is bound to be detrimental.

In the next 20 years will we see initiatives capable of promoting Pacific island development and assisting in particular the small resource-poor economies? The most interesting possibilities lie with foreign aid and regional initiatives.

Regional Initiatives

Much headway has been made in establishing a network of regional and sub-regional organizations that promote the economic life of the area and its constituent countries. The work of the South Pacific Forum and its Secretariat arm, SPEC, is well known at both the political and economic levels. SPC has been active over many years in the social and economic fields, while a variety of more specialised bodies have been established including the University of the South Pacific, the Pacific Forum Line (PFL), the Forum Fisheries Agency (FFA), Trade Commissions and the like.

Largely under the auspices of the above organizations, a multiplicity of regional projects and activities have been designed and implemented, many with strong financial support from the United Nations agencies and other international bodies. Apart from the activities undertaken by the above named organizations, other regional activities include those involving energy, telecommunications, the environment, sea-based mineral exploration and various aspects of technical assistance and research.

A notable initiative has been the negotiation of a trade agreement (the South Pacific Trade and Economic Co-operation Agreement or SPARTECA) between two groups of Forum members; island countries on the one hand and New Zealand and Australia on the other. The principal aim of the Agreement, which came into effect in 1982, is to achieve progressively duty free and unrestricted non-reciprocal access into the two metropolitan markets for a wide variety of island products, as a possible means of boosting island trade. For the island countries it is a significant breakthrough, opening the way for increasing exports, and several countries, particularly Fiji, have gained notably from it. However SPARTECA is not a free trade agreement and it excludes or severely restricts the entry of a certain group of products of interest to island countries. Complicated administrative requirements have also provided a barrier in some cases. Above all, SPARTECA tends to favour, albeit unintentionally, the larger, more industrially advanced countries so that it operates as another mechanism for widening regional inequalities.

Much more needs to be done regionally to increase the benefits to Pacific countries from exploiting tuna resources within their 200 mile Exclusive Economic Zones. Many countries, particularly those where tuna is concentrated, have high expectations about the development potential of this resource which is presently being exploited by distant fishing fleets with little benefit to island countries. The Forum Fishing Agency, which was established in 1979 with its headquarters in Honiara, carries out useful work in certain areas, such as data collection and dissemination and keeping a registry of fishing vessels; but as Herr (1981) has noted, it contributed little initially towards policy coordination. Further progress in realising the potential of tuna calls for concerted action in the vital areas of surveillance (to prevent poaching); policy coordination; applied research on tuna stocks and migratory patterns; and planning of regional facilities and possibilities for joint venture activity. Indications that the United States is about to enter into a regional treaty to permit regulation of the highly migratory species is a hopeful sign which, if it eventuates, will undoubtedly open the way for a stronger regional effort to tackle some of these urgent problems.

Though outwardly impressive, regional co-operation to date falls far short of what could be achieved. Progress has been most notable in the relatively 'easy' areas where the benefits of regional co-operation are most obvious and can be realised without impinging too heavily on national sovereignty. Certainly, some tough areas have been addressed as for example, airline services and shipping, but an attempt to set up a regional airline failed and there is no certainty that the PFL will survive at least in its present form. Other difficult areas calling for closer economic integration and collaboration have been barely touched: industrial planning, regional trade co-operation, applied agricultural research and closer integration of development planning and policy. All these and other related areas provide scope for future co-operation with attendant benefits to the region.

Apart from these, there is scope for other initiatives that could promote development, particularly for the small island countries. For example, Pacific countries can strive to achieve a single regional voice in certain key international forums rather than, as often is the case, participating individually or as blocs. Greater unity would enable a truly regional viewpoint to be presented and would be advantageous in securing vital outside resources for development.

Regional organizations need to give particular attention to the special needs of the smaller countries and ensure that this is reflected in their work programmes. Since the larger countries apparently gain the most benefit from the work of regional institutions, possible ways to remedy this bias should be considered. The provision directly of technical experts at no cost to the small islands might be one way of doing this; another is the establishment of an aid mechanism based on contributions (a regional tax?) from the larger, economically more advanced countries. Limited inter-island migration is another possibility. Through such initiatives it may be possible to reduce somewhat the extent of future economic polarization and disparity.

Foreign Aid

Pacific island countries have been receiving increasing amounts of foreign aid over the recent period, chiefly in the form of bilateral aid for budgetary and development assistance. As Table 2 shows, official development aid to the region, both as grants and concessionary loans, totalled just over $1 billion in 1982, or $208 per head. There are several major recipients in aggregate terms but a notable feature is the relatively high amounts per head received by the very small countries such as Niue, Tokelau and the Cook Islands.

Given their limited financial capabilities, aid has played a large part in allowing island countries to meet some of their development aspirations. Aid has supplemented local budgetary resources rather heavily in some cases and this has been important in raising living standards above what would otherwise be sustainable; but for almost all countries aid has been crucial in supporting national development programmes and without it few such programmes would have been viable.

The rationale for aid giving rests on a complexity of motives that are historic, political, economic and strategic in origin. It is clear, for example, that political and military considerations underly French aid to her Pacific territories and to newly independent Vanuatu, while economic factors, particularly access to raw materials, are at the forefront of Japanese aid. Australia and New Zealand consider themselves an integral part of the South Pacific 'community' and feel a special obligation to foster development among their small neighbours. Underlying this position are strategic conditions related to maintaining political stability among island countries and ensuring that they remain within the Western Alliance sphere of influence. In effect their strategic value is a resource whose economic role can be 'measured', or partly so by foreign aid.

While willing donors are likely to continue to be available, prospects for increased aid are not promising and indeed, the value of aid in real terms could decline markedly. On one side, certain traditional donors are facing difficult economic conditions and have had to limit their aid. There is also a belief in some quarters that aid levels are already high and have reached saturation point, so that further increases are not justified. On the other side, some island countries take seriously their pledge to achieve greater self-reliance and may not wish to increase aid dependence. (Note too, that Australian 'budgetary' aid to Papua New Guinea of just over $300 million, is scheduled to be phased out during the next few years.)

With aid looking less promising, Pacific island countries will need to explore new avenues for augmenting the supply of development capital and ensuring its efficient use. They will necessarily have to turn increasingly to domestic sources for mobilising development funds, including new ways of raising tax revenue, increasing surpluses from public enterprises, broadening the institutional base for mobilising savings and careful control of government administrative expenditure. It need hardly be said that among the small countries the scope for achieving major increases from these sources is severely limited.

Possible regional measures that may be taken to assist small island countries have been suggested in the previous section. Certainly, the development of effective regional mechanisms in the fields of fisheries, energy, transportation and sea-based mineral exploration could benefit the small countries in a major way, but overall, there is a need on the part of the international community to come to grips with the development realities of the problem economies and to devise innovatory approaches. A possible first step is for donors to come to terms with the continuing need for aid support and to accept that much of this support is justified on social and welfare grounds rather than on strictly economic ones.

Australia's aid programme was recently subject to an intense review by an officially appointed team (the Jackson Committee). The team report highlighted the predicament of Kiribati and Tuvalu and proposed that Australia should establish a special immigration quota to help deal with the unique problems of these two islands. Such a proposal is under consideration, but it represents the kind of regional initiative that could play a crucial part in meeting the development problems of the small island states. One hopes that Australia will accept this challenge.

Other Policy Initiatives

What other possible strategies are there for the category II and III Pacific island countries to stave off the seemingly ineluctable march to subsistence impoverishment? Recent analysis point to a number of possibilities, some of which call for regional action on a somewhat grand scale. Among the more interesting proposals are those suggesting closer economic integration with outside countries and special domestic efforts to achieve major advances, especially in the fields of population control and technological progress.

In a recent article (1982), Higgins has analyzed the various development options facing small Pacific island countries. He points out that attempts to develop in isolation as independent sovereign states or revert to old colonial and neocolonial ties (in part embodied in multinationals) in an effort to become part of a large system are options that would in many ways lead to disaster. Much more promising is an option based on the integration of Pacific island countries as a means of establishing a 'rational network of interactions and flows among regional economies of the South Pacific' (Higgins 1982, p. x). He argues in favour of political integration which would pave the way for the formation of a regional socio-economic political system which would be empowered to decide on vital matters affecting the economic development of the region; for example co-ordinated development planning. According to Higgins, such a scheme is the only meaningful way for these countries to achieve increased prosperity. The benefits are perceived to lie not only in co-ordinated planning and agreed economic specialization but in the scope for harmonising the relations of Pacific island countries, treated as a single unit, with countries outside the system.

The importance of political co-operation has been emphasized by Fisk (1982) as a strategy for Pacific island development. There are many practical difficulties in the way of securing such co-operation but Fisk feels that it could be achieved through existing regional mechanisms such as the South Pacific Forum. By working together in this way, these countries can gain extra muscle in the international area. This will have significant implications for most Pacific island countries not only in the development of major resources, such as fisheries and sea-based minerals, but also in the area of aid and migration.

The development constraints and options facing the small island states have also been studied by Doumenge (1983). He maintains that these islands lack both the space and the economic volume to set up a durable domestic structure, the only guarantee of genuine economic viability (p. vii). Such viability, which he defines as the productive capacity required to enable the wishes and aspirations of the population to be satisfied, can be achieved by maintaining 'continuous relations' with foreign partners. More specifically, Pacific island countries can benefit from establishing 'privileged links' with the outside 'power centres' or 'poles' such as are represented by the major Pacific rim countries (California, Japan, Hong Kong, eastern Australia and New Zealand) and in particular, with the great North Atlantic metropolices (London and Paris in Europe, New York and Miami in eastern North America). These poles are multipurpose, with the capacity to create 'vital stimuli' as a base for generating development among island countries.

Much the same conclusions are expressed in a report prepared by a team of experts in 1979, which, under the auspicies of ADB, surveyed the agricultural possibilities and overall economic prospects of selected Pacific countries. According to the team's report, a possible solution for the economic plight of the small countries is to become more closely integrated with a large metropolitan country, such as is represented by the present relationship between the Cook Islands and New Zealand. This would ensure a regular outlet for surplus population on the one hand, and ensure a source of foreign aid on the other, but the cost would be to compromise economic and political independence.

For the larger countries, closer economic integration with outside countries can have significant implications for trade policy as noted by Dommen (1980). Here economic viability depends on the capacity to foresee changes in world economic conditions and to adapt to them by moving from one form of specialisation to another rather than undertaking a diversity of activities simultaneously. Favoured activities will be those that have a high income elasticity in world markets; but with few productive options, such a strategy has little relevance for the small countries.

The importance of domestic initiatives in shaping policies to save the economy from subsistence poverty has been highlighted in recent articles by Tisdell and Fairbairn (1984) and Fairbairn and Kakazu (1984). Employing a theoretical approach, Tisdell and Fairbairn show the island economies facing a restricted range of resources and population growth. Economic growth can occur but it is only a temporary phenomenon for, in time, the economy will revert back to subsistence levels as it comes up against population pressure, resources depletion and unfavourable international market conditions. It can even fall below subsistence levels if traditional skills are lost during the 'development' phase.

Against this scenario, Tisdell and Fairbairn explore the possibility of escape through appropriate planning initiatives. A first possibility is population control which government can promote through family planning and related programmes (and migration). The second is increased productivity and strengthening of subsistence sectors through the intensive application of technology to productive sectors. Taken in combination, changes in these two areas can lead to economic growth and an escape from low-level subsistence. But it is apparent that in practice, achieving major improvements in productivity calls for structural changes of a kind that few island countries would be prepared to undertake, and in the case of small islands, the potential is severely circumscribed by the small scale of the productive sectors.

Fairbairn and Kakazu also demonstrate the possibility of economic collapse by small countries and a consequent reversion to subsistence poverty for much the same reasons noted above. To prevent such a collapse, they propose a development strategy that gives greater emphasis to subsistence sector production, especially foodstuffs, as opposed to commercial production for export. The advantage of the strategy is twofold: first, it will reduce the severity of balance of payments crises that invariably follow an over-commitment to export production; and secondly, it will result in greater self-sufficiency in food production and hence national economic independence. The swing back towards the subsistence economy implies curbing material aspirations of the population and this paves the way for achieving a more sustainable balance between these aspirations and resource capabilities.

Finally, two relevant points for the designing of development strategy can be noted. First, smallness (especially if associated with compactness) means that certain national and community needs can be quickly met often with modest expenditure of capital funds. This can apply in the case of health facilities (presumably only one major hospital will be required), technical training facilities, wharves and airstrips and tar sealed roading. Furthermore, smallness can facilitate the spread of new techniques favourable to production.

Secondly, small island countries have a potential to develop activities which exploit the advantages of insular remoteness and isolation. Wace (1980) has identified many such opportunities ranging from plant research and export of cut flowers to the establishment of testing grounds for noxious materials and military bases. Leaving aside military bases, such 'remoteness specific' activities can provide a useful source of cash income making for greater economic security. These possiblities, though they seem unusual, deserve close consideration.

Concluding Remarks

With prospects of increasing polarization in the economic conditions of Pacific island countries, particular attention needs to be directed at the plight of the smaller countries faced with limited or no growth scenarios. While continuing growth and improving living conditions can be expected to occur among the larger countries, the economic life of the smaller countries will remain static and probably decline through the sheer lack of development options. Unaided, some may find themselves in the next decade suffering a degree of subsistence poverty hitherto unknown in the region.

Addressing the needs of the small resource poor countries calls for innovatory approaches and this paper has suggested a few such possibilities in relation to aid and regional cooperation. But continuing heavy aid dependence is anathema in some cases while prospects for increased aid are not promising. Perhaps it is time to take a more serious look at some of the recent proposals concerning the establishment of broader-based cooperative systems for the region as suggested, for example, by Higgins. A degree of political integration would provide the foundation for a stronger South Pacific Community and would, for one thing, clear the way for further major regional initiatives in the economic and social fields. Many benefits would ensue, but so far as the smaller island states are concerned, such a system will provide a valuable framework for focusing regional and international attention on their special problems and needs, and above all, will enable the development of meaningful solutions in a region-wide sharing partnership with their more fortunate neighbours. There are problems aplenty in the practical implementation of such a scheme but it may be the most effective means of resolving the dilemma of the small states.

Table 1

POPULATION, PER CAPITA INCOME AND MAIN EXPORT
PRODUCTS OF SOUTH PACIFIC COUNTRIES

COUNTRY	POPULATION 1982 (000)	PER CAPITA INCOME[1] ($)	MAIN EXPORT PRODUCTS
American Samoa	33.9	4060	Tuna
Cook Islands	16.9	1110m	Fresh fruit and vegetables clothing, processed fruit and copra
Federated States of Micronesia	82.4	830	Copra, fish
Fiji	658.0	1630m	Sugar, gold, coconut oil, fish
French Polynesia	153.8	4600m	Coconut oil, vanilla
Guam	108.4	4860m	n.a.
Kiribati	59.3	420m	Copra
Marshall Islands	32.8	n.a.	n.a.
Nauru	8.4	n.a.	Phosphate
Niue	3.2	620p	Fruit products, copra
Northern Marianas	18.4	4000	Vegetables

New Caledonia	145.0	7900m	Nickel and products
Palau	12.4	n.a.	n.a.
Papua New Guinea	3126.6	820m	Copper and concentrates, cocoa, coconut products
Solomon Islands	243.0	670m	Fish and fish preparations copra, timber, palm oil
Tokelau	1.5	650	Copra, handicrafts
Tonga	99.5	460f	Coconut oil, dessicated coconut, fruit and vegetables
Tuvalu	7.7	590f	Copra
Vanuatu	125.6	550	Copra, fish, frozen meat
Wallis and Futuna	11.9	1030	Copra
Western Samoa	157.0	605	Copra, cocoa, taro, timber

1. Based on official estimates for either 1979 or 1980 except for Fiji and Western Samoa which are for 1982 and 1983 respectively. National income figures are GDP except for Guam, Vanuatu and Western Samoa which are GNP; with GDP at factor cost denoted by f, at market prices by m and producer prices by p.

Sources: South Pacific Commission, Demographic Unit, Noumea (for population figures); Fairbairn 1984, Chapter 3; ADB 1984.

TABLE 2

OFFICIAL DEVELOPMENT ASSISTANCE (ODA) FLOWS BY SOURCE AND RECIPIENT 1982 ($ MILLION)

	AUSTRALIA	FRANCE	NEW ZEALAND	UNITED KINGDOM	UNITED STATES	OTHER BILATERAL	TOTAL BILATERAL	ADB	EDF	UNDP	TOTAL MULTI-LATERAL	TOTAL MULTI-LATERAL	TOTAL BILATERAL MULTI-LATERAL	ODA PER HEAD($)
Cook Islands	0.6	--	9.0	--	--	0.1	9.7	0.3	--	0.5	0.1	0.9	10.6	627.6
Fiji	15.9	0.3	3.1	3.2	2.0	6.1	30.6	--	2.5	1.4	1.6	5.5	36.1	54.9
French Polynesia	--	176.0	--	--	--	--	176.0	--	0.6	--	--	0.6	176.6	1148.4
Kiribati	2.9	--	0.4	9.5	--	1.9	14.7	--	0.2	0.2	0.3	0.7	15.4	259.6
Nauru	--	--	--	--	--	--	--	--	--	--	--	--	--	--
New Caledonia	--	161.4	--	--	--	--	161.4	--	0.4	--	--	0.4	161.8	1116.2
Niue	0.2	--	4.1	--	--	--	4.3	--	--	0.2	--	0.2	4.5	1402.2
Pacific Is (USA)	--	--	--	--	160.1	4.5	164.6	--	--	0.2	0.4	0.6	165.2	573.0
Papua New Guinea	268.6	0.3	2.0	0.1	--	10.6	281.6	4.3	18.4	1.7	10.7	35.1	316.7	101.3
Solomon Islands	7.2	--	0.6	11.3	--	3.3	22.4	2.2	2.7	0.6	0.5	6.0	28.4	117.1
Tokelau	--	--	1.8	--	--	--	1.8	--	--	0.1	--	0.1	1.9	1291.8
Tonga	6.1	0.2	2.3	1.1	1.0	1.8	12.5	0.2	2.5	0.8	1.1	4.6	17.1	173.2
Tuvalu	0.9	--	0.4	3.5	--	0.8	5.6	--	0.5	0.2	--	0.7	6.3	82.1
Vanuatu	4.7	9.6	0.9	7.8	--	0.8	23.8	0.2	1.3	0.5	0.7	2.7	26.5	210.9
Wallis & Futuna	--	7.2	--	--	--	--	7.2	--	0.2	--	--	0.2	7.4	625.5
Western Samoa	5.8	--	3.3	--	1.0	5.6	15.7	1.2	2.5	0.8	2.0	6.5	22.2	142.3
Unallocated	4.7	3.4	12.0	0.8	2.0	1.3	24.2	--	--	--	--	--	24.2	--
TOTAL	317.6	358.4	39.9	37.3	166.1	36.8	956.1	8.4	31.8	7.2	17.3	64.8	1020.9	208.5

SOURCE: Compiled from computer printouts provided by OECD, Paris and Table 1 (Population)

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