Poverty in the Pacific Islands

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Introduction

Under pressure from external forces, involvement of Pacific Island nations in processes of globalisation and associated structural adjustment policies is being accelerated. Conditional aid and financial assistance from Bretton Woods' institutions and their 'relatives', such as the Asian Development Bank, as well as advice from donor countries, have played a significant role in these processes. These processes combined with reduced foreign aid and internal socioeconomic dynamics, have resulted in major social conflicts and tensions in the Pacific Islands. Poverty in some Pacific Island nations, such as in the Solomon Islands, is already more serious than in Asia, including Bangladesh, and the situation (as in some sub-Saharan African countries) is deteriorating with proportional school enrolments falling and health services endangered. In fact, in some of the least developed nations in the Pacific 'de-development' is occurring.

This article examines the socioeconomic situation of the least developed Pacific Island nations (the Melanesian countries - Solomon Islands and Vanuatu, the Polynesian countries - Samoa and Tuvalu, and the Micronesian country - Kiribati) and the type of economic development advice which they have been given in recent years. Such advice appears to have been based on neoclassicial economic models and has been insensitive to the institutional and cultural backgrounds of these countries (cf. Throsby, 2001, p.16). Because the economic rationalists involved have based their advice on neoclassical economic models without adequate consideration of the social dimensions and historical contexts of these nations, their proposed policies may well be doomed for the types of reasons enunciated by Gunnay Myrdal (1972). Furthermore, such policies may result in greater economic hardship than necessary. Facile economic neoclassical examples in textbooks do not capture the essence of the socioeconomic situation and cultural context of most of the least developed nations in the Pacific.

It seems likely that the structural adjustment policies which the Pacific island nations have been advised by aid donors, and by most of the international community, to follow has contributed to political instability in Fiji, Papua New Guinea and the Solomon Islands. The result has been a dysfunctional one; such instability can only further retard the development of these countries.

Nevertheless, there is no easy answer to the socioeconomic problems facing many of these nations, especially given restrictions (imposed by developed countries) on the ability of their citizens to migrate to more developed countries (Tisdell, 1990). While capital markets and many product, resource and service markets have become globalised, it is clear that free international movement of labour is resisted by more developed nations. This is so even though standard neoclassical theory suggests free international labour mobility would contribute to a gain in global economic efficiency. Thus, neoclassical, economic theory is being applied selectively. This is particularly unfortunate for some Pacific Island Nations which have few economic opportunities at home to support their development.

The article provides a brief overview of the situation of the least developed island nations in the Pacific, selected according to the criteria applied by the United Nations. These nations are Kiribati, Samoa[1], Solomon Islands, Tuvalu and Vanuatu. However, economic conditions are also poor in several other Pacific island nations not in the UN least developed nation category.

The article proceeds by providing a general overview of the socioeconomics of the least developed island countries in the Pacific. It might be noted that they are all in the southwest Pacific and all are former British colonies, except Samoa[1], which is a former New Zealand colony that was captured from Germany in World War I. However, Vanuatu is unusual in this group because it was jointly a colony of Britain and France and so both British and French influences are still present in Vanuatu today.

This general overview of socioeconomic conditions is followed by sections which further highlight social issues, focus on the trade and external balance situations of these countries and bring attention to the poor infrastructure of these countries. After the conclusion, a note is added on the possible relevance of Buddhist economics to the situation in the Pacific islands.[2]

The Overview of the Socioeconomic Conditions of the Least Developed Pacific Island Nations

All the least developed countries of the Pacific are micro-states relatively isolated geographically from the larger markets of the world. Both their small size in terms of their total income activity, total levels of population and small internal markets create considerable natural economic disadvantages for them as do their relative isolation from the rest of the world. In addition, the smallest of these nations, the atoll economics of Kiribati and Tuvalu, have little land mass, extremely poor soils and little diversity of natural resources - fish is their main natural resource.

Although all these economies are extremely small, they differ considerably in economic size in relation to one another. This is indicated by Table 1. If GDP is used to indicate economic size, the largest economy (that of the Solomon Islands) is more than 30 times the smallest, that of Tuvalu.

Table 1: Estimates of GDP per capita ($US) Population Levels and GDP Levels ($US1000) for the Least Developed Pacific Countries, 1998

	Per capita GDP ($US)	Population size ('000)	GDP ($US '000)	GDP as a multiple of Tuvalu's
Kiribati	702	85.1	59,740	4.69
Samoa	1,060	174.8	185,288	14.56
Solomon Islands	926	417.8	386,883	30.40
Tuvalu	1,157	11.0	12,727	1.00
Vanuatu	1,231	182.5	224,658	17.66

Source: Based on UNDP (1999, p.105)

The size of the market or cash economies of these islands are even smaller than indicated by GDP estimates. This is because each contains a significant subsistence or semi-subsistence sector. Furthermore, these countries and their economies are extremely fragmented.

All, except Samoa, have extremely dispersed land masses in relation to their total area of jurisdiction (marine plus terrestrial areas), Samoa basically consists of two relatively large islands close together whereas all the other least developed countries in this group are archipelagic. No other country in the world has as scattered a land area as Kiribati in relation to its total land mass. Also Tuvalu represents an extreme position, but land fragmentation in the Solomon Islands and the Vanuatu is very high. This means that such markets as exist are further divided regionally and significantly within most of these countries.

The smallness of these economies implies that they cannot achieve internal economies in economic production, a problem greatly compounded by their national fragmentation. This also adversely impacts on the cost of supply of public services and utilities. The supply of these services involves significant economies of scales. These countries are at an extreme cost disadvantage in supplying public administration, in providing public utilities, educational and health services compared to larger/more developed economies. These obstacles are not easily overcome, although it is possible that some technological advances could reduce their scale diseconomies.

The small population size of these nations implies that it is difficult for them to have expertise (experts) in specialised areas, such as appears to be increasingly required with modern technology. Thus they have to rely heavily on the supply of foreign expertise for many of their functions. They have an extremely high degree of technical dependence.

Tropical islands, including the Pacific islands, are often popularly associated with paradise. While there are many appealing aspects of culture and lifestyles on these Pacific islands, economic and social conditions can be harsh by world standards. Most have a high Human Poverty Index (HPI) and a low Human Development Index (HDI) by global standards (see Table 2). For example, the HPI for the Solomon Islands is higher than for *all* the South Asian and Southeast Asian least developed countries and the HPI for Vanuatu is about the same as that of Bangladesh (see Figure 3, UNDP, 1999, p.19). These countries have not achieved paradise; far from it.

Table 2: Values of HDI and HPI for Least Developed Pacific Island Nations

Country	HDI	HPI
Kiribati	0.515	12.6
Samoa	0.590	8.6
Solomon Islands	0.371	49.1
Tuvalu	0.583	7.2
Vanuatu	0.425	46.4

Source: Based on UNDP (1999, pp.16 & 18)

Some of these countries (Solomon Islands and Vanuatu) suffer high rates of illiteracy (even in comparison to most developing countries) and low levels of school enrolments (see Table 3). Their rapid rate of population growth (see Table 4) makes it extremely difficult for them to expand their schools and medical facilities at a rate which matches their population growth. Consequently, the social situation in relation to education is worsening in some of these countries e.g. Solomon Islands and Vanuatu.

Pressures from economic globalisation and demands of aid donors are adding to the challenges and difficulties which these nations are experiencing in attempting to meet their basic needs. Donors have been proposing a variety of policy measures (thought to be efficacious in more developed market-dominated economies) to increase the efficiency of economic activities (including public administration) in these economies. Significant structural adjustment is being advocated ('imposed') on these countries and consequently many are in a state of significant social and economic transition. There is also some uncertainty about the value of the economic reforms especially in relation to market-making in the smallest of these economies. These reforms are being carried out in a climate of reduced foreign grants and reduced aid compared to the 1980s. Furthermore, overseas aid is increasingly subject to policy conditions.

Another special feature of these economies is their high degree of economic vulnerability. They are highly vulnerable to natural and ecological disasters and take a considerable time to recover from these. These are obstacles to their smooth development. Furthermore, their cash-based non-government sectors show little diversification and their exports are little diversified. These sectors are therefore economically vulnerable to fluctuations in market prices.

Although all of these Pacific island nations face major obstacles to their development, many of which are similar, there are also important differences in their situations. In terms of the basic circumstances faced, three groupings seem plausible: these are grouping A consisting of the basically Melanesian countries of the Solomon Islands and Vanuatu, grouping B consisting of the atoll nations of Kiribati and Tuvalu and grouping C consisting only of Samoa which has a relatively compact volcanic land mass.

Consider now some specific background on each of the Pacific island least developed nations.

Kiribati

Kiribati is situated in the Central Pacific Ocean. It stretches from east of Nauru to French Polynesia and straddles both the Equator and the International Date Line. It consists mostly of coral atolls. Although its land mass is relatively small (810.5 sq kms) its marine area (Exclusive Economic Zone) is huge on account of the scattered nature of its 33 islands.

Kiribati has a population of approximately 85,000 persons, almost half of whom live in South Tarawa which is the capital. South Tarawa is the centre of government, the focal point of the cash economy and the main contact point with the outside world. The concentration of the population of Kiribati in Tarawa has resulted in crowding there and associated environmental problems.

Economic opportunities for Kiribati are relatively limited. Income per capita is low and ill health is relatively frequent. Infant mortality rates are high and life expectancy is low by Pacific island standards. Furthermore, Kiribati has a rapid rate of population increase.

Prior to becoming independent in 1979, Kiribati was administered by Britain as part of the Gilbert and Ellice Islands. The Ellice Islands is not Tuvalu. Whereas most of the population of Tuvalu (which adjoins Kiribati) is Polynesian that of Kiribati is primarily Micronesian. ADB (1998a, p.1) reports:

"The I-Kiribati have developed a cultural system that enables them to live within the limited resources provided by their island environment. While they admire independence and self-reliance they expect individuals to subordinate personal ambition to family and community needs. Consequently their culture is characterised by sharing and cooperation."

The communal ethic of Kiribati still has a significant impact on the nature of public policy in Kiribati, and is to some extent in conflict with the Western ethic promoting competition and the pursuance of self-interest. Within the social system of Kiribati, respect for elders is strong and they exercise considerable political influence.

As in the case of Tuvalu, Kiribati experiences considerable diseconomies in economic activities and in public administration because it has an economy of a very small size, but not as small as that of Tuvalu. This problem is further exacerbated by the segmentation of the country into a number of widely scattered islands. In addition, like Tuvalu, it is relatively isolated from larger economies. This results in high transaction costs (e.g. transport costs) in tapping into international markets and reduces the scope for and benefits from international trade. It acts as a restriction on Kiribati's ability to specialise in production and take advantage of international trade. In general, a strategy of specialising in production to increase the merchandise exports of Kiribati (in order to foster its economic growth) does not seem very promising. 'Exports' of guest labour (e.g. merchant seamen, fishing crews) have significantly contributed to incomes in Kiribati and there may be scope for expanding its exports of semi-skilled labour. There is also scope for expanding its export of services. From a long-term point of view, it should aim to increase the real value of its Revenue Equalisation Reserve Fund (RERF) and to establish an Outer Island Development Fund similar to Tuvalu's Falekaupule Trust Fund.

Kiribati's Revenue Equalisation Reserve Fund was established in 1956 by the British Administration and has expanded in size. This Fund performs a similar function to the Tuvalu Trust Fund. It has proven to be an important means of stabilising funds available to meet public expenditure and has made a significant contribution to incomes in Kiribati.

Samoa

Amongst the five nations in this survey, Samoa[1] has a rather special (and in some respects fortunate) economic situation. During the 1990s it was able to retain its position as a MIRAB economy (Bertram and Watters, 1985; Bertram, 1986) while at the same time engaging in economic restructuring to increase economic efficiency. Note that MIRAB is an acronym derived from migration, remittances, aid and (government) bureaucracy. It describes economies which have experienced considerable migration to overseas countries, for which net private remittances from migrants are a substantial source of income in the mother country and in which foreign aid is significant and usually distributed through employment in the public sector.

Samoa experienced an increase in the level of its external grants in the 1990s when expressed in Tala. At the same time, its level of net private remittances grew and increased in comparison to the level of its external grants. The importance of its private remittances ought to be noted. They are considerably higher in total amount than official external grants. In addition, as discussed later, recorded private remittances significantly understate total remittances. Hence, the importance of remittances for the Samoan economy is greater than indicated by official sources.

Samoa's favourable position in the 1990s as far as official external grants and private remittances are concerned, meant that its economy was not placed under severe financial strain in the 1990s requiring crisis economic management as in the case of some other Pacific island nations. This was so despite its relatively low level of exports (discussed later), large trade deficits and occurrence of natural disasters (cyclones and the taro blight) in the early 1990s. Fairbairn-Dunlop (1998, p.3) sums up Samoa's economic situation as follows: 'Samoa's comparatively stable financial situation (including solid foreign reserve base, budget balance and balance of payment equilibrium) means that Samoa did not experience the extreme crisis position of some Pacific nations, but has been in a position to adopt long-term economic measures aimed at building up confidence in the economy and establishing the systems for more efficient and effective economic development.'

The external situation of Samoa can be summarised as follows:

(1) External grants to Samoa have not declined since the early 1990s. On the contrary, although variable, they show an upward trend. Those interviewed in Samoa did not foresee a decline in the near future.

(2) Samoa's external debt is on the whole rising. At the same time, the government's internally held debt is falling and a negligible proportion is now held internally.

(3) The value of its net private remittances grew consistently in the 1990s. They exceed external grants substantially and increased in proportion to such grants. Remittances play an important role in stabilising the Samoan economy and are of major importance in maintaining domestic incomes and in financing its trade deficit.

(4) There appears to have been some increase in Samoa's relative reliance on external loans compared to grants in the 1990s but

this ratio is variable and a major shift has not occurred in external loans relative to grants.

It has long been recognised that remittances play a significant part in the functioning of many Polynesian economies (cf. Connell and Brown, 1995). Their importance is clear from official data. However, in most cases, official data understate considerably the size of actual transfers of cash and income involved. For example, Brown (1995, p.47) reports, on the basis of surveys conducted in the early 1990s, that 60 percent of transfers to W. Samoan households are not recorded. This implies that actual transfers are around 2.5 times recorded transfers to W. Samoan households. He stresses that "reported 'transfers from overseas' components of household income understate the actual value of total remittances where the latter are defined to include not only money transfers, but also remittances in kind, and payments made on behalf of the household by the migrant overseas" (Brown, 1995b, p.42). In the case of W. Samoa, remittances in kind to Samoan households and payments on their behalf by migrants are both large components of remittances (Brown and Walker, 1995, pp.40-41).

However, not all estimates of unrecorded remittances for Samoa are as high as those of Brown and co-researchers. Fairbairn-Dunlop (1998, p.7) indicates that "in 1996, a total of 88 million tala was remitted through official channels, and at least one third more through unofficial channels (as goods, hand carried cash and paid air passengers)." This is a similar divergence to that suggested by Connell (1980), Loomis (1980) and Ahlburg (1991), but well below upper and lower bounds suggested by Brown (1995a). See Brown (1995b, p.80) for more details. Brown's estimates suggest that unrecorded remittances range between two-thirds of recorded remittances to one and a half times recorded remittances in the case of W. Samoa. Given the available evidence, the significance of the value of unrecorded element must be accepted. It implies that the contribution of net remittances to functioning of the Samoan economy is even higher than official statistics indicate.

In addition, the level of these remittances show a high degree of persistence. This is both because new migrants are continually adding to the number of Samoans overseas and not only do initial immigrants display a sustained propensity to provide remittances but also succeeding generations both overseas do likewise (Brown and Walker, 1995). It appears that a high proportion of remittances may be used by Samoan households for consumption rather than investment purposes (Brown and Connell, 1995) but more research is required on this subject, e.g. some remittances may be used to assist with educational expenses.

Solomon Islands

The Solomon Islands are located about 1800 km off the Australian east coast and adjoins PNG and Vanuatu. It has a population in excess of 426,000 of which most are Melanesian (94.2%), 4% Polynesian, 1.4% Micronesian, and 0.4% European and 0.1% Chinese. In 1983, it became a British Protectorate and did not become independent until July 1978, after which it remained in the British Commonwealth. So, like most of the least developed countries in this group in the Pacific Islands, it did not shed its colonial status until relatively late in the 20th century.

It is relatively rich in natural resources and has a landmass of 30,000 km^2 much of which consists of relatively rich volcanic soil. But situations do differ between islands, of which there are more than 900. Some are coral islands and poor in soil quality as in Ontong Java. Possibly up to 100 different tribal languages or dialects are spoken in the Solomon Islands but education is conducted in English, a factor which may contribute to the low literacy rates in the Solomon islands. Pijin is commonly used for communication by islanders from different areas.

The annual rate of growth of population is very rapid at about 3.5% per year. A dual economy exists. Just under 75% of the workforce is engaged in subsistence activity (non-monetary basically), about 12.5% are a mixture of wage-earning and subsistence farming with a further 12.5% entirely dependent on cash income. Around 86%

of the population live in rural villages. The nature of the economy suggests that the economies applicable to Western-style market economics must be significantly modified for policy application in the Solomon Islands.

By any standards, the Solomon Islands has a comparatively low standard of living. The Human Poverty Index (HPI) for the Solomon Islands is below that of Bangladesh and it has a very low Human Development Index (HDI). This is so despite significant social and economic improvement compared to the 1980s. The situation of the Solomon Islands is such that it can ill afford to squander its economic opportunities through failures in governance of various kinds, in particular, past failures to collect natural resource rents especially in relation to timber exports. This, coupled with excessive borrowing by the Government created financial difficulties for the Government in the second half of the 1990s which forced economic reforms on it and necessitated further foreign borrowing for the purposes of economic restructuring.

Tuvalu

With a population of around 11,000 people and a land mass of 25.63 km^2 divided between nine scattered islands, Tuvalu is one of the world's smaller nation states. Furthermore, its relative isolation, its geographical segmentation, and its poor atoll soils restrict its economic capabilities. On the other hand, it has rich fishery resources in relation to its population both within its lagoons and in its large EEZ. Fishing resources within its EEZ are mainly exploited by distant water fishing nations, DWFNs. Although Tuvalu's fisheries are highly variable in their productivity depending on seasonal conditions, fishing royalties from DWFNs have in recent years provided more than 15 percent of the total receipts of the Government of Tuvalu.

Another important asset of Tuvalu is the Tuvalu Trust Fund (TTF) which was established in 1987 principally by overseas donors 'to contribute to the long-term financial viability of Tuvalu by providing an additional source of revenue for recurrent expenses of the Government'. In the 1990s, it contributed about 20 percent of the

Government's recurrent revenue. In 1998, the Tuvalu Trust Fund (A Account, its 'untouchable' balance) stood at $A59.464m.

In recent years, Tuvalu has had virtually no export of goods. Little copra is now exported. Philatelic sales and bunkering are the main export items in the goods category. Its external balance as well as its external service balance are in substantial deficit. However, this trade deficit is more than balanced by income receipts from abroad (e.g. payments from its merchant seamen), transfers from the Tuvalu Trust Fund A Account, and income from fishing licenses as well as foreign aid. As a result, Tuvalu has been able to accumulate significant official reserve assets. In 1988, it is estimated that these stood at $A38.17m, over three times Tuvalu's net import of goods and almost three times its total GDP at factor cost. Hence Tuvalu is in a relatively strong position in relation to its balance of payments and international reserves. This is largely a result of the presence of the TTF and prudent fiscal management by its government.

In 1996, GDP per capita in Tuvalu was estimated to be $A1819. In comparison, GDP per capita of Kiribati was about $A886 (ADB, 1998b, p.199). This suggests a higher standard of living in Tuvalu than in Kiribati. Furthermore, whereas such income in Tuvalu (GDP per capita) more than doubled that in the 1990s compared to the 1980s (ADB, 1998a, pp.137, 437) that for Kiribati rose by less than 20 percent and erratically (Cf. ADB, 1998b, p.199). In fact, in the 1980s and 1990s, GDP per capita in Kiribati was less than in 1979.

The public sector dominates the local economy of Tuvalu both through the activities of general government and public sector commercial enterprises. In 1998, as discussed later, more than half of direct cash employment in Tuvalu was generated by the government and public corporations, and probably most of Tuvalu's indirect cash employment.

Tuvalu has taken a cautious attitude towards foreign debt. It has a soft loan from the European Investment Bank which provided funds for the Development Bank of Tuvalu. But this is virtually a grant and the principal will be forgiven if difficulty arises in repayment which seems almost certain given the performance of the DBT.

A soft loan equivalent to $A4m has been negotiated with the ADB as a contribution towards the Falekaupule Trust Fund (Outer Islands Development Trust Fund) discussed later. Tuvalu is fortunate in being virtually free of foreign debt. It is a country which has assiduously avoided living beyond its means, meagre though they might be. Slowly but methodically, it has improved its financial position.

Tuvalu relies mostly on foreign aid and to a lesser extent on its own available funds for development projects rather than loans. Official foreign aid is quite variable between years. Overall real aid seems to be about stationary in *recent* years and possibly will not expand greatly. Real government *development* expenditure in Tuvalu is to a large extent a reflection of the availability of foreign aid. From ADB (1998b, Chart 2.11, p.28) and more recent data, it is clear that Tuvalu's development expenditure rose significantly in real terms in the second half of the 1990s compared to the first half. This suggests that real aid rose in the latter period. However, in this latter period also the Government of Tuvalu began to increase its contribution from its own funds to Tuvalu's development progress. Overseas development assistance to Tuvalu did not decline in the 1990s.

Vanuatu

The Republic of Vanuatu is located in tropical waters about 1300 kms off the east coast of Queensland and 500 kms from Noumea (New Caledonia). It is archipelagic in nature consisting of 80 islands stretching from the Solomon Islands in the north to New Caledonia in the south and flanked on its eastern side by the Fiji Islands. Most of these islands are volcanic in origin which means that the soil on the whole is richer than in coral atoll countries such as Kiribati and Tuvalu.

The total land area of Vanuatu is 12,190 km^2 and its eight largest islands account for 85 percent of its land mass. Only 68 of its 80 islands are inhabited. In 1997, its total population was estimated to be

177,400 giving a density of 15 persons per km^2, a low density compared to Kiribati and Tuvalu. It is estimated that in 1998 the population had reached 182,000 of which more than 98 percent were Niu Vanuatu. Both the number and percentage of Europeans and others in Vanuatu's population has declined significantly since 1983. The majority of Niu Vanuatu are Micronesian.

Vanuatu was jointly administered by Great Britain and France before it achieved its independence in July 1980 and its colonial history and general historical background continue to influence the national characteristics of Vanuatu.

The country has a dualistic economy. Approximately 80 percent of its population as at June 1998 were located in rural areas and were mainly involved in subsistence and semi-subsistence economic activities. The main settlements are at Port Vila, the capital located on Efate island, and Luganville located on Sanma island. The population in Port Vila has more than tripled since the beginning of the 1980s and that in Luganville has more than doubled. There is a significant drift of population towards these urban centres but the vast majority of Vanuatu's population is still to be found in rural areas.

The three national languages of Vanuatu are Bislama, English and French, but there are very many local languages and cultural differences. These add to the costs and difficulties of administration of the country. Tribal loyalties remain very strong and, as in Africa, this tends to influence the political loyalties of politicians. Furthermore, the sharing of economic gains amongst extended family members plays a strong role in society. ADB (1997, p.1) reports that land ownership is closely integrated into the indigeneous culture, and custom "relationships restrict the use of land for economic development." Most land belongs to tribal groups and is not available for sale as in most Western economies.

According to UNDP (1999), Vanuatu was one of the most economically and socially disadvantaged Pacific Islands in 1998. Only the Poverty Index for the Solomon Islands and Fiji was lower and Vanuatu also had the third lowest Human Development Index of

Pacific island nations. Compared to many other Pacific island countries, Vanuatu's GDP per capita showed little increase in the 1990s compared to the 1980s. In 1998, it was estimated to be US$1,231. While GDP understates gross national incomes in many Pacific countries (e.g. Samoa, Tuvalu and Kiribati) this is less so for Vanuatu because it receives few remittances.

Access to health services in Vanuatu is one of the lowest in the Pacific with 20 percent of the population having no such access. Educational access is also relatively poor. Only a little over 70 percent of children aged 10-14 years were at school in 1998, an attendance rate only worse in the Solomon Islands and PNG (UNDP, 1999, p.36). Literacy rates both for females and males were extraordinarily low with significantly less than 40 percent of the adult population literate. There is also significant evidence of a major degree of gender inequality which appears to be characteristic of Melanesian cultures but not markedly so for Micronesian and Polynesian cultures.

Social Issues

Social conditions as highlighted by widely used indicators improved in the five Pacific LDCs in the 1990s compared to the 1980s but human development indicators remained low. For example, Vanuatu had a Human Poverty Index (HPI) almost the same as that of Bangladesh and that of the Solomon Islands was higher than for Bangladesh. Many least developed African countries were in a better position.

Table 2 sets out recent values of the Human Development Index (HDI) and values of HPI for the five least developed Pacific Islands being reviewed. These values differ considerably between countries. However, they should be considered as just one indicator of the status of development. In themselves, they are an incomplete guide to the socio-economic status of countries. Therefore, they need to be used with some caution.

Educational access and attainment varies widely between these countries. For example, gross primary school enrolments vary from as high as 94 percent for Samoa to as low as 39 percent for Solomon Islands. Estimates of illiteracy vary from relatively low levels in the

Polynesian and Micronesian group, that is from a low of 4 percent of adults in Samoa to a high of 70 percent in the Solomon Islands. These figures are summarised in Table 3. In the case of the Solomon Islands, primary school places have failed to expand at as fast a rate as growth of the population of 5-14 year olds. Lack of basic education is on the increase. The situation seems to be similar in Vanuatu. The other countries have struggled to maintain access to education and where possible expand the number of years of basic education. All are hampered by inadequate educational infrastructure and by teacher training less than considerable desirable. Archipelagic small countries such as Kiribati and Tuvalu have particular handicaps because of the scattered nature of their islands and population. This makes it especially difficult and costly to provide secondary education and higher education.

Table 3: Gross Primary Enrolments (5-14 year olds) and Illiteracy Rates of Adults for Least Developed Pacific Island Nations

Country	Enrolments (%)	Illiteracy (%)
Kiribati	77	8
Samoa	94	4
Solomon Islands	39	70
Tuvalu	88	5
Vanuatu	72	66

Source: Based on UNDP (1999, p.110)

These problems are also present to some extent in the Solomon Islands and Vanuatu but their educational programmes are further hampered by the multiplicity of local languages and in the case of Vanuatu by the presence of three national languages.

Given limited resources for education, a major question in the region is what is the appropriate balance between provision of basic and higher education. Given limited resources, some countries do not seem to be able to afford universal primary or basic education and/or the extension of the number of years of this education and cannot provide adequate higher education. Both the Solomon Islands and Vanuatu are in this situation. In these circumstances what is the best balance in provision of different levels of education and to what extent should universal basic education be extended? Its extension can be at the expense of the quality of education generally. When its extension is at the expense of the quality of higher education (secondary education), there must be economic limits to the value of the process. When secondary and tertiary education places are limited as in all these Pacific islands, it is important that selection processes be equitable and based on academic merit.

Opportunities for tertiary education are quite limited in these Pacific Island countries, but in many cases play a vital role in increasing employment and income opportunities. This is particularly so for the maritime training colleges in Kiribati and Tuvalu which provide employment opportunities for graduates on overseas ships. Tuvalu plans to introduce repayable loans for such training. There may be scope for these nations to supply semi-skilled trained labour for employment abroad in other specialties.

Given the shortage of their resources, Pacific islands should cooperate to ensure that tertiary education is provided at least cost. Duplication of course and subject offerings should be avoided except where a case can be made out for it. Information technology and shared use of teaching staff may reduce costs. The economics of a separate University of Western Samoa to that of the University of the South Pacific is unclear. It would also seem rather early to envisage the Solomon Islands Institute of Higher Education becoming a separate University.

Health services in the five Pacific island countries in this study are quite inadequate by standards of more developed countries. Significant percentages of the population do not have access to health services in the Solomon Islands and Vanuatu. Although UNDP (1999, p.106) reports 100 percent access to health services in Kiribati, Samoa and Tuvalu, access to specialised health services can be difficult in Kiribati and Tuvalu from islands away from their capitals. In these islands, only health clinics or centres staffed by nurses exist. Even the general hospital of these countries is unable to treat all medical cases and some patients may be referred overseas.

In general, health services are publicly provided in these contries with minimal fees, if any, being charged. Public funding for health is not expected to keep up with demand for health services. Pressure is therefore mounting from some donors, for greater use of fees. Compulsory health insurance for those in the cash economy has also been suggested as well as measures to allow or promote private provision of health services.

For obvious political reasons, reform is not rapid in this area. Doubts have, for example, been raised about compulsory health insurance schemes in these semi-subsistence economies. Furthermore, user-pays will need to be adopted selectively and criteria developed for this. Some nations have started to develop possible criteria already, e.g. Solomon Islands.

While modern lifestyle diseases are increasing in importance, in most of these countries the main diseases and causes of mortality are more a consequence of lack of development than a modern lifestyle and are partly environmental, e.g. malaria in the Solomon Islands and Vanuatu. Poor human health is an economic drain on these countries. Infant mortality rates remain high as does the relative frequency of death of children under five years of age. The latter varies from a low of 35 per 1,000 for Samoa to a high of 88 per 1,000 for Kiribati. Furthermore, maternal mortality rates remain high in several of these countries.

Some effort is being made to increase efficiency by contracting out some services, e.g. hospital maintenance. While this may result in cost savings, they will probably be small in relation to total health budgets.

Gender inequality is a matter for concern in some of these latest developed countries. This is reflected, for example, in lower access for females than males to schooling in the Solomon Islands and in Vanuatu but not in Kiribati, Samoa and Tuvalu. NGOs concerned with the advancement of women require more support in those countries where discrimination against females seems to exist. But rectifying the situation is a long-term process.

Other important social issues include youth unemployment and underemployment, the existence of relative poverty within these countries and regional economic disparities which in turn are resulting in increasing urbanisation and associated environmental problems especially evident in the atoll economies such as Kiribati and Tuvalu.

A major problem which all these countries face is a high degree of economic vulnerability. Most small nations, especially isolated island nations, experience such vulnerability. But this vulnerability is especially high for Pacific island nations. For example, estimates of income adjusted for economic vulnerability indicates that all the least developed Pacific island nations are in a much less satisfactory position than Caribbean nations. Both the South Pacific Forum Secretariat (1999b, p.16) and the Commonwealth Secretariat have stressed the importance of taking into account vulnerability factors when assessing the development status of these countries. Economic vulnerability is influenced by the occurrence of natural disasters, market and related variations.

The subsistence/semi-subsistence sectors of these Pacific economies are large but declining in relative size. They provide an important social safety net in countries which, on the whole, are unable to provide little government social welfare support. They need to be integrated in holistic development policies, and these sectors themselves are capable of more economic and social development.

Trade and External Balance

The importance of merchandise exports of these Pacific island countries varies greatly as a percentage of their GDP and as a contribution to foreign revenue. For some countries in this group, such trade is relatively unimportant, for others it is of considerable significance as a contributor to foreign exchange receipts. Much international trade theory assumes that merchandise trade is of dominant concern. However, this is not always so and the theory becomes of reduced relevance to some of these nations.

In this group, Tuvalu has virtually no dependence on merchandise trade for its foreign exchange receipts, Kiribati has some, Samoa more and Vanuatu and the Solomon Islands most. In order of increasing dependence, they can be ranked as follows: (1) Tuvalu, (2) Kiribati, (3) Samoa, (4) Vanuatu, and (5) Solomon Islands.

In the case of Tuvalu and Kiribati significant contributions to their earnings of foreign receipts come (depending on year) from fishing licenses and royalties paid by distant water fishing nations for fishing in their exclusive marine zone, from returns on their stabilisation or trust funds invested abroad as well as other investments abroad, income of employees abroad (e.g. merchant seamen), and private remittances also make a contribution. Private remittances are very significant in the case of Samoa and inbound tourism makes a positive contribution. Both merchandise exports and tourism are important in Vanuatu whereas the Solomon Islands relies principally on merchandise exports.

Of course, in addition to the above *all depend significantly* on official aid to make a substantial contribution to their foreign exchange receipts but this has, on the whole, declined in the 1990s compared to the 1980s. While foreign private direct investment does occur, it is variable. Reforms are being made or proposed to increase its importance. However, the scope for profitable private investment is limited in many of these least developed nations. Often returns on capital are higher abroad. Nevertheless, all opportunities need to be explored given the economic stringency which these nations face.

Greater freedom of trade is being supported by regional bodies such as the South Pacific Secretariat. Reforms have, for example, resulted in substantial reductions in tariffs in Samoa and Vanuatu proposes to do likewise. Kiribati and Tuvalu are likely to come under pressure to reduce their import duties. But in their case they are principally means for revenue collection rather than for protection of local industry. From their point of view, there appears to be no economic advantage (probably a disadvantage) in replacing these by a value added taxes.

Tourism growth is a leading sector for development in Vanuatu and in Samoa. In these countries its development is, however, subject to constraints which are even more severe in the case of Kiribati, Solomon Islands and Tuvalu. There is a need to realistically review the prospects for tourism development in these Pacific islands. Tourism is a potential growth industry for these nations but its development is not free of difficulties. Transport availability and cost, for example, limit tourism to Tuvalu.

The South Pacific Forum Secretariat has been a strong advocate of a Free Trade Association for the Pacific island nations and in general there has been a move by these countries to reduce tariffs significantly. The membership of some countries of the WTO (or their hoped for membership) is providing extra stimulus to this movement. The economic gains, however, for the smaller countries from free trade may be low in aggregate, especially those nations which export little merchandise. Renegotiation of the Lomé Convention requires the trade prescriptions of the WTO to be taken into account. Trade preferences for the EU and the island economies must be reciprocal and not provide preference for island merchandise. In due course, GSP may go but it may be only of slight economic advantage to countries which export little. In the case of Kiribati and Tuvalu, the costs of complying with WTO policy prescriptions or Pacific Island Free Trade Arrangements may well exceed their economic benefits.

Infrastructure

Infrastructure is quite inadequate in these least developed Pacific countries and individual countries have varied in their ability to improve their infrastructure. Possibly Samoa is most adequately supplied with infrastructure mainly because it is relatively compact.

Lack of availability and poor quality of transport as well as its cost is a major problem. Tuvalu is very restricted in its transport possibilities with the rest of the world and transport between its islands depends on an old vessel which takes up to two months for a round trip of Tuvalu. Parts of Kiribati have little contact via transport with the remainder. This is probably also so in the Solomon Islands and Vanuatu. In many cases, ships must load and unload at sea which can be dangerous and adds to costs.

Little regional rationalisation of air routes appears to have occurred. Tuvalu does not have an airport suitable for night landings and only Funafuti has an airport. Its other islands have no air transport.

Quality and availability of water varies. Some of these countries are subject to periodic drought. Tarawa (Kiribati) and Funafuti (Tuvalu) lack reliable and adequate water supplies from natural sources. Desalinisation plants were being installed in 1999 with Japanese assistance. Water quality and sanitation need to be improved in most cases, particularly in urban areas.

Electricity is only available in most of these countries to a small segment of their populations. It is considered to be costly. This is partly a consequence of relatively small generators dependent on oil.

Telecommunications in the capital cities of these countries are relatively well developed and play a vital role in maintaining inter-island contact. They are widely used by USP for educational extension services.

Special attention has or is being given to improving the efficiency of utilities in these small markets. As suggested by ADB some government regulation of finances and supplies may also be needed. Some of the problems involved, however, in supplying utilities at low cost may arise out of the special nature of most of these economies which are small and fragmented in nature. Privatisation with a substantial holding by the general public may not be feasible because of the lack of a stock exchange in all of these least developed countries.

Conclusions

The circumstances of the least developed Pacific island countries vary quite considerably. They are more diverse than might be imagined by an outsider. In the 1990s, all have felt the constraints of reduced ODA compared to the 1980s, have been increasingly required to depend on official loans rather than grants, and many donors have urged these countries to adopt economic reform programmes. In some cases, these have not been proposed reforms adapted to the institutional circumstances by their proponents.

Most of these countries are increasing their external debt. The fiscal experience of the Solomon Islands has probably been the most unfortunate in this group, and the financial (fiscal) situation of Vanuatu appears to be in the balance. Due to prudence and the existence of its Trust Fund, Tuvalu has coped better than most. Samoa has also managed a positive fiscal performance as has Kiribati aided by its stabilisation fund. Nevertheless, all of these nations remain vulnerable to changing economic and environmental influences. Many important problems exist in meeting basic needs in relation to education and health. Regional issues, the occurrence of poverty and in some cases gender inequality and lack of employment for youth raise serious problems, as well as shortcomings in governance. In most of these countries infrastructure is poorly developed. This adds to transport costs and difficulties. The fragmented nature of these countries makes it extremely difficult economically to supply infrastructure, and electricity as well as to provide for education and medical services.

Although some of these least developed Pacific economies did not experience declining aid during the 1990s, foreign aid overall was substantially lower in the 1990s compared to the 1980s and the policy conditions attached to its use increased noticeably.

The economic and social conditions of some of these economies showed deterioration in the 1990s compared to the 1980s. Per capita incomes in Kiribati were lower in the 1990s compared to the 1980s and social and economic conditions were severely strained in the Solomon Islands with a worsening situation evident in the second half of the 1990s. Vanuatu's economic future also seemed very insecure at the end of the 1990s. The socio-economic situation of Tuvalu, although tenuous, showed improvement compared to the 1980s as a result of its prudent economic policies, and no major deterioration seems to have occurred in the case of Samoa. All these economies are under (external) pressure, due to the resource gaps which they face, to reduce the size of their public sectors and place faith in private business-led economic growth guided by market forces. Nevertheless, it is unclear how well this new approach will work in stimulating their economic development given the special obstacles which they face.[3]

Endnotes

1. In this article, Samoa refers to Western Samoa. It therefore excludes American Samoa.

2. Some connections between Buddhist Economics and the development of the Pacific Islands can be observed: Some authors, e.g. Fisk and Shand (1970), suggest that Pacific islanders were, in the past, not utility-maximisers but rather 'satisficers'. Furthermore, particularly in the past, they have had communities which have shared resources and commodities. This communal aspect still remains strong in Kiribati even today. It appears that traditional values, at least within tribal groups in the Pacific, had some overlap with Buddhist values. The influence of Western Capitalism, however, which grows with globalisation, tends to supplant traditional values by the quest for unlimited economic gain and the pursuit of self-interest in many Pacific Island nations.

It may be worth noting that Tisdell and Fairbairn (1984) have argued theoretically that market-led development in the Pacific islands is likely to result in unsustainable development for them.

3. For some further recent information on the economic situation of the least developed Pacific island nations see Tisdell (2000).

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