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PACIFIC CURRENTS

Why Does the Cook Islands Still Need Overseas Aid?

GEOFF BERTRAM

ABSTRACT

The Cook Islands Government spends more than 40 per cent of gross domestic product (GDP). Its tax revenue is capped at 25 per cent of GDP under a 1998 austerity package agreed with its creditors New Zealand, Nauru and the Asian Development Bank. Non-tax revenue is 5 per cent of GDP, and external aid fills the resulting gap. This recently renewed reliance on aid contrasts sharply with the strong performance of the economy's private sector, driven by a booming tourism industry, which has pushed the balance of payments into a huge surplus and raises important questions about the allocation of the gains from growth.

Key words: Aid, austerity, Washington Consensus, fiscal limits, Cook Islands, Pacific

Introduction

Over the past three decades the Cook Islands economy has grown strongly, driven by a booming tourism sector which has pushed the balance of payments into a surplus now approaching 40 per cent of gross domestic product (GDP). Yet after decades of falling reliance on external aid, the past decade has witnessed a sharp upward jump from less than NZ$10 million per year before 2005 to NZ$20 million per year 2006–10, over NZ$30 million per year 2011–16 and over NZ$60 million in the two latest budget years (see Figure 1). Grant aid has been the key to funding the steep increase in government spending since 2010, as a massive programme of infrastructure investment has been rolled out.

The need for this investment is clear enough. It arose largely from the way in which rapid tourism-led economic growth, running ahead of public sector investment, put pressure on the pre-existing infrastructure – water supply, wastewater and solid waste disposal, roads, port works, telecommunications. But in a rapidly growing

Geoff Bertram – Victoria University of Wellington. geoff.bertram@vuw.ac.nz
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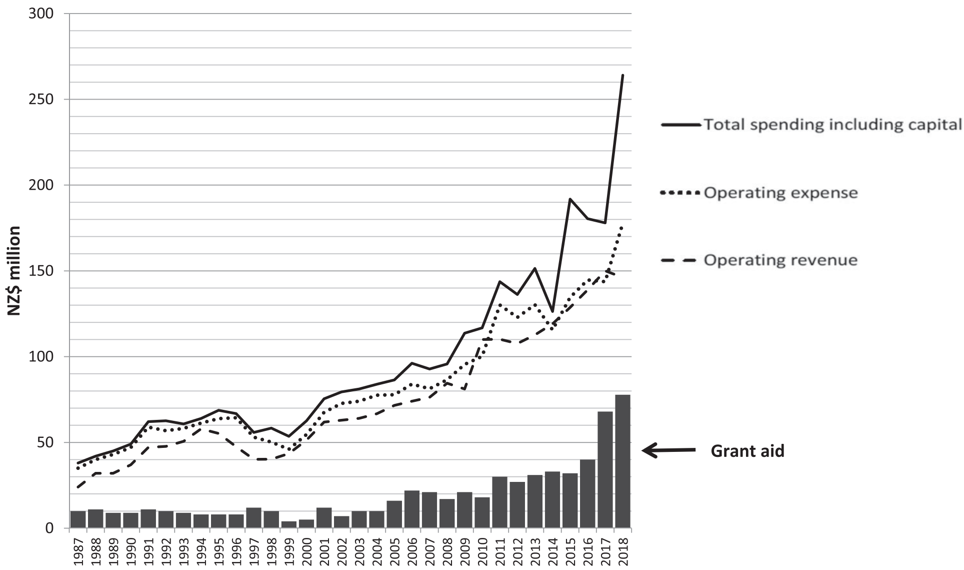

FIGURE 1: Role of aid in Cook Islands Government finances.
Sources: 1987–1990 from Cook Islands Statistics Office *Annual Statistical Bulletin* 2010, Table 5.1. 1991–2013 from Asian Development database online at: https://sdbs.adb.org/sdbs/ accessed 8 September 2017. 2014–18 assembled from Cook Islands Government budget GFS statements and June 2014 *Quarterly Financial Report*.

economy with an officially reported saving rate of 40 per cent of GDP, funding such an investment programme out of the domestically generated economic surplus ought to have been straightforward. Why then the renewed reliance upon external aid?

One answer, obviously, is 'because it is there'. Donors have shown themselves ready and willing to provide financial assistance to the Cook Islands for a range of reasons far removed from the detail of local public finance, and no government is likely to look a gift horse in the mouth. Most donors, however – and in particular New Zealand, which has historically been the principal source of aid – pay lip-service to a notion of 'sustainable development' in which the need for aid is supposed to wither away as the economy grows. The paradox in the Cook Islands is that, in contrast to the widely held notion that aid provides the basis for self-sustaining growth which in turn enables escape from aid dependence, here the need for increased aid has been the consequence, not the cause, of rapid growth.

A key part of the explanation for the rising aid requirement is that the Cook Islands government is barred from using either taxes or borrowing to fund increased spending, under a fiscal austerity package agreed with New Zealand and the Asian Development Bank in 1998 and still in force 20 years later. Such a situation, in which a government is starved of resources while a buoyant private sector overflows with economic surplus, has been characterized by J. K. Galbraith as 'private opulence and public squalor'.[1]

[1] John Kenneth Galbraith, *The Affluent Society* (Boston: Houghton Mifflin, 1958), 203.

In her 2007 book *The Shock Doctrine*, Naomi Klein documented neoliberal elites' strategic use of catastrophic events to impose their favoured policies – privatization, shrinking the state sector and undercutting the welfare state – on communities too traumatized by shock to resist effectively.[2] A wide range of shocks are discussed in her account, including the 'debt shocks' that opened the way for the 'Washington Consensus' policies imposed on debtor governments by the IMF and the World Bank.[3]

The Shock-Doctrine playbook is familiar to New Zealanders who lived through the 1980s and early 1990s, when the New Zealand Treasury took the lead in driving through unpopular, radical changes under cover of claims of 'crisis' and 'failure'.[4] It comes as no surprise, then, to find that when the Cook Islands – an entity described as 'self-governing in free association with New Zealand' – hit a massive debt shock in the mid-1990s and had to be bailed out by New Zealand and the Asian Development Bank, the terms of the bailout included permanent caps on public service employment, government net debt and debt servicing. Most importantly, the agreed terms of the bailout included a limit, set at 25 per cent of GDP, on tax revenues. The tension between that component in the 1998 structural adjustment package and the unfolding reality of Cook Islands economic development is explored in the remainder of this article.

Long-Run Perspectives on the Cook Islands Economy

The long-run evolution of the Cook Islands economy can be captured by four sets of statistics: population; national accounts; balance of international payments; and government finance. The detailed figures are set out in the appendix accessible as a supplementary file.

Population

Over the past century, the total number of Cook Islanders has increased ten-fold, from below 9,000 in 1911 to around 100,000 by 2013. The actual resident population of the Cook Islands, however, rose to just 14,100 by 1945, peaked at 21,000 in the early 1970s, and by 2016 was estimated to have fallen to 11,700 including expatriates, implying that fewer than 10,000 were resident Cook Islanders. As Figure 2 shows, since 1971 all natural increase, plus the ongoing net loss of locally resident population due to out-migration, has ended up in the diaspora.

[2] Naomi Klein, *The Shock Doctrine: The Rise of Disaster Capitalism* (London: Allen Lane, 2007).

[3] Ibid., 159–68.

[4] New Zealand Treasury, *Economic Management* (1984) and *Government Management* (1987). Respectively available online at: http://www.treasury.govt.nz/publications/briefings/1984i/ and http://www.treasury.govt.nz/publications/briefings/1987i/ accessed 29 December 2017; Jane Kelsey, *The New Zealand Experiment: A World Model for Structural Adjustment* (Wellington: Bridget Williams Books, 1995).

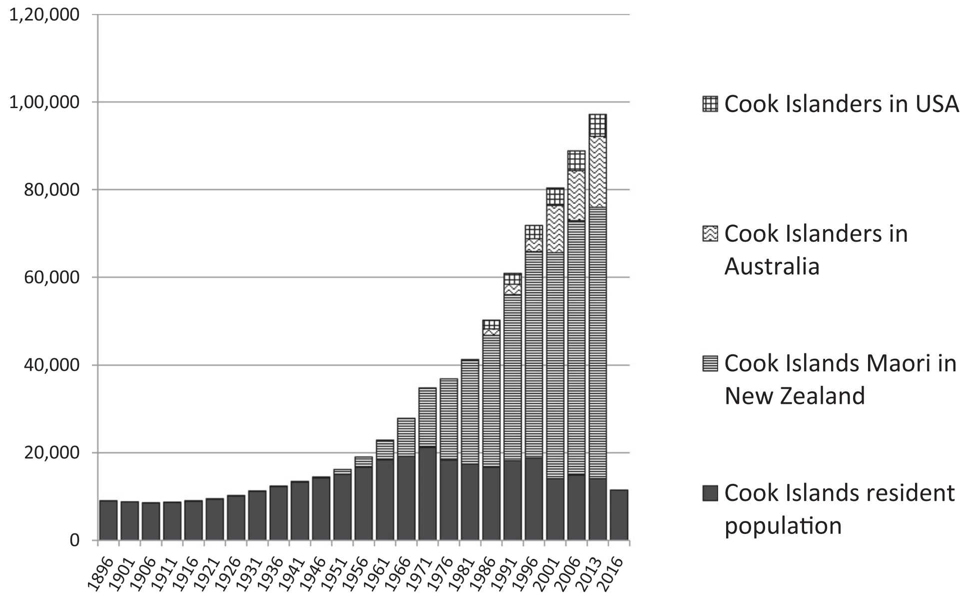

FIGURE 2: Transnational Cook Islander population.
Sources: F. Moss, 'The Cook Islands', *New Zealand Official Yearbook* (1895) Chapter 73, available online at: https://www3.stats.govt.nz/New_Zealand_Official_Yearbooks/1895/NZOYB_1895.html accessed 2 January 2018; annual reports of the Department of Island Territories in Appendices to the Journal of the House of Representatives; Geoffrey Hayes, 'Migration, Metascience, and Development Policy in Polynesia', *The Contemporary Pacific* 3:1 (1991): 1–38, 5 Table 1; K. Sudo and S. Yoshida, eds *Contemporary Migration in Oceania: Diaspora and Network* (Osaka: Japan Center for Area Studies, National Museum of Ethnology, 1997), 102; Cook Islands Statistics Office, 'Population Estimates and Vital Statistics September Quarter 2016', Table 1, available online at: http://www.mfem.gov.ck/images/documents/Statistics_Docs/2.Social/Population_Estimates__Vital_Statistics/2016/BDM_Statistics_Tables_201603.xls accessed 2 January 2018; New Zealand, Australian and US census reports.

Two important implications of this transnational dispersal of Cook Islanders are that:

- most families still in the Islands have relatives overseas, especially in New Zealand and Australia, with the ability to reallocate family members, money, and moveable goods back and forth depending on need and opportunity; and
- when income-earning opportunities in the Cook Islands are reduced, the result tends to be out-migration rather than open unemployment.

So the Cook Islands economy has a very large pool of labour available to be recruited whenever returning Cook Islanders are able to secure incomes and/or lifestyles that match those currently available in New Zealand and Australia.[5] By holding material

[5] It is noticeable in Figure 2 that after 1996, when both the Cook Islands and New Zealand were in recession but Australia was booming, the Australian share of the diaspora rose significantly – confirmation that Cook Islander migration is responsive to relative economic opportunity.

FIGURE 3: Growth of real GDP 1970–2015: Index numbers.
Source: UN data online at https://unstats.un.org/unsd/snaama/resQuery.asp accessed 24 May 2017, extrapolated to 2016 using Cook Islands national accounts, available online at: http://www.mfem.gov.ck/images/documents/Statistics_Docs/1.Economic/1.National-Accounts/2016/GDP_Statistics_Tables_201604.xlsx accessed 8 September 2017.

living standards in the Cook Islands above what they would otherwise have been, external aid has arguably provided some check on out-migration, which remains important today, especially with respect to small-scale grants to front-line government agencies (delivering education, health care and social services to the resident population) which enable government services to be sustained under conditions of fiscal stringency.

Gross domestic product and gross national income

Figure 3 shows GDP data for the Cook Islands.[6] From 1971 to 2000, both real GDP and real per capita GDP doubled – an annual average growth rate of 3 per cent, which is a very respectable performance for a small Pacific Island economy. There was a sharp recession in the mid-late 1990s caused by fiscal retrenchment, before growth resumed, bringing real per capita GDP to a peak in 2003–06.

There then followed a period of slower growth, attributable partly to the global financial crisis, but also to a maturing of the tourism industry and the tightening of environmental and other constraints that now require big new investments in infrastructure – water, sewerage, solid waste disposal, roading, telecommunications and accommodation – to sustain further growth.

The volume of international aid relative to GDP has fallen dramatically over the past half century (see Figure 4). At the beginning of the 1970s aid accounted for more than half of Cook Islands GDP, with New Zealand the dominant donor. By

[6] Dividing GDP by resident population rather than total population (including tourists) would make a big difference to the picture in Figure 3. However, the international convention is to use total population when calculating per capita GDP.

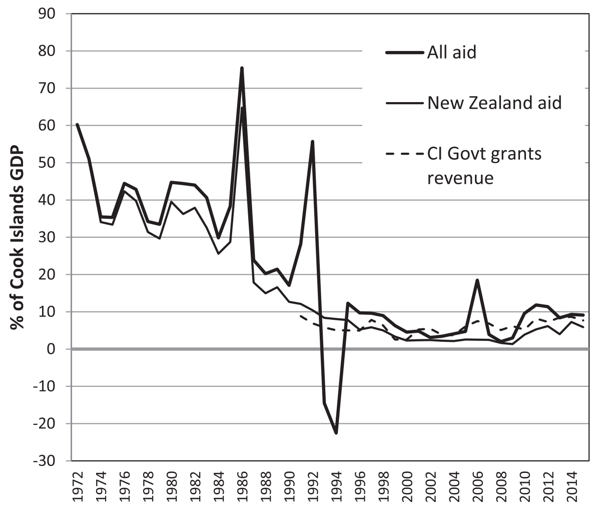

FIGURE 4: External aid to the Cook Islands as a percentage of GDP.
Sources: Aid data from the OECD's Development Assistance Committee database, available online at: www.oecd.org/countries/cookislands/ accessed 2 January 2017; Cook Islands Government grants from the Asian Development Bank's Key Indicators database, available online at: https://data.adb.org/dataset/cook-islands-key-indicators accessed 2 January 2017; GDP from the United Nations' National Accounts Main Aggregates (UNSNAA) database, available online at: https://unstats.un.org/unsdma/dnlList.asp accessed 2 January 2017.

1990, aid had dropped in importance to 20 per cent of GDP, with New Zealand still the main source, but with other donors becoming important (including Italy, whose Sheraton-related loans[7] are included in the Development Assistance Committee (DAC) aid figures in Figure 4, accounting for the 'spikes' in 1992, 1994 and 2006). By 2003 the aid/GDP ratio had settled at just 3–5 of GDP.

Since 2010, total aid has stepped up, due to a series of big infrastructure projects and the entry of new donors such as China. Aid remains generally below 10 per cent of GDP, and is likely to drop back as the big projects in water supply, waste and wastewater disposal, school construction, renewable energy and telecommunications are completed over the next few years.

In summary, as the Cook Islands economy turned in a respectable record of economic growth over the past half century, its degree of dependence on external aid fell steeply; but the economy's growth after 1998 has required a level of public

[7] A large hotel project at Vaimaaga on the south coast of Rarotonga was promoted by Italian interests with a loan of US$36 million which the Cook Islands Government guaranteed under a 1987 deal. When the project collapsed in 1992 the loan became a Cook Islands Government liability. It went into default in 1994–95. In 2006 a final write-down was negotiated with the Italian Government. Because the Italian Government recorded its loan as Official Development Aid and the write-offs as negative aid, the DAC statistics show spikes. The 1986 spike in Figure 4 appears to be related to a cyclone in that year.

spending which could not be funded by tax increases without breaching the fiscal envelope imposed in 1998. Hence the renewed importance of aid.

Balance of payments

The official balance of payments statistics show a current account surplus of NZ$110 million (30 per cent of GDP) for 2013, rising to NZ$154 million (37 per cent of GDP) in 2016.[8] In national accounting terms, the current account balance represents aggregate savings (private sector plus public sector), so with GDP now over NZ$400 million, the Cook Islands economy seems to be saving nearly 40 per cent of this amount in macroeconomic terms. This immediately eliminates one of the often-cited reasons for needing overseas aid, to make up for a shortfall of national savings relative to investment spending – what is called a 'savings gap' in the economic development literature.[9] A second common explanation for the role of aid is to fill a 'foreign exchange gap'[10] but this equally is ruled out in the Cook Islands case by the large balance of payments current account surplus.

Figures 5 and 6 show how the tourism boom of recent decades has transformed the Cook Islands balance of payments, bringing about a dramatic swing from deficit to surplus in the commercial balance. The rise of tourism has lifted the economy out of any need for aid to pay for its import needs in a general macroeconomic sense.

Government finance

The Cook Islands Government plays a large role in the local economy. Its total expenditure (inclusive of welfare benefits and capital investments) has been around 40 per cent of GDP over recent decades (down from a peak of 50 per cent in 1991, during the boom phase of debt-financed government expansion that ended in the crash of 1995–96). To pay for this expenditure the government relies on four sources of funds: tax revenues; 'other operating revenues'; aid grants; and borrowing. Figure 7 shows how total expenditure has been funded over the past 30-odd years in dollar terms. Total spending is shown as bars in the chart, and total revenue as lines. Whenever total spending runs above revenues (as occurred in the 1990s) the resulting deficit means that government is running up debt of some sort; when funding exceeds spending, as occurred from 2010 to 2013, the opposite. Basically the 1990s were a decade of fiscal stress, the 2010s a decade of fiscal stability and the 2000s in between a decade of transition.

[8] Available online at: http://www.mfem.gov.ck/statistics/economic-statistics/balance-payments accessed 5 December 2017.

[9] Hollis B. Chenery and Alan M. Strout, 'Foreign Assistance and Economic Development', *American Economic Review* 56: 4 Part 1 (1966): 679–733.

[10] Ibid.

FIGURE 5: Cook Islands trade in goods and services 1970–2015.
Source: National accounts data, available online at https://unstats.un.org/unsd/snaama/resQuery.asp accessed 7 September 2017.

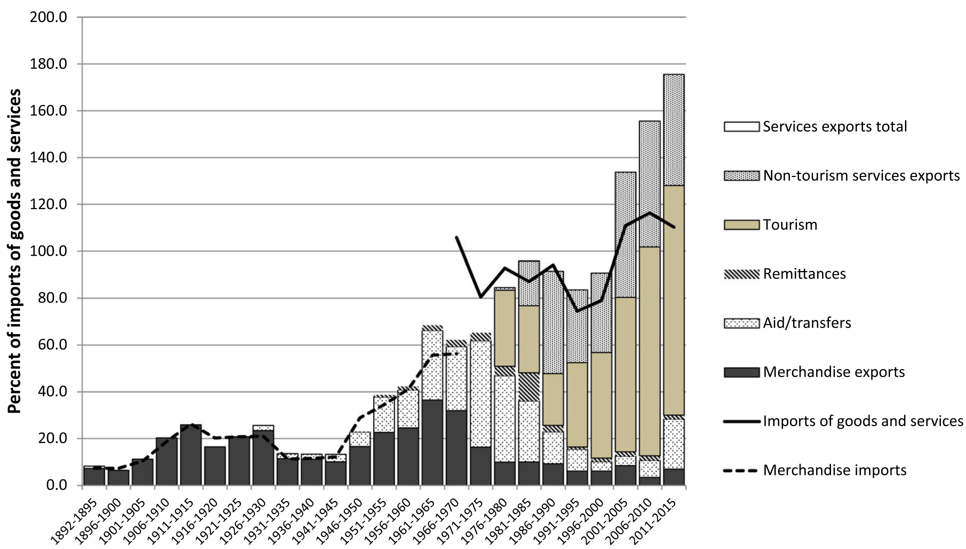

FIGURE 6: Funding of Cook Islands import requirements 1891–2015, 5-year averages.
Sources: Assembled from multiple sources, contact author.

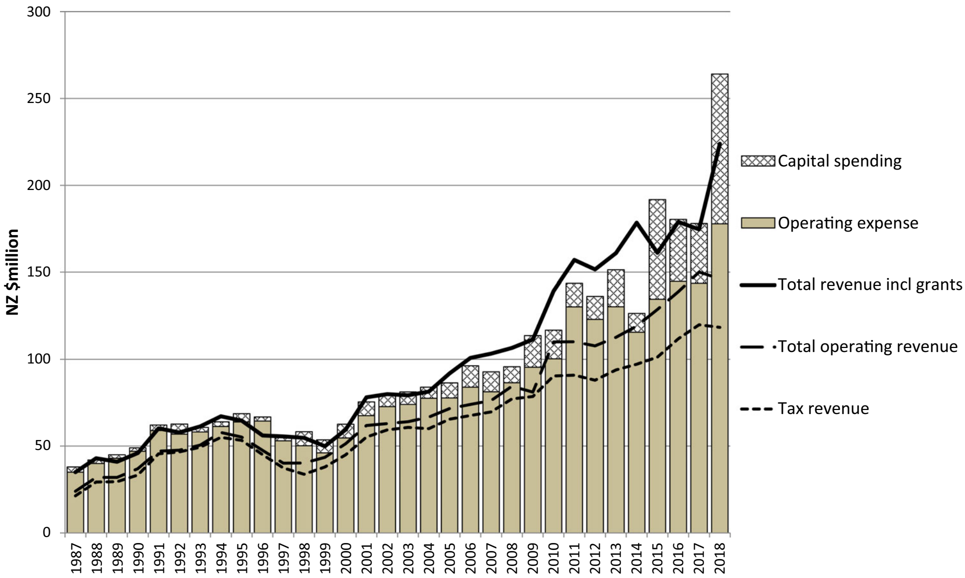

FIGURE 7: Cook Islands Government financing balance.
Sources: 1987–1990 from Cook Islands Statistics Office Annual Statistical Bulletin 2010, Table 5.1. 1991–2013 from Asian Development database, available online at: https://sdbs.adb.org/sdbs/ accessed 8 September 2017. 2014–18 from Cook Islands Government budget GFS statements and June 2014 Quarterly Financial Report.

A key feature of Figure 7 is that tax revenue lags far behind spending, leaving a big gap to be filled by non-tax revenue and aid. With big private sector surpluses alongside a government struggling to fund its operations, an obvious question is why tax rates remain relatively low. (On incomes between $48,000 and $80,000 the Cook Islands tax rate is 27.5 per cent compared with 30–33 per cent in New Zealand, while on incomes over $80,000 the Cook Islands rate is 30 per cent versus 33 per cent in New Zealand. The company tax rate in the Cook Islands is 20 per cent for 'residents' and 28 per cent for 'non-residents', compared with 28 per cent for all companies in New Zealand.)

The Paradox

To summarize: the Cook Islands economy has been a considerable success story in terms of conventional ways of thinking about economic development. It has a booming leading sector, tourism, which has carried the balance of payments into surplus and enabled the national savings rate to rise (if one believes the official statistics) to a level comparable with the Asian 'tiger economies'. The safety valve of out-migration has kept unemployment at low levels and put a floor under real wages. Outright poverty (destitution) is not observed; health and education standards are not too far (if at all) below developed-country levels.

The fact of shared citizenship with a metropolitan economy ranks the Cook Islands among a group of middle-income Pacific Island economies that have such citizenship arrangements, and above the substantial group of island economies that do not, if we use the conventional yardstick of GDP per capita (see Figure 8).

Hence the paradox: a country which can more than pay its way in terms of its balance of payments surplus and national savings rate, yet which calls on overseas aid to meet urgent infrastructure needs and to sustain public services.

To resolve this paradox it is necessary to turn to two central features of the modern Cook Islands economy: the worsening distribution of income, and the lasting impact of externally imposed austerity policies dating from the 1990s. In both cases the question is where, and to whom, have the gains from the past two decades of economic growth gone?

Trickling Down and Trickling Across

When output is growing and an economic surplus is being generated, a twofold test can be applied to see how widely the gains are being shared by the local community:

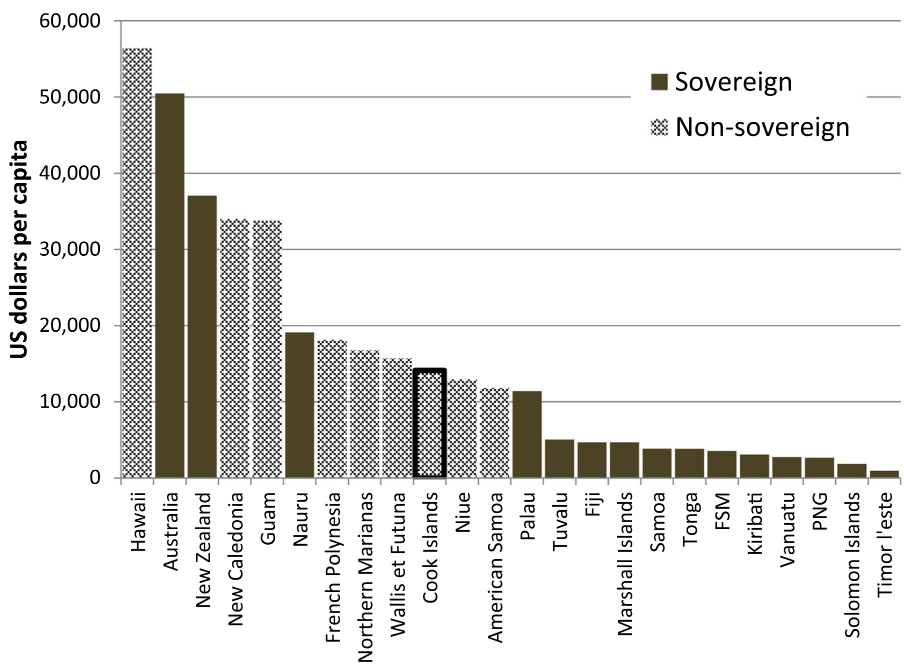

FIGURE 8: Per capita income in 24 Pacific economies.
Sources: Data where available from UN national accounts statistics, available online at https://unstats.un.org/unsd/snaama/resQuery.asp accessed 25 August 2017. US territories and Hawai'i information from US Bureau of Economic Analysis, available online at https://www.bea.gov accessed 2 January 2018; Wallis and Futuna available from FEDOM, Tableau de Bord de FEDOM PM Mis à jour 15 Janvier 2016, available online at: www.fedom.org/wp-content/uploads/2015/06/TdB-15-Janv-2016.pdf Table 6a accessed 2 January 2018.

- the *trickling down test* asks to what extent the leading sector's prosperity is spreading down to the rest of the private sector of the economy through wages, multiplier effects and structural linkages that 'pull' or 'push' activity in other sectors;
- the *trickling across test* asks to what extent the surpluses being generated by private sector growth provide the basis for the public sector to deliver the services and infrastructure that go together with private sector prosperity to underpin the general quality of life in a society.

Applying those two tests to the Cook Islands economy's development trajectory since the 1990s reveals trends that echo parallel developments in New Zealand:

- across the private sector there are signs of widening inequality, concentration of wealth and substitution of low-wage migrant labour for local workers in the booming tourist sector;
- alongside these distributional issues is an austerity-driven underfunding of public services.

Neither of these two trends has yet proceeded to crisis point and both could relatively easily be halted – but the absence of crisis is attributable to two special features of the Cook Islands situation:

- New Zealand citizenship, which means that out-migration is a virtually costless safety valve to relieve labour market pressures that would otherwise drive falling wages and rising unemployment; and
- overseas aid which enables the government to continue to function within fiscal constraints that would otherwise be crippling.

Trickling Down? Private Sector Income Distribution

The common practice of using GDP as the main – and often the only – indicator of a country's level of economic development, has come increasingly under fire in recent years, for good reasons including the fact that it provides no sense of the distribution of income either within an economy, or between the local economy and offshore parties.

There are several fragments of statistical evidence that suggest a possible failure of trickle-down, and what may turn out to be the emergence of an enclave economy. Figure 9 compares GDP per resident aged 15 and over with evidence on the path of average personal real incomes, for residents aged 15 and over, from census results and the occasional household income and expenditure surveys (HEIS).[11] These figures suggest a widening gap between the GDP series and the other income indicators in the past decade – a hypothesis awaiting confirmation when the results of the 2016 census and HEIS become available.

One way to interpret these data is that recent GDP growth has failed to 'trickle down' to personal incomes in the local economy. The increased tourism earnings driving the GDP figures have not translated to correspondingly rising incomes for

[11] Results from the 2016 HEIS were not available at the time of writing.

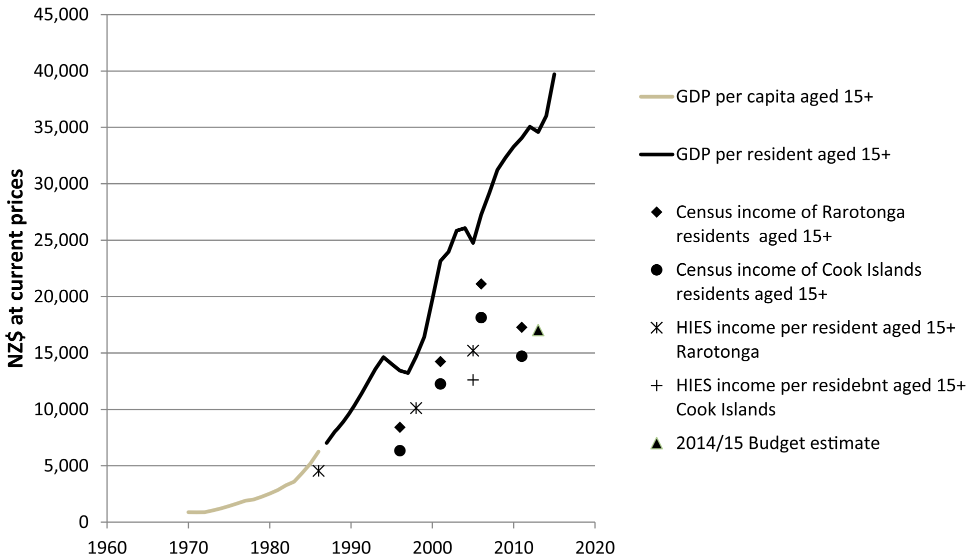

FIGURE 9: GDP per adult compared with other income measures.
Sources: Mean and median income of individuals subject to tax returns from Table 7.3 'Income tax (IR4) Returns' in Cook Islands Annual Statistical Bulletin, various issues, extended beyond 2009 with figures provided by MFEM. Census figures taken from the census reports. HIES figures, available online at http://www.mfem.gov.ck/images/documents/Statistics_Docs/5.Census-Surveys/3.Income-and-Expenditure-Survey-Tables/Cook_Islands_HES_Report_2005_6.pdf and http://www.mfem.gov.ck/images/documents/Statistics_Docs/5.Census-Surveys/3.Income-and-Expenditure-Survey-Tables/Rarotonga_HIES_1998_Report.pdf both accessed 2 January 2018. 2015 estimate from 'Special Report: Depopulation, Income and cost of living', section 5.11 of 2014/15 Budget, Book 1, 52.

local residents as a whole, if these figures are even approximately accurate. Where, then, did the missing money go?

Whereas GDP measures the value of all the goods and services produced in the economy, gross national income (GNI) measures the amount of income received by local residents in the economy. The difference between GDP and GNI can be substantial – plus or minus 20 per cent in some small-island cases around the world. It will be positive or negative depending on whether income from overseas is flowing in, in net terms, to top-up GDP (in which case GNI will be higher) or the reverse is happening, with part of the GDP generated in the economy accruing to offshore recipients, leaving GNI below GDP by the amount of locally generated income that flows out to non-residents. Comparing GNI with GDP could provide an instant test of whether the gains from growth are accruing locally or offshore. Unfortunately, while the Cook Islands national accounts (available on the UN website http://unstats.un.org/unsd/snaama/resCountry.asp for all years from 1970 to 2015) provide annual estimates for GDP, they do not measure GNI.[12]

[12] At the time of writing, the Cook Islands Government was working to remedy this gap in the national accounts.

The story told by the official balance of payments statistics (see Figures 5–6) is that the current account of the balance of payments is massively overfunded, with US $154 million of excess funding in 2016. If these figures are correct, then in 2016 some economic actors were transferring savings equivalent to 37 per cent of GDP out of the economy. As the Cook Islands Government has effectively no savings, hence was not building up net assets offshore,[13] the unaccounted for offshore savings have been in the private sector. However, because the official balance of payments statistics have no capital account and no financial account, there is no record to confirm the massive buildup of overseas assets implied by the current account statistics.

It is, of course, possible that the official estimates for the current account might be in error,[14] and that the unrecorded outflow of funds from the Cook Islands economy is in fact a primary income flow – that is, that some private-sector participants were collecting their income from tourism offshore rather than locally. Tracing this is difficult, as the Cook Islands uses New Zealand dollars and many (perhaps most) of the payments made by tourists for travel, accommodation and events are paid into bank accounts in New Zealand. How much of that money actually gets remitted up to the Cook Islands is unclear. The sums involved, however, are a multiple of the flow of external aid into the country.

Trickling Across? Public Sector Finance

Austerity came to the Cook Islands in 1996–98 as the country's creditors (New Zealand, the Asian Development Bank and Nauru) imposed a cold-turkey cure for the preceding decade's excesses. From the late 1980s to 1995 the Cook Islands Government had plunged into extravagant economic adventures including issuing its own currency, operating an offshore tax haven (leading to the Winebox scandal),[15] paying a large and often unproductive public sector workforce, and underwriting a huge Mafia-linked loan-financed hotel venture (the 'Sheraton' at Vaimaaga) which collapsed spectacularly leaving the government holding an unmanageable debt liability.

By 1995 the prospect of government default on its debt loomed, and over the first half of 1996 a full-blown fiscal crisis unfolded.[16] Without funds sufficient to meet the costs of servicing the debt and covering its oversized

[13] Except for contributions to the National Superannuation fund.

[14] The balance of payments statistics currently show a (largely aid-driven) surplus on secondary income but only a modest deficit on primary income, resulting in the official current account estimated surplus of NZ$154 million. The issue raised is how much of this estimated surplus is attributable to under-recording of primary income debits. Work now underway by the Ministry of Finance and Economic Management to produce estimates of Cook Islands GNI will address this.

[15] Ian Wishart, *The Paradise Conspiracy* (Auckland: Howling at the Moon Publishing, 1995).

[16] The crisis is described by M.T. Crocombe et al., 'Polynesia in Review: Issues and Events, 1 July 1995 to 30 June 1996', *The Contemporary Pacific* 9:1 (1997): 218 ff; and Colin S. Mellor, 'Economic Restructuring in the Cook Islands: A Review', *Pacific Economic Bulletin* 12:2 (1997): 17–24.

payroll, the Government adopted a slash-and-burn restructuring – described at the time as 'New Zealand-style public service reform sweeping through the Cook Islands like a cyclone'[17] – and accepted severe restrictions on longer-run fiscal management that were demanded by its creditors. A radical austerity programme cut public service salaries, reduced the number of ministries from 52 to 22, and cut civil service personnel by about one-third from 3,200 personnel to 1,868 in 1996.[18]

Under pressure from the creditors, the Cook Islands Parliament passed new legislation – the Ministry of Finance and Economic Management Act 1995–96 and the Public Expenditure Review Committee and Audit Act 1995–96 – to regulate public sector financial management. The first of these set out as 'principles of responsible fiscal management':

- ensuring that, unless the Crown's (i.e. public sector) debt is at prudent levels, operating expenses will be less than operating revenues (i.e. there is an operating surplus);
- achieving and maintaining levels of the Crown's net worth that provide a buffer against factors that may diminish net worth in the future;
- prudently managing the fiscal risks facing the Crown; and
- pursuing policies consistent with a reasonable degree of predictability about the level and stability of tax rates in future years.

It then remained for the creditors to dictate the precise parameters within which Cook Islands Government would have to operate. This was done at a meeting in Manila in late 1998 where in exchange for the writing-off of half of its debt,[19] the Cook Islands Government agreed to accept voluntary but binding limits on its budget, namely:

- tax revenue should not exceed 25 per cent of GDP ('unless due to better compliance and efficiency');
- public sector wages and salaries should be capped at 44 per cent of total revenue, falling to 40 per cent over time;
- debt servicing should not exceed 5 per cent of total revenue;
- the overall budget deficit should not exceed 2 per cent of GDP; and
- net debt should not exceed 35 per cent of GDP.

[17] Hank Schouten, 'Cyclone of Reform Sweeps into Rarotonga', *Evening Post* (Wellington), 1 July 1996, 7.

[18] Vaine Iriano Wichman, *Pacific Choice: Revamping the Cook Islands Public Sector* (Manila: Asian Development Bank, 2008), 3; Asian Development Bank, *Cook Islands: Public Finance Management and Public Sector Performance Review (Financed by the Japan Fund for Poverty Reduction)*, Project Number 42389-01 Policy and Advisory Technical Assistance (PATA), November 2010. Available online at: www.adb.org/sites/default/files/project-document/62462/42389-01-coo-tar.pdf, accessed 29 December 2017.

[19] David Barber, 'Cook Islands Promises to Do its Duty', *National Business Review*, 24 July 1998, 9; 'Cook Islands Debt Write-off', *The Press*, 11 December 1998, 16.

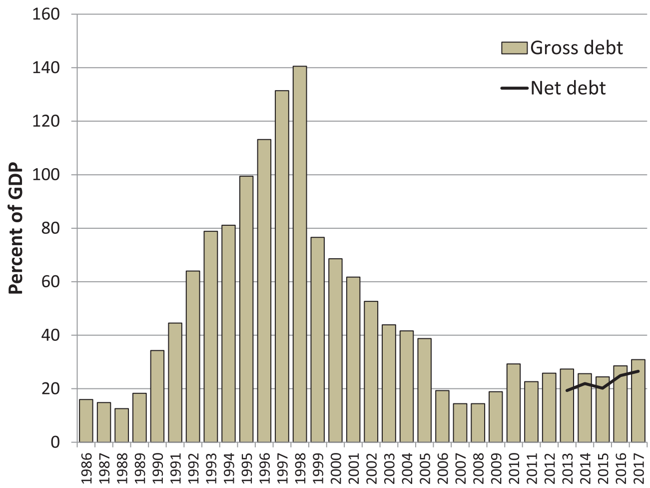

FIGURE 10: Cook Islands Government External Debt.
Sources: Gross debt 1986–2001 from Asian Development Bank, Cook Islands 2008 Social and Economic Report: Equity in Development ([Manila]: Asian Development Bank, 2008), available online at https://www.adb.org/sites/default/files/publication/29732/cook-islands-economic-report-2008.pdf, 18, accessed 2 January 2018; 2001–2016 figures in US$, available online at: https://sdbs.adb.org/sdbs accessed 2 January 2018, divided by GDP from UNSNAA database https://unstats.un.org/unsd/snaama/resQuery.asp accessed 2 January 2018; 2017 figure in NZ$ from Cook Islands Government Budget for 2017/18 Book 1, 129 divided by estimate of GDP, available online at: www.mfem.gov.ck/ … /2017-18_Cook-Islands_Budget-Book-1_appropriation-and-Commentary-2.pdf accessed 2 January 2018. Net debt assembled from annual Cook Islands Government Budget documents.

Including crisis-related financing of the government during the post-crisis transition, gross debt had accumulated to 140 per cent of GDP by 1998, but by 2005 it was back below 40 per cent and the net-debt target had been reached. Much of the dramatic reduction seen in Figure 10 was driven by rapid growth of GDP, though stringent restraint on government expenditure contributed also.

Figure 10 shows that as of 2017 the Cook Islands Government remains below the 35 per cent ceiling by a reasonably comfortable margin, but its scope to *increase* its indebtedness is limited by two factors:

- the government has unilaterally set its net-debt target at no more than 30 per cent of GDP, to ensure that it has the ability to borrow heavily in the event of a cyclone or other natural disaster without breaching the Manila ceiling of 35 per cent of GDP;
- the 6–7 per cent of GDP margin that this leaves is equivalent to less than $30 million of additional borrowing – that is, less than one year of capital expenditure at the current rate.

The far more serious and draconian fiscal ratio imposed in 1998 was the cap on total tax revenue. This came straight from the hard core of the neoliberal austerity playbook espoused by the New Zealand Treasury in the 1980s and 1990s.[20] The implications in the Cook Islands setting are apparent in Figure 11.

The ferocious retrenchment of 1996–98 brought total government spending down from its peak of over 50 per cent of GDP in 1991 to 35 per cent of GDP by 2000, with day-to-day operating expenditure at 32 per cent of GDP. Capital expenditure was squeezed down to 2–3 per cent of GDP. To have balanced the books at this level of operation while collecting not more than 25 per cent of GDP in tax revenue, the government would have needed non-tax operating revenue equal to 10 per cent of GDP. In practice non-tax revenue has been 5 per cent of GDP or less. To match the rising demand for infrastructure as tourist numbers rose, a capital budget of 2–3 per cent of GDP was radically inconsistent with economic and environmental sustainability. Sewage pollution of the Muri lagoon, an overflowing landfill, deteriorating roads, shortcomings in water supply, the need for improvements at Rarotonga's port and airport, and the inescapable cost of repairing cyclone damage and improving cyclone protection (especially in the face of rising sea levels) all meant that capital works could not be deferred indefinitely. By 2015 as these works gathered momentum, government spending rose back above 40 per cent of GDP, while tax revenue remained capped at 25 per cent.

It is clear from Figure 11 that, without external grant aid, the Cook Islands Government would not be able to balance its budget at current spending levels without either borrowing, or raising taxes, or both. The debt ceiling rules out borrowing beyond a small amount, while the tax ceiling allows the local private sector to free-ride on aid donors' willingness to fund the capita works programme. Any suggestion that operating expenditure can be compressed back below 30 per cent of GDP has to be treated with scepticism.

So long as the 1998 Manila rules remain in place and are adhered to, the Cook Islands Government has to rely on external aid to make up for its revenue shortfall. Spending over 40 per cent of GDP when tax revenue is 25 per cent, other revenue is 5 per cent, and borrowing is ruled out, would be unsustainable without aid. Tax increases are off the table unless the Manila Agreement can be renegotiated, even though the taxable capacity of the Cook Islands economy is greater than 25 per cent of GDP, given the huge economic surpluses signalled by the balance of payments.

The policy challenge is therefore to relax the tax ceiling without throwing away the Manila fiscal framework entirely – to avoid, in other words, throwing out the baby with the bathwater. Here is where the 1998 creditors – now reduced to New Zealand and the Asian Development Bank, both of which are ongoing aid donors – have a clear role to play. If they were to initiate discussions around relaxing the 25 per cent ceiling on tax revenue, plus easing somewhat the limits on public sector pay and debt servicing, while leaving the net-debt limit unchanged, this would represent a major step towards fiscal sustainability for the Cook Islands Government.

[20] On the origins of the small-government paradigm in economic theory and US politics see Nancy MacLean, *Democracy in Chains: The Deep History of the Radical Right's Stealth Plan for America* (New York: Viking Press, 2017).

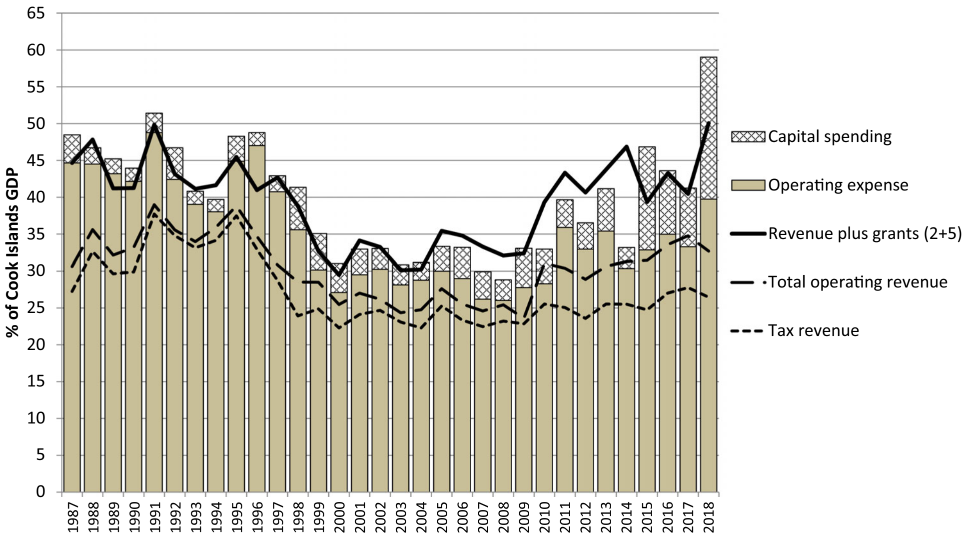

FIGURE 11: Cook Islands Government financing as a percentage of GDP.
Sources: as for Figure 7. 2018 figures are budget projections.

Given the rhetorical support for sustainable economic growth from these creditors, it would be useful to see those words translated into action via an abandonment of the extremist small-government ideological agenda, while still maintaining support for fiscal prudence. (Fiscal prudence, it has to be emphasized, is not to be equated with any numerical target for the size of government in an economy.)

The problem of Cook Islands public finance is thus straightforward. The private sector accounts for all of the substantial aggregate savings indicated by the balance of payments statistics. The government is unable to capture a share of those savings by taxation because of the Manila Agreement ceiling on tax revenue. The present level of government expenditure cannot be sustained without aid unless the Manila Agreement limits are abandoned and taxes are increased. Aid functions as a subsidy to Cook Island taxpayers, whose free-rider status is sheltered by keeping the total tax take within the Manila Agreement fiscal constraints.

A Reflection on Bailouts and 'prudence'

What happened in the Cook Islands during the fiscal crisis of 1995–98 was not a unique experience. A local governing elite, confronted with both the opportunity and the incentive to take risks and incur large offshore liabilities, plunged in the late 1980s and early 1990s into an expansionary programme that even at the time looked reckless, and which in due course led to insolvency, debt default and a sharp recession. The boom–bust cycle was foreseeable, but no party had the incentive to do anything other than turn a blind eye. The New Zealand Government of the late 1980s, in the full flush of its Rogernomics deregulatory experiment, was effectively complicit in (though not directly responsible for) the policy adventures that led to the Winebox saga and the Cook Islands' flirtation with Mafia money-laundering.

Exit from the crisis was by means of a large bailout provided by aid-donor agencies and governments. Many of the individuals who had profited from the decade of fiscal extravagance walked away with their gains – including several of the Italian promoters of the Sheraton money-laundering project. The terms negotiated for the eventual bailout involved so-called 'fiscal prudence' requirements far more stringent than would have been needed a decade earlier to pre-empt the entire fiasco.

A central plank of the 'fiscal prudence' package was the cap on tax revenues. The logic of this in a programme designed to prevent the government accounts from running into deficit is entirely obscure, apart from the usual neoliberal obsession with shrinking the size of the state. The Manila ceiling on net debt makes complete sense, and the Manila restraint on public sector employment, wages and salaries was clearly defensible as a short-term measure – though not obviously for the long term. But restricting a government's ability to fund its necessary spending by collecting whatever level of tax revenue is required is, on the face of it, a deliberate recipe to create a primary budget deficit at any time that government spending rises above the arbitrary limit of what it is allowed (and allows itself) to fund from total revenues.

If one starts from the small-state ideological position that government spending must be held below some arbitrary proportion of GDP, then the tax ceiling obviously provides an important lever because of the threat that any future expansion of state spending would automatically incur deficits, and hence render the government hostage to the willingness of lenders and/or aid donors to fund all spending in excess of revenue. But this has nothing to do with fiscal prudence per se; it is driven entirely by the small-state ideological agenda.

Cook Islands Government ministers, officials and the wider community of political commentators have certainly signed up to defending and maintaining the Manila threshold, largely on the grounds that this is the only way to be seen as 'prudent'; and they have been encouraged in this view by donors who have thereby acquired substantial power to shape the policy agenda in the Cook Islands. But the tax revenue ceiling performs no discernible function other than to create and perpetuate this asymmetric power balance.

The appropriate balance between the public sector and the private sector is indeed a central policy issue in any country. In the course of research for the present article, no evidence was found that the optimal size of the Cook Islands public sector lies below 30 per cent of GDP. The issue does not even appear to have been the subject of much public debate. Rather, as public sector spending has inexorably risen above the revenue that the Manila thresholds allow, aid has been forthcoming to keep the fiscal position afloat, so that a policy crunch has been continually averted. This is not, however, fiscal prudence. It is something entirely different: a marriage of convenience in which the Cook Islands Government, supported by local private sector lobbyists, joins aid donors in defence of the tax revenue limit and the consequent 'need' for aid, while the aid donors exercise the power thus conferred on them within tacitly agreed limits.

To break this cycle, the government would have to be free to levy resources from the private sector, and specifically the tourism industry, in whatever amount is needed to make provision for adequate infrastructure and public services. This in turn means either that the revenue ceiling would have to be removed from the Manila package, or that new sources of revenue that can be classified as 'non-tax' be created. It is not difficult to envisage levies on tourism sufficient to sustain a balanced fiscal position – but it is difficult to see how to prevent these being labelled as 'taxes' and hence blocked politically on the grounds of a breach of the Manila thresholds.

It must also be noted that some of the increase in government expenditure in the past decade has been driven by donor lobbying, including spending items that bear no obvious relationship to fiscal prudence. Most conspicuous is a subsidy to Air New Zealand that is budgeted at around $12 million per year. This is best characterized as corporate welfare.[21]

The track record of bailouts and austerity packages varies from country to country, so that despite family resemblances, each case has to be analysed on its own merits. The Cook Islands is not Greece, because:

- its creditors allowed the writing-down of government debt at the same time as austerity was imposed; and
- the out-migration option was much easier and lower-cost for Cook Islanders than for Greeks.[22]

The Cook Islands is in some respects more like Ireland, which benefited from its membership of a wider economic unit (the EU) and from rapid private sector growth following the austerity shock, but Ireland avoided having to accept the sort of permanent cap on its allowable tax take that was imposed on the Cook Islands.

The Cook Islands story is to some extent parallel to that of Puerto Rico. There the government created a tax haven, ran up unsustainable debts, and came to the point of default. After heated debate the US Congress approved a bailout via what amounted to Chapter 11 bankruptcy for the Puerto Rico Government – a piece of legislation known as 'PROMESA'[23] – accompanied by imposition of a fiscal austerity package enforced by a seven-member 'oversight board' set up by the US Government. Reminiscent of not only the Cook Islands in 1996 but the more recent experience of Greece, a sharp recession was the result.[24] But in contrast to

[21] The subsidy was begun in 2008 at the urging of the New Zealand Government, against strong opposition from the Asian Development Bank (see ADB, *Cook Islands 2008 Social and Economic Report: Equity in Development – Tango-tiama o te kimi puapinga* [(Manila:) Asian Development bank, 2008], 86). By 2012 it was budgeted at $12 million, and continues to be provided for at that level, although the actual amount paid out since has ranged between $6 million and $11 million.

[22] For an account of the Greek case see Y. Varoufakis, *Adults in the Room: My Battle with Europe's Deep Establishment* (London: The Bodley Head, 2017).

[23] Puerto Rico Oversight, Management, and Economic Stability Act.

[24] Joseph Stiglitz and Martin Guzman, 'From Bad to Worse for Puerto Rico', Project Syndicate, 28 February 2017. Available online https://www.project-syndicate.org/commentary/puerto-rico-debt-plan-deep-depression-by-joseph-e--stiglitz-and-martin-guzman-2017-02, accessed 29 December 2017.

Puerto Rico, the Cook Islands escaped having a formal oversight board taking fiscal management out of the hands of the local government.

Conclusion

Overseas aid to the Cook Islands is the means by which a government that:

- spends over 40 per cent of GDP, but which
- collects only 25 per cent in taxes plus
- another 5 per cent in other revenues,

is kept free of the need to borrow simply to sustain current public services, let alone capital works.

Overseas aid will continue to be needed by the Cook Islands until either it breaks free of the limit on tax revenue agreed with New Zealand and the Asian Development Bank in 1998, or some means is found to cut spending drastically, or some new source of non-tax revenue is secured.[25]

Supplemental Data

Supplemental data for this article can be accessed 10.1080/00223344.2018.1435966

[25] There are extravagant hopes pinned, for example, on seabed mining which possibly might, sometime in the distant future, bring in royalties of up to 10 per cent of GDP – Gerald McCormack, *Cook Islands Seabed Minerals: a Precautionary Approach to Mining* (Rarotonga: Cook Islands Heritage Trust, 2016), 16.

Table 1: Role of aid grants in Cook Islands Government budget

	Data in NZ $million									per cent of GDP					
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
	Tax revenue	Total operating revenue	Operating expense	Operating balance (2-3)	Grants	Capital spending	Overall balance (4+5-6)	Revenue plus grants	GDP	Tax revenue	Total operating revenue	Revenue plus grants	Operating expense	Capital spending	Total expenditure
1987	21	24	35	-11	10	3	-3	35	78	27	31	45	45	4	48
1988	29	32	40	-8	11	2	1	43	90	33	36	48	44	2	47
1989	30	32	43	-11	9	2	-4	41	100	30	32	41	43	2	45
1990	33	37	47	-10	9	2	-3	46	112	30	33	41	42	2	44
1991	46	47	59	-12	11	3	-4	60	121	38	39	50	49	3	51
1992	47	48	57	-9	10	6	-5	58	134	35	36	43	42	4	47
1993	49	51	58	-8	9	3	-1	61	149	33	34	41	39	2	41
1994	55	58	61	-3	8	3	2	67	161	34	36	42	38	2	40
1995	53	55	64	-9	8	5	-5	65	142	37	39	45	45	3	48
1996	45	48	64	-17	8	2	-12	56	137	33	35	41	47	2	49
1997	37	40	53	-13	12	3	-4	56	130	29	31	43	41	2	43
1998	34	40	50	-10	10	8	-8	55	141	24	29	39	36	6	41
1999	38	44	46	-3	4	8	-6	50	153	25	28	33	30	5	35
2000	45	51	55	-3	5	8	-6	59	202	22	25	29	27	4	31
2001	55	62	68	-6	12	8	-2	78	229	24	27	34	30	3	33
2002	59	63	73	-10	13	7	-3	80	240	25	26	33	30	3	33
2003	61	64	74	-10	10	7	-7	79	263	23	24	30	28	3	31
2004	60	67	78	-11	10	6	-7	81	269	22	25	30	29	2	31
2005	66	72	78	-6	16	9	1	92	259	25	28	35	30	3	33
2006	68	74	84	-10	22	12	0	101	290	23	26	35	29	4	33
2007	70	76	81	-5	21	11	5	103	310	22	25	33	26	4	30
2008	77	85	86	-2	17	9	6	107	332	23	25	32	26	3	29
2009	79	81	95	-14	21	18	-11	111	344	23	24	32	28	5	33
2010	90	110	100	10	18	17	12	139	354	26	31	39	28	5	33
2011	91	110	130	-20	30	14	-4	157	362	25	30	43	36	4	40
2012	88	108	123	-15	27	13	-1	152	373	24	29	41	33	4	37
2013	94	113	130	-18	31	21	-8	161	368	26	31	44	35	6	41
2014	97	119	116	4	59	11	52	179	381	26	31	47	30	3	33
2015	101	129	135	-6	32	57	-31	161	409	25	31	39	33	14	47
2016	112	139	145	-6	40	36	-1	179	414	27	34	43	35	9	44
2017	120	150	144	6	25	34	-3	175	432	28	35	40	33	8	41
2018	118	146	178	-32	78	86	-40	224	447	26	33	50	40	19	59

Sources: 1987-1990 from Cook Islands Statistics Office *Annual Statistical Bulletin 2010*, Table 5.1. 1991-2013 from Asian Development database https://sdbs.adb.org/sdbs/ accessed 8 September 2017. 2014-2018 assembled from Cook Islands Government budget GFS statements and June 2014 Quarterly Financial Report.

Table 2: Cook Islander population 1896-2016

Year	Cook Islands resident population	Cook Islands Maori in New Zealand	Cook Islanders in Australia	Cook Islanders in USA	Cook Islanders in Makatea	Total Cook Islander population
1896	9,000	3				9,003
1901	*8,759*	25				8,784
1906	8,518	*56*				8,574
1911	8,648	*87*				8,735
1916	8,917	*118*				9,035
1921	9,352	149				9,501
1926	10,082	*152*				10,234
1931	11,164	*154*				11,318
1936	12,246	157				12,403
1941	13,269	*190*			*20*	13,479
1946	14,253	222			*120*	14,595
1951	15,079	1,085			309	16,473
1956	16,680	2,320			48	19,048
1961	18,378	4,499				22,877
1966	19,200	8,663				27,863
1971	21,200	13,581				34,781
1976	18,300	18,556				36,856
1981	17,400	23,880				41,280
1986	16,700	30,086	1,458	2,000		50,244
1991	18,200	37,857	2,309	2,500		60,866
1996	18,800	47,019	2,964	*3,000*		71,783
2001	14,100	51,486	10,752	*4,000*		80,338
2006	14,900	58,008	11,401	4,500		88,809
2013	14,100	61,839	16,193	5,000		97,132
2016	11,500					

Sources: Moss (1895); Censuses of New Zealand, Australia and the USA; New Zealand reports of the Department of Island Territories; Geoffrey Hayes, "Migration, Metascience, and Development Policy in Polynesia", The Contemporary Pacific 3(1): 1-38, Spring 1991, p.5 Table 1; K. Sudo and S. Yoshida (eds) Contemporary Migration in Oceania: Diaspora and Network, Osaka: Japan Center for Area Studies, National Museum of Ethnology, 1997, p.102; Cook Islands Statistics Office "Population Estimates and Vital Statistics September quarter 2016" Table 1, http://www.mfem.gov.ck/images/documents/Statistics_Docs/2.Social/Population_Estimates__Vital_Statistics/2016/BDM_Statistics_Tables_201603.xls; New Zealand, Australian and US census reports.

Italicised figures are interpolations.

Table 3: Two measures of per capita GDP

	1	2	3	4	5	6
Year	Real GDP $m at constant 2015 prices	UN population series	Per capita GDP according to UN, US$ at 2005 prices	GDP at current prices in NZ$ million	Resident population aged 15+	GDP per resident aged 15+, current NZD$
1970	143.0	21,406	6,682	9.1	*10,400*	878
1971	127.9	21,507	5,948	9.0	10,326	874
1972	113.4	21,422	5,295	8.9	*10,012*	891
1973	118.0	21,177	5,571	10.2	9,698	1,049
1974	119.2	20,808	5,727	11.6	*9,501*	1,221
1975	117.6	20,355	5,776	13.2	*9,303*	1,423
1976	109.1	19,810	5,505	15.1	9,106	1,658
1977	108.6	19,183	5,659	18.0	*9,458*	1,903
1978	105.6	18,549	5,693	19.6	9,809	1,997
1979	109.8	18,006	6,100	22.7	*10,079*	2,248
1980	111.6	17,623	6,334	26.2	*10,350*	2,531
1981	106.8	17,437	6,127	30.3	10,620	2,852
1982	109.8	17,425	6,302	35.0	*10,720*	3,267
1983	110.5	17,527	6,306	38.9	*10,820*	3,593
1984	127.4	17,649	7,218	47.6	*10,919*	4,360
1985	138.6	17,722	7,819	57.1	*11,019*	5,180
1986	149.9	17,724	8,458	69.6	11,119	6,257
1987	147.7	17,677	8,353	78.4	*11,215*	6,989
1988	150.3	17,611	8,535	89.9	*11,310*	7,948
1989	157.1	17,579	8,936	99.5	*11,406*	8,726
1990	169.5	17,613	9,626	111.5	*11,501*	9,695
1991	181.6	17,730	10,244	125.7	*11,597*	10,841
1992	192.5	17,909	10,748	139.6	*11,693*	11,936
1993	200.0	18,103	11,047	155.1	*11,788*	13,157
1994	207.8	18,250	11,387	167.8	*11,884*	14,121
1995	198.7	18,305	10,856	161.4	*11,979*	13,474
1996	198.2	18,244	10,863	155.4	11,567	13,434
1997	193.5	18,093	10,696	148.5	*10,622*	13,981
1998	192.0	17,915	10,719	160.0	*10,214*	15,663
1999	197.2	17,806	11,074	173.3	*9,812*	17,657
2000	224.5	17,826	12,596	201.7	*9,405*	21,446
2001	233.7	18,003	12,982	228.9	9,884	23,161
2002	241.3	18,308	13,179	240.4	*9,292*	25,874
2003	251.7	18,690	13,466	263.1	*9,808*	26,823
2004	257.2	19,072	13,486	269.3	*9,422*	28,577
2005	254.3	19,399	13,108	259.3	*9,271*	27,968
2006	267.0	19,656	13,584	289.7	10,623	27,269
2007	266.5	19,859	13,418	310.1	*7,558*	41,035
2008	257.1	20,018	12,844	332.1	*7,625*	43,555
2009	259.8	20,154	12,892	343.7	*8,550*	40,197
2010	252.1	20,284	12,428	354.1	*8,544*	41,445
2011	254.6	20,407	12,475	362.4	10,642	34,054
2012	266.5	20,518	12,989	372.9	*8,992*	41,471
2013	262.7	20,621	12,742	367.7	*9,187*	40,022
2014	278.9	20,725	13,458	380.9	*8,862*	42,978
2015	294.1	20,833	14,119	409.4	*8,471*	48,334
2016	304.4		14,011	413.7	*7,493*	55,212

Sources: Column 1 is GDP in current US$ converted to real 2015 US$ using the GDP deflator, from **https://unstats.un.org/unsd/snaama/resQuery.asp**, accessed 24 May 2017, extrapolated to2016 using Cook Islands national accounts at http://www.mfem.gov.ck/images/documents/Statistics_Docs/1.Economic/1.National-Accounts/2016/GDP_Statistics_Tables_201604.xlsx accessed 8 September 2017.

Column 2 is the UN population series from **https://unstats.un.org/unsd/snaama/resQuery.asp** ..

Column 4 1970-2013 from same source as Column 1; 2014-2016 from http://www.mfem.gov.ck/images/documents/Statistics_Docs/1.Economic/1.National-Accounts/2016/GDP_Statistics_Tables_201604.xlsx downloaded 89 September 2017.

Column 5 estimated from UN Demographic Yearbook data at http://data.un.org/Data.aspx?d=POP&f=tableCode%3a22 accessed 10 August 2017, and from Cook Islands Statistical Office http://www.mfem.gov.ck/statistics/social-statistics/vital-stats-pop-est . Figures in italics are interpolations.

Columns 3 and 6 calculated.

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Table 4: Aid to the Cook Islands relative to GDP

	DAC data		ADB data			per cent of Cook Islands GDP		
Year	(1) New Zealand aid US$m	(2) Total aid, all donors US$m	(3) Cook Islands Government 'grants' revenue NZ$m	(4) GDP in US$m	(5) GDP in NZ$m	(6) New Zealand aid 1÷4	(7) All aid 2÷4	(8) CI Govt 'grants' revenue 3÷5
1972	6.42	6.42		10.66	8.92	60.2	60.2	
1973	7.02	7.05		13.81	10.17	50.8	51.1	
1974	5.53	5.75		16.22	11.60	34.1	35.4	
1975	5.31	5.62		15.90	13.24	33.4	35.3	
1976	6.36	6.68		15.03	15.10	42.3	44.5	
1977	6.95	7.49		17.47	18.00	39.8	42.9	
1978	6.38	6.95		20.31	19.59	31.4	34.2	
1979	6.86	7.75		23.15	22.65	29.6	33.5	
1980	10.09	11.42		25.51	26.20	39.5	44.8	
1981	9.52	11.67		26.28	30.29	36.2	44.4	
1982	9.96	11.56		26.28	35.03	37.9	44.0	
1983	8.46	10.56		25.98	38.88	32.6	40.7	
1984	6.91	8.05		26.99	47.61	25.6	29.8	
1985	8.1	10.81		28.21	57.08	28.7	38.3	
1986	23.56	27.44		36.36	69.57	64.8	75.5	
1987	8.27	11.05		46.25	78.38	17.9	23.9	
1988	8.83	11.92		58.89	89.89	15.0	20.2	
1989	9.88	12.75		59.52	99.53	16.6	21.4	
1990	8.43	11.38		66.52	111.50	12.7	17.1	
1991	8.8	20.47	11.09	72.53	125.73	12.1	28.2	8.8
1992	7.81	41.77	9.63	74.96	139.56	10.4	55.7	6.9
1993	7.04	-12.16	8.96	83.82	155.10	8.4	-14.5	5.8
1994	8.03	-22.42	8.45	99.50	167.81	8.1	-22.5	5.0
1995	8.22	13.04	8.10	105.92	161.41	7.8	12.3	5.0
1996	5.59	10.38	7.70	106.81	155.39	5.2	9.7	5.0
1997	5.73	9.47	11.59	98.19	148.51	5.8	9.6	7.8
1998	4.3	7.7	10.18	85.63	159.98	5.0	9.0	6.4
1999	3.05	5.79	4.45	91.69	173.26	3.3	6.3	2.6
2000	2.08	4.15	5.10	91.63	201.70	2.3	4.5	2.5
2001	2.29	4.64	11.95	96.24	228.92	2.4	4.8	5.2
2002	2.68	3.48	13.20	111.20	240.43	2.4	3.1	5.5
2003	3.41	5.24	10.00	152.77	263.09	2.2	3.4	3.8
2004	3.80	7.31	10.04	178.48	269.26	2.1	4.1	3.7
2005	4.65	8.63	15.75	182.56	259.28	2.5	4.7	6.1
2006	4.77	34.68	21.71	187.85	289.68	2.5	18.5	7.5
2007	5.66	8.93	21.27	227.94	310.15	2.5	3.9	6.9
2008	3.78	4.65	16.90	233.44	332.12	1.6	2.0	5.1
2009	2.88	6.37	21.17	214.69	343.70	1.3	3.0	6.2
2010	9.81	24.40	18.42	255.15	354.10	3.8	9.6	5.2
2011	15.15	33.88	29.69	286.30	362.40	5.3	11.8	8.2
2012	18.63	34.41	27.05	302.12	372.90	6.2	11.4	7.3
2013	12.00	25.22	31.07	301.54	367.70	4.0	8.4	8.5
2014	23.12	29.55	33.20	317.56	382.80	7.3	9.3	8.7
2015	17.31	26.86	32.40	294.13	421.78	5.9	9.1	7.7

Sources: Columns (1) and (2) downloaded from the OECD's Development Assistance Committee database.
Column 3 downloaded from the Asian Development Bank's Key Indicators database.
Columns (4) and (5) downloaded from the UNSNAA database.
Columns (6)-(8) calculated.

Table 5: Long-run balance of payments of the Cook Islands, five-year averages in US$ million

	US$ million at 2005 prices								per cent of imports of goods and services					
	Merchandise exports	Merchandise imports	Exports of goods and services	Imports of goods and services	Aid/transfers	Remittances	Tourism	Other services exports	Aid	Remittances	Tourism	Other services exports	Funding excluding aid	Excess funding over import needs
1892-1895	7.3	7.3												
1896-1900	6.4	7.3												
1901-1905	11.2	10.4												
1906-1910	20.3	18.8												
1911-1915	25.9	26.3												
1916-1920	16.5	20.2												
1921-1925	20.8	20.8												
1926-1930	23.4	21.0			2.2				10.7					
1931-1935	11.5	11.3			2.1				18.8					
1936-1940	11.1	11.6			2.2				20.3					
1941-1945	10.1	12.2			3.2				26.2					
1946-1950	16.6	28.9			6.2	0.3			20.3	0.8				
1951-1955	22.7	34.5			15.1	0.9			43.7	2.6				
1956-1960	24.6	41.2			16.2	1.5			39.3	3.7				
1961-1965	36.5	55.6			29.8	2.2			53.5	3.9				
1966-1970	32.0	56.3	66.7	105.8	27.4	2.8			45.3	4.6	3.4	34.5	69.7	-36.1
1971-1975	16.3	48.8	48.1	80.5	45.5	3.4			57.6	4.3	18.1	22.1	51.5	-29.0
1976-1980	10.0	67.1	42.0	92.9	36.9	4.0	32.5	1.1	39.7	4.4	35.1	1.2	46.0	-46.9
1981-1985	10.0	66.5	57.7	87.1	26.0	12.1	28.7	19.0	29.2	14.2	33.0	21.9	69.8	-17.3
1986-1990	9.2	74.6	75.0	94.2	13.7	2.8	22.1	43.7	14.6	3.0	23.5	46.6	77.8	-16.4
1991-1995	6.1	74.8	73.2	74.4	9.4	0.9	36.1	31.1	12.8	1.3	49.7	41.6	74.2	-0.3
1996-2000	6.1	62.4	85.2	79.1	4.1	1.4	45.1	34.0	5.6	1.9	60.1	40.4	86.6	7.6
2001-2005	8.4	81.0	127.8	111.0	4.0	1.9	66.0	53.3	3.6	1.7	59.3	48.2	129.7	18.7
2006-2010	3.5	81.2	146.3	116.3	7.3	2.0	89.1	53.8	6.7	1.7	79.0	46.9	148.3	31.9
2011-2015	7.0	70.1	152.5	110.2	21.4	1.6	98.0	47.5	19.4	1.5	89.2	43.0	154.1	43.9

Sources: assembled by author from multiple sources.